First Investment Bank Half Year Report 2007

FIRST INVESTMENT BANK

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FIRST INVESTMENT BANK

Message from the Managing Board

In the first half of 2007 First Investment Bank continued its successful development, stabilising and expanding its role in the Bulgarian and Balkan banking markets.

In the first six months of the year we achieved:

- The successful completion of the largest bank IPO in Bulgaria
- A 59.9% rise in net profit year-on-year
- The introduction of a new bank card information system
- The transferral of the processing of our card payments to the new card operator "CaSys International" in Macedonia
- The acquisition of a banking license for our subsidiary in Albania
- The opening of 11 new branches in Bulgaria and abroad

A major achievement of FIBank during the first six months of the year was the completion of an Initial Public Offering. As a public company the bank's shares are registered for trading on the Bulgarian Stock Exchange (BSE). The bank successfully accomplished the largest bank IPO ever on the Bulgarian stock market, in the process becoming the largest bank in terms of market capitalisation traded on the BSE. The IPO was carried out with great success, being over-subscribed 5.97 times (based on the BGN 10.70 offer price for a share with a nominal value of BGN 1). FIBank managed to raise BGN 107 mln in fresh capital, which will enhance its future development and expansion. 52% of the new shares issued were acquired by foreign investors, and the total number of shareholders of the bank exceeded 3,300.

FIBank's H1 net profit rose 59.9% year-on-year, based on increased loan portfolio and sound corporate management. During a period of continuously strong competition, FIBank's market share remained stable, accounting for 7.35% of total banking assets. In the first six months of 2007 the bank's assets grew by 10.1% from BGN 3,148 mln as of end-December 2006 to BGN 3,466 mln at end-June 2007. The bank retained its fifth position in terms of total assets in the Bulgarian banking system.

First Investment Bank continued to invest in its future. During the period the bank transferred its card payments processing to a new operator – "CaSys International" in Macedonia, certified by VISA and MasterCard. Furthermore, the bank started to issue EMV2 chip bank cards in order to enhance the security of and confidence in card payments. FIBank also introduced a new bank card information system.

The bank's branch development programme continued during the period, as FIBank acquired a full banking license for its subsidiary in Albania. This will allow for improved penetration in the Albanian banking market by offering a wider range of banking services to local clients. FIBank opened 11 new branches in Bulgaria and abroad, thus reaching a total of 116 outlets by end-June. Commensurate with the expansion of its business, in the six months ending June 2007 the bank increased its staff by 163 employees, to reach 1,761.

The bank retained its sound financial condition as evidenced by a number of key ratios:

- Net profit rose from BGN 12.0 mln to BGN 19.2 mln year-on-year.
- Deposits from non-credit institutions were up from BGN 1,692 mln at the end of 2006 to BGN 1,870 mln, a rise of 10.5%.
- The cost-income ratio was down from 62.6% to 55.0% on a yearly basis, following a positive trend towards improving efficiency.
- Return-on-equity before taxation improved from 21.16% to 22.34% year-on-year.
- The bank's liquidity ratio remained satisfactory – 26.33% by end-June 2007 (34.61% as of the end of 2006).
- The bank's management remained focused on controlling risk and establishing a quality credit portfolio. Non-performing loans amounted to 1.62% of credit portfolio, against 1.88% at the end of 2006.

The bank kept its leading position in international payments, trade finance, the card business and corporate lending.

- FIBank remained amongst the major providers of automated teller machines (ATMs) in Bulgaria with a network of 538 ATM locations. The bank's POS terminals totalled 4220 by end-June, while bank cards in issue rose to over 530 thousand.
- FIBank continued to undertake more than 12% of Bulgaria's international trade finance transactions.
- FIBank's share of the corporate lending market remained stable at around 9%.

Due to the new capital standards of Basel II adopted at the beginning of 2007, FIBank started to account for operational risk. Capital adequacy reached 15.34% for H1 2007 (15.81% as of end-2006 according to pre-Basel II rules). Raising net fee and commission income continued to be a high priority of management. It rose by 32.1% to 22.9 mln (BGN 17.3 mln in H1/2006).

For us, the Managing Board of FIBank, clients remain the most valuable and true measure of our work and services, as our clients' recognition is FIBank's highest reward. In June First Investment Bank won the prestigious "Bank of the Client 2006" award for the third time. The bank looks upon the award as recognition by its clients. A couple of months earlier the bank also received the "Office of the Year 2006" award for its new head office in Sofia.

Supported by our shareholders, clients and employees, we enter the second half of 2007 confident of achieving FIBank's strategy and goals. The bank is ready to meet the increased competition and requirements of the local and European markets and to further expand its activities in Bulgaria and the Balkans.

Macroeconomic Overview

Bulgaria became a full member of the European Union on January 1 2007 thus acquiring the benefits of EU membership. Although this was an acknowledgment of its continuing reform efforts, Bulgaria continues to face a number of challenges. During the first six months of the year the government prepared the National Strategic Reference Framework, which will give access to approximately EUR 7 bln of EU Cohesion and Structural Funds and more than EUR 1.128 bln in national co-financing. The document assigned the anticipated grants to the projects of finance companies across 7 operational programmes: "Regional Development", "Development of the Competitiveness of the Bulgarian Economy", "The Environment", "Transport", "Human Resources Development", "Administrative Capacity" and "Technical Assistance".

The main task of the government was to set up a transparent framework and suitable institutions to allow for the maximum utilisation of European funds while safeguarding these funds against misappropriation. The efficient utilization of these funds will enhance the competitiveness of the Bulgarian economy and further strengthen the cohesion process.

In April Bulgaria held its first elections for Members of the European Parliament, electing 18 MEP's to represent the country. Bulgaria also joined the executive body of the EU, proposing its first European Commissioner who was delegated the control and execution of consumer protection policy within the Union.

Strong internal demand, as well as the favorable effect of EU accession continued to stimulate the country's GDP growth. The economy grew by 6.2% year-on-year in Q1, compared to a 6.1% rise in GDP for the whole of 2006. The main contributors to this were the growth in the services and industry sectors. The government managed to sustain the growth over 6% as planned, maintaining a favourable business climate. The business climate index, which represents managers' assessments of the current situation in the sectors of industry, construction, retail and services, continued to improve during the period. The index stood at 50 points as of end-June, just 0.7 percentage points below the 13-year-high of 50.7 points registered in March.

Bulgaria's sovereign ratings remained unchanged from last year, as both FITCH and the Japanese rating agency JCRA confirmed the country's ability to meet its long-term liabilities. Moody's also confirmed its ratings, recently upgrading the foreign currency perspective from stable to positive. The long-term foreign currency Issuer Default Ratings stood at 'BBB' (Fitch), 'Baa3' (Moody's) and 'BBB+' (JCRA). The long-term local currency ratings remained 'BBB+' (Fitch), 'Baa3' (Moody's) and 'A1-' (JCRA).

In the first six months of the year the trade deficit continued to worsen, reaching 12% of forecast GDP. Imports exceeded exports by 10.4 percentage points, thus worsening the trade and current account balances. By end-June the current account deficit stood at EUR 2.83 bln. or 10.6% of forecast GDP. FDI inflows amounted to EUR 2.11 bln. over the period, compared to EUR 2.0 bln. a year ago, and covered only 74.5% of the current account gap. However the overall balance for the period was positive – EUR 895.6 mln, financed mainly by FDI, current transfers and external borrowing.

Continued investment growth, along with EU accession and the upward trend in international trade boosted private external debt by 13% to EUR 17.14 bln. On the other hand public and government-guaranteed debt fell by EUR 0.466 bln. to EUR 4.03 bln., or 15.1% of forecast GDP. The main contributor to this was the repayment of the country's obligations to the International Monetary Fund. Bulgaria paid in advance the remaining 204.8 mln Special Drawing Rights of its debt to the fund.

At the beginning of 2007 Bulgaria started to make its contributions to the EU budget, which put the tight public expense policy pursued by the government under pressure. The country paid in BGN 272 mln in the first six months. Nevertheless Bulgaria's consolidated fiscal programme performed well during the period resulting in a budget surplus of BGN 2.161 bln., as the country managed to increase revenues by 17.4%. Bulgaria continues to adjust its public expense policy in order to finance an expected hike in investment costs and increased salaries in the public sector. To this end the ruling coalition introduced specific measures to increase tax revenues. All Revenue Agencies were required to draft specific recommendations for improving tax collection and especially VAT, which accounts for most of the budget revenues.

Consumer price inflation continued to be a subject of substantial focus and remained one of the main concerns of the government's macro policy. By end-June inflation rose by 5.6% year-on-year, driven by a steep rise in the prices of fuel and necessity goods. At the same time the harmonised referent criteria stood at 5.3%, still some way from the 4% forecast at the end of 2007. The government is under pressure to enhance its policy mix by minimising public costs and planned budget surpluses in order to comply with Maastricht's inflation criteria.

Selected indicators H1 2007	Referent Maastricht's criteria	EU-27	Euro Area EA-13	New member states EU-10	Bulgaria
Harmonised inflation rate	Max 2.8%	2.1%	1.9%	4.0%	5.3%
Budget balance/GDP	Max -3.0%	-1.7%	-1.6%	-2.1%	3.8%
Government debt/GDP	Max 60.0%	61.7%	69.0%	36.7%	21.6%
GDP growth*	-	3.3%	3.1%	7.0%	6.2%
Long-term interest rate	Max 6.4%	4.8%	4.2%	5.5%	4.3%
Unemployment rate	-	6.9%	6.9%	7.0%	7.4%

* data for Q1,2007 (Eurostat)

The unemployment rate fell by 1.7 percentage points during H1, dropping to the record level of 7.42% at end-June. This continuing positive trend was driven by increased seasonal employment, as well as strong demand for qualified workers in the private sector.

As of January 1st 2007 the government lowered the corporate tax rate to 10% with the aim of increasing the competitiveness of the Bulgarian economy, preventing corruption, reducing the size of the grey sector and stimulating investment inflow. The country continued to support its decision to continue the operation of the Currency Board until the adoption of the Euro, as this will facilitate the smooth transition to the European currency.

The Bulgarian stock market remained a vital part of the country's financial and economic life, as an alternative way to raise capital and finance business operations. The market capitalisation of the Bulgarian stock exchange increased by 40% in the first six months of the year, to reach a record level of over BGN 21 bln.

The country will continue to fight corruption, reform legislation and control European funds, under the scrutiny of the European Commission, in order not to trigger any financial sanctions or safeguard measures by the EU executive body.

Banking Sector

In becoming a full member of the European Union, Bulgaria's banking system faces all the challenges of the open and liberalized European financial marketplace. The banks preparations procedures for assimilating the large amount of European funds progressed during the first six months of this year, as both government and banks continued their efforts to ensure the efficient utilisation of European financing. The Ministry of the Economy and Energy drafted a memorandum with all the commercial banks operating in Bulgaria for accessing and financing company projects within the "Competitiveness" programme, included in the National Strategic Reference Framework. In another draft, bank credits will be granted to farmers, using the planned European subsidies as collateral for their loans.

The banking sector continued its work in aligning its procedures with the provisions of EU regulations. On January 1 2007 the banks in Bulgaria began to implement the new capital adequacy ordinance of Basel II compliant with EU directives 2006/48/EC and 2006/49/EC. The new ordinance introduced capital charges not only for market and credit risk but also for operational risk. Furthermore, the measurement of market and credit risks and the allocation of capital necessary to cover those risks was tuned to the provisions of EU capital adequacy directives. A further challenge for the banking institutions in the country during the period was the process of adaptation and implementation of the new requirements for the reporting of financial and capital adequacy.

In June 2007 a new Law on Markets in Financial Instruments was adopted. The new law implements the Markets in Financial Instruments Directive (MiFID) into national law and becomes effective in November 2007. The law is an important step towards the creation of a single European financial market and will affect the relationships between banks and their customers regarding execution of orders.

In January the National Council for Payment Systems established consultancy groups assigned to deal with the main aspects of harmonising with EU practices. Specialised expert groups were created to monitor and discuss the integration and adoption of the new EU payment instruments, SEPA and TARGET2.

The commercial banks started issuing EMV2 (chip) payment cards, in order to improve the security of the cards resources and promote the confidence of their customers in card payments. FIBank was among the first to offer these secure bank cards on the Bulgarian market. Against the backdrop of the pending integration into the Single Euro Payment Area (SEPA), security and client satisfaction continued to be tasks of the utmost importance to banks.

The restructuring of bank assets in consequence of the repealed additional minimum required reserves held with the Bulgarian National Bank at the beginning of the year stimulated a substantial rise in loan portfolios. The improved economic situation in the country, combined with growing competitiveness within the banking sector and increased investment activity, further boosted growth in bank loans, thus throwing a new signal for a restriction policy by the central bank.

As of June total assets in the banking system stood at BGN 47.215 bln, representing a 11.89% rise since the end of 2006.

The banks' loan portfolios registered a strong increase during the period, reaching the amount of BGN 29.617 bln or 62.7% of total bank assets. The rise in the banking system loan book came on the back of strong demand from individuals and corporate customers combined with reasonable rates of interest.

Deposits from customers (excluding credit institutions) rose to BGN 32.249 bln, as individual and household deposits reached approximately 39% of total funds accumulated by the banking system.

By end-June 2007 the banking sector realised a net profit of BGN 490.5 mln, 43.42% higher than a year ago. As of the end of June the liquidity in the banking system remained stable thus ensuring the resilience of the sector.

The consolidation process within the banking system continued to develop during the period, as two major mergers embedded. Firstly, the three operating banks HVB Bank Biochim, Hebros Bank and Bulbank, combined forces and formed the new Unicredit Bulbank. Secondly, the merger between DZI Bank and Post Bank, still progressing, will form the new Eurobank EFG Bulgaria. By end-June the five biggest banks in Bulgaria in terms of assets controlled 56.5% of total bank assets.

The Bulgarian Bank Association became a full member of the Euro Bank Federation in Brussels and expressed its confidence in becoming part of the European Payment Council, the managing and controlling body of the Single Euro Payment Area. Looking forward, the banking system will continue to monitor the assimilation of Euro funds during the second half of the year, as the first transfers of these funds are due to be made in October and November.

Bank Activities

During the six months ended June 2007 First Investment Bank remained proactive towards the growth in its assets and the increase in its number of customers. The bank's key financial indicators were maintained or improved.

MAIN RATIOS (%)	30.06.2007	31.12.2006	30.06.2006
Capital adequacy	15.34	15.81	17.86
Liquidity	26.33	34.61	35.49
Loan loss allowances / Loan portfolio before allowances	2.67	2.67	2.79
Net interest income / Total income from banking operations (Income diversity ratio)	68.33	64.53	65.21
Return on equity (after tax)	19.98	19.23	17.78
Return on assets (after tax)	1.26	1.12	1.01
Cost/Income ratio	55.04	62.58	62.58

Financial Results

FIBank's H1 net income reached BGN 19.2 mln, growing 59.9% year-on-year on the back of net interest income and fee and commission income. Total income from banking operations grew by over BGN 26.8 million (45.4%).

For the six months ended 30 June 2007 the net interest income surged by 52.3% to reach BGN 58.7 mln. This increase was due to the larger amount of extended loans (a 56.2% increase year-on-year). Interest income increased by BGN 27.8 mln (30.4%) with a strong contribution coming from retail lending (an increase of BGN 10.6 mln or 65.7%) and lending to SMEs and microenterprises (BGN 5.3 mln, 70.1%).

Net fee and commission income rose 32.1% to BGN 22.9 mln. Net fee and commission income accounted for 26.6% of the total income from banking operations (H1/2006: 29.3%). Most of the income was generated from the processing of documentary payments, funds transfers, and card payments. This reflects the leading position of First Investment Bank in these markets.

Net trading income improved as well – up 47.9% to BGN 4.7 mln.

On the expenditure side of the income statement general administrative expenses rose by BGN 10.3 mln (27.9%), reaching BGN 47.3 mln. The largest cost drivers were personnel costs (an increase of BGN 4.1 mln, 42.0% year-on-year), building rent expense (BGN 1.3 mln, 31.5%), depreciation and amortization (BGN 1.1 mln, 24.7%), and administration, consultancy and other costs (BGN 1.7 mln, 17.5%). The increase in these costs reflected the overall expansion of the business of the bank. Nevertheless cost efficiency improved as evidenced by the cost/income ratio, which fell to 55.04% from 62.58% in H1/2006, and the return on assets, which increased to 1.26% from 1.01%.

Impairment losses increased to BGN 14.3 mln. This increase reflects the growth of the loan portfolio and the corresponding increase of general impairment allowances, as well as an increase of impairment allowances on substandard exposures. The quality of the loan portfolio was preserved and the share of non-performing loans decreased to 1.62% of the total loan portfolio (30 June 2006: 2.12%).

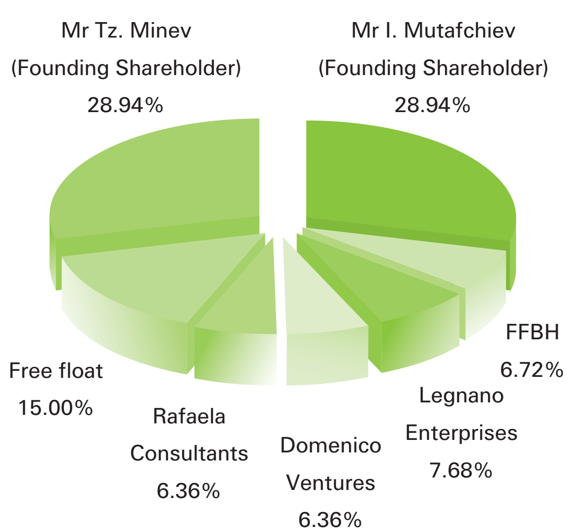
Balance Sheet

FIBank's total assets rose by BGN 317.8 mln (10.1%), reaching BGN 3,465 mln by end-June. FIBank's retained its fifth position in terms of assets in the Bulgarian banking system. Loans and advances to customers surged by 29.7% to BGN 2,217 mln in H1, accounting for 64.0% of the bank's total assets.

Type of loan	30.06.2007	%	31.12.2006	%	30.06.2006	%
Mortgage loans to individuals	326,196	14.33	234,742	13.37	172,854	11.85
Consumer loans to individuals	280,619	12.32	219,139	12.49	187,392	12.85
Microlending	33,784	1.48	23,461	1.34	16,644	1.14
SMEs	225,491	9.92	162,997	9.29	134,607	9.23
Corporate lending	1,410,792	61.95	1,114,642	63.51	946,911	64.93
TOTAL (before allowances)	2,277,332	100	1,754,981	100	1,458,408	100

The public placement of 10 mln new ordinary shares in H1 contributed BGN 107 mln to the capital of the bank, of which BGN 97 mln was share premium. The bank's issued share capital increased by BGN 10 mln to BGN 110 mln. The bank's total equity rose to BGN 294.6 mln.

Shareholding Structure as at 30 June 2007



The Bank complied with all statutory capital requirements throughout the period, and as at end-June Tier 1 capital ratio was 10.33%, while the total capital ratio reached 15.34%. Effective from 1st January 2007 the capital adequacy ratios reported by FIBank were compliant with Basel II as laid out in EU directives and the local ordinance that transposes their provisions.

Cash and balances with central banks fell 19.2% to BGN 572 mln. Investments available for sale also declined 23.0% to BGN 391 mln while financial assets held to maturity and the securities held for trading both increased.

The bank's branch expansion programme continued to develop in the six months ended June, as the main focus was turned from Sofia to the country. FIBank opened 9 new branches and offices in Varna, Radnevo, Plovdiv, Sevlievo, Burgas, Targovishte and Sofia. The total number of branches and offices reached 116 by end-June 2007 (107 by end-December 2006). At the end of the period FIBank received a full banking licence for its subsidiary in Albania. FIBank will transfer the assets and liabilities of its Albanian branch to its subsidiary in due course in order to improve its penetration in the Albanian retail banking market. Meanwhile FIBank opened two new outlets in Albania (in Elbasan and Vlorë). Through its branch network in Bulgaria and Albania and its sister bank UNIBank (Macedonia) FIBank spans the full length of International Transport Corridor №8.

In 2007 First Investment Bank agreed with InfoNotary EAD, an issuer of e-signatures licensed in Bulgaria, to issue to its customers electronic identities under preferential terms, in line with the current security recommendations. This will allow the bank to further strengthen confidence in its Internet banking service. The bank will also act as an agency in the issuance of electronic signatures to third parties.

Retail Banking

The retail loan portfolio continued to grow in importance during the period, representing 26.7% of the bank's total loan book. Mortgage loans to individuals grew by 39.0% in the last six months, reaching BGN 326 mln. The growth of mortgage loans outpaced the growth rate of the banking system (30.6% year-to-date) due to flexible and innovative retail products and the competitive terms of the loans. Consumer loans were also up 28.1% (banking system: 21.2% year-to-date). In H1 the bank increased the maximum consumer loan limit to BGN 30,000.

Retail deposits are the main source of funding for the bank. In the first six months of 2007 they rose to BGN 1,162 mln (14.7%), as both current accounts and term deposits ended the period on an upturn. In the first half of 2007 FIBank offered, for the first time, structured deposits allowing its customers to benefit from exposures to the international financial markets while protecting their investments from adverse movements of the underlying assets.

Corporate Banking

Corporate lending retained its leading position in FIBank's loan book, comprising up to 61.95% of total loans before allowances. These loans generated 55.8% of the interest income of the bank. Corporate lending increased by 26.57% to BGN 1.410 bln. The loan portfolio is reasonably diversified across sectors, with the highest shares being in industry (35.54%), trade (26.49%) and construction (9.76%).

The SME lending business grew by BGN 62.5 mln during the period raising its share to 9.92% of FIBank's loan book. There was growth in microlending as well, up 44% to BGN 33.8 mln. In the first half of the year FIBank continued to develop its products for these customers. The bank introduced loans for agricultural land purchases, financing up to 70% of the value of the acquired land. The bank also joined the EU programme for farming subsidies by offering preferential terms of lending to those farmers who participate in the programme. FIBank was the first to finance up to 100% of the projected European subsidies for local farm producers, thus providing them with fast, flexible and timely lending facility.

Deposits from corporate customers also ended the period up 4.24%, to reach BGN 707.3 mln.

Card Payments

FIBank managed to keep its leading position in the bank card business, ending the first six months with over 530,000 issued bank cards, over 491,000 of which were debit and over 38,000 credit cards. The bank deployed a new card system for processing its newly issued cards and moved to a new processing centre – CaSys International (Macedonia), certified to process transactions by VISA and MasterCard. The bank started to approve and issue credit cards using a refined scoring system. Applications are now accepted through all distribution channels – the Internet, the call centre, the front office and credit departments.

FIBank continued to sell Diners Club cards successfully, rising by 44.6%, to reach about 16,700 by end-period. The main contribution to this came from Diners Club International® First Lady Card, launched in March 2007. These cards became the first lifestyle cards in the Bulgarian market. In the first 3 months after its launch, the First Lady results showed an average monthly turnover 45% higher than the other Diners Club products.

FIBank continued to develop its ATM and POS networks. By end-June the bank operated 538 ATMs and 4220 POS terminals.

International Payments

First Investment Bank is among the leaders in trade finance and cross-border credit transfers. In the first half of 2007 the bank continued to expand its market share which, in cross-border payments, reached 6.6% of outgoing and 6.8% of incoming transfers. Despite strong competition the bank also maintained its position among the market leaders with shares of 12.2% in sent and 12.5% in received trade finance messages. These services are among the major sources of fee and commission income and their strong performance underpins the income diversification in recent years.

Leadership, innovation and flexibility will continue to contribute to an improving service, attracting new business partners and new intellectual capital. FIBank will continue its rapid growth and customer-oriented policy in order to deliver more outstanding products and services.

From left to right:
Radoslav Milenkov, Yordan Skortchev, Maya Georgieva, Ivan Ivanov, Matthew Mateev, Maya Oyfalosh, Evgeni Lukanov

Managing Board

Matthew Alexandrov Mateev
Executive Director,
Chairman of the Managing Board

Maya Lubenova Georgieva
Executive Director

Jordan Velichkov Skortchev
Executive Director

Evgeni Krastev Lukanov
Executive Director

Maya Ivanova Oyfalosh
Director "Corporate Banking"

Radoslav Todorov Milenkov
Director "Financial and Accounting"

Ivan Stefanov Ivanov
Regional Director "Northeast Bulgaria"

Supervisory Board

Georgi Dimitrov Mutafchiev
Chairman of the Supervisory Board

Radka Vesselinova Mineva
Member of the Supervisory Board

Todor Ludmilov Breshkov
Member of the Supervisory Board

Nedelcho Vasilev Nedelchev
Member of the Supervisory Board

Kaloyan Yonchev Ninov
Member of the Supervisory Board

The business address of all Supervisory Board members is 37, Dragan Tsankov Blvd., 1797 Sofia.

Consolidated Financial Statements as at 30 June 2007 with Independent Auditor's Report thereon

Consolidated income statement for the six months ended 30 June 2007

In thousands of BGN

	Note	Six months ended 30 June 2007	Six months ended 30 June 2006
Interest and similar income		119,335	91,545
Interest expense and similar charges		(60,661)	(53,031)
Net interest income	**6**	**58,674**	**38,514**
Fee and commission income		26,271	19,964
Fee and commission expense		(3,407)	(2,653)
Net fee and commission income	**7**	**22,864**	**17,311**
Net trading income	**8**	**4,687**	**3,168**
Other operating income	**9**	**(350)**	**64**
TOTAL INCOME FROM BANKING OPERATIONS		**85,875**	**59,057**
General administrative expenses	10	(47,265)	(36,958)
Impairment losses	11	(14,289)	(6,306)
Other expenses, net		(2,878)	(1,536)
PROFIT BEFORE TAX		**21,443**	**14,257**
Income tax expense	**12**	**(2,268)**	**(2,280)**
GROUP PROFIT AFTER TAX		**19,175**	**11,977**
Minority interests		64	56
NET PROFIT		**19,239**	**12,033**
Basic and diluted earnings per share (BGN)	**13**	**0.19**	**0.12**

The income statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 16 to 54.

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

Krassimir Hadjidinev
Registered auditor
Authorised representative

KPMG Bulgaria OOD

0202 Маргарита Голева
Регистриран одитор

Margarita Goleva
Registered auditor

Consolidated balance sheet as at 30 June 2007

In thousands of BGN

	Note	30 June 2007	31 December 2006
ASSETS			
Cash and balances with Central Banks	14	572,319	708,038
Financial assets held for trading	15	23,249	13,239
Available for sale investments	16	391,263	508,006
Financial assets held to maturity	17	107,903	70,221
Loans and advances to banks and financial institutions	18	41,942	42,032
Loans and advances to customers	19	2,217,996	1,709,773
Property and equipment	20	91,224	80,753
Intangible assets	21	861	840
Other assets	23	18,784	14,864
TOTAL ASSETS		**3,465,541**	**3,147,766**
LIABILITIES AND CAPITAL			
Due to credit institutions	24	3,170	10,436
Due to other customers	25	1,869,678	1,692,197
Liabilities evidenced by paper	26	1,142,122	1,123,218
Subordinated term debt	27	51,119	48,299
Perpetual debt	28	99,174	98,141
Deferred tax liability	22	1,297	1,169
Other liabilities	29	4,395	5,913
TOTAL LIABILITIES		**3,170,955**	**2,979,373**
Issued share capital	31	110,000	100,000
Share premium	31	97,000	-
Statutory reserve	31	39,861	39,861
Revaluation reserve on available for sale investments	31	(420)	(258)
Retained earnings	31	48,199	28,960
SHAREHOLDERS' EQUITY		**294,640**	**168,563**
Minority interests	31	(54)	(170)
TOTAL GROUP EQUITY		**294,586**	**168,393**
TOTAL LIABILITIES AND GROUP EQUITY		**3,465,541**	**3,147,766**

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 16 to 54.

Krassimir Hadjidinev
Registered auditor
Authorised representative

KPMG Bulgaria OOD

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

Margarita Goleva
Registered auditor

0202 Маргарита Голева
Регистриран одитор

Consolidated statement of cash flows for the six months ended 30 June 2007

In thousands of BGN

	Note	Six months ended 30 June 2007	Six months ended 30 June 2006
Net cash flow from operating activities			
Net profit		19,239	12,033
Adjustment for non-cash items			
Impairment losses	11	14,289	6,306
Depreciation and amortisation		5,381	4,316
Income tax expense	12	2,268	2,280
		41,177	24,935
Change in operating assets			
(Increase) in financial instruments held for trading	15	(10,010)	(12,930)
(Increase)/decrease in available for sale investments		116,581	(65,881)
(Increase)/decrease in loans and advances to banks		19,090	(9,919)
(Increase) in loans to customers	19	(522,512)	(87,518)
(Increase) in other assets	23	(3,920)	(7,949)
		(400,771)	**(184,197)**
Change in operating liabilities			
Increase/(decrease) in deposits from banks	24	(7,266)	18,025
Increase in amounts owed to other depositors	25	177,481	65,746
Net (decrease) in other liabilities		(1,273)	(3,179)
		168,942	**80,592**
Income tax paid		(2,449)	(1,877)
NET CASH FLOW FROM OPERATING ACTIVITIES		**(193,101)**	**(80,547)**
Cash flow from investing activities			
Purchase of tangible and intangible fixed assets	20,21	(15,873)	(15,388)
(Acquisition)/decrease of investments	17	(37,682)	19,350
NET CASH FLOW FROM INVESTING ACTIVITIES		**(53,555)**	**3,962**
Financing activities			
Increase of shareholders's equity, fully paid-up	31	10,000	-
Increase of share premium	31	97,000	-
Capital increase of subsidiary		180	-
Increase/(decrease) in borrowings	26,27,28	22,757	(4,099)
NET CASH FLOW FROM FINANCING ACTIVITIES		**129,937**	**(4,099)**
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		**(116,719)**	**(80,684)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD		**730,811**	**574,049**
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**33**	**614,092**	**493,365**

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 16 to 54.

Krassimir Hadjidinev
Registered auditor
Authorised representative

KPMG Bulgaria OOD

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

Margarita Goleva
Registered auditor

0202 Маргарита Голева
Регистриран одитор

Consolidated statement of changes in shareholders' equity for the six months ended 30 June 2007

In thousands of BGN

	Note	Share capital	Share premium	Retained earnings	Revaluation reserve on available for sale investments	Statutory reserve	Minority interests	Total
Balance as at 1 January 2006	**31**	**64,726**	**1,304**	**41,265**	**(137)**	**22,709**	**35**	**129,902**
Transfer to statutory reserves	-	-	-	(17,152)	-	17,152	-	-
Revaluation reserve on available for sale investments, net	-	-	-	-	(52)	-	-	(52)
Net profit for the six months ended 30 June 2006	-	-	-	12,033	-	-	(56)	11,977
Balance as at 30 June 2006	**31**	**64,726**	**1,304**	**36,146**	**(189)**	**39,861**	**(21)**	**141,827**
Balance as at 1 January 2007	**31**	**100,000**	**-**	**28,960**	**(258)**	**39,861**	**(170)**	**168,393**
Increase of shareholders' equity, fully paid-up	-	10,000	97,000	-	-	-	-	107,000
Revaluation reserve on available for sale investments, net	-	-	-	-	(162)	-	-	(162)
Capital increase of subsidiary	-	-	-	-	-	-	180	180
Net profit for the six months ended 30 June 2007	-	-	-	19,239	-	-	(64)	19,175
Balance as at 30 June 2007	**31**	**110,000**	**97,000**	**48,199**	**(420)**	**39,861**	**(54)**	**294,586**

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 16 to 54.

The financial statements have been approved by the Managing Board on 2 August 2007 and signed on its behalf by:

Matthew Mateev
Chairman of the Managing Board,
Executive Director

Maya Georgieva
Executive Director

Radoslav Milenkov
Chief Financial Officer

Krassimir Hadjidinev
Registered auditor
Authorised representative

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

Margarita Goleva
Registered auditor

0202 Маргарита Голева Регистриран одитор

KPMG Bulgaria OOD

1. Basis of preparation

(a) Statute

First Investment Bank AD (the Bank) is incorporated in the Republic of Bulgaria and has its registered office in Sofia, at 37 Dragan Tzankov Blvd.

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

As a result of a successful initial public offering (IPO) of new shares on the Bulgarian Stock Exchange – Sofia the Bank was registered as a public company at the Register of the Financial Supervision Commission in accordance with the provisions of the Bulgarian Public Offering of Securities Act on 13 June 2007.

The consolidated financial statements of the Bank as at and for the six months ended 30 June 2007 comprise the Bank and its subsidiaries (see note 36), together referred to as the "Group".

(b) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 2 (p).

In preparing these consolidated financial statements, the Group has adopted IFRS 7 "Financial Instruments: Disclosures". The adoption of IFRS 7 impacted the type and amount of disclosures made in these financial statements, but had no impact on the reported profit or financial position of the Group. In accordance with the transitional requirements of the standards, the Group has provided full comparative information.

(c) Basis of preparation

The financial statements are presented in Bulgarian Leva (BGN) rounded to the nearest thousand.

The Group has made certain reclassifications to the financial statements as of 31 December 2006 in order to provide more clear and precise comparison figures.

The financial statements are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held for trading, and available-for-sale assets, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost convention and restated for the effects of hyperinflation where necessary. Prior to 1998 the Bulgarian economy experienced severe hyperinflation and the Bank's 1997 financial statements have been restated in accordance with IAS 29, Financial Reporting in Hyperinflationary Economies. Those financial statements have been restated for the changes in the general purchasing power of the Bulgarian Lev, and as a result, are stated in terms of the measuring unit current at 31 December, 1997.

2. Significant accounting policies

(a) Income recognition

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

Fee and commission income arises on financial services provided by the Group and is recognised when the corresponding service is provided.

Net trading income includes gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading.

(b) Basis of consolidation of subsidiaries

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Special purpose entities are consolidated when the substance of the relationship between the Group and the special purpose entity indicates that the special purpose entity is controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(c) Foreign currency transactions

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Bulgarian leva, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the exchange rates at the balance sheet date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items are included in the fair value reserve in equity.

(iii) Foreign operations

The functional currency of the foreign operations (Albania and Cyprus) is determined by the management to be the Euro. In determining the functional currency of the foreign operations, the Group takes into account the fact that they are carried out as an extension of the reporting entity.

(d) Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

(iv) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(v) Recognition

Purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognised on the date of the actual delivery of the assets. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Group has transferred substantially all risks and rewards of ownership.

(vi) Measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss.

However, interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

(vii) Fair value measurement principles

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash deposited with central banks and short-term highly liquid investments with maturity of three months or less.

(f) Investments

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

(g) Securities borrowing and lending business and repurchase transactions

(i) Securities borrowing and lending

Investments lent under securities lending arrangements continue to be recognised in the balance sheet and are measured in accordance with the accounting policy for assets held for trading or available-for-sale as appropriate. Cash collateral received in respect of securities lent is recognised as liabilities to either banks or customers. Investments borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense.

(ii) Repurchase agreements

The Group enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans to either banks or customers. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the balance sheet and are measured in accordance with the accounting policy for either assets held for trading or available-for-sale as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or customers.

The difference between the purchase (sale) and resell (repurchase) considerations is recognised on an accrual basis over the period of the transaction and is included in interest income (expenses).

(h) Borrowings

Borrowings are recognised initially at 'cost', being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognized in the income statement over the period of the borrowings using the effective yield method.

If the Group purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of a liability and the consideration paid is included in net trading income.

(i) Offsetting

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

(j) Impairment

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

(i) Loans and advances

The recoverable amount of loans and advances and purchased loans is calculated as the present value of the expected future cash flows, discounted at the instrument's original effective interest rate. If a loan has a variable interest rate, the discount rate is the current effective interest rate determined under the contract. Short-term balances are not discounted.

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

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write-down or allowance is reversed through the income statement.

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

The recoverable amount of an equity instrument is its fair value. The recoverable amount of debt instruments and purchased loans remeasured to fair value is calculated as the present value of expected future cash flows discounted at the current market rate of interest.

Where an asset remeasured to fair value directly through equity is impaired, and a write down of the asset was previously recognised directly in equity, the write down is transferred to the income statement and recognised as part of the impairment loss. Where an asset measured to fair value directly through equity is impaired, and an increase in the fair value of the asset was previously recognised in equity, the increase in fair value of the asset recognised in equity is reversed to the extent the asset is impaired. Any additional impairment loss is recognised in the income statement.

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

(k) Property, plant and equipment

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

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

Assets	**%**
Buildings	3 – 4
Equipment	15 – 20
Fixtures and fittings	15 – 20
Vehicles	15 – 20

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

(l) Intangible assets

Intangible assets, which are acquired by the Group, are stated at cost less accumulated amortisation and any impairment losses.

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

Assets	**%**
Licences	15 – 50
Computer software	20

(m) Provisions

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

(n) Acceptances

An acceptance is created when the Group agrees to pay, at a stipulated future date, a draft drawn on it for a specified amount. The Group's acceptances primarily arise from documentary credits stipulating payment for the goods to be made a certain number of days after receipt of required documents. The Group negotiates most acceptances to be settled at a later date following the reimbursement from the customers. Acceptances are accounted for as liabilities evidenced by paper.

(o) Taxation

Tax on the profit for the year comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted by the balance sheet date, and any adjustment of tax payable for previous years.

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

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

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

(p) Critical accounting estimates and judgements in applying accounting policies

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

(i) Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(r) Standards, Interpretations and amendments to published Standards that are not yet effective and are relevant to the Group's activities

Revised IAS 23 *Borrowing Costs* (effective from 1 January 2009)

Revised IAS 23 is not relevant to the Group's operations as the Group does not have any qualifying assets for which borrowing costs would be capitalised.

IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions* (effective for annual periods beginning on or after 1 March 2007)

IFRIC 11 is not relevant to the Group's operations as the Group has not entered into any share-based payments arrangements.

IFRIC 12 *Service Concession Arrangements* (effective from 1 January 2008)

IFRIC 12 is not relevant to the Group's operations as none of the Group entities have entered into any service concession arrangements.

IFRIC 13 *Customer Loyalty Programmes* (effective for annual periods beginning on or after 1 July 2008)

The Group does not expect the Interpretation to have any impact on the consolidated financial statements.

IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interactions* (effective for annual periods beginning on or after 1 January 2008)

The Group does not operate in countries that have a minimum funding requirement where there are restrictions on the employer company's ability to get refunds or reduce contributions.

3. Risk management disclosures

A. Trading activities

The Group maintains active trading positions in a limited number of derivatives, mainly short-term forward contracts and non-derivative financial instruments. Most of the Group's trading activities are customer driven. In anticipation of customer demand, the Group carries an inventory of money market instruments and maintains access to market liquidity by trading with other market makers. These activities constitute the proprietary trading business and enable the Group to provide customers with money market products at competitive prices. As trading strategies depend on both market-making and proprietary positions, given the relationships between instruments and markets, those are managed in concert to maximise net trading income.

The Group manages its trading activities by type of risk involved and on the basis of the categories of trading instruments held.

(i) Credit risk

The risk that counterparts to financial instruments might default on their obligations is monitored on an ongoing basis. In monitoring credit risk exposures related to trading instruments, consideration is given to instruments with a positive fair value and to the volatility of the fair value of trading instruments.

(ii) Market risk

All marked-to-market instruments are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable or more onerous. The instruments are recognised at fair value based on quoted bid prices, and all changes in market conditions directly affect net trading income (through trading instruments) or equity value (through available for sale instruments). However, in a developing capital market, the prices with which transactions are realised can be different from quoted prices. While management has used available market information in estimating fair value, the market information may not be fully reflective of the value that could be realised under the current circumstances.

Exposure to market risk is formally managed in accordance with risk limits set by senior management by buying or selling instruments. The quantitative measurement of market risk is performed by applying VaR (Value at Risk) approach. The Value at Risk estimates the maximum overnight loss that could occur due to adverse changes in market conditions if the marked-to-market positions remain unchanged for a time interval of one day. The confidence level used is 95% meaning that there is no more than 5% probability that a portfolio will incur a loss in one day greater than its VaR. Future price fluctuations are estimated on the basis of historical price changes of risk factors, exponentially weighted, over the preceding 250 trading days. Covariance adjustments are made only within risk categories but not between risk categories.

The Value at Risk is calculated and monitored on a daily basis as part of the Group's ongoing risk management. The following table summarises the range of VaR for all marked-to-market positions that was experienced during the first six months of 2007:

in thousands of BGN	30 June 2007	Six months ended 30 June 2007 average	Six months ended 30 June 2007 low	Six months ended 30 June 2007 high	31 December 2006
VaR	262	236	177	318	257

B. Non-trading activities

Below is a discussion of the various risks the Group is exposed to as a result of its non-trading activities and the approach taken to manage those risks.

(i) Liquidity risk

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

Funds are raised using a broad range of instruments including deposits, other liabilities evidenced by paper, and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Group makes its best efforts to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturity. The Group continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Group strategy.

The following table provides an analysis of the financial assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment.

Maturity table as at 30 June 2007

In thousands of BGN	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	Over 1 year	Maturity not defined	Total
Assets						
Cash and balances with Central Banks	572,319	-	-	-	-	**572,319**
Financial assets held for trading	23,249	-	-	-	-	**23,249**
Available for sale investments	35,724	106,925	154,424	93,221	969	**391,263**
Financial assets held to maturity	183	-	17,554	90,166	-	**107,903**
Loans and advances to banks and financial institutions	37,835	3,938	-	-	169	**41,942**
Loans and advances to customers	102,123	129,760	590,387	1,395,726	-	**2,217,996**
Property and equipment	-	-	-	-	91,224	**91,224**
Intangible assets	-	-	-	-	861	**861**
Other assets	18,784	-	-	-	-	**18,784**
Total assets	**790,217**	**240,623**	**762,365**	**1,579,113**	**93,223**	**3,465,541**
Liabilities						
Due to credit institutions	3,170	-	-	-	-	**3,170**
Due to other customers	1,366,779	179,799	247,567	75,533	-	**1,869,678**
Liabilities evidenced by paper	176,124		845,997	120,001	-	**1,142,122**
Subordinated term debt	-	-	-	51,119	-	**51,119**
Perpetual debt	-	-	-	-	99,174	**99,174**
Deferred tax liability	-	-	-	-	1,297	**1,297**
Other liabilities	4,145	-	3	247	-	**4,395**
Total liabilities	**1,550,218**	**179,799**	**1,093,567**	**246,900**	**100,471**	**3,170,955**
Net liquidity gap	**(760,001)**	**60,824**	**(331,202)**	**1,332,213**	**(7,248)**	**294,586**

As at 30 June 2007 the thirty largest non-financial depositors represent 15.34% of total deposits from other customers (2006: 17.28 %).

Maturity table as at 31 December 2006

In thousands of BGN	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	Over 1 year	Maturity not defined	Total
Assets						
Cash and balances with Central Banks	708,038	-	-	-	-	**708,038**
Financial assets held for trading	13,239	-	-	-	-	**13,239**
Available for sale investments	78,994	130,014	138,868	159,159	971	**508,006**
Financial assets held to maturity	-	15,681	8,430	46,110	-	**70,221**
Loans and advances to banks and financial institutions	37,916	3,942	-	-	174	**42,032**
Loans and advances to customers	66,715	126,785	405,482	1,110,791	-	**1,709,773**
Property and equipment	-	-	-	-	80,753	**80,753**
Intangible assets	-	-	-	-	840	**840**
Other assets	14,864	-	-	-	-	**14,864**
Total assets	**919,766**	**276,422**	**552,780**	**1,316,060**	**82,738**	**3,147,766**
Liabilities						
Due to credit institutions	10,436	-	-	-	-	**10,436**
Due to other customers	1,250,089	168,226	218,003	55,879	-	**1,692,197**
Liabilities evidenced by paper	225,842	446	364,086	532,844	-	**1,123,218**
Subordinated term debt	-	-	-	48,299	-	**48,299**
Perpetual debt	-	-	-	-	98,141	**98,141**
Deferred tax liability	-	-	-	-	1,169	**1,169**
Other liabilities	5,606	-	6	301	-	**5,913**
Total liabilities	**1,491,973**	**168,672**	**582,095**	**637,323**	**99,310**	**2,979,373**
Net liquidity gap	**(572,207)**	**107,750**	**(29,315)**	**678,737**	**(16,572)**	**168,393**

(ii) Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities the Group are also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices, such as the Bulgarian Basic Interest Rate, the LIBOR and EURIBOR, although these indices tend to move in high correlation. In addition, the actual effect will depend on a number of other factors, including the extent to which repayments are made earlier or later than the contracted dates and variations in interest rate sensitivity within repricing periods and among currencies.

In order to quantify the interest rate risk of its non-trading activities, the Group measures the impact of a change in the market rates both on net interest income and on the Group's economic value. The interest rate risk on the economic value of the Group following a standardised shock of +100bp/-100bp as at 30 June 2007 is BGN -3.6/+3.6 Mio. The interest rate risk on the Group's net interest income one year forward following a standardised shock of +100bp/-100bp as at 31 December 2006 is BGN –0.3/+0.3 Mio.

An analysis of the Group's sensitivity to an increase or decrease in market interest rates (assuming no assymetrical movement in yield curves and a constant balance sheet position) is as follows:

	100 bp parallel increase	50 bp increase after 1 year
Minimum of the period	(3,665)	(1,521)
Maximum of the period	2,281	656
Average of the period	264	(913)

The following table indicates the effective interest rates at 30 June 2007 and the periods in which financial liabilities and assets reprice.

In thousands of BGN	Total	Weighted average effective interest rate	Floating rate instruments	Fixed rate instruments			
				Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year	More than 1 year
Assets							
Cash and balances with Central Banks	210,296	4.21%	25,477	184,819	-	-	-
Financial assets held for trading	16,507	3.38%	84	-	-	-	16,423
Available for sale investments	387,329	4.19%	73,105	35,072	106,246	154,216	18,690
Financial asstes held to maturity	106,618	3.79%	45,268	183	-	9,564	51,603
Loans and advances to banks and financial institutions	30,486	4.08%	248	26,326	3,912	-	-
Loans and advances to customers	2,193,923	11.01%	1,974,475	18,613	4,319	66,008	130,508
Non-interest earning assets	520,382	-	-	-	-	-	-
Total assets	**3,465,541**		**2,118,657**	**265,013**	**114,477**	**229,788**	**217,224**
Liabilities							
Due to credit institutions	3,032	2.19%	1,369	1,663	-	-	-
Due to other customers	1,788,148	2.70%	1,696,202	45,542	14,036	30,617	1,751
Liabilities evidenced by paper	1,128,575	6.30%	502,246	175,857	-	403,234	47,238
Subordinated term debt	49,370	13.27%	-	-	-	-	49,370
Perpetual debt	93,880	12.56%	-	-	-	-	93,880
Non-interest bearing liabilities	107,950	-	-	-	-	-	-
Total liabilities	**3,170,955**		**2,199,817**	**223,062**	**14,036**	**433,851**	**192,239**

The following table indicates the effective interest rates at 31 December 2006 and the periods in which financial liabilities and assets reprice.

In thousands of BGN	Total	Weighted average effective interest rate	Floating rate instruments	Fixed rate instruments			
				Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year	More than 1 year
Assets							
Cash and balances with Central Banks	375,044	3.67%	22,416	352,628	-	-	-
Financial assets held for trading	8,627	3.66%	73	-	7,417	-	1,137
Available for sale investments	502,114	3.98%	72,096	78,545	126,808	137,911	86,754
Financial asstes held to maturity	69,265	3.50%	36,763	-	21,458	2,134	8,910
Loans and advances to banks and financial institutions	37,152	3.66%	258	32,982	3,912	-	-
Loans and advances to customers	1,678,388	11.13%	1,490,522	10,922	13,812	18,023	145,109
Non-interest earning assets	477,176	-	-	-	-	-	-
Total assets	**3,147,766**		**1,622,128**	**475,077**	**173,407**	**158,068**	**241,910**
Liabilities							
Due to credit institutions	10,175	4.66%	2,978	7,197	-	-	-
Due to other customers	1,638,884	2.39%	1,581,020	27,557	7,311	22,574	422
Liabilities evidenced by paper	1,095,682	6.11%	419,286	225,188	443	1,023	449,742
Subordinated term debt	45,312	13.30%	-	-	-	-	45,312
Perpetual debt	93,880	12.56%	-	-	-	-	93,880
Non-interest bearing liabilities	95,440	-	-	-	-	-	-
Total liabilities	**2,979,373**		**2,003,284**	**259,942**	**7,754**	**23,597**	**589,356**

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk through transactions in foreign currencies and on financial instruments that are denominated in a foreign currency.

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 Group presents it financial statements is the Bulgarian lev, the Group's financial statements are effected by movements in the exchange rates between the Bulgarian lev and currencies other than the Euro.

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

In thousands of BGN	30 June 2007	31 December 2006
Monetary assets		
Euro	1,978,935	1,791,518
US dollar	309,897	307,381
Other	69,355	67,226
Gold	4,004	3,134
Monetary liabilities		
Euro	1,998,814	1,944,038
US dollar	310,285	308,620
Other	69,726	67,308
Gold	-	-
Net position		
Euro	(19,879)	(152,520)
US dollar	(388)	(1,239)
Other	(371)	(82)
Gold	4,004	3,134

In respect of monetary assets and liabilities in foreign currencies that are not economically hedged, the Group manages foreign currency risk in line with policy that sets limits on currency positions and dealer limits.

(iii) Credit risk

The Group is subject to credit risk through its lending activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. In this respect, the credit risk for the Group stems from the possibility that different counterparties might default on their contractual obligations. The management of the credit risk exposures to borrowers is conducted through regular analysis of the borrowers' credit worthiness and the assignment of a rating grade. Exposure to credit risk is also managed in part by obtaining collateral and guarantees.

The Group's primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. These exposures are as follows:

30 June 2007			*In thousands of BGN*
Class of exposure	**Gross amount of loans and advances to customers**	**Allowance for impairment**	**Carriyng amount of loans and advances to customers**
Collectively impaired			
Standard	2,209,950	(19,755)	2,190,195
Individually impaired			
Watch	11,943	(625)	11,318
Substandard	18,513	(8,763)	9,750
Nonperforming	36,926	(30,193)	6,733
Total	**2,277,332**	**(59,336)**	**2,217,996**

31 December 2006			*In thousands of BGN*
Class of exposure	**Gross amount of loans and advances to customers**	**Allowance for impairment**	**Carriyng amount of loans and advances to customers**
Collectively impaired			
Standard	1,679,274	(15,750)	1,663,524
Individually impaired			
Watch	22,083	(1,661)	20,422
Substandard	20,679	(2,691)	17,988
Nonperforming	32,945	(25,106)	7,839
Total	**1,754,981**	**(45,208)**	**1,709,773**

In addition, the Group is exposed to off-balance sheet credit risk through commitments to extend credit and guarantees issued (see note 32).

Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The major concentrations of credit risk arise by location and type of customer in relation to the Group's investments, loans and advances, commitments to extend credit and guarantees issued.

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

In thousands of BGN	30 June 2007	31 December 2006
Trade	442,504	298,586
Industry	593,633	460,032
Services	155,078	128,129
Finance	1,651	1,620
Transport, logistics	71,872	47,870
Communications	12,049	5,646
Construction	163,067	160,910
Agriculture	77,540	62,760
Tourist services	137,064	119,488
Private individuals	606,815	453,881
Other	16,059	16,059
Less allowance for impairment	(59,336)	(45,208)
	2,217,996	**1,709,773**

The Group has extended loans to enterprises involved in different types of activities but within the same economic sector - industry. As such the exposures share a similar industry risk. There are two such groups of enterprises at 30 June 2007 with total exposures amounting to BGN 26,620 thousand (2006: BGN 25,705 thousand) - cable and electrics and BGN 89,792 thousand (2006: BGN 69,938 thousand) - power engineering.

The Group has extended loans, confirmed letters of credit and granted guarantees to 11 individual clients or groups (2006: 10) with each individual exposure exceeding 10% of the capital base of the Group and based on the book value of the corresponding credit facility. The total amount of these exposures is BGN 624,952 thousand which represents 153.48% of the Group's capital base (2006: BGN 463,399 thousand which represented 153.80% of capital base) of which BGN 379,565 thousand (2006: BGN 298,812 thousand) represent loans and BGN 245,387 thousand (2006: BGN 164,587 thousand) represent guarantees, letters of credit and other commitments. Exposures secured by cash have been excluded from the calculation of the large exposures.

The loans extended by the overseas branches amount to BGN 66,102 thousand (2006: BGN 57,292 thousand) (gross carrying amount before any allowances) from which BGN 60,352 thousand (2006: BGN 53,986 thousand) are in Cyprus and BGN 5,750 thousand (2006: BGN 3,306 thousand) in Albania.

The amounts reflected in the tables represent the maximum accounting loss that would be recognised at the balance sheet date if counterparts failed completely to perform as contracted and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed expected losses, which are included in the allowance for impairment.

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

Collateral for loans, guarantees, and letters of credit is usually in the form of cash, mortgage inventory, listed investments, or other property.

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

In thousands of BGN	30 June 2007	31 December 2006
Mortgage	1,269,819	964,955
Pledge of receivables	247,996	322,465
Pledge of commercial enterprise	250,361	127,113
Securities	100,678	74,726
Guarantee	65,406	61,306
Pledge of goods	77,500	53,379
Pledge of machines	131,507	39,559
Money deposit	24,307	32,564
Share in capital	32,787	23,425
Gold	32	32
Other collateral	69,133	49,038
Unsecured	7,806	6,419
Less allowances for impairment	(59,336)	(45,208)
Total	**2,217,996**	**1,709,773**

C. Capital adequacy

The Group's lead regulator, the Bulgarian National Bank (BNB) sets and monitors capital requirements both on consolidated and stand-alone basis. Individual banking operations are directly supervised by their local regulators. BNB issued new Ordinance 8 on Capital Adequacy of Credit Institutions effective from 01 January 2007 that is the Bulgarian supervisory implementation of the International Convergence of Capital Measurement and Capital Standards (Revised Framework), known as Basel II and complies with EU Directives 2006/48/EC and 2006/49/EC. In implementing current capital requirements the Group is required to maintain a minimum prescribed ratio of 12% of total capital to total risk-weighted assets. Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Group calculates requirements for credit risk for its exposures in banking and trading portfolios based on standardised approach defined by the BNB. Exposures are taken into account using their balance sheet amount. Off-balance-sheet credit related commitments are taken into account by applying different categories of conversion factors, designed to convert these items into balance sheet equivalents. The resulting equivalent amounts are then weighted for risk using different percentages (0%, 20%, 50%, 100%) depending on the class of exposure and its credit rating assessment. Various credit risk mitigation techniques are used, for example collateralised transactions and guarantees. Forwards and options based derivative instruments are weighted for counterparty credit risk.

In addition, the Group is required to hold capital for operational risk. The basic indicator approach is used. Required capital is equal to the average gross annual income over the previous three years multiplied by a fixed percentage (15%). Respective risk weighted assets are calculated by further multiplication by 12.5.

The Group's regulatory capital is analysed into two tiers:

• Tier 1 capital, which includes ordinary share capital, share premium, statutorty reserve, other general reserves, retained earnings from past years and minority interests after deductions for goodwill, intangible assets and unrealised loss from available for sale investments.

• Tier 2 capital, which includes qualifying subordinated liabilities, namely perpetual debt and subordinated term debt.

Following limits are applied to elements of the capital base. Qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. Other deductions from capital include the carrying amounts of unconsolidated investments.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group has complied with all externally imposed capital requirements throughout the period. According to the requirements of Ordinance 8 of BNB as at 30 June 2007 the Tier 1 capital ratio of the Bank is 10.01% (2006: 6.89%) and the total capital ratio is 14.65% (2006: 13.05%), calculated on unconsolidated basis.

Capital adequacy level was as follows:

In thousands of BGN	Balance sheet/notional amount		Risk weight amount	
	30 June 2007	31 December 2006	30 June 2007	31 December 2006
Risk weighted assets for credit risk				
Balance sheet assets				
Cash and balances with Central Banks	572,319	708,038	60,170	74,759
Financial assets held for trading	23,249	13,239	5,703	4,523
Available for sale investments	391,263	508,006	22,439	14,361
Financial assets held to maturity	107,903	70,221	15,863	9,222
Loans and advances to banks and financial institutions	41,942	42,032	8,388	4,589
Loans and advances to customers	2,217,996	1,709,773	2,021,958	1,507,485
Property and equipment	91,224	80,753	91,224	80,753
Intangible assets	861	840	-	743
Other assets	18,784	14,864	18,784	14,864
TOTAL ASSETS	**3,465,541**	**3,147,766**	**2,244,529**	**1,711,299**
Off-balance sheet positions				
Credit related commitments	990,736	786,597	217,450	188,575
Forward and option derivative instruments	84,222	52,745	1,176	818
Total risk-weighted assets for credit risk			**2,463,155**	**1,900,692**
Risk-weighted assets for market risk			**-**	**5,134**
Risk-weighted assets for operational risk			**190,640**	**-**
Total risk-weighted assets			**2,653,795**	**1,905,826**

Capital adequacy ratios	Capital		Capital ratios %	
	30 June 2007	31 December 2006	30 June 2007	31 December 2006
Tier 1 Capital	**274,202**	**168,554**	**10.33%**	**8.84%**
Total capital base	**407,199**	**301,292**	**15.34%**	**15.81%**

4. Segment Reporting

Segment information is presented in respect of the Group's geographical segments. The primary format, geographical segments, is based on the Group's management and internal reporting structure.

Measurement of segment assets and liabilities and segment revenues and results is based on the accounting policies set out in the accounting policy notes.

Transactions between segments are conducted on an arm's length basis.

The Group operates principally in Bulgaria, but also has operations in Cyprus and Albania.

In presenting information on the basis of geographical segments, revenue and operating income is allocated based on the location of the Group branch that generated the revenue. Segment assets are allocated based on the geographical location of the assets.

In thousands of BGN	Bulgarian operations		Foreign operations		Total	
	Six months ended 30 June 2007	Six months ended 30 June 2006	Six months ended 30 June 2007	Six months ended 30 June 2006	Six months ended 30 June 2007	Six months ended 30 June 2006
Interest and similar income	115,261	87,791	4,074	3,754	119,335	91,545
Interest expense and similar charges	(60,140)	(52,529)	(521)	(502)	(60,661)	(53,031)
Net interest income	**55,121**	**35,262**	**3,553**	**3,252**	**58,674**	**38,514**
Fee and commission income	25,967	19,715	304	249	26,271	19,964
Fee and commission expense	(3,387)	(2,643)	(20)	(10)	(3,407)	(2,653)
Net fee and commission income	**22,580**	**17,072**	**284**	**239**	**22,864**	**17,311**
Net trading income	**4,648**	**3,179**	**39**	**(11)**	**4,687**	**3,168**
General administrative expenses	**(45,213)**	**(35,708)**	**(2,052)**	**(1,250)**	**(47,265)**	**(36,958)**
	30 June 2007	31 December 2006	30 June 2007	31 December 2006	30 June 2007	31 December 2006
Segment assets	**3,382,501**	**3,074,555**	**83,040**	**73,211**	**3,465,541**	**3,147,766**
Segment liabilities	**3,131,549**	**2,850,566**	**39,406**	**128,807**	**3,170,955**	**2,979,373**

5. Financial assets and liabilities Accounting classification and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values as at 30 June 2007.

In thousands of BGN	Trading	Held-to-maturity	Loans and receivables	Available for sale	Other amortised cost	Total carrying amount	Fair value
ASSETS							
Cash and balances with Central Banks	-	-	572,319	-	-	572,319	572,319
Financial assets held for trading	23,249	-	-	-	-	23,249	23,249
Available for sale investments	-	-	-	391,263	-	391,263	391,263
Financial assets held to maturity	-	107,903	-	-	-	107,903	106,155
Loans and advances to banks and financial institutions	-	-	41,942	-	-	41,942	41,942
Loans and advances to customers	-	-	2,217,996	-	-	2,217,996	2,217,996
Other trading assets	96	-	-	-	-	96	96
	23,345	**107,903**	**2,832,257**	**391,263**	**-**	**3,354,768**	**3,353,020**
LIABILITIES							
Due to credit institutions	-	-	-	-	3,170	3,170	3,170
Due to other customers	-	-	-	-	1,869,678	1,869,678	1,869,678
Liabilities evidenced by paper	-	-	-	-	1,142,122	1,142,122	1,148,033
Subordinated term debt	-	-	-	-	51,119	51,119	51,119
Perpetual debt	-	-	-	-	99,174	99,174	105,988
	-	**-**	**-**	**-**	**3,165,263**	**3,165,263**	**3,177,988**

The fair value of cash, cash equivalents, demand and term deposits is approximately equal to the carrying value given, because of their short-term maturity.

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

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values as at 31 December 2006.

In thousands of BGN	Trading	Held-to-maturity	Loans and receivables	Available for sale	Other amortised cost	Total carrying amount	Fair value
ASSETS							
Cash and balances with Central Banks	-	-	708,038	-	-	708,038	708,038
Financial assets held for trading	13,239	-	-	-	-	13,239	13,239
Available for sale investments	-	-	-	508,006	-	508,006	508,006
Financial assets held to maturity	-	70,221	-	-	-	70,221	70,194
Loans and advances to banks and financial institutions	-	-	42,032	-	-	42,032	42,032
Loans and advances to customers	-	-	1,709,773	-	-	1,709,773	1,709,773
Other trading assets	111	-	-	-	-	111	111
	13,350	**70,221**	**2,459,843**	**508,006**	**-**	**3,051,420**	**3,051,393**
LIABILITIES							
Due to credit institutions	-	-	-	-	10,436	10,436	10,436
Due to other customers	-	-	-	-	1,692,197	1,692,197	1,692,197
Liabilities evidenced by paper	-	-	-	-	1,123,218	1,123,218	1,124,603
Subordinated term debt	-	-	-	-	48,299	48,299	48,299
Perpetual debt	-	-	-	-	98,141	98,141	105,423
	-	**-**	**-**	**-**	**2,972,291**	**2,972,291**	**2,980,958**

6. Net interest income

In thousands of BGN	Six months ended 30 June 2007	Six months ended 30 June 2006
Interest and similar income		
Interest and similar income arises from:		
- Accounts with and placements to banks and financial institutions	2,550	1,768
- Loans to individuals and households	26,809	16,177
- Loans to corporate clients	66,535	56,426
- Loans to SME	11,017	6,726
- Microlending	1,849	838
- Debt instruments	10,575	9,610
	119,335	**91,545**
Interest expense and similar charges		
Interest expense and similar charges arise from:		
- Deposits from banks	(204)	(191)
- Deposits from other customers	(21,211)	(15,380)
- Liabilities evidenced by paper	(30,405)	(28,475)
- Subordinated term debt	(3,011)	(4,227)
- Perpetual debt	(5,808)	(4,617)
- Lease agreement and other	(22)	(141)
	(60,661)	**(53,031)**
Net interest income	**58,674**	**38,514**

7. Net fee and commission income

In thousands of BGN	Six months ended 30 June 2007	Six months ended 30 June 2006
Fee and commission income		
Letters of credit and guarantees	4,871	4,569
Payments transactions	3,632	2,654
Customer accounts	3,745	2,819
Cards business	6,197	5,025
Other	7,826	4,897
	26,271	**19,964**
Fee and commission expense		
Letters of credit and guarantees	(335)	(278)
Correspondent accounts	(458)	(384)
Cards business	(2,469)	(1,916)
Other	(145)	(75)
	(3,407)	**(2,653)**
Net fee and commission income	**22,864**	**17,311**

8. Net trading income

In thousands of BGN	Six months ended 30 June 2007	Six months ended 30 June 2006
Net trading income arises from:		
- Debt instruments	170	117
- Equities	829	387
- Foreign exchange	3,688	2,664
Net trading income	**4,687**	**3,168**

9. Other operating income

Other operating income represents gains/(losses) from disposal of available for sale investments.

In thousands of BGN	Six months ended 30 June 2007	Six months ended 30 June 2006
Other operating income arises from:		
- Debt instruments	(350)	64
Other operating income	**(350)**	**64**

10. General administrative expenses

In thousands of BGN	Six months ended 30 June 2007	Six months ended 30 June 2006
General and administrative expenses comprise:		
- Personnel cost	13,861	9,759
- Depreciation and amortisation	5,381	4,316
- Advertising	4,657	3,941
- Building rent expense	5,254	3,994
-Telecommunication, software and other computer maintenance	3,604	2,809
- Unclaimable VAT	3,034	2,374
- Administration, consultancy and other costs	11,474	9,765
General administrative expenses	**47,265**	**36,958**

Personnel costs include salaries, social and health security contributions under the provisions of the local legislation. At 30 June 2007 the total number of employees is 1,761 (30 June 2006: 1,445).

11. Impairment losses

In thousands of BGN	Six months ended 30 June 2007	Six months ended 30 June 2006
Write-downs		
Loans and advances to customers	(26,176)	(19,252)
Reversal of write-downs		
Loans and advances to customers	11,887	12,946
Net impairment losses	**(14,289)**	**(6,306)**

12. Income tax expense

In thousands of BGN	Six months ended 30 June 2007	Six months ended 30 June 2006
Current taxes	(2,140)	(2,103)
Deferred taxes (see note 22)	(128)	(177)
Income tax expense	**(2,268)**	**(2,280)**

Reconciliation between tax expense and the accounting profit is as follows:

In thousands of BGN	Six months ended 30 June 2007	Six months ended 30 June 2006
Accounting profit before taxation	**21,443**	**14,257**
Corporate tax at applicable tax rate (10% for 2007 and 15% for 2006)	2,144	2,139
Effect of tax rates of foreign subsidiaries and branches	150	72
Tax effect of permanent tax differences	(154)	(108)
Tax effect of reversals of temporary differences	128	177
Income tax expense	**2,268**	**2,280**
Effective tax rate	10.58%	15.99%

13. Earnings per share

	Six months ended 30 June 2007	Six months ended 30 June 2006
Net profit attributable to shareholders (in thousands of BGN)	19,239	12,033
Weighted average number of ordinary shares (in 000's)	98,982	102,210
Earnings per share (BGN)	**0.19**	**0.12**

The basic earnings per share, calculated in accordance with IAS 33, are based on the profit attributable to ordinary equity holders of the Bank. In the six months ended 30 June 2007 as in the previous year, no conversion or option rights were outstanding. The diluted earnings per share, therefore, correspond to the basic earnings per share.

14. Cash and balances with Central Banks

In thousands of BGN	30 June 2007	31 December 2006
Cash on hand		
- In Bulgarian Leva	64,621	61,550
- In foreign currencies	29,533	32,245
Gold bullion	4,004	3,134
Balances with Central Banks	267,619	238,337
Current accounts and amounts with local banks	693	1,142
Current accounts and amounts with foreign banks	205,849	371,630
	572,319	**708,038**

15. Financial assets held for trading

In thousands of BGN	30 June 2007	31 December 2006
Debt and other fixed income instruments		
Bonds and notes issued by:		
Bulgarian Government		
- denominated in Bulgarian Leva	2,010	-
- denominated in foreign currencies	87	1,245
Foreign governments	14,630	7,471
Other issuers	6,522	4,523
	23,249	**13,239**

Income from debt and other fixed-income instruments is recognised in interest and similar income. Gains and losses arising from changes in fair value of trading instruments are recognised in net trading income.

16. Available for sale investments

In thousands of BGN	30 June 2007	31 December 2006
Debt and other fixed income instruments		
Bonds and notes issued by:		
Bulgarian Government		
- denominated in Bulgarian Leva	25,378	83,958
- denominated in foreign currencies	6,879	7,651
Foreign governments		
- short term	173,713	194,453
- long term	117,049	143,963
Foreign banks	67,276	66,950
Other issuers	968	11,031
	391,263	**508,006**

17. Financial assets held to maturity

Long-term securities held to maturity represent debt investments that the Group has the intent and ability to hold to maturity.

In thousands of BGN	30 June 2007	31 December 2006
Securities held to maturity issued by:		
Bulgarian government	60,717	6,296
Foreign governments	1,560	17,816
Foreign banks	45,626	46,109
	107,903	**70,221**

18. Loans and advances to banks and financial institutions

(a) Analysis by type

In thousands of BGN	30 June 2007	31 December 2006
Placements with banks	30,264	18,007
Receivables under repurchase agreements	-	19,085
Other	11,678	4,940
Total	**41,942**	**42,032**

(b) Geographical analysis

In thousands of BGN	30 June 2007	31 December 2006
Domestic banks and financial institutions	24,728	30,204
Foreign banks and financial institutions	17,214	11,828
Total	**41,942**	**42,032**

19. Loans and advances to customers

In thousands of BGN	30 June 2007	31 December 2006
Retail customers		
- Consumer loans	280,619	219,139
- Mortgage loans	326,196	234,742
Small and medium enterprises	225,941	162,997
Microlending	33,784	23,461
Corporate customers		
- Public sector customers	32,603	21,362
- Private sector customers	1,378,189	1,093,280
Less allowance for impairment	(59,336)	(45,208)
	2,217,996	**1,709,773**

(a) Movement in impairment allowances

In thousands of BGN	
Balance at 1 January 2007	**45,208**
Additional allowances	26,176
Amounts released	(11,887)
Write - offs	(161)
Balance at 30 June 2007	**59,336**

All impaired loans have been written down to their recoverable amounts.

20. Property and equipment

In thousands of BGN	Land and Buildings	Fixtures and fittings	Motor Vehicles	Assets under construction	Leasehold Improvements	Total
Cost						
At 1 January 2007	9,055	56,098	5,139	25,555	21,832	117,679
Additions	-	472	-	15,362	351	16,185
Disposals	-	(308)	(642)	-	(28)	(978)
Transfers	1,458	2,994	961	(6,755)	1,210	(132)
At 30 June 2007	10,513	59,256	5,458	34,162	23,365	132,754
Depreciation						
At 1 January 2007	2,825	27,076	2,491	-	4,534	36,926
Charge for the period	161	3,483	488	-	1,138	5,270
On disposals	-	(117)	(532)	-	(17)	(666)
At 30 June 2007	2,986	30,442	2,447	-	5,655	41,530
Net book value						
At 30 June 2007	**7,527**	**28,814**	**3,011**	**34,162**	**17,710**	**91,224**
At 1 January 2007	**6,230**	**29,022**	**2,648**	**25,555**	**17,298**	**80,753**

21. Intangible assets

In thousands of BGN	Software and licences	Goodwill	Total
Cost			
At 1 January 2007	2,496	97	2,593
Additions	-	-	-
Disposals	(25)	-	(25)
Transfers	132	-	132
At 30 June 2007	2,603	97	2,700
Amortisation			
At 1 January 2007	1,753	-	1,753
Charge for the year	111	-	111
On disposals	(25)	-	(25)
At 30 June 2007	1,839	-	1,839
Net book value			
At 30 June 2007	**764**	**97**	**861**
At 1 January 2007	**743**	**97**	**840**

22. Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 10%.

Deferred income tax balances are attributable to the following items:

In thousands of BGN	Assets		Liabilities		Net	
	30 June 2007	31 December 2006	30 June 2007	31 December 2006	30 June 2007	31 December 2006
Property, equipment and intangibles	-	-	1,407	1,279	1,407	1,279
Other items	(110)	(110)	-	-	(110)	(110)
Net tax (assets)/liabilities	**(110)**	**(110)**	**1,407**	**1,279**	**1,297**	**1,169**

Movements in temporary differences during the period are recognised in income statement.

23. Other assets

In thousands of BGN	30 June 2007	31 December 2006
Deferred expense	6,846	3,314
Other assets	11,938	11,550
	18,784	**14,864**

24. Due to credit institutions

In thousands of BGN	30 June 2007	31 December 2006
Term deposits	1,566	9,247
Payable on demand	1,604	1,189
	3,170	**10,436**

25. Due to other customers

In thousands of BGN	30 June 2007	31 December 2006
Retail customers		
- payable on demand	411,548	347,496
- term deposits	750,833	666,225
Corporate customers		
- payable on demand	535,705	512,195
- term deposits	171,592	166,281
Total	**1,869,678**	**1,692,197**

26. Liabilities evidenced by paper

In thousands of BGN	30 June 2007	31 December 2006
Bonds and notes issued	443,429	457,330
Acceptances under letters of credit	48,404	1,634
Liabilities under repurchase agreements (see note 30)	175,710	225,366
Syndicated loans	363,871	362,758
Other term liabilities	110,708	76,130
	1,142,122	**1,123,218**

Other term liabilities comprise mainly financing obtained from financial institutions through extension of loan facilities.

Bonds and notes issued comprise of the following:

In thousands of BGN	Interest rate	30 June 2007	31 December 2006
Long term bonds payable			
EUR 6,000,000 due 2008	8.5%	11,626	12,007
EUR 200,000,000 due 2008	7.5%	402,105	415,651
Total bonds payable		**413,731**	**427,658**
Mortgage bonds			
EUR 5,000,000 due 2008	7%	9,845	9,832
EUR 10,000,000 due 2009	7%	19,853	19,840
Total mortgage bonds		**29,698**	**29,672**
Total bonds and notes issued		**443,429**	**457,330**

The bonds and notes are payable to third parties in the years listed above. The long term bonds payable have been issued by First Investment Finance B.V., The Netherlands, guaranteed by the Bank and are listed on the Luxemburg stock exchange. The mortgage bonds have been listed on the Bulgarian stock exchange.

27. Subordinated term debt

As at 30 June 2007 the Bank has entered into eight separate subordinated Loan Agreements with four different lenders. All these subordinated Loan Agreements are governed by English Law and the funds raised outside the Republic of Bulgaria.

Subordinated liabilities can be analysed as follows:

In thousands of BGN **Lender**	**Principal amount**	**Maturity**	**Amortised cost as at 30 June 2007**
Growth Management Limited	1,956	10 years	2,830
Growth Management Limited	5,867	10 years	8,056
Hillside Apex Fund Limited	1,956	9 years	2,949
Growth Management Limited	3,912	10 years	5,054
Hillside Apex Fund Limited	9,779	10 years	12,565
Growth Management Limited	1,956	10 years	2,466
Standard Bank	9,779	10 years	12,294
Hypo-Alpe-Adria Bank	3,912	10 years	4,905
	39,117		**51,119**

Interest is capitalised annually and is payable at maturity. The treatment of these liabilities for capital adequacy purposes as Tier 2 capital is in accordance with the requirements of the local legislation. Any prepayment of subordinated debt prior to its final maturity is subject to written approval from the Bulgarian National Bank.

28. Perpetual debt

In thousands of BGN	**Principal amount**	**Amortised cost as at 30 June 2007**
Step-up Guaranteed Perpetual Subordinated Bonds EUR 27 mio	52,807	57,595
Step-up Guaranteed Perpetual Subordinated Bonds EUR 21 mio	41,073	41,579
Total	**93,880**	**99,174**

The issue of the Step-Up Subordinated Bonds by First Investment Finance B.V., a limited liability company registered under the laws of the Netherlands and 100% owned by First Investment Bank AD was fully guaranteed by the Bank. The terms and conditions of the Subordinated Bonds fully comply with Ordinance 8 on Capital Adequacy of Credit Institutions issued by BNB. The amounts received for the perpetual subordinated bonds are included in Tier 2 capital after respective Permissions by Bulgarian National Bank.

29. Other liabilities

In thousands of BGN	30 June 2007	31 December 2006
Liabilities to personnel	882	918
Current tax liability	1,609	2,329
Other payables	1,904	2,666
	4,395	**5,913**

30. Repurchase and resale agreements

The Group raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price plus interest at a predetermined rate. Repurchase agreements are commonly used as a tool for short-term financing of interest-bearing assets, depending on the prevailing interest rates. At 30 June 2007 assets sold under repurchase agreements were as follows:

In thousands of BGN	Fair value of underlying assets	Carrying amount of corresponding liabilities
Bulgarian government securities	1,792	1,995
Other government securities	173,713	173,715
	175,505	**175,710**

At 31 December 2006 assets sold under repurchase agreements were as follows:

In thousands of BGN	Fair value of underlying assets	Carrying amount of corresponding liabilities
Bulgarian government securities	39,952	39,806
Other government securities	184,996	185,560
	224,948	**225,366**

31. Capital and reserves

(a) Number and face value of registered shares as at 30 June 2007

As at 30 June 2007 the registered share capital of the Bank is BGN 110,000,000 divided into 110,000,000 ordinary dematerialized shares with voting rights of BGN 1 par value each. All the shares have been fully paid-up.

The share capital of the Bank was increased from BGN 100,000,000 to BGN 110,000,000 as a result of the successful IPO of new 10,000,000 dematerialized shares through the Bulgarian Stock Exchange – Sofia and was registered at the Commercial Register of Sofia City Court on 4 June 2007. In order to facilitate the IPO and prior to its launching the par value of the Bank's shares was reduced from BGN 10 to BGN 1 by a decision of the General Meeting of the Shareholders without affecting the aggregate amount of the share capital and the individual shareholdings.

(b) Shareholders

On 13 February 2007 Growth Management Limited, Channel Islands and Hillside Apex Fund Ltd., Cayman Islands transferred their entire 20% shareholding in the Bank to the offshore companies Domenico Ventures Limited, British Virgin Islands – 7%; Rafaela Consultants Limited, British Virgin Islands – 7%; and Legnano Enterprise Limited Cyprus – 6% respectively. As a result Legnano Enterprises Ltd. increased its aggregate shareholding to 7.68%.

Furthermore, as provided under the terms and conditions of the IPO First Financial Brokerage House Ltd. sold 6,500,000 of the existing shares of the Bank that it holds to new investors, thereby effectively reducing its shareholding from 13.89 % to 6.72%.

The table below shows those shareholders of the Bank holding shares as at 30 June 2007 together with the number and percentage of total issued shares.

	Number of Shares	% of issued share capital
Mr. Ivailo Dimitrov Mutafchiev	31,830,000	28.94
Mr. Tzeko Todorov Minev	31,830,000	28.94
First Financial Brokerage House OOD	7,390,000	6.72
Legnano Enterprise Limited Cyprus	8,450,000	7.68
Domenico Ventures Limited, British Virgin Islands	7,000,000	6.36
Rafaela Consultants Limited, British Virgin Islands	7,000,000	6.36
Other shareholders (shareholders holding shares subject to free trade on the Bulgarian Stock Exchange – Sofia)	16,500,000	15.00
Total	**110,000,000**	**100.00**

Currently all newly issued shares plus the part of the existing shares held by First Financial Brokerage House Ltd. sold to new investors under the IPO (a total of 16,500,000 shares) are freely traded on the floor of Bulgarian Stock Exchange – Sofia.

In accordance with a Placement Agreement concluded between the Bank and the existing shareholders (Mr. Ivailo Mutafchiev, Mr. Tzeko Minev, First Financial Brokerage House Ltd,.Sofia, Legnano Enterprise Limited Cyprus, Domenico Ventures Limited, British Virgin Islands, and Rafaela Consultants Limited, British Virgin Islands) as part of the IPO, the existing shareholders agreed to a lock-up arrangement whereby they shall not, except for any shares sold as part of the IPO, for a period of 180 days as of 21 March 2007, and without the prior written consent of First Financial Brokerage House Ltd. as Lead Manager of the issue, directly or indirectly (A) offer, pledge, sell, sell any option or contract to purchase, purchase any option, directly or indirectly, or contract to sell, grant any option, right or warrant to purchase, deposit into any depositary receipt facility or otherwise transfer or dispose of any shares or any securities convertible into or exercisable or exchangeable for shares, and not file any registration statement under the US Securities Act of 1933 with respect to any of the foregoing; or (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic risk of ownership of the Shares, whether any such swap or transaction described in (A) or (B) above is to be settled by delivery of shares or such other securities, in cash or otherwise.

On its part the Bank agreed to a similar lock-up arrangements in the Placement Agreement for a period of 360 days as of 21 March 2007, with the exception that the Bank also agreed not to allot, issue or contract to issue any shares or other securities, specified in item (A) above.

(c) Statutory reserve

Statutory reserves comprise amounts appropriated for purposes defined by the local legislation. Under Bulgarian law, the Bank is required to set aside 1/10 of its profit in a statutory reserve until it reaches 1/10 of the Banks' share capital.

(d) Share price

As at 30 June 2007 the last price of the shares of the Bank traded on the Bulgarian Stock Exchange – Sofia is BGN 12.90.

32. Commitments and contingent liabilities

(a) Memorandum items

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

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

In thousands of BGN	30 June 2007	31 December 2006
Bank guarantees		
- in BGN	127,350	136,458
- in foreign currency	143,885	108,092
Total guarantees	**271,235**	**244,550**
Unused credit lines	318,367	211,228
Promissory notes	25,138	17,097
Letters of credit in foreign currency	373,534	313,722
Letters of credit in BGN	2,462	-
	990,736	**786,597**

These commitments and contingent liabilities have off balance-sheet credit risk because only organization fees and accruals for probable losses are recognised in the balance sheet until the commitments are fulfilled or expire. Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

As at the balance sheet date there are no significant commitments and contingencies which require additional dosclosure.

At 30 June 2007 the extent of collateral held for guarantees and letters of credit is 100 percent.

33. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises the following balances with less than 90 days original maturity:

In thousands of BGN	30 June 2007	31 December 2006
Cash and balances with Central Banks	572,319	467,528
Loans and advances to banks with maturity less than 90 days	41,773	25,837
	614,092	**493,365**

34. Average balances

The average carrying amounts of financial assets and liabilities are set out in the table below. The amounts are calculated by using a simple average of monthly balances for all instruments.

In thousands of BGN	Six months ended 30 June 2007	Six months ended 30 June 2006
FINANCIAL ASSETS		
Cash and balances with Central Banks	474,365	369,016
Financial assets held for trading	13,827	16,160
Available for sale investments	410,899	472,974
Financial assets held to maturity	97,241	84,669
Loans and advances to banks and financial institutions	20,874	24,784
Loans and advances to customers	1,928,748	1,379,104
FINANCIAL LIABILITIES		
Due to credit institutions	7,628	13,903
Due to other customers	1,703,337	1,229,876
Liabilities evidenced by paper	987,206	897,304
Subordinated term debt	49,914	63,171
Perpetual debt	98,346	83,308

35. Related party transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party on making financial or operational decisions, or the parties are under common control.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and other transactions. These transactions were carried out on commercial terms and at market rates. The volume of these transactions and outstanding balances at the end of respective periods are as follows:

Type of related party	Parties that control or manage the Bank		Enterprises under common control	
In thousands of BGN	Six months ended 30 June 2007	2006	Six months ended 30 June 2007	2006
Loans:				
Loans outstanding at beginning of the period	1,876	1,554	4,351	3,660
Loans issued during the period	2,458	322	1,082	691
Loans outstanding at end of the period	4,334	1,876	5,433	4,351
Deposits received:				
Deposits at beginning of the period	547	273	2,825	1,975
Deposits received during the period	2,471	274	426	850
Deposits at end of the period	3,018	547	3,251	2,825
Deposits placed				
Deposits at beginning of the period	-	-	7,823	7,823
Deposits placed during the period	-	-	-	-
Deposits at end of the period	-	-	7,823	7,823
Off-balance sheet commitments issued by the Group				
At beginning of the period	-	-	1,117	130
Granted	630	-	2,135	987
At the end of the period	630	-	3,252	1,117

The key management personnel of the Bank received remuneration of BGN 934 thousand for the first half of 2007.

36. Subsidiary undertakings

(a) First Investment Finance B.V.

In April 2003 the Bank has created a special purpose entity, incorporated in the Netherlands, First Investment Finance B.V. The purpose for creating the entity is to accomplish a narrow and well-defined objective of issuing bonds, listed on the Luxemburg Stock Exchange and guaranteed by the Bank. The entity's issued and paid up share capital is EUR 18 thousand and is 100 % owned by the Bank. Consequently the Bank consolidates its investment in this company.

(b) Diners Club Bulgaria AD

In May 2005 the Bank acquired 80% of the share capital of Diners Club Bulgaria AD. The share capital of the company is BGN 3,645 thousand. The company was incorporated in 1996 as a franchise and processing agent of Diners Club International. Consequently the Bank consolidates its investment in this company.

(c) First Investment Bank – Albania Sh.a.

In April 2006 the Bank acquired 99.9998% of the capital of First Investment Bank Albania Sh.a. upon its incorporation. The authorised share capital of the entity is EUR 8,475 thousand, fully paid-up. On 27 June 2007 First Investment Bank – Albania was granted a full banking licence by the Bank of Albania. The new bank will take over the activities of the existing FIB-Tirana Branch in the second half of 2007, thus assuming all rights and obligations, assets and liabilities.

37. Post balance sheet events

(a) Increase of the capital of Diners Club Bulgaria AD

Pursuant to Art. 12.6 and 12.7 of the Articles of Incorporation of Diners Club Bulgaria AD and the Bulgarian Commercial Law the capital of the company was increased on 25 July 2007 from BGN 3,645 thousand to BGN 5,000 thousand by the issue of 1,355 thousand new registered shares with voting rights, with a par value of BGN 1 each, which were entirely subscribed and paid-up by First Investment Bank AD. As a result of this the Bank increased its shareholding in the company from 80% to 85.42%.

KPMG

Report of the Independent Auditor

to the Shareholders of First Investment Bank AD

Sofia, 3 August 2007

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of First Investment Bank AD ("the Bank"), which comprise the consolidated balance sheet as at 30 June 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. 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 opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of First Investment Bank AD as at 30 June 2007, and of its consolidated financial performance and its consolidated cash flows for the period then ended in accordance with International

Financial Reporting Standards.

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

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