

# Annual Report 2007



**Financial  
Supervision  
Commission**



<b>ADDRESS OF THE CHAIRMAN</b>	<b>9</b>
<b>I. ACTIVITIES OF THE FSC IN 2007</b>	<b>13</b>
<b>1. Regulatory activity</b>	<b>13</b>
<b>1.1. Amendments to the legislation</b>	<b>13</b>
1.1.1. Amendments to the legislation regulating investment activities	13
1.1.2. Amendments to legislation regulating insurance activities	14
1.1.3. Amendments to the legislation regulating supplementary pension insurance activities	15
1.1.4. Other amendments to the legislation	16
<b>1.2. Amendments to the secondary legislation</b>	<b>17</b>
1.2.1. Amendments to the secondary legislation regulating investment activities	17
1.2.2. Directives transposed in the legislative framework regulating investment activities	19
1.2.3. Amendments to the secondary legislation regulating insurance and voluntary health insurance	19
1.2.4. Directives transposed in the legislative framework regulating investment and voluntary health insurance activities	20
1.2.5. Changes in the secondary legislation regulating supplementary pension insurance	20
<b>2. Licensing activity, authorization regimes and notifications</b>	<b>22</b>
<b>2.1. New elements in the licensing procedure</b>	<b>22</b>
2.1.1. Investment companies, securities brokers and investment advisors	22
Licensing and authorization activity	22
Number of investment companies, securities brokers and investment consultants as of 31 December 2007	23
Notifications	24
2.1.2. Collective investment schemes and management companies	24
Licensing and authorization activity	24
Number of collective investment schemes and management companies as of 31 December 2007	25
Notifications	26
2.1.3. Public companies, special purpose vehicles and other issuers of securities	26
Licensing and authorization activity	26
Number of public companies, special purpose vehicles and other issuers of securities as of 31 December 2007	28
Notifications	28
<b>2.2. Licensing activity, authorization regimes and notifications in the area of insurance and voluntary health insurance</b>	<b>29</b>
New elements in the licensing procedure	29
Licensing and authorization activity	30
Number of insurers, insurance brokers, insurance agents and health insurance companies as of 31 December 2007	30
Notifications	31
<b>2.3. Licensing activities and authorization regimes in the area of supplementary pension insurance</b>	<b>31</b>
New elements in the licensing procedure	31
Licensing and authorization activity	31
Number of pension insurance companies and supplementary pension insurance funds as of 31 December 2007	32
<b>3. Supervisory activity</b>	<b>33</b>
<b>3.1. Supervisory activity in the area of investment activities</b>	<b>33</b>
3.1.1. Investment companies, Central Depository and regulated markets	33
3.1.2. Collective investment schemes and management companies	34
3.1.3. Public companies, special purpose vehicles and other issuers of securities	34
<b>3.2. Supervisory activity in the area of insurance and voluntary health insurance</b>	<b>36</b>
<b>3.3. Supervisory activity in the area of supplementary pension insurance</b>	<b>37</b>
<b>4. Customer protection in the area of non-banking financial services</b>	<b>40</b>
<b>4.1. Awareness of information provided by FSC</b>	<b>40</b>

4.1.1. Access to financial information	40
4.1.2. Education policy of FSC	40
<b>4.2. Complaints against supervised entities and actions taken on the part of FSC</b>	<b>41</b>
<b>5. Human resources policy</b>	<b>43</b>
<b>6. International and internal cooperation</b>	<b>47</b>
6.1. European matters	47
6.2. Membership in international organizations and relations with international financial institutions	47
6.3. Bilateral cooperation	48
6.4. Development projects implemented with donor funds	48
6.5. Cooperation with local institutions	50
<b>7. Development of information technologies for the purposes of supervision</b>	<b>52</b>
<b>8. FSC budget execution report for 2007</b>	<b>53</b>
<b>9. FSC internal audit activity report for 2007</b>	<b>54</b>
<b>10. Report of the Inspectorate</b>	<b>55</b>
<b>II. DEVELOPMENT STRATEGY</b>	<b>58</b>
<b>11. FSC development strategy</b>	<b>58</b>
<b>12. Strategy for development of the regulatory framework</b>	<b>61</b>
12.1. In the area of investment activity	61
12.2. In the area of insurance and voluntary health insurance	62
12.3. In the area of supplementary pension insurance	62
<b>13. New approaches in the financial supervision methodology in 2007</b>	<b>64</b>
<b>III. BULGARIAN ECONOMY IN 2007</b>	<b>68</b>
<b>IV. OVERVIEW OF THE NON-BANKING FINANCIAL SECTOR IN 2007</b>	<b>70</b>
<b>14. Investment activity</b>	<b>72</b>
14.1. Capital market development	72
14.2. Analysis of the participants on the capital market	77
14.2.1. Public companies, special purpose vehicles and other issuers of securities	77
14.2.2. Collective investment schemes and management companies	79
14.2.3. Investment companies	82
14.2.4. Activities and financial situation of the Fund for Compensation of Investors in Securities in 2007	83
<b>15. Insurance market and market of voluntary health insurance services</b>	<b>85</b>
15.1. Information on the market of non-life insurance, life insurance and voluntary health insurance	85
15.2. Analysis of the activities of non-life insurance companies for 2007	89
15.2.1. Premium income and market share	89
15.2.2. Analysis and structure of paid compensations and costs related to insurance activity by class of insurance	95
15.2.3. Analysis and structure of technical provisions and assets for covering technical provisions	97
15.2.4. Technical result and financial result	99
15.2.5. Main balance indicators	100
15.3. Analysis of the activities of life insurance companies as of the end of 2007	102
15.3.1. Premium income and market share	102
15.3.2. Analysis and structure of paid compensations and costs related to insurance activity by class of insurance	105
15.3.3. Analysis and structure of technical provisions and assets for covering technical provisions	106
15.3.4. Technical result and financial result	108

15.3.5. Main balance indicators	108	
<b>15.4. Analysis of the activities of voluntary health insurance companies as of the end of 2007</b>	<b>111</b>	
15.4.1. Premium income and market share	111	
15.4.2. Analysis and structure of paid compensations and costs related to health insurance activity by class of package	112	
15.4.3. Analysis and structure of technical provisions and assets for covering technical provisions	114	
15.4.4. Technical result and financial result	115	
15.4.5. Main balance indicators	115	
<b>15.5. Insurance mediation and allocation of the premium income to insurers through sale channels</b>	<b>117</b>	
<b>15.6. Warranty fund</b>	<b>118</b>	
<b>16. Supplementary pension insurance</b>	<b>120</b>	
<b>16.1. Supplementary pension insurance market development in 2007</b>	<b>120</b>	
<b>16.2. Analysis of the participants on the supplementary pension insurance market</b>	<b>121</b>	
16.2.1. Pension insurance companies	121	
16.2.2. Supplementary pension insurance funds	123	
<b>APPENDIXES <sup>1</sup></b>		
<b>Appendix 2.1.2A</b>	Organization and management of new contractual funds by management companies	131
<b>Appendix 2.1.2B</b>	Individual administrative acts issued by the Deputy Chairperson of FSC in charge of Investment Activity Supervision Division concerning collective investment schemes and special purpose vehicles in 2007	131
<b>Appendix 2.1.3A</b>	Prospectuses for public offering of securities	135
<b>Appendix 2.1.3B</b>	Issues of securities entered in and deleted from the kept by FSC Public Register in 2007	138
<b>Appendix 2.1.3C</b>	Public companies, issuers and SPVs, filed into or deleted from the Public Register kept by FSC in 2007	141
<b>Appendix 3.1.3</b>	Number of drawn up acts for established administrative violations (AEAV) in 2007	143
<b>Appendix 5</b>	Initiatives for training and extension of the FSC's personnel qualification carried out in 2007	144
<b>Appendix 14.1A</b>	Financial indicators of public companies included in the calculation of the SOFIX index as of 31 December 2007	148
<b>Appendix 14.1B</b>	Financial indicators of public companies included in the calculation of the BG40 index as of 31 December 2007	149
<b>Appendix 14.1C</b>	Financial indicators of public companies included in the calculation of the BG REIT index as of 31 December 2007	151
<b>Appendix 14.1D</b>	Financial indicators of public companies included in the calculation of the BG TR30 index as of 31 December 2007	152
<b>Appendix 14.1E</b>	New listed for trading and delisted from trading issues in 2007	154
<b>Appendix 14.2.1A</b>	Market capitalization of the public companies by industries.	
	Foreign-owned capital by industries	155
<b>Appendix 14.2.1B</b>	Equity, accumulated assets and market share of SPVs / REITs as of 31 December 2007	156
<b>Appendix 14.2.1C</b>	Structure of special purpose vehicles and real estate investment trust's assets as of 31 December 2007	157
<b>Appendix 14.2.1D</b>	Dividend distributed for 2006 and reported earnings of REITs and SPVs in 2007	165
<b>Appendix 14.2.1E</b>	Special purpose vehicles, real estate investment trusts - date of establishment, envisaged period of existence and major shareholders	168
<b>Appendix 14.2.2A</b>	Equity, assets, and market concentration of services provided by CIS	179
<b>Appendix 14.2.2B</b>	Investment profile, net asset value per share/unit and return of CIS as of 31 December 2007	183
<b>Appendix 14.2.2C</b>	Structure CIS's assets	187
<b>Appendix 14.2.2D</b>	Foreign mutual funds offering publicly units in Bulgaria as of 31 December 2007	198
<b>Appendix 14.2.2E</b>	Equity, assets managed and contracts concluded by management companies	201

<sup>1</sup>The numbering of appendixes indicates the chapter from the text of the FSC activity report which the appendix in question concerns.

<b>Appendix 14.2.3</b>	Foreign shareholders in investment intermediaries' equity as of 31 December 2007	206
<b>Appendix 14.2.4A</b>	Balance sheet of the Fund for Compensation of Investors in Securities as of 31 December 2007	206
<b>Appendix 14.2.4B</b>	Income statement of the Fund for Compensation of Investors in Securities as of 31 December 2007	207
<b>Appendix 14.2.4C</b>	Statement on the changes in the own funds of the Fund for Compensation of Investors in Securities for the period 1 January - 31 December 2007	208
<b>Appendix 14.2.4D</b>	Cash flow statement of the Fund for Compensation of Investors in Securities (direct method) as of 31 December 2007	
<b>Appendix 15.2.1A</b>	Gross premiums charged (written) of non-life insurance companies	209
<b>Appendix 15.2.1B</b>	Gross received premiums from inward reinsurance by non-life insurance companies (in BGN)	210
<b>Appendix 15.2.2A</b>	Paid up indemnities and incurred claims of non-life insurance companies	211
<b>Appendix 15.2.2B</b>	Growth/drop of the gross charged (written) premiums, increase/decrease of the paid up indemnities and of incurred claims of non-life insurers	212
<b>Appendix 15.2.2C</b>	Paid up indemnities, incurred claims, and actually made expenses (without claims settlement expenses) of the non-life insurance companies by types of insurances (in BGN thousands)	214
<b>Appendix 15.2.2D</b>	Change in the gross charged (written) premiums, earned premiums, paid up indemnities and incurred claims by types of insurances on annual basis	215
<b>Appendix 15.2.4</b>	Technical and financial result of the non-life insurance companies (in BGN thousands)	216
<b>Appendix 15.2.5</b>	Asset amount and equity of non-life insurance companies (in BGN thousands)	217
<b>Appendix 15.3.1</b>	Premium income of life insurance companies	218
<b>Appendix 15.3.2A</b>	Paid up claims by life insurance companies	218
<b>Appendix 15.3.2B</b>	Insurance payments by life insurance companies in 2007	219
<b>Appendix 15.3.2C</b>	Amounts and indemnities paid by life insurance companies by types of insurances in 2007 (in BGN thousands)	219
<b>Appendix 15.3.4</b>	Technical and financial result of life insurance companies (in BGN thousands)	220
<b>Appendix 15.3.5</b>	Asset amount and equity of life insurance companies (in BGN thousandss)	221
<b>Appendix 15.4.1</b>	Premium income of voluntary health insurance companies	221
<b>Appendix 15.4.2</b>	Claims paid by the voluntary health insurance companies	222
<b>Appendix 15.4.4</b>	Technical and financial result (in BGN thousands)	222
<b>Appendix 15.4.5</b>	Asset amount and equity of health insurance companies (in BGN thousands)	223
<b>Appendix 15.5A</b>	Premium income earned through insurance brokers and revenues from commissions of the insurance brokers	224
<b>Appendix 15.5B</b>	Allocation of premium income of non-life insurance by sale channels	225
<b>Appendix 15.6</b>	Income statement of the Guarantee Fund	227
<b>Appendix 16.1A</b>	Equity and balance sheet assets of pension insurance companies (PIC). Balance sheet assets and number of persons insured in supplementary pension insurance funds as of 31 December 2007	228
<b>Appendix 16.1B</b>	Main shareholders in pension insurance companies as of 31 December 2007	229
<b>Appendix 16.2.1</b>	Statutorily set indicators of pension insurance companies and supplementary pension insurance funds	230
<b>Appendix 16.2.2</b>	Structure of supplementary pension insurance funds' investments	232

## LIST OF USED ACRONYMS

ABI – Association of Bulgarian Insurers  
AEAV – Act for Establishment of Administrative Violations  
ASPV – Act on Special Purpose Vehicles  
AVSA - Administrative Violations and Sanctions Act  
BNB – Bulgarian National Bank  
BSE – Bulgarian Stock Exchange  
CAM – Coercive Administrative Measure  
CD – Central Depository  
CF – Contractual Fund  
CIS – Collective Investment Schemes  
CM – Council of Ministers  
CPC – Commission for Protection of Competition  
EEA – European Economic Area  
FIA – Financial Intelligence Agency  
FSC – Financial Supervision Commission  
FSCA - Financial Supervision Commission Act  
GDP – Gross Domestic Product  
GF – Guarantee Fund  
GMS – General Meeting of Shareholders  
GS – Government Securities  
HHI - Herfindahl-Hirschman Index  
IABH - Insurance Agency of Bosnia and Herzegovina  
IAS – International Accounting Standards  
IAU – Internal Audit Unit  
IC – Insurance Code  
IC – Investment Company  
II – Investment Intermediary  
LAMAFL - Law against Market Abuse with Financial Instruments  
MC – Management Company  
MFIA – Markets in Financial Instruments Act  
MiFID - Markets in Financial Instruments Directive  
MLSP – Ministry of Labour and Social Policy  
OPF – Occupational Pension Fund  
ORAI - Ordinance on the Requirements for the Activities of Investment Intermediaries  
ORAMC – Ordinance on the Requirements for the Activities of Management Companies  
PA – Privatization Agency  
PC – Public Company  
PIC – Pension Insurance Company  
POSA – Public Offering of Securities Act  
SMPI – Supplementary Mandatory Pension Insurance  
SPI – Supplementary Pension Insurance  
SPIF – Supplementary Pension Insurance Fund  
SPV – Special Purpose Vehicle  
SSC – Social Security Code  
SVPI – Supplementary Voluntary Pension Insurance  
UPF – Universal Pension Fund  
VPF – Voluntary Pension Fund





**Ladies and Gentlemen,**



I have the pleasure of presenting to you the annual report on the activities of the Financial Supervision Commission (FSC) for 2007 – a very successful year for the capital, insurance, and supplementary pension insurance market. It was a dynamic year full of challenges brought about by Bulgaria's accession to the

European Union (EU) and the intensively changing financial environment. All sectors of the non-banking financial services marked a significant growth and demonstrated their potential, while mediation through the non-banking financial institutions increased its popularity. The increasing integration of the Bulgarian financial market into the European led to enhancement of the prospects for development in the sector.

A significant growth in the indicators characterizing the depth of financial mediation was reported in 2007. The steady increase of the number of institutional investors as well as the assets they manage was indicative of the confidence in the market environment.

In its capacity of a unified authority for regulation and supervision of the non-banking financial sector, during the previous year the Commission continued to pursue a consistent policy reflected in regulatory, licensing, and control activities oriented towards the growth of the economic potential of the non-banking financial mediation. During the last reporting period multiple projects for improvement of the legal framework were implemented, oriented towards increasing the transparency, confidence and competitiveness of the financial markets.

With the timely implementation of all European directives in the area of the capital markets aiming to provide a higher level of investor protection and a more effective and transparent market, wide investment opportunities were provided for the market participants. The European Commission implemented the Markets in Financial Instruments Directive in order to create a single market for the financial services within the 27 EU Member States. In fulfillment of Bulgaria's commitments, this Directive is already a part of the Bulgarian legislation as well. A European Directive on reinsurance was implemented in the

field of insurance in 2007 whereby a new licensing and supervising regime was set up for reinsurers.

After Bulgaria's accession to the EU the FSC received notifications from European insurers, insurance and investment firms, registered in Member States, about their intention to carry out activities on the territory of our country. Respectively, similar structures registered in Bulgaria expressed their wish to work on the European market in line with the 'single passport'.

In compliance with the amendments to the legislation concerning supplementary pension insurance, a number of decisions adopting amendments and supplements to the rules for valuation of the assets and liabilities of pension insurance companies and the managed by them funds were published in the course of the year.

The FSC activity report is presented in three parts, each covering different aspects of the Commission's operation. The first part outlines the FSC's activity in its function as a regulatory, licensing and supervisory authority of the non-banking financial sector. The information awareness which the Commission has ensured to the market participants and the public in general has been presented. The FSC's policies on human resources, activities and processes within the framework of international and internal cooperation have been discussed as well as the report on internal audit activities, the Inspectorate's reports and the improvements in the area of information technologies as an important instrument of enhancing the Commission's supervisory activity efficiency. The budget execution report gives the financial picture of FSC's activities in 2007.


In the second part of the report you can acquaint yourselves with the development strategy of the Commission in its capacity of a regulatory and supervisory body. There is a description of the objectives that FSC seeks to achieve in both elaboration and improvement of the legislation on the activities and functioning of the non-banking financial sector, and in the exercised over it supervision.

The last part of the report submits information on the development of the non-banking financial sector in 2007. Data and analyses are presented about the state of the capital, insurance and health insurance markets as well as on the supplementary pension insurance market.

I hope that this report will be interesting and useful for the readers.

**Apostol Apostolov**





# **Regulatory Activity Part I**



# 1. REGULATORY ACTIVITY

The legislative acts adopted by the Financial Supervision Commission in 2007 were in line with the Program on legislative activities for the period from 1 January to 31 December 2007.<sup>2</sup>

Significant amendments were introduced in the legislative framework regulating the non-banking financial sector which is within the scope of regulation by the Financial Supervision Commission in 2007.

The amendments made aimed at:

- timely reflection in the national legislation of the European directives which are undergoing a process of further development and amendment;
- promotion and support of the non-banking financial sector development in line with the trends within the EU;
- ensuring maximum protection of all participants on the market for products and services offered by the non-banking financial sector;
- optimizing the legal framework on the basis of analysis and forecasting of processes and trends in the development of the economy and the markets.

A clear indication for the achievement of the set objectives during the past year was the stable market characterized by dynamic development, introduction of new products and participants. The future development of the non-banking financial sector will be dominated by the trends in the development of the single European market, a significant growth being expected in the share of services and products offered by the sector.

The amendments introduced to the legislation regulating the insurance, health insurance, investment activity and pension insurance activities make a significant contribution to the development and stability of the market.

Therefore in 2007 the Commission adopted drafts of new acts, acts for amendment and supplement to existing laws, and a number of sub-statutory acts which are already a part of the legislative basis regulating the insurance, investment, and social insurance activities.

## 1.1 Amendments to the Legislation

### 1.1.1. Amendments to the Legislation Regulating Investment Activities

The amendments to the legal framework regulating investment activities in 2007 include the adoption of the Markets in Financial Instruments Act<sup>3</sup> (MFIA) and the amendment to the Public Offering of Securities Act<sup>4</sup> (POSA) and the Law against Market Abuse with Financial Instruments<sup>5</sup> (LMAFI).

#### MARKETS IN FINANCIAL INSTRUMENTS ACT

With the adoption of the Markets in Financial Instruments Act the provisions of Directive 2004/39/EC (MiFID)<sup>6</sup> on markets in financial instruments amending Directives 85/611/EEC, 93/6/EEC and 2000/12/EC and repealing Council Directive 93/22/EEC were transposed. The main provisions in the act are as follows:

1. The range of financial instruments whose trade is subject to supervision is expanded by including financial

instruments that are issued and traded in a manner which justifies their regulating similar to commonly traded financial instruments.

2. Rules have been laid down on the main capital requirements to investment intermediaries (II), additional provisions have been introduced on the supervision on a consolidated basis which the Financial Supervision Commission should exercise over them when the II form part of a group.

3. Detailed regulation has been provided on the execution of orders for purchase or sale of financial instruments for the customers' account, irrespective of the execution method, in order to ensure high quality execution of transactions for the customer's account of an investment intermediary and maintenance of the integrity and effectiveness of the financial system. A new kind of service is introduced, related to organization of a multilateral trading facility (MTF).

4. More stringent requirements have been envisaged with regard to the internal organization of the investment intermediary, including the creation of opportunities for continuous and regular provision of investment services and activities and in compliance with the statutory requirements for avoiding and detecting conflicts of interests, storing of information, keeping of customer assets, immediate and accurate execution of orders, risk management, keeping accounting, risk reduction when assigning important operational functions to a third party.

5. The provisions on qualifying holding in an investment intermediary have been detailed, the acquisition and transfer of shares being subject to a notification regime, thus the investment intermediary will become or respectively cease to be a subsidiary of the entity that will acquire or respectively transfer the shares.

6. The provisions ensuring investor protection are now differentiated depending on the classification of the customers into non-professional customers, professional customers and eligible counter parties.

7. The investment intermediaries are now required to ensure execution of their customers' orders in the best interest of the customer and in the best circumstances for the customer.

8. The obligation to carry out transactions with financial instruments, admitted to trading on a regulated market, only on the regulated markets, drops off. In this connection additional requirements have been provided for disclosure of information about transactions with securities concluded outside regulated markets.

9. Requirements have been laid down on consolidation of the information on the prices of financial instruments which should be published at the trading venues (regulated markets, multilateral trading facilities, investment intermediaries when they have the capacity of systematic internalisers, as well as the trading systems which function similarly to the regulated markets or multilateral trading facilities).

<sup>2</sup> The program was adopted with Protocol No. 63 of 20 December 2006 and Protocol No. 29 of 2 June 2007.

<sup>3</sup> Markets in Financial Instruments Act (State Gazette, issue 52 from 2007).

<sup>4</sup> Public Offering of Securities Act (State Gazette, issue 53 from 2007).

<sup>5</sup> Law against Market Abuse with Financial Instruments (State Gazette, issue 53 from 2007).

<sup>6</sup> Markets in Financial Instruments Directive.

10. More stringent requirements have been provided for the organization and activities on the regulated market and the market operator.

## PUBLIC OFFERING OF SECURITIES ACT

Paragraph 1 of the Transitional and Final Provisions of MFIA lays down amendments to the Public Offering of Securities Act. The amendments aim to fully transpose the following Community acts: Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC and Directive 2004/25/EC on takeover bids.

According to the requirements of the above mentioned European acts the concept 'regulated information' is introduced in the Public Offering of Securities Act and the requirements on its disclosure to the issuers of securities are detailed. Regulated information is intended to be disclosed simultaneously to the Commission and to the general public and the act specifies that its disclosure to the general public should be performed in a manner which ensures its effective and simultaneous disclosure to the highest possible number of entities.

With a view to implementing effective control on issuers whose securities are admitted to trading on a regulated market in more than one Member State, detailed provisions have been laid down on the interaction and cooperation between the Commission and the competent authorities of the other Member States.

The provisions in the part concerning tender offers have also been amended in order to bring them in compliance with the requirements of Directive 2004/25/EC of the European Parliament and of the Council on takeover bids. The tender offer is intended to be presented both to representatives of the staff from the company subject to a tender offer and to representatives of the staff of the offerer or directly to the staff without representatives.

The managing body of the company subject to a tender offer is prohibited from carrying out actions with the main goal to frustrate the tender offer except in case of unanimous agreement of the general assembly. After making a tender offer the managing body will be able to carry out only actions on seeking a competitive tender offer.

An opportunity is provided for entities who acquire more than 95% of the rights to vote in the general meeting of a public company to buy out the voting shares of the remaining shareholders. Similarly, an opportunity is provided for the shareholders where one entity acquires more than 95% of the voting rights in the general meeting of a public company.

## LAW AGAINST MARKET ABUSE WITH FINANCIAL INSTRUMENTS

The main amendment to the Law against Market Abuse with Financial Instruments concerns disclosure of inside information in view of the fact that the regulated information also covers inside information. In this relation it is envisaged the issuers of securities to disclose inside information which directly concerns them, simultaneously to the Commission and to the public, in a way ensuring its effective and simultaneous disclosure to the widest possible circle of entities.

## 1.1.2. Amendments to the Legislation Regulating Insurance Activity

Two acts were adopted in 2007 on amendment and supplement to the Insurance Code (IC). The first one, the **Act on Amendment and Supplement to the Insurance Code**<sup>7</sup>, promulgated on 15 June 2007, introduces the requirement of Directive 91/371/EEC that the Member States of the European Economic Community should bring their legislation in compliance with the Agreement between the Community and the Swiss Confederation which contains specific provisions on the establishment within the Community of branches of non-life insurers registered in the Swiss Confederation and vice versa, including rules for carrying out insurance activity and supervising those insurers. Secondly, taking into account the current regulation on a sublegislative level for fair assessment of claims, the eligible cover of technical provisions is extended to the amount of the accumulated premium reserve, mathematical reserve or capitalized value of pensions. The amendment aims to further stimulate reinsurance on the part of Bulgarian insurers at high quality reinsurance undertakings whereby their solvency is ensured and the requirements for capital adequacy of these insurers are alleviated. The amendment to Article 82 of the Code is in line with paragraph 4(1) of the additional provisions which stipulates that the minimum amounts of the guarantee capital under Article 82(1) and (3) are updated on an annual basis and their amount in EUR increases in line with the percentage increase of the European Customer Price Index published by Eurostat, provided that this percentage is 5% higher than the last revaluation. The updated amounts of the guarantee capital of insurers and reinsurers, revaluated pursuant to the abovementioned manner, were published in the Official Journal of the European Union on 18 August 2006.

**The second Act on Amendment and Supplementing to the Insurance Code**, promulgated on 23 November 2007<sup>8</sup>, has been adopted in connection with the need to transpose the provisions of Directive 2005/68/EC of the European Parliament and of the Council on reinsurance and amending Council Directives 73/239/EEC, 92/49/EEC as well as Directives 98/78/EC and 2002/83/EC (Directive 2005/68/EC) in the Bulgarian legislation, as well as improving current insurance legislation in order to make it more precise in terms of practice. The provisions of Council Directive 91/675/EEC setting up an insurance committee have also been transposed, as well as those of Directive 2005/1/EC of the European Parliament and of the Council amending Council Directives 73/239/EEC, 85/611/EEC, 91/675/EEC, 92/49/EEC and 93/6/EEC and Directives 94/19/EC, 98/78/EC, 2000/12/EC, 2001/34/EC, 2002/83/EC and 2002/87/EC in order to establish a new organizational structure of financial services committees. The transposition of Directive 2005/68/EC determines changes in the scope of activity of insurance companies and in the licensing regimes they are subject to. A general legal opportunity is introduced which allows insurance joint-stock companies also to carry out reinsurance in a limited amount by class of insurance and the respective risks they have been authorized to insure for. There is

<sup>7</sup> Act on Amendment and Supplement to the Insurance Code (State Gazette, issue 48 from 2007).

<sup>8</sup> Act on Amendment and Supplement to the Insurance Code (State Gazette, issue 97 from 2007).



no longer the possibility to license an insurer to carry out reinsurance activity after an initial licensing, respectively to issue an additional license for performing reinsurance activities of an insurer, as well as to issue an additional license for insuring to a joint-stock company which has obtained an initial license for reinsurance. Regulations are established on the manner in which portfolios are transferred from reinsurance contracts, on the rules on acquisition of qualifying holding in the reinsurer's capital, rules on protection of information being a professional secret, in relation to supervising reinsurers, as well as on the conditions for sharing such information among the competent authorities of the Member States and its presenting to other bodies and entities. Rules are laid down for establishing technical provisions in terms of determining the own capital of reinsurers, as well as in terms of calculating the solvency margin and the minimum guarantee capital. The regime for financial recovery of reinsurers who do not meet the requirements for solvency or otherwise create doubts about their ability to meet their obligations under the reinsurance contracts is established, together with the main prerequisites for revoking an issued license for reinsurance activity.

The act also provides for certain fundamentally new cases such as captive reinsurers, reinsurance with limited risk, a fundamentally different manner of covering the technical provisions of reinsurers, some changes in the scope of activity of insurers, together with the respective changes in the requirements for solvency.

An obligation is imposed for using Bulgarian language in relations between customers of insurance services on the one hand and insurers and insurance firms that carry out activities on the territory of the Republic of Bulgaria on the other.

A requirement is introduced to fully deposit the capital as of the date of filing an application for entry of its further increase.

The status of independent members of the managing bodies of insurers is laid down.

The scope of information subject to an insurance secret is specified.

A new ground for revoking the legal capacity of the responsible actuary is introduced – where the actuary activities have not been exercised for more than two years after the date of recognition of legal capacity, respectively vacating the post, thereby ensuring the high criteria this activity should be subject to.

It has been envisaged specialized audit undertakings that can certify annual financial reports of insurers to be entered in the list of auditors.

The rules of transformation of insurers and of the liquidation plan are supplemented.

The Act has introduced a number of bans for insurers, such for instance as not to refuse access to the non-life insurance terms, not to enter into the rights of an injured person, and to bring a regressive claim for damages towards the insured under the mandatory Third Party Liability insurance (except for the amount of damages that exceeds the insurance amount in the contract) where the injured persons has signed a Motor Casco or other property insurances with them. Limitations are placed on the possibility for the insurer that provides general Third Party Liability of motorists to raise objections for failure to fulfill by the insured of the obligations for good faith

disclosure of information related to the insurance risk of third injured parties.

The definition of a motor vehicle (MV) in the area of mandatory insurance is amended. The Guarantee Fund (GF) payment regime, ensuing from the provision under Article 7 of Directive 2000/26/EO on motor insurance, is supplemented.

A regime is provided for ensuring insurance claims in case of insolvency of an insurer in compliance with the positions expressed in document No. MARKT/2534/12-1 of the European Commission – Directorate General for the Internal Market, on insurance guarantee schemes. A Fund for guaranteeing insurance claims (Covering Fund) is created as an independent account under the Guarantee Fund, managed by the bodies and assisted by the staff of the Guarantee Fund. A procedure for financing the Covering Fund is specified with the intention that the major source of income should be a contribution on the basis of insured persons with signed 'Accident' or 'Illness' insurances and those under section I of Annex No. 1 to the Insurance Code, respectively on the basis of motor vehicles subject to a signed mandatory Third Party Liability insurance of motorists from the previous financial year.

### 1.1.3. Changes in the Legislation Regulating Supplementary Pension Insurance Activity

**The Act on Amendment and Supplement to the Social Security Code<sup>9</sup> (SSC)** was adopted in 2007. The amendments are in connection with the need to harmonize the Bulgarian social legislation with the European Union law in the area of supplementary pension insurance and full transposition of the provisions of Directive 2003/41/EO on the activities and supervision of institutions for occupational retirement provision in it. The directive requires the Member States to allow the institutions managing professional pension schemes to entrust the storing of the assets of these schemes to trustee banks, approved for this activity and registered in another Member State, with a view to ensure free provision of services. In this relation the amendments to the Social Security Code provide for the possibility that a trustee bank of a supplementary pension insurance fund by professional schemes can be a bank which has obtained the respective license from a competent authority in a Member State and offers directly or through a branch services on the territory of the Republic of Bulgaria.

On the grounds of the principle for mutual recognition of the supervision in Member States established in the European Union, a new right is provided for the Deputy Chairperson of the Financial Supervision Commission in charge of Social Insurance Supervision Division. At the request of a supervisory body of a home Member State of a foreign institution, he/she can prohibit a trustee bank registered on the territory of the Republic of Bulgaria from executing an order of the institution concerning assets of a professional scheme deposited by it.

In September 2007 the Financial Supervision Commission adopted a draft Act on Amendment and Supplement to the SSC which was sent to the Ministry of Labour and Social Policy. The draft further develops and improves the regulation on supplementary pension insurance. The

<sup>9</sup> Act on Amendment and Supplement of the Social Security Code (State Gazette, issue 41 from 2007).

proposed amendments aim at stimulating competition between pension insurance companies to the benefit of the persons insured in the managed pension funds. They are intended to strengthen the management structures and the capacity of companies and to improve the level of corporate management.

The amendments and supplements overcome the insufficient cohesion between legal acts regulating the financial sector and its supervision, and also establish a similar legal framework of public relations in this area, remove some contradictions and gaps in the provisions of the SSC and create an opportunity for a more effective regulation and control on the side of the state on activities related to supplementary pension insurance.

In view of the changed circumstances in the country and the new stage in the development of pension insurance companies which can now manage four pension funds – two mandatory and two voluntary, more stringent requirements are introduced for founders and shareholders, for the own capital of the pension insurance company and its managing and controlling bodies. The draft law provides for additional requirements for shareholders who own 10 and over 10% of the company capital (3 years of economic activity), in order to avoid newly created legal persons from entering the market due to the fact that their financial stability cannot be assessed by the supervisory authority. Hypotheses where the change of shareholding participation in the company is the result of objective circumstances is regulated for the first time. New requirements are introduced (in terms of education, professional experience, clear judicial record, etc.) for the members of the managing and controlling bodies, thereby establishing additional guarantees for a professional management of pension funds.

The changes in the regime for issuing a pension license aim at improving the procedure by filling gaps or clarifying certain provisions in this field. Changes are proposed in the grounds for refusal or withdrawal of a pension license, taking into account some cases from the Financial Supervision Commission's practice and the need for more precise and comprehensive formulations of the cases where the Commission may refuse to issue or withdraw a pension license. New grounds have been added that ensure operational independence in the decision-making process of the supervisory body. Proposals are also made for changing the procedures on issuing a permit for managing a supplementary pension insurance fund in order to comply with the current legislation and be made more comprehensive and detailed.

The requirements to the specialized internal control service in the pension insurance company and its staff are further developed and specified. This is necessary with a view to unifying the various practices in the setting up and functioning of these services in pension insurance companies now, as well as to improve the effectiveness of internal control in the activities of the companies.

It is envisaged the Commission to determine by an ordinance the requirements to the companies' advertisements in view of the established in the supervision practice need for a regulatory framework on the requirements to the advertisements and marketing activity of pension insurance companies and for synchronization of the requirements for the activities of pension insurance companies in legal acts at the same level.

The Financial Supervision Commission proposes the following changes with a view to further improve and liberalize investment regulations:

1. Introducing requirements for pension insurance companies to treat equally and fairly the supplementary pension insurance funds they manage, as well as an obligation for the managing body of the pension insurance company to adopt an investment policy for each fund.
2. Expanding the range of eligible financial instruments with shares offered in the conditions of an initial public offering and introducing limits for these investments;
3. Liberalizing some investment limitations which prove to be reached in practice.
4. Synchronizing some provisions with the terminology established with the Markets in Financial Instruments Act. In the regulations of the professional schemes the amendments proposed concern mostly terminological clarifications, technical mistakes and omissions. The elements of the mandatory contents of collective labour contracts and collective agreements are listed in detail in cases where they regulate insurance under professional schemes and a more precise answer is given to the question what should be determined in the professional scheme.

Some necessary amendments are also made in the regulation of fees and deductions. A reduction in the fee for the management of the assets with mandatory pension funds is envisaged, the differentiation in the switch over fee depending on the length of participation in the fund and its dropping off in cases of participation in the fund for more than two years. In comparison with the maximum levels of fees in the supplementary mandatory pension insurance determined by the laws in other countries, the amounts of the fees which Bulgarian companies collect are among the highest. The analyses carried out show that the high levels of fees will significantly reduce the amount of accruals at the end of the insurance period, respectively the amount of the pension paid, which might compromise the fully funded pension insurance. The legislator removed a significant source of costs for the pension insurance companies – paying a fee for the collection of the insurance contributions to the National Revenue Agency. The supervision fees are at a relatively low level and have not been changed since their introduction in 2003. The price competition between pension insurance companies is present and increasing only in the sector of voluntary pension insurance. The indirect incentives for lowering the levels of fees (for example including them as a criterion in the official distribution of persons to the supplementary mandatory pension insurance funds) did not yield results. The companies cover the bulk of their maintenance with income from fees for the mandatory pension insurance. This necessitates the reduction of fees by legal means.

#### 1.1.4. Other Changes in the Legislation

In 2007 representatives of the Financial Supervision Commission took part in a working group which prepared the draft law on amendment to the Protection against Discrimination Act and respectively participated in the elaboration of the texts. The Law on Supplement to the Protection against Discrimination Act transposes the provisions of Council Directive 2004/113/EC of 13 December 2004 implementing the principle of equal treatment between men and women in the access to



and supply of goods and services. The final provisions make changes in three legal acts related to the activities of the Commission, namely the Social Security Code, the Insurance Code and the Health Insurance Act. It is assumed that gender is a major factor in determining the amount of premiums, pensions and compensations in supplementary pension insurance, insurance and voluntary health insurance. The derogation pursuant to Article 5(2) of the directive which stipulates that in supplementary voluntary pension insurance, insurance and voluntary health insurance proportionate differences can be used in terms of the premiums and benefits of the insured persons where gender is a determinant factor in assessing the risks on the basis of appropriate and accurate actuarial and statistical data is transposed. The Financial Supervision Commission should exercise control over the applying of the derogation from the requirement on equal gender treatment, and in the end of a five-year period after 21 December 2007 it is obliged to prepare reports on the justification for using gender as an actuary factor in applying Article 5 of the directive. The amendments to the Insurance Code, the Social Security Code and the Health Insurance Code are in the same sense. The requirement in Article 5(3) of Directive 2004/113/EC on non-allowing the costs related to pregnancy and maternity to result in differences in individuals premiums and benefits is also included in Article 65a(3) of the Insurance Code and Article 88a(3) of the Health Insurance Code. It is assumed that the less favourable treatment of women due to pregnancy and maternity is a form of direct discrimination based on gender and should therefore be prohibited in the area of these services.

With the Markets in Financial Instruments Act amendments were made to the Financial Supervision Commission Act. The changes are directed mainly to bringing the provisions of the act in line with the changes in the Public Offering of Securities Act and the adoption of the Markets in Financial Instruments Act.

## 1.2. Changes in the Secondary Legislation

### 1.2.1. Changes in the Secondary Legislation Regulating Investment Activity

During the past 2007 the Commission continued to elaborate legislation regulating the state supervision over investment activity and activity of entities related to the capital market, both through updating the acting Bulgarian legislation and harmonizing it with the European law, and through removing some weaknesses in the current legislation. With this view the following legislative acts were adopted:

**Ordinance for amending and supplementing Ordinance No. 2 of 17 September 2003 on the prospectuses in the case of public offering of securities and their admission to trading on a regulated market and on the disclosure of information by the public companies and other issuers of securities.**<sup>10</sup> In this way full compliance is reached between the act and the amendments to the Public Offering of Securities Act in the part on initial and subsequent disclosure of information by public companies and other issuers of securities. The ordinance explicitly provides that the prospectus should contain the

information specified in Regulation No. 809/2004 of the European Commission with direct application, which is therefore not transposed in the legislation of the Member States. The ordinance regulates the terms and the manner to enter qualified investors in the Commission's register with a view to benefit from a possible discharge from the obligation to publish a prospectus in cases where the offering is directed to such entities. The ordinance provides rules on the content of periodic and other regulated information which issuers are obliged to disclose according to POSA, as well as the requirements they must follow when disclosing it. It is specified that in addition to the Commission the issuers must disclose this information to the general public, using media or a third party for the purpose, that can ensure its wide and simultaneous dissemination on the territory of all Member States, and where the public offer is made only in the country – on the territory of the Republic of Bulgaria.

**Ordinance for amending and supplementing Ordinance No. 11 of 3 December 2003 on authorizations to carry out activity as a regulated market, for organizing a multilateral trading facility, for carrying out activity as an investment intermediary, investment company, management company and special purpose vehicle.**<sup>11</sup> The ordinance aims at reaching compliance with the Markets in Financial Instruments Act, the amendments to the Public Offering of Securities Act and Ordinance No. 38 from 2007 on requirements for the activities of investment intermediaries and Ordinance No. 35 from 2006 on capital adequacy and liquidity of investment intermediaries. The ordinance specifies in detail the data and documents which are attached to the applications for the issue of license to operate as an investment intermediary, regulated market, management company and investment company, to the applications for the issue of approvals and authorizations in relation to their activities, as well as to applications for making notification on acquisition or transfer of qualifying holding in compliance with the abovementioned legislative acts.

**Ordinance for amending and supplementing Ordinance No. 13 of 22 December 2003 on tender offering for buying and exchange of shares**<sup>12</sup> The amendments to the ordinance concern the changes in the Public Offering of Securities Act in the part on prospectuses, more specifically imposing a requirement to present a document containing information equivalent to the information presented in the prospectus where the tender offer concerns exchange of shares. Therefore the provision regulating the content of the tender offer is also amended in line with legal requirements.

**Ordinance for amending and supplementing Ordinance No. 25 of 22 March 2006 on the requirements to investment companies and contractual funds**<sup>13</sup>. The ordinance for amending and supplementing Ordinance No. 25<sup>14</sup> makes changes concerning the rules on valuation of the assets of collective investment schemes (CIS), so that the texts of the ordinance are brought in line with the amendments and the supplements in the POSA on the structure and the content of the portfolio of investment

<sup>10</sup> State Gazette, issue 82 from 2007

<sup>11</sup> State Gazette, issue 84 from 2005; issues 83 and 87 from 2007

<sup>12</sup> State Gazette, issue 82 from 2007

<sup>13</sup> State Gazette, issue 82 from 2007

<sup>14</sup> State Gazette, issue 27 from 2007

companies and contractual funds. Amendments are also made to the Ordinance on requirements for the activities of management companies concerning assets of management companies and their valuation for the purposes of their capital adequacy and liquidity.

Ordinance No. 25 also introduces changes in the transitional and final provisions of the Ordinance for amending and supplementing Ordinance No. 2 of 17 September 2003 on the prospectuses in case of public offerings of securities and their admitting to trading on a regulated market and disclosure of information by public companies and other issuers of securities<sup>15</sup> regarding the financial reports and the abridged and full prospectus of the open-end investment company and the contractual fund.

**Ordinance for amending and supplementing Ordinance No. 26 of 22 March 2006 on the requirements for the activities of management companies<sup>16</sup>.** The ordinance for amending and supplementing Ordinance No. 26 brings in line the activities of management companies in terms of the additional services they provide – managing an individual portfolio and providing investment consultations, and the applicable requirements of the Markets in Financial Instruments Act. The ordinance transposes the provisions, applicable to management companies, of Directive 2004/39/EC and Commission Directive 2006/73/EC implementing Directive 2004/39/EC as regards the organizational structure of the management companies as well as the rules the management company should follow in order to perform the activity ‘to the customer’s best interests’.

**Ordinance No. 38 of 25 July 2007 on the requirements for the activities of investment intermediaries<sup>17</sup> (ORAI).** The adoption of the ordinance aims at transposing Directive 2006/73/EC. In this way Directive 2004/39/EC (MiFID) and the acts of its application will be fully transposed.

The main provisions of the ordinance are as follows:

1. The internal organization of investment intermediaries is laid down in greater detail. The requirements on internal control of the investment intermediary, risk management in the activities of the investment intermediary, the internal audit are specified;
2. Conditions are determined for concluding personal transactions on the part of persons working under a contract for the investment intermediary;
3. The requirements which the investment intermediary should follow when assigning important operational functions and investment services and activities to a third party are regulated. Such assignments are accepted only on the grounds of a written contract with the person and provided this does not lead to transferring obligations from the persons who manage the activity of the investment intermediary to other persons, to change in the legal relations between the investment intermediary and its customers or to violations of the requirements of MFIA and the acts for its application.
4. The conditions are established on which the investment intermediary keeps the financial instruments and cash of its customers. The investment intermediary must ensure separate accounting for the cash and instruments of each customer.
5. The requirements which investment intermediaries

should meet in terms of dealing with conflicts of interests, including policy on dealing with conflicts of interests are regulated in detail. Additional organizational requirements are provided for cases where the investment intermediary performs investment research.

6. A requirement is laid down whereby contracts with customers are concluded in writing, including through a remote communication means (electronic statement signed with an electronic signature) if the requirements of the Electronic Document and Electronic Signature Act on equivalence of the written form are met. However, in any case the investment intermediary may sign a contract with a customer only if the customer’s identity has been authenticated.

7. Hypothetical cases in which an investment intermediary has the right to receive commissions and other financial profit in relation to the investment and ancillary services and activities provided by it are determined exhaustively.

8. The requirements for the information that the investment intermediary provides to its actual and potential customers are established in detail, depending on the customers’ characteristics – professional or retail customers.

9. The requirements for the information that the investment intermediary requires from its actual and potential customers are established given its obligation to assess whether the investment service or financial instrument proposed is appropriate for the customer.

10. The requirements for providing information to customers on the execution of their orders as well as the accountability when managing a customer portfolio are established in detail. The information must be provided on a durable medium when the addressee is a retail customer.

11. The criteria which the investment intermediaries must follow are laid down in relation to the intermediaries’ obligation in execution of customer orders and conclusion of transactions of portfolio management always to achieve best possible execution for the customer. Additional requirements are established where the customer is non-professional.

12. The cases where the investment intermediary has the right to execute a customer order or a transaction at its own expense by combining them with other customer orders are defined in a comprehensive manner, together with the conditions for allocation of concluded transactions in such cases.

**Ordinance No. 39 of 21 November 2007 on disclosure of a holding in a public company<sup>18</sup>.** The ordinance lays down the conditions, procedure and form for disclosure of a shareholding in a public company, as well as the rules for making a notification when acquiring control in an investment company. It details the provisions of the Public Offering of Securities Act in the part on disclosure of shareholding and transposes fully the provisions of Commission Directive 2007/14/EC laying down detailed rules for the implementation of certain provisions of Directive 2004/109/EC on the harmonization of the transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market. The ordinance provides that the notification for disclosure of shareholding shall be performed by the shareholder and by any person having the right to acquire, transfer or exercise a voting right in the general meeting of a public company upon reaching or exceeding 5% or a multiple of 5% of the total number

<sup>15</sup> State Gazette, issue 82 from 2007.

<sup>16</sup> State Gazette, issue 87 from 2007.

<sup>17</sup> State Gazette, issue 67 from 2007.

of votes in the company's general meeting. The obligation to disclose a shareholding also relates to any person possessing directly or indirectly financial instruments, giving such person the right to acquire on its own initiative voting shares in the general meeting, and the financial instruments to which this obligation relates are specifically listed. The ordinance also specifies in detail the hypotheses where no notification is required and the cases where the votes of the parent undertaking are not summed up with the votes of the management company and the investment intermediary in disclosure of holding. The form of the notification is also specified, the data that have to be specified therein and the term within which it has to be made. The ordinance also specifies the conditions when the Commission may consider that the requirements of the legislation of a third country are equivalent to the Bulgarian legislation with a view to the possibility issuers from third countries to be exempted from certain requirements under POSA and the ordinance in relation to disclosure of holding.

**Ordinance for amending and supplementing Ordinance No. 23 of 8 February 2006 on the terms and procedure for client assets valuation<sup>19</sup>.** The amendments to the ordinance are related to the need to bring its provisions concerning the concept of professional investors in compliance with the amendments to the Public Offering of Securities Act and the adoption of the Markets in Financial Instruments Act. In this relation it is envisaged that customer assets of professional investors, as specified in MFIA, shall not be subject to valuation.

#### **1.2.2. Directives, Transposed in the Legislation Regulating Investment Activity. Date of Entry into Force and Legal Act Implementing the Directives in Question**

**Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC**

- date of entry into force - 1 November 2007;
- the provisions of Directive 2004/39/EC are transposed in the Markets in Financial Instruments Act, the Public Offering of Securities Act, the Act against Market Abuse with Financial Instruments, Ordinance No. 38 on requirements for the activities of investment intermediaries.

**Directive 2006/73 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive**

- date of entry into force - 1 November 2007;
- the provisions of Directive 2006/73 are transposed in Ordinance No. 38 on requirements for the activities of investment intermediaries.

**Directive 2004/109/EC of the European Parliament and of the Council on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC**

- date of entry into force - 20 January 2005;
- the provisions of Directive 2004/109/EC are transposed in the Public Offering of Securities Act, the Act against Market Abuse with Financial Instruments.

**Commission Directive 2007/14/EC of 8 March 2007 laying down detailed rules for the implementation of certain provisions of Directive 2004/109/EC on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market**

- date of entry into force - 29 March 2007;
- the provisions of Directive 2007/14/EC are transposed in Ordinance No. 2 of 17 September 2003 on prospectuses in case of public offering of securities and their admission to trading on a regulated market and on disclosure of information by the public companies and other issuers of securities and in Ordinance No. 39 on disclosure of a holding in a public company.

#### **1.2.3. Changes in the Secondary Legislation Regulating Insurance and Voluntary Health Insurance**

During the reporting period FSC adopted a series of secondary legislative acts concerning the activities of insurance and health insurance companies:

**Ordinance for amending and supplementing Ordinance No. 21 of 2005 on the own funds and solvency margin of insurance and health insurance companies<sup>20</sup>.** The amendments to the ordinance concern amendments and supplements to the Insurance Code<sup>21</sup>. The provisions of Directive 2005/68/EC of the European Parliament and of the Council on reinsurance and amending Council Directives 73/239/EEC, 92/49/EEC as well as Directives 98/78/EC and 2002/83/EC on determining own capital, methods for calculating the solvency margin and on determining the minimum guarantee capital of reinsurers are transposed.

**Ordinance for amending and supplementing Ordinance No. 24 of 2006 on the compulsory insurance pursuant to Article 249, items (1) and (2) of the Insurance Code and on the procedure of settlement of claims for compensation of damages caused to motor vehicles<sup>22</sup>.** The ordinance lays down specifics in the signing of border Third Party Liability insurance of motorists, specifies the places where it can be signed, its validity, the terms for performing border control for the presence of a mandatory Third Party Liability insurance of motorists. Regulated are the content of the policy and the mandatory issuing of a Green Card Certificate together with it. The border insurance is signed by persons from countries outside the European Union who, upon entering Bulgaria, do not own a Third Party Liability insurance of motorists which is valid on the territory of the European Union and it is also signed by persons from Member States whose insurance expires during their stay in Bulgaria.

The National Bureau of Bulgarian Motor Insurers will determine a single form of the border insurance policy and will administer its printing and disseminating among its members.

The transitional and final provisions of the ordinance implement respective amendments in Ordinance No. 30 from 2006 on requirements to the accounting, form and content of the financial statements, statistics, reports, and appendixes of insurance and health insurance companies.

<sup>19</sup> State Gazette, issue 82 from 2007

<sup>20</sup> State Gazette, issue 2 from 2008

<sup>21</sup> State Gazette, issue 97 from 2007

<sup>22</sup> State Gazette, issue 55 from 2007



**Ordinance for amending and supplementing Ordinance No. 24 from 2006 on the compulsory insurance pursuant to Art. 249, items (1) and (2) of the Insurance Code and the procedure of settling of claims for compensation of damages caused to motor vehicles<sup>23</sup>.** The amendments and supplements made envisage, that prior to signing a Third Party Liability insurance, the insurer may require to be presented a copy of the second part of the motor vehicle registration certificate, copy of the customs declaration, invoice or another document indicating the number of the motor vehicle frame. When the mandatory insurance is signed via an insurance broker or agent, they may also require the documents in question indicating the number of the frame if the insurer authorized them for that. The changes aim at creating conditions for accurate identification of the registration number and the number of the motor vehicle frame. Thus improvement in the quality of the information, submitted to the FSC's information centre is expected as well as a possibility for precise comparison with the information on registered motor vehicles, submitted to the Ministry of Interior.

**Ordinance for amending and supplementing Ordinance No. 27 on the procedure and methodology for formation of technical reserves by insurers and of the health insurance reserves<sup>24</sup>.** With the amendments adopted the method for formation of provisions for submitted but unpaid claims is brought in line with the market reality. The ordinance envisages that the provisions for submitted but unpaid claims shall be determined with the use of a coefficient which represents the ratio between:

- the total amount of claims, granted with decisions enacted against the company, and the court agreements during the previous three years (including principal, interest, and costs) and
- the total amount of submitted claims under claim requests, on which the decisions enacted as specified in (1) were pronounced and the court agreements reached.

**Ordinance for amending and supplementing Ordinance No. 27 on the procedure and methodology for formation of technical reserves by insurers and of the health insurance reserves<sup>25</sup>.** The amendments to the ordinance are related to the amendments and supplements in the Insurance Code<sup>26</sup>. Introduced are the provisions of Directive 2005/68/EC of the European Parliament and of the Council on reinsurance and amending Council Directives 73/239/EEC, 92/49/EEC as well as Directives 98/78/EC and 2002/83/EC on the rules for forming technical provisions of reinsurers.

**Rules for amending and supplementing the Rules on the structure and operation of the Guarantee Fund<sup>27</sup>.** The rules are adopted with the aim to improve the legislation in relation to the operation and organization of the Guarantee Fund. The amendments mainly concern the liquidation of damages, and namely the fact that the Fund verified each presented claim and upon the filing of a claim the Fund notifies the claimant about the evidence that need to be presented so that the amount of the claim can be determined.

**1.2.4. Directives, Transposed in the Legislation Regulating Insurance and Voluntary Health Insurance Activity. Date of Entry into Force and Legal Act Implementing the Directives in Question:**

**Directive 2005/68/EC of the European Parliament and of the Council on reinsurance and amending Council Directives 73/239/EEC, 92/49/EEC as well as Directives 98/78/EC and 2002/83/EC:**

- date of entry into force - 10 December 2005;
- the provisions of Directive 2005/68/EC are transposed in the Insurance Code, Ordinance No. 21 on the own funds and solvency margin of insurers and health insurance companies and Ordinance No. 27 on the procedure and methodology for formation of technical reserves by insurers and of the health insurance reserves.

**Council Directive 91/371/EEC on the implementation of the Agreement between the European Economic Community and the Swiss Confederation concerning direct insurance other than life assurance:**

- date of entry into force - 27 July 1991;
- the provisions of Directive 91/371/EEC are transposed in the Insurance Code.

**Council Directive 91/675/EEC setting up an insurance committee:**

- date of entry into force - 31 December 1991;
- the provisions of Directive 91/675/EEC are transposed in the Insurance Code.

**Directive 2005/1/EC of the European Parliament and of the Council amending Council Directives 73/239/EEC, 85/611/EEC, 91/675/EEC, 92/49/EEC and 93/6/EEC and Directives 94/19/EC, 98/78/EC, 2000/12/EC, 2001/34/EC, 2002/83/EC and 2002/87/EC in order to establish a new organizational structure for financial services committees:**

- date of entry into force - 13 April 2005;
- the provisions of Directive 2005/1/EC are transposed in the Insurance Code.

**Council Directive 2004/113/EC implementing the principle of equal treatment between men and women in the access to and supply of goods and services:**

- date of entry into force - 21 December 2004;
- the provisions of Directive 2004/113/EC are transposed in the Insurance Code and the Health Insurance Code.

**1.2.5. Changes in the Secondary Legislation Regulating the Supplementary Pension Insurance**

The Commission adopted the following secondary legislative acts regulating the supplementary pension insurance activities:

**Ordinance for amending and supplementing Ordinance No. 15 of 5 May 2004 on keeping and storing of the registers by the Financial Supervision Commission and the circumstances subject to entry<sup>28</sup>.** The amendments to the ordinance arise from the introduction of supplementary pension insurance under professional schemes and the need to create a new public register – a Register of Professional Schemes.

**Ordinance for amending and supplementing Ordinance No. 9 of 19 November 2003 on the terms and procedures for valuation of assets and liabilities of supplementary pension insurance funds and pension insurance companies, the value of the fund's net assets, on calculation and announcement of the value of one unit as well as on the requirements for**

<sup>23</sup> State Gazette, issue 3 from 2008

<sup>24</sup> State Gazette, issue 65 from 2007

<sup>25</sup> State Gazette, issue 3 from 2008

<sup>26</sup> State Gazette, issue 97 from 2007

<sup>27</sup> State Gazette, issue 40 from 2007

<sup>28</sup> State Gazette, issue 22 from 2007

**maintaining of individual accounts**<sup>29</sup>. The ordinance improves the means for subsequent valuation of the assets of supplementary pension insurance funds, reflects the changes in their accounting arising from changes in the International Accounting Standards (IAS 39). The prudential principle is introduced in valuation of the assets and in certain cases where it is impossible to apply the procedures and methods of valuation specified in the ordinance, a possibility is provided that the latter are performed by a method and procedure which is chosen and comprehensively reasoned by the pension insurance company.

**Ordinance for amending and supplementing Ordinance No. 12 of 10 December 2003 on the terms and the procedure for determining the minimum rate of return resulting from the management of supplementary mandatory pension fund assets, on covering the difference up to the minimum rate of return as well as on the establishment and utilization of the reserves for guaranteeing the minimum rate of return**<sup>30</sup>.

The amendments to the ordinance aim at simplifying the procedure on setting aside of a reserve to guarantee a minimum rate of return in cases of repeated and subsequent accrual of a reserve within the 24-month period from which the rate of return is calculated. The change concerns the defining of the value of one unit for the last working day of the 24-month period for the purpose of calculating the rate of return of a fund which has already put aside a reserve for guaranteeing the minimum rate of return or has covered a shortage up to the minimum rate of return within this 24-month period.

**Ordinance for amending and supplementing Ordinance No. 17 of 7 July 2004 on the documents required for the issue of an authorization for transformation of a pension insurance company and a supplementary pension insurance fund, and on the requirements to the plans under Article 327 para 1 item 3 and Article 336 para 1 of the Social Security Code**<sup>31</sup>. The amendments to the ordinance aim at its bringing in compliance with the amendments and supplements of some legislative and sublegislative acts:

- in relation to the amendments to the SSC<sup>32</sup> whereby supplementary voluntary insurance under professional schemes is introduced, added texts concerning this insurance have been amended;
- in view of the provisions of the Commercial Register Act<sup>33</sup> some of the documents, which applicant companies should present to the regulatory authority when filing an application to obtain an authorization for transformation or a voluntary winding-up of a pension insurance company have been removed, as it will be possible a check-up for the relevant circumstances to be made directly in the electronically kept commercial register.

**Ordinance for amending and supplementing Ordinance No. 29 of 12 July 2006 on the minimum level of banks' credit ratings and on specifying the states, regulated markets, and indexes of the regulated securities markets according Article 176(2) of the Social Security Code**<sup>34</sup>. The amendments in the ordinance update the list of regulated markets in the Member States and third countries where securities are traded and where investment of resources of pension funds is allowed, as well as the indexes of such markets including the shares in which pension insurance companies can invest the assets of the

funds they manage according the requirements of the Social Security Code. The scope of rating agencies whose bank rating assessments are recognized for the purposes of investing the financial means of supplementary pension insurance funds in bank deposits is extended.

<sup>29</sup> State Gazette, issue 39 from 2007

<sup>30</sup> State Gazette, issue 57 from 2007

<sup>31</sup> State Gazette, issue 102 from 2007

<sup>32</sup> In force since 1 January 2007

<sup>33</sup> In force since 1 January 2008

<sup>34</sup> State Gazette, issue 62 from 2006; amended, issue 3 from 2008

## 2. LICENSING ACTIVITY AND AUTHORIZATION REGIMES

### 2.1. Licensing Activity, Authorization Regimes and Notifications in the Field of Investment Activity

#### NEW ELEMENTS IN THE LICENSING PROCEDURE

The Markets in Financial Instruments Act regulating the activity of investment intermediaries and regulated markets in financial instruments was adopted and entered into force in 2007, together with act for amending and supplementing the Public Offering of Securities Act and the Act against Market Abuse with Financial Instruments. During the past year FSC also adopted Ordinance No. 38 on requirements for the activity of investment intermediaries and Ordinance No. 39 on disclosure of a holding in a public company, laying down the conditions and procedure for disclosure of a shareholding in a public company as well as the procedure for making a notification upon acquisition of a control in an investment company (IC). Amendments were also adopted in some of the acting ordinances, as follows:

- Ordinance No. 2 on the prospectuses in the case of public offering of securities and their admission to trading on a regulated market and on the disclosure of information by public companies and other issuers of securities;
- Ordinance No. 11 on authorizations to carry out activity as a regulated market, on organizing a multilateral trading facility, to carry out activity as an investment intermediary, investment company, management company and special purpose vehicle;
- Ordinance No. 13 on tender offering for buying and exchange of shares;
- Ordinance No. 23 on the terms and procedure for client asset valuation;
- Ordinance No. 25 on requirements to the activities of investment companies and contractual funds;
- Ordinance No. 26 on the requirements for the activities of management companies;
- Ordinance No. 35 on the capital adequacy and liquidity of investment intermediaries also came into force as of 1 January 2007.

The implementation of Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements also commenced in 2007.

#### 2.1.1. Investment Intermediaries, Securities Brokers and Investment Advisors

#### LICENSING AND AUTHORIZATION ACTIVITY

##### Licenses Issued by the Commission

Two licenses for pursuing the business of investment intermediary were issued in 2007 to the following applicants:

- KM INVEST EAD Decision No. 409-II/07.03.2007
- EFG SECURITIES BULGARIA EAD Decision No. 1583

- II /05.12.2007

During the reporting period applications were filed for amending and supplementing an issued license for carrying out the activities of investment intermediary by two companies whereby FSC issued a license for amending the issued license of investment intermediary FAKTORI AD for performance of services and activities according to Article 54(2)(3) and (6) of POSA (Decision No. 621-II/04.05.2007). The Commission issued a refusal to amend the issued license to POPULIARNA KASA – 95 AD II, namely to perform services and activities according to Article 54(2)(3) and (6) of POSA (Decision No. 1180-II/29.08.2007).

FSC organized exams for acquiring the right to operate as a broker and as an investment advisor twice in 2007 – on 17 and 18 February and on 1 and 2 December respectively. The results from the exams organized are as follows:

- 59 people passed the exam for acquisition of the right to operate as brokers;
- 78 people passed the exam for acquisition of the right to operate as investment advisors.

During the reporting period the Commission received applications for recognition of acquired investment advisor qualification. After the applications were examined FSC issued decisions recognizing the acquired qualification as equivalent to the requirements included in the thematic scope of the exam for obtaining the right to operate as an investment advisor, validated through a document issued by a competent foreign authority, to the following persons:

- |                               |                                    |
|-------------------------------|------------------------------------|
| ■ Vesela Ivanova Raykova      | Decision No. 734-IC/06.06.2007     |
| ■ Petar Toshkov Toshev        | Decision No. 756 - IC/ 13.06.2007  |
| ■ Mihail Petrov Sotirov       | Decision No. 827 - IC/ 03.07.2007  |
| ■ Galina Zlateva Dimitrova    | Decision No. 1233 - IC/ 26.09.2007 |
| ■ Boryana Tsvetanova Brankova | Decision No. 1275 - IC/10.10.2007  |
| ■ Georgi Ivanov Ivanov        | Decision No. 1276 - IC/ 10.10.2007 |
| ■ Petar Georgiev Neykov       | Decision No. 1304 - IC/ 18.10.2007 |
| ■ Boyan Nikolaev Milenkov     | Decision No. 1519-IC/ 13.11.2007   |
| ■ Martin Vladimirov Dimitrov  | Decision No. 1520 - IC/ 13.11.2007 |

##### Licenses Withdrawn by the Commission

During the reporting period the Commission withdrew the license to carry out the activities of investment intermediary of the following II:

- FRONTIER FINANCE AD Decision No. 1190 -II/ 04.09.2007

Pursuant to Article 16(1)(2) of Ordinance No. 7 in relation to Article 61 of POSA and Article 59(1) and Article 60 of the Administrative Procedure Code (APC), FSC took the decision to withdraw the right to operate as a securities broker of:

- Dimitrinka Stoyanova Gramatikova Decision No. 1330 - V/ 31.10.2007

Pursuant to Article 16 of Ordinance No. 7 in relation to Article 61 of POSA and Article 56(1) and Article 59(1) and



(2) of APC the Commission took the decision to terminate the procedure on withdrawal of the right to operate as a securities broker of:

- Teodora Sergeeva Tomova Decision No. 524 - V/04.04.2007

### Individual Administrative Acts Issued by the Deputy Chairperson in Charge of Investment Activity Supervision Division

In 2007 in relation to the application of licensing regimes on the activities of investment intermediaries and the regulated securities market, the Deputy Chairperson in charge of Investment Activity Supervision Division issued the following:

- **Approval for transformation** through merging STS FINANCE EAD investment firm into BULBROKERS EAD II, whereby STS FINANCE EAD II is wound-out without liquidation and all its property is transferred to and acquired by BULBROKERS EAD II under the terms of universal succession according to the transformation contract signed between BULBROKERS EAD and STS FINANCE EAD on 12.12.2007 - Decision No. 1636-II/21.12.2007

- **Decision not to place a ban on acquiring**, directly or indirectly, 10 and over 10% of the capital or the votes in the general meeting of the shareholders (GMS) of an II pursuant to Article 74b(1) of POSA on:

- KARDAN FINANCIAL SERVICES B.V., the Netherlands and TBIF FINANCIAL SERVICES B.V., the Netherlands, for acquiring qualifying holding in TBI INVEST EAD II;

- Yordan Velichkov Skorchev for subsequent acquisition of over 10% of the capital of DELTASTOCK AD II, representing 8.33%, whereby the person will own a total of 16.67% of the capital of the II;

- ALPHA FINANCE HOLDING AD for acquiring 100% of the capital and the votes in the GMS of II;

- KBS INSURANCE NV for indirect acquisition of 100% of the capital and the votes in the GMS of DZI INVEST AD II;

- KD HOLDING AD for acquiring over 10% of the capital and of the votes in the GMS of KD SECURITIES EAD II;

- Andrey Rumenov Georgiev for acquiring 20.33% of the capital of BULTREND BROKERAGE AD II;

- Natalya Sergeevna Georgieva for acquiring 12.94% of the capital of BULTREND BROKERAGE AD II;

- FK LOGOS-TM AD for acquiring 51.58% of the capital of BULTREND BROKERAGE AD II;

- FAIRPLAY INTERNATIONAL AD for acquiring 95.6% of the capital, respectively the votes in the GMS of EVRO GARANT AD II.

- **Decision not to place a ban on transfer**, directly or indirectly, of 10 and over 10% of the capital or the votes in the GMS of an II pursuant to Article 74b(2) of POSA on:

- KARDAN FINANCIAL SERVICES B.V., the Netherlands and TBIF FINANCIAL SERVICES B.V., the Netherlands, for a future acquisition of qualifying holding in TBI INVEST EAD investment intermediary;

- Ivan Panov Lesov, Deyan Valkov Todorov, Miroslav Ivanov Hinkov, Rosimir Stanchev Mateev for the transfer of 100% of the capital and votes in the GMS of STS FINANCE AD II through their purchase by ALPHA FINANCE HOLDING AD;

- KD GROUP AD for the transfer of over 10% of the capital and votes in the GMS of KD SECURITIES EAD II through their purchase by KD HOLDING AD;

- CONTRACT SOFIA HOLDING OOD for indirect transfer of over 10% of the capital and votes in the GMS of DZI INVEST AD II;

- MEL HOLDING AD, MEL INVEST HOLDING AD, KOOPERATSIA KPFS MLEKAREVO, KOOPERATSIA KPFS DRAZHEVO and KOOPERATSIA FINES for the transfer of 95.6% of the capital and votes in the GMS of EVRO GARANT AD II, jointly owned by them, through their purchase by FAIRPLAY INTERNATIONAL AD;

- Stanimir Krastev Krastev for the transfer of 10% of the capital of BULBROKERS EAD II through their purchase by ALPHA FINANCE HOLDING AD.

- **Decision to place a ban on acquiring**, directly or indirectly, 10 and over 10% of the capital or votes in the GMS of an II pursuant to Article 74b(1) of POSA on:

- SOFIA ASSETS MANAGEMENT AD through issuing a ban on subsequent direct acquisition of 375 shares from the capital of SOFIA INTERNATIONAL SECURITIES AD II, representing 37.5% of the company capital, entitling to 375 votes in the GMS of the II, representing 37.5% of the votes in the GMS, or a holding which provides to it the possibility to exercise control over the II – Decision No. 648-II/10.05.2007.

- **Approvals of changes in the general terms, applicable to the contract with customers of:**

- BBG SIMEKS – BULGARIA OOD Decision No. 333 - II/ 20.02.2007;

- BENCHMARK FINANCE AD Decision No. 183 - II/ 01.02.2007;

- BALKAN CONSULTING COMPANY EAD Decision No. 685-II/22.05.2007;

- ING BANK N.V. – Sofia branch Decision No. 700 - II/ 23.05.2007;

- P.E.B. TEXIM AD Decision No. 615 - II/ 03.05.2007;

- ARGO INVEST AD Decision No. 767- II/ 18.06.2007;

- YUG MARKET AD Decision No. 1058-II/08.08.2007;

- FIRST INVESTMENT BANK AD Decision No. 930 - II/ 20.07.2007;

- MUNICIPAL BANK AD Decision No. 1014 - II/ 07.08.2007;

- ING BANK N.V. - Sofia branch Decision No. 1322-II/25.10.2007;

- STATUS INVEST AD Decision No. 1267-II/08.10.2007

- **Approvals of amendments in the Rules of BSE – Sofia AD:**

- Decision No. 37-FV/16.01.2007;

- Decision No. 328-FV/20.02.2007;

- Decision No. 424-FV/09.03.2007;

- Decision No. 708-FV/28.05.2007;

- Decision No. 834-FV/09.07.2007;

- Decision No. 1407-FV/06.11.2007.

### NUMBER OF INVESTMENT INTERMEDIARIES, SECURITIES BROKERS AND INVESTMENT ADVISORS AS OF 31 DECEMBER 2007

The total number of investment intermediaries as of 31 December 2007 was 83, including 26 banks and 57 non-

banking financial institutions. The non-banking financial intermediaries are divided into the following groups according to the amount of their capital, namely:

- those with capital of BGN 1 500 000 and a license to execute transactions for their own account – 25 investment intermediaries;
- those with capital of BGN 250 000 and respectively a license to execute transactions for another party's account and portfolio management - 32 investment intermediaries.

As of 31 December 2007 in the register maintained by the Commission of the natural persons who under a contract directly carry out transactions with securities and provide investment advice on securities there were 316 brokers and 263 investment advisors entered.

## NOTIFICATIONS

In 2007 FSC received 402 notifications by investment firms from Member States of the European Union that intended to operate on the territory of the Republic of Bulgaria under the terms of free provision of services.

Also, notifications were received by investment intermediaries from the Republic of Bulgaria that intended to operate on the territory of the European Union:

- Evro Finance AD – on the territory of Romania;
- Deltastock AD - on the territory of Romania;
- CEE Securities AD - on the territory of Slovenia.

## 2.1.2. Collective Investment Schemes and Management Companies

### LICENSING AND AUTHORIZATION ACTIVITY

#### Licenses Issued by the Commission

The licensing activity of the Commission in the segment of collective investment schemes continued to be particularly intensive during the reporting period. The interest of the investment community, both on the demand and on the supply side of this type of investment forms, was to a large extent retained compared with the preceding year.

In 2007 FSC issued permits to 16 management companies (MC) to organize and manage 26 contractual funds (CF), simultaneously approving their prospectuses for public offering of units and entering them in the register, kept by the Commission, pursuant to Article 30 of FSCA. Detailed information on the organization and management of the new contractual funds can be found in **Appendix 2.1.2A**. The tendency of a single MC organizing and managing a minimum of two CF (a conservative and an aggressive or risk fund) remained the same, the aim in most cases being to create three CF (conservative, balanced, and aggressive) which are to offer the full range of investment products. During the reporting period there were no issued licenses for carrying out the activities of an investment company.

Observations so far show that the interest in organization of contractual funds will continue which in its turn, results in enhancement of the interest in the establishment of new management companies and their licensing by the FSC. Licenses for pursuing the business of management company during the reporting period were issued to the following 7 companies:

- INVEST FUND MANAGEMENT AD;
- UNICA FINANCE AD;

- CCB ASSETS MANAGEMENT AD;
- ZAGORA FINACORP ASSET MANAGEMENT AD;
- EVER ASSET MANAGEMENT AD;
- EXPAT ASSET MANAGEMENT EAD;
- KTB ASSET MANAGEMENT AD.

During the reporting period FSC took the decision to commence public offering of units of the following CIS registered in an EU Member State:

- PIONEER ASSET MANAGEMENT S.A. MC, Luxembourg, in relation to the public offering of units of the following subfunds of the UMBRELLA FUND PIONEER P.F, Luxembourg: PIONEER P.F. – EURO PROTECT, PIONEER P.F. – GLOBAL DEFENSIVE, PIONEER P.F. - GLOBAL DEFENSIVE PLUS, PIONEER P.F. – GLOBAL DYNAMIC, PIONEER P.F. - GLOBAL DYNAMIC PLUS AND PIONEER P.F. – GLOBAL PROGRESSIVE;
- RAIFFEISEN CAPITALANLAGE GESELLSCHAFT mbH MC, Austria, for the public offering of units of RAIFFEISEN EUROPEAN SMALL CAPS CF;
- EUROBANK AND EFG FUND MANAGEMENT COMPANY /LUX/ S.A. MC for the public offering of the units of FUND OF FUNDS CF (LF).

#### Licenses Withdrawn by the Commission

During the reporting period FSC opened a procedure for withdrawal of the license issued to TITAN ASSET MANAGEMENT EAD to carry out the activities of a management company after a request submitted by the company. After the request was retracted, the procedure for withdrawal of the license was terminated

#### Individual Administrative Acts Issued by FSC and the Deputy Chairperson in Charge of the Investment Activity Supervision Division

In order to protect investor interests, maintain their confidence in CIS and establish compliance with the statutory requirements, the law has provided for the issue of a prior authorization, confirmation or approval by FSC, respectively by the Deputy Chairperson in charge of the Investment Activity Supervision Division, for the performance of specific activities by the regulated persons. In this relation during the reviewed period the Deputy Chairperson in charge of Investment Activity Supervision Division issued:

- Approval of amendments to the Articles of Association of 11 IC;
- Approval of changes in the rules of portfolio valuation and determination of the net asset value of 9 IC;
- Approval of changes in the rules of portfolio valuation and determination of the net asset value of 29 CF;
- Approval of changes in the rules of 2 IC;
- Approval of changes in the rules of 33 CF;
- Approval of the rules of risk assessment and management of 7 IC;
- Approval of the rules of risk assessment and management of 31 CF;
- Approval of a program with measures for bringing the assets of ZLATEN LEV AD IC in compliance with the legislative requirements – Decision No. 1198-IC/11.09.2007;
- Approval of a program with measures for bringing the assets of 3 CF in compliance with the requirements of the law;



- Approval of INDUSTRIAL FUND AD IC to change its depository bank – UNITED BULGARIAN BANK AD with RAIFFEISENBANK (Bulgaria) EAD - Decision No. 964 - IC/30.07.2007;
- Approval of the rules of risk assessment and management of BALKAN CAPITAL MANAGEMENT AD MC - Decision No. 670-MC/17.05.2007;
- Approval of changes in the general terms of 7 MC, applicable to contracts with customers;

Detailed information on the individual administrative acts listed can be found in **Appendix 2.1.2B**.

In 2007 a notification was examined for the acquisition, directly or through related persons, of 10 and over 10% of the capital or the votes in the general meeting of the MC pursuant to Article 210(5) in conjunction with Article 74a(1)(2) of POSA from:

- KARDAN FINANCIAL SERVICES B.V., the Netherlands, and TBIF FINANCIAL SERVICES B.V., the Netherlands, on the future acquisition of a qualifying holding in TBI ASSET MANAGEMENT EAD MC, and the applicants were informed that there were no obstacles for implementing the notified acquisitions.

In 2007 the Deputy Chairperson in charge of Investment Activity Supervision Division issued approvals to:

- UBB ASSET MANAGEMENT AD MC for a change in the contract for depository services with CB ALLIANZ BULGARIA AD in relation to the keeping of the assets of UBB PLATINUM EQUITY CF and UBB PLATINUM BONDS CF – Decisions No. 148-MC/23.01.2007 and No. 149-MC/23.01.2007;
- DSK ASSET MANAGEMENT AD MC for a change in the depository services contract with CB ALLIANZ BULGARIA AD in relation with storing assets of DSK BALANCE CF, DSK GROWTH CF AND DSK STANDARD CF - Decisions No. 218-MC/12.02.2007, No. 219-MC/12.02.2007 and No. 220-MC/12.02.2007;
- STANDARD ASSET MANAGEMENT AD MC for replacement of the depository bank - CB ALLIANZ BULGARIA AD of STANDARD INVESTMENT INTERNATIONAL FUND CF with CB HVB BANK BIOHIM AD pursuant to a depository services contract – Contract No. 446-MC/15.03.2007;
- STANDARD ASSET MANAGEMENT AD MC for a change in the depository services contract with TB ALLIANZ BULGARIA AD in relation to keeping the assets of STANDARD INVESTMENT PROFITABLE FUND CF and STANDARD INVESTMENT Balanced FUND CF - Decisions No. 384-MC/05.03.2007 and No. 383-MC/05.03.2007;
- BENCHMARK ASSET MANAGEMENT AD MC for a change in the depository services contract with RAIFFEISENBANK (Bulgaria) EAD in relation to keeping the assets of BENCHMARK FUND-1 CF and BENCHMARK FUND-3 CF - Decisions No. 543-MC/12.04.2007 and No. 544-MC/12.04.2007;
- RAIFFEISEN ASSET MANAGEMENT (Bulgaria) EAD MC for the replacement of the depository bank – UNITED BULGARIAN BANK AD for RAIFFEISEN (BULGARIA) FUND MONETARY MARKET CF, RAIFFEISEN (BULGARIA) BOND FUND CF and RAIFFEISEN (BULGARIA) EQUITY FUND CF with BULGARIAN POSTBANK AD, pursuant to a depository services contract – Decisions No. 781-MC/21.06.2007, No. 782-MC/21.06.2007 and No. 783-MC/21.06.2007.

The total number of the advertisement materials submitted to FSC during the reporting period was 54. From the examined advertisement materials for CF, submitted to FSC by the MC managing them, the Deputy Chairperson in charge of the Investment Activity Supervision Division issued a temporary ban for:

- publishing and disseminating the flier and poster presented to FSC by VARCHEV MANAGING COMPANY EAD MC;
- publishing and disseminating the advertisement material, entitled The Funds of Pioneer Investments, presented to FSC by PIONEER ASSET MANAGEMENT S.A. MC;
- publishing and disseminating the advertisement material for an investment company – BENCHMARK FUND-2 AD, presented to FSC by BENCHMARK ASSET MANAGEMENT AD MC;
- publishing and disseminating the advertisement material for YUG MARKET MAXIMUM contractual fund, presented to FSC by YUG MARKET FUND MANAGEMENT AD;
- publishing and disseminating the advertisement material consisting in advertising banners for publishing on internet sites entitled “The right place for your money”, presented to FSC by INVESTMENTS EAD;
- publishing and disseminating the advertisement materials for printed and internet advertising entitled Attitude, Results, and Start presented to FSC by CAROL CAPITAL MANAGEMENT EAD MC;
- publishing and disseminating the advertisement material representing an advertising space in table format for quotations of the two contractual funds INVEST CLASSIC and INVEST ACTIVE presented to FSC by INVEST FUND MANAGEMENT AD MC;
- publishing and disseminating the advertisement materials for collective investment schemes managed by the MC, presented to FSC by TBI ASSET MANAGEMENT EAD MC;
- publishing and disseminating the advertisement materials for printed and internet advertising of ADVANCE IPO FUND CF presented to FSC by CAROL CAPITAL MANAGEMENT EAD MC;
- publishing and disseminating the advertisement material consisting in a brochure entitled Unit-linked Life Insurance presented to FSC by BENCHMARK ASSET MANAGEMENT AD MC.

Detailed information on the Commission decisions listed can be found in **Appendix 2.1.2**.

During the reporting period orders were given on 17 600 circumstances, subject to entry, related to the activity of supervised persons. The highest amount of entries (about 12 600) concerned entry of issue value and the redemption price of contractual funds and open-end investment companies.

## NUMBER OF COLLECTIVE INVESTMENT SCHEMES AND MANAGEMENT COMPANIES AS OF 31 DECEMBER 2007

The total number of licensed investment companies as of the end of 2007 remained 11. From them 2 were closed-end companies (former privatization funds which reorganized their activity as an IC) and 9 – open-end companies. With the new 26 contractual funds the total number of contractual funds as of 31 December 2007 increased to 60.

With the seven newly established companies during the reporting period the total number of licensed MC as of the end of December 2007 become 30. The number of foreign CIS offered in Bulgaria increased to 71.

## NOTIFICATIONS

During the reporting period FSC received one notification from a local management company (CAROL CAPITAL MANAGEMENT EAD) which intends to operate on the territory of the European Union and more specifically on the territory of Austria.

### 2.1.3. Public Companies, Special Purpose Vehicles and Other Issuers of Securities

## LICENSING AND AUTHORIZATION ACTIVITY

### Prospectuses for Public Offering of Securities

During the reporting period FSC approved prospectuses for initial public offering of shares of 32 newly formed and already traded on the BSE companies. Also, 12 prospectuses for secondary public offering of shares were approved. 28 prospectuses for secondary public offering of issues of corporate bonds were also approved by the Commission, there being no issues of municipal and mortgage bonds entered for the year. Refusals to approve were issued on prospectuses for public offering of securities filed by 6 companies. Detailed information on the prospectuses approved can be found in **Appendix 2.1.3A**.

Licenses were issued to 21 companies to carry out the activities of special purpose vehicles, simultaneously with that their prospectuses were approved for public offering of shares in relation to the initial mandatory increase in capital. During the reviewed period the Commission issued 3 refusals to issue a license for pursuing the business of a special purpose vehicle. A procedure was opened and subsequently terminated on the issue of a license to pursue the business of a SPV and on approval of a prospectus for an initial public offering of shares.

FSC also issued 4 approvals of supplements to the three approved prospectuses of CITY DEVELOPMENT REIT (Decision No. 1201-SPV/13.09.2007 and Decision No. 1126-SPV/15.08.2007), EESF SPV (Decision No. 945-E/25.07.2007) and ERG CAPITAL - 3 REIT (Decision No. 690-SPV/22.05.2007) and issued one refusal to supplement the prospectus of ULPINA SPV (Decision No. 1536-SPV/19.11.2007).

During the period under review the Commission took decisions to:

- issue an approval for amendments to the Articles of Association of 24 SPVs (information about the companies can be found in **Appendix 2.1.2**);
- issue a refusal to BULGARIAN INVESTMENT GROUP REIT to replace the servicing company ITAKA C EOOD with SK FACTORY EOOD - Decision No. 329-SPV/20.02.2007;
- issue an approval to replace the servicing company of BULGARIAN INVESTMENT GROUP REIT - ITAKA C EOOD with two new companies – LEV ESTATE OOD and SK FAKTORI EOOD - Decision No. 1191-SPV/04.09.2007;
- issue an approval to FAIRPLAY PROPERTIES REIT to replace the servicing company FAIRPLAY PROPERTIES MANAGEMENT EOOD with FAIRPLAY INTER-

NATIONAL AD - Decision No. 774-SPV/20.06.2007;

- issue an approval to COLOS-1 REIT to replace the depository bank – TB ALLIANZ BULGARIA AD with UNICREDIT BULBANK AD - Decision No. 758-SPV/13.06.2007;
- issue an approval to UNIVERSAL PROPERTIES REIT to replace the servicing company GEYA-DEK EOOD with Universal Imoti EOOD - Decision No. 1415-SPV/07.11.2007;
- issue an approval to Park SPV to replace the servicing company SD ENI-EXPERT GEORGIEVI OOD with ENI-EXPERT OOD - Decision No. 1645-SPV/21.12.2007;
- issue an approval to PARK REIT to replace the servicing company FAIRPLAY INTERNATIONAL AD with PARK MANAGEMENT COMPANY OOD - Decision No. 1644-SPV/21.12.2007.

On the grounds of Article 62(2) of APC the following decisions were issued in order to correct obvious factual mistakes:

- Decision No. 470-PC of 20 March 2007 of FSC – in relation to Article 13(1)(8) of FSCA an admitted obvious factual mistake was corrected in Decision No. 361-PC/28.02.2007 of FSC, whereby a prospectus was approved for secondary public offering of an issue of shares issued by FIA BULGARIA AD. The issue was at the amount of BGN 700 000, divided into 700 000 ordinary dematerialized, registered, freely negotiable voting shares, each at nominal value of BGN 1. As a result of the correction the ISIN code BG1100107066 of the issue, listed in the operative part of this Decision, should be read as BG1100109062.
- Decision No. 525-I of 4 April 2007 of FSC - in relation to Article 15(1)(1) and Article 13(1)(8) of FSCA an obvious factual mistake made was corrected in Decision No. 407-I/07.03.2007 of FSC, whereby a prospectus was approved for secondary public offering of an issue of corporate bonds, issued by BULGARIAN POSTBANK AD. The issue was at the amount of BGN 33 750 000, divided into 33 750 ordinary, corporate, dematerialized, registered, interest-bearing, 3-year, non-convertible, freely negotiable, unsecured bonds, each at nominal and issue value of BGN 1 000. As a result of the correction the ISIN code BG 2100027056 of the issue, listed in the operative part of this Decision, should be read as BG 2100028062.
- Decision No. 908-PC of 18 July 2007 of the FSC's Deputy Chairperson in charge of Investment Activity Supervision Division, in relation to Article 15(1)(15) of FSCA and Article 119(1) of POSA an obvious factual mistake made was corrected in Decision No. 785-PC/21.06.2007, thus after the correction the indicated date of issue 21.06.2006 should be read as 21.06.2007.
- Decision No. 1325-FV of 26 October 2007 of the Deputy Chairperson of FSC in charge of Investment Activity Supervision Division, in relation to Article 15(1)(4) of the FSCA an obvious factual mistake was corrected in Decision No. 1324-FV/25.10.2007 of the Deputy Chairperson of FSC in charge of the Investment Activity Supervision Division authorizing the suspension of trading with issues of shares issued by SLANCHEVI LACHI BULGARIA AD, for a period longer than 3 working days. As a result of the correction, the text as of

30.10.2007 in the operative part of this Decision should be read as of 29.10.2007, the date from which the suspension of the trade with shares issued by SLANCHEVI LACHI BULGARIA AD was prolonged on the grounds of Article 109(5) in relation to Article 107(3) of POSA.

The administrative procedure with regard to the application for approval of a prospectus for initial public offering of an issue of shares of PIRINHART AD was terminated by a letter at the request of the applicant. The open procedure on examining a prospectus for secondary public offering of an issue of bonds issued by FESTA HOLDING AD was also terminated at the request of the applicant with Decision No. 167-I/25.01.2007.

### **Tender Offers for the Purchase of Shares**

During the reviewed period the FSC issued 21 temporary bans on publishing the tender offers and sent notices of the deficiencies and inconsistencies found to the following offerors:

- DUROPACK AG for the purchase of shares of DUROPACK-TRAKIA PAPIR AD – Decision No. 41-TO/17.01.2007;
- K. V. K. INVESTAD for the purchase of shares of BALKANCAR ZARIA AD - Decision No. 36-TO/15.01.2007;
- ENERGIA 97 AD, ENERGIA CONSULT EAD and ENERSYS HOLDINGS (Luxembourg) S.A.R.L. for the purchase of shares of ENERGIA AD - Decision No. 330-TO/20.02.2007;
- AEKS AD for the purchase of shares of RIVIERA AD - Decision No. 464-TO/20.03.2007;
- ALPHA DEVELOPMENTS EAD for the purchase of shares of PIRINHART AD - Decision No. 463-TO/20.03.2007;
- TISHMAN BULGARIAN REAL PROPERTY GmbH. for the purchase, through STATUS INVEST AD II, of shares of SOFIA AIRPORT CENTRE AD - Decision No. 582-TO/25.04.2007;
- DIVAL - 59 EOOD for the purchase, through STANDARD INVESTMENT AD II, of the shares of the remaining shareholders in VAMO AD - Decision No. 553-TO/18.04.2007;
- HIMIMPORT PETROL AD for the purchase, through CENTRAL COOPERATIVE BANK AD II, of shares of ELEKTROMETAL AD - Decision No. 552-TO/18.04.2007;
- ZMM – BULGARIA HOLDING AD for the purchase, through AVAL IN AD II, of shares in ZMM – SLIVEN AD - Decision No. 658-TO/16.05.2007;
- FAVORIT HOLD AD FOR THE PURCHASE, THROUGH FAVORIT AD II, OF SHARES OF AUTOBOHEMIA AD - Decision No. 639-TO/09.05.2007;
- SOFSTROY AD for the purchase, through BULBROKERS AD II, of shares of ZAVODSKI STROEJI – PS – PERNIK AD - Decision No. 804-TO/27.06.2007;
- PETRURGIA AD for the purchase, through EVRO-FINANCE AD II, of the shares of SEVER-HOLDING AD - Decision No. 754-TO/13.06.2007;
- HIDRAVLICA 96 OOD for the purchase, through SOMONI FINANCIAL BROKERAGE OOD II, of shares of HIDROPNEVMOTEHNIKA AD - Decision No. 691-TO/22.05.2007;
- FX STUDIO OOD for the purchase, through STANDARD INVESTMENT AD II, of shares of CEE PROPERTIES REIT - Decision No. 824-TO/03.07.2007;

- MEL HOLDING AD for the purchase, through STATUS INVEST AD II, of shares of SVINEVAD-STVO PRES LAVETS AD - Decision No. 1124-TO/15.08.2007;
- Veselin Vodenicharov and Petar Vasilev for the purchase, through BULBROKERS AD II, of shares of NONVOTEKS AD - Decision No. 1139-TO/16.08.2007;
- EVROHOLD Bulgaria for the purchase, through EVRO-FINANCE AD II, of shares of FORMOPLAST AD - Decision No. 1178-TO/29.08.2007;
- NEF TELECOM BULGARIA OOD for the purchase, through RAIFFEISENBANK (BULGARIA) EAD II authorized by the same, of shares of BULGARIAN TELECOMMUNICATION COMPANY AD - Decision No. 1212-TO/21.09.2007;
- Tancho Dimitrov Mihaylov for the purchase, through EVRO-FINANCE AD II, of shares of INO AD - Decision No. 1290-TO/16.10.2007;
- TEHMASH OOD for the purchase, through EVRO-FINANCE AD II, of shares of ZINO AD - Decision No. 1289-TO/16.10.2007;
- DRAFT EOOD for the purchase, through FIRST FINANCIAL BROKERAGE HOUSE OOD II, of shares of EAZ AD - Decision No. 1409-TO/07.11.2007.

By December 31, 2007 the FSC issued 2 final bans for publishing of the tender offerings of:

- Tancho Dimitrov Mihaylov for the purchase, through EVRO-FINANCE AD II, of shares of INO AD - Decision No. 1534-TO/19.11.2007;
- TEHMASH OOD for the purchase, through EVRO-FINANCE AD II, of shares of ZINO AD - Decision No. 1535-TO/19.11.2007.

After reviewing the received documents and the registered tender offers, respectively the corrected tender offers, the Commission did not take a decision for imposition of a temporary or final ban on the publishing of 25 tender offers and in practice it allowed the publishing of the tender offers of:

- EUROBANK EFG HOLDING AD (Luxembourg) for the purchase of shares of DZI BANK AD from the other shareholders in the company;
- KBC INSURANCE LIMITED (Belgium) for the purchase, through BULBROKERS AD II, of shares of Insurance and Reinsurance Joint Stock Company (IRJSC) DZI AD from the other shareholders in the company;
- BULGARIAN HOLDING CORPORATION AD for the purchase of shares of EVROHOLD BULGARIA AD;
- K.V.K. INVEST AD for the purchase of shares of Balkancar Zaria AD;
- DUROPACK AG for the purchase of shares of DUROPACK - Trakia Papir AD;
- ENERGIA 97 AD, ENERGIA CONSULT EAD and ENERSYS HOLDINGS (Luxembourg) S.A.R.L. for the purchase of shares of ENERGIA AD;
- HIDRAVLICA 96 OOD for the purchase, through SOMONI FINANCIAL BROKERAGE OOD II, of shares of HIDROPNEVMOTEHNIKA AD;
- HIMIMPORT PETROL AD for the purchase, through CENTRAL COOPERATIVE BANK AD II, of shares of ELEKTROMETAL AD;
- FAVORIT HOLD AD for the purchase, through FAVORIT AD II, of shares of AUTOBOHEMIA AD;
- PETRURGIA AD for the purchase, through EVRO-



FINANCE AD II, of shares of SEVER-HOLDING AD;

- AEKS AD for the purchase, through BULBROKERS AD II, of the shares of RIVIERA AD;

- ALPHA DEVELOPMENTS EAD for the purchase, through BULBROKERS AD II, of the shares of PIRINHART AD;

- TISHMAN BULGARIAN REAL PROPERTY GmbH. for the purchase, through STATUS INVEST AD II, of shares of SOFIA AIRPORT CENTRE AD;

- DIVAL-59 EOOD for the purchase, through STANDARD INVESTMENT AD II, of shares of the other shareholders of VAMO AD;

- ZMM – BULGARIA HOLDING AD for the purchase, through AVAL IN AD II, of shares of ZMM – SLIVEN AD;

- FX STUDIO OOD for the purchase, through STANDARD INVESTMENT AD II, of shares of SEE Imoti SPE;

- SOFSTROY AD for the purchase, through BULBROKERS II, of shares of ZAVODSKI STROEJI-PS-PERNIK AD;

- SOFSTROY AD for the purchase, through BULBROKERS II, of shares of ZAVODSKI STROEJI-PS-PERNIK AD – second tender offer;

- LLI EUROMILLS GmbH. for the purchase, through RAFFEISENBANK BULGARIA EAD II, of the shares of SOFIA MEL AD;

- ENERGOREMONT – HOLDING AD for the purchase, through FIRST FINANCIAL BROKER FIRM II, of shares of ENERGOREMONT – BOBOV DOL AD;

- KBC INSURANCE LIMITED (Belgium) for the purchase, through BULBROKERS AD II, of shares in IR-JSC DZI AD;

- Veselin Borisov Vodenicharov and Petar Vasilev Vasilev for the purchase, through BULBROKERS AD II, of shares of NONVO TEKS AD;

- SOFSTROY AD for the purchase, through BULBROKERS AD II, of shares in ZAVODSKI STROEJI-PS-PERNIK AD;

- MEL HOLDING AD for the purchase, through STATUS INVEST AD II, of shares of SVINEVADSTVO PRES LAVETS AD;

- EVROHOLD BULGARIA AD for the purchase, through EVRO-FINANCE AD II, of shares of FORMOPLAST AD;

- NEF TELECOM BULGARIA OOD for the purchase, through RAFFEISENBANK (BULGARIA) EAD II authorized by it, of shares of BULGARIAN TELECOMMUNICATION COMPANY AD.

### **Filed and Deleted Securities Issues from the Register Kept by FSC**

In 2007 in the register maintained by FSC were entered 53 issues of shares in process of issuing, 48 subsequent issues of shares, 28 issues of corporate bonds and 26 issues of units. 36 subsequent issues of shares were filed in, issued as a result of capital increase. During the same period 9 issues of securities were deleted from the public register of the Commission.

Detailed information on the entered and deleted issues of securities can be found in **Appendix 2.1.3B**.

### **Filed in and Deleted Public Companies and Other Securities Issuers**

35 companies were entered and 24 public companies and issuers were deleted from the register of public companies and other issuers of securities kept by FSC pursuant to Article 30(1)(3) of FSCA. A refusal to delete ORPHEI-B AD was issued. Detailed information on entered and deleted companies can be found in Appendix 2.1.3C.

### **Drafts of Notices of Increase in the Capital of Public Companies**

In 2007 no drafts of notices were received for review concerning public offering to increase the capital of public companies under Article 122a of POSA, since the article in question was revoked with issue 86 of the State Gazette from 2006.

### **Transformation of Public Companies**

During the period the FSC's Deputy Chairperson in charge of the Investment Activity Supervision Division, issued one approval of a contract for transformation concerning the merger of SLANCHEVI LACHI BULGARIA AD, ZARNENI HRANI – VALCHI DOL EAD, ZARNENI HRANI TRADE AD, BEK INTERNATIONAL AD, PRIMA AGROHIM EOOD, HIMIMPORT AGROHIMIKALI EOOD, ZORA AD and ZARNENI HRANI BALCHIK EAD into the newly establishing company ZARNENI HRANI BULGARIA AD – Decision No. 1264-PC/05.10.2007. The reports of the managing bodies of the companies undergoing transformation under Article 262i of the Commercial Act (CA) were also approved, together with the report by the auditor Georgi Ivanov Georgiev – registered auditor under Article 262m and Article 262u of CA.

### **Entry of Professional Investors in the Register Kept by FSC**

On 10 October 2007 FSC adopted Decision No. 1277-ПД, whereby it entered Toshko Ivanov Kolev in the register of professional investors.

### **NUMBER OF PUBLIC COMPANIES, SPECIAL PURPOSE VEHICLES AND OTHER SECURITIES ISSUERS AS OF 31 DECEMBER 2007**

As of 31 December 2007 the total number of public companies and other securities issuers entered in the Register under Article 30(1)(3) of POSA was 380. The number of licensed SPVs as of the end of the reviewed period was already 61, from which 9 were for securitization of receivables and 52 – for securitization of real estate, 6 of them being primarily oriented to agricultural lands.

### **NOTIFICATIONS OF PROSPECTUSES UNDER ARTICLE 18 OF THE PROSPECTUS DIRECTIVE**

During the reporting period FSC received notifications of prospectuses under Article 18 of the Prospectus Directive from:

- SOCIETE GENERALE – 2 items;
- EKSPORTFINANS ASA Norway;
- EUROPEAN INVESTMENT BANK L-2950, Luxembourg;
- BAYERISCHE HYPO- UND VEREINSBANK AG.;

## NEW ELEMENTS IN THE LICENSING PROCEDURE

In 2007 Law on Amendment and Supplement to the Insurance Code (LAS IC) was elaborated and adopted by the National Assembly. The draft LAS IC<sup>35</sup> was prepared in fulfillment of the commitment of the Republic of Bulgarian under Article 64(1) of Directive 2005/68/EC of the European Parliament and of the Council of 16 November 2005 on reinsurance and amending Council Directives 73/239/EEC, 92/49/EEC as well as Directives 98/78/EC and 2002/83/EC, according which the Member States of the European Union should bring their legislation in compliance with its provisions not later than 10 December 2007.

The amendments implemented in the legal framework on insurance include transposing the above mentioned Directive as well as improving other aspects of the acting insurance legislation where practice necessitates précising.

The transposition of the provisions of Directive 2005/68/EC did not have direct effect on the reinsurance activity in the Republic of Bulgaria since there are no licensed companies in the country, dealing only with reinsurance, the so-called pure reinsurers, whose activities are regulated by the directive. However, the transposition of the directive in the national legislation has an impact on the status of all insurance companies the scope of activity of which, after the act came into force, includes also reinsurance activities in those classes of insurances for which the insurers have been granted a license to pursue insurance.

Directive 2005/68/EC creates a harmonized regime for licensing and supervising the reinsurers in the European Economic Area (EEA) a part of which the Republic of Bulgaria constitutes. The directive, respectively the Bulgarian legislation, envisages the carrying out of reinsurance activity to be subject to a prior license and lays down the conditions for the issue of such license. The possibility has been also settled for reinsurers, licensed in the Member States, to operate within the EEA under the terms of the right of establishment and free provision of services. The principle of single supervision on the activities of reinsurers, exercised by the competent authorities of the insurer's home Member State has been implemented. The single supervision includes supervision of the general financial situation of the reinsurer – its solvency, availability of sufficient technical provisions, assets for their coverage, as well as availability of reliable administrative and accounting procedures and adequate internal control, ensuring that the reinsurer operates in compliance with the requirements of the law and the good practices.

It is necessary to point out that the legislative framework of the reinsurance activity, laid down with Directive 2005/68/EC, does not differ in principle from the legislative framework for the insurers' activity established with the respective directives.

Directive 2005/68/EC provides for some principally new cases such as captive reinsurers, reinsurance with limited risk assumption, special purpose schemes for transfer of insurance risks, a principally different manner of covering technical provisions of reinsurers, some changes in the scope of activity of insurers with the resulting changes in the requirements for solvency.

Besides the amendments brought about with the implementation of Directive 2005/68/EC, the LAS IC also lays down provisions directed towards improving other aspect of the acting insurance legislation.

A possibility has been provided insurers to carry out activities on settlement of claims under insurance contracts signed by other insurers, without incurring personal insurance risk. The amendment was necessitated by the fact that in its essence this activity overlaps entirely with the activity on settling claims under the insurer's own contracts and does not create additional risks for its solvency. The regulations lay down a legal basis for the established international practice for settlement of insurance claims under contracts signed by insurers other than the one settling the claim, the most popular example being the activity on settling claims by insurers-correspondents in the Green Card system.

An obligation is imposed to use Bulgarian language in the relations between the consumers of insurance services on one side and the insurers and insurance intermediaries, pursuing business on the territory of the Republic of Bulgaria, on the other. A derogation from the imperative nature of the provision is laid down for consumers whose native tongue is not Bulgarian.

A requirement is imposed to fully deposit the capital as of the date when the application for entry of its subsequent increase is submitted, thus the regime is synchronized with that for initial deposit of capital when filing an application for the issue of a license. The regulations provide additional guarantees for the solvency of insurers. Also, a requirement has been introduced to be declared the circumstances in relation to the origin of the funds for increase in the capital through contributions and when the contribution exceeds the absolute threshold of BGN 30 000 even when there is no change in the holding of the shareholder.

The status of the independent members of insurers' managing and supervisory bodies has been also regulated.

The list of the classes of claims in insolvency proceedings of an insurer is explicitly determined in the IC, while the approach of referencing the provisions of the general regime under the Commercial Act has been abolished.

The regulations on the insurance contract explicitly state the public nature of the general terms on insurances and ban the insurer from refusing access to them.

A special provision is introduced in order to protect credit debtors on whose tangible and intangible assets commercial banks and other creditors sign an insurance contract on their own behalf as a guarantee on their claim under the credit.

With a view to the protection of interests of persons who signed in good faith mandatory Third Party Liability insurance contracts of motorists, a ban was introduced aimed at preventing insurers dealing with Motor Casco and other property insurances, who have entered into the rights of injured persons, from claiming regressive

<sup>35</sup> State Gazette, issue 97 from 2007

damages to the insured under the mandatory insurance, except for the amount of damages exceeding the agreed amount in the insurance contract.

The definition of a motor vehicle has been changed, the requirement for registration dropping out of it, thus excluding the possibility for refusal of compensation payment by the Guarantee Fund in case a road traffic accident is caused by a motor vehicle without registration or with an expired registration.

The documents which need to be presented when lodging a claim for damages under the mandatory Third Party Liability insurance for motorists have been laid down in detail.

A mechanism is established in order to ensure financing on the part of the Guarantee Fund of preventive activities focused on improving road safety.

The prerequisites necessary for establishing an information system for road traffic accidents have been laid down.

A Covering Fund has been set up to ensure insurance claims in case of insurers' insolvency. Claims are guaranteed under the insurance contracts with the greatest importance for the customers of insurance services – the mandatory Third Party Liability insurance of motorists, the mandatory Accident insurance for passengers in public means of transportation, and all classes of life insurances. The contribution has been settled in a fixed amount in the IC and is paid at an annual basis.

The mechanism of imposing sanctions on insurers who have a delay in submitting information on the concluded by them contracts for mandatory Third Party Liability insurance of motorists is improved by introducing a sanction for every day of delay.

The drafts on amendment and supplement to the Insurance Code were prepared after the opinions and comments of the Association of Bulgarian Insurers were taken into account. The texts concerning certain changes in the provisions on the mandatory Third Party Liability insurance of motorists, such as:

- texts on documents, presented when submitting a claim for damages;
- texts for financing preventive measures to improve road safety, and
- texts for establishing an information system for road traffic accidents,

were coordinated with the Ministry of Interior.

## LICENSING AND AUTHORIZATION ACTIVITY

### Licenses issued by FSC

In 2007 FSC issued 4 new licenses for carrying out insurance activity, 3 of them being life insurance licenses and one non-life insurance license, as follows:

- ZAD SOZHELIFE BULGARIA;
- ZEAD CCB LIFE;
- INTERAMERICAN BULGARIA LIFE INSURANCE;
- GRAWE BULGARIA GENERAL INSURANCE EAD.

In the field of voluntary health insurance in 2007 the Commission issued two new licenses to pursue business to:

- TOKUDA HEALTH INSURANCE FUND AD;
- HEALTH INSURANCE COMPANY CCB EAD.

During the reporting period an exam for insurance brokers was conducted – from the 16 candidates present 8 acquired professional qualification. An exam recognizing the qualification of competent actuary was also conducted

and taken by 11 actuaries, 8 of whom passed the exam and their qualification was recognized.

During the reporting period 16 new auditors were entered in the register of the Commission.

### Additional licenses issued by FSC

During the reporting period a license for expanding the scope of activity was issued to ZAD ENERGY, covering reinsurance.

The Commission also issued 3 licenses for a new class of insurance to GRAWE BULGARIA LIFE INSURANCE EAD and to ZK UNICA LIFE AD on Unit-linked Life insurance, and to VZK DOBRUDZHA – M – LIFE on Occupational injury risk under the Accident Injury insurance.

### Refusals to issue a license

The Commission issued two refusals to grant licenses to health insurance companies: PRIMECARE HEALTH INSURANCE COMPANY AD and HEALTH INSURANCE COMPANY EVROZDRAVE EAD.

### Individual Administrative Acts issued by the Deputy Chairman of FSC in charge of Insurance Supervision Division

In 2007 the Deputy Chairman of FSC in charge of the Insurance Supervision Division pronounced the following decisions in implementation of licensing and authorization regimes under the Insurance Code and the sub-statutory acts of its implementation:

- decisions to enter 52 new insurance brokers in the register of FSC;
- decisions to withdraw the registration of 21 insurance brokers who were deleted from the register, at the request of the insurance broker concerned in 6 of the cases;
- decisions for the issue of refusals to register according to the documents presented 3 companies to pursue business as insurance brokers;
- 119 persons were approved for members of managing and controlling bodies and for heads of internal control services of insurance and health insurance companies (70 persons for member of managing and controlling bodies of insurers, 40 persons for managing and controlling bodies of health insurance companies, and 9 persons for heads of internal control services);
- refusals to approve 6 persons for members of managing and controlling bodies of insurers and one person for a head of an internal control service;

### NUMBER OF INSURERS, INSURANCE BROKERS, INSURANCE AGENTS, AND HEALTH INSURANCE COMPANIES AS OF 31 DECEMBER 2007

As of 31 December 2007 the supervised entities of FSC through its specialized Insurance Supervision Division were as follows:

- non-life insurers - 20 companies;
- life insurers - 17 insurers;
- health insurance companies - 15.

At the end of 2007, 234 insurance brokers carry out activities on insurance mediation.

During the year an electronic register of registered agents was set up, and at the end of the year their total number was 49 802, life insurers being 12 497 and non-life insurers being 37 305. Of the insurance agents 2414 were legal persons, 2459 – sole proprietors, and 44 929 – natural



persons. The insurance agents who carry out mediation activities in favor of branches of insurers from Member States were 496.

## NOTIFICATIONS

During the reporting period the Commission received:

- 164 notifications from insurers from Member States to operate on the territory of the Republic of Bulgaria, exercising the right for free provision of services;
- 417 notifications from insurance firms from Member States to operate on the territory of the Republic of Bulgaria, exercising the right for free provision of services;
- 3 notifications from Bulgarian insurers in relation to the right for free provision of services on the territory of other Member States, of which ZD EVRO INS AD - for all Member States, and IRJSC DZI GENERAL INSURANCE and IRJSC DZI - for Romania;
- notifications in relation to the right for free provision of insurance mediatory services on the territory of other Member States from 4 Bulgarian insurance brokers: IPS SERVICES OOD – for Great Britain; INSURANCE BROKER TT INS EOOD – for Austria; MARINS INTERNATIONS EOOD – for Romania INTRADE EOOD – for France, Greece, Lithuania, Austria, and Romania.

3 insurers from Member States exercised the right of establishment through their branches on the territory of the Republic of Bulgaria, namely:

- CARDIFF – GENERAL INSURANCE, branch Bulgaria and CARDIFF – LIFE INSURANCE, branch Bulgaria;
- ZAD ING – branch Sofia;
- QBE INTERNATIONAL INSURANCE (EUROPE) LIMITED - branch Sofia.

## 2.3. Licensing Activity and Authorization Regimes in the Field of Supplementary Pension Insurance

### NEW ELEMENTS IN THE LICENSING PROCEDURE

As of 1 January 2007 the amendments and supplements to the Social Security Code (SSC) entered into force, thus introducing supplementary voluntary pension insurance under professional schemes implementing the requirements of Directive 2003/41 on the activities and supervision of institutions for occupational pension provision. This type of insurance is implemented through participation in occupational schemes managed by the pension insurance companies in the established by them supplementary voluntary pension insurance funds under occupational schemes. In this relation SSC provides for the granting of an authorization to manage such type of pension funds by the Deputy Chairman of the Financial Supervision Commission in charge of Social Insurance Supervision Division. The pension insurance company is required to inform the Financial Supervision Commission about every pension scheme managed within 10 days of signing the social insurance contract. It is subject to entry in the public register of the occupational schemes, managed by the Commission.

### LICENSING AND AUTHORIZATION ACTIVITY

During the reviewed period no new licenses were issued

to companies for carrying out activities of supplementary voluntary pension insurance. In the middle of November an application was filed for the obtaining of a pension license by a newly establishing company, which was licensed at the end of February 2008.

Within his competence, the Deputy Chairman in charge of Social Insurance Supervision Division issued the following 5 authorizations for managing supplementary pension insurance funds during the reporting period:

- Decision No. 171-UPF of 26 January 2007 on issuing an authorization to TOPLINAAD PIC to manage TOPLINA UPF;
- Decision No. 172-OPF of 26 January 2007 on issuing an authorization to TOPLINAAD PIC to manage TOPLINA OPF;
- Decision No. 173-VPF of 26 January 2007 on issuing an authorization to TOPLINAAD PIC to manage TOPLINA VPF;
- Decision No. 601-VPFOS of 27 April 2007 on issuing an authorization to PIC AD to manage the VPF under occupational schemes ALLIANZ BULGARIA;
- Decision No. 978-VPFOS of 3 August 2007 on issuing an authorization to DSK – RODINA AD PIC to manage the VPF under occupational schemes DSK – RODINA.

Also, the following 7 decisions for issuing or refusing to issue an authorization for changes in the shareholding members of a pension insurance company were adopted:

- Decision No. 12-PIC of 10 January 2007 which authorizes WIENER STÄDTISCHE VERSICHERUNG AG WIEN INSURANCE GROUP (Austria) to increase the shareholding of the company through associated entities in the capital of DOVERIE AD PIC;
- Decision No. 13-PIC of 10 January 2007 which authorizes TBIH FINANCIAL SERVICES GROUP N.V. (the Netherlands) to increase the shareholding of the company through associated entities in the capital of DOVERIE AD PIC;
- Decision No. 14-PIC from 10 January 2007 which authorizes KARDAN FINANCIAL SERVICES B.V. (the Netherlands) to increase the shareholding of the company through associated entities in the capital of DOVERIE AD PIC;
- Decision No. 335-PIC of 20 February 2007 which allows RESERVE INVEST (Cyprus) OOD to acquire directly 84.6% of the shares of LUKOIL GARANT – BULGARIA AD PIC;
- Decision No. 472-PIC of 20 March 2007 whereby refusal was issued to BETA TRADING CORPORATION OOD to increase its shareholding in DZI – PENSION INSURANCE AD;
- Decision No. 473-PIC of 20 March 2007 which refuses to allow UNIVERSE COMPANY OOD to increase its shareholding in DZI – PENSION INSURANCE AD;
- Decision No. 491-PIC of 26 March 2007 which allows HIMIMPORT INVEST AD to acquire directly 84.6% of the shares of LUKOIL GARANT – BULGARIA AD PIC.

During the period under review the Deputy Chairman of FSC in charge of the Social Insurance Supervision Division issued 31 decisions approving amendments and supplements to Rules on the organization and activities of supplementary pension insurance funds, where in the first quarter they were 19, in the second – one, in the

third – 8, and in the fourth quarter - 3. The high number of amended Rules during the first quarter of 2007 was due to the circumstance that the statutorily set one-year period for their bringing into compliance with the amendments and supplements of the Social Security Code expired at that time.

During the first quarter of 2007 were taken 9 decisions, approving amendments and supplements to the rules for valuation of the assets and liabilities of pension insurance funds and the supplementary pension insurance funds managed by them. During the second quarter no such decisions were taken. During the third quarter 10 decisions were taken and during the fourth quarter - one. The main reason for the amendments and supplements made to the rules was to bring them in compliance with the changes in the legal framework, and more specifically Ordinance No. 9 of 19 November 2003 on the manner and procedure of valuation of assets and liabilities of supplementary pension insurance funds and of the pension insurance company, the fund's net asset value, on calculation and announcement of the value of one unit, and on the requirements for the keeping of individual accounts<sup>36</sup>.

#### **NUMBER OF PENSION INSURANCE COMPANIES AND SUPPLEMENTARY PENSION INSURANCE FUNDS AS OF 31 DECEMBER 2007**

At the end of 2007 the licensed pension insurance companies were 9. All of them set up and managed both types of supplementary mandatory pension insurance funds (universal and occupational), as well as supplementary voluntary pension insurance fund. In connection with the implementation of the insurance under occupational schemes that entered into force with the accession of our country to the EU, two companies set up and obtained authorization to manage voluntary pension funds under occupational schemes (ALLIANZ BULGARIA AD PIC and DSK – RODINA AD PIC). Therefore the licensed 9 pension insurance companies managed a total of 29 pension funds – 9 universal, 9 occupational, 9 voluntary, and 2 voluntary pension funds under occupational schemes, the latter still not having occupational schemes for management taken up.

---

<sup>36</sup> Ordinance No. 9 of 19 November 2003 (supp., State Gazette, issue 86 from 2006; amm. and supp., State Gazette, issue 39 from 2007).



### 3. SUPERVISORY ACTIVITY

In its function as supervisory authority, the Financial Supervision Commission exercises off-site control and on-site inspections of the supervised entities within the non-banking financial sector.

The off-site control is in the form of inspection of the submitted to the Commission annual and periodic reports by the supervised entities, as well as other legally required documents. In case of incompleteness or discrepancy in the documents presented, FSC invites the supervised entities to complement or rectify the latter. The Commission performs control by means of on-site inspections, which may be regular or thematic inspections, as well as inspections upon acceptance of request or complaints, related to the activity of the supervised entities.

#### 3.1. Supervisory Activity in the Field of Investment Activities

The supervision of investment activities in FSC is performed by Directorate Supervisory Activity with Investment Activity Supervision Division. The functions of the directorate within the reporting period are exercised by two departments – Investment Intermediaries and Security Markets and Issuers of Securities.

The supervision, performed by the directorate, was in the form of special supervision on the implementation and compliance with the requirements of the Public Offering of Securities Act (POSA), the Markets in Financial Instruments Act (MFIA), the Act on Special Purpose Vehicles (ASPV), the Act Against Market Abuse with Financial Instruments (LAMAfi), and their implementing instruments, by the regulated securities markets, the Central Depository, investment intermediaries, brokers and investment advisors, public companies and other issuers of securities, special investment purpose vehicles, investment and management companies.

##### 3.1.1. Investment Intermediaries, Central Depository and Regulated Markets

The control over the investment intermediaries during the reporting period was carried out by way of inspection and analysis of capital adequacy and liquidity reports, balance sheets and profit and loss accounts of IIs, submitted to FSC on a monthly basis.

This allowed the monitoring of IIs' current financial situation. In cases where incompleteness or discrepancy between balance sheet records, the profit and loss account and the capital adequacy and liquidity report were identified, the relevant IIs were requested by letter to remove the inconsistencies by submitting rectified documents.

When violation of the statutory requirements for capital adequacy and liquidity were detected, additional on-site inspections regarding the operation of the relevant investment intermediaries were conducted, and in cases of confirmed violation, acts of established administrative violations were drawn up or specific measures were recommended.

Within the off-site control over the investment intermediaries' activities, exercised during 2007, the Commission performed 1657 examinations of documents, submitted at FSC, 684 of which were on the filed accounting statements and capital adequacy and liquidity reports of investment intermediaries, and 53 973 checks on notifications submitted under Art. 56 (1) of Ordinance No. 1 (repealed), respectively Art. 85(1) of Ordinance No. 38. With regard to the notifications submitted, 85 draft orders were drawn up for entry of the relevant facts in the register, kept by FSC.

During the period under review the Commission issued 123 penal warrants whereby it imposed sanctions for violations of Art. 22, paragraphs 1 to 3 of Ordinance No. 6 on requirements for activities of investment intermediaries, Art. 18 (10) and Art. 21 (1) of Ordinance No. 1 on requirements for activities of investment intermediaries, Art. 161(1), proposition (4), Art. 145(4) with reference to paragraph (3) of the Public Offering of Securities Act (POSA), etc.

In 2007 FSC completed 37 inspections of investment intermediaries, 21 of which were planned and 16 of which were thematic. 35 of all inspections were conducted on-site, 2 were off-site inspections. 7 of all inspections were related to broker activities.

As a result of the supervisory activity exercised by the Commission 120 acts were drawn up for establishment of administrative violation (AEAV) to investment intermediaries. The most common offences in the business activity area of investment intermediaries during the year were as follows:

- for established violations of Art. 75(5)(1) POSA – violation of the prohibition, except in the cases as laid down in an ordinance, the investment intermediary to use for its own account the cash and securities of its clients – 13 acts;
- for established violations of Art. 6(1)(12), first and second indent, of Ordinance No. 1 on the requirements for the activities of investment intermediaries – the prohibition was violated the investment intermediary not to carry out activities, which would jeopardize the interests of its clients or the stability of the securities market – 50 acts;
- for established violations of Art. 12(5) of Ordinance No. 1 on the requirements for the activities of investment intermediaries – failure to fulfill the II's obligation to notify FSC for the transactions with securities, concluded during the week - 12 acts;
- for established violations of Art. 56, paragraphs (1) and (2) of Ordinance No. 1 on the requirements for the activities of investment intermediaries - failure to fulfill the II's obligation to notify FSC for change in the circumstances, on the basis of which the company is granted license to pursue business - 5 acts;
- for established violations of Art. 57(1), points 1 and 2 of Ordinance No. 1 on the requirements for the activities of investment intermediaries – violation of the requirement to demand and keep a copy, legally certified in due order, of the client's personal identity documents - 12 acts.

During the reporting period 140 administrative penal proceedings were initiated, 83 of which concluded with penal warrants and 58 of them with resolutions for termination of the proceedings. One of the administrative penal proceedings was closed with both penal warrant and a resolution to terminate proceedings, in relation to different violations.

In 2007 the Commission received and were completed up 50 complaints against penal warrants and decisions of the Deputy Chairperson of FSC, in charge of Investment Activity Supervision Division.

### 3.1.2. Collective Investment Schemes and Management Companies

The documentary checks within the exercised supervision over the operation of the collective investment schemes (CIS) and management companies (MC) are performed on a regular basis. In 2007 the FSC performed checks on 828 monthly, 294 quarterly and 98 annual financial statements, submitted by CIS and MC. As a result, based on the documents submitted by the supervised entities during the reporting period, 47 proceedings were opened for the imposition of coercive administrative measures (CAM) in accordance with Art. 212(1)(1) POSA. After the supervised entities complied with the identified and imposed CAM, the Deputy Chairperson of FSC in charge of Investment Activity Supervision Division, decided to terminate the procedure for imposition of CAM for all 47 proceedings.

In the reviewed period 5 inspections were conducted and completed of MCs and of the contractual funds they managed. The inspections were carried out on-site, at the address of the companies - 4 were planned inspections, 1 was extraordinary thematic inspection. They concluded with the drawing up of ascertaining protocols and relevant recommendations for the operation of MCs were made. Joint inspections with other institutions were not carried out.

During the inspections conducted in the FSC offices and at the companies' addresses, no significant for the investment community violations of the legislation were found out. Within the reporting period no acts for establishment of administrative violations (AEAV) were drawn up, but one resolution was issued on the basis of an AEVN, drawn up in 2006.

During the period no complaints against penal warrants and decisions of the Deputy Chairperson of FSC, in charge of Investment Activity Supervision Division, were filed in relation of the supervision of collective investment schemes and management companies.

### 3.1.3. Public Companies, Special Purpose Vehicles and Other Issuers of Securities

The off-site supervision, exercised by FSC with regard to the activities of public companies, issuers of securities and SPVs, is in the form of examination of company documents, received in the Commission, and ongoing monitoring of the publicly disclosed by the supervised entities information. The procedure of entry of the circumstances and the changes therein in the register of public companies and other issuers of securities, kept by FSC, involves examination and analysis of the submitted documents. In 2007 FSC received around 7000 documents that were examined and processed by the department experts.

All reports and supplements submitted to FSC by entities supervised by the department are inspected in respect of completeness and consistency of the information presented in accordance with the statutory requirements, which constitutes, in substance, documentary check. Within the reporting period FSC received and entered into the Reg-

ister kept by the Commission, 2851 annual and quarterly reports, consolidated reports, report supplements as well as notices as to the status of bankruptcy proceedings or proceedings for compulsory winding up of companies.

Also, examinations were carried out of all received in the FSC materials in relation to the convening and holding of the general meetings of shareholders – invitations for convening of GMS, published in State Gazette materials, reasoned reports, minutes from GMS, taking of lawful decisions by GMS, the submission of these materials at BSE-Sofia AD. Subject to preliminary inspection were also the received in the FSC applications for the entry of changes in the circumstances concerning the companies, notifications about price sensitive information, and notifications of changes in shareholding under Art. 145 of POSA, notification about dividend as well as many other documents. After the above mentioned inspections by documents were carried out, the information concerning them was entered in the register of the public companies and other issuers of securities kept by FSC. 3412 entries of circumstances and changes in them were made during the reviewed period.

With the implementation of the integrated system for disclosure of information –EXTRI, in 2007, a part of the public companies, issuers of securities and SPVs after registration, started to present the relevant information to FSC through the system. Upon examination as to the completeness and consistence of the information presented in compliance with the statutory requirements, the said circumstances were approved and filed in the Register, kept by the Commission. During the reporting period 4685 entries of circumstances and changes therein were made through the EXTRI system.

In relation to filed with the FSC applications for set-off or refund of overpaid amounts, the department experts examined the documents available and drafted statements with opinion for the issue of an individual administrative act (Decision of the FSC's Chairman) for 12 companies.

In connection with the exercising of the supervisory functions of Directorate Supervisory Activity related to disclosure of price sensitive information, the Directorate has established a procedure for ongoing monitoring of the publicly disclosed by the supervised entities information (ad hoc information). This procedure involves daily review of the information, presented by and related to public companies and other issuers of securities, published in the mass media, including electronic media. Documentary check is performed on the basis of documents available at FSC in relation to disclosure of already announced information in compliance with the requirements of POSA and Ordinance No. 2 on prospectuses in case of public offering and admission to trading of securities on a regulated securities market and on disclosure of information by the public companies and other issuers of securities. Where there are data indicating potential violations, letters are sent to the parties involved or an inspection is carried out. During the reporting period FSC performed 113 inspections of the available at the Commission and on BSE documents, whereby no violations were established. Periodically (every two weeks) the Directorate prepares a memorandum to the FSC Chairman through the Deputy Chairperson in charge of Investment Activities Supervision Division, on

the actions taken in relation to the established procedure of ongoing monitoring. In accordance with the requirements under Art. 145 POSA on disclosure of a holding in the capital of a public company, other issuers of securities or SPVs, the staff of Securities Issuers Department performed checks of the information received from Central Depository and the notices submitted under Art. 145 POSA. Where there is data indicating potential legal violations, the parties involved are sent invitation letters for the drawing up of AEA V. On the basis of the checks performed during the reporting period on information available at FSC and the established violations of the requirements under POSA, 14 ascertaining protocols and 22 AEA V were drawn up under Art. 145 of POSA.

Within the reporting period FSC conducted 24 on-site inspections at the companies' seat:

- 14 planned inspections of SPVs and their servicing companies;
- 10 extraordinary inspections of public companies, 6 of which were carried out jointly with officials from Market Analyses Department.

The inspections concluded with the drawing up of ascertaining protocols.

In relation to the exercising of off-site control, besides the above indicated inspections, 65 more thematic inspections were carried out of the entities supervised by the department. Adequate measures were taken, depending on each specific case.

Joint inspections in cooperation with other institutions were not performed.

In 2007 on the basis of established violations of FSCA, POSA, ASPV, LAMAFI and their implementing instruments, the offenders were invited by letter in the FSC offices for clarifying the factual situation and undertaking of administrative and penal liability. Due to failure to appear, to the offenders were drawn up 163 AEA V in accordance with Art. 40 of Administrative Violations and Sanctions Act (AVSA) and the latter were sent to be served by letter to the relevant municipalities. The provisions most commonly violated were:

- Art. 115(3) POSA – observance of the term for forwarding of the invitation under Art. 223(4) of the Commercial Act (CA) - 41 acts;
- Art. 94(1) or Art. 95(1) and/or Art. 99(1) in relation to Art. 94 or Art. 95 POSA (cancelled provisions) – annual and quarterly financial reports of public companies, other issuers of securities and SPVs, presented with delay or not presented at FSC and BSE - Sofia JSC. - 33 acts;
- Art. 145 POSA - disclosure of holding in the capital of a public company, other issuers of securities and SPVs - 22 acts;
- Art. 221(6) in relation to Art. 212(1)(1) POSA – non-compliance with imposed CAM - 21 acts;
- Art. 28(3) in relation to Art. 27(2) of Ordinance No. 2 – obligation for disclosure of information under Art. 27 of Ordinance No. 2 - 12 acts.

Simultaneously in the course of the year FSC, with the aim to prevent and terminate administrative violations, opened 112 proceedings for execution of CAM and terminated 112 such proceedings. The summarized data concerning the number of CAM proceedings opened and terminated are the following:

Procedure	Opened CAM	Closed CAM
Obligates the company to submit a financial statement (quarterly/annual)	25	25
Obligates the company to rectify deficiencies in the financial statement (quarterly/annual)	50	50
Obligates the members of the company's Management Board to propose to the GMS not to put to the vote certain items on the agenda	30	30
Obligates the company's MB to summon GMS, to deposit guarantees for the management, to appoint Investor Relations Director, etc.	7	7
<b>Total:</b>	<b>112</b>	<b>112</b>

As evident from the Table, most common were:

- opening of procedures for imposition of CAM, which were imposed or terminated in relation to established incompleteness or inconsistency in the quarterly or annual reports of public companies, other issuers of securities or SPVs, submitted to FSC;
- opening of procedures for imposition of CAM, which were imposed or terminated in relation to supervised entities, concerned with nonvoting on items of the agenda, failure to undertake actions with regard to already voted item, discharge from liability by GMS of members of management and supervisory bodies of the public company.

During the reporting period on the ground of Art. 162(2)(3) of the Tax and Social Security Procedure Code (TSSPC) with reference to Art. 27(7), second sentence FSCA, Art. 15(1)(15) FSCA and Art. 24(1) of the Administrative Procedure Code (APC), 140 administrative proceedings were opened for the issue of an individual administrative act for establishment of state public taking – fee under point 1.4.a) of the Tariff – annex to Art. 27(2) FSCA. During the same period 94 proceedings for establishment of state public taking were closed.

In the course of the year 66 penal warrants were issued whereby sanctions for violations of Art. 95(1), Art. 99(1), Art. 115(3), Art. 117(1) POSA, Art.8(1) with reference to Art. 4(1) LAMAFI, etc. were imposed. Furthermore, two penal warrants were issued to SPVs for violation of Art. 145 POSA, one penal warrant was issued to SPV for violation of Art. 117 POSA, one resolution for SPV for infringement under Art. 145 POSA and one resolution for infringement under Art. 114 POSA. 21 complaints were received against penal warrants and decisions of the Deputy Chairperson in charge of Investment Activity Supervision Division, which were completed and forwarded to the respective district courts and the Supreme Administrative Court. Three of these complaints were against resolutions of the Deputy



Chairperson in charge of Investment Activity Supervision Division, concerning the companies KOLOS

1 SPV, PETAR KARAMINCHEV AD and IZOTSERVIZ - HOLDING AD. The complaints were presented to be reviewed at FSC's sessions and the Commission pronounced on them, finding them unfounded and confirmed the decisions of the FSC's Deputy Chairperson.

Besides the inspections cited, within the reporting period the Investment Activity Supervision Division of FSC performed a number of inspections for compliance with the provisions of the Law against Market Abuse with Financial Instruments and the Public Offering of Securities Act with reference to the prohibition of unfair trading in securities, market manipulation, inside information and insiders. As a result of the inspections acts were drawn up for establishment of the following violations:

- use by a person of inside information, obtained as a result of his participation in the capital or the votes in the Issuer's General Meeting, for the purposes of acquisition or transfer of financial instruments - 8 AEAV were drawn up to the persons for violation of Art. 8, 1, proposition 2 in relation to Art. 4(1) LAMAFI;
- use of inside information for acquisition or transfer of financial instruments - 2 AEAV were drawn up to the persons for violation of Art. 8(1) LAMAFI;
- use of inside information, which can influence substantially the price of certain financial instruments, for the purpose of acquisition or transfer of the latter - one AEAV was drawn up for violation of Art. 8(1) in relation to Art. 4(1) LAMAFI;
- use of inside information, which states facts or circumstances that have occurred, or can reasonably be expected to occur in the future, and which is specific enough to justify a conclusion with regard to their possible effect on the price of the financial instruments - for violation of Art. 8(1) with reference to Art. 4(2)(1) LAMAFI one AEAV was drawn up to the parties;
- manipulating the financial instruments market by actions and transactions stated in Art. 6 (1)(1) LAMAFI - for violation of Art. 11 with reference to Art. 6(1)(1) LAMAFI to the parties were drawn up 2 AEAV;
- manipulation of the financial instruments market by conclusion of transactions or issuing orders, which by means of the joint actions of certain parties set the price of one or several financial instruments at an unusual or artificial level - 2 AEAV were drawn up to the parties for violation of Art. 11 in relation to Art. 6(1)(1), proposition last LAMAFI;
- manipulation of the financial instruments market by actions and transactions, other than those stated in Art. 6 (1) LAMAFI - one AEAV was drawn up to the parties for violation of Art. 11 in relation to Art. 6(2)(4) LAMAFI;
- execution of transactions and actions by third physical and legal persons, clients of investment intermediaries, which cause unusual alteration in the price of shares of certain public companies - for violation of Art. 161(1), proposition 4 POSA to the parties were drawn up 2 AEAV.

### 3.2. Supervisory Activity in the Field of Insurance and Voluntary Health Insurance

The supervisory activity which FSC exercises over the activities of insurers and health insurance companies is

in the form of control over the activities of insurance and health insurance companies for compliance with the requirements of the Insurance Code and the Health Insurance Act, as well as their implementing instruments.

When carrying out its supervisory activities the Commission applied two approaches.

The first approach was off-site supervision, based on annual and quarterly reports, presented at the Commission by insurance companies, health insurance companies and insurance brokers. In 2007, on the basis of periodic financial reports and statistics 610 inspections were conducted, 437 of which on insurance companies reports and 173 on health insurance companies' reports. Throughout the year 392 inspections were carried out also on the reports submitted by insurance brokers for 2006 and the first half of 2007.

Based on the data presented in the periodic and annual statistics and reports, analysis of the technical results was performed for all insurers by insurance classes. This approach was applied to assess the sufficiency of insurance premia as per insurance classes. It was found out that for specific insurance classes some companies reported negative technical results, which was an indicator of inconsistency between the premium amount, the risk assumed and the expenses incurred. In these cases acts for establishment of administrative violations were drawn up to the company's responsible actuaries.

Another key instrument for performance of remote supervision in 2007 was the annual approval of methodology for forming the reserves for incurred but unsubmitted insurance claims under Third Party Liability Insurance of Motorists and for the first 2007 quarter 16 off-site inspections were carried out and the statistical data of each company were analyzed.

During the second quarter of 2007 an assessment of the effect of extended territorial coverage of Third Party Liability insurance of motorists was made (covering the territory of the European Economic Area) after Bulgaria's accession to the European Union. The inspection was carried out by means of collection and analysis of individual data from the insurance companies regarding the number and amount of the submitted and paid claims for a period exceeding 7 years. A lack of adequate individual statistical data was established, as the data of certain insurance companies were largely inconsistent with the representative information for the market as a whole under extended territorial coverage conditions. In order to insure the adequacy of premia and thus the formation of the reserves for the respective insurance, to the insurers were disseminated prescriptions about the methods, which should be applied in the formation of the reserve at the end of 2007 and on a current basis in the course of 2008.

In relation to the compulsory Third Party Liability insurance of motorists, coercive administrative measures were imposed on some insurance companies, aiming at an increase in the amount of premia, as it was found out that the latter are insufficient for the coverage of payments, related to the risk and expenses involved.

An inspection by documents of HILD BULGARIA EOOD and HILD ASSET BULGARIA OOD were carried out in relation to the pursuance of activities, involving acquisition of title over citizens' apartments in exchange of the commitment to pay them life annuity. It was found out that

this activity is identical to the activities of life insurance companies related to pension and annuity insurance. Prescriptions were drafted with the aim to bring the activities of these companies into compliance with the requirements of the Insurance Code.

The second approach, applied by the Commission, was supervision based on the conducting of on-site inspections at the offices of the supervised entities. During the reporting period 101 on-site inspections were carried out in the offices of insurance companies and insurance intermediaries. The inspections of the insurance brokers were determined on the basis of the largest premium income realized.

Within the inspections carried out in 8 insurance companies with non-life insurance activity, comprehensive statistical data were requested, received, processed and analyzed, concerning:

- all insurance policies concluded;
- the premium income thereof;
- the corresponding unearned premium reserve;
- all submitted and paid claims;
- the corresponding reserve for submitted but unpaid claims;

The aim of gathering and analyzing these data was to establish whether the technical reserves formed by the companies provide adequately for their future liabilities for payment of indemnity.

In the last quarter of 2007 intensive inspections were carried out with regard to Third Party Liability insurance of motorists. This was justified by the ongoing campaign for conclusion of Third Party Liability insurance. Substantial part of the insurance policies expired in this period and had to be renewed. As a consequence, at the year's end the competition among the insurance companies for that insurance increased, and in view of attracting more clients there were attempts to sell insurance policies at tariffs, which do not provide for sufficient premium amount, which could result in inability for accurate and proportionate payment of indemnities in the future.

During 2007, FSC drew up 208 acts to the supervised entities for establishment of administrative violations, 117 of which to insurance companies, 2 to health insurance companies, 67 to insurance brokers, 13 to actuaries and 9 to physical persons.

Throughout the year the FSC's Deputy Chairperson in charge of Insurance Supervision Division, issued 94 penal warrants for the amount of BGN 267 400, of which to insurance companies - 52 penal warrants for the amount of BGN 183 000, to insurance brokers - 35 penal warrants for the amount of BGN 81 000, and to physical persons - 6 penal warrants for the amount of BGN 2400.

In 2007, 26 procedures for imposition of coercive administrative measures (CAM) were opened, 23 from which to insurance companies and 3 to insurance brokers. 8 resolutions for imposition of CAM were issued, 7 from which to insurance companies and one to an insurance broker.

The most common violations established in the performance of the ongoing control and on-site inspections were as follows:

- failure to observe the deadline for determination and payment of indemnity or the insurance sum for insurance claims lodged;
- failure to observe the requirements for formation of the insurance and health insurance reserves;

- failure to observe the requirements for timely submission of annual and periodic reports by insurance brokers;
- failure to observe the deadline for reporting on the insurance policies concluded for Third Party Liability insurance of motorists to the Information Centre and FSC;
- the application of premia which are not sufficient to ensure the fulfillment of liabilities under the insurance contracts;
- failure to submit or submission with delay of statistical or financial and accounting information.

### 3.3. Supervisory Activity in the Field of Supplementary Pension Insurance

The supervisory activity over the lawful pursuance of the activities of pension insurance companies and the supplementary pension insurance funds they manage, aiming to protect the interests of persons insured and to guarantee the stability of the market, is carried out by Directorate Control Activities with the Social Insurance Supervision Division, by conducting off-site and on-site inspections. Inspections for lawful pursuance of activities are also conducted at the trustee banks of the supplementary pension insurance funds.

In 2007, in the exercising of off-site control and on-site inspections over compliance with the provisions of the Social Insurance Code (SIC) and the applicable secondary legislation, 43 violations of regulations were established, for which a total of 28 AEA were drawn up.

From those 28 AEA, 22 acts were related to establishment of administrative violations of the provisions of SIC, by means of which 33 of the identified 43 violations were established. The following AEA were drawn up:

- 4 AEA for 6 infringements of the ban on investment under Art. 177(5) - a pension insurance company may not acquire or transfer on any regulated market on behalf of and for the account of a supplementary mandatory pension insurance fund it manages (SMPI) securities by means of cross transactions;
- one AEA for one infringement of the limitation on investments under Art. 178(1) - not more than 5% of the assets of a pension fund may be invested in securities, issued by a single securities issuer;
- one AEA for one infringement of the limitation on investments under Art. 178(7) - not more than 25% of the assets of a supplementary mandatory pension insurance fund (SMPI) may be invested in securities under Art. 176 (1), point (7), point (11)(b) and point (12)(b) SIC;
- 3 AEA for 5 infringements of the limitation envisaged under Art. 180a 2 - until the bringing of the assets of a SMPI fund in compliance with the statutory requirements, a pension insurance company shall not acquire on behalf of the fund any assets under Art. 176(1), in respect of which the limitation is infringed;
- one AEA for one infringement of Art. 193(8) - PIC must form with its own funds a reserve for a SMPI fund it manages;
- 2 AEA for 4 infringements of the provision of Art. 121(6) - PIC must exercise its activity in conformity with the Rules for organization and operation of the pension funds;

- one AEAU for one infringement of Art. 123i. (1)(1) - PIC may not advertise products and services, which it does not provide at the moment;
- one AEAU for 2 infringements of the provision under Art. 123e. (1) – PIC shall generate revenues only from the sources provided for under SIC;
- 2 AEAU for 3 infringements under Art. 241(1) - each pension contract shall contain all requisites under Art. 169a. (2) SIC;
- 3 AEAU for 6 infringements under Art. 251(1) - not more than 5% of the assets of a supplementary voluntary pension insurance fund (SVPI) shall be invested in securities, issued by a single securities issuer;
- 3 AEAU for 3 infringements of Art. 251a - PIC shall bring the assets of its SVPI fund in compliance with the required under Art. 179a and 251 SIC quantitative limitations for such assets within three months period from the day of excess.

For violations of the provisions of Ordinance No. 3 on the procedure and method for switching of participation and transfer of the accumulated funds of an insured person from one supplementary pension insurance fund to another such fund managed by another pension insurance company, 4 AEAU were drawn up, whereby the following 6 violations (out of 43 violations committed) were established:

- 5 violations of Art. 6(2) – pronounced refusals on applications for switching of participation in breach of the Ordinance;
- one violation under Art. 1a – upon or on the occasion of switching of participation, no benefits to be offered to the insured persons.

For violations of the provisions of Ordinance No. 9 on the procedure and method for valuation of the assets and liabilities of the supplementary pension insurance funds and of a pension insurance company, of the fund's net assets value, for calculation and announcement of the value of one unit and on the requirements to the keeping of the individual accounts, 2 AEAU were drawn up whereby were established:

- 2 violations of Art. 7a (4) - subsequent valuation of securities under Art. 176 to be done at the last price of concluded transaction for the preceding business day at the time of closing of the regulated market;
- 2 violations under Art. 22(1) - the value of one unit for the current day to be declared until 18 p. m. at the office of the company.

During the reporting period 32 penal warrants were issued, whereby fines and property sanctions were imposed at the total amount of BGN 105 200. The total amount of property sanctions imposed by the issued penal warrants was BGN 90 000, and of the fines imposed on physical persons - BGN 15 200.

## OFF-SITE CONTROL

The off-site control is performed by officials from Off-site Control Department, with Directorate Control Activities on the basis of the financial statements and statistics for the activities of 9 PIC, 27 supplementary pension insurance funds (SPIF) and 7 trustee banks with the following regularity of submission:

- on a daily basis - for the activities of SPIF and the trustee banks;
- on a monthly, quarterly and annual basis - for the

activities of PIC and SPIF.

In the inspections conducted of the activities of PIC and SPIF 21 violations of legal provisions were established, for which 15 AEAU of SIC were drawn up.

The off-site control is carried out in three main directions - daily control, periodic control and monitoring of the information and advertising activities of PIC.

## Daily Control

In 2007, daily examinations and analyses were carried out of the information received about the activities of SPIF and the trustee banks regarding the legitimacy of transactions concluded with the assets of pension funds, the ratio of investments in different classes of financial instruments towards the pension funds' assets, the method of asset valuation applied and their correct recording in the PIC and in the books of trustee banks. Furthermore, control was exercised on the observance of the statutorily set deadlines for investment of the received cash, changes in net assets value, the correct deduction of investment fee in the supplementary mandatory pension insurance funds (SMPI) and the correct determination of the number of units corresponding to the sums received and withdrawn, as well as determination of the value of one unit, and the announcement of information on the value per one unit according the procedure and within the terms envisaged under Ordinance No. 9 of FSC. The results of the conducted inspections on the activities of SPIF and the trustee banks were systematized in weekly reports in consistence with the approved Methodology for Off-site Control and On-site Inspections of the Activities of PIC and the Managed by them SVPIF and Trustee Banks under SIC (the Methodology). Summarized information from the reports was presented to the Deputy Chairperson of FSC in charge of Social Insurance Supervision Division.

As a result of the daily control exercised during the year, 20 violations of legal provisions were established for which 14 AEAU under SIC were drawn up. The more substantial violations of SIC were related to acquisition of securities from SPIF by cross transactions, failure to bring the assets of supplementary voluntary pension insurance funds (SVPIF) in compliance with the quantitative limitations of such assets within the 3-months period, provided under SIC, acquisition of assets of SMPI funds within the three months term, provided for bringing the assets into compliance, in respect of which the investment limitation is infringed, and violation of limitations in the process of investment of the SPIF assets.

## Periodic Control

108 inspections were conducted in 2007 of the monthly, quarterly and annual financial statements and statistics submitted on the activities of each of the nine licensed PIC, and 314 inspections of the filed monthly, quarterly and annual financial statements and statistics on the managed by the pension companies SPIF. For each PIC the levels of the legally defined indicators were determined, such as capital adequacy, liquidity etc., through which the lawful execution of the business activity of PIC were monitored. Simultaneously analysis was carried out of the general financial indicators, related to equity, assets, revenues and costs of PIC, and the assets, participants and rate of return of pension funds.

The results of the conducted inspections and analyses

were reflected accordingly in the monthly, quarterly and annual analytic reports, the form and minimum content of which are defined in the Methodology. Summaries of the reports were presented to the Deputy Chairperson of FSC in charge of Insurance Supervision Division. As a result of the exercised periodic control it was established that one PIC did not put aside a reserve for guaranteeing the minimum rate of return of the managed by it SMPIF. For that violation one AEAV was drawn up under SIC.

### **Monitoring of the Information and Advertising Activities of PIC**

During the period inspections on the web pages of PICs were performed, in relation to compliance with the provisions of SIC and the requirements to the content of the advertising and written information materials of pension funds and of the pension insurance companies under Art. 123i (2) and Art. 180 (2), points (1) and (2) SIC, adopted by Decision No. 236-PIC/28.03.2006 (236-PIC/28.03.2006) of the FSC's Deputy Chairperson in charge of Social Insurance Supervision Division. In compliance with a letter from FSC all PICs published on their web pages the annual reports on their activities and on the activities of the pension funds they managed as well as information about the proposal of the managing body for distribution of the profit or for covering loss from the previous year and the decision of the General Meeting of Shareholders regarding the manner of distribution of the profit or for covering loss from the previous year. At the end of the first quarter of 2007, PICs published on their web pages information concerning the amount and the structure of investments by type of assets and securities issuers for each pension fund managed as of 31 December, 2006. The inconsistencies found during the inspections between the information published and the adopted requirements thereto were rectified within the set time limits.

### **ON-SITE INSPECTIONS**

In connection with the operating control exercised over compliance with the provisions of SIC and the acting sub-statutory acts as well as of the Measures Against Money Laundering Act and the Rules of its implementation, the experts in Operating Control Department with Control Activities Directorate, conducted inspections in all licensed pension insurance companies pursuing business at the beginning of 2007, as well as in the trustee banks of the managed by them supplementary pension insurance funds. In total 16 on-site inspections were carried out. 10 inspections were conducted, 8 of which full and 2 - thematic in the licensed pension insurance companies and the pension funds they managed. There were also 6 joint inspections conducted in trustee banks, together with Banking Supervision Division with the Bulgarian National Bank on the lawful execution of their trustee activity, related to pension funds. As a result of the inspections completed a total of 119 recommendations for improvement of their activities were given, including 84 recommendations to PIC and 35 recommendations to trustee banks.

### **Full Inspections**

The activities of 8 pension insurance companies and the funds they manage were inspected in full, whereby 14 violations of SIC, 6 violations of Ordinance No. 3 and one of Ordinance No. 9 were established, for which 13 acts were

drawn up. The companies were given 73 recommendations to improve their activities, to reduce the operating risk and to create the preconditions necessary for the establishment of an adequate and efficient system of monitoring, assessment and management of the risk related to the investments of pension funds.

### **Thematic Inspections**

Two thematic inspections were also carried out for compliance with the provisions of Ordinance No. 3 and Ordinance No. 9, where no violations of the legislation on supplementary pension insurance were established, but a number of omissions and deficiencies were found out, for the removal of which 11 recommendations were given to PICs.

### **Inspections of Trustee Banks**

Jointly with BNB's Banking Supervision Division, 6 inspections were conducted in trustee banks of pension funds, managed by 8 pension insurance companies. 3 violations of Ordinance No. 36 of 22 January 2004 of the Bulgarian National Bank on Trustee Banks under SIC were found out and 35 recommendations for improvement of the bank activities were given.

To rectify the violations established in 2007, by order of the FSC's Deputy Chairperson in charge of Social Insurance Supervision Division, one CAM was imposed on a pension insurance company. Two mandatory prescriptions to rectify the violations under SIC were given to the company management. The CAM imposed was not appealed and was fulfilled by the pension insurance company within the time limits, set by FSC. During the reporting period there were no pending proceedings for CAM.

During the period under review no complaints were received against decisions of the Deputy Chairperson of FSC in charge of Social Insurance Supervision Division.



## 4. CUSTOMER PROTECTION IN THE AREA OF NON-BANKING FINANCIAL SERVICES

One of the strategic goals of the Financial Supervision Commission is to enhance the public confidence in the use of financial products and services by improving the general public awareness regarding the latter and by provision of protection for the consumers of such products and services. One step towards achieving transparency and equal treatment on the market, and thus consumer protection, is the provision of access to up to date information about the non-banking financial sector and the market participants. On the other hand, the increased public awareness in the field of the financial markets has preventive effect in terms of protection of consumers of the non-banking financial services.

### 4.1. Information Awareness Provided by FSC

#### 4.1.1. Access to Financial Information

The information policy is one of FSC's main instruments to achieve consumer protection in the non-banking financial sector. Since the very establishment of the FSC a practice has been developed and set up for effective and timely dissemination of up to date public information about the markets of non-banking financial services, the participants on those markets and FSC's activity in its function as supervisory and regulatory authority.

FSC's web site is intended for use both by the general public and by the supervised entities themselves. The web site contains detailed and recent information about the regulatory and supervisory decisions, taken by the Commission, the actions taken and the forthcoming events in the FSC's field of activity. Moreover, up to date and useful statistical data and analyses, related to the capital, insurance and pension insurance markets, intended for the users of financial information and financial analysts, are published on a quarterly and annual basis. The statistical information includes both individual and aggregated data for public companies and other issuers of securities, management companies, collective investment schemes, investment intermediaries, the trading on the stock exchange, insurance companies and brokers, health insurance and pension insurance companies and their supplementary pension insurance funds.

The heading Events on FSC's web site presents detailed information about the carried out by FSC trainings, discussions and other public events, and provides access by hyper connection to the additional information available, such as presentations, programmes, pictures. Another heading - Questions and answers can also be found on the FSC's web site where the most frequently raised by the consumers questions and problems in the field of insurance, investment and supplementary pension insurance, are commented.

In April 2007, FSC jointly with the Bulgarian National Bank and the Bank Deposits Guarantee Fund (BDGF), and in cooperation with the Financial Sector Integrity Project of

the U.S. Agency for International Development, published the booklet Questions and Answers about the Financial Market, which presented in an easily understandable language information aiming at assisting the decisions-making process as regards the profitable management of personal finances. The booklet is also posted at the FSC's web site.

The electronic portal, developed in 2006, for submission of information on the compulsory Third Party Liability insurance of motorists creates up to date and reliable data base for the identification of the motor vehicles insured, for their owners and drivers. There is also an opportunity provided for checks to be made regarding the presence or absence of a Third Party Liability insurance of motorists, by entering the registration number of a randomly chosen motor vehicle in a public access portal through the FSC's web site.

One of the most effective mechanisms for protection of consumers of financial services is the provision of reliable, up to date and easily accessible information, which would facilitate the pragmatic and reasonable economic choice. FSC continued to provide detailed information for the supervised entities - their status, contact information, periodic reports, distributed dividends, imposed property sanctions, etc., by the Public Register, available both in the offices of the Commission and on the web site - Electronic Register and Card Index (ERiK).

The FSC's Information Center is established notably with the aim to offer to the general public data on the market participants, on the products and services, as well as advice on the possible actions a consumer may undertake in case he/she considers, that his/her rights have been infringed. Qualified experts, prepared to answer questions in the field of the capital, insurance and social security markets work at the Center. The citizens may contact for assistance and information FSC on Tel. 0900 32 300, on the electronic address [hotline@fsc.bg](mailto:hotline@fsc.bg) or in the offices of the institution. 2500 calls in the call center were registered in 2007, 510 questions were sent to the electronic address, 90 % of all questions being on capital market and mass privatization topics.

Due to public interest, FSC periodically publishes and disseminates in the media information and guidance for investors. In July 2007, in the form of publicly announced advice, the Commission again reminded the citizens about the basic rules of performing transactions in securities, the adherence to which would help them avoid possible abuse.

Two printed publications are issued (Annual Report and Official Monthly Bulletin), the contents of which cover all decisions taken by the Commission in the course of the year, the adopted laws and regulations, as well as comments on the more significant events in the field of the non-banking financial services.

#### 4.1.2. Educational Policy of FSC

During 2007 the Financial Supervision Commission continued to pursue its consistent policy aimed at enhancing the financial culture of the general public in relation to the non-banking sector. The institution was once again the initiator of a number of educational events, intended for different social groups and tailored in accordance with their specific needs.

Among the priority target groups, towards which FSC has focused its efforts for improvement of financial knowl-



edge, are the students. Besides the opportunity to acquire deeper knowledge, the programmes developed by FSC support the young people in their future career orientation. The fifth issue of the educational programme for school students Development of the Non-banking Financial Sector in Bulgaria, which is already a tradition, took place in April 2007. The main purposes of the programme are:

- enhancement of the financial culture among the young people and consolidation of the image of FSC as a socially responsible institution;
- building sustained interest towards the financial sphere among students, offering perspectives for successful future careers;
- creating the basis for more active interaction between the young people, the state administration and the business.

In the programme “2007” participated 26 school students, 5 professors from 20 secondary schools for vocational training in economics throughout the country. The education was divided into two parts - theoretical and practical. During the theoretic module experts from FSC and the business presented to the programme participants the features of the various types of financial markets. The practical module included visits to the stock exchange, to an investment intermediary, insurance company, and to a pension insurance company. The programme was implemented with the cooperation and support of the Ministry of Education and Science and Foundation Atanas Burov.

In view of the great interest to the programme FSC developed additional one-day modules, which complemented the curriculum, thus supporting the practical training of students, related to the structure and development of the capital market in Bulgaria. The Commission welcomed students from the current 11-th and 12-th grades of Vocational High School of Economics Atanas Burov - Gorna Oriahovitsa, who were informed in details about the activities of the supervisory authority and its structure and were introduced to the stock exchange trading and the day-to-day challenges of the financial markets on the very spot. The FSC's education initiatives are targeted to both secondary education and higher education students. The Commission, in cooperation with Bulgarian Stock Exchange - Sofia JSC, donated to leading universities in Bulgaria a specialized online software product for professional and educational training in the field of financial markets and investment in securities, entitled Investment in Securities Online Training. The basic purpose of the product is to promote the building of financial culture and to help acquire basic practical experience in the field of capital markets and the stock-exchange trading in securities.

In 2007 FSC and the industry organizations in the field of the capital market, insurance and pension insurance continued their cooperation and a number of discussions, meetings and seminars took place on topics and issues related to the development of these markets.

One initiative with significant practical importance was launched – meetings of the investment community, hosted by FSC, held on a regular basis. These take place every last Thursday of the month and present an opportunity for market participants to discuss in non-formal settings the issues of the day, the emerging developments and problems, related to the capital market.

In the recent years a number of legal requirements to the activities of investment intermediaries have been intro-

duced. Guided by the understanding that efficient application of the newly adopted legal provisions also depends on being well informed and having in depth knowledge of the regulatory framework, FSC organized specialized training for the public concerned. On 18 October 2007 a seminar for the investment intermediaries took place, entitled Practical Aspects of the Application of the Ordinance on Capital Adequacy and Liquidity of Investment Intermediaries (OCALII) - Forms of Capital Adequacy under the Uniform Standards, which was attended by representatives of all IIs. On 30 October 2007 a seminar was held entitled New Elements in the Legal Framework of Investment Intermediaries' Activities - Markets in Financial Instruments Act (MiFIA) and Ordinance No. 38. In view of the significant interest towards this form of training and the issues discussed, FSC provided technical capacity to enable the remote attendance to the event on the FSC web site.

In May 2007 FSC organized a two-day seminar entitled Measures Combating Money Laundering and the Funding of Terrorism, the first day being dedicated to representatives of investment intermediaries and management companies, while the second - for insurance, reinsurance and pension insurance companies.

Of substantial importance for FSC is to maintain and develop the cooperation established throughout the years both with the authorities, assisting the Commission in the realization of the protection of consumers of financial services, and with the groups having significant social influence and access to the general public.

FSC kept the tradition to organize meetings with representatives of law enforcement bodies, where new developments in the non-banking sector are discussed, as well as measures aiming at reduction and prevention of illegal actions in the financial field. These were the issues discussed on the seminar entitled Topical Issues, Related to Exercising of the Supervisory Functions of the Financial Supervision Commission in the Field of Insurance, held on 27- 29 September 2007 in Varna, which was attended by officers of Economic Police of the Ministry of Interior from all over the country.

Another professional group which is an active partner of FSC are the journalists. The objective coverage of the increasingly complex financial sector presupposes in depth understanding of market processes and new products. The organization of educational initiatives is an effective format, through which journalists are informed about new developments on the market. The seminar for journalists entitled Presentation of Investment Results and Calculation of the Yield of Collective Investment Schemes, that took place on 27 November 2007 and was organized by the Financial Supervision Commission and the Bulgarian Association of Asset Management Companies (BAAMC), was particularly useful.

#### 4.2. Complaints against Supervised Entities and Actions Taken on the Part of FSC

In 2007, 91 requests, signals, appeals, letters, and enquiries were received, related to problems in the field of investment activity. On their basis checks on the documentation and data available at the FSC were carried out and 273 letters were drawn up, whereby additional information re-

garding the questions stated was requested, and the persons involved were informed about the check findings. During the reviewed period the total number of claims submitted in FSC against supervised entities in the field of insurance activity was 398. The substance of the claims was related mostly to raising of questions and objections to the amount of compensation determined by the insurance company, denial of compensation and non-pronouncement by the insurer within the legal time limit. In addition, 62 complaints against insurance companies subject to liquidation or bankruptcy proceedings were received and examined.

During the reporting period a total of 172 complaints, signals and inquiries on problems related to supplementary pension insurance, were lodged - 116 claims from insured persons (2 of which collective - signed by 21 persons) and 56 signals and inquiries from pension insurance companies. During the period no complaints against decisions of the Deputy Chairperson of FSC in charge of Insurance Supervision Division were lodged.

The basic groups of grievances, stated in the complaints of the persons insured, were related to infringements of Ordinance No. 3 of FSC. The specific grievances of the persons were as follows:

- for notary certified applications for switching of participation, filed without their knowledge and consent;
- they have been misled to sign applications for switching of participation;
- they have not signed applications for switching of participation before a notary, but the applications are notary certified;
- at the time of conclusion of the banking services/products contract they have been misled to sign an application for switching of participation and for transfer of funds as well;
- that upon or on the occasion of switching of participation and transfer of funds of the insured persons, the insurance intermediaries offer or promise privileges, benefits or special terms;
- they have been deceived by PIC representatives that a specific PIC is bankrupt or subject to bankruptcy proceedings or is experiencing financial difficulties, due to which the insured persons switch their participation into another SPIF.

In relation to the complaints lodged explanations by the PICs concerned were required, as well as additional documents, whereupon the complainants received answers within the statutorily set deadline. For all cases where the insured persons assert that they had not signed applications for switching of participation and/or insurance contracts, but the latter had been filed on their behalf, signals to the bodies of the prosecutor's office were given.

The main issues, presented in the signals, concerned the following:

- the PICs have sent standard complaint forms with ready text content, which the persons insured are expected to fill in with their names and to sign them;
- the PICs have sent advertising materials to the insured persons in breach of Ordinance No. 3 of FSC and of the Requirements on advertising and printed information materials of pension funds and pension insurance companies under Art. 123i (2) and Art. 180 (2), points (1) and (2) SIC;
- PICs have refused to accept the notice for conclu-

sion of insurance contract with the motive that the notice has been forwarded after the deadline under Ordinance No. 3 has expired;

- refusal by PICs to transfer the insured person's funds with the motive that the latter has submitted a declaration stating that he/she has never filed an application for switching of participation;
- pronounced refusals to review complaints for switching of participation with the motive of illegible handwriting or inconsistency between the names of the insured persons with the data stated in the respective company documents;
- refusals to accept applications with corrections of technical errors;
- corrections in the personal identity number;
- corrections in the notarial attestation;
- missing signature of the insured person in the application, wrong company name or wrong insurance fund name etc.;
- in the event that employees from certain companies, whose employers are shareholders in PIC were forced to switch their participation in supplementary pension insurance funds managed by the said company.

On the basis of received signals, documentary or on-site inspections in PICs were carried out. Measures were taken in accordance with the findings of the inspections. Replies to the made inquiries were drafted to PICs.

In relation to the received in Social Insurance Supervision Division complaints and signals, the Control Activity Directorate informed the following institutions:

- the Prosecution bodies - with more than 30 letters for all cases where insured persons have asserted that they had not signed applications for switching of participation and/or insurance contracts, but such were filed on their behalf;
- the Ministry of Justice - for the multitude of signals for violations related to notarial attestation of applications for switching of participation, by letters with attached thereto complaints of insured persons with such grievances;
- the Commission for Protection of Competition (CPC) - for the complaints filed against actions representing unfair competition between pension insurance companies.

## 5. HUMAN RESOURCES POLICY

The Financial Supervision Commission exerts special efforts for the improvement and application of rules and mechanisms for human resources management with a view to enhance the quality and efficiency of the administrative services.

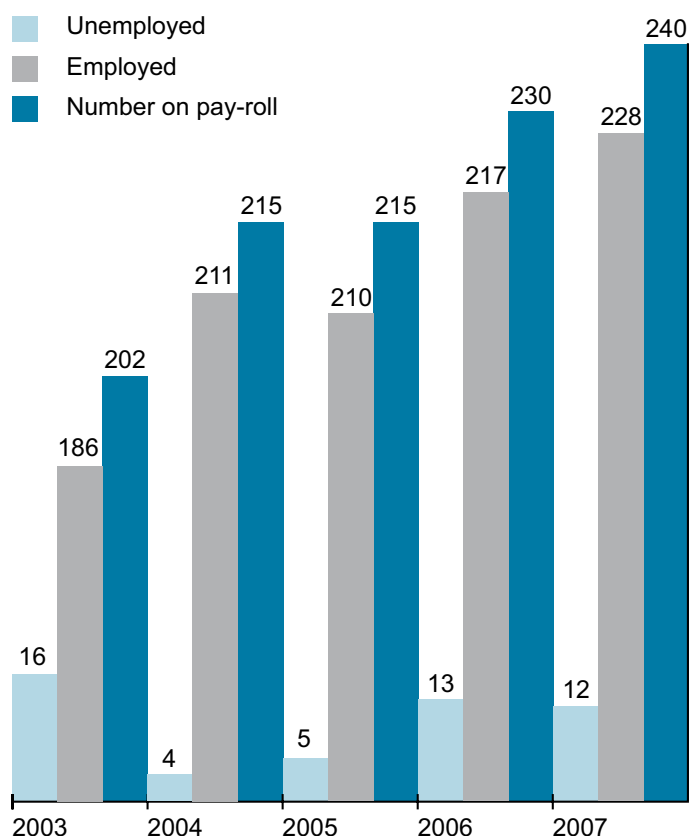
The mission of human resources management is to identify, to develop and to retain the most appropriate personnel for work in favour of the public interest and in favour of the institution's prestige.

This vision aims at the contemporary, competent, transparent, and effective management of human resources, which builds up capable, responsible, motivated officials, having the competencies and potentials needed for the successful achievement of the FSC's goals.

The human resources management at FSC is a continuous and consistent process of selection of the best officials, their training, motivating and growth, directed towards effective realization of the organizational goals. The underlying principle of human resources management is the assumption that recruitment of institutional staff should further public confidence and the perception of individuals, working at the FSC, as qualified officials, capable to deal professionally with the imposed on them requirements and to work dedicatedly in favour of public interest, applying the law strictly and impartially. This process is accompanied by continuous improvement of the working environment and the working conditions, which guarantee: secure job position for the employees; good remuneration package, adequate to the achieved results; training and career growth opportunities and good working environment and human relations. The effective human resources management is based on the understanding, that people are the key factor for competitive advantage in any organization. A fundamental element of management culture, focusing on the individual, on team work and on task fulfillment, is the building of relationships, based on values such as honesty, justice and trust. The target of effective human resources management is the endeavor to achieve high professional discipline of the performance and competence, focus on the servicing of the citizens and the business and the provision of high quality public services at the lowest possible costs in the best time limits. For the fulfillment of these goals the Bulgarian and international practices with regard to contemporary methods, tools and instruments in the domain of human resource management are applied.

### STRUCTURE OF FINANCIAL SUPERVISION COMMISSION

The Commission's structure and functions are laid down in the Financial Supervision Commission Act and the specific acts, regulating investment, insurance and health and pension insurance activities. Since January 2007 the payroll number of FSC staff in accordance with the adopted Rules of the Structure and Operation was 240 positions. The activity of FSC as a regulatory and supervisory authority is mainly carried out by the three specialized divisions: the Investment Supervision Division, the Insurance Supervision Division and the Social Insurance Supervi-



sion Division. The directorates and departments in them are formed on the functional principle in accordance with the main regulatory functions - licensing, supervision and enforcement of coercive administrative measures. The objective of such structure is to achieve optimization of the activity and to enhance the efficiency of the supervision. Investment Activity Supervision Division comprises three directorates - Regulatory Regimes Directorate, Supervisory Activity Directorate and Procedure Representation and Market Analyses Directorate. The Insurance Supervision Division includes three directorates as well- Regulatory Regimes and Customer Protection, Inspections and Financial Supervision, Regulatory Policy and Analyses.

In the Social Insurance Supervision Division there are two Directorates - Regulatory Regimes and Risk Assessment Directorate and the Control Activity Directorate.

An important component of the single structure is the setting up of a well functioning General Administration, closely related to each of the specialized Divisions and supporting their activity. Six Directorates are established in the General Administration:

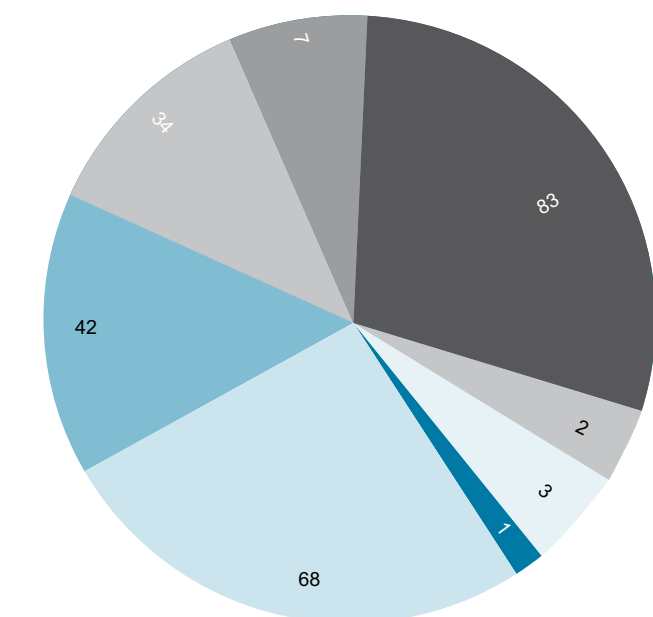
- Legal and Methodology of the Financial Supervision Directorate, which drafts legal justifications, elaborates and formulates new regulations and proposals for their amendment and supplement
- the General Office Directorate manages the registry services and the monitoring of document flow within the Commission administration, as well as the clerical assistance for Commission members;
- the Human Resources Directorate is responsible for the selection of personnel and organizes the training of the staff and the extension of their qualification as well as their attestation, incentives and motivation;
- Financial and Accounting Activities and Property Administration Directorate organizes the financial activity, the internal financial control, the accounting and the

accountability in the Commission;

- International Cooperation and Public Relations Directorate is in charge of the FSC international cooperation functions and European integration, as well as public relations;
- Information Technologies and Registers Directorate deals with the building up of the information system and the specific electronic registers, necessary to enable the units of the specialized administration to perform their obligations.

Since its establishment in 2003, the Financial Supervision Commission has demonstrated itself as a modern and efficient supervisory authority. The strengthening of the internal integration and the changes in the approaches for exercising of the supervisory functions have contributed for more efficient use of the authority's resources.

## STAFF STRUCTURE BY UNITS

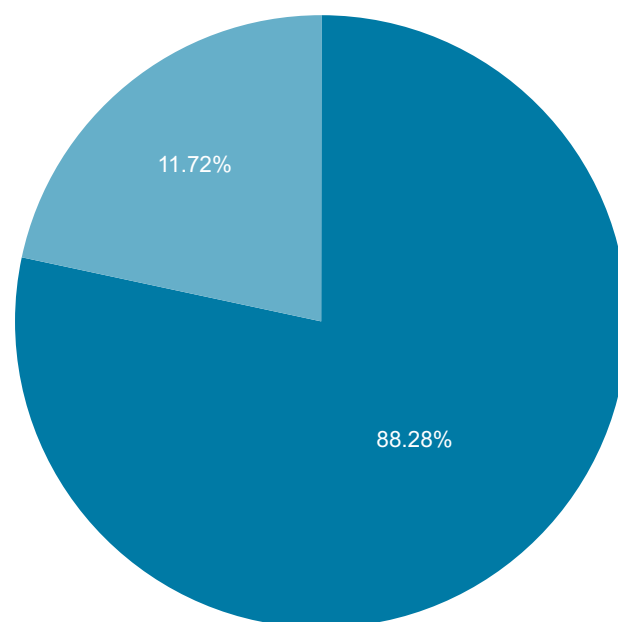


- General Administration
- Internal Audit
- Inspectorate
- Financial inspector
- Investment Supervision Division
- Insurance Supervision Division
- Social Insurance Supervision Division
- Commission (elective offices)

In 2007 by effective planning were identified the organizational demands of human resources and the actions for providing these resources were defined by developing respective personnel selection plans, training and development plans, labour remuneration plans, work performance assessment plans as well as plans for improvement of the working conditions and for improvement of relations at work. By implementing the personnel selection policy the FSC activity was supported with valuable experts, who are capable of meeting adequately the high criteria of professionalism, team work, personal and organizational development. In the past year a significant part of the employment relationships were established after personnel

selection procedures (mostly in the form of an interview and case solving written tests). The appointment of candidates was based on clear and transparent rules.

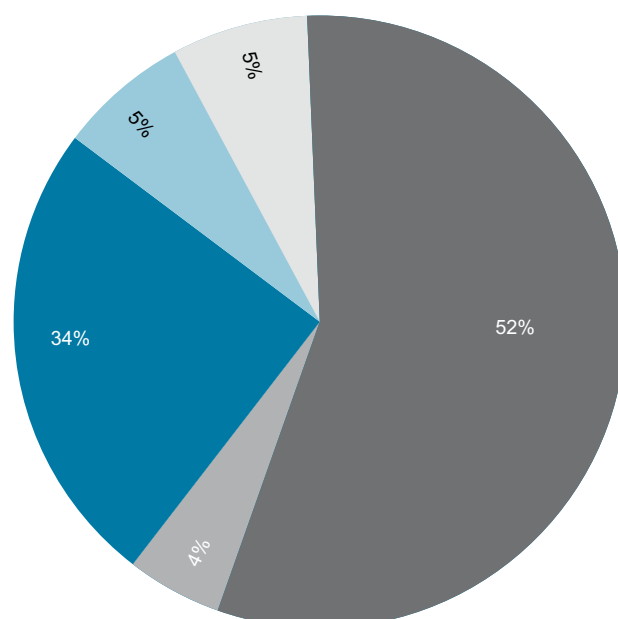
## STRUCTURE OF THE PERSONNEL BY EDUCATION



GRAPHIC 1

- Higher education
- Secondary education

The classification of experts by level and type of education is consistent with the objectives and tasks of the Commission - 88,28% of the staff have higher education; 11,72% - secondary education. Near 10 % of the experts with higher education also have additional qualification - a scientific degree/title, second higher



GRAPHIC 2

- Business, economic
- Natural sciences, informatics
- Legal
- Humanitarian
- Other

education, etc. The employees, who have a Master's degree educational qualification, represent 91,47% of the total number of the staff with completed higher education.

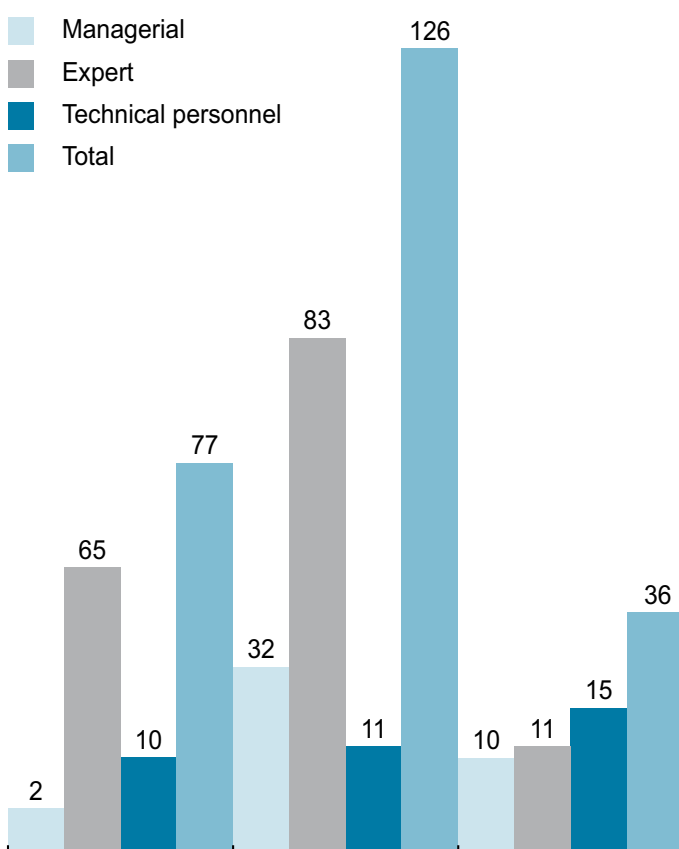
In 2007, the trend of decreasing of the number of employees with a Bachelor's degree and the number of employees with secondary education continued, due to the fact that a large part of them extended the degree of completed education or qualification. The high potential achieved was best put into practice in the fulfillment of the Commission's priority objectives. Of all higher educated employees - 33% have legal education, 53% - economic education, 6% - natural sciences education and informatics, and 8% - other higher education. The classification of experts by level and type of education corresponds to the nature and the objectives of the Commission.

### STRUCTURE OF THE STAFF BY AGE, GENDER AND POSITION

The balance as regards the age of the personnel is satisfactory. The average age in FSC is approximately 36 years, the highest percentage being that of employees aged 31 to 50 years (53%), followed by employees under 30 years (32%) and employees at the age over 50 years, that occupy 15% of the total number of positions.

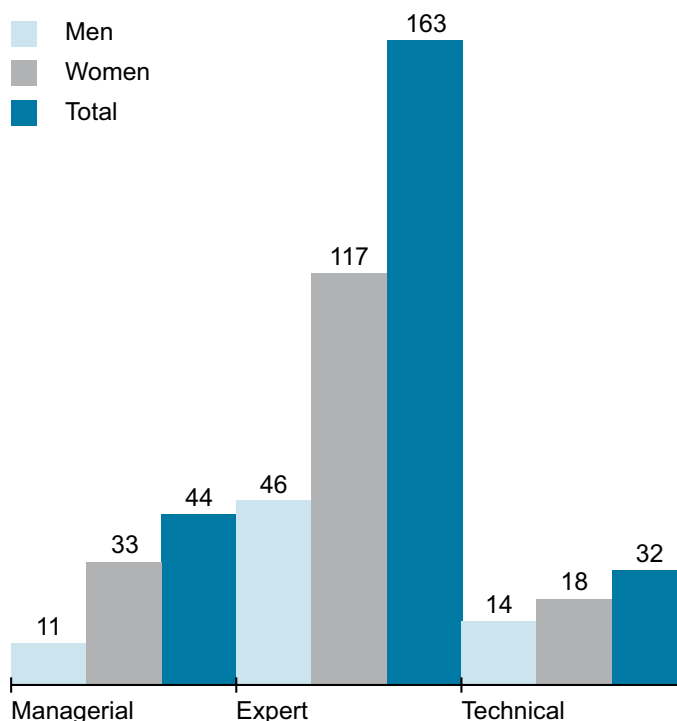
The total number of staff in leading positions at FSC is

### STRUCTURE OF THE STAFF BY AGE AND POSITION



44. Two thirds of them are within age group from 31 to 50 (73%), followed by managers at the age over 50 (23%) and the smallest percentage belongs to young managers up to 30 (4%). The age structure and the relative stability of the personnel is a precondition for succession and reproduction of organizational know-how and skills.

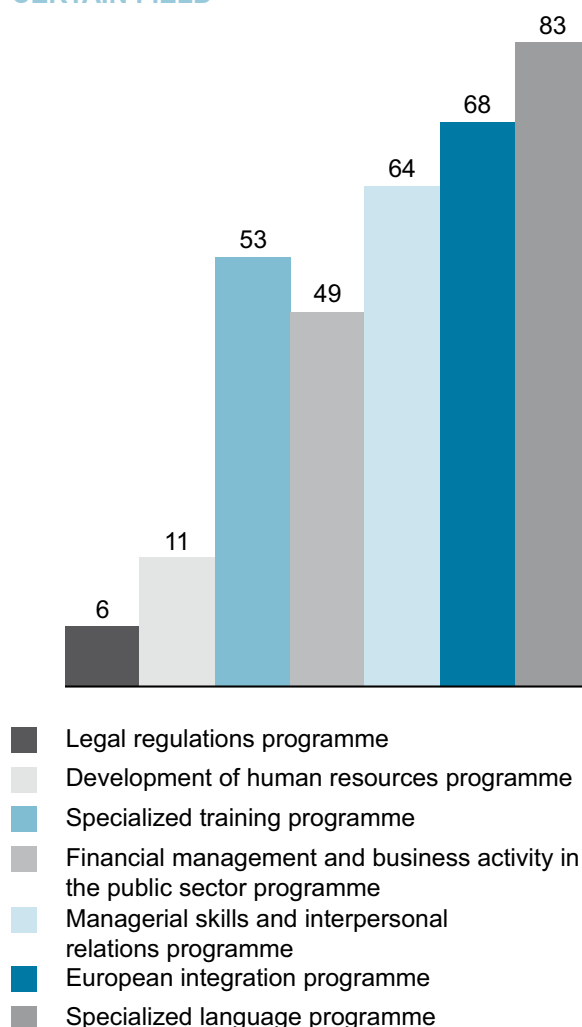
### STRUCTURE OF THE STAFF BY GENDER AND POSITION



### STAFF TRAINING AND ADVANCEMENT

In 2007, 63% of the estimated financial resources for specialized training of the employees were utilized. The Human

### NUMBER OF PERSONS UNDERGONE TRAINING IN A CERTAIN FIELD





Resources Directorate in close cooperation with the immediate responsible management of the organization performed activities, related to: research on educational needs; organization and delivering of the respective training programmes, efficiency assessment of the trainings delivered.

In **Appendix 5** information about the realized initiatives, aiming at higher vocational training of FSC personnel, is presented. In view of the educational process needs, FSC has developed beneficial partnership relations with a number of institutions, namely - the Institute of Internal Auditors - Bulgaria, the Bulgarian Industrial Association, the National Union of Jurisconsults, the Bulgarian Human Resource Management and Development Association (BHRMDA), the Bulgarian Actuarial Society, Publishing House „Trud & Pravo”, British Council, etc. The Commission is making use of the services of outstanding experts and of the capacities of different international projects and donor programmes. In 2007, almost all of the employees of the FSC took part in different forms of education and vocational training activities.

### ASSESSMENT OF THE PERSONNEL

The assessment of the staff performance at FSC is done according two systems of evaluation of the personnel working performance. One of these is annual attestation system, implemented in accordance with the Ordinance on State Administration Officials Attestation. The second one is a quarterly assessment, developed by FSC, of the working performance, aiming primarily at stimulation of the short term performance. A priority task in the next calendar year will be the setting up of an assessment system, focused on long term individual working performance, which will help guarantee that employees achievements are acknowledged, that they are appointed to specific positions and they receive remuneration, consistent with their contributions and abilities. The system must further the motivation of employees to improve their skills and must lay down the basis for a gradual transition towards management of the FSC activities based on achievements, which will assist in improvement of the fulfillment of the assigned tasks the human resources development. The aim is the result of the valuation to be applied in the process of formation of compensations and in the career plan, in order to help identify the best performing employees, to remunerate them accordingly and to appoint them to positions, allowing them to bring the most benefit for FSC.

**Providing Safe and Healthy Working Conditions** has always been one of the priority objectives of FSC's human resources management. The reduction of risk factors, endangering health and safety, as well as the decreasing of occupational and health risks made it possible to meet the stricter working environment requirements, thus reaching a better level of prevention for the employees. In 2007, in close cooperation with the Occupational Medicine Service was carried out a reassessment of the risk. Preventive medical examinations were performed and the individual health dossiers of all the employees were updated. An analysis of the conducted medical examinations was performed. An annual analysis of the health condition of employees was carried out, based on the results of the preventive exams and tests, performed on a regular basis, on indicators for temporary and permanent disability and their connection with the working conditions, on the occupational sick rate data and the labour traumatism.

**The strategy for human resources development** as a

part of the FSC's Development strategy is of key importance for the Commission's operation as a modern and efficient supervisory institution. The supervision quality is bound up with the qualities, the skills and the experience of the employees.

Human resources influence every single aspect in the organization - from the employees' growth to the optimal allocations of the leadership abilities. In order to attract and retain employees with the qualities required in long-term plan, FSC will continue to direct its efforts on the formation of climate and culture, that will ensure a stimulating working environment, including a focused training, possibility employees to face continuously new challenges, acknowledgement and stimulation for exceptional results at work.

## 6. INTERNATIONAL AND INTERNAL CO-OPERATION

### 6.1. European matters

After Bulgaria's accession to the European Union, the leading priority for FSC in 2007 was the active participation and collaboration with the European structures. In view of the association of the Bulgarian non-banking sector to the single European market the studying and implementation on the part of FSC of the European practices in the field of financial supervision, the active participation in the European financial structures and the exchange of useful information and experience with corresponding bodies in the EU Member States was of major importance for the Commission activity.

In 2001, at European level was launched the Lamfalussy Process, aiming at the introduction of an efficient mechanism for cohesion of financial supervision practices, as well as at allowing the law-making authorities of the EU in the field of financial services to have a prompt and flexible reaction to the dynamic changes in the area of financial markets. The Lamfalussy Process is a four-stage procedure of drawing up, implementation and enforcing the Community Law in the EU Member States. Since FSC is simultaneously a supervisory and a regulatory body, it participates actively in the activities of both II-nd level committees (regulatory function) and III-rd level committees (advisory function). The committees of II-nd level, where FSC participates as a member, are the European Securities Committee (ESC) and the European Insurance and Occupational Pensions Committee (EIOPS). FSC's participation and collaboration within the IIIrd level committees is also as active and efficient, with FSC taking part in the process of drawing up of common practices and standards and likewise in their subsequent implementation. At this level FSC is a full member of the Committee of European Securities Regulators (CESR) and the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS).

The Committee of European Securities Regulators is an independent committee of the national regulators and is established with Decision (2001/527/EC) of the European Commission. The principal role of CESR is to improve the coordination between the European national regulators in the field of securities. It serves as an advisory body of the EC, committed to the drawing up of draft measures, which are the basis of the directives in the field of securities. The activity of CESR also provides the consistent and timely implementation of the Community Law in the Member States. The decisions within CESR are not legally binding for its members. They are voted with consensus, and currently there is a discussion at the Committee regarding the introduction of vote with qualified majority in order to decrease the time span and to increase the efficiency in the decision-making process. More than 20 experts from FSC actively participate in the work of the 13 different task forces within the Committee.

The Committee of European Insurance and Occupational Pensions Supervisors is an advisory body at the EC and is established with its Decision (2004/6/EC) in November

2003. Members of the Committee are high level representatives of the national insurance and pension insurance supervisory institutions in the EU Member States. The Committee is accountable for its activity before the EC and the European Parliament and works in close collaboration with the other two third level committees (CESR and CEBS). In the work of the different task forces, supporting the activity of CEIOPS, participate 14 experts of FSC.

### 6.2. Membership in International Organizations and Relations with International Financial Institutions

The studying and the implementation of the international practices in the field of financial supervision is of particular importance for the activity of the Commission, in view of the changing environment and needs in the financial field and in view of the globalization of the financial market. That is why FSC seeks to participate in all international initiatives and projects, aiming at the establishment of optimal and, most of all, equivalent conditions for business and legal treatment of the non-banking financial services at a global scale.

As an integral part of the worldwide network of financial supervisors the Commission participates in multiple international organizations. It is an active member of the International Organization of Securities Commissions (IOSCO) and of the International Association of Insurance Supervisors (IAIS), as well as a member-founder of the International Organization of Pension Supervisors (IOPS). Since 2007, FSC is a member of the Institut Francophone de Régulation Financière.

In accordance with the declared in 2006 willingness to overcome the existing barriers for achieving full membership of FSC in IOSCO by improvement of the legal framework, in 2007 were introduced additional legal amendments. It is expected in 2008 the Commission to be enrolled in Annex A of the organization. The achievement of full membership will further the facilitation of the regime of exchange of information, often representing a professional secret, the termination of cross-border abuse through the capital market and the preservation of the financial system stability.

Since June 2007, the Financial Supervision Commission became a member of the Institut Francophone de Régulation Financière - five years after its establishment. The institute is a non-profit organization, whose mission is to establish and strengthen the collaboration between the regulatory bodies, participating in it. Its main goal is to organize professional training and to provide possibilities for exchange of opinions regarding the regulation of financial markets. The structure of the Institute is flexible, it has no headquarters, and the functions of the secretariat are being carried out by the Regulator of the Financial Markets in France.

As an institution, responsible for the technical aspects of the state policy in the field of non-banking financial sector, FSC is the Bulgarian partner of a number of international financial institutions. The Commission participates actively in the formulation of the Bulgarian position in the negotiations with the International Monetary Fund, the World Bank, and the agreements along the lines of the World Trade Organization.

The cooperation with these organizations is focused to a

large extent on the exchange of information and experience with them in relation to their function to supervise and analyze the development and the functioning of the capital, insurance and supplementary pension insurance markets. The information is exchanged by means of answering multiple specific inquiries, filling out standard forms and various thematic questionnaires, the contents and periods of publication of which have or have not been determined in advance.

Information of the said nature is required, respectively provided to organizations, such as EUROSTAT, the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), the World Bank (WB), the International Organization of Securities Commissions (IOSCO), the International Association of Insurance Supervisors (IAIS), the International Organization of Pension Supervisors (IOPS), the Committee of European Securities Regulators (CESR), the Committee of the Insurance and Occupational Pensions Supervisors (CEIOPS), etc.

In view of the annual preparation and collection of information for the periodical editions of the bulletin "Pension Markets in Focus", published by OECD, a questionnaire with summarized statistical information was drafted and presented. The materials elaborated are included in the bulletins of the OECD, as part of a comprehensive review of the world pension markets. The bulletins of the global pension statistics of OECD are available at the web site of the organization: <http://www.oecd.org/dataoecd/56/15/36131092.xls>.

### 6.3. Bilateral Cooperation

On October 5th, 2007, the Financial Supervision Commission of the Republic of Bulgaria and the Securities Commission of the Republic of Serbia, having regard to the growing international activity at the securities markets and the need for mutual cooperation between the respective supervisory authorities as an instrument for improving their efficiency, signed a bilateral Memorandum of Understanding. By this Memorandum FSC and the Securities Commission of the Republic of Serbia demonstrated their willingness to cooperate on the basis of mutual confidence and understanding in the exercising of supervision over cross-border companies of investment firms, registered in Republic of Bulgaria and in Republic of Serbia.

### 6.4. Development Projects, Implemented with Donor Funds

In 2007, a number of activities were conducted with the goal to increase the qualification of the employees of FSC, management of human resources and strengthening of the administrative capacity of the Commission. The activity of FSC in the field of grant funding of such events led to the drawing up and implementation of a number of donor financed projects that are still successfully managed and implemented. During the year FSC continued with the execution of projects, financed under European Union programmes in the field of securities, insurance and pension insurance. More detailed information is provided in Appendix 5. For the first time a Bulgarian institution participates in the implementation of twinning light project

not as a project beneficiary, but as a partner Member State.

#### ■ **Financial Sector Integrity Project, financed by the U.S. Agency for International Development (USAID).**

The Financial Sector Integrity Project, financed by the U.S. Agency for International Development, started in 2005, the beneficiaries being FSC, BNB and the Bank Deposits Guarantee Fund, was prolonged with 9 additional months and was successfully completed on 19th June 2007. The activities under the project for 2007 targeted at the communication strategy of the supervision, as well as at the measures taken against money laundering through the non-banking financial sector. These included a seminar entitled "Internal Communications" and final trainings entitled "Measures against Money Laundering and Funding of Terrorism" respectively for representatives of investment intermediaries and management companies, for insurance, reinsurance and pension insurance companies.

#### ■ **Twinning project under the European Union PHARE programme BG/2004/IB/FI/02: Strengthening the Administrative Capacity of the Financial Supervision Commission for Implementation of the European Law in the field of Securities, Pension Insurance and Insurance".**

The two-year project started on 9th November 2005 and was completed on 8th November 2007. The aim of the project was the setting up of a sustainable legal framework and more efficient supervision of the non-banking financial sector in line with the EU standards. The main accent in the project working plan was the performance of joint activities together with the relevant partner supervisory authorities of FSC in the EU Member States, aiming at the harmonization of Bulgarian legislation in the field of securities, the pension and insurance supervision, with the EU legislation and the supervision practices of other Member States.

In 2007, the activities carried out under the project for the FSC's employees, were directed predominantly to:

- training related to supervision of periodical information data, provided by issuers of securities and shareholders;
- training related to supervision of investment companies;
- training related to problems of clearing and settlement;
- methodology for calculation of the payments of compensatory investment schemes;
- training in corporate governance, as well as establishment of new mechanisms for imposition of requirements;
- training on the standards and principles of IOSCO and their implementation in the work of FSC during a working visit to Madrid, Spain;
- training on the problems of the investors education strategy and the organization of information campaigns about the capital market;
- training on inspections of insurance companies, insurance mediation, corporate governance of insurance companies, the insurance market guarantee fund, the good practices in the insurance supervision and the supervision over pension funds investments;
- training on financial instruments and investment strategies, techniques for assessment of pension schemes, review of the market effects of amendments

to the Social Insurance Code (SIC), education and information campaign related to pension funds, good practices in the insurance and social insurance field;

- preparation of action plan for strengthening of the international cooperation;

Bulgaria hosted for the first time the IXth Pan European Conference on Insurance Supervisors. The event took place on 7-8 June 2007 in Sofia under the auspices of the Financial Supervision Commission. Since its establishment in 1949 in Brussels until today this conference seems to have become the most significant international insurance forum in Europe. The Conference was carried out under PHARE BG/2004/IB/FI/02 Project with the support of the Organization for Economic Cooperation and Development (OECD) and the Standing Secretariat of the Conference with the Swiss Insurance Supervisory Service. Over 50 representatives of European insurance supervisors and international organizations from 26 countries participated in the forum. The topic of the conference was Effective Mechanisms for Consumer Protection. At the conference were present also many Bulgarian guests, representatives of industry organizations, representatives of the Ministry of the Economy and the Ministry of Finance, as well as the Ombudsman of the Republic of Bulgaria Mr. Ginyo Ganev.

The two-year project was successfully completed on 8th November 2007 with the acceptance of the final report, covering to the full extent the requirements for mandatory performance results to be achieved in accordance with the Twinning Contract. In the same time the project contributed to the creation of long-term partnership between FSC and the twinning partners of the Financial Supervision Commission in Poland and the Directorate General of Insurance and Pension Funds in Spain.

- **Project under the European Union PHARE programme Strengthening of the Financial Supervision Commission Administrative Capacity for the implementation of the European Law in the Field of Securities, Pension Insurance and Insurance PHARE 2005/017-353.02.01.**

The project is co-financed under the European Union PHARE programme and includes investment support and provision of equipment and software systems for data archiving, as well as a Groupware/Workflow system and a financial management system. The general objective of the project is the preparation of the non-banking financial sector for its accession to the single European market of financial services and the reinforcement of a strong and effective regulatory framework in accordance with the European standards. The project for delivery and integration of equipment is connected with the successfully completed Twinning project PHARE BG/2004/IB/FI/02: Strengthening of the Financial Supervision Commission Administrative Capacity for the Implementation of the European Law in the field of Securities, Pension Insurance and Insurance.

In 2007, the activities, carried out under the project, were mainly focused on:

- provision and commissioning of a Groupware/Workflow system, as well as a financial management system;
- setting up of IT system for data archiving, as well as a system for analysis and control of financial data and

risk assessment;

- training of FSC employees in the operation of the new systems.

The project is expected to be successfully completed on 30th November 2008.

- **Twinning light project BA06 IBOT 07TL Support to the Insurance Agency of Bosnia and Herzegovina, financed under the CARDS 2006 programme of the European Union.**

This is the first time a Bulgarian institution participates in the implementation of a twinning light project not as a project beneficiary, but as a Member State and a partner. The main objectives of the project are to stimulate the development of a single insurance market in Bosnia and Herzegovina, to ensure an effective and transparent supervision of the insurance activity, monitoring, coordination and arbitration, as well as a transparent exchange of information and reports.

More specifically, the Twinning light project BA06 IB OT 07 TL will provide assistance to the Agency in Bosnia and Herzegovina (IABH) in the following fields:

- preparation of regulations/guidelines for the statistical services of the IABH;
- review of the supervision provisions, requirements, regulations, legislation and procedures of the Bosnia and Herzegovina Federation and the Republic of Serbia, as well as presentation of recommendations for their harmonization with the European legislation;
- development of model forms of reports and guidelines for the IABH, in order to facilitate the responsibilities for reporting to the European Commission and other international bodies;
- drawing up of a training plan for the personnel of IABH on the basis of the tasks of the agency and conducting of the selected training. The plan will include joint trainings for the supervisory authorities in Bosnia and Herzegovina in the fields of supervision and licensing by providing the application of a single approach to the supervision and licensing in IABH. A regional conference of the insurance agencies will be organized in order to promote strong communication channels and to give a regional and international perspective to the IABH;
- together with IABH and the Delegation of the European Commission in Bosnia and Herzegovina the reference requirements for follow-up in the framework of IPA 2007 will be drafted.

After the approval of the draft proposal FSC was selected to be a Member State partner on behalf of the beneficiary (IABH). On 20th December 2007 the twinning contract, containing the agreed work plan, was signed. The duration of the project is 6 months and it is expected to be completed in September 2008. The performance of the activities under the project includes multiple visits of experts from the Insurance Supervision Division of FSC in order to analyze the legislation of IABH and to train its employees, as well as to organize a regional conference on the problems of insurance supervision.

- **Twinning project BG2007/017-353.02.01 Further Strengthening of the Financial Supervision Commission Administrative Capacity for Effective Implementation of the European Law, co-financed under the preceding financial instrument of the**



## European Union.

The twinning project is focused on the institutional strengthening and will last for 12 months. The main objectives of the project include the achievement of a fully functional sector of the financial services, as well as the strengthening of measures for prevention of financial services abuse for the purpose of money laundering. The project is focused on the additional harmonization of the practices of FSC for regulation and supervision with the European practices and it covers the activity of the three divisions - investment, insurance and social insurance supervision. The activities foreseen under the project concern the training of employees of the FSC in the field of integration of the securities markets, the implementation of the European legislation, as well as the challenges of the Lamfalussy Process.

There are some activities planned with regard to the insurance and social insurance supervision, which will increase the expert capacity of FSC in the context of the amendments to the legislation at European level (in particular the development of Solvency II).

Following the selection of a twinning partner, the project is expected to start in the middle of 2008

## 6.5. Cooperation with Local Institutions

For the purpose of increasing the efficiency of the control over and regulation of the financial system in Bulgaria, since its establishment and up to the present the FSC maintains and strengthens its cooperation and active relations with many state authorities and national organizations. This ongoing collaboration involves the carrying out of joint inspections, consultations and provision of expert assistance on specific cases, exchange of available information relevant to the exercised supervision, establishment of inter-agency work groups, discussion and coordination of draft amendments in the legal framework governing the activity of the participants in the financial market, carrying out of joint seminars, etc.

In 2007 the amendments and supplements to the legislation were coordinated with representative organizations of the sectors, the activities of which they concern – Bulgarian Association of the Licensed Investment Intermediaries (BALII), Bulgarian Association of Asset Management Companies (BAAMC), Bulgarian Stock Exchange – Sofia AD, Bulgarian Investor Relation Society (BIRS), Association of Bulgarian Investor Relations Directors (ABIRD), Association of Bulgarian Insurers (ABI), Association of the Licensed Voluntary Health Insurance Companies (ALVHIC), Bulgarian Association of Supplementary Pension Insurance Companies (BASPIC), etc.

With the above mentioned institutions is being carried out a permanent exchange of information for the purpose of improving the content and accuracy of the information periodically disclosed by supervised entities, increasing the transparency and stability of the financial market as a whole and, consequently, increasing of the trust in the sector.

When exercising the powers for the issue of licenses and other regimes of prudential supervision over the insurance sector, the FSC exchanges information with the Financial Intelligence Agency (FIA).

For the purpose of the supervision exercised by the FSC,

information is also being exchanged with the Central Depository AD, Privatization Agency, BNB, FIA, MI and courts. The collaboration with the Ministry of Interior is especially active in the field of the mandatory Third Party Liability insurance of drivers. The Bulgarian National Bank on its part provides the FSC with information about the assets and investments of the supplementary pension insurance funds. Provision of information and referral to the public prosecution has been carried out in relation to complaints submitted to the FSC and performed investigations.

Since 2003 the Financial Supervision Commission has a memorandum signed with the Bulgarian National Bank. The purpose of this agreement is to perfect the coordination between the FSC and BNB on issues of mutual interest in the field of the supervision over the participants in the financial markets, namely, the performance of their supervisory functions, perfection of the practice of strict application of the legislation, assistance for the improvement of the legal framework regulating the activity of the supervised entities, etc.

In the same year the FSC signed a memorandum with the Financial Intelligence Agency to the Ministry of Finance. The memorandum and the instruction to it provide that the parties to the agreement shall cooperate in the gathering, storage, inspection and disclosure of information which is available to them regarding financial transactions which are suspected to be connected with money laundering or financing of terrorism.

In 2003 an agreement for cooperation and exchange of information was also signed with the Commission for Protection of Competition. The goals of the agreement are to facilitate the interaction between the parties according their field of activity through exchange of information, establishment of inter-agency work groups, joint organization of seminars, work meetings and other events.

In addition, with view of improving the stability of the financial system and adequate strategic planning of the financial markets development, the FSC continued its active participation in the Financial Stability Advisory Board established in 2003 and represented by the heads of the Financial Supervision Commission, Bulgarian National Bank and Ministry of Finance.

Considering the necessity for coordination of the activities of FSC and the Ministry of Interior on issues of mutual interest related to financial supervision and counteraction to organized crime in the field of economic and financial system, the two institutions have signed an agreement for cooperation and interaction. This agreement facilitates the exchange of information and the processes which require the carrying out of joint activity.

A very important aspect of the agreements concluded by the FSC is the possibility envisaged for conducting joint inspections by work groups of experts who represent the various organizations.

For the purpose of EUROSTAT, the FSC periodically provides and exchanges with the National Statistical Institute a specific set of statistical data related to the development of the non-banking financial sector in Bulgaria (for example about the value of the assets, investments and persons insured in the supplementary pension insurance funds). Upon request by the interested institutions, the Commission provides a wide range of statistical and analytical information.

There is also a continuous cooperation and exchange of

information with the Ministry of Labour and Social Policy with regard to the amendments to the legislation, participation in work groups for the social security system in EU Member States, provision of data about the assets and the insured persons in the supplementary pension insurance funds as well as development of national strategic reports.

## 7. DEVELOPMENT OF INFORMATION TECHNOLOGIES FOR THE PURPOSES OF SUPERVISION

Following the Strategy for Development of Information technologies, the FSC continued to develop and integrate its software systems in 2007.

The information technologies in the Commission help to increase the work efficiency of the institution. The work is directed to coordination of the activities among the individual directorates and divisions within the FSC, automation of the routine activity performed by the FSC experts, the filing and processing of information required for supervision.

In 2007 the tender procedure for the selection of contractor under the PHARE program was successfully carried out and the contract's fulfillment started. The systems which are planned to be built up are divided in three parts:

- conversion of the entire document turnover in electronic format and building of system for group work environment organization;
- building of Datawarehouse on the basis of all data bases existing in the FSC;
- building of managerial information system.

The EXTRI information gateway officially started on 19 January 2007. It was jointly created by the FSC, BNB and CD in order to meet the requirement of Art. 42 of Ordinance No 2 on the prospectuses in case of public offering of securities and their admitting to trading on a regulated market and on disclosure of information by public companies and other issuers of securities as well as of the European requirements for the disclosure of financial information in one point of the capital market.

By putting EXTRI into operation, the necessity for submission of paper copies of documents to the three institutions has dropped off since the EXTRI signed with the universal electronic signature within the meaning of the Electronic Document and Electronic Signature Act, have the validity of the filed until that time and personally signed documents.

The reasons which led to the idea for the creation and implementation of the information gateway are the following:

- increase in the trade activity;
- provision of faster access to the securities market by using the latest developments in the field of the information technologies;
- the endeavor of the Commission to terminate the attempts for financial abuses through insider trading by its timely detection.

The information which can be disclosed via EXTRI is two types - periodical and ad-hoc. The system has been unified to the greatest possible extent. The electronic forms are transferred and stored in XML format which facilitates processing and the unification of the interface of other systems to it. The database is ORACLE.

In the past year the insurance agents register was successfully developed. In the FSC insurance agents database there are data about:

- 55 584 natural persons;
- 3 122 legal persons;
- 3 156 sole proprietors.

The FSC web site is frequently visited by a wide range of visitors - supervised entities, media and the general

public. In line with the world tendencies in the information technologies and guided by the wish to provide electronic services of higher quality, the Commission is undergoing a process of updating its web site. The site will have a new appearance, improved functionality and will offer more information and statistics on the activity of FSC and the non-banking financial sector.

In compliance with the requirements of the Insurance Code and in relation to the mandatory Third Party Liability, FSC developed **fsc\_go** - an electronic gateway for reporting of the placed policies and provision of an up-to-date information to the public about them. The information received via electronic means is processed and analyzed by respective software application.

On the grounds of analysis of the information technology development in the supervised entities and the government-led policy of widening the use of electronic documents, there is an expectation that the share of the electronic documents incoming to the FSC will increase significantly compared to the volume of the paper copies. The Commission aims to establish single platform for electronic processing of the exchange, storage of the data flow. For this purpose:

- there have been developed and implemented general information technologies - rules for collection, processing and provision of data to the supervised entities and enquiries/complaints;
- there have been adopted information technologies – standards and procedures for electronic document flow (internal and external) when accepting, processing, storing and issuing such documents (Standards Procedures Templates);
- there have been built data warehouses;
- control is being exercised over the accuracy and form of the data and the authenticity of the sender is being established by using software applications ;
- the electronic document and electronic signature has been officially introduced.

The software applications control the work flow, document status, the dispatch of warning messages by the FSC and the archiving of data (Groupware/Workflow).

The accession of the Republic of Bulgaria to the EU has set up many professional challenges. One of them is the active participation of our country, the Commission respectively, in the activity of the respective European regulatory authority. In compliance with the requirements of the Directive on Markets in Financial Instruments (MiFID) laid down in the new Markets in Financial Instruments Act, the FSC built its own regional system for supervision in the field of the capital markets on the basis of the transactions concluded on any of the European capital markets and in the end of 2007 it successfully put into operation the TREM system TREM (Transaction Reporting Exchange Mechanism).

## 8. FSC BUDGET EXECUTION REPORT FOR 2007

Pursuant to the FSC Act, the Commission is a legal person supported through the budget with its own budget<sup>37</sup> which is a part of the state budget of the Republic of Bulgaria<sup>38</sup>. The FSC budget is formed from its own revenues and subsidy from the central budget.

In 2007 the accumulated own revenues amounted to BGN 4 075 080, which exceeded the planned annual revenues by 52,80 %. The biggest relative share in the structure of own revenue (85,48 %) is held by the state fees which are levied in accordance with the Tariff of Fees collected by the FSC under Art. 27 of the FSCA. They amounted to BGN 3 483 242. Another source of own revenues were the proceeds from fines, penalty interest and indemnifications. For the reporting period the proceeds from these on the Commission's account amounted to BGN 580 134, which formed 14,24 % of the own revenue. The remaining revenues (0,28 %) in 2007 were from sales of the FSC periodical issue Bulletin, sales of competition and tender documentation for the carrying out of procedures under the Public Procurement Act and renting of an institution's suit. Their total amount was BGN 11 704.

In order to cover the expense section of the budget, throughout the year the Commission used its own revenues which accounted for 41,88 % and 58,12 % subsidy from the central budget. The Commission made expenses to the amount of BGN 9 729 246. From these, the biggest share (55,71 %) belonged to the expenses on salaries, incentive bonuses, other remunerations and payments to the staff and social security contributions which totaled BGN 5 420 589. For ongoing maintenance throughout the year were spent BGN 2 166 558, or 22,27 % of the total expenses. From these, BGN 1 898 644 were administrative expenses associated with the maintenance of the normal operation of the institution and BGN 267 914 were the expenses for annual membership fees in international organizations of financial supervision authorities. The expenses accrued for the acquisition of fixed tangible assets and intangible assets amounting to BGN 142 099 accounted for 1,46 % of all expenses. Their main purpose was to support the administrative activity and improvement of the equipment of the Commission. From these, BGN 66 571 were expenses for computer and hardware equipment and air-conditioning systems. For the provision of information technologies for the activity of the FSC the expenses for software products amounted to BGN 75 528, such as: FSC Public Register; anti-virus software, etc.

In 2007 with a view of the main functions of the FSC associated with the regulation and supervision of the insurance and reinsurance activity, in compliance with the provision of § 146, para 2 from the Transitional and Final Provisions of the Insurance Code, the Commission accrued expense amounting to BGN 2 000 000 pursuant to the instructions given by the Ministry of Finance.

<sup>37</sup> Article 2, para 3 of the FSCA

<sup>38</sup> Article 28 of the FSCA



## 9. FSC INTERNAL AUDIT ACTIVITY REPORT FOR 2007

The activity on the internal audit in the Financial Supervision Commission is carried out by the Internal Audit Unit (IAU) comprising two internal auditors, including the head of the internal audit.

The audit activity in 2007 was carried out pursuant to the Internal Audit in the Public Sector Act, Standards for Internal Audit in the public sector, Code of Ethics of internal auditors, IAU status in the FSC and the methodology issued by the Minister of Finance. In order for the leadership to ascertain that the internal audit performs its functions effectively and efficiently and in compliance with the acting legislation, there was developed and implemented a Program for assurance and improvement of the audit activity quality in the FSC.

The major functions of the unit are related to the performance of the activity on the internal audit of all structures, activities and processes in the FSC.

Through the audit engagements completed in 2007, the internal audit helped to achieve the strategic goal set to the Commission for continuous optimization of the processes and procedures in the FSC.

The 2007 IAU annual plan for audit engagements was updated with view of the changes in the unit personnel and on the grounds of the performed risk assessment. In compliance of the approved by the Chairman IAU Annual Plan, in 2007 were completed audit assignments in order to assess the adequacy and efficiency of:

- the financial management and control systems in the FSC;
- the procedures for issuance, review and adoption of new normative acts in the Commission;
- the procedures for collection of revenues from fees under Art. 37 of the FSCA.

The reports for the completed audits were presented to the Chairperson of the FSC. The audit reports include findings and conclusions of the internal auditors for the condition of the audited activities and their independent and objective opinion about the efficiency of the control mechanisms guaranteeing the observance of the principles of lawfulness, good financial management and transparency. In order to improve the audited processes and activities, the internal audit provided reasonable and feasible recommendations. The head of the IAU assists the leadership in the introduction of a mechanism for improvement of the action plans for implementation of the recommendations from the audit reports by setting specific deadlines and persons in charge.

In 2007 a new methodological approach was implemented for the long-term planning of the internal audit activity. The internal audit unit in the FSC set the following strategic goals for the period 2008-2010:

- to assist the leadership in the implementation of the risk management process by identifying and assessing the risks in the FSC during the strategic and annual planning of the internal audit activity and in the completion of specific engagements for providing assurance;
- to improve the Commission's activity through provision of objective evaluation and recommendations to increase efficiency of the internal control;
- to strengthen the administrative capacity of the IAU

through improvement of the professional knowledge and skills and maintenance of optimal number of internal auditors engaged in audits.

During the performed strategic and annual planning of the audit activity, the internal auditors gained good understanding of the goals, activities and controls implemented in the FSC. They formed a clear view of the connections among the various structural units and defined the main processes and sub-processes which take place in the Commission. On the grounds of the gained understanding of the activity and the processes identified as crucial for the achievement of the strategic goals of the FSC, the fields of auditing were identified. IAU performed risk assessment which did not find any activity which can be assessed as a high risk one for the achievement of the Commission's goals.

Following a discussion with the FSC managerial staff. IAU strategic activity plan for the period 2008-2010 and 2008 Annual audit engagements plan for the unit were developed which were approved by the Chairman of the Commission. In 2007 the internal auditors took part in a number of trainings, seminars and conferences for the purpose of continuous professional development. All auditors from the IAU sat the exam for the obtainment of Certificate for Internal Auditor in the Public Sector issued by the Ministry of Finance.

The head of the internal audit prepared a plan for professional training and development of the internal auditors for 2008 with a view to maintaining an auditing team with sufficient knowledge, skills, experience and professional qualifications.



## 10. REPORT OF THE INSPECTORATE

The Inspectorate is a specialized unit to the Financial Supervision Commission set up in compliance with Protocol No 36 of 19 July 2006 with which was adopted the new Article 43a of the Rules of the Structure and Operation of the Financial Supervision Commission. The main function of the Inspectorate is to exercise internal control over the activities of the employees of the Commission's Administration performed in relation to the carrying out of their professional duties. The employees of the Inspectorate are directly subordinated to the Chairman of the Commission, they act in compliance with his orders and propose measures which to remedy the established violations and to improve the work of the FSC Administration employees. Pursuant to the Appendix to the Rules of the Structure and Operation of the Financial Supervision Commission the number of the persons employed at Inspectorate is set to three.

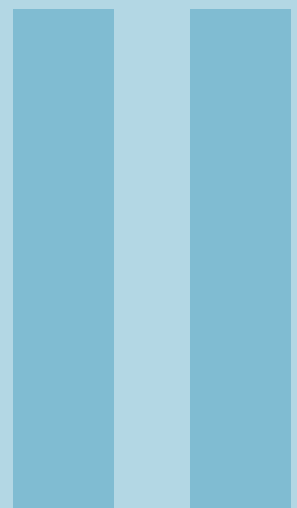
In the period from January 1<sup>st</sup> 2007 to December 31<sup>st</sup> 2007 the employees from the Inspectorate to the Financial Supervision Commission, in compliance with the provisions of the Rules of the Structure and Operation of the Financial Supervision Commission, Inspectorate Rules of Procedure and in fulfillment of orders of the Chairman of the Commission, have performed inspections of the activity of the FSC Administration employees as follows:

- inspection based on complaints against investment intermediaries submitted in the Commission in 2006;
- inspection based on complaints against licensed insurance companies submitted in the Commission in 2006;
- inspection with regard to insurance activity licences issued by the Commission in 2006;
- inspection with regard to investment activity licences issued by the Commission in 2006;
- inspection based on complaints against licensed pension insurance companies submitted in the Commission in 2006;
- inspection in connection with trading of securities on BSE – Sofia AD by FSC employee;
- inspection with regard to licences for the carrying out of supplementary pension insurance activity issued by the Commission in 2006;
- inspection with regard to the personal property declarations and ownership of securities declarations and presence of interest declarations filed by the FSC employees;
- procedure for risk assessment with regard to the activities carried out by the FSC Administration;
- performance of tasks related to the Law Against Market Abuse with Financial Instruments.





# **Development Strategy Part II**





## 11. FSC DEVELOPMENT STRATEGY

The elaborated Strategy for FSC Development, adopted by Protocol No 32, dated July 3rd 2007 at a FSC session aims at specifying the main objectives and the relevant approaches for their achievement to which the Commission shall adhere in exercising its powers related to the regulation and supervision of the non-banking financial sector.

The subject of the strategy is outlining of the basic trends for implementation of effective regulatory and supervisory activity in a medium-term plan.

It seeks to unify the supervisory activities within the framework of an orderly and consistent policy and to lay down the priorities and principles in the three basic directions of the FSC activity.

In the Strategy development were taken into account the achieved results and the experience gained during the supervision of securities, regulated markets, insurance, voluntary health and supplementary pension insurance and the existing international standards on their regulation and supervision.

### MISSION

The FSC's mission is the carrying out of efficient regulation and supervision of the activities of:

- the regulated securities markets, Central Depository, investment intermediaries, investment and management companies, natural persons performing directly transactions in securities and investment advice, the public companies and the other issuers of securities;
- the insurers, insurance intermediaries and health insurance companies;
- the supplementary social security companies and the funds managed by them for the purpose of protecting the interests of the consumers of non-banking financial services and ensuring stability, transparency and confidence in the financial markets.

### VISION

Continuous development of FSC as a modern supervision authority and strengthening of its position, being a guarantee for confidence increase towards the non-banking financial sector through the pursuance of regulatory and supervisory policy in keeping with the best practices and world standards in this field utilizing fully the advantages of the unified supervision. FSC's transformation into an organization carrying out supervisory activities on a consolidated basis through the application of integrated practices and procedures.

### ENVIRONMENT

The Financial Supervision Commission, as a part of the complex system comprising the state bodies of the Republic of Bulgaria, the regulation and supervisory authorities in the single European Economic Area, the Bulgarian market of non-banking financial products and services, the single European market and the market participants, in the carrying out of its activity takes into consideration the influence of all participants in the system and makes an environmental impact assessment and economic pol-

icy impact assessment, including of the European Union general economic policy.

The Bulgarian non-banking financial sector is small, but as such, it has the advantage of being more flexible. Currently, the market features stability, dynamic development and the appearance of new products and participants. The trends in the overall European market shall prevail in its future development and significant increase of the market share of services and products offered by the non-banking financial sector is expected.

### BASIC PRINCIPLES

- Adherence to a balanced regulation and supervision approach, accounting for the benefits and incidental costs related to the regulations' implementation;
- Uniform approach in the exercising of the supervisory functions, objectivity and impartiality in supervision;
- Standardization of supervision procedures for monitoring and assessment of similar risks in the regulated sectors;
- Transparency of the activities.

### STRATEGIC OBJECTIVES

- Exercising of competent supervision, open to constructive interaction with all interested parties;
- Maintenance of environment stimulating the activity of competitive participants on the financial markets and assistance for the development of self-regulation of such participants;
- Risk-based regulation and supervision;
- Further development of FSC as a modern institution in the field of regulatory regimes;
- Maintenance of active international positions aiming at quick and effective introduction and application of the European and international standards, participation in the elaboration and modification of European regulations and standards and increase of FSC's international prestige;
- Increase of the public confidence in the use of financial products and services through raising the general awareness for them and, in particular its awareness for the financial products and services;
- Implementation of effective and purposeful policy on the use and development of human resources;
- Continuous optimization of the structure, processes, procedures and the development of the used information technologies.

### PRIORITY TASKS FOR THE ACHIEVEMENT OF THE STRATEGIC OBJECTIVES

#### ■ Exercising of competent supervision, open to constructive interaction with all stakeholders

- Exercising supervision for compliance with the legal regulations and application of supervisory measures, based on the good international practices and rules of governance;
- Maintenance of constructive relationships with supervised entities;
- Monitoring of supervised entities' market behavior, including with a view to the observance of their internal acts, rules and procedures;
- Establishment and application of transparent rules and standards, which must be observed by all market participants.

■ **Maintenance of environment stimulating the activity of competitive participants on the financial markets and assistance for the development of self-regulation of such participants**

- Ensuring local business competitiveness on the overall European market through the establishment of requirements to the supervised entities, comparable to the local requirements in the other European countries;
- Ensuring fair and equal treatment of all market participants on the market of non-banking financial services, including of the consumers of services provided by this sector;
- Performance of preliminary assessment of the regulatory effects and establishment of regulatory requirements, resulting in the reduction of the business administrative burden;
- Adherence to a balanced regulation approach, giving an account of the benefits and costs related to the regulations.

■ **Risk-based regulation and supervision**

- Gaining better knowledge of the different risks related to the general strategic objectives within the competence of FSC and the supervised entities, as well as transfer of supervision intensity towards greater risks;
- Development of integrated regulatory framework for the implementation of risk-based supervision by FSC;
- Development of a system assessing the risk for each supervised entity, assessment and monitoring of the entities according the risk they pose for the market for the purpose of assessment update;
- Application of a risk-oriented approach for supervising the activity of the supervised entities.

■ **Further development of FSC as a modern institution in the field of regulatory regimes**

- Maintenance of regulatory environment aiming at stimulation and support of the non-banking financial sector development, according to the trends in EU;
- Ensuring maximum protection for all participants on the market of products and services provided by the non-banking financial sector;
- Legal framework optimization based on analyzing and forecasting processes and trends in the development of the economy and the markets;
- Amendment to the national legislation in due time for the purpose of implementing the European Directives which are in the process of further elaboration and amendment;
- Active interaction with the local administrative bodies related to the supervisory activity on the financial markets through improvement of the information sharing and the coordination of joint activities;
- Effective and timely cooperation and information sharing between the regulatory authorities of the EU Member States.

■ **Maintenance of active international positions aiming at quick and effective introduction and application of the European and international standards, participation in the development of the European regulations and standards and increase of FSC international prestige**

- Active interaction with the institutions of the European Union;
- Participation in the sessions of ESC, EIOPS, CESR and CEIOPS, as well as in the forums of IOSCO, IAIS

and IOPS;

- Maintenance of close cooperation with the local regulatory bodies of other Member States;

- Gaining a leading position in the Group for supervision and regulation of capital market aiming at future participation of FSC as a consultant on projects accomplished in favour of other group members;

- Maintenance of close cooperation with the local regulatory authorities of the neighboring countries and third countries with which Bulgaria carries out increased exchange of financial services, including the arrangement of agreements for cooperation and information sharing with such authorities.

■ **Increase of the public confidence in the use of financial products and services through raising the general awareness for them and, in particular, its awareness for the financial products and services**

- Provision of clear and accessible information to the consumers of financial products and services, provided by the non-banking financial sector;
- Facilitating the access to information for the non-banking financial market and market participants.

■ **Implementation of effective and purposeful policy on the use and development of human resources**

- Transformation of human resources management in a continuous and purposeful process for selection of the most appropriate personnel, its training, motivation and development for the purpose of effective fulfillment of the organizational objectives with rational use of the public means, proceeding from the assumption that the personnel is a key factor for the competitive priority of any organization;
- Effective management of human resources through improvement of performance quality, operative perfection and competence with a focus on the citizens and business servicing;
- Effective management of human resources through development of managers having high moral standards, virtues and behavioral models, who realize the significant effect from management improvement and work for the perfection of the human resources management system for the purpose of achieving better results. Development of leaders capable of achieving interconnection between the set strategic objectives and human resources management.

■ **Continuous optimization of structure, processes, procedures and the development of the used information technologies**

- Renovation of FSC's technical equipment – in accordance with the tendencies in the IT technologies, in the connection with other information systems, to the highest extent conformable to the legal requirements towards FSC;
- Creation and maintenance of databases for the incoming financial information, which is to increase the supervision and analysis effectiveness as regards the monitored markets;
- Information system setting for processing of electronically signed documents;
- Unification, standardization and centralization of the kept registers;
- Improvement of the process of the off-site supervision automation;
- Development of procedures for solving issues and

problems concerning more than one division through the creation of specialized intersectoral departments, expert groups that solve the issues and problems through close cooperation between the directorates of the three divisions;

- Establishment of strategic control as an instrument for real achievement of strategic objectives;
- Carrying out of scheduled periodical strategic planning (on an annual basis) as a part of the managerial process.

The strategic objectives set by FSC outline the main trends for introduction of effective regulatory and supervisory activities. The role of the strategic objectives is these supervisory activities to be unified within the framework of an orderly and consistent policy.

FSC yearly develops and adopts an action plan, which is to determine the relevant tasks and instruments for the practical introduction of the strategic objectives. It also deals with the issues for the resources and organization necessary for the achievement of the strategic objectives.

The Commission considers that the balanced approach in the development and introduction of strategies shall ensure, on one hand, the proper functioning of the Bulgarian non-banking financial sector, its competitiveness and stability and, on the other hand, it shall contribute to the development of the Financial Supervision Commission as a modern supervisory authority in the field of regulatory regimes. In this regard, both the strategy and the action plan take into consideration the external impact (the market and market participants) and the internal impact (the current optimization of FSC's structure and human resources management).

## 12. STRATEGY FOR DEVELOPMENT OF THE REGULATORY FRAMEWORK

### 12.1. In the Field of Investment Activity

#### ACTS:

**1. Act Amending and Supplementing the Act on Special Purpose Vehicles (ASPV)** – The provided amendments and supplements to the ASPV are conditioned by the changes in the market situation that have occurred during the last years, by the gained practice and collected information related to the implementation of the Act from the moment of its enactment to the present moment and by the necessity of conformity with the best practices and world standards in this field.

**2. Act Amending and Supplementing the Public Offering of Securities Act** – The amendment and supplement is required with a view to the introduction of changes in the public company regime and the transposition of the provisions of Council Directive 2007/36/EC of 11 July 2007 on the exercise of certain rights of shareholders in companies admitted to a regulated market.

**3. Collective Investment Undertakings Act** – The draft law provides for the establishment of an elaborate and detailed regulation for the collective investment schemes and management companies regime.

**4. Clearing and Settlement Act** – The preparation and adoption of the Clearing and Settlement Act is connected with the provided amendments to POSA and the project of the European Central Bank in the field of securities clearing and settlement TARGET2-Securities (T2S), for the purpose of overcoming the cross-border clearing and settlement and for the purpose of maximum reduction of the costs for maintenance of national market infrastructure for securities settlement in Euro with the use of unified IT - platform for all participants in the system.

#### ORDINANCES:

**1. Ordinance amending and supplementing Ordinance No 16 of 7 July 2004 on the conditions and rules for execution of margin purchases and short sales and securities borrowing.** The provided amendments and supplements are consistent with the proposals received in the FSC (letter incoming No P -03-30/28) of 18 October 2007 by investment intermediary ELANA TRADING AD, filed on record in company case 18307 by the 1991 inventory of the Sofia City Court, with seat and registered office at 4 Kuzman Shapkarev Str., Sredets district, city of Sofia, as well as with the enactment of the Markets in Financial Instruments Act.

**2. Ordinance amending and supplementing Ordinance No 25 of 22 March 2006 on requirements to investment companies and contractual funds.**

The adoption and amendments to the Ordinance are required with a view to the full transposition of Commission Directive 2007/16/EC implementing Council Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities as regards the clarification of certain definitions.

**3. Ordinance on the requirements for securities traded on the official market, as well as on the rules and**

**procedure of their admission.** The adoption is required with a view to the complete introduction of Directive 2001/34/EC on the admission of securities to official stock exchange listing and on information to be published on those securities.

**4. Ordinance amending and supplementing Ordinance No 22 of 29 July 2005 on the conditions and procedure for entry and deletion of public companies and other issuers of securities in the register of the Financial Supervision Commission.**

The adoption of the specified Ordinance amending and supplementing Ordinance No 22 is required with a view to reflecting the amendments and supplements to the POSA, made by virtue of the transitional and final provisions of the MFIA, and in particular the cancellation of Article 101 POSA, the amendments to the provision of Article 79 POSA, the supplement to Article 119 POSA with regard to the deletion of a public company and other.

Legal grounds for the adoption are contained in Article 79a, para 2, Article 100z, para 4, Article 110, para 8 POSA.

**5. Ordinance on the requirements to and content of the price of the shares of a public company, including to the application of valuation methods in the cases of transformation, contract for common enterprise and tender offer.**

The adoption of the above mentioned Ordinance is required considering the fact that the currently effective Ordinance was adopted by the Council of Ministers in February 2003 and the market development during the last 4 years necessitates its provisions updating with a view to the changes that have occurred and the practice gained in relation to its implementation. Considering the fact that the currently effective Ordinance was adopted by the Council of Ministers with a view to updating the regulations in this field, the adoption of a completely new ordinance is required by FSC. Legal grounds for the adoption are contained in Article 123, para 2, Article 126c, para 1, Article 150, para 6 POSA.

**6. Ordinance on the documents to be enclosed to the application for issue of approval of public company transformation.** The adoption of the Ordinance is required considering the fact that currently there is no effective sublegislative normative act providing for the documents to be submitted for the issuance of an approval for public company transformation. Such detailed sublegislative regulation is required with a view to the supervisory powers exercised on the part of the FSC's Deputy Chairperson in charge of the Investment Supervision Division, considering the fact that the greatest part of the regulations concerning transformation is contained in the Commerce Act to which the POSA only makes reference, the latter act being quite general and taking no account of the public statute specificity.

Legal grounds for the adoption are contained in Article 124, para 2, cl. 8 POSA.

**7. Ordinance amending and supplementing Ordinance No 35 on the capital adequacy and liquidity of investment intermediaries.** The adoption of the Ordinance is required with a view to elimination of the differences in transposition and implementation of Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions and Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on



the capital adequacy of investment firms and credit institutions. Legal grounds for the adoption are contained in Article 8, paras 7 and 8 of the Markets in Financial Instruments Act.

**8. Ordinance amending and supplementing Ordinance No 15 of 5 May 2004 on keeping and storing registers by the Financial Supervision Commission and the circumstances to be entered.** The amendments in the ordinance arise from the alignment of the sublegislative normative act with the amendments to the legal basis, namely the Public Offering of Securities Act. Legal grounds are contained in Article 30, para 2 FSCA.

**9. Ordinance amending and supplementing Ordinance No 23 of 8 February 2006 on the terms and procedure of client asset valuation.** The Ordinance was adopted for the purpose of reflecting the amendments and supplements to the POSA, as well as in relation to the adoption of the revised MFIA. Legal grounds for the adoption are contained in Article 77h, para 1, item 7 of the Public Offering of Securities Act.

#### **DIRECTIVES, SUBJECT TO TRANSPOSITION:**

**1. Directive 2001/34/EC** of the European Parliament and of the Council of 28 May 2001 on the admission of securities to official stock exchange listing and on information to be published on those securities;

**2. Directive 2007/36/EC** of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies;

**3. Commission Directive 2007/16/EC** of 19 March 2007 implementing Council Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards the clarification of certain definitions.

#### **12.2. In the Field of Insurance and Voluntary Health Insurance**

**1. Ordinance amending and supplementing Ordinance No 30 of 19 July 2006 on requirements for the accounting, form and content of financial statements, statistics, reports, and appendixes of insurance and health insurance companies.** The adoption of the Ordinance is required in connection with the Act amending and supplementing the Insurance Code of 23 November 2007 and the amendments made by virtue of the same act to other acts.

**2. Ordinance amending and supplementing Ordinance No 32 of 13 September 2006 on the requirements for the organization and activity of the internal control service of the insurer and of the undertakings, participating in the Insurance Group.** The adoption of the Ordinance is required in connection with the Act amending and supplementing the Insurance Code of 23 November 2007 and the amendments made by virtue of the same act to other acts.

**3. Ordinance amending Ordinance No 1c - 991 of 3 July 2006 on the forms and methods of information sharing and interaction between the Information Centre on mandatory Third Party Liability insurance for drivers and mandatory Accident insurance for passengers, the Ministry of Interior and Ministry of Transportation.** The amendments to the ordinance are required in connection

with the Act amending and supplementing the Insurance Code of 23 November 2007 and the amendments made by virtue of the same act to other acts.

**4. Ordinance on the documents, procedure of their drawing up and on the notification in case of occurrence of insurance events, related to road traffic accidents.** Legal grounds for its adoption are contained in Article 13, para 1, item 3 FSCA and Article 13, para 1 of the Rules of the Structure and Operation of FSC and Article 125a, para 2 of the Road Traffic Act. The Ordinance was adopted in connection with the Act amending and supplementing the Insurance Code of 23 November 2007 and the amendments made by virtue of the same act to other acts.

We plan to start transposing Directive 2007/44/EC of the European Parliament and of the Council of 5 September 2007 amending Council Directive 92/49/EEC and Directives 2002/83/EC, 2004/39/EC, 2005/68/EC and 2006/48/EC as regards procedural rules and evaluation criteria for the prudential assessment of acquisitions and increase of holdings in the financial sector, which came into effect on 21 September 2007. Article 7 of Directive 2007/44/EC provides for the Member States to align their legislation with the Directive no later than 21 March 2009 and they shall notify the European Commission of such alignment.

#### **12.3. In the Field of Supplementary Pension Insurance**

Since the end of the past year two task forces have been set up in which the participants are officers from the Social Insurance Supervision Division and representatives of the Bulgarian Association of Supplementary Pension Insurance Companies who are to develop proposals for legal provisions regarding the multi-fund system in the voluntary pension insurance and for perfection of the regulations in the stage of payment of the pensions by the voluntary pension funds.

With a view to the creation of greater investment choice opportunities for the insured persons, by taking into account their preferences for obtaining certain investment incomes at assigned risk level, provisions are prepared in the SIC for the introduction of three different portfolios in the voluntary pension insurance - conservative, balanced and risk portfolio. The Act shall regulate the methods of protection of insured persons' rights in their selection of one of the three offered options. It shall be necessary that the insured persons be provided with detailed information on the amendments to the legislation and for their rights arising from such amendment and also they shall have enough time for choosing the portfolio suitable for them. An obligation will be envisaged PIC to study the individual preferences of the persons and their tolerance to the risk and to advise them for choosing an investment portfolio, which is suitable for them.

There is no explicit and detailed regulation in the Social Security Code concerning the stage of paying off of the pensions by the voluntary pension funds and this is namely the trend, which is to be followed for the purpose of Bulgarian pension model perfection. Paying off of the first pensions from the mandatory pension funds shall commence in 2015 to women and respectively, in 2018 to men who have decided to retire on a pension 5 years prior to pension age attainment. Currently, pensions to 1915 pensioners,

from whom 1051 pensioners with life pensions were paid off from the voluntary pension funds. Their pensions were paid off from their individual accounts. In order to achieve applicability of the actuary principles for risk sharing, the setting up of a common pool for paying off of life pensions is required. The act shall explicitly provide for the types of pensions, heirs' rights, the reserves that should be set aside by the pension insurance companies, requirements for solvency and other issues.

It is expected that the draft act making provisions for the multi-fund system and the stage of paying off from the voluntary pension insurance funds shall be adopted by the Financial Supervision Commission until mid-2008 and shall be presented for adoption to the National Assembly. Following the adoption of the act by the National Assembly, the Financial Supervision Commission shall focus its attention on the adoption of new sublegislative normative acts for its implementation, as well as on amendment and supplement to the acting normative acts.

With a view to the complete harmonizing of the sublegislative normative acts with the amendments and supplements to the legal framework in 2007, it is provided that amendments to the following acts for the implementation of SSC shall be made in 2008:

**Ordinance No 34** of 4 October 2006 on the conditions for conclusion of transactions for reduction of investment risk, associated with the assets of a supplementary pension insurance fund and on the requirements and limitations for such transactions.

Grounds for adoption of the ordinance are contained in Article 179b, para 3 of the Social Security Code. The ordinance adoption is determined by the need of improvement and unification of the accountability of hedging transactions on behalf of a supplementary pension insurance fund through the inclusion of sample information for the risk amount in the ordinance, specification of accountability periodicity, as well as through providing for minimum content of the analysis of the signed hedging transactions' impact on the risk profile of the fund portfolio and evaluation of their efficiency.

### 13. NEW APPROACHES IN THE FINANCIAL SUPERVISION METHODOLOGY IN 2007

The Financial Supervision Commission, by benefiting completely from the unified supervision advantages, is constantly developing as a modern supervisory institution and wins recognition as a guarantee for confidence increase towards the non-banking financial sector through the implementation of regulatory and supervisory policy in keeping with the best practices and world standards in this field.

The basic principles observed by the Financial Supervision Commission in the carrying out of its activity in 2007 are:

- Adherence to a balanced regulation and supervision approach, giving an account of the benefits and incidental costs related to the regulations introduction;
- Uniform approach in the fulfillment of supervisory activities, objectivity and impartiality in supervision;
- Standardization of supervision procedures for monitoring and evaluation of similar risks in the regulated sectors;
- Transparency of the activities.

Currently, the non-banking financial services market features stability, dynamic development and the appearance of new products and participants. Its development depends on the trends in the development of the overall European market, to which the Republic of Bulgaria has acceded since 1 January 2007, as well as on the trends in the global financial market. Following these tendencies, a significant increase is expected of the market share of the services and products provided by the non-banking financial sectors.

In order to respond to the new challenges, the Financial Supervision Commission applies the systematic approach as an instrument in the analysis and in the development of the financial supervision methodology. The Financial Supervision Commission is a part of the complex system comprising the state bodies of the Republic of Bulgaria, the regulation and supervision bodies within the single European Economic Area, the Bulgarian non-banking financial products and services market, the single European market and the market participants. In the carrying out of its activity, FSC takes into consideration the influence of all participants in the system and makes an environmental impact assessment and economic policy impact assessment, including of the European Union common economic policy.

The Commission has elaborated priority tasks for the achievement of its strategic objectives, which have been complied with during the reporting period and which will be complied with in the future periods:

- Exercising of competent supervision, open to constructive interaction with all interested parties;
- Maintenance of environment stimulating the activity of competitive financial market participants and assistance for the development of self-regulation of such participants;
- Risk-based regulation and supervision;
- Further development of FSC as a modern authority in the field of regulatory regimes;
- Maintenance of active international positions aiming at quick and effective introduction and application of European and international standards, participation

in the development and modification of European regulations and standards and increase of FSC international prestige;

- Increase of the public confidence in the use of financial products and services through raising the general awareness for them and, in particular, its awareness for the financial products and services;
- Implementation of effective and purposeful policy on the use and development of human resources;
- Continuous optimization of the structure, processes, procedures and the development of the used information technologies.

By applying the systematic approach, the financial supervision methodology was elaborated with adherence to the priority tasks adopted by the Commission. In this regard, new approach in the analysis and financial supervision methodology during the reporting year was the application of the systematic approach as an instrument in the procedures and methods development in line with the good European practices.

The non-banking financial sector continued to develop dynamically. The entities offering insurance and pension insurance services, as well as the participants on the capital market fall within the scope of supervision of more than one sector of the non-banking financial market. The Commission, implementing the consolidated supervision, unifies increasingly the requirements and in the future it will lay down identical requirements for information disclosed by the entities, applied evaluation methods, while at the same time considering the specificity of the separate entity's activity and the parameters, subject to monitoring and control.

Harmonization and standardization of the requirements to the entities supervised by the Commission is an indicator for effective and unified supervision.

In the next year the process will continue in several directions: firstly, by progressive amendments to the legal framework, regulating the disclosure of information by the supervised entities, investments, their evaluation, management of risks related to the supervised entities' activity; in the second place, by standardization of the supervising practices in the abovementioned fields, applied by the specialized divisions through the relevant Deputy Chairpersons; thirdly, by development of internal standards arranging the general principles with regard to the supervisory functions carried out by the Commission, as regulated in Article 1, para 1, cl. 3 of the FSCA.

For the purpose of ensuring a stable financial market, the Commission currently enforces and will continue to enforce the application of conservative, reliable evaluation methods with regard to the investments made by the supervised entities. Wrong evaluation of investments distorts the financial results of supervised entities and this may reflect on their financial condition, on the financial market condition as a whole, and also could shake the confidence of investors.

The internal standards make provisions for similar types of activities carried out by the three specialized divisions within the Commission, related to the supervision of all supervised entities, regardless of the fact that the regulatory requirements for such activities have been specified in separate special acts and sublegislative normative acts. The standards shall unify the rules laid down in the acts and sublegislative normative acts. The practices

that have already been enforced in the specialized divisions and in the similar supervisory authorities in other Member States of the EU shall be applied.

The internal standards are public documents, they can be amended since the business activity of supervised entities is constantly changing, its scope is widening, new services and new and more and more complex products are provided, and at the same time the Commission, observing the market and considering the world experience and the practices in the field of non-banking financial sector, makes amendments and improvements to the regulatory framework during the current year and in the future periods.

The interaction and information sharing among the three operative divisions within the Commission were also improved. Such interaction and information sharing concern the supervised entities, subject to supervision under more than one act providing for the activity of the entities supervised by the Commission and this has a positive effect on the financial market stability, the consumers' confidence in the products and services provided on this market.

The elaboration of internal standards and general practices preconditioned the automation of certain activities and led to their optimization and increase of Commission efficiency, which contributes significantly to its development as a modern institution.

Maintenance and improvement of coordination and information sharing between the Commission and other international institutions supervising the operations in the non-banking financial sector is essential factor for perfection of the financial supervision methodology in connection both with the supervision exercised on the territory of the Republic of Bulgaria as well as over the activities of the entities providing services on the territory of the entire EU. Essential factor is also the coordination and information sharing with institutions supervising credit institutions with the aim of effectively supervising the activity of the financial conglomerates and credit institutions, providing investment services and offering on the financial market financial instruments falling within the scope of acts regulating the Commission's activity.

Considering the development of the Bulgarian financial market, its opening following the accession to the common European market of financial services and products, in exercising of supervisory activity and also in fulfillment of the objective for development of a stable market of financial services, the Commission should apply modern supervising methods, based on the risk assessment. Having set this objective, during the next year the Commission will proceed to development and applying in practice of risk-based supervision methodology. Firstly, the indices characterizing the risk profile of the separate supervised entities shall be fixed and the following step shall be the development of methods for collection and processing of information, necessary for the application of risk-based supervision. Risk-based supervision preconditions the development of early warning (preventing) system for financial sector stability threats. Capital base and capital adequacy, being mandatory requirements to certain entities supervised by the Commission are indices to be observed upon the application of risk-based supervision method.







# **The Bulgarian Economy in 2007 Part III**

In 2007 the Bulgarian economy continued to achieve the high and steady growth, observed during the last 5 years. The amount of the gross domestic product (GDP) produced during the reporting year was BGN 56 520 million and reached an actual growth of 6,2 % compared to the previous year. The gross domestic product per capita of the population for 2007 amounted to BGN 7 379 marking a growth of 15,1 % on an annual basis.

Due to the surpassing import growth, compared to the export growth, the balance on the running account remains negative and in 2007 it reached the value of EUR -6 219,9 million, or 11 % of the GDP. The positive balance on the financial account increased to the amount of EUR 10 129,4 million and the foreign direct investments for 2007 reached the value of EUR 6 108,9 million. The balance on the portfolio investment assets for 2007 amounted to EUR -95,3 million, and on the portfolio investment liabilities the balance was negative in contracts to 2006 and amounted to EUR 436,4 million.

At the end of 2007, the internal national debt amounted to BGN 3 199,9 million, 88,7 % of which being issues of government securities (GS) and the remaining 11,3 % GS,

issued in connection with the structural reform. GSs amounting to BGN 640 million were issued and GSs to the amount of BGN 345,7 million were paid off during the reporting year. The nominal value of the foreign debt at the end of the year reached EUR 4 073,6 million, of which 86,57 % being national debt and 13,43 % state guaranteed debt.

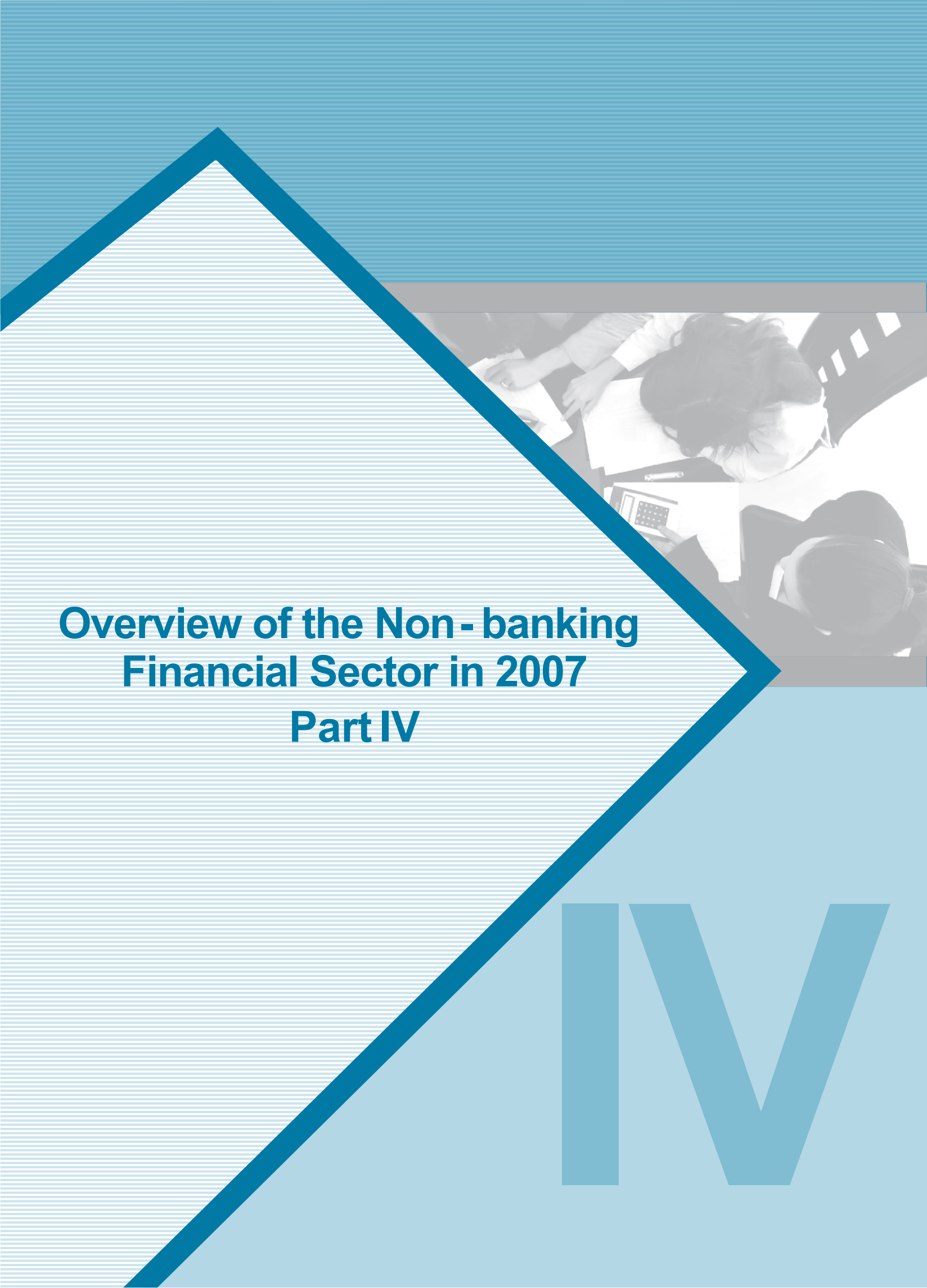
In 2007, the annual inflation reached the average level of 8,4 %, which was 1,1 percent points higher than the average annual level of inflation for 2006.

There was a relative growth of the basic interest rate and at the end of 2007, it amounted to 3,9 %, compared to the average rate of 2,7 % in 2006.

The decrease in unemployment rate, observed during the last years, continued also in 2007. The average unemployment rate for the reporting year amounted to 6,1 %, or 1,3 percent points higher than the rate in 2006. According to the data provided by the National Statistical Institute (NSI), the average amount of the annual remuneration in 2007 was BGN 5 174 and marked a growth of 19,66 % on an annual basis in nominal terms.

## MACROECONOMIC INDICES FOR BULGARIAN ECONOMY IN 2007

Index	Amount	Growth on an annual basis
GDP in current prices (BGN million)	56 520	6,2 %
Balance of payments (EUR million), including:	3 163,7	77,18 %
<i>Running account in EUR million</i>	-6 219,9	38,52 %
<i>Financial account in EUR million</i>	10 129,4	48,02 %
<i>Foreign direct investments in EUR million</i>	6 108,9	2,48 %
Public and publicly guaranteed foreign debt in EUR million	4 073,6	-15,02 %
Internal national debt (annual average amount in BGN million)	3 199,9	8,26 %
Annual average inflation	8,4 %	1,1 percent points
Basic interest rate	3,9 %	1,2 percent points
Average unemployment rate	6,1 %	-1,3 percent points



# **Overview of the Non-banking Financial Sector in 2007 Part IV**

# IV



The development of the non-banking financial sector in 2007 confirmed the outlined trend of stable increase in the activity of non-banking intermediaries operating on the Bulgarian financial market. The constant increase in the number of institutional investors and the assets managed by them was indicative of the confidence in the market environment.

A predominant share of the bank activity in the field of financial intermediation continued to be observed, although this share decreased with the progressive steady increase of the activity

intermediaries marked significant increase of more than 154 % on an annual basis.

In 2007, all indices characterizing the depth of financial intermediation marked a significant growth. The share of non-banking financial intermediation at the end of 2007 reached 58,12 % of the GDP, against 36,87 % in 2006 and nearly 5,96 % in 2001.

The market capitalization on the stock exchange at the end of 2007 amounted to BGN 28,99 billion, or 51,29 % of the GDP.

**TABLE 1. STRUCTURE OF THE FINANCIAL INTERMEDIATION BY INSTITUTIONAL INVESTORS**

Indices	2002	2003	2004	2005	2006	2007
Assets of investment intermediaries	-	1,70 %	2,98 %	3,60 %	6,19 %	10,56%
Assets of collective investment schemes	0,08 %	0,09 %	0,20 %	0,26 %	0,64 %	1,23%
Assets of special purpose vehicles	-	0,04 %	0,08 %	0,35 %	1,30 %	1,92%
Insurance and health insurance premiums	5,16 %	4,22 %	3,49 %	3,46 %	2,59 %	2,10%
Assets of pension funds	2,15 %	2,56 %	2,86 %	3,02 %	3,10 %	3,15%
Assets of banks	92,61 %	91,38 %	90,38 %	89,32 %	86,17 %	81,04%
<b>Total:</b>	100 %	100 %	100 %	100 %	100 %	100 %

in the field of the non-banking financial services. The serious growth in the non-banking sector was preserved due to the newly established segments – the special purpose vehicles and collective investment schemes.

At the year's end the number of the collective investment schemes increased by more than 57 % and the assets accumulated from them accounted for a growth of 188,36 % on an annual basis. The significant increase in the number of special purpose vehicles was preserved and their number was increased slightly over 50 %. The serious interest of the investment community towards this type of companies resulted in increase of the funds concentrated in them to the rate of 114,75 % for the last 12 months.

During the reporting period, the assets of investment

As a comparison, at the end of 2001 the capitalization of BSE-Sofia was nearly BGN 1,11 billion, or 3,72 % of the GDP. Except for the initial public offerings carried out, the factors predetermining the capital market growth were the enhanced demand and price increase of a great part of the actively traded shares, combined with the increasing confidence of the economic agents in the non-banking segment of the financial market.

During the reporting period, the stable development of supplementary pension insurance market was retained. As of 31 December 2007, the investments in the 29 supplementary pension insurance funds reached the value of BGN 2,22 billion. From them, 45,50 %, or BGN 1,01 billion were invested in shares and bonds traded on the BSE – Sofia and

**TABLE 2. DEPTH OF FINANCIAL INTERMEDIATION SHOWN AS PERCENTAGE OF GDP**

	2002	2003	2004	2005	2006	2007
Market capitalization of BSE - Sofia	4,25 %	7,91 %	10,55 %	20,11 %	31,20 %	51,29 %
Insurance and health insurance premiums	1,91 %	1,94 %	2,51 %	3,03 %	2,59 %	2,71 %
Net assets of pension funds	1,03 %	1,48 %	2,07 %	2,65 %	3,09 %	4,12 %
Assets of banks	45,04 %	50,34 %	65,51 %	78,31 %	85,95 %	104,6 %

the investments abroad amounted to BGN 416,22 million, or 18,71 % of the overall investments.

In spite of the outlining stable growth rate, the intermediation through non-banking financial institutions was still not enough popular in Bulgaria, which could be noticed when the relevant data were compared with the data for the Member States of the EU. The perspectives for the sector's development, however, are particularly favorable considering the integration of the Bulgarian non-banking financial services market in the European market.

During the past year, FSC started calculating two indices for the classification of companies on the separate financial markets. One of the indices is the market share of the first four companies, which gives a picture of the common market share of the four biggest companies in a particular financial sector. The other one is Herfindahl-Hirschman Index (HHI), which is a generally used measure of market concentration. This index is calculated as sum of the squares of the share of each participant on a particular competitive market. The value of such index varies between 0 and 10 000. If the value is nearly 10 000, the market in question features the characteristics of monopoly, slight competition and respectively, a big share of a few market participants. When the index value is nearly 0, the market for which HHI has been measured shows slight concentration and strong competitive environment.

Three intervals can be distinguished, according to HHI value:

- below 1000 – market for which the index shows value below 1000 points is a strongly competitive market;
- from 1000 to 1800 – such markets feature moderately competitive environment and moderate concentration;
- over 1800 – these are markets showing strong competition.

**Calculation formula:**

**$H = \sum_{i=1}^n s_i^2$ , where  $S_i$  is a share of the  $i$  - th company, operating on the market in question.**

## 14. INVESTMENT ACTIVITY

### 14.1. Capital Market Development

During the first three quarters of 2007 the trends of stable capital market growth, outlined during the previous two years, were retained. Due to the coming up of new institutional investors, represented mainly by collective investment schemes, there was an exclusively active market demand. During the last quarter of the past year, some adjustment on the Bulgarian capital market was registered similarly to the other international markets.

At the end of 2007, the market capitalization of BSE – Sofia amounted to BGN 28 986 860 thousand, which represents a growth of 89,28 % compared to the reported capitalization at the end of 2006.

### MARKET CAPITALIZATION OF BSE – SOFIA

	As of 31.12.2006 (BGN thousand)	As of 31.12.2007 (BGN thousand)	Annual growth (%)
Official market A		837 284	
Official market B		7 700 302	
<b>Official markets- TOTAL</b>	<b>5 642 545</b>	<b>8 537 586</b>	<b>51,31 %</b>
Unofficial market A		19 632 781	
Unofficial market B		816 494	
<b>Unofficial mar- kets - TOTAL</b>	<b>9 671 474</b>	<b>20 449 275</b>	<b>111,44 %</b>
<b>TOTAL</b>	<b>15 314 019</b>	<b>28 986 861</b>	<b>89,28 %</b>

According to a Resolution adopted by the Board of Directors of BSE - Sofia AD, dated 12 January 2007, the registration of companies, registered on official market, segment C was terminated and the same companies were transferred to trade on unofficial market, segment A. In consistence with the amendments made to the Rules of the Bulgarian Stock Exchange, two segments - A and B remained on each of the official and unofficial equity market. Besides the increase of the market capitalization of the traded companies, the newly registered for trading during the year companies had a significant influence over the reported considerable capitalizations growth.

During the past year the values of indicators, characterizing the exchange trade of BSE – Sofia gave an account of significant increase on an annual basis, compared to the values reported in 2006. During the reporting period, the trend from the previous year of limited offer of state stakes to be privatized through the exchange was retained.

Significant increase in the value of indicators, characterizing the trade can be seen on the official equity market. At the end of the reporting year, the number of companies listed for trading on segment A was 4, and on segment B, the number was increased from 12 to 15.

The turnover and volume of trade on the unofficial equity market were increased significantly on an annual basis and the transfer of companies from official market, segment

C to the unofficial market contributed to that increase. Following the trend in the previous years, the number of transactions and the exchange trade turnover on unofficial equity market were retained with most significant reported values, the reason for this being the great number of companies listed for trading on the two market segments. Trading with bonds both on the official and unofficial market is still not showing particularly high indicators. The investment interest towards registered issues on the unofficial bond market marked an increase for the last 12 months, except for the immaterial decrease in the transactions number. By contrast with the unofficial market, the issues registered on official corporate bond market reported a decline in the traded off volume and turnover, compared to the previous year. The number of transactions concluded on the unofficial bond market decreased by almost 6,5 % in comparison with the same period of the past year while the volume and turnover climbed by about 43 %.

The considerable share of the market of compensatory instruments in the total size of stock exchange trade in 2007 was preserved, regardless of the decrease in volume, turnover and the concluded transactions, compared to 2006. The strong correlation of prices and trading compensatory instruments with the privatization process and, respectively the lack of significant privatization transactions during the period conditioned the observed decrease in the trading on the segment under review.

On the primary equity market, initial public offerings of shares were carried out of companies: KAOLIN AD, CORPORATE COMMERCIAL BANK AD, FIRST INVESTMENT BANK AD, BIANOR PLC, SPECIALIZED BUSINESS SYSTEMS AD, DEVIN AD, TRACE GROUP HOLD PLC, CBAASSET MANAGEMENT AD, ENEMONA AD, AGRIA GROUP HOLDING JSC AND BILLBOARD AD. For the active trading on the primary market of other securities, during the reporting period, influence had been exerted by the initial public offerings of issues of rights for the purchase of shares, arising from the initial capital increase of 21 SPVs, 19 of which engaged in securitization of real properties, and the other 2 special purpose vehicles – in securitization of receivables.

Another sector marking significant growth in trading was Large Equity Volumes, in which the number of concluded transactions realized a growth of over 570 % on an annual basis, and the volume and turnover was increased respectively with more than 7 000 % and 190 % compared to the ones realized in 2006. In this direction, great influence had the transactions with ELECTRONICA INC, EUROHOLD BULGARIA AD and BULGARIAN RIVER SHIPPING AD.

The Tender Offering segment showed the most significant growth on a year-on-year basis. The main contribution for that increase in the number of transactions, the volume of traded off assets and realized turnover belonged to the BULGARIAN TELECOMMUNICATIONS COMPANY AD. In 2007 a significant increase was recorded of the realized number, turnover and volume in the execution of block registration transactions, compared to the previous year. The prices at which such transactions were concluded were determined through non-market mechanisms, due to which they were not so much illustrative of the exchange trading.

## RESULTS FROM THE TRADING OF BSE - SOFIA FOR THE PERIOD 2.01.2007- 21.12.2007

Market/segment	Number of transactions	Growth on an annual basis (%)	Volume (thousands of lots)	Growth on an annual basis (%)	Turnover (BGN thousand)	Growth on an annual basis (%)
Official equity market, segment A	43 987		13 752		160 449	
Official equity market, segment B	130 352		100 366		1 187 415	
<b>Official equity market, TOTAL</b>	<b>174 339</b>	<b>121,81 %</b>	<b>114 118</b>	<b>9,42 %</b>	<b>1 347 864</b>	<b>59,80 %</b>
Official market, corporate bonds	225	30,81 %	11	-62,07 %	12 109	-71,63 %
Official market, municipal bonds	0	-100,00 %	0	0,00 %	0	-100,00 %
Unofficial equity market, segment A	260 693		529 586		6 366 657	
Unofficial equity market, segment B	24 733		6 638		81 111	
<b>Unofficial equity market, TOTAL</b>	<b>285 426</b>	<b>154,31 %</b>	<b>536 224</b>	<b>212,35 %</b>	<b>6 447 768</b>	<b>344,70 %</b>
Unofficial bond market	995	-6,57 %	238	43,37 %	362 251	42,19 %
Compensatory instruments market	7 609	-51,27 %	83 413	-60,63 %	41 724	-69,32 %
Unofficial market of other securities	6 489	60,18 %	52 921	-40,48 %	73 878	60,50 %
Primary equity market *	0	-100,00 %	0	0,00 %	0	-100,00 %
Primary market of other securities	384	-33,22 %	12 285	25,96 %	25 207	150,54 %
Large equity volumes	1875	572,04 %	10 927	7 488,19 %	122 007	193,50 %
Block registration transactions	13 047	3 280,05 %	287 200	72,20 %	1 329 772	144,96 %
Tender offering	86	855,56 %	13 401	12662,86 %	171 697	14537,43 %
Redemption	0	0,00 %	0	0,00 %	0	0,00 %
Privatization transactions in BGN	69	100,00 %	827	100,00 %	13 153	100,00 %
Privatization transactions with compensatory instruments	8	100,00 %	41	100,00 %	357	100,00 %
Centralized public auctions**	72	-56,09 %	0,072	-99,97 %	11 494	290,55 %
Remote public auctions **	4	-75,00 %	0,004	0,4 %	36	-91,35 %
<b>Total:</b>	<b>490 628</b>	<b>89,29 %</b>	<b>1 111 606</b>	<b>45,43 %</b>	<b>9 959 317</b>	<b>194,29 %</b>

\* All initial public offerings in 2007 were carried out through investment intermediaries and not through BSE - Sofia.

\*\* With centralized and remote public auction, the volume of traded off assets is greater than the volume of traded off lots.

The dynamics of BSE-Sofia indices is indicative of the capital market situation and trading on this market. In January 2007, the SOFIX official stock exchange index kept demonstrating its rising trend from the previous year.

The index started at 1 224,12 points in the beginning of the year and reached its peak of 1 416,81 points on 22 January 2007. In the following quarter, certain adjustment from - 13,82 % to 1 221,07 points on 7 May 2007 was observed.

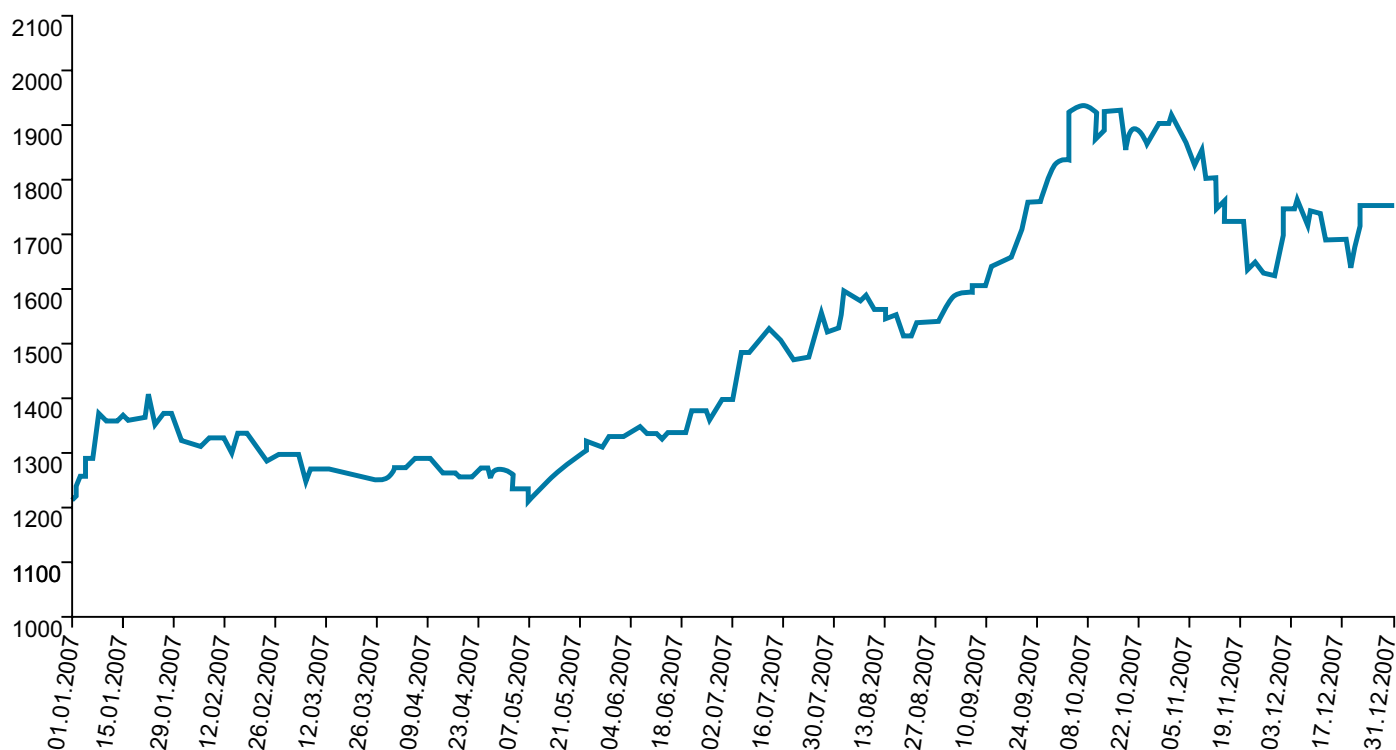


This period of decline was followed by significant increase of the index from 59,88 % to levels of 1 952,28 points for a period of five months. In the last quarter of the year, a new negative adjustment of the index value started and at the year's end it dropped to levels of 1 767,88 points. In spite of the two declines in the SOFIX value, finally it achieved

of the companies included in the index was held by foreign entities. The free float of the companies' capital amounted to a total of 21,07 %, if a free float is considered to be any share representing less than 5 % of the companies' capital.

The movement of the broad BG-40 index values was

#### DYNAMICS OF THE SOFIX OFFICIAL STOCK INDEX VALUES IN 2007



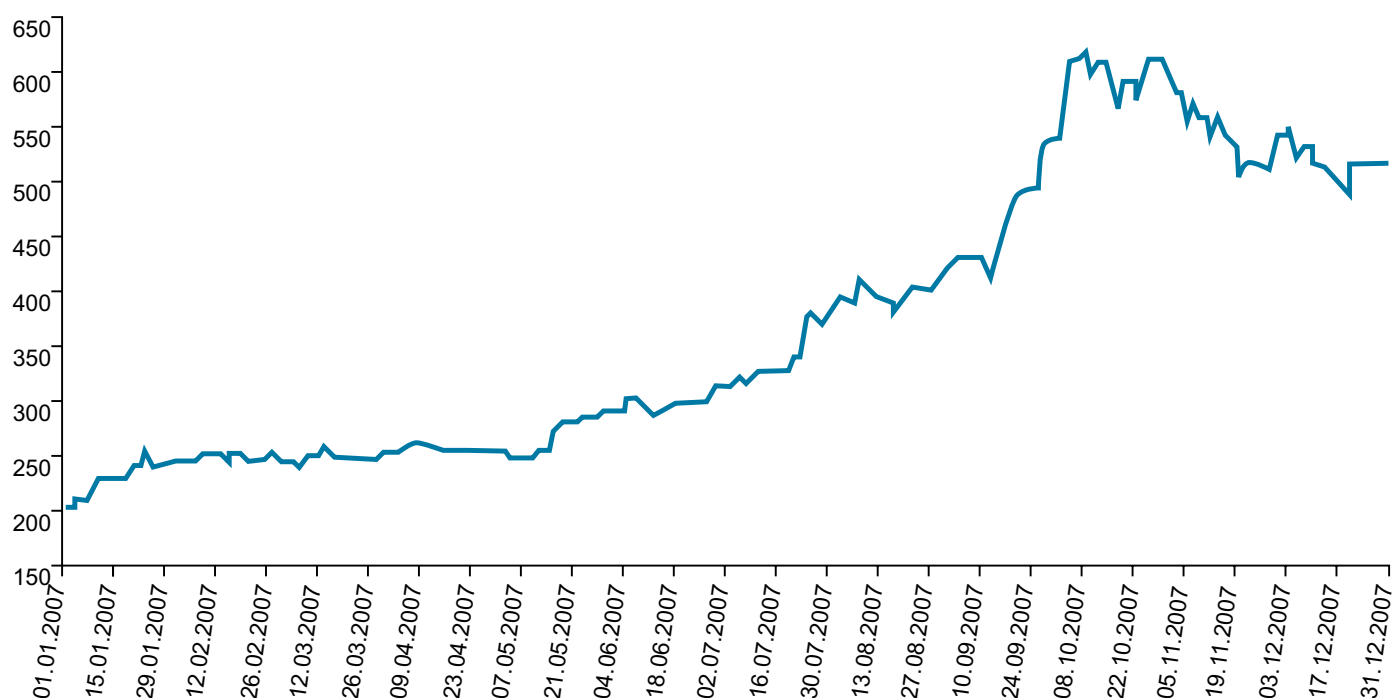
a growth of 44,42 % for the reporting period.

During the year, five changes with regard to the SOFIX companies were made. Firstly, on 2 February 2007 SUNNY BEACH AD was removed from the index base, while M+S HYDRAULIC AD, ODESSOS SHIPREPAIR YARD AD and CHIMIMPORT AD were added to the index base. Secondly, on 26 February 2007 the companies that were removed were ODESSOS SHIPREPAIR YARD AD, ZLATNI PIASACI PLC, BLAGOEVGRAD-BT AD and BULGARTABAC HOLDING AD, and the added companies were CB BULGARIAN AMERICAN CREDIT BANK AD, TOPLIVO AD, BULGARIAN TELECOMMUNICATIONS COMPANY AD, INDUSTRIAL HOLDING BULGARIA AD and ELANA AGRICULTURAL LAND OPPORTUNITY FUND REIT. On 2 April 2007 the company MONBAT PLC was added to the SOFIX base. On 13 September 2007, the companies BIOVET JSC and ZPAD DZI AD were removed from SOFIX and KAOLIN AD, EUROINS INSURANCE PLC and SPARKY ELTOSAD were added. The last change was made on 7 November 2007 when the BULGARIAN TELECOMMUNICATIONS COMPANY AD was removed from the SOFIX base.

In **Appendix 14.1A** are presented the financial indicators (financial results, capital and net value of the companies assets, etc.), characterizing the assets of the public companies, included in calculating the SOFIX index as of 31 December 2007. The capitalization of the companies within the index amounted to BGN 9 095 879 thousand and formed 31,37 % of BSE-Sofia market capitalization as of the end of 2007. At the same time 24,72 % of the capital

relatively smooth and rising until the beginning of October 2007 and on 8 October the index reached an all-time high of 619,99 points for the reported year (i.e. 210,18 % growth compared to the index value of 199,88 points on 1 January 2007). Then a certain adjustment was made which decreased the index value to 518,06 points as of 31 December 2007 (i.e. 16,44 % decrease in comparison with the all-time high). This was the second year when the movement of BG-40 values proved to be outrunning the movement of the SOFIX index values. During the reporting period, BG-40 achieved a growth of 159,19 %.

In 2007, four changes were made with regard to the companies included in the calculation of the BG-40 index. On 2 February 2007 to the base of BG - 40 were added CHIMIMPORT AD, TOPLIVO AD, OIL AND GAS EXPLORATION AND PRODUCTION PLC, ELPROM-ZEM AD, DECOTEX AD, KAUCHUK JSC, SOPHARMA PROPERTIES REIT, WEB MEDIA GROUP AD, PETROL AD and KATEX AD. At the same time from the index base were removed ZLATEN LEV HOLDING AD, KREMIKOV TZI AD, BALKANTOURIST ELIT AD, ICo ZLATEN LEV AD, ST. ST. CONSTANTINE AND HELENA HOLDING JSC, BENCHMARK FUND ESTATES REIT, SUNNY BEACH AD, HOLDING COOP-SOUTH JSC, PLOVDIV-BT JSC and INVESTOR.BG AD. The second change was made on 9 May 2007, when CB DZI BANK AD was replaced by MONBAT PLC. On 20 August 2007 the companies BIOVET JSC, KATEX AD, HYDRAULIC ELEMENTS AND SYSTEMS JSC, ELPROM-ZEM AD, KAUCHUK JSC, NEOCHIM PLC, WEB MEDIA GROUP AD and



SOPHARMA PROPERTIES REIT were removed from the BG-40 base, and EUROHOLD BULGARIA PLC, LEAD AND ZINK COMPLEX PLC, FOUNDRY TCHUGUNOLENE JSC, CB BULGARIAN AMERICAN CREDIT BANK AD, SPARKY ELTOS AD, BULGARIAN RIVER SHIPPING AD, FAZERLES AD and ZAHARNI ZAVODI PLC were added. On 23 November 2007 the last change in the BG-40 index base was made, when CHIMCO JSC and the BULGARIAN TELECOMMUNICATIONS COMPANY AD were replaced by CB FIRST INVESTMENT BANK AD and KAOLIN AD.

The financial indicators of public companies included in the calculation of the BG-40 index as of 31 December 2007, are presented in **Appendix 14.1B**. The total capitalization of included companies amounted to BGN 13 844 353 thousand and thus 47,76 % of the total market capitalization of BSE-Sofia as of 31 December 2007 was formed. At the same time 18,42 % of the capitalization of the companies included in the index calculation was held by foreign entities. The free float of the capital of BG-40 companies amounted to a total of 26,21 %, if a free float is considered to be any share representing less than 5 %.

On 3 September 2007 BSE-Sofia presented the new BG REIT index (REIT=Real Estate Investment Trust). The index is based on the fluctuations in the prices of shares of special purpose vehicles engaged in securitization of real properties or agricultural land, having the most liquid assets and the biggest capital among such companies. The index does not comprise special purpose vehicles engaged in securitization of receivables. The BG REIT index started at the value of 100 points and until the end of the year, it featured fluctuating movement. On 1 October 2007 the index value reached an all-time high of 107,49 points for the reporting year and an increase of 7,49 % was recorded. Finally, the index closed the year with a growth of 3,24 %, by comparison with its starting value.

No resolutions were adopted on changes regarding the issues, included in the BG REIT index portfolio, since such resolutions are adopted twice yearly – on the first attendance meeting of the BSE-Sofia Board of Directors

after 1 March and on 1 September.

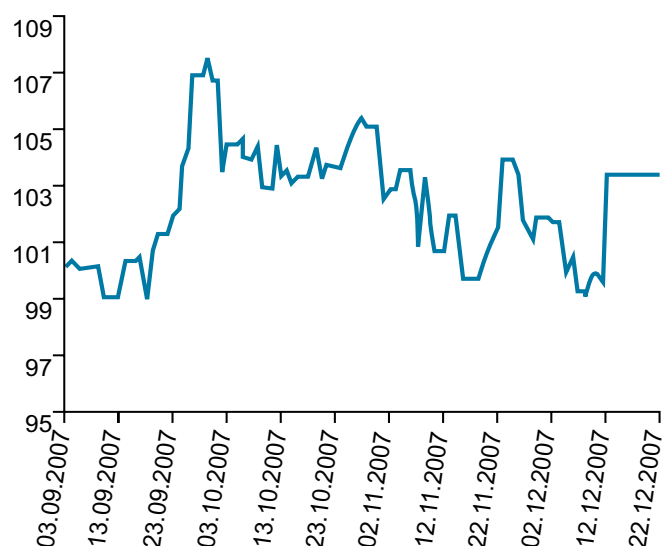
In **Appendix 14.1C** are presented the financial indicators of public companies included in the calculation of the BG REIT index as of 31 December 2007. The total capitalization of included companies as of 31 December 2007 amounted to BGN 690 832 thousand and formed 2,38 % of the total market capitalization of BSE-Sofia. The total percentage of foreign participation in the capital of companies included in the index was 28,83 %. The total percentage of free float amounted to 42,81 % and a free float is considered to be any share representing less than 5 % of a particular company capital. The considerably higher total percentage of free float of companies, constituting this index, compared to the rest of the indices calculated by BSE-Sofia, is conditioned by the fact that in BG REIT are included only SPVs, which intend mainly to own a greater share of free floats.

The BG TR30 was the second index, which BSE-Sofia started calculating on 3 September 2007. The index is based on the change in price of the covered shares, each issue participating with equal weight. BG TR30 aims at giving an account of the total shares profitability, including the distributed dividends. The index comprises the first 30 companies, ranked according to four criteria with equal weight - market capitalization, free float, number of transactions and turnover for the last year.

The starting value of BG TR30 was 1000 points and until 30 October 2007 significant increase of 22,81 % was recorded. Nevertheless, until the end of the year a negative adjustment of 10,64 % was observed, compared to the maximum index value in October. BG TR30 ended the period under review at the level of 1097,48 and finally, a growth of 9,75 %, compared to its starting value was realized for the reporting year.

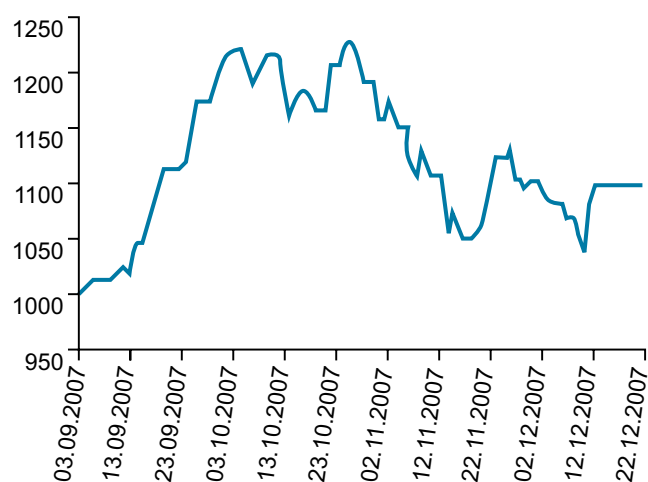
The resolutions on changes regarding the companies included in the BG TR30 index are adopted once yearly at an attendance meeting of the Board of Directors of BSE-Sofia which is held in the period from 1 to 20 August. No change in the index base has been recorded as of the end of 2007.

## DYNAMICS OF BG REIT OFFICIAL STOCK INDEX VALUES IN 2007



In **Appendix 14.1D** are presented the financial indicators, characterizing public companies included in the calculation of the BG TR30 index as of 31 December 2007. The total capitalization of companies included in calculation of the index as of 31 December 2007 amounted to BGN 12 717 977 thousand, which formed 43,87 % of the total capitalization of the exchange as of the end of 2007. Totally 18,85 % of the capitalization of included companies was held by foreign entities. The free float of the companies' capital amounted to a total of 26,66 %, if a free float is

## DYNAMICS OF BG TR30 (BG TOTAL RETURN 30) OFFICIAL STOCK INDEX VALUES IN 2007



considered to be any share representing less than 5 % of a particular company capital.

As of 31 December 2007 on the BSE-Sofia were traded in total 512 issues, from which 381 were issues of equities, 85 issues of bonds, 3 issues of compensatory instruments, one issues of GS and 42 issues of other securities. During the reporting period 117 new issues were registered and 31 issues were withdrawn from trading. Detailed information on the issues listed on the BSE-Sofia as of 31 December 2007 is given in **Appendix 14.1E**.

## 14.2. Analysis of the Participants on the Capital Market

### 14.2.1. Public Companies, Special Purpose Vehicles and Other Issuers of Securities

The total number of public companies on all market segments, registered for trading on BSE-Sofia as of 31 December 2007 was 393. On the "pit" of the stock exchange were listed 38 companies in 2007 and the shares of 16 public companies were withdrawn from trading. Certain rise of public companies deregistration was observed and an increasing promotion of the public offerings of shares on the stock exchange.

During the year an all-time number of initial public offerings (IPO) of shares were recorded - 11 companies raised new capital through BSE-Sofia, namely: FIRST INVESTMENT BANK AD, CORPORATE COMMERCIAL BANK AD, KAOLIN AD, BIANOR PLC, SPECIALIZED BUSINESS SYSTEMS AD, DEVIN AD, TRACE GROUP HOLD PLC, CBAASSET MANAGEMENT AD, ENEMONA AD, AGRIA GROUP HOLDING JSC and BILLBOARD AD. As a comparison, the initial public offerings of shares, carried out in 2006 were only 5. New investment opportunity for the investors were also the shares of other 14 companies: FIA BULGARIA AD, TCHAIKAPHARMA HIGH QUALITY MEDICINES AD, WHITE LAGOON AD, TODOROFF AD, SOFIA COMMERCE - PAWNSHOPS AD, LOMSKO PIVO SA, ETROPAL AD, HYDROIZOMAT AD, ZARNENI HRANI BULGARIA PLC, DOMOKAT JSC, TORGOTERM AD and STOCK PLUS JSC - taken up to the "pit" of the stock exchange through secondary public offering.

Approved by FSC were also the prospectuses for public offering of 28 bond issues where all issues were corporate bonds. The amount of publicly issued bond debt in 2007 was equal to BGN 410 897 thousand, which was expressed in a drop of 20,84 %, compared to the debt issued in 2006.

The market capitalization of public companies listed on the BSE-Sofia as of the end of 2007 amounted to BGN 28 986 860 thousand and it was increased by 89,28 % compared to the reported capitalization at the end of 2006. The biggest share in the market capitalization of BSE-Sofia was held by the companies from subsector Financial Intermediation, followed by the companies from subsector Transport, Storage and Communication, Wholesale and Retail Trade, Repair and Technical Servicing of motor vehicles, motorcycles and personal and household goods and subsector Manufacture of Chemical Substances, Products and Fibres. These four subsectors of the economy accounted for 61,64 % of the market capitalization of all publicly traded companies on the Bulgarian stock market. Allocation of the market capitalization of the public companies by subsectors of the economy to which they belong, as well as indicators of foreign participation and allocation of free floats by subsectors are presented in **Appendix 14.2.1A**.

The subsector Manufacture of Other Non-metallic Mineral Products (99,11 %), continued to feature significant share of foreign investments in the joint-stock capital in 2007. The reason for the sizable share of registered foreign participation was the belonging of companies with significant

market capitalization, respectively with significant amount of shares owned by foreign entities to the relevant subsectors. Considerable foreign interest is reported also in investments in subsectors Production of Chemical Substances, Products and Fibres (39,78 %), Financial Intermediation (33,11 %), Manufacture of Pulp, Paper Cardboard and Paper and Cardboard Products; Publishing and Printing (32,05 %), as well as in Manufacture of Rubber and Plastic Products (31,93%).

The share of free floats representing less than 5 % of the companies' capital for the companies traded on the stock exchange totalled up to 25,09 %. The sectors having the highest share of free floats in 2007 were the Financial Intermediation sector (38,04 %), Products of Agriculture, Hunting and Forestry Sector (35,76 %), Real Estate, Renting and Business Activities Sector (32,83 %) and Mining and Quarrying of Energy Producing Materials sector (25,33 %).

This was the second consecutive year during which the field of services provided by the special purpose vehicles strongly attracted the interest of the investment community. During the period under review, the number of such companies increased by more than 50 % and as of 31 December 2007 they already numbered 61, compared to 40 at the end of 2006. As of the end of the reporting period, SPVs have accumulated assets amounting to BGN 1 371 115 thousand, thus achieving a growth of 114,75 % on an annual basis. The own capital, accumulated assets and market share of SPV as of 31 December 2007 are presented in **Appendix 14.2.1B**.

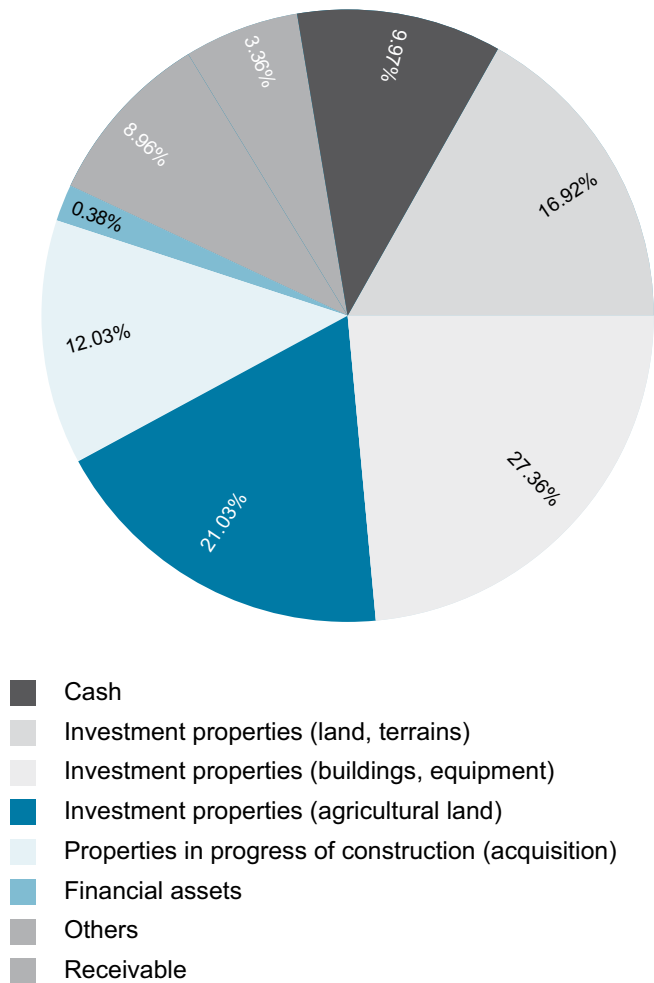
At the end of 2007 the number of companies engaged in securitization of real estate grew to 53 with accumulated resources, totalling up to BGN 1 283 215 thousand, or 93,54 % of the assets of all special purpose vehicles. The growth of the number of companies, engaged in securitization of real properties resulted in market deconcentration. As of the end of 2006 four companies had the biggest market share and owned 56,42 % of the total assets of the companies, engaged in securitization of real properties, and as of 31 December 2007, the four companies concentrating the biggest market share owned 38,90 % of the assets of the companies, engaged in securitization of real properties.

As of the end of the reporting period, the investment properties (buildings and equipment) had a dominant share in the structure of the assets of companies engaged in securitization of real properties. Their share of 27,36 % grew considerably, compared to 20,22 %, registered at the end of 2006. The cash of the companies decreased to 9,97 %, compared to 22,02 % as of the end of 2006. The cash kept maintaining its high rate in the structure of the assets of SPVs, engaged in securitization of real properties, in view of the fact that most of the companies were still newly established companies. The structure of the assets of SPVs as of 31 December 2007 is presented in **Appendix 14.2.1C**.

The companies that made the biggest investments in investment properties in the form of land and terrains were: HEALTH AND WELLNESS SPV, PRIME PROPERTY BG REIT and ERG CAPITAL-3 REIT, and the ones that made the biggest investments in investment properties (buildings and equipment) – SINGULAR REIT, UNIVERSAL



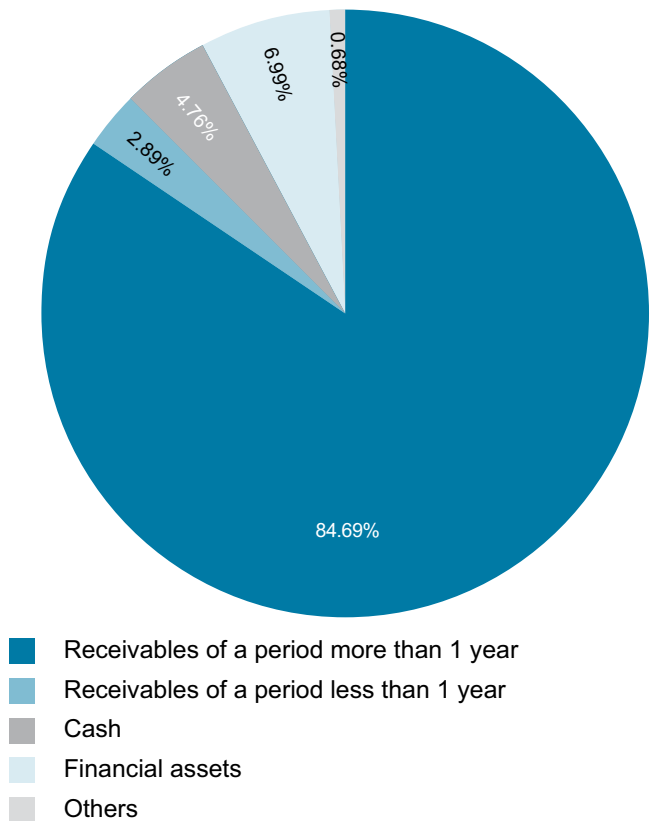
STRUCTURE OF THE ASSETS OF SPV, ENGAGED IN SECURITIZATION OF REAL PROPERTIES AS OF 31.12.2007



PROPERTIES REIT, FAIRPLAY PROPERTIES REIT and SERDIKA PROPERTIES REIT. As of the end of the period under review, 14 of the companies owned investment properties in progress of construction. As of 31 December 2007, the special purpose vehicles, engaged in securitization of real properties, which invested their resources mainly in agricultural land remained only six, namely: BULGARIAN REAL ESTATE FUND REIT, ELANA AGRICULTURAL LAND OPPORTUNITY FUND REIT, ADVANCE-TERRAFUND REIT, BULLAND INVESTMENTS REIT, AGRICULTURAL LAND OPPORTUNITY FUND MEL INVEST REIT and AGROFINANCE REIT. At the end of the year the assets accumulated by these companies marked a growth of 103,93 % on an annual basis and reached BGN 468 504 thousand, or 36,51 % of the assets of the special purpose vehicles engaged in securitization of real estate. The first three of the indicated companies had a considerable market share in this segment, amounting to 88,41%. The companies engaged in securitization of agricultural land made easier the access of the individual investor to investments in huge agricultural areas, which otherwise would have required considerable financial resources. The capitals accumulated by SPVs provided the opportunity for land consolidation (re-grouping) of huge land plots for the purpose of their subsequent offering for purchase or renting to big landowners. In the medium and long-term plan, the

profitability from the investment is based on dividends for the shareholders (on the basis of current incomes from lease and profitable resales of consolidated terrains) and increase in the shares prices (upon rising in the land price in the companies' portfolios). The differences in prices of small and consolidated plots make additional profit for the investors. The companies oriented towards securitization of real properties closed 2007 with the total profit of BGN 300 234 thousand and the year-end financial result was positive for 32 of these companies. In **Appendix 14.2.1D** are presented the dividends distributed for 2006 and the recorded profit and profit per share in 2007 for each of the special purpose vehicles. As of the end of the year, there were eight companies engaged in securitization of receivables and two of them obtained licenses during the reporting period. Assets accumulated by companies engaged in securitization of receivables marked a certain decline of 8,75% for the last 12 months. As of 31 December 2007, the resources accumulated by them amounted to BGN 88 642 thousand occupying a share of 6,46 % in the assets of all special purpose vehicles. The market of services related to public securitization of receivables features considerable concentration – CAPITAL MANAGEMENT SPV had a share of 73,14 % of the assets of the companies engaged in receivables operations. The receivables on commercial loans (for a period of more than one year) had a considerably dominant share in the aggregated portfolio of companies engaged in securitization of receivables, as of the end of 2007. This type of investments had a sizable share in the portfolio of the companies with developed activities, as well as in the portfolio of the company that accumulated the most

STRUCTURE OF THE ASSETS OF SPVs, ENGAGED IN SECURITIZATION OF RECEIVABLE AS OF 31.12.2007





considerable resources - CAPITAL MANAGEMENT SPV. The companies specialized in securitization of receivables closed 2007 with total profit of BGN 393 thousand and the year-end financial result was positive for four of these companies.

Foreign investors for whom the Bulgarian market of real properties and receivables is an exclusively attractive investment opportunity have raised the greatest portion of resources in special purpose vehicles. In **Appendix 14.2.1E** are presented the main founders and shareholders, the date of incorporation and the envisaged period of activity of SPVs.

The special purpose vehicles are obliged, within a period provided by law, to list their shares on the stock exchange for the purpose of secondary trading. SPVs are preferred investment alternative both for individual and institutional investors in view of the high liquidity combined with low risk and attractive profitability. The transactions concluded in 2007 with this type of companies were 17 264 and the turnover resulting from these transactions was around BGN 194 580 thousand. The volume of trading with SPV shares was 99 915 thousands lots. The most intensive trading for a second consecutive year was the trading with the assets of ELANA AGRICULTURAL LAND OPPORTUNITY FUND REIT.

The total market capitalization of SPVs listed on the stock exchange as of 31 December 2007 amounted to BGN 1 783 705 thousand whereby a rise by more than 230 % on an annual basis was achieved. In view of the applied for increases in capital and expected interest in the licensing on the part of FSC of new companies investing in real properties and receivables, it is expected that the segment will continue to develop at the rapid pace hitherto prevailing.

The diagram below shows the HHI index (Herfindahl-Hirschman Index) and the share of the first four companies on the SPVs market.

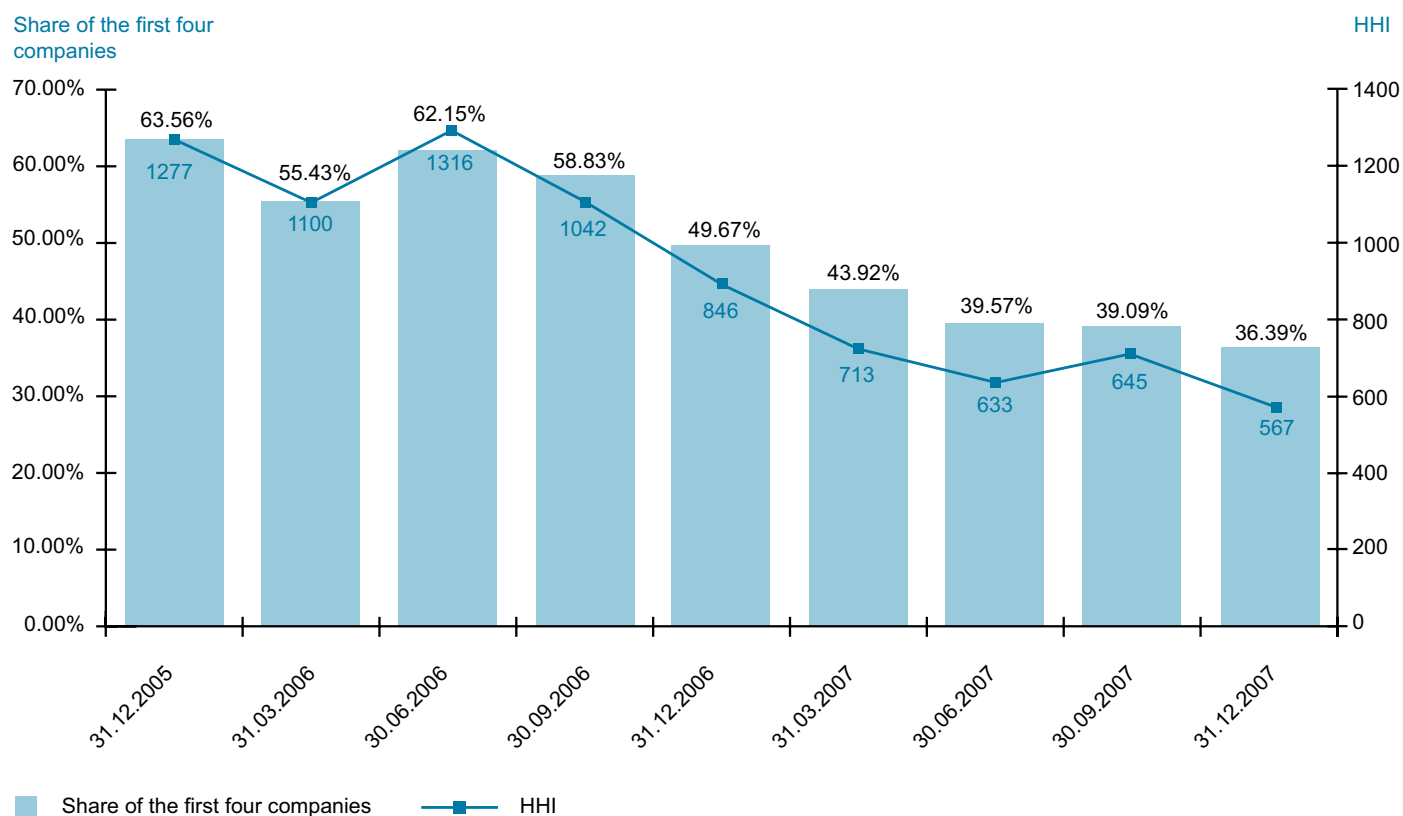
The diagram shows a certain decrease of the two indices used to measure the concentration of the market of services provided by SPVs, being a positive result for the market and is expressed in enhancement of the competition among the market participants and more equal allocation of assets among the companies.

#### 14.2.2. Collective Investment Schemes and Management Companies

In 2007 the market of services provided by the collective investment schemes (CIS) continued to develop actively. The growth rate of the number of institutional investors and the assets accumulated by them remained the same during the period under review. During the reporting year, 26 new contractual funds were registered, while no new registrations were made with regard to investment companies. Consequently, the total number of contractual funds as of 31 December 2007 reached 60, which, together with the 11 investment companies formed the total number of collective investment schemes - 71. The overall amount of assets concentrated in CIS increased to a total of BGN 911 432 thousand, or the growth reported for the last 12 months was equal to 188,36 %. As a comparison, at the end of 2003, the CIS licensed by FSC were only 5 (open-end and closed-end ICs) with accumulated resources, amounting to BGN 17 979 thousand.

The dynamics of the number and amount of collective investment schemes assets can be traced on the next page diagram.

#### CONCENTRATION OF THE MARKET OF SERVICES PROVIDED BY SPVs MEASURED THROUGH HHI AND THE SHARE OF THE FIRST FOUR COMPANIES

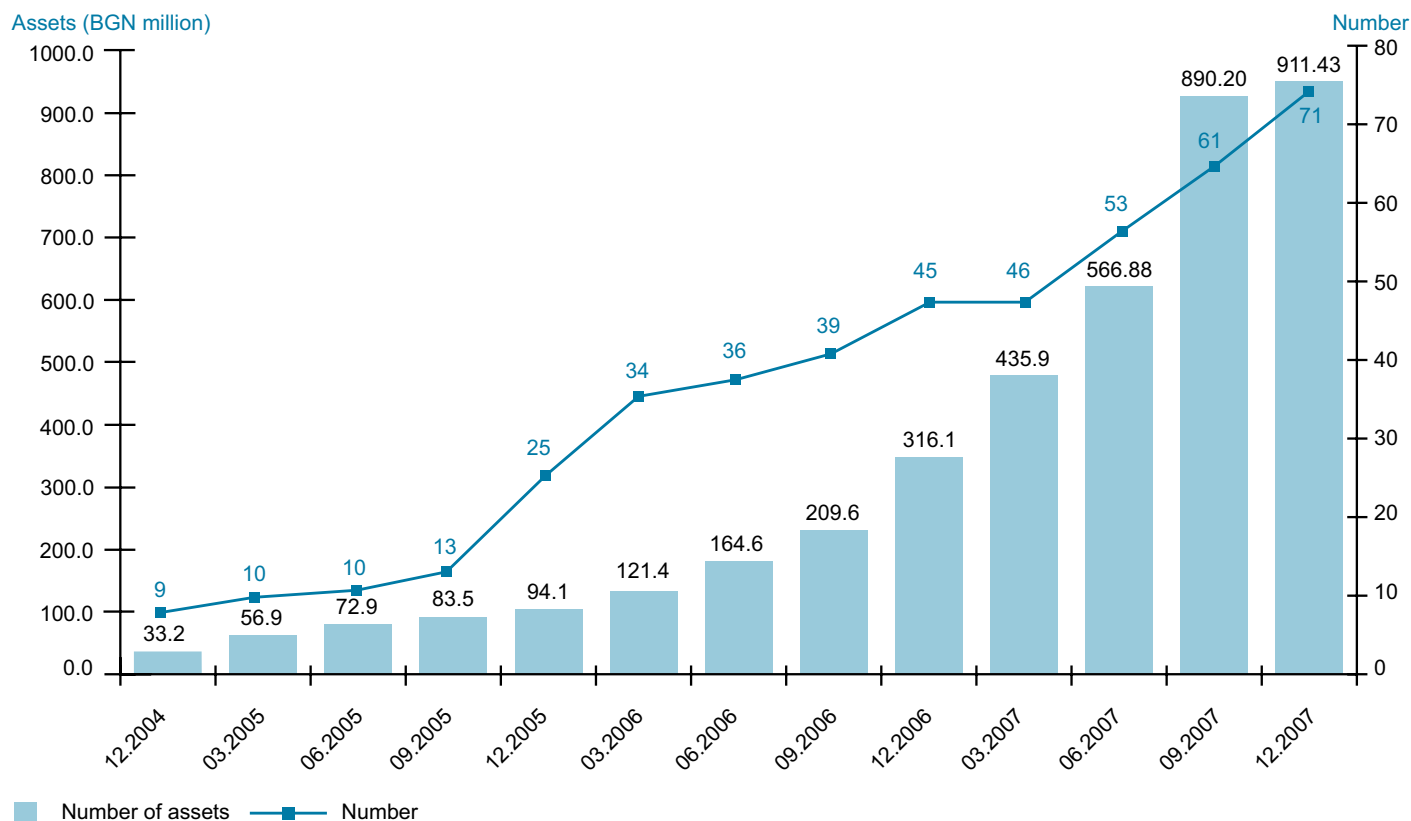


At the end of 2007, the assets attracted by investment companies amounted to BGN 198 709 thousand and the resources accumulated by contractual funds – BGN 712 723 thousand. Thus the contractual funds continued to increase significantly their market share, compared to the market share of investment companies, and their assets

fact that there was a low concentration on the market of services, provided by the latter.

The collective investment schemes can generally be classified in three main groups in terms of risk and profitability – aggressive (high risk), balanced and conservative (low risk). As of 31 December 2007, 17 CISs

## CHANGES IN THE NUMBER AND ASSETS OF COLLECTIVE INVESTMENTS SCHEMES



reached the value of 78,20 % of the total asset amount. In **Appendix 14.2.2A** is provided information on the own capital, assets, and market concentration in relation to services provided by the collective investment schemes. Nine of the eleven operating investment companies were open-end investment companies and 93,99 % of the total assets of all investment companies were concentrated in them, namely BGN 186 773 thousand. This value also recorded a considerable growth of 71,71 % on an annual basis. At the end of 2007, the assets of the two closed-end investment companies amounted to BGN 11 936 thousand, whereby a growth of 47,71 % was achieved on an annual basis.

During the reporting period, the high concentration of the market of services offered by the investment companies decreased to a certain extent. While ADVANCE INVEST retained its high market share, amounting to 31,70 % of the net assets of all investment companies, TBI EUROBOND decreased its share by about 12 % and lost its position on the market occupied during the previous year. At the same time, three companies increased their market share by more than 10 % and the highest growth was achieved by BENCHMARK FUND-2 AD, which increased its market share from 4,99 % to 15,00 %. Among the closed-end investment companies, the biggest market share, in terms of the raised resources, was held by NADEZHDA IC, owning 77,40 %, and among the contractual funds – by DSK GROWTH CF, owning 11,00 %, which in itself points to the

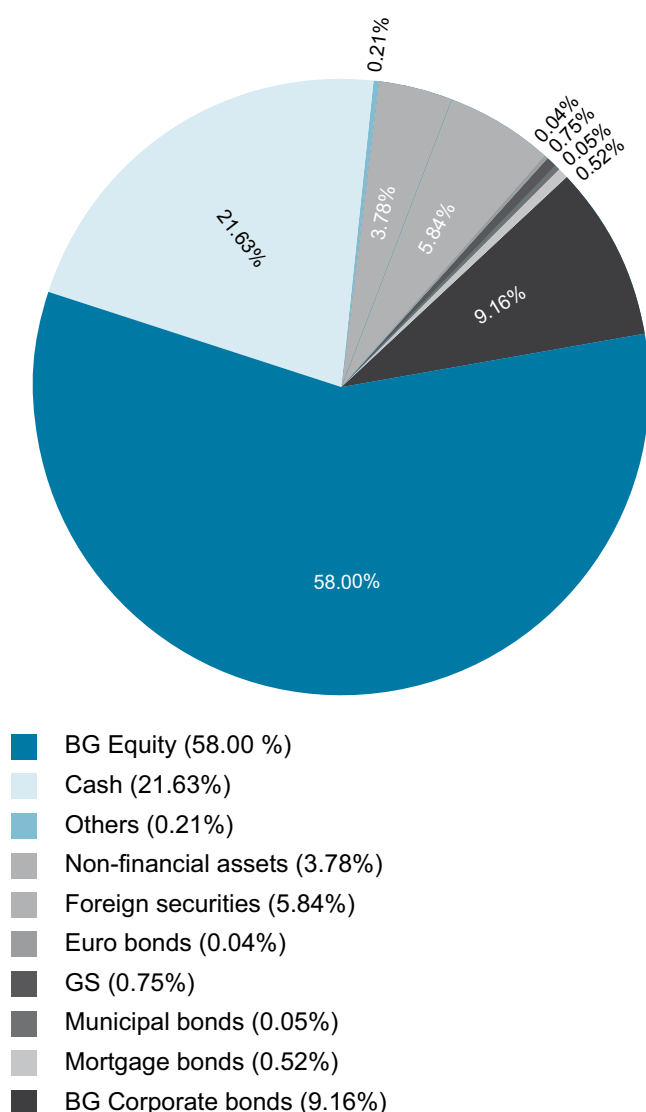
showed an aggressive investment profile, 25 showed a balanced investment profile and 10 CISs showed a conservative investment profile. Eleven contractual funds can be specified as moderately aggressive and another six CF – as conservative-balanced. The indicated differentiation was made on the grounds of the investment strategy announced by the companies/funds, wherefore their belonging to a particular group was conditional – it depended on the portfolio managers' adherence to the announced investment profile. The two closed-end investment companies had constructed an aggressive portfolio, whereby NADEZHDA AD IC held 70,56 % of its assets invested in equity securities and INDUSTRIAL FUND AD IC - 63,68 %.

In contrast to the previous period, the greatest share of CIS assets was concentrated in companies and funds showing an aggressive investment profile (43,00 %), and not in these showing a balanced investment profile. The collective schemes adhering to a balanced investment strategy accumulated 40,90 % of the assets in the sector, while the moderately aggressive CIS - 7,90 %. The companies and funds showing a conservative and conservative-balanced investment profile held the lowest shares. They occupied respectively 5,60 % and 1,50 % market shares according to the amount of net assets. Positive attitude can be noticed towards the securities market of investors who had been ready to take higher risks for the purpose of achieving greater profitability during the year. In **Appendix**

**14.2.2B** is published information for the investment profile of the CISs on the Bulgarian market, licensed as of the end of 2007, net value of the assets per one share (unit), returns for the reporting year and for the period since the beginning of the public offering of a particular share (unit), as well as the date of that beginning.

The most significant share in the structure of assets of collective investment schemes as of 31 December 2007 was occupied by the investments in equity securities (shares), listed on BSE-Sofia. Their share increased, in comparison with the previous year, by 14,15 percent points and their growth in absolute value was 281,41 %. The share of investments in corporative bonds sharply declined for the last 12 months by 8,16 percent

#### STRUCTURE OF THE AGGREGATED INVESTMENT PORTFOLIO OF CIS AS OF 31.12.2007



points but in absolute terms surged by 52,49 %. The transfer of assets from investment in corporative bonds to investments in equity securities was indicative of the positive attitude spread within the entire securities market during the period under preview.

Cash again occupied a comparatively high share (21,63 %) in the aggregated investment portfolio of CIS in the current year. Their share considerably exceeded the rate of 10 %, laid down in the regulations. A large part of these funds was formed by investments in bank deposits, namely 17,19 % of the total amount of

collective investment schemes' assets.

As of the end of 2007, the GS's percentage in the portfolio of collective investment schemes became almost insignificant. Their share dropped to 0,75 %, compared to 2,24 % in the previous year. In view of the wide range of investment alternatives and positive capital market development, the low risk government securities appeared to be a less attractive instrument for the collective investment schemes' portfolio.

In **Appendix 14.2.2C** is presented the aggregated portfolio of the collective investment schemes, as well as the individual portfolios of all companies.

As of 31 December 2007, public offerings of units in the country were carried out by 18 foreign CISs, distributing 71 mutual funds and subfunds. In **Appendix 14.2.2D** is given information about the foreign CISs and their investment firm (distributor) for the territory of Bulgaria.

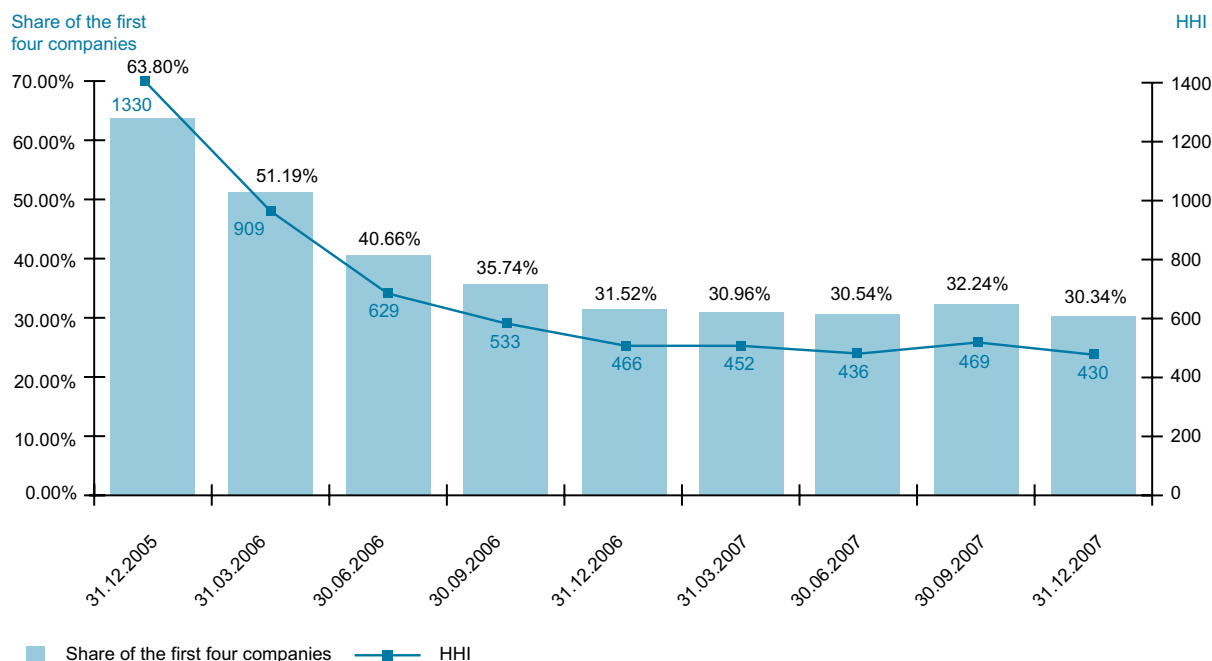
At the end of 2007, the licensed management companies were 29 and 3 of them had not concluded a management contract as of the end of the period under review. The assets managed by them amounted to BGN 1 094 575 thousand, whereby their growth on an annual basis reached 161,88 %. The said growth was conditioned by the increased number of new collective investment schemes whose assets were managed by the companies, as well as by the increase of assets of the CISs already established.

The big concentration observed during the past year (the five companies having the biggest market shares held 72,82 % of the assets managed by all 23 companies), started decreasing in 2007 and the percentage in question declined to 64,83 % of all companies assets. Similar to the situation with regard to contractual funds, certain equalization of market shares of the separate management companies and enhancement of the competition among them was observed. RAIFFEISEN ASSET MANAGEMENT AD (15,97 %) was ranked first according to the amount of managed assets and it was followed by TBI ASSET MANAGEMENT EAD (14,14 %) and DSK ASSET MANAGEMENT EAD (13,54 %). Although ELANA FUND MANAGEMENT AD concluded the greatest number of contracts for management of institutional investor assets (8), it lost its second position on the market held last year, whereby its market share decreased to 11,28 %, compared to 18,35 % in 2006. As of the end of 2007 RAIFFEISEN ASSET MANAGEMENT AD had concluded 7 management contracts and TBI ASSET MANAGEMENT EAD - 6 contracts. The own capital, managed assets, market share and concluded contracts for management by MC as of 31 December 2007 are presented in **Appendix 14.2.2E**.

The diagram on the next page illustrates the conclusions drawn up to the present moment for decreasing concentration of the market of services, provided by collective investment schemes. The following diagram shows the HHI (Herfindahl-Hirschman Index) and the share of the first four companies on the CISs market.

As evident from the diagram, there was a certain decrease of both indices, measuring the concentration on the market of services provided by the CIS, which was an indicator for enhancement of the competition among the market participants, resulting from the equal allocation of assets among the companies.

## CONCENTRATION OF THE MARKET OF SERVICES, PROVIDED BY CIS, MEASURED THROUGH HHI AND THE SHARE OF THE FIRST FOUR COMPANIES



### 14.2.3. Investment Intermediaries

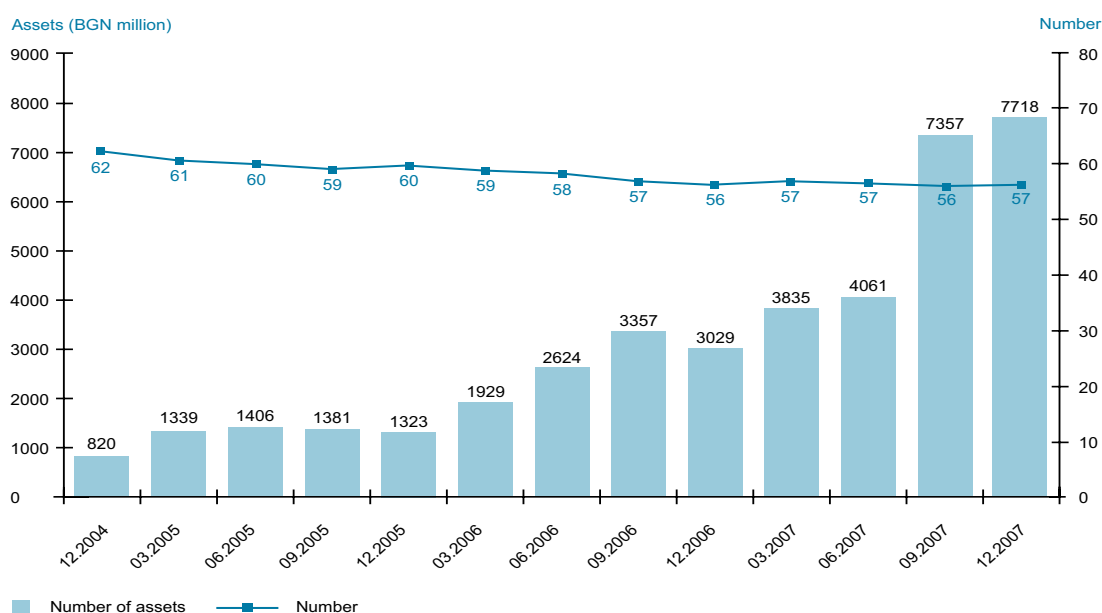
The total number of investment intermediaries as of the end of 2007 was 83, of which 26 IIs - banks. At the end of the year the assets of the non-banking investment intermediaries reached the total amount of BGN 7 717 985 thousand, thus achieving a significant growth of 154,79 % on a year-on-year basis.

The market of services, provided by investment intermediaries featured high concentration. Five investment firms – BULBROKERSAD, FIRST FINANCIAL BROKERAGE HOUSE AD, CB RAIFFEISENBANK - BULGARIA AD, CB ECONOMIC AND INVESTMENT BANK AD and CB UNICREDIT BULBANK AD realized 63,47 % of the stock exchange turnover during the period. The greatest share of the realized volume of trading on the stock exchange during the year was achieved through the intermediation of CB RAIFFEISENBANK - BULGARIA

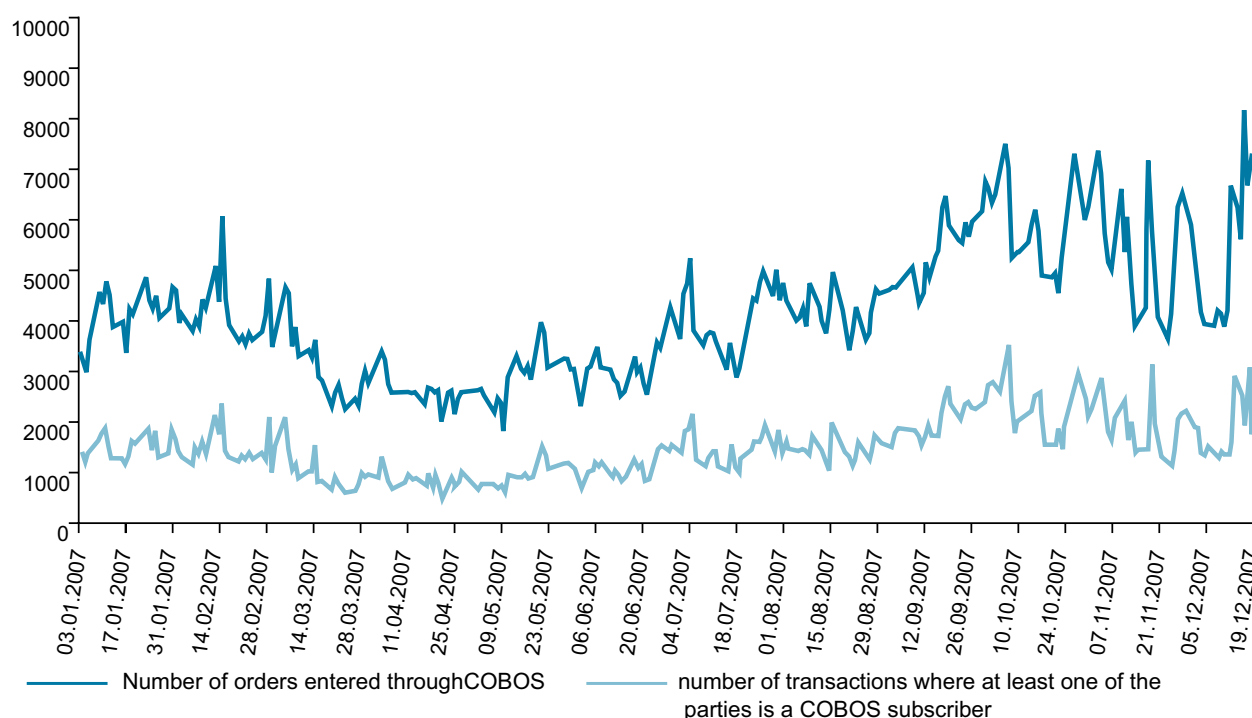
AD with 19,76 %, followed by CB ECONOMIC AND INVESTMENT BANK AD with 15,19 %, CB UNICREDIT BULBANK AD and FIRST FINANCIAL BROKERAGE HOUSE AD, respectively with 9,31 % and 6,53 % of the volume of lots traded off on the stock exchange during the reporting period. The leader as regards the number of transactions concluded for a second consecutive year was CAROL AD FINANCE HOUSE, holding a share of 17,36 %, which outlined it against the next companies on the list: BENCHMARK FINANCE AD (8,98%), ELANA TRADING AD (7,67 %) and CB EUROBANK EFG BULGARIA AD (5,20 %).

Substantial foreign interest was noticed on the market of services provided by the investment intermediaries. In **Appendix 14.2.3** is presented the foreign participation in the shareholding structure of the investment intermediaries as of 31 December 2007.

## DYNAMICS OF THE NUMBER AND ASSETS OF NON-BANKING FINANCIAL INTERMEDIARIES



## DYNAMICS OF PLACED ORDERS AND CONCLUDED TRANSACTIONS THROUGH THE COBOS TRADING SYSTEM IN 2007



Increasingly greater popularity on the capital market is gaining the web-based application COBOS (Client Order Book On-line System) which keeps track of the trading on the BSE-Sofia in real time and orders are given for conclusion of transactions which, after confirmation by a stockbroker, are entered in the trading system of the stock exchange. Within 2007, the number of concluded transactions, where at least one of the parties is a COBOS subscriber, was about 390 thousand, forming 84,78 % of transactions concluded on the stock exchange. Dynamics of trading through COBOS can be traced in the diagram above.

### 14.2.4. Activities and Financial Situation of the Fund for Compensation of Investors in Securities in 2007

As of the end of 2007, the following entities were included in the scheme for compensating investors in securities in 2007: 57 investment intermediaries, 23 commercial banks, offering and providing investment services and 28 management companies. During the reporting year 5 commercial banks dropped out of the scheme (due to merger and falling off from the Bulgarian scheme of bank branch offices, seated in EU Member States), and one investment intermediary due to withdrawal of its license by the FSC. Only two companies from the 30 management companies, licensed to pursue business under Article 202, par 2, item 1 of the Public Offering of Securities Act, were not members of the Fund. In 2007, two recently licensed investment intermediaries were included in the scheme. The operations of the Fund in 2007 were connected with collection of contributions from the investment intermediaries, analysis of information for determination of eventual compensations in case of bankruptcy of investment intermediaries, setting the level of the Fund's financing, perfection of the legal regulations in relation to the amendments made to the POSA and the entry into force of the Markets in Financial Instruments Act on 1 November 2007. Proposals were made for amendments and supplements to

the Rules of the Structure and Operation of the Fund, as well as to Ordinance No 23 on the terms and procedure of valuation of client assets.

For the period 1 January - 31 December 2007 in the Fund were received:  $\frac{1}{4}$  of the annual contributions for 2006 and  $\frac{3}{4}$  of the annual contributions for 2007, due by investment intermediaries; interests arising from investment of the Fund's resources as well as default interests under Article 77n, para 8 of the POSA. The total amount of cash in the Fund as of 31.12.2007 was BGN 2,48 million. Under Article 77n, para 4 POSA, the deadline for transfer of the due portions of the annual contributions is no later than 30 days, following the end of each quarter and some of the investment intermediaries transfer their contributions with delay for which interest are charged. In 2007 all due default interest were collected.

At the end of 2007 there was no investment intermediary owing any contributions to the Fund.

The resources raised in the Fund were invested in short-term deposits in commercial banks (with prevalent 6-month maturity) in line with the Fund's investment policy. The funds from interests, arising from such deposits for 2007 amounted to BGN 99 thousand.

In 2007 no pre-conditions occurred for payment of compensations to customers of investment intermediaries.

The investment intermediaries submit monthly to the Fund statistics under Article 77n, para 11 POSA. This information is processed and analyzed in detail with a view to the timely elimination of possible errors, correct determination of the due annual contribution amount and the fixing of approximate amount of compensation in the event of possible bankruptcy of an investment intermediary. In 2007 problems were raised in relation to the scope of entities excluded from compensation and the scope of some more specific instruments.

The Fund for Compensation of Investors is an associated member of the European Forum of Deposit Insurers



(EFDI), which in 2007 was granted the official status of a non-government organization in accordance with the provisions of the Belgian legislation. A representative of the Fund attended the Annual Meeting of EFDI held in Istanbul in 2007.

In 2007 the earlier established contacts with the schemes for investor compensation in Hungary, Poland and Ireland were further developed. Representatives of the Hungarian Fund visited Bulgaria. A bilateral agreement between the two schemes was finalized and is forthcoming to be signed, which will contribute to the extending of the exchange of information and opinions on specific issues and mostly for the establishment of cooperation in the payment of compensations in the event of bankruptcy of the branch offices of investment intermediaries from both countries, carrying out activities respectively in Hungary and Bulgaria.

The Fund experts participated in the Twinning Project between the FSC and the Polish Securities and Exchange Commission. Within the project, a representative of the Fund visited the Polish Depository in the structure of which the Polish scheme for compensation of investors is.

In Appendixes **14.2.4 A-D**, an accounting balance, income statement, report on the changes in own capital and cash flow report (direct method) of the Fund for Compensation of Investors in Securities are published.

## 15. INSURANCE MARKET AND MARKET OF VOLUNTARY HEALTH INSURANCE SERVICES

### 15.1. Information on the Market of Non-Life (General) Insurance, Life Insurance and Voluntary Health Insurance

As of the end of 2007 the total number of licensed insurers registered in the Republic of Bulgaria was 37 (20 non-life insurance companies, 15 life insurance companies and 2 life insurance co-operatives). During 2007 the Financial Supervision Commission issued four<sup>39</sup> insurance licenses – three life insurance licenses (to ZAD SOGELIFE BULGARIA, ZEAD CCB LIFE and INTERAMERICAN BULGARIA LIFE INSURANCE) and one non-life insurance license to GRAWE BULGARIA GENERAL INSURANCE EAD. A license was also issued for expanding the scope of activity to include reinsurance to ZAD ENERGIA.

15 companies operate on the voluntary health insurance market. During 2007 FSC issued two new licenses to pursue business – to TOKUDA HEALTH INSURANCE FUND AD and to HEALTH INSURANCE COMPANY CCB EAD, and two refusals to grant licenses to health insurance companies – PRIMECARE HEALTH INSURANCE COMPANY AD and HEALTH INSURANCE COMPANY EVRO-ZDRAVE EAD.

Insurance mediation activities as of the end of 2007 were carried out by 234 brokers and 49 802 agents.

In the course of the year FSC received notifications concerning the right of free provision of services on the territory of other Member States from three Bulgarian insurers (ZD EVRO INS AD – for all Member States; ZPAD DZI

– GENERAL INSURANCE and ZPAD DZI – for Romania) and from four Bulgarian insurance brokers (IPS SERVICES OOD – for Great Britain; TT INS EOOD – for Austria; MARINS INTERNATIONAL EOOD – for Romania and IN-STRADE EOOD – for France, Greece, Lithuania, Austria and Romania).

164 notifications were received from insurers registered in Member States of the European Economic Area on carrying out activities in our country under the right for free provision of services.

Out of all insurers wishing to pursue business in our country under the terms of free provision of services, the greatest number (119) claimed they wanted to offer General Third Party Liability Insurance, 117 – Various Financial Losses, 110 – Property Damage, 108 – Fire and Natural Perils, 107 – Accident, 101 – Loads in Transit. Insurers who would like to offer Third Party Liability insurance related to possession and use of motor vehicles were the least in number – only 27. In the area of life insurance products the greatest number was that of insurers who wanted to offer Life Insurance and Annuity – 23 insurers, as well as Unit-linked Life Insurance – 22 insurers.

Branches of insurers registered in another Member State which operate under the right of establishment are: QBE INTERNATIONAL INSURANCE (EUROPE) LIMITED – Sofia branch, ZAD ING – Sofia branch, CARDIFF – LIFE INSURANCE, Bulgaria branch, and CARDIFF – GENERAL INSURANCE, Bulgaria branch.

The number of insurance firms from Member States which notified FSC on carrying out insurance mediation activities

<sup>39</sup>The insurance company GRAWE BULGARIA GENERAL INSURANCE EAD obtained a license to carry out insurance activities in December 2007 and was not entered in the commercial register at the end of the year, hence it is not included in this report.

### INDICATORS REGARDING THE PLACE OF INSURANCE AND VOLUNTARY HEALTH INSURANCE IN BULGARIAN ECONOMY

Indicators	2003	2004	2005	2006	2007
Gross domestic product in current prices (BGN thousands)	34 627 545	38 822 636	42 797 407	49 360 950*	56 519 818**
Gross premium income from insurance (BGN thousands)	666 346	834 291	1 069 204	1 246 949	1 505 070
Gross premium income from voluntary health insurance (BGN thousands)	6 405	11 612	17 787	22 620	25 314
Insurance penetration (%)	1,92	2,15	2,50	2,53	2,66
Voluntary health insurance penetration (%)	0,02	0,03	0,04	0,05	0,04
Population at the end of the year (capita)	7 801 300	7 761 049	7 718 750	7 679 290	7 640 240***
Insurance density (BGN)	85,41	107,50	138,52	162,38	196,99
Health insurance density (BGN)	0,82	1,50	2,30	2,95	3,31

\* NSI – “GDP in the fourth quarter of 2006 and 2006” (with the annual data for 2007 the preliminary data for 2006 are revised)

\*\* NSI – “GDP in the fourth quarter of 2007 and 2007” (preliminary data)

\*\*\* NSI – “Population and demographic processes in 2007” (preliminary data)

on the territory of the Republic of Bulgaria under the terms of free provision of services as of the end of 2007 was 417 from 18 Member States of EEA. The greatest number of those came from Great Britain - 70 %.

As of the end of 2007 the gross premium income generated by insurers in the Republic of Bulgaria amounted to BGN 1 505 070 thousand compared to BGN 1 246 949 thousand at the end of 2006 or an increase of 20.7 % on an annual basis was indicated. The reported growth was greater than that in 2006 (16.62 %) but lower than in 2005 (28.16 %).

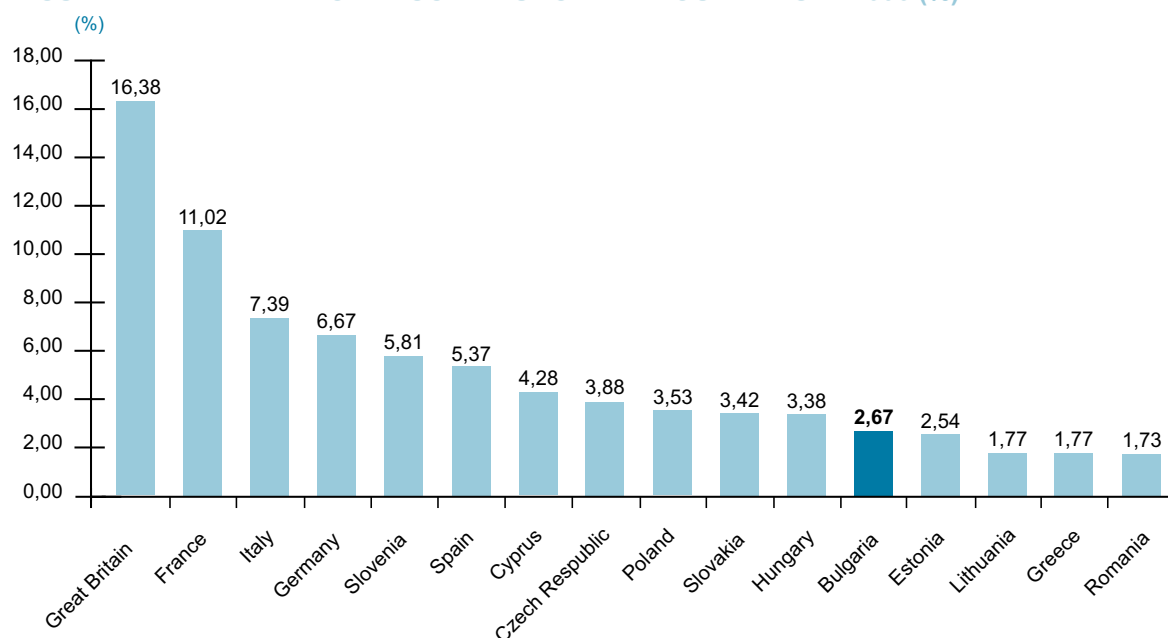
The gross premium income reported in 2007 was calculated at 2.66 % of GDP (insurance penetration). In comparison with the revised data for 2006 this indicator showed a growth of 0,13 percentage points.

The gross premium income per capita (insurance density) was estimated at BGN 196.99 for 2007 compared to BGN 162.38 for 2006.

The recorded premiums in non-life insurance from January to December 2007 amounted to BGN 1 269 546 thousand, whereby a 19.68 % growth on an annual basis was marked. The indicator 'insurance penetration' was calculated at 2.25 % compared to 2.15 % for 2006 (after the data were revised), and the insurance density – 166.17 BGN per capita compared to 138.13 BGN for 2006.

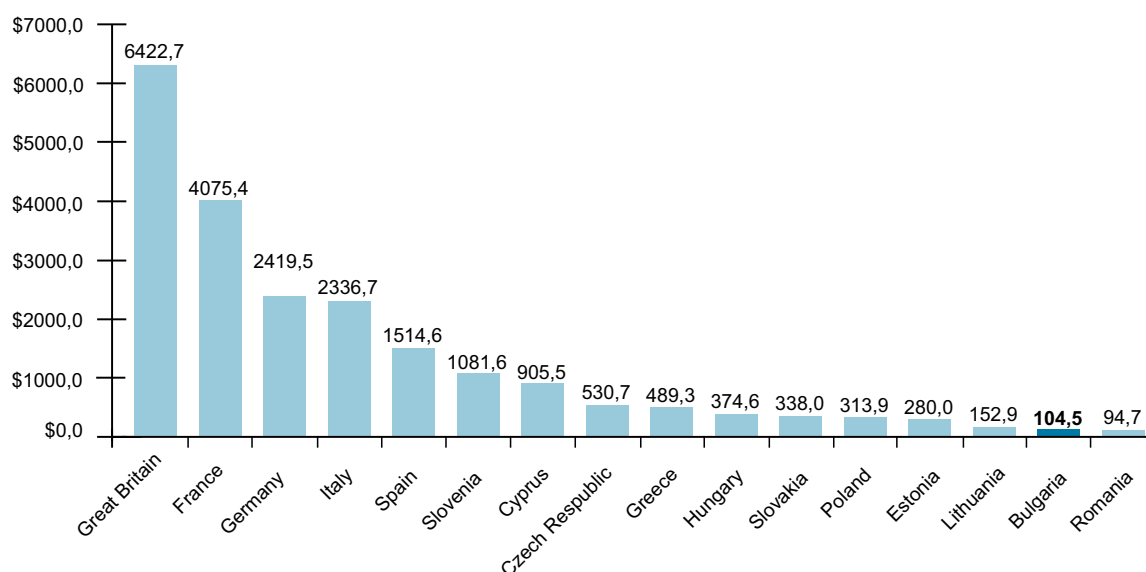
In the field of life insurance the gross premium income as of the end of 2007 increased by 26.5 % on a year-on-year basis and amounted at BGN 235 524 thousand. The insurance penetration in the sector was calculated

#### INSURANCE PENETRATION IN SOME EUROPEAN COUNTRIES IN 2006 (%)



Source: Sigma № 4/2007 World insurance in 2006: Premiums came back to "life". Statistical appendix, updated December 2007

#### INSURANCE DENSITY IN SOME EUROPEAN COUNTRIES IN 2006 (IN USD)



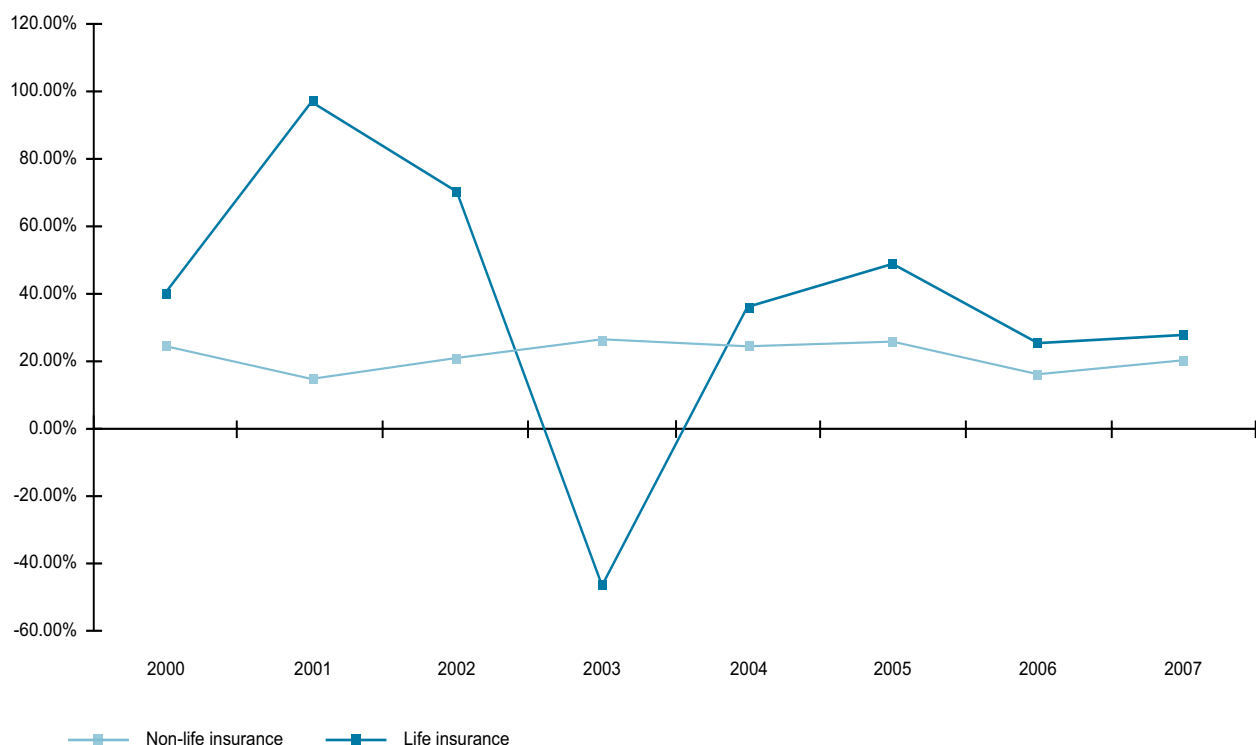
Source: Sigma № 4/2007 World insurance in 2006: Premiums came back to "life". Statistical appendix, updated December 2007.

at 0.42 %, and the insurance density - at BGN 30.83 per capita, compared to the calculation from the previous year at 0.38 % (after the data were revised) and BGN 24.25 per capita respectively.

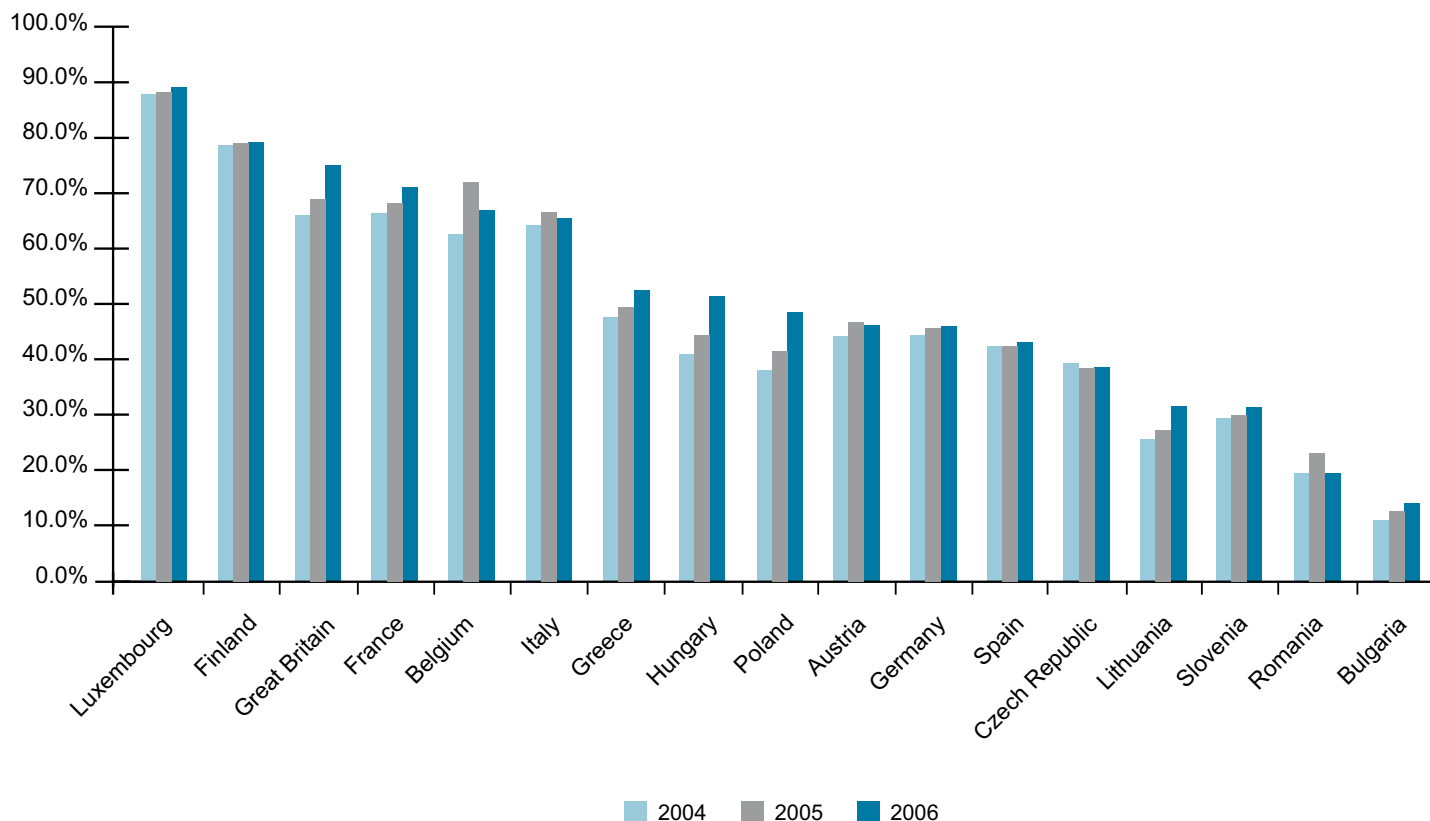
The average inflation in Bulgaria for 2007 was calculated as 8.4 % compared to 7.3 % in 2006<sup>40</sup>. The actual growth of the gross premium income was assessed at 11.35 % on an annual basis, respectively 10.41 % in non-life in

<sup>40</sup> Source: Agency for Economic Analyses and Forecasts.

## GROWTH RATE OF PREMIUM INCOME FROM NON-LIFE INSURANCE AND LIFE INSURANCE



## RELATIVE SHARE OF LIFE INSURANCE IN THE TOTAL PREMIUM INCOME IN SOME EUROPEAN COUNTRIES IN 2004, 2005, AND 2006 ( IN % )



Source: Sigma № 4/2007 World insurance in 2006: Premiums came back to "life". Statistical appendix, updated December 2007

surance and 16.7 % in life insurance<sup>41</sup>. The reported actual growth of the gross premium income from non-life insurance was above the reported actual growth of GDP on an annual basis of 6,2 %<sup>42</sup>. As a comparison, in 2006 in most countries in Central Europe the actual growth of the premium income was lower than the growth of GDP such as: Poland – 4.9 % growth of the premium income, the Czech Republic – 2.0 % growth of the premium income, and Hungary – 0.8 % growth of the premium income.

The life insurance market developed at a faster rate in comparison with the non-life insurance market but the actual growth reached was below the one reported in Central and Eastern Europe for 2006 – 19 % in real figures. In countries such as Poland (39 %), Hungary (32 %) and Slovenia (14 %) this growth stemmed from the increase in premium income from Unit-linked Life insurances, Life and Accident insurances<sup>43</sup>.

As of the end of 2007 the relative shares of non-life insurance and life insurance in the gross premium income were 84.35 % and 15.65 % respectively compared to 85.07 % and 14.93 % reported for 2006.

In terms of percentage of life insurance in the overall insurance business, Bulgaria ranked at one of the last places among European countries. On average in the countries from the European Economic Area the shares of the two insurance sectors are approximately equal, which shows that life insurance in Bulgaria will continue to record an outpacing growth compared to the non-life insurance.

The gross premium income generated by voluntary health insurance companies as of the end of 2007 amounted to BGN 25 314 thousand and reported a growth of 11.9 % on an annual basis. Health insurance density was calculated at BGN 3.31 per capita, while penetration - at 0.04 % compared to BGN 2.95 and 0.05 % for 2006 accordingly.

***With the purpose of data comparability, the analysis on non-life insurance and life insurance companies according to 2006, 2005, and 2004 data excluded branches of insurers registered in another Member State – QBE INTERNATIONAL INSURANCE (EUROPE) LIMITED – Sofia branch, ZAD ING – Sofia branch, CARDIFF – LIFE INSURANCE, Bulgaria branch, and CARDIFF – GENERAL INSURANCE, Bulgaria branch. These branches have been operating since 1 January 2007 under the terms of the right of establishment and as of 31 December 2007 there was no information on their activity during the reviewed period.***

<sup>41</sup> The actual growth was calculated according to Fischer's formula:  $1 + rn = (1 + r)(1 + i)$ , where  $m$  is the nominal growth,  $r$  is the actual growth, and  $i$  is the inflation growth.

<sup>42</sup> Source: Agency for Economic Analyses and Forecasts.

<sup>43</sup> Source: Sigma No 4/2007.



## 15.2. Analysis of the Activities of Non-life Insurance Companies for 2007

### 15.2.1. Premium Income and Market Share

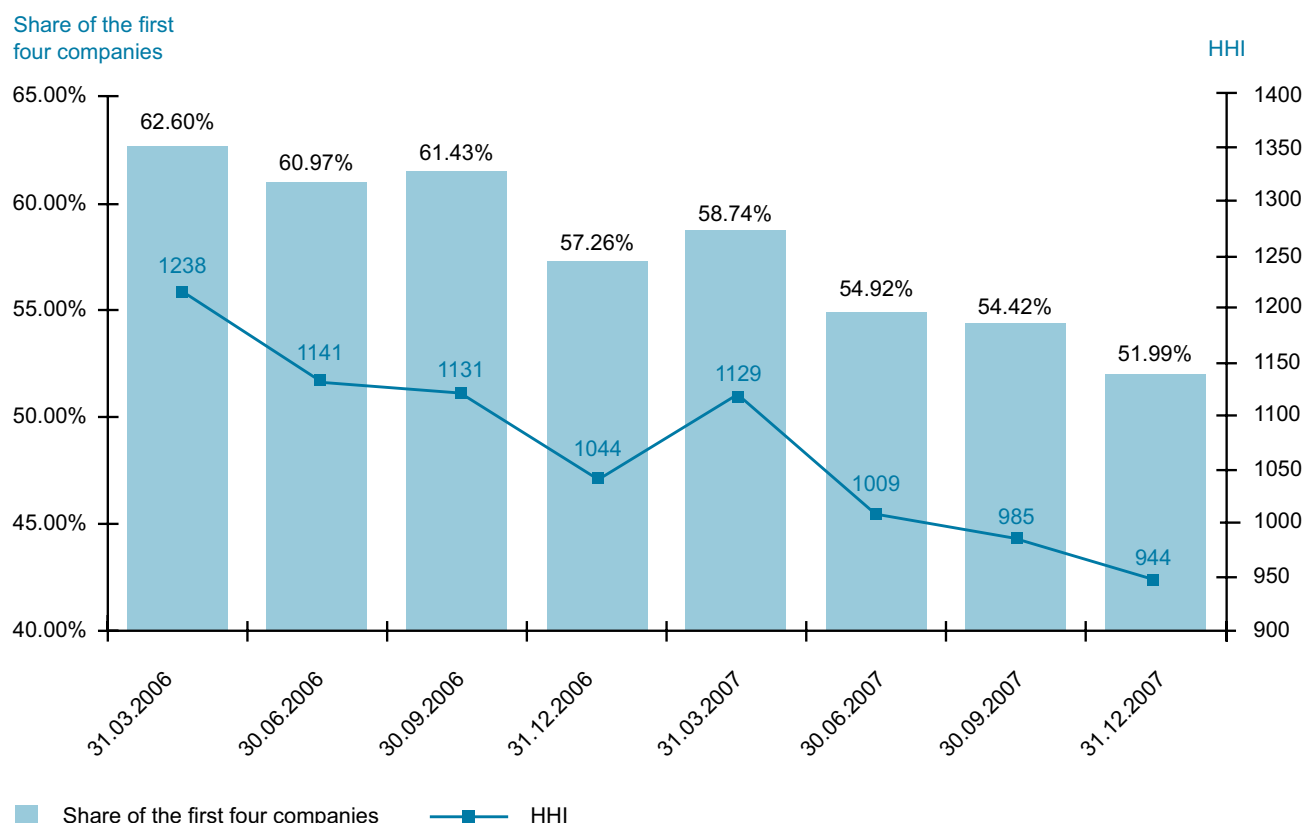
The gross premium income from non-life insurance as of the end of 2007 amounted to BGN 1 269 546 thousand, against BGN 1 050 014 thousand at the end of 2006. The premium income from direct non-life insurance amounted to BGN 1 259 882 thousand, with BGN 1 045 507 thousand at the end of 2006. The amount of the received premiums on inward reinsurance was

calculated to be BGN 9 664 thousand at the end of the reviewed period, with reported BGN 11 614 thousand reported one year earlier. The ceded premiums on outward reinsurance for the overall non-life insurance sector amounted to BGN 246 842 thousand and represented 19,44 % of the gross premium income generated in the sector. The self-retention ratio amounted to 0,81. All non-life insurance companies reported positive growth on a year-on-year basis with regard to the premium income generated by them. The only exception was MUNICIPAL INSURANCE COMPANY JSC whose premium income equalled the one generated in 2006.

### SELF-RETENTION RATIO IN THE NON-LIFE INSURANCE BY INSURER FOR 2007

Insurers	Gross premium income (BGN thousand)	Ceded premiums to reinsurer (BGN thousand)	Self-retention ratio
ZD BUL INS AD	146 573	895	0,99
ZPK LEV INS AD	101 681	1 205	0,99
HDI ZAD	13 845	513	0,96
ZPAD DZI - GENERAL INSURANCE	186 729	11 210	0,94
ZAD VICTORIAAD	30 911	2 524	0,92
ARMEEC INS CO	90 725	9 400	0,90
INSURANCE COMPANY BULGARSKI IMOTI AD	50 866	11 613	0,77
ZPAD BULSTRAD AD	177 576	43 281	0,76
IC EUROINS AD	66 578	16 420	0,75
ZPAD ENERGIA	52 784	13 586	0,74
ZPAD ALLIANZ BULGARIAAD	149 183	40 689	0,73
ZK DSK GARANTZIAAD	4 942	1 472	0,70
OBSTINSKA ZASTRAHOVATELNA KOMPANIJA AD	7 397	2 372	0,68
UBB-AIG ZPD AD	2 903	1 102	0,62
BULGARIAN EXPORT INSURANCE AGENCY EAD	2 789	1 131	0,59
GENERALI INSURANCE AD	64 920	27 159	0,58
ZD UNIKAAD	87 724	40 454	0,54
INTERAMERIKAN BULGARIA ZEAD	14 003	9 582	0,32
AIG BULGARIA INSURANCE AND REINSURANCE COMPANY EAD	17 417	12 233	0,30
<b>Total:</b>	<b>1 269 546</b>	<b>246 842</b>	<b>0,81</b>

## CONCENTRATION ON THE NON-LIFE INSURANCE MARKET MEASURED BY HHI AND SHARE OF THE FIRST FOUR COMPANIES



The market share of the four companies (DZI PLC – GENERAL INSURANCE, BULSTRAD Plc, ZPAD ALLIANZ BULGAIRA and BUL INS LTD) which generated the highest premium income at the end of 2007 came to 51,99 % against 57,26 % the previous year and 62,83 % at the end of 2005. More detailed information on the gross recorded premiums by insurers is given in **Appendix 15.2.1A**.

The diagram above shows the concentration of the non-life insurance market measured through the Herfindahl-Hirschman Index (HHI), and the share of the first four companies.

From the first quarter of 2006 to the six-months of 2007 the HHI for the non-life insurance market registered values of more than 1000 points, i.e. throughout this period there was not a dominating company in the sector and there was a good competitive environment.

From the third quarter of 2007 to the end of the year, the index showed values below 1000 points and the share of the first four participants reached a level of 51,99 %, which showed that the companies were in a highly competitive environment.

In the portfolio structure of the companies which carry out non-life insurance activity, a major share of 68,56 % belonged to the motor vehicle insurances (Land vehicles, excluding railway rolling stock - 44,15 %, and Third Party Liability insurance related to the possession and use of motor vehicles - 24,41 %).

In 2007 the generated premium income from Land vehicles, excluding railway rolling stock insurance amounted to BGN 560 055 thousand and achieved a growth of 36,62 % on annual basis with a realized growth in the preceding year of 17,12 % . This high growth was to a large extend due to the sale of new vehicles which in 2007 jumped up by 22,15 %<sup>44</sup>.

By the end of 2007 according to data of the Ministry of Interior, there were 413 886 motor vehicles registered with which the number of vehicles reached 2 628 680. The increase was a record high for the country and was two fold higher than the preceding years. The biggest premium income from this insurance was generated by BUL INS LTD – BGN 120 584 thousand (21,53 %), DZI -GENERAL INSURANCE- BGN 87 906 thousand (15,70 %) and BULSTRAD Plc- BGN 77 294 thousand (13,80 %).

In 2006 the premium income generated by the European motor insurers amounted to 127,2 billion Euros and registered a negative real growth of -1 % for a second consecutive year despite the growing number of the insured motor vehicles. The reported real growth was due primarily to the high competition level among insurers. Negative growth was registered in more than half the member states of the European Insurance Committee (CEA) and particularly in the West European countries (Germany -5,4 %, Portugal -2,7 %, the Netherlands -2 %, France -1,7 %, Great Britain -1,6 %), where the market was the most saturated and the competition was at the highest level.

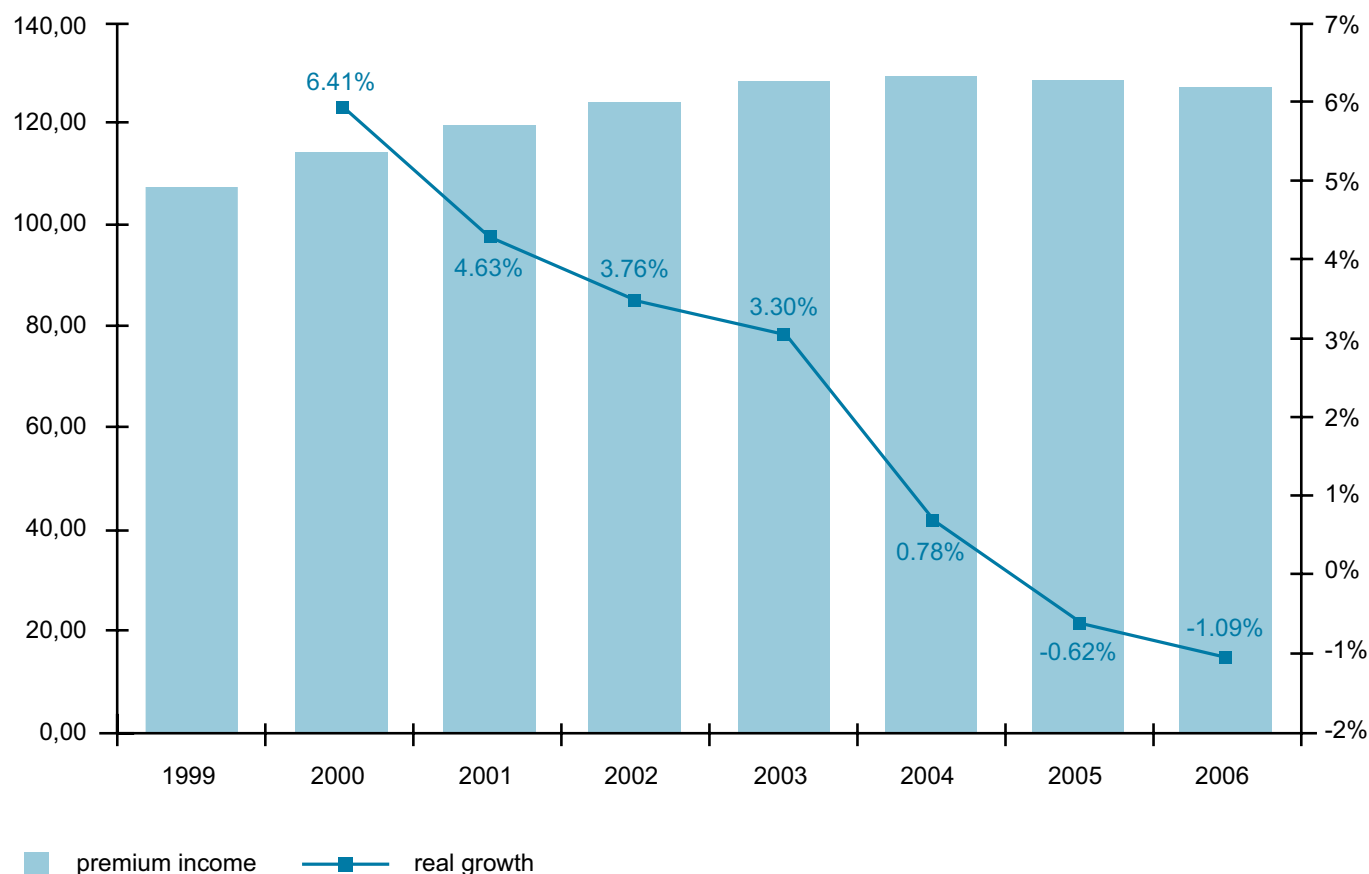
The diagrams on the next page show the development of the European motor insurance and the motor insurance in Bulgaria.

Unlike the European motor vehicle insurance which marked a negative growth of the premiums in 2006, the Bulgarian motor insurance registered a positive growth of the premium income since 2001.

At the end of 2007 from a total of 20 licensed non-life insurance companies 16 had a license to offer Third Party Liability insurance related to the possession and use of motor vehicle. The share of the first four companies in that

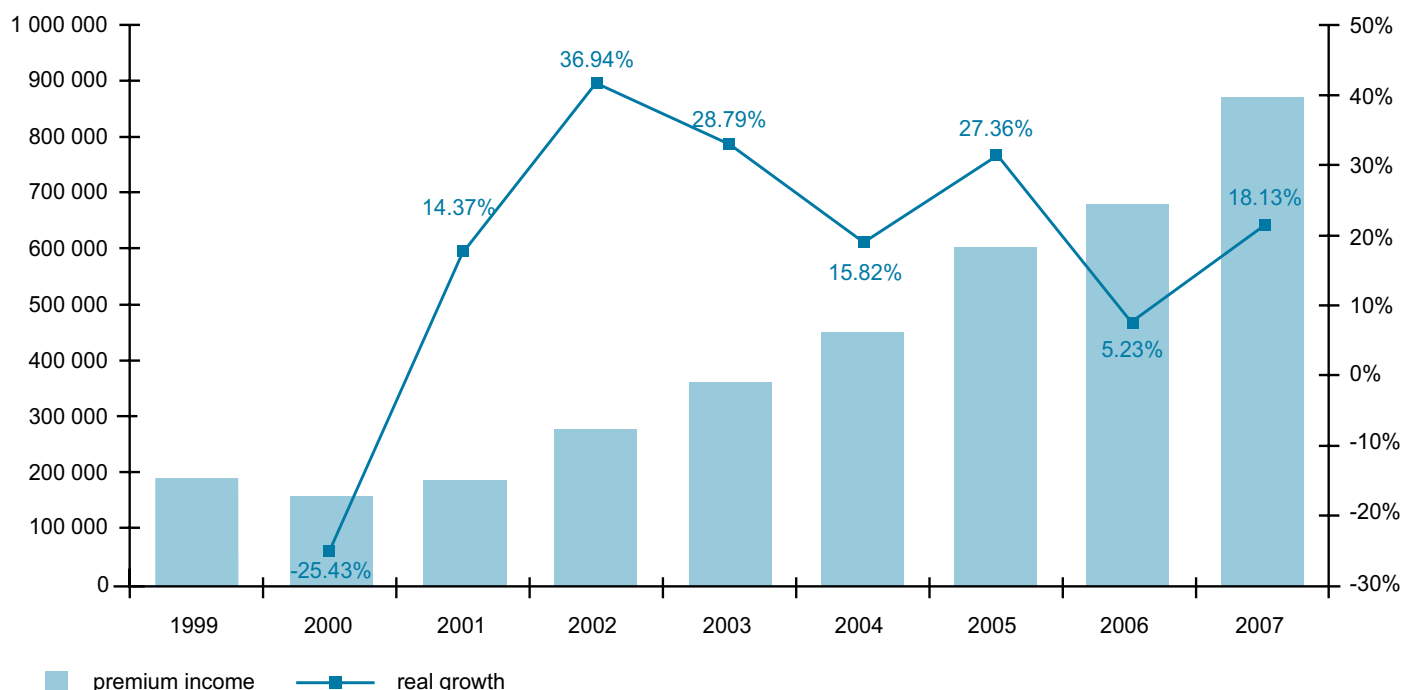
<sup>44</sup> Source: Bulgarian Vehicle Importers Association

**GROWTH OF THE PREMIUM INCOME FROM MOTOR INSURANCE IN EUROPE (MOTOR OWN DAMAGE INSURANCE AND THIRD PARTY LIABILITY INSURANCE RELATED TO THE POSSESSION AND USE OF MOTOR VEHICLE) (IN BILLION EUROS)**



Source CEA, The European Motor Insurance Market

**GROWTH OF THE PREMIUM INCOME FROM MOTOR INSURANCE IN BULGARIA (MOTOR OWN DAMAGE INSURANCE (CASCO) AND THIRD PARTY LIABILITY INSURANCE RELATED TO THE POSSESSION AND USE OF MOTOR VEHICLES) (IN BGN THOUSAND)**



insurance was calculated to be 54,27%. The generated premium income amounted to BGN 309 634 thousand, with BGN 269 108 thousand reported at the end of 2006, i.e. the growth of this class of insurance was calculated to be 15,06%.

The premium income from Third Party Liability insurance of motorists amounted to BGN 299 235 thousand, from Third Party Liability in third countries (Green Card) – to BGN 8 138 thousand, Border Third Party Liability insurance of motorists

– to BGN 654 thousand and from Third Party Liability insurance of carriers – BGN 1 607 thousand.

The scope of the Third Party Liability insurance of motorists on the basis of insured motor vehicles towards registered motor vehicles, excluding those suspended from movement, was calculated to be 83 % (as of 4 January 2008).

On 1 August 2007 came into effect the European Commission's Decision on the application of Council Directive 72/166/EEC on the approximation of the laws of the Member States relating to Third Party Liability insurance in respect of the use of motor vehicles and to enforcement of the obligation for conclusion of such insurance. In compliance with that Decision, as of that date, the border control for contracted Third Party Liability insurance of motorists was ceased with regards to the Bulgarian motor vehicles when they travel within the territory of the European Economic Area.

On 1 August 2007 came into effect also the Ordinance for amending and supplementing Ordinance No. 24 of 2006 of 8 March 2006 on mandatory insurance under Article 249, items (1) and (2) of the Insurance Code and the methodology for settling claims for damages caused by motor vehicles. By the amendment to the Ordinance the Border insurance Third Party Liability of motorists is being regulated. At the cross-border points, the persons who arrive from third countries and have no valid Green Card certificate are obliged to contract Border insurance Third Party Liability of motorists with a Green Card certificate, valid for the territory of the Republic of Bulgaria and for the territory of the European Economic Area. The Border Third Party Liability insurance is also mandatory for persons who drive a motor vehicle and are usually located within the territory of a third country and the validity of the Border insurance Third Party Liability of motorists which they have expires before they leave the country.

Amendments were also made to the Insurance Code. Sanctions were introduced for insurers who delay the

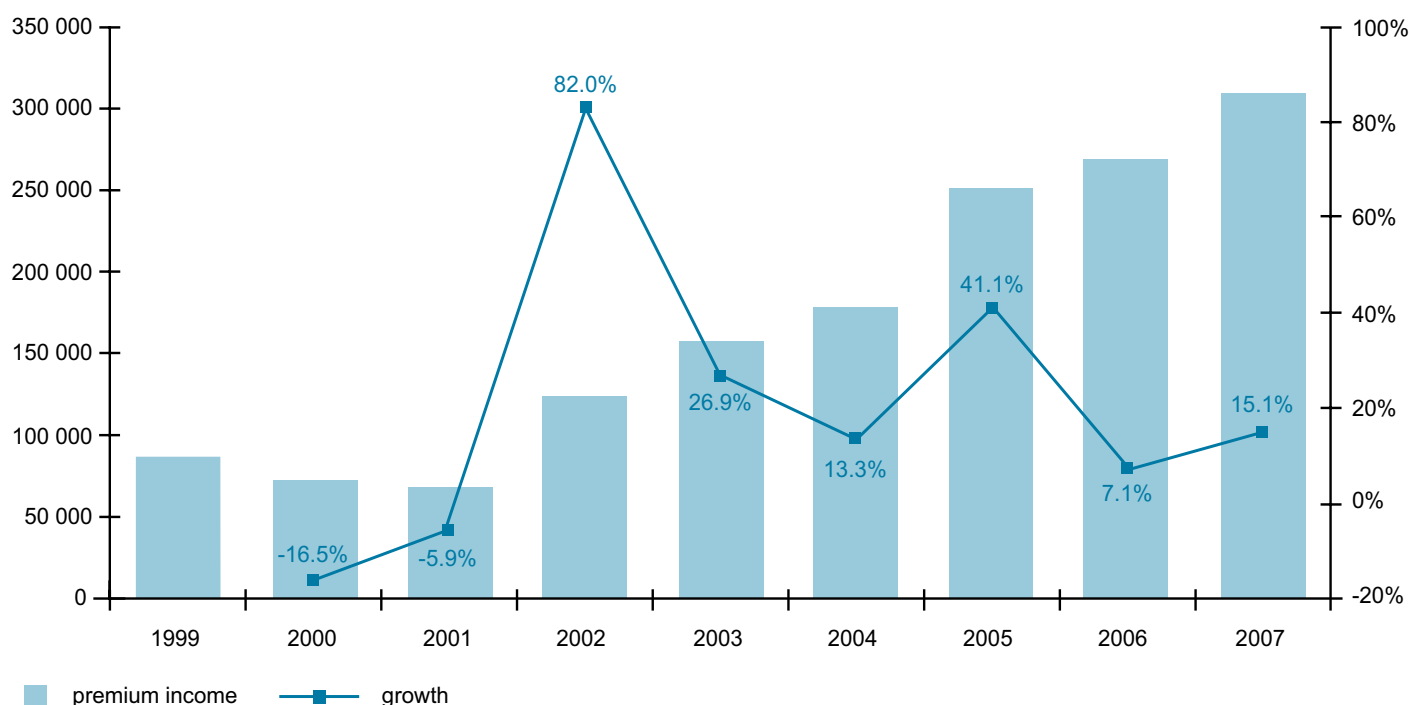
submission of information about the insurances contracted by them as well as for the presentation of incomplete or inaccurate information. The measures aim to improve the timeliness and quality of the submitted information about the contracted Third Party Liability insurances of motorists.

All companies which have a license for Third Party Liability insurance related to the possession and use of motor vehicles may offer also Border insurance. As of 31 December 2007 data about this insurance were reported by 9 non-life insurance companies: ARMEEC INS CO, BULSTRAD PLC, BULGARSKI IMOTIAD, UNICAAD, EUROINS INSURANCE PLC, INTERAMERICAN BULGARIA ZEAD, VICTORIA PLC, GENERALI INSURANCE AD and HDI INS CO.

The lowest growth of the premium income from Third Party Liability insurance related to the possession and use of motor vehicles for 2006 was registered in the West European countries while the highest growth was registered in the new Member States which were in a "catch up" stage and faced growing risks related to the sufficiency of the premiums considering the frequency and amount of compensations which were paid for events (road traffic accidents) occurred within the territory of the EEA.

As of the end of 2007 the property insurances accounted for 19,03 % of the gross premium income. The generated premium income from Fire and Natural Perils insurance and Property Damage insurance amounted to BGN 241 399 thousand and registered a growth of 10,35 % on a year-on-year basis (real growth of 1,8 %) against a growth of 21,43 % for 2006 (real growth of 13,2 %). The number of insured sites as per contracts concluded in 2007 was 589 270, compared to 603 158 for 2006. On the European insurance market the property insurance also accounted for a share of about one fifth from the non-life insurance business and the generated premium income in 2006 was 82,1 billion Euro. In 2006 this insurance class registered real growth of 1,6 % on a year-on-year basis with real

#### GROWTH OF THE PREMIUM INCOME FROM THIRD PARTY LIABILITY INSURANCE RELATED TO THE POSSESSION AND USE OF MOTOR VEHICLE IN BULGARIA AS A NOMINAL VALUE (THOUSAND BGN)



growth of 4,2 % for 2005<sup>45</sup>.

The highest growth of the premium income on annual basis was reported on Credit insurances - 54,21 %, Land vehicles, excluding railway rolling stock - 36,62 %, Various Financial

Losses insurance - 34,22 % and Railway Rolling Stock insurance - 19,66 %.

In the field of non-life insurance, a major share in the ac-

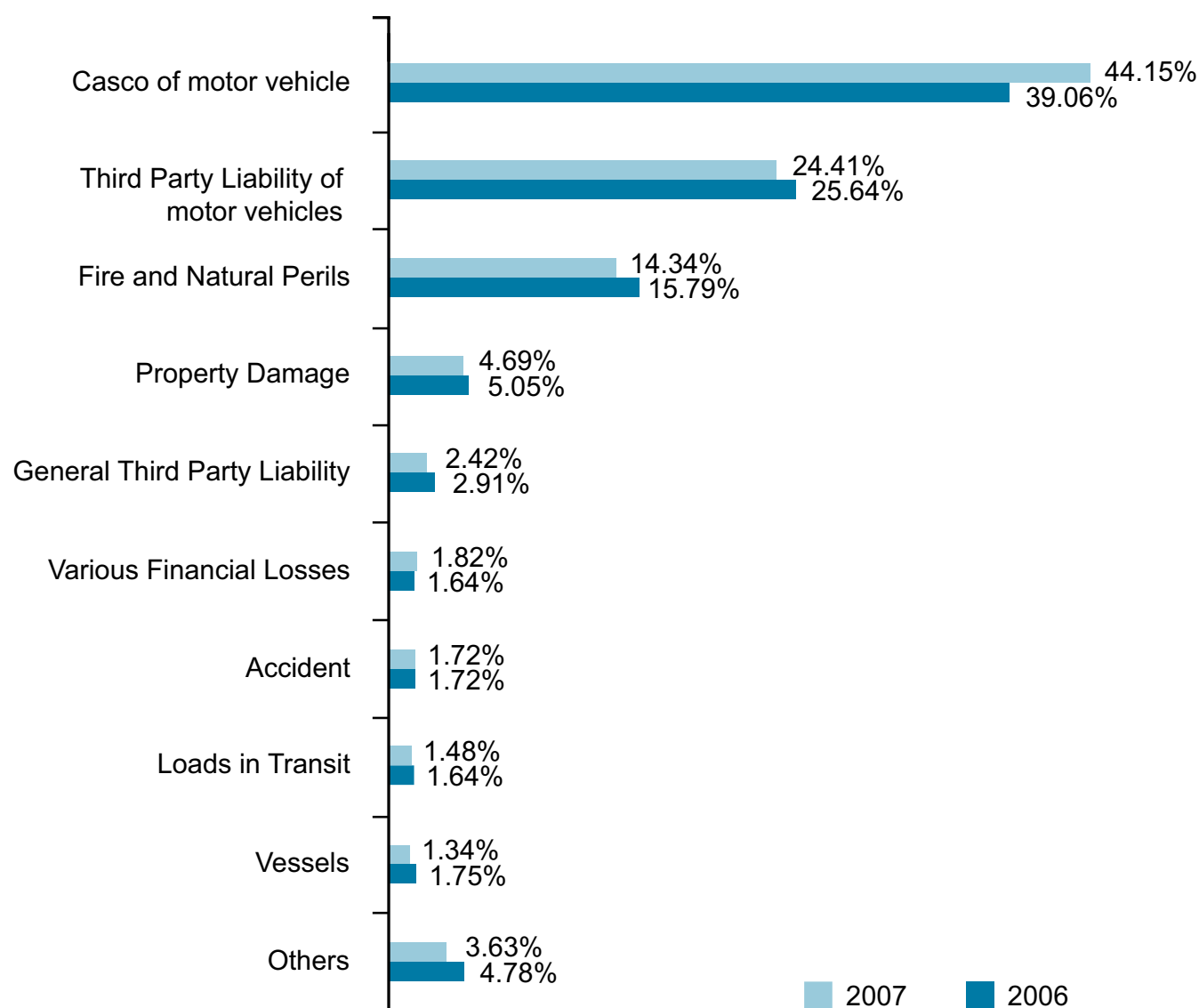
<sup>45</sup> Source: CEA: Annual report 2006-2007

## GROSS ACCRUED (RECORDED) PREMIUMS OF NON-LIFE INSURANCE COMPANIES AS PER INSURANCE CLASS (IN THOUSAND BGN)

Insurance class	2007	2006
1. Accident Insurance	21 808	18 093
Including the obligatory Accident Insurance of Passengers in Public Transport	5 461	4 149
2. Sickness insurance	18	24
3. Land vehicles, excluding railway rolling stock	560 055	409 926
4. Railway rolling stock insurance	3 836	3 205
5. Aircraft Insurance	9 025	15 087
6. Vessels Insurance	16 974	18 328
7. Loads in Transit insurance	18 803	17 252
8. Fire and Natural Perils insurance	181 879	165 725
9. Property Damage insurance	59 520	53 024
10. Third Party Liability insurance related to the possession and use of motor vehicles, including:	309 634	269 108
Third Party Liability insurance of motorists	299 235	220 764
Green Card	8 138	47 151
Border Third Party Liability insurance	654	0
Third Party Liability insurance of carriers	1 607	1 187
11. Third Party Liability insurance related to the possession and use of aircrafts	8 650	9 399
12. Third Party Liability insurance related to the possession and use of vessels	2 125	2 201
13. General Third Party Liability insurance	30 762	30 500
14. Credit insurance	9 329	6 050
15. Suretyship insurance	3 368	4 749
16. Various Financial Losses insurance	23 143	17 243
17. Legal Expenses insurance	0	3
18. Travel Assistance insurance	9 654	9 466
<b>Total:</b>	<b>1 268 582</b>	<b>1 049 384</b>



## PORTFOLIO STRUCTURE OF THE NON-LIFE INSURANCE COMPANIES (IN %)



tivity on inward reinsurance in 2007 was occupied by the risks associated with Fire and Natural Perils insurance. The received premiums by cedants for this insurance amounted to 54 % of the total amount of the premiums received on inward reinsurance. It was followed by insurances Land vehicles, excluding railway rolling stock - 21 %, Property Damage - 14 %, and Accident - 5,3 %. Information about the gross received premiums on inward reinsurance by non-life insurers is given in **Appendix 15.2.1B**.

In the structure of the ceded premiums to reinsurers as per insurance class, the highest share belonged to the Fire and Natural Perils insurance, Land vehicles, excluding railway rolling stock, Property Damage, Third Party Liability insurance related to the possession and use of motor vehicles.

The ceded premiums to reinsurers on Land vehicles, excluding railway rolling stock insurance amounted to 9,44 % of the gross premium income generated from that

## SELF-RETENTION RATIO IN THE NON-LIFE INSURANCE AS PER INSURANCE CLASS FOR 2007

Insurance class	Gross premium income (BGN thousand)	Ceded premiums to re-insurers (BGN thousand)	Self-retention ratio
Sickness insurance	18	0	1,00
Legal Expenses Insurance	0,1	0	1,00
Various Financial Losses insurance	23 143	1 059	0,95
Land vehicles, excluding railway rolling stock insurance	560 055	52 852	0,91

Third Party Liability insurance related to the possession and use of motor vehicles	309 634	30 046	0,90
Accident insurance	21 808	2 282	0,90
Travel Assistance Insurance	9 654	1 274	0,87
Credit Insurance	9 329	1 520	0,84
Railway Rolling Stock Insurance	3 836	923	0,76
General Third Party Liability Insurance	30 762	10 574	0,66
Fire and Natural Perils Insurance	181 879	76 530	0,58
Loads in Transit insurance	18 803	8 413	0,55
Property Damage insurance	59 520	30 321	0,49
Suretyships insurance	3 368	1 742	0,48
Vessels insurance	16 974	11 369	0,33
Third Party Liability insurance related to the possession and use of vessels	2 125	1 651	0,22
Third Party Liability insurance related to the possession and use of aircrafts	8 650	7 446	0,14
Aircrafts Insurance	9 025	8 370	0,07
<b>Total:</b>	<b>1 268 582</b>	<b>246 370</b>	<b>0,81</b>

class of insurance. 9,7 % of the gross premium income generated from Third Party Liability insurance related to the possession and use of motor vehicles were ceded to reinsurers.

**15.2.2. Analysis and Structure of Paid Compensations and Costs Related to Insurance Activity by Class of Insurance** The sum of the paid compensations in the non-life insurance sector in 2007 amounted to BGN 451 504 thousand, against BGN 362 259 thousand paid in 2006 whereby an outpacing growth of 24,6 % on a year-on-year basis was registered in comparison with the growth of the gross premium income. The incurred claims<sup>46</sup> in the non-life insurance amounted to BGN 565 676 thousand with a year-on-year growth of 29 %. The biggest share in the structure of the paid compensations belonged to BULSTRAD PLC with 21,60 %, DZI – GENERAL INSURANCE with 15,24 %, BUL INS LTD with 13,84 % and ALLIANZ BULGARIAAD with 12,41 %. The aggregate share of these companies was 63,09 % of the total volume of compensations paid in the sector. More detailed information about the compensations paid, the occurrence of claims and the changes in their amounts can be found in **Appendix 15.2.2A** and **15.2.2B**.

As per insurance class, the biggest share of the total settled claims belonged to Land vehicles, excluding railway rolling stock Insurance - 56,32 %, followed by

Third Party Liability insurance related to the possession and use of motor vehicles - 27,31 %, and Fire and Natural Perils Insurance on which were paid 6,73 % of the total compensations paid in the sector. **Appendix 15.2.2C** provides information about the compensations paid, incurred claims and the actually made costs by class of insurance.

The biggest increase in the amount of compensations paid on annual basis was marked by the following insurances: Aircrafts - of 425,86 %, General Third Party Liability - 134,16 %, Accident - 74,29 %, Loads in Transit - 60,41 %, and Third Party Liability insurance related to the possession and use of motor vehicles - 40,91 %. Only under Legal Expenses Insurance no compensations were paid.

The compensations paid to cedants in non-life insurance amounted to BGN 587 thousand, the biggest share belonging to Land vehicles, excluding railway rolling stock insurance - 33,64 %. It was followed by Third Party Liability insurance of motorists - 21,03 %, Vessels Insurance - 20,07 %, Fire and Natural Perils insurance - 17,72 % of the total amount of the compensations paid under contracts subject of inward reinsurance.

The recovered amounts on reinsurance contracts amounted to BGN 75 862 thousand which accounted for 16,8 % of the non-life insurance compensations paid in 2007.

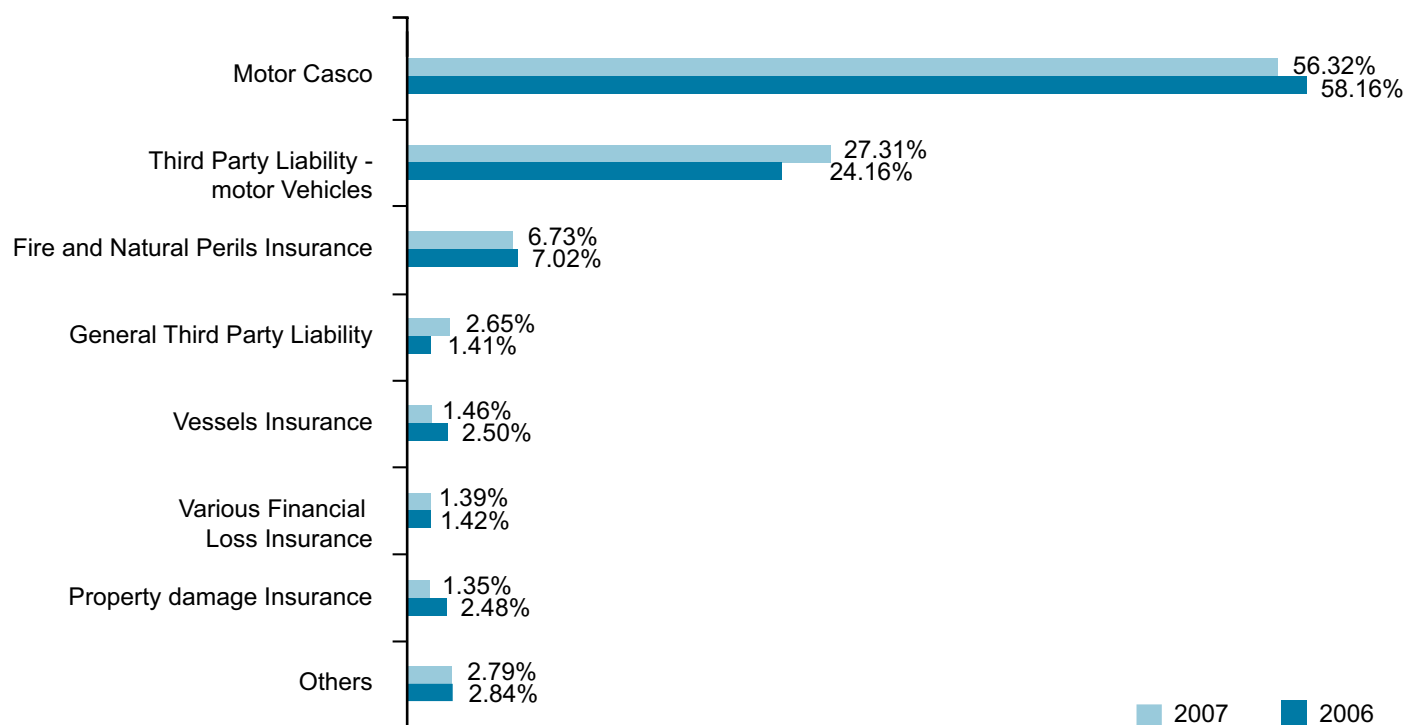
It is evident from **Appendix 15.2.2D** that on a year-on-year basis, the increase in the compensations paid for the following insurances: Accident, Aircraft, Loads in Transit, Fire and Natural Perils, Third Party Liability insurance

<sup>46</sup>Claims incurred = Paid compensation – Reserve for forthcoming payments in the beginning of the period + Reserve for forthcoming payment at the end of the period

**MAJOR INDICATORS BY TYPE OF INSURANCE CLASS OFFERED BY NON-LIFE INSURANCE COMPANIES**

Insurance class	2007				2006			
	Gross loss ratio	Gross expense ratio	Gross combined ratio	Gross technical result (BGN)	Gross loss ratio	Gross expense ratio	Gross combined ratio	Gross technical result (BGN)
1. Accident Insurance	0,21	0,47	0,68	6 322 210	0,14	0,44	0,58	7 719 395
Including the obligatory Accident Insurance for Passengers in Public Transport	0,17	0,33	0,50	2 447 281	0,06	0,30	0,36	3 862 044
2. Sickness Insurance	1,60	0,29	1,90	-16 990	0,96	0,23	1,20	-4 261
3. Land vehicles, excluding railway rolling stock	0,54	0,40	0,94	20 903 400	0,63	0,39	1,02	-14 260 744
4. Railway rolling stock Insurance	0,08	0,31	0,38	2 291 884	0,36	0,28	0,64	1 361 303
5. Aircraft Insurance	0,22	0,12	0,34	6 966 634	0,12	0,09	0,22	11 171 528
6. Vessels Insurance	0,64	0,46	1,09	-302 481	0,38	0,30	0,68	4 914 845
7. Loads during Transport Insurance	0,24	0,42	0,66	6 645 633	-0,08	0,38	0,29	11 235 794
8. Fire and Natural Perils Insurance	0,20	0,31	0,52	82 283 581	0,14	0,29	0,44	77 933 863
9. Property Damage Insurance	0,12	0,40	0,52	25 544 235	0,20	0,32	0,52	19 540 279
10. Third Party Liability insurance related to the possession and use of motor vehicles	0,72	0,39	1,11	-36 978 305	0,59	0,35	0,95	22 564 176
11. Third Party Liability insurance related to the possession and use of aircrafts	0,00	0,11	0,10	8 191 678	-0,05	0,21	0,16	8 575 564
12. Third Party Liability insurance related to the possession and use of vessels	0,01	0,20	0,21	1 720 902	-0,15	0,40	0,25	1 418 556
13. General Third Party Liability Insurance	0,41	0,25	0,66	10 106 861	0,24	0,20	0,45	17 611 598
14. Credit Insurance	0,18	0,40	0,58	2 835 100	0,82	0,34	1,16	-1 258 388
15. Suretyship insurance	-0,69	0,35	-0,34	4 164 120	0,22	0,30	0,53	2 598 015
16. Various Financial Losses Insurance	0,29	0,42	0,71	3 617 284	0,46	0,55	1,01	113 926
17. Legal Expenses Insurance	0,00	1,85	1,85	820	0,00	0,54	0,54	904
18. Travel Assistance Insurance	0,16	0,57	0,72	2 929 599	0,24	0,60	0,84	1 139 057
<b>Total:</b>	<b>0,48</b>	<b>0,38</b>	<b>0,86</b>	<b>147 225 875</b>	<b>0,46</b>	<b>0,36</b>	<b>0,81</b>	<b>172 375408</b>

## STRUCTURE OF THE COMPENSATIONS PAID BY THE NON-LIFE INSURANCE COMPANIES (IN %)



related to the possession and use of motor vehicles, General Third Party Liability, Travel Assistance outstripped the premium income growth.

The biggest relative share in the net technical result (taking the reinsurance effect into consideration) by insurance classes belonged to Motor Casco (BGN 35 721 thousand) and Fire and Natural Perils (BGN 32 855 thousand).

Only three companies reported activity on sickness insurance with all the three having a negative gross technical result amounting to – BGN 17 thousand. On Vessels Insurance the gross technical result was also negative (BGN -302 thousand) – a consequence of the reported negative result by three companies. On Third Party Liability insurance related to the possession and use of motor vehicles (excluding Third Party Liability of Carriers) the technical result (gross and net) was negative, respectively (BGN -36 892 thousand) and (BGN -27 563 thousand), with negative gross technical result for 11 insurers and the net technical result was negative for 9 insurers (with total of 16 companies licensed to carry out activity on Third Party Liability insurance of motorists).

The actually incurred expenses for 2007 by the non-life insurance companies, related to their activity amounted to BGN 481 207 thousand, against BGN 382 441 thousand in 2006, which was 38 % of the gross premium income generated in the sector. The gross expense ratio at the end of the reporting period increased to 0,38 from 0,36 at the end of the previous year.

Acquisition expenses accounted for 60 % of the incurred actual expenses and 23 % of the generated gross premium income at the end of the years.

The incurred administrative expenses amounted to BGN 146 315 thousand, or 30 % of the total incurred expenses.

Claims settlement expenses for 2007 amounted to BGN 13 626 thousand or 3 % of the total incurred expenses.

On Legal Expense insurance the actually incurred expenses throughout the year amounted to BGN 270 and exceeded the underwritten premium income for that insurance of BGN 146, and the amount of the incurred expenses on Travel Assistance Insurance was more than 50% of the gross premium income generated from that type of insurance.

Expenses made on Land vehicles, excluding railway rolling stock amounted to BGN 221 873 thousand and accounted for the biggest share with 46 % of the total incurred expenses. Second in incurred expenses came Third Party Liability insurance related to the possession and use of motor vehicles with 25% - BGN 121 456 thousand.

The biggest growth of incurred expenses was registered on Credit insurance - 62 % on annual basis.

### 15.2.3. Analysis and Structure of Technical Provisions and Assets for Covering Technical Provisions

#### Analysis and Structure of the Gross Technical Provisions

General insurance companies form their technical provisions in compliance with Ordinance No. 27 on the rules and methods for formation of technical provisions by insurers and the health insurance provisions.

At the end of 2007 the amount of the gross technical provisions set aside by the non-life insurance companies reached BGN 903 131 thousand, against BGN 690 720 thousand one year earlier.

Compared with 2006, in 2007 a growth was observed of all types of provisions, except the reserves included in other reserves, approved by the FSC.

The allocated amount of the loss reserve at the end of 2007 amounted to BGN 455 336 thousand increasing by 33,5 % with a growth of the premium income of 20,9 % on annual basis. With regard to Third Party Liability insurance related to the possession and use of motor vehicles the allocated loss reserve amounted to BGN

## GROSS TECHNICAL PROVISIONS IN THE NON-LIFE INSURANCE (IN THOUSANDS BGN)

Type of technical provisions	31.12.2007	31.12.2006	31.12.2005	31.12.2004	Change 2007/2006	Change 2006/2005	Change 2005/2004
Unearned premium reserve	445 885	340 624	257 898	196 567	30,90%	32,08%	31,20%
Unexpired risks reserve	44	33	-	-	33,33%	-	-
Loss reserve	455 336	341 163	264 751	196 384	33,47%	28,86%	34,81%
Equalization reserve	1 649	1 176	1 286	2 410	40,22%	-8,55%	-46,64%
Bonus and rebate reserve	217	-	-	-	-	-	-
Other reserves approved by the FSC	0	7 724	3 509	-	-100,00%	120,12%	-
<b>Total:</b>	<b>903 131</b>	<b>690 720</b>	<b>527 444</b>	<b>395 361</b>	<b>30,75%</b>	<b>30,96%</b>	<b>33,41%</b>

282 918 thousand, or an increase of 36,9 % was marked, with a growth of the premium income from that class of insurance of 15,1 % on a year-on-year basis. The increase of the reserve on this class of insurance was a result of the increase by 57 % of the portion in it allocated for incurred but unsubmitted claims, which with some insurers was a consequence of the measures taken due to underestimation of the reserves established during the on-site inspections performed throughout the year as well as a result of the preliminary approval of the reserve formation method. The outpacing growth of the loss reserve (by 132 %) for the last three years compared to the premium income growth for this period (by 74 %) contributed to the increase in the financial stability of the sector.

The amount of the unearned premium reserve at the end of 2007 came to BGN 445 885 thousand and registered a growth of 30,9 % on annual basis. By classes of insurance, the biggest increase in the unearned premium reserve was reported on insurance Land vehicles, excluding railway rolling stock (with BGN 52 066 thousand), Third Party Liability insurance related to the possession and use of motor vehicles (with BGN 33 524 thousand) and Fire and Natural Perils Insurance (with BGN 8 172 thousand).

### ANALYSIS AND STRUCTURE OF THE ASSETS FOR COVER OF THE TECHNICAL PROVISIONS

As of the end of 2007 the amount of the assets for covering technical provisions amounted to BGN 942 782 thousand

### ASSETS FOR COVER OF THE TECHNICAL PROVISIONS

Types of assets	As of 31.12.2007 (BGN thousand)	Share (%)	As of 31.12.2006 (BGN thousand)	Share (%)
Securities admitted to trading on a regulated securities market in the Republic of Bulgaria or in a Member State as well as securities admitted to trading on internationally recognized and liquid regulated securities market in a third country	135 520	14,37%	90 051	12,94%
Securities issued or guaranteed by the Republic of Bulgaria or a Member State as well as eligible debt securities issued or guaranteed by third countries, their central banks or international organizations, a member of which the Republic of Bulgaria is	183 087	19,42%	174 953	25,14%



Shares and units issued by investment companies and mutual funds which carry out activities under the provisions of the POSA as well as shares and units of collective investment schemes whose seat is located in a EU Member State	36 779	3,90%	12 533	1,80%
Title on lands or buildings	57 418	6,09%	54 728	7,86%
Receivables from reinsurers (reduced with the liabilities to the respective reinsurer), including the reinsurers' share in the technical provisions	104 822	11,12%	79 754	11,46%
Deposits and receivables from cedants	0	0,00%	0	0,00%
Receivables from insured persons and brokers arising from insurance and reinsurance contracts which are not overdue more than three months	130 191	13,81%	85 629	12,31%
Receivables from loans against Life Insurances	0	0,00%	0	0,00%
Cash in hand or on payment accounts or deposits in banks authorized to carry out banking activity in the Republic of Bulgaria or in a Member State	270 525	28,69%	177 586	25,52%
- deposits:	253 687	26,91%	159 970	22,99%
- cash on payment accounts:	13 845	1,47%	13 318	1,91%
- cash in hand	2 993	0,32%	4 299	0,62%
Deferred acquisition expenses	23 822	2,53%	17 278	2,48%
Indisputably established receivables in relation to tax refund	618	0,07%	3 347	0,48%
<b>Total assets for covering technical provisions:</b>	<b>942 782</b>	<b>100,00%</b>	<b>695 860</b>	<b>100,00%</b>

and fully covered the gross amount of the technical reserves of BGN 903 131 thousand reported at the year's end.

In the structure of the assets for covering technical provisions, the biggest share belonged to cash in hand and on payment accounts or bank deposits - 28,69 %, with the latter accounting for 94 % of this asset type. Non-life insurance companies covered 19,42 % of their technical provisions with government securities.

The biggest increase in the assets for covering technical provisions was registered in the shares and units issued by investment companies and mutual funds - by 193 %. These are followed by the bank deposits - by 59 %, receivables from insured persons and brokers - by 52 %, and securities admitted to trading on regulated markets - by 50 %.

#### 15.2.4. Technical Result and Financial Result

At the end of 2007 the companies in the non-life insurance sector reported a positive technical result of BGN 37 763 thousand with reported BGN 45 909 thousand at the end of 2006. The highest technical result was achieved by ENERGY INSURANCE AND REINSURANCE COMPANY, ALLIANZ BULGARIA, ZPK LEV INS AD and EUROINS INSURANCE PLC. Of 19 non-life insurance companies 7 closed the period with negative technical result – DZI PLC – GENERAL INSURANCE, UNICAAD, INTERAMERICAN BULGARIA ZEAD, IC DSK GARANTSIA AD, VICTORIA

PLC, HDI INS CO and UBB – AIG AD. Detailed information about the technical and financial result of non-life insurance companies can be found in **Appendix 15.2.4.**

In total for the sector an increase was reported in the gained premiums, net from reinsurance by 22,37 % on annual basis, and the incurred claims, net from reinsurance - by 20,76 % on annual basis. The lower technical result, compared with the previous year, was due mainly to the increase in the net operating expenses by 23,7 %, or with BGN 73 318 thousand as absolute value as well as due to other technical expenses, net of reinsurance (in this position the insurers report as expense the accrued but uncollected premium on insurance contracts) by 71,67 %, or with BGN 35 752 thousand. An increase was also reported in the bonuses and discounts from BGN 2 595 thousand to BGN 6 322 thousand.

The insurers carrying out non-life insurance activity at the end of 2007 reported net financial result amounting to BGN 69 773 thousand, with realized such as of the end of 2006 - BGN 68 285 thousand. The highest financial result was achieved by ENERGY INSURANCE AND REINSURANCE COMPANY (BGN 20 656 thousand), ALLIANZ BULGARIAAD (BGN 15 805 thousand) and ARMEEC INS CO (BGN 14 910 thousand). Loss was reported at closing by 3 non-life insurance companies – DZI PLC – GENERAL INSURANCE, UNICAAD and INTERAMERICAN BUL-

GARIA ZEAD, compared with five in the previous year.

#### 15.2.5. Main Balance Sheet Indicators

##### AMOUNT OF ASSET AND OWN CAPITAL

At the end of the year the value of assets of the non-life insurance companies amounted to BGN 1 358 815 thousand, registering a growth by 22,9 %.

The own capital of insurers offering non-life insurance services reached BGN 438 545 thousand, against BGN 391 446 thousand for 2006 and it was mainly concentrated in five insurance companies: ENERGY INSURANCE

AND REINSURANCE COMPANY, ALLIANZ BULGARIA AD, ARMEEC INS CO, BULSTRAD PLC and ZPK LEV INS AD. The percentage of these companies in the own capital of the non-life insurance came to 53,51 %. During the year an increase was realized in the subscribed share capital in BUL INS LTD – with BGN 3 000 thousand, EUROINS Insurance Plc – with BGN 2 500 thousand, ENERGY INSURANCE AND REINSURANCE COMPANY – with BGN 2 542 thousand, AIG BULGARIA – with BGN 533 thousand, INTERAMERICAN BULGARIA ZEAD – with BGN 2 000 thousand, ZPK LEV INS AD– with BGN 12 987 thousand, MUNICIPAL INSURANCE COMPANY

##### SOLVENCY RATIO OF THE NON-LIFE INSURANCE COMPANIES FOR 2007

INSURERS	Own funds (BGN)	Solvency margin (BGN)	Solvency ratio
ZPAD ARMEEZ AD	32 932 842	15 790 676	208,56%
ZPAD ALLIANZ BULGARIA AD	34 142 000	21 812 908	156,52%
ZPAD BULSTRAD AD	33 582 601	27 074 310	124,04%
ZD BUL INS AD	26 352 071	24 460 842	107,73%
INSURANCE COMPANY BULGARSKI IMOTI AD	10 111 215	5 276 083	191,64%
BULGARIAN EXPORT INSURANCE AGENCY EAD	11 667 720	155 624	7 497,39%
ZD UNIKA AD	19 489 000	11 094 617	175,66%
ZPAD DZI - GENERAL INSURANCE	42 438 000	30 956 354	137,09%
IC EUROINS AD	14 691 674	15 722 660	93,44%
ZPAD ENERGIA	30 582 500	9 537 750	320,65%
AIG BULGARIA ZPD EAD	10 430 124	1 648 075	632,87%
INTERAMERIKAN BULGARIA ZEAD	7 849 702	1 272 819	616,72%
ZPK LEV INS AD	21 829 975	15 528 964	140,58%
ZAD VICTORIA AD	10 396 956	5 080 163	204,66%
OBSTINSKA ZASTRAHOVATELNA KOMPANIJA AD	9 211 000	724 230	1 271,83%
GENERALI INSURANCE AD	17 673 650	8 743 485	202,14%
HDI ZAD	7 256 500	1 917 925	378,35%
ZK DSK GARANTZIA AD	7 474 843	565 392	1 322,06%
UBB-AIG ZPD AD	6 289 755	522 462	1 203,87%
<b>Total:</b>	<b>354 402 128</b>	<b>197 885 338</b>	<b>179,09%</b>

AD – with BGN 400 thousand, LIC DSK GARANTSIAAD – with BGN 400 thousand, and UBB-AIG AD – with BGN 600 thousand. **Appendix 15.2.5** provides comprehensive information about the amount of asset and own capital of the non-life insurance companies.

A decline in the subscribed share capital from BGN 42 200 thousand at the end of 2006 to BGN 16 880 thousand at the end of the reporting period was registered by UNICA AD in order to cover uncovered loss from previous years.

The own funds of the non-life insurance companies, less the intangible assets at the end of 2007, amounted to

BGN 354 402 thousand, the solvency margin – at BGN 197 885 thousand. The solvency ratio for the entire non-life insurance sector dropped from 206 % in 2006 to 179 % in 2007. All non-life insurance companies met the requirement of Art. 80, para 1 of the Insurance Code.

## INVESTMENTS

The total amount of investments of the non-life insurance companies amounted to BGN 839 012 thousand, whereby a growth of 27,37 % was reported for the last 12 months. In the structure of the aggregated investment portfolio of the companies, the biggest share

### INVESTMENTS BY NON-LIFE INSURANCE COMPANIES AS OF 31 DECEMBER 2007

Investment type	31.12.2007		31.12.2006		Change
	BGN thousand	Share (%)	BGN thousand	Share (%)	
I. Land and buildings	75 664	9,02%	70 854	10,76%	6,79%
II. Investments in subsidiary, joint and associate companies in which the company has a shareholding including:	52 078	6,21%	49 895	7,57%	4,38%
Shares and units in subsidiary, joint and associate companies	36 073	4,30%	32 730	4,97%	10,21%
Debt securities issued by subsidiary, joint and associate companies as well as loans granted to them	5 017	0,60%	6 728	1,02%	-25,43%
Other shareholdings	10 988	1,31%	10 437	1,58%	5,28%
Debt securities issued by other companies in which the insurer has a shareholding as well as loans granted to them	0	0,00%	0	0,00%	0,00%
III. Other financial investments, including:	711 270	84,77%	537 991	81,67%	32,21%
Stocks and other variable-yield securities and units in investment funds	122 734	14,63%	64 092	9,73%	91,50%
Debt securities and other securities with fixed income	270 127	32,20%	273 954	41,59%	-1,40%
Including securities issued and guaranteed by the state	186 521	22,23%	175 248	26,60%	6,43%
Participation in investment pools	0	0,00%	0	0,00%	0,00%
Loans, guaranteed with mortgages	86	0,01%	70	0,01%	22,86%
Other loans	14 899	1,78%	0	0,00%	-
Deposits in banks	301 698	35,96%	199 042	30,22%	51,58%
Others	1 726	0,21%	833	0,13%	107,20%
IV. Deposits in cedants	0	0,00%	0	0,00%	0,00%
<b>Total:</b>	<b>839 012</b>	<b>100,00%</b>	<b>658 740</b>	<b>100,00%</b>	<b>27,37%</b>

was occupied by bank deposits - 35,96 %, followed by government securities - 22,23 %. The greatest increase was in the shares and other variable-yield securities and units in investment funds - by 91,5 %, followed by bank deposits - by 51,58 %. There was a decline in investments in debt securities issued by subsidiary, joint and associated companies by 25,43 %.

The incomes generated at the end of 2007 by the non-life insurance companies due to investments amounted to BGN 122 351 thousand and marked a growth of 53,22 % on annual basis. The biggest share in them belongs to the positive differences from revaluation of the investments value - 57,41 %.

Investment expenses climbed by 112,9 % on annual basis and reached BGN 40 215 thousand. The biggest share therein belonged to the negative differences from revaluation of the investments value - 84,91 %.

### 15.3. Analysis of the Activities of Life Insurance Companies as of the End of 2007

#### 15.3.1. Premium Income and Market Share

The gross premium income generated by the life insurance companies as of the end of 2007 amounted to BGN 235 524 thousand and recorded a growth of 26,65 % on annual basis. From these, BGN 234 148 thousand was the premium income from direct life insurance and BGN 1 376 thousand – the gross amount of the received premiums from inward life reinsurance. As of the end of 2006 the latter amounted to BGN 1 155 thousand. The only life insurance company which carried out inward

reinsurance, as of the end of 2007, through covering risk on Accident Insurance was ZPAD DZI.

The growth of the gross premium income for 2007 surged by 2,68 percentage points compared with the one recorded in 2006.

The premium income generated by the life insurance companies is given in **Appendix 15.3.1**. All life insurance companies, except ZPAD DZI and VZK DOBRUDZHA – M - LIFE reported positive growth on annual basis with regard to the 2007 premium incomes generated by them. ZPAD DZI reported a negative growth of - 26,19 %, with the market share of the company dropping from 29,62 % as of the end of 2006 to 17,26 % at the end of 2007.

The market share of the four life insurance companies with the highest premium income as of the end of 2007 (ZAD ALLIANZ BULGARIA LIFE INSURANCE AD, ZPAD DZI, ZK UNICA LIFE AD and GENERALI LIFE INSURANCE AD) was recorded to be 64,50 % with 72,11 % as of the end of 2006.

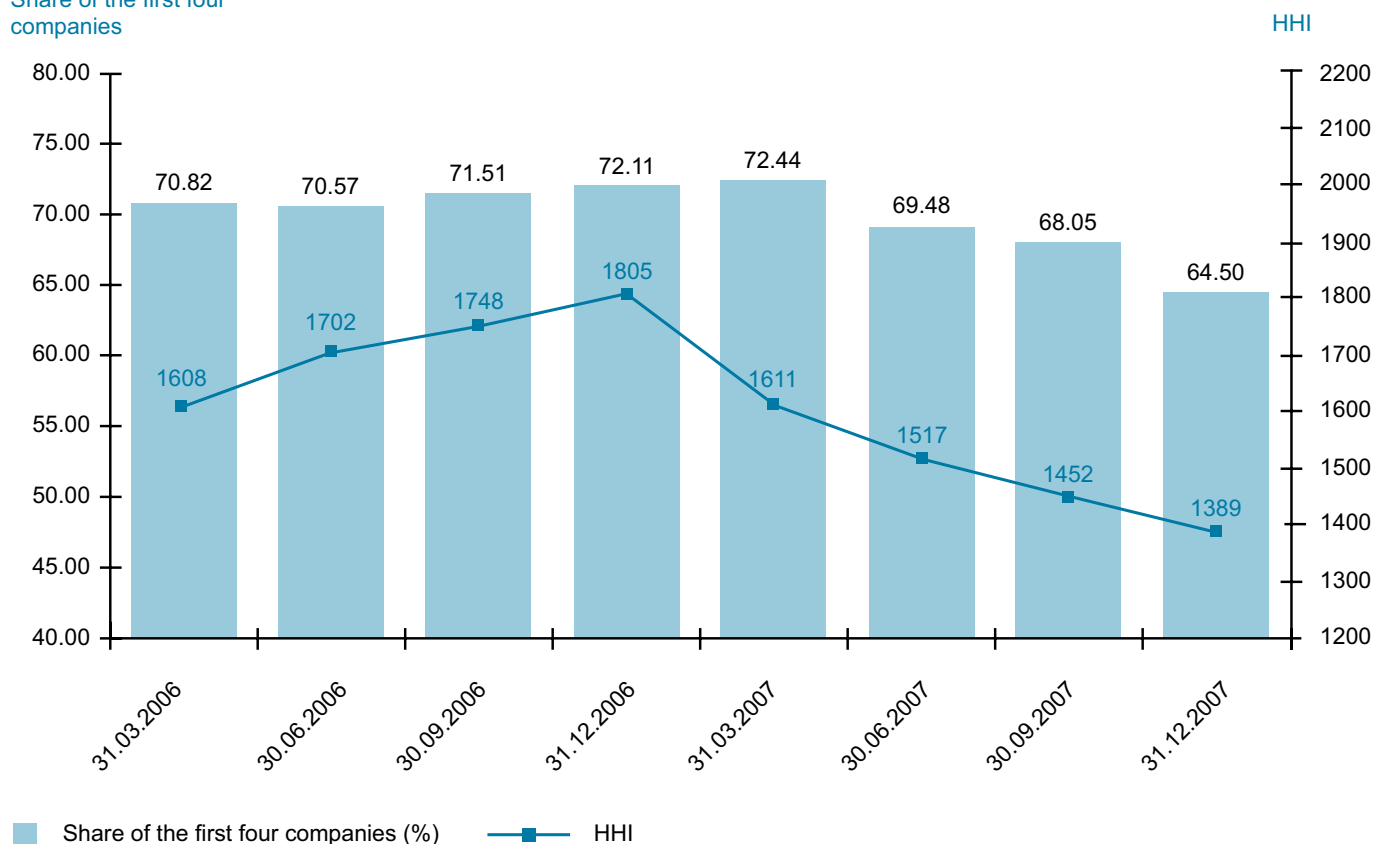
The diagram below shows the degree of concentration on the life insurance market measured through HHI and the share of the first four companies.

The HHI values range within 1000 and 1805 which shows that as a whole the life insurance market was moderately concentrated and there was no strong competition among the companies operating on that market.

It is noticed that in 2006 the value of the index increased reaching 1805 points at the year's end but since the beginning of 2007 it had gradually started to drop and as of the end of 2007 it was calculated to be 1389 points. This trend was also indicative of the gradual lowering of the life insurance market concentration and the increased competition which was due to the widening of the activity

### CONCENTRATION ON THE LIFE INSURANCE MARKET MEASURED THROUGH HHI AND THE SHARE OF THE FIRST FOUR COMPANIES

Share of the first four companies



scope of some existing companies and the entry of new companies in our market.

Premiums ceded to reinsurances by life insurance companies as of the end of 2007 amounted to BGN 6 910 thousand, or 2,93 % of the gross premium income in the sector. The share of reinsurance with the life insurance companies remained relatively low with self-retention ratio of 0,97.

A predominant percentage in the structure of the life insurance companies' portfolio continued to be occupied by Life Insurance and Annuity - 73,20 %, with its two major types – Life Insurance (90,54 %) and Pension or Annuity Insurance (9,46 %). In comparison to 2006 a decline is noticed (by 0,69 percentage points) in the share of Life Insurance and Annuity in the structure of the life insurance companies' portfolio while at the same time the share of

Unit-linked Life insurance picked up from 7,37 % as of the end of 2006 to 10,57 % at the end of 2007.

The highest growth of the gross premium income generated at the end of 2007, compared with 2006, was observed in Unit-linked Life Insurance (86,93 %), Accident Insurance (47,31 %) and Life Insurance (39,58 %).

Decrease in the premium income on annual basis was registered for Additional Insurance (-31,37 %) and Pension or Annuity Insurance (-24,73 %).

ALLIANZ BULGARIA LIFE INSURANCE AD took a leading position in terms of sales of Life Insurance and Annuity (27,37 %) and Marriage and Child Insurance (49,11 %). DZI PLC was the company which generated biggest portion of the premium income from Accident Insurance (22,92 %). DZI PLC and ALLIANZ BULGARIA LIFE AD were the leaders also in the sales of Unit-linked

#### SELF-RETENTION RATIO IN LIFE INSURANCE BUSINESS PER INSURER FOR 2007

Insurer	Gross premium income (BGN thousand)	Ceded premiums to reinsurers (BGN thousand)	Self-retention ratio
ZD KD LIFE ADIA	716	0	1,00
LIFE INSURANCE INSTITUE AD	1 074	0	1,00
SOGE LIFE BULGARIA AD	20	0	1,00
SINDIKALNA VZK	5614	0	1,00
VZK DOBRUDZHA – M – LIFE	501	0	1,00
LIC DSK GARANTSIA AD	5 921	12	1,00
DZI PLC	40 649	329	0,99
BULGARSKI IMOTI AD	4 829	42	0,99
IC UNICA LIFE AD	30 685	384	0,99
ALLIANZ BULGARIA LIFE INSURANCE AD	56 127	953	0,98
GENERALI LIFE INSURANCE AD	24 463	999	0,96
GRAWE LIFE INSURANCE AD	13 952	604	0,96
BULSTRAD LIFE PLC	21 748	1096	0,95
AIG LIFE BULGARIA	23 989	1210	0,95
UBB – AIG AD	5 236	1281	0,76
TSKB LIFE INS. EAD	0	0	0,00
INTERAMERICAN BULGARIA LIFE UNSURANCE EAD	0	0	0,00
<b>Total:</b>	<b>235 524</b>	<b>6 910</b>	<b>0,97</b>

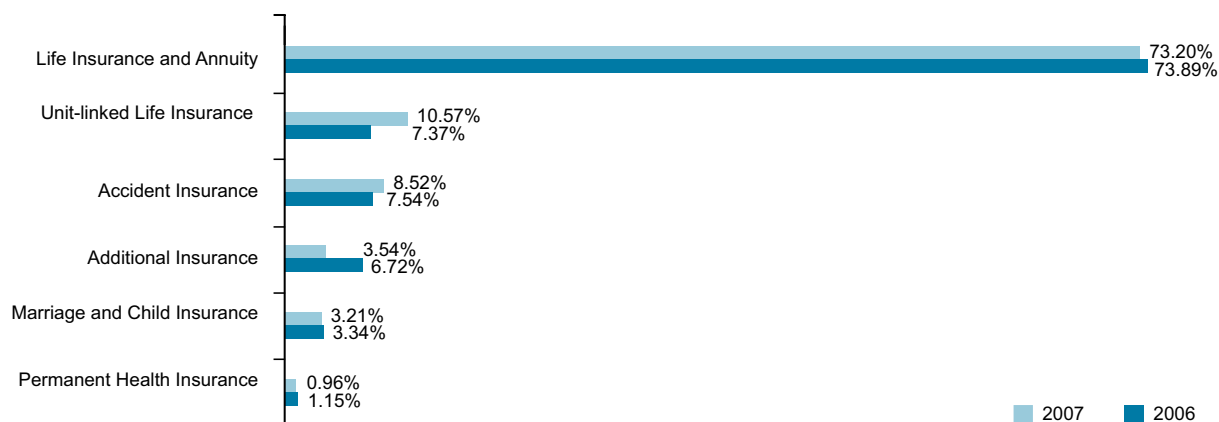


## PREMIUM INCOME GENERATED BY LIFE INSURANCE COMPANIES BY CLASS OF INSURANCE FOR 2007

Insurance class	Premium income				
	2007		2006		Growth
	BGN thousand	Share (%)	BGN thousand	Share (%)	
1. Life Insurance and Annuity	184 306	73,20%	142 714	73,89%	29,14%
a) Life Insurance	166 876	66,28%	119 556	61,90%	39,58%
- combined Life Insurance	154 361	61,31%	115 330	59,71%	33,84%
- risk Life Insurance (covers only risk of "death")	12 515	4,97%	3 832	1,98%	226,61%
b) Pension or Annuity Insurance	17 430	6,92%	23 157	11,99%	-24,73%
2. Marriage and Child Insurance	8 087	3,21%	6 445	3,34%	25,48%
3. Unit-linked Life Insurance	26 603	10,57%	14 232	7,37%	86,93%
4. Permanent Health Insurance	2 412	0,96%	2 212	1,15%	9,07%
5. Capital Redemption	0	0,00%	0	0,00%	0,00%
6. Additional Insurance	8 909	3,54%	12 982	6,72%	-31,37%
7. Accident Insurance	21 457	8,52%	14 566	7,54%	47,31%
<b>Total:</b>	<b>251 776*</b>	<b>100,00%</b>	<b>193 150*</b>	<b>100,00%</b>	<b>30,35%</b>

\*The difference from the above-stated premium income is due to the accounting policy adopted by some insurance companies which involves separation of the deposit component of the premium of Unit-linked Life Insurance and its inclusion in the reserve on that class of insurance as well as due to differences in the recognition of the premium income where there is a deferred payment of the premium in periods of less than 1 year – the whole annual premium or only the premium which is due in the reporting period

## STRUCTURE OF THE LIFE INSURANCE COMPANIES' PORTFOLIO



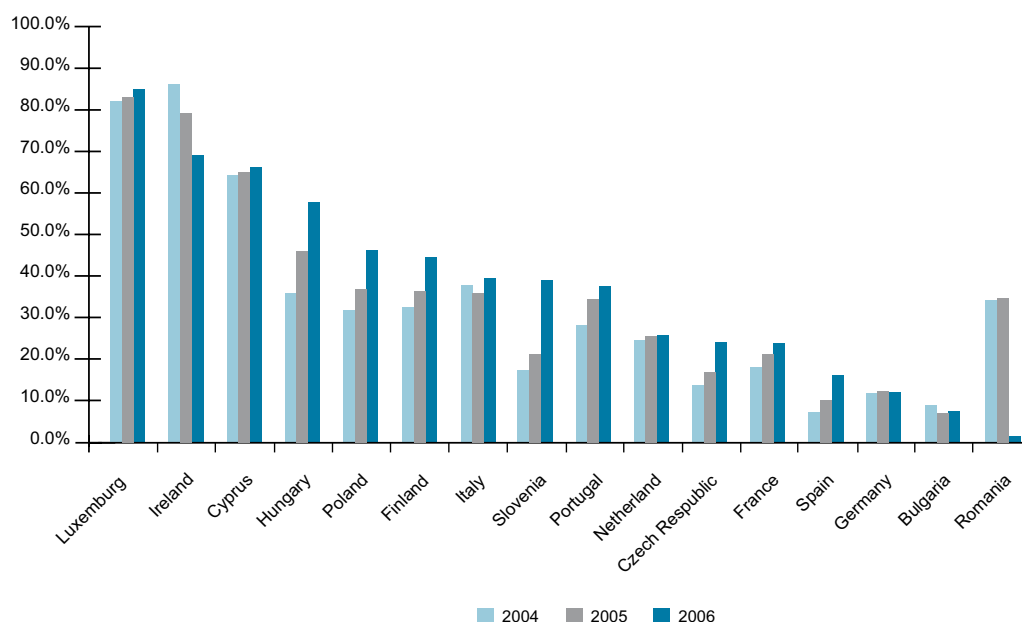
Life Insurance by generating respectively 46,24 % and 46,13 % of the premium income from this insurance. The leading position in the sales of Permanent Health Insurance was occupied by IC UNICA LIFE AD (36,42 %), and Additional Insurance - BULSTRAD LIFE PLC (42,44 %).

The following diagram shows the share of Unit-linked Life Insurance in the total portfolio of life insurance companies in some European countries in 2005 and 2006.

Unit-linked Life Insurance held a significant share in the portfolio of a large number of the European life insurance

companies due to the growth on the stock market in the last several years and high profitability offered by the investment products in the life insurance business. In the last years Unit-linked Life Insurances were also successfully offered on the life insurance markets in the new Member States, such as Hungary, Poland, Cyprus, Slovenia and the Czech Republic where the share of this insurance in the portfolio of the insurers was between 20 % and more than 60 %. In the future it is expected that these products will hold continuously growing share in the Bulgarian insurance market.

## SHARE OF UNIT-LINKED LIFE INSURANCE IN THE TOTAL PORTFOLIO OF LIFE INSURANCE COMPANIES IN SOME EUROPEAN COUNTRIES IN 2004, 2005 AND 2006 (IN %)



Source: CEIOPS-DOC-18/07, Financial Conditions and Financial Stability in the European Insurance and Occupational Pension Fund Sector 2006-2007.

## SELF-RETENTION RATIO IN THE LIFE INSURANCE BUSINESS BY CLASS OF INSURANCE FOR 2007

Class of insurance	Gross premium income (BGN thousand)	Ceded premiums to reinsurers (BGN thousand)	Self-retention ratio
Unit-linked Life Insurance	26 603	24	1,00
Marriage and Child Insurance	8 087	20	1,00
Life Insurance and Annuity	184 306	3 827	0,98
Accident Insurance	21 457	1 263	0,94
Permanent Health Insurance	2 412	189	0,92
Additional Insurance	8 909	1 583	0,82
Capital Redemption	0	0	-
<b>Total:</b>	<b>251 776*</b>	<b>6 907</b>	<b>0,97</b>

\*The difference from the above-stated premium income is due to the accounting policy adopted by some insurance companies which involves separation of the deposit component of the premium of Unit-linked Life Insurance and its inclusion in the reserve on that class of insurance

In the structure of the ceded premiums to reinsurers per class of insurance, the following held the largest share: Life Insurance, Additional Insurance, and Accident Insurance.

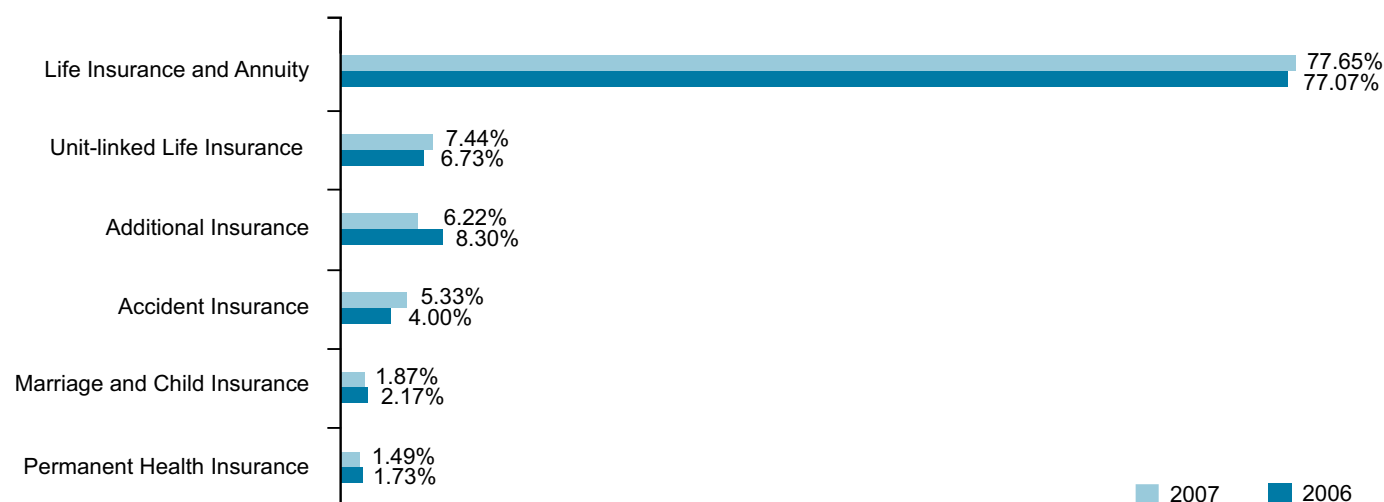
### 15.3.2 Analysis and Structure of the Paid Compensations and Costs Related to Insurance Activity by Class of Insurance

The claims paid by the life insurers (**Appendix 15.3.2A**),

as of the end of 2007 amounted to BGN 77 767 thousand and the growth on a year-on-year basis was 14,26 %. Of these, BGN 214 thousand were sums and compensations paid to cedants.

In the general structure of the paid claims (**Appendix 15.3.2B**) the biggest share continued to be held by Life Insurance and Annuity - 77,65 %, within which 87,82 % of the payments were on Life Insurance. Next in

## STRUCTURE OF CLAIMS PAID BY LIFE INSURANCE COMPANIES



terms of percentage were Unit-linked Life Insurance - 7,44 %, and Additional Insurance - 6,22 %.

The biggest share in the amounts and compensations paid in the period January - December 2007 belonged to DZI PLC (34,40 %), and this company took a leading position in terms of sums paid with most of the life insurance products. Information about the amounts and compensations paid by life insurers by class of insurance in 2007 is provided in **Appendix 15.3.2C**.

The amounts and compensations paid as of the end of 2007 by life insurers came to BGN 77 321 thousand on a total of 84 693 claims. 10 507 from them were the redeemed insurance contracts on which BGN 10 083 thousand were paid as cash surrender values. For the sake of comparison, as of the end of 2006, 12 180 insurances were redeemed and BGN 5 308 thousand were paid on them.

The recovered amounts and compensations on reinsurance contracts amounted to BGN 1 917 thousand which was 2,47 % of the life insurance claims paid in 2007.

The expenses incurred by the life insurance companies in relation to the carrying out of their activity amounted to BGN 81 905 thousand as of the end of 2007, against BGN 67 613 thousand as of the end of 2006, i.e. there was an increase of 21% on annual basis. The expenses incurred as of the end of 2007 were 35% of the gross premium income generated

for the period.

Acquisition expenses accounted for 51 % of the total incurred expenses for the period and the administrative ones – 44 %. Acquisition expenses amounted to 18 % of the premium income generated in the sector and the administrative to 15 %.

The biggest share in the total incurred expenses belonged to the expenses on Life Insurance and Annuity - 72 %. The second position in the structure of the incurred expenses was occupied by Accident Insurance (14 %), followed by Unit-linked Life Insurance (8 %).

The biggest growth on annual basis in terms of expenses was registered with Unit-linked Life Insurance - 58

### 15.3.3. Analysis and Structure of the Technical Provisions and Assets for Cover of the Technical Provisions

#### ANALYSIS AND STRUCTURE OF GROSS TECHNICAL PROVISIONS

As of the end of 2007 the total amount of gross technical provisions allocated by the life insurance companies amounted to BGN 362 218 thousand which was an increase by 35,22 % compared with the allocated provisions as of the end of 2006. An increase was noticed in the amount of all types of reserves, except for the provisions

#### GROSS TECHNICAL PROVISIONS IN THE LIFE INSURANCE (IN THOUSANDS BGN)

Type of technical provisions	31.12.2007	31.12.2006	31.12.2005	31.12.2004	Change 2007/ 2006	Change 2006/ 2005	Change 2005/ 2004
Unearned Premium reserve	25 263	18 669	15 690	10 906	35,32%	18,99%	43,87%
Unexpired risks reserve	0	0	0	0	0,00%	0,00%	0,00%
Loss reserve	15 656	14 759	13 318	9 496	6,08%	10,82%	40,25%
Mathematical reserve	235 005	172 404	123 932	85 088	36,31%	39,11%	45,65%
Capitalized value of pensions	28 071	22 629	16 678	11 241	24,05%	35,68%	48,37%
Reserve for future participation in the income	2 547	516	2 079	1 310	393,60%	-75,18%	58,70%

Bonus and rebate reserve	0	0	0	0	0,00%	0,00%	0,00%
Equalization Reserve	2 598	2 573	2 573	2 169	0,97%	0,00%	18,63%
Other reserves approved by the FSC	1 922	3 332	1 531	1 089	-42,32%	117,64%	40,59%
Insurance reserves on Unit-linked Life Insurance	51 156	32 992	23 226	16 075	55,06%	42,05%	44,49%
<b>Total:</b>	<b>362 218</b>	<b>267 874</b>	<b>199 027</b>	<b>137 374</b>	<b>35,22%</b>	<b>34,59%</b>	<b>44,88%</b>

included in Other reserves, approved by the FSC which dropped by 42,32 %.

The biggest share in the gross amount of the technical provisions was held by the mathematical reserve - 64,88 %. As of the end of 2007 its increase was 36,28 % on a year-on-year basis. The change in the amount of the mathematical reserve on long-term insurances offered by the life insurance companies was BGN 62 570 thousand as of the end of 2007, against BGN 48 312 thousand as of the end of the previous year. The increased amount of the change in the reserve was due to higher growth of the premium income from the long-term life insurances as of the end of 2007 (29 %) compared with the one reported at the end of 2006 (27 %).

The Capitalized value of pensions reserve formed as of the end of 2007 increased by 24,05 % on annual basis, i.e. with BGN 5 444 thousand. The change in this reserve

reported as of the end of 2007 was less than that for 2006 (BGN 5 951 thousand), which was due to the smaller growth of the premium income amount from Pension or Annuity Insurance for 2007 (-24,73 %) compared with 2006 (20,89 %).

The total amount of insurance reserves on Unit-linked Life Insurance increased by 55,06 %, or with BGN 18 163 thousand at the end of 2007, with a change of BGN 9 767 thousand at the end of 2006. At the same time the gross premium income from Unit-linked Life Insurance went up by 86,93 % for the period in question, with reported 49,56 % for the previous period. The share of the reserves on Unit-linked Life Insurance in the total amount of reserves accounted for 14,12 %.

#### ANALYSIS AND STRUCTURE OF ASSETS FOR COVERING TECHNICAL PROVISIONS

The value of the assets for cover of the technical provisions

#### ASSETS FOR COVERING TECHNICAL PROVISIONS

Assets for covering technical provisions		31.12.2007		31.12.2006	
		BGN thousand	share (%)	BGN thousand	share (%)
Assets for covering technical provisions of life insurance companies (excluding the reserves on Unit-linked Life Insurance), including		349 764		254 201	
Assets in Member States		51 575	14,75%	10 534	4,14%
Assets in third countries		3 246	0,93%	1 232	0,48%
1.	Securities admitted to trading on a regulated securities market in the Republic of Bulgaria or in a Member State as well as stocks, eligible bonds and other eligible debt securities admitted to trading on internationally recognized and liquid regulated securities market in a third country	78 330	22,40%	43 005	16,92%
2.	Securities issued or guaranteed by the Republic of Bulgaria or a Member State as well as eligible debt securities issued or guaranteed by third countries, their central banks or international organizations, a member of which the Republic of Bulgaria is	99 150	28,35%	82 414	32,42%
3.	Shares or units issued by investment companies and mutual funds which carry out activities under the provisions of the POSA as well as shares and units of collective investment schemes whose seat is located in a EU Member State	15 789	4,51%	3 741	1,47%
4.	Title on lands or buildings	22 164	6,34%	23 829	9,37%

5.	Receivables from reinsurers (reduced with the liabilities to the respective reinsurer), including the reinsurers' share in the technical provisions	770	0,22%	643	0,25%
6.	Deposits and receivables from cedants	0	0,00%	0	0,00%
7.	Receivables from insured persons and brokers arising from insurance and reinsurance contracts which are not overdue more than three months	8 098	2,32%	7 897	3,11%
8.	Receivables from loans against Life Insurances	11 475	3,28%	5 926	2,33%
9.	Cash in hand or on payment accounts or deposits in banks which are authorized to carry out banking activity in the Republic of Bulgaria or other Member State	80 346	22,97%	59 926	23,57%
10.	Deferred acquisition expenses	33 643	9,62%	26 818	10,55%
11.	Indisputably established receivables in relation to tax refund	0	0,00%	0	0,00%
Assets for covering reserves on Unit-linked Life Insurance , including		48 205		29 608	
Assets in Member States		15 913	33,01%	4 313	14,57%

of life insurance companies (excluding the reserves on Unit-linked Life Insurance) as of 31 December 2007 amounted to BGN 349 764 thousand, with BGN 254 201 thousand at the end of 2006. The assets for cover of the reserves on Unit-linked Life Insurance were BGN 48 205 thousand, against BGN 29 608 thousand as of the end of 2006. At 31 December 2007 the total amount of the assets for covering of the technical provisions (with the reserves on Unit-linked Life Insurance) fully covered the gross amount of the technical provisions of BGN 362 218 thousand. In Member States and in third countries were allocated respectively 14,75 % and 0,93 % of the total amount of assets for cover of the technical provisions (excluding the reserves on Unit-linked Life Insurance). For the sake of comparison, as of the end of 2006 these percentages were respectively 4,14 % and 0,48 %.

The biggest share in the structure of assets for covering of the technical provisions was held by government securities - 28,35 %, followed by cash in hand and on payment accounts or deposits at banks - 22,97 %, securities admitted to trading on a regulated securities market - 22,40 %, etc. The assets for cover of the technical provisions (excluding the reserves on Unit-linked Life Insurance) increased by 37,59 % for the period January – December 2007. The biggest increase was registered for the shares and units issued by investment companies and mutual funds - by 322,05 %. They were followed by the receivables from loans against Life Insurances – by 93,64 %, and securities admitted to trading on a regulated securities market - 82,14 %. A decrease for the reviewed period was observed only in the amount of Title over lands and buildings – by 6,99 %.

The amounts of the assets for covering reserves on Unit-linked Life Insurance surged by 62,81 % in 2007. At the end of the period 33 % from them, or BGN 15 913 thousand, were allocated in Member States. In comparison with 2006, the latter increased more than two fold.

#### 15.3.4. Technical Result and Financial Result

The result from insurance activities in the field of life insurance (**Appendix 15.3.4**) at the end of 2007 was positive

and amounted to BGN 13 179 thousand, compared to a negative technical result (BGN -11 516) thousand as of the end of 2006. The positive technical result was due to the outpacing rate of growth of the net earned premiums (25.14 %) compared to the rate of growth of the net claims (10.15 %) incurred in the sector.

The highest technical result was achieved by ZAD ALLIANZ BULGARIA LIFE AD - BGN 7 546 thousand or 57.26 % of the total technical result, and AIG LIFE BULGARIA LIFE INSURANCE COMPANY EAD - BGN 4 904 thousand or 37.21 % of the total technical result in the sector. Simultaneously, 7 of the insurers operating on the life insurance market closed the year with a negative technical result (ZD KD LIFE AD (BGN -1 475 thousand); ZPAD DZI (BGN -722 thousand); ZAD SOGELIFE BULGARIA (BGN -691 thousand); LIFE INSURANCE COMPANY BALGARSKI IMOTI AD (BGN -688 thousand); LIFE INSURANCE COMPANY DSK GARANTSIA AD (BGN -468 thousand); INTERAMERICAN BULGARIA LIFE INSURANCE EAD (BGN -78 thousand) and VZK DOBRUDZHA – M – LIFE (BGN -16 thousand)). The achieved total net financial result from life insurance at the end of 2007 amounted to BGN 51 879 thousand in comparison to BGN 170 989 thousand for 2006. The reason for the significantly higher financial result generated in 2006 was the income of DZI AD due to the sale of held by the company shares in 2006.

The highest share in the positive technical result reported was held by ZPAD DZI – 70.79 %, ZAD ALLIANZ BULGARIA LIFE AD – 16.74 %, and AIG LIFE BULGARIA ZHZD EAD – 8.49 %. Five of the insurers closed 2007 with a negative financial result - LIFE INSURANCE COMPANY DSK GARANTSIA AD, LIFE INSURANCE COMPANY BALGARSKI IMOTI AD, ZD KD LIFE AD, ZAD SOGELIFE BULGARIA AD, and INTERAMERICAN BULGARIA LIFE INSURANCE EAD.

#### 15.3.5. Main Balance Sheet Indicators

##### ASSET AMOUNT AND OWN CAPITAL

The total sum of assets in the life insurance sector



## SOLVENCY RATIO IN LIFE INSURANCE IN 2007

Insurers	Own capital (BGN)	Solvency margin (BGN)	Solvency ratio
ZAD ALLIANZ BULGARIA LIFE AD	15 348 938	7 170 928	214%
ZPAD DZI	215 413 000	4 782 750	4 504%
ZK UNICA LIFE AD	8 789 233	2 703 697	325%
GENERALLI LIFE INSURANCE AD	9 587 009	1 150 086	834%
AIG LIFE BULGARIA LIFE INSURANCE COMPANY EAD	8 562 616	3 385 237	253%
ZAD BULSTRAD LIFE AD	8 673 521	2 364 165	367%
GRAWE BULGARIA LIFE INSURANCE AD	7 750 744	1 485 038	522%
LIFE INSURANCE COMPANY DSK GARANTSIA AD	9 587 009	1 150 086	834%
SINDIKALNA VZK	434 000	261 946	166%
UBB – AIG LIFE INSURANCE COMPANY AD	6 979 036	3 163 696	221%
LIFE INSURANCE COMPANY BALGARSKI IMOTI AD	7 338 252	1 186 026	619%
LIFE INSURANCE INSTITUTE	6 519 000	73 130	8 914%
ZD KD LIFE AD	7 942 316	23 796	33 377%
VZK DOBRUDZHA – M – LIFE	500 312	121 891	410%
ZAD SOGELIFE BULGARIA AD	6 666 974	125 796	5 300%
ZED CCB. LIFE	6 400 000	0	0
INTERAMERICAN BULGARIA LIFE INSURANCE EAD	10 128 907	0	0
<b>Total:</b>	<b>336 620 868</b>	<b>29 148 268</b>	<b>1 155%</b>

amounted to BGN 807 256 thousand at 31 December 2007, marking a growth of 28.48 % on an annual basis. The asset amount and the own capital of life insurers is presented in **Appendix 15.3.5**.

The own capital engaged in the life insurance sector increased by 24.15 % on a year-on-year basis and amounted to BGN 418 360 thousand. The growth reported was predominantly a result of increase in the authorized capital of life insurers from BGN 102 154 thousand at the end of 2006 to BGN 132 016 thousand at the end of 2007, as well as an increase in the undistributed profit in the sector from BGN 9 870 thousand at the end of 2006 to BGN 174 889 thousand at the end of 2007. The growth in the amount of the undistributed profit was at the expense of the profit from the previous 2006 which was calculated at BGN 170 989 thousand and was mainly a result of ZPAD DZI's income from sale of shares held by the company.

ZPAD DZI closed 2006 with a financial result amounting to BGN 162 895 thousand. Consequently, at the end of 2007 the company had undistributed profit at the amount of BGN 169 306 thousand compared to BGN 7 777 thousand for 2006.

At the end of 2007 the total amount of own funds in the life insurance sector, less the intangible assets, amounted to BGN 336 621 thousand, while the solvency margin was BGN 29 148 thousand. The solvency ratio which reflects the degree of coverage of the insurers' contractual obligations with own capital in the long term, was reported to have a value of 1 155 %. All companies possessed enough means to guarantee the fulfilment of their long-term obligations.

### INVESTMENTS

The investments of life insurers went up by 55.83 % on a

## INVESTMENTS OF LIFE INSURERS AS OF 31 DECEMBER 2007

Type of investments	31.12.2007		31.12.2006		Change
	BGN thousand	share (%)	BGN thousand	share (%)	
I. Land and buildings	29 547	4,40	28 510	6,61	3,64%
II. Investments in subsidiaries, joint and associated undertakings in which the company possesses a shareholding, including:	46 936	6,98	31 504	7,30	48,98%
Shares and units in subsidiaries, joint and associated undertakings	31 533	4,69	31 401	7,28	0,42%
Debt securities, issued by subsidiaries, joint and associated undertakings, as well as the loans provided to them	0	0,00	0	0,00	0,00%
Other shareholdings	403	0,06	103	0,02	291,26%
Debt securities, issued by other undertakings in which the insurer has a shareholding, as well as the loans provided to them	15 000	2,23	0	0,00	0,00%
III. Other financial investments, including:	547 591	81,45	341 789	79,23	60,21%
Shares and other variable income securities and units in investment funds	30 921	4,60	81 277	18,84	-61,96%
Debt securities and other fixed income securities	226 420	33,68	138 139	32,02	63,91%
including securities issued and guaranteed by the state	139 729	20,78	110 174	25,54	26,83%
Participation in investment pools	0	0,00	0	0,00	0,00%
Loans, guaranteed by mortgages	0	0,00	0	0,00	0,00%
Other loans	20 793	3,09	14 028	3,25	48,22%
Bank deposits	268 478	39,94	104 915	24,32	155,90%
Other	980	0,15	3 430	0,80	-71,43%
IV. Deposits in cedants	0	0,00	0	0,00	0,00%
INVESTMENTS IN FAVOUR OF POLICIES IN UNIT-LINKED LIFE INSURANCE	48 205	7,17	29 608	6,86	62,81%
<b>Total:</b>	<b>672 279</b>	<b>100,00</b>	<b>431 411</b>	<b>100,00</b>	<b>55,83%</b>

year-on-year basis and at the end of 2007 amounted to BGN 672 279 thousand. This growth was mainly due to an increase in the investments from the balance sheet group Other Financial Investments (by 60.21 %), which amounted to 81.45 % of the total amount of investments in the life insurance sector at the end of 2007. The highest share in this group belonged to bank deposits (49.03 %) and debt securities and other fixed income securities (41.35 %). At the end of 2007 the bank deposits amounted at BGN

268 478 thousand which was an increase of 155.9 % on a year-on-year basis. Debt securities and other fixed income securities edged up by 63.91 % on a year-on-year basis and were recorded at BGN 226 420 thousand, including BGN 139 729 thousand of government securities. The significant growth in the amount of those investments was the result of an increase in the bank deposits of ZPAD DZI from BGN 55 524 thousand at the end of 2006 to BGN 193 479 thousand at the end of 2007, and in the debt securities

and other fixed income securities of the company - from BGN 14 272 thousand at the end of 2006 to BGN 60 504 thousand at the end of 2007.

A 61.96 % decrease was observed in the investments in shares and other variable income securities and the units in investment funds. This again was due to ZPAD DZI which reported 100 % decrease in the value of the investments examined. The shares and other securities with variable income of ZPAD DZI which at the end of 2006 amounted to BGN 72 398 thousand were excluded from the investment portfolio of the company as of the end of 2007.

The amount of investments in favour of Unit-linked Life insurance went up by 62.81 % and reached BGN 48 205 thousand. These investments accounted for 7.17 % of the total amount of investments in the life insurance.

The investments in subsidiaries, joint and associated undertakings where the companies own shareholdings also increased (by 48.98 %) and at the end of 2007 amounted to BGN 46 936 thousand or 6.98 % of the total amount of investments in the life insurance sector.

As of 31 December 2007 the investments of ZPAD DZI accounted for 51.12 % of the total amount of investments in the life insurance sector.

The income from investments by insurers pursuing business in the field of life insurance recorded a decrease by (-66,66 %) on a year-on-year basis and as of the end of 2007 amounted to BGN 70 596 thousand. Income from the investments realization had the highest share (38.48 %) therein as well as income from shareholdings (27.44 %).

The investment costs in the life insurance sector, in their turn, also decreased by 15.01 % on a year-on-year basis and were calculated at BGN 17 554 thousand at the end

of 2007. The highest share in them belonged to the negative differences from revaluation of the investments value (75.94 %).

## 15.4. Analysis of the Activities of Voluntary Health Insurance Companies as of the End of 2007

### 15.4.1. Premium Income and Market Share

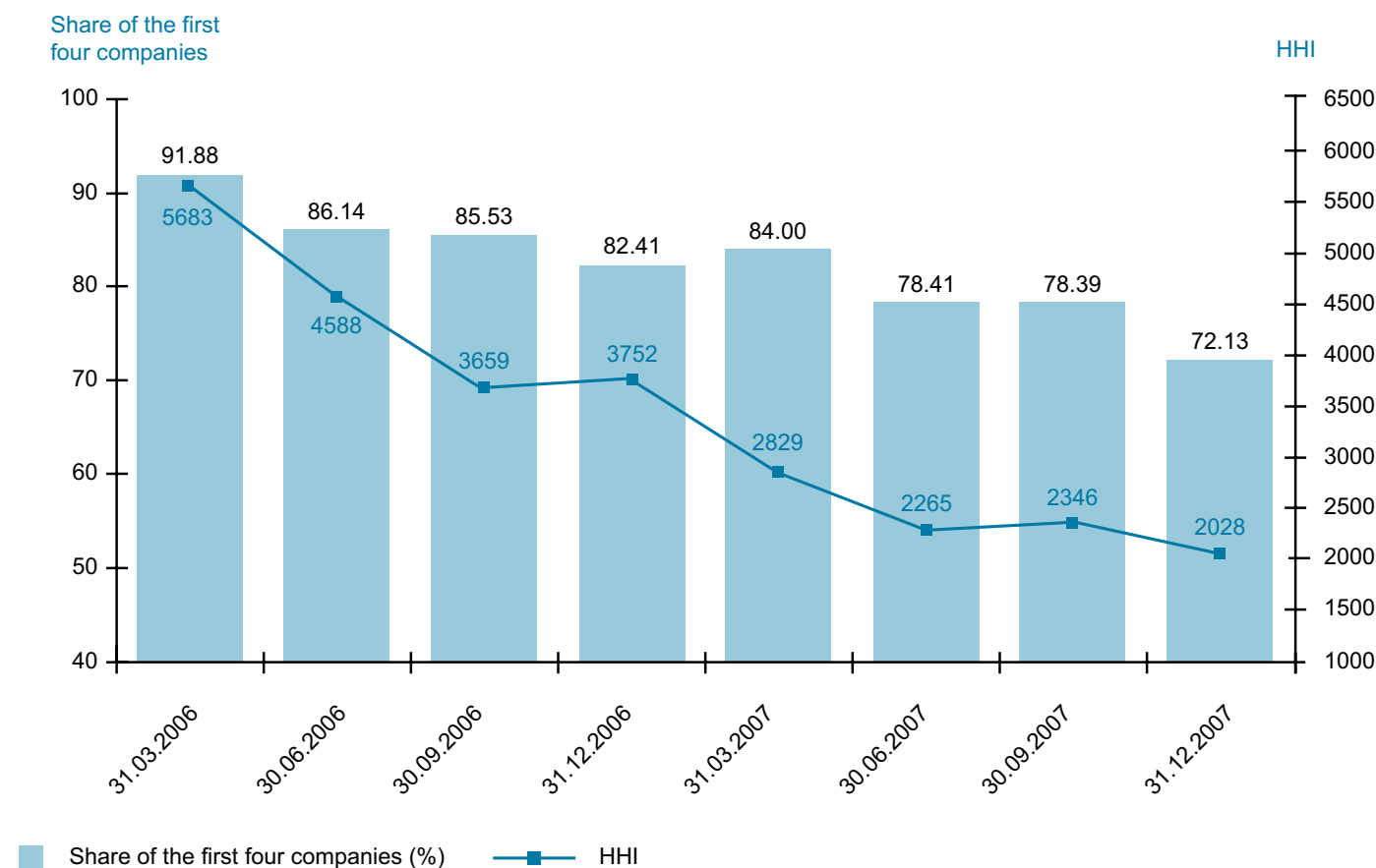
The gross premium income generated by the companies operating in the field of voluntary health insurance (**Appendix 15.4.1**) as of the end of 2007 amounted to BGN 25 314 thousand, recording a growth of 11.9 % on a year-on-year basis. In 2006 this growth was 27.2 % which led to a decline of 15.3 percentage points.

All health insurance companies reported a positive growth in the premium income they generated on an annual basis as of the end of 2007, with the exception of GENERALLI ZAKRILA HEALTH INSURANCE AD (-26,08 %). Consequently the tendency of reduction of the market share of GENERALLI ZAKRILA HEALTH INSURANCE AD continued; this market share was calculated as 39.07 % at the end of the period, compared to 59.14 % for 2006 and 60.21 % for 2005.

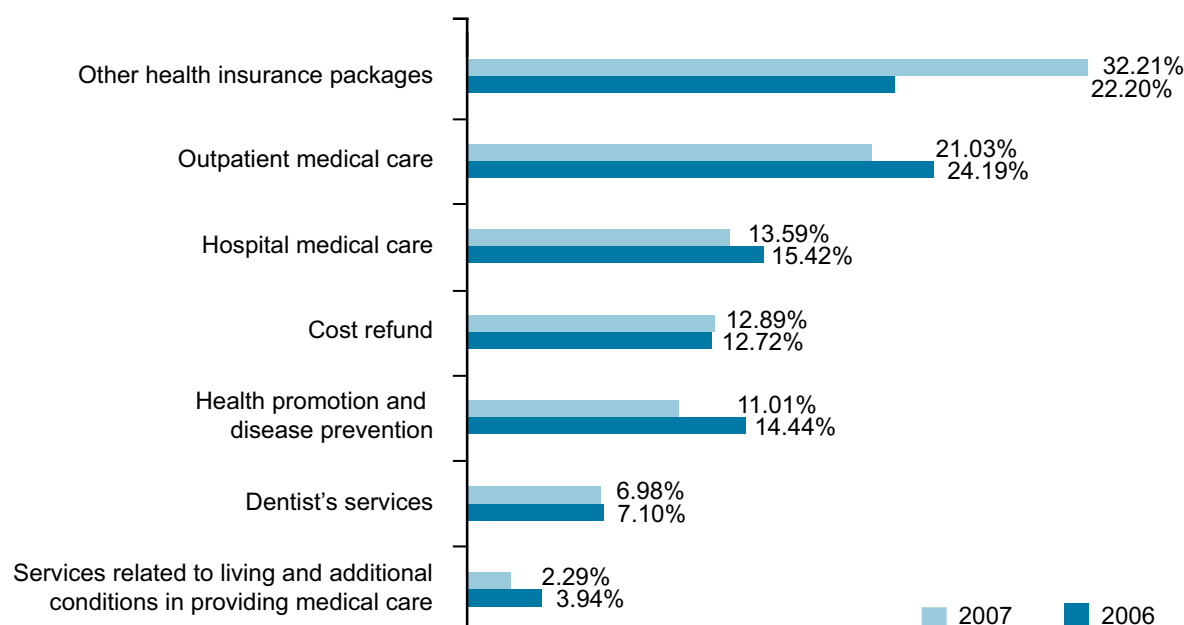
The market share of the four health insurance companies with the highest reported premium income as of 31 December 2007 (GENERALI ZAKRILA HEALTH INSURANCE AD, VHIN - ZDRAVE AD, HIF MEDICO-21 AD and HIC DZI AD) was calculated at 72.13 %, compared to 82.41 % at the end of 2006.

The next diagram presents the extent of concentration on the voluntary health insurance market measured through

## CONCENTRATION ON THE VOLUNTARY HEALTH INSURANCE MARKET MEASURED THROUGH HHI AND SHARE OF THE FIRST FOUR COMPANIES



## PORTFOLIO STRUCTURE OF HEALTH INSURANCE COMPANIES (IN %)



HHI and the share of the first four companies.

From the first quarter of 2006 until the end of 2007 the values of the Herfindahl-Hirschman Index were above 1800. This showed that the health insurance market was highly concentrated, with a weak competitive environment and respectively a large relative share of a small number of participants. It was observed that as a whole the HHI showed a declining trend and as of the end of December 2007 it reached a value of 2028. The share of the first four companies with the highest market share was also gradually decreasing and as of 31 December 2007 it went down to 72.13%. This tendency showed a gradual increase of the competition on the voluntary health insurance market but as a whole it was still very concentrated.

Within the portfolio structure of health insurance companies the greatest share was held by the Other Health-Insurance Packages (32.21 %). Significant increase in the premium income in absolute value was observed in this package compared to the end of 2006 - with BGN 3 150 thousand or 62.81 %. Next by percentage came the Outpatient Medical Care Package (21.03 %) and the Hospital Medical Care

Package (13.59 %).

Four of the health insurance packages showed a negative change compared to 2006. The greatest decrease was observed in the Services Related to Living and Other Additional Conditions in Providing Medical Care package - by 34.72 %.

The number of health insured entities as of the end of 2007 who signed contracts with voluntary health insurance companies amounted to 263 754 compared to 374 289 during the reporting 2006.

### 15.4.2. Analysis and Structure of Paid Compensations and Costs Related to Health Insurance Activity by Type of Package

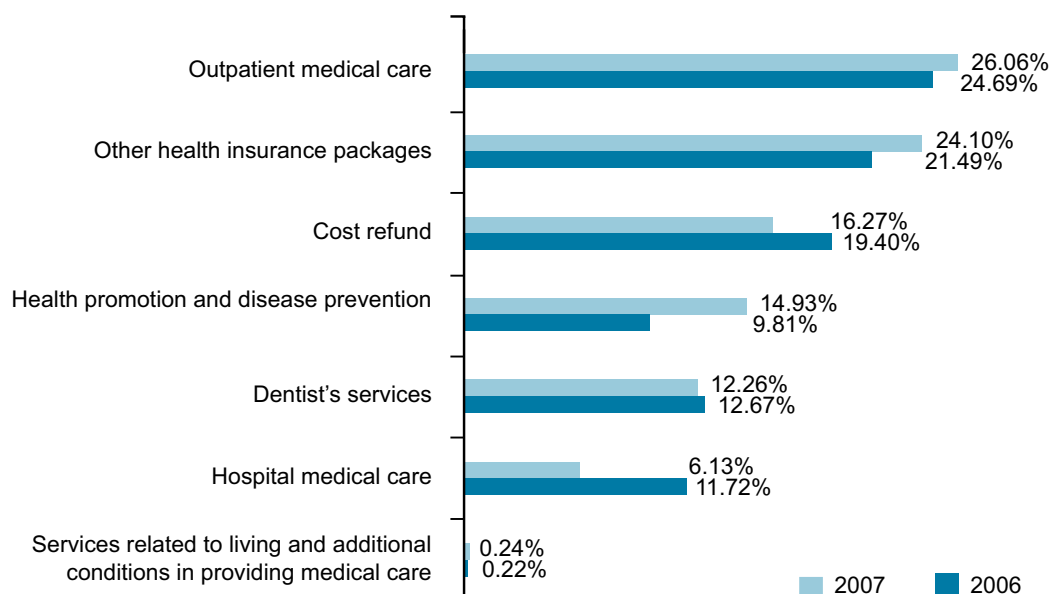
The paid claims by health insurance companies as of the end of 2007 amounted to BGN 15 323 thousand, while the growth on an annual basis was calculated as 21.62 % (**Appendix 15.4.2**).

The highest share in paid claims for 2007 was held by GENERALI ZAKRILA HEALTH INSURANCE AD – 61.34 %.

## MAIN INDICATORS BY CLASS OF PACKAGE OFFERED BY HEALTH INSURANCE COMPANIES

Type of package	2007			
	Loss ratio	Expense ratio	Combined ratio	Technical result (in BGN)
1. Health promotion and disease prevention	0,93	0,53	1,46	-1 276 099
2. Outpatient medical care	0,76	0,52	1,28	-1 355 032
3. Hospital medical care	0,32	0,50	0,82	326 162
4. Dentist's services	1,18	0,33	1,51	-832 806
5. Services related to living and other additional conditions in providing medical care	0,05	0,75	0,81	210 979
6. Cost refund	0,85	0,36	1,21	-707 674
7. Other health insurance packages	0,60	0,34	0,94	964 337
<b>Total:</b>	<b>0,68</b>	<b>0,43</b>	<b>1,11</b>	<b>- 2 670 134</b>

## STRUCTURE OF PAID COMPENSATIONS FROM HEALTH INSURANCE COMPANIES



According to type of package, the highest share from the total paid claims in 2007 was held by the Outpatient Medical Care Package – 26.06 %, followed by the Other Health Insurance Packages – 24.10 %, and Cost Refund – 16.27 %.

The greatest increase in the amount of claims paid on an annual basis was notices in the following packages: Health Promotion and Disease Prevention – 85.01 %, Other Health Insurance Packages - by 36.39 % and Services Related to Living and Other Additional Conditions in Providing Medical Care – 35.52 %.

The table on the previous page shows that during the reporting 2007 the total technical result with the health insurance packages was negative and amounted to (BGN -2 670) thousand. The technical result was positive only in relation to the packages Hospital Medical Care, Services Related to Living and Other Additional Conditions in Providing Medical Care, and Other Health Insurance Packages.

It is evident from the table below that, taken on an annual basis, the increase of paid claims outstripped the growth of premium income in the following packages: Health Promotion and Disease Prevention, Outpatient Medical Care, Dentist's Services, and Services Related to Living and Other Additional Conditions in Providing Medical Care.

The actual costs incurred by health insurance companies in relation to their activities as of the end of 2007 amounted to BGN 10 998 thousand compared to BGN 6 992 thousand at the end of 2006, or an increase of 57.29 % on a year-on-year basis.

The acquisition costs (costs arising from the conclusion or renewal of health insurance contracts) accounted for 29.78 % of the total costs incurred at the end of 2007, while the administrative costs accounted for 67.32 %. An increase was reported in 2007 in the area of administrative

## CHANGE IN THE PREMIUM INCOME AND PAID CLAIMS BY CLASS OF PACKAGE ON AN ANNUAL BASIS

Type of package	Increase/decrease of the gross premium income for 2007 compared to 2006	Increase/decrease of the paid claims for 2007 compared to 2006
1. Health promotion and disease prevention	-14,45%	85,01%
2. Outpatient medical care	-2,47%	28,37%
3. Hospital medical care	-1,11%	-36,37%
4. Dentist's services	10,23%	17,63%
5. Services related to living and other additional conditions in providing medical care	-34,72%	35,52%
6. Cost refund	13,74%	2,01%
7. Other health insurance packages	62,81%	36,39%
<b>Total:</b>	<b>12,20%</b>	<b>21,61%</b>



costs in voluntary health insurance amounting to 38.06 % compared to the previous year when the acquisition costs increased by 125.6 %.

The greatest share in the total costs incurred was accounted for by the costs related to the health insurance package entitled Other Health Insurance Packages, amounting to BGN 2 802 thousand or 25.48 %. After it followed costs incurred on the Outpatient Medical Care Package - BGN 2 767 thousand BGN or 25.16 %, and the Hospital Medical Care Package - BGN 1 730 thousand or 15.73 % of the total costs incurred in the sector.

Almost double increase was reported in the costs related to the package entitled Services Related to Living and Other Additional Conditions in Providing Medical Care - by 99.21 %, but this package was with a small weight in the portfolio of the health insurance companies. Increased costs were also reported in relation to the packages entitled Cost Refund - by 64.23 %, and Other Insurance Packages - by 64.32 % on a year-on-year basis.

#### 15.4.3. Analysis and Structure of Technical Provisions and Assets for Covering Technical Provisions

##### HEALTH INSURANCE PROVISIONS

At the end of 2007 the total amount of health insurance provisions set aside by the companies operating in the area of voluntary health insurance, came to BGN 10 377 thousands, showing an increase of 51,05 % as compared to the provisions set aside in the end of 2006. An increase in the amount of all types of provisions was noted. The amount of health insurance provisions grew at faster rates than

the premium income of health insurance companies. As a comparison, the premium income in 2007 increased by 11,91%, which was by 39,14 percentage points less than the increase of health insurance provisions. This trend may also be seen in the fiscal 2006, in the course of which year the provisions increased by 59,03 %, and the premium income by 27,17 %. The ratio between the allocated health insurance provisions at the end of 2007 and the underwritten premiums throughout the year was 40,99 %, while the same ratio was 30,37 % in 2006.

The biggest share in the gross amount of technical provisions was held by the unearned premium reserve, namely 71,72 %. At the end of 2007 the increase in its amount was calculated at 29,52 % on a year-on-year basis. According to the various types of packages the highest increase of the unearned premium reserve was reported regarding the packages Other Health Insurance Packages (88,49 %), Dental Services (66,53 %) and Hospital Medical Assistance (59,75 %).

The unearned premium reserve, allocated as of 31 December 2007, constituted 29,4 % of the gross premium income, realized by the companies in the field of voluntary health insurance for the period.

##### ASSETS FOR COVERING HEALTH INSURANCE PROVISIONS

The sum of the assets for covering of health insurance provisions as of 31 December 2007 was BGN 11 953 thousands compared to BGN 7 252 thousand in the end of 2006. The table below presents the structure of the assets for cover of the health insurance provisions at the end of 2007.

For 2007 the total amount of the assets for covering of

##### HEALTH INSURANCE PROVISIONS (IN THOUSANDS BGN)

Type of health insurance provisions	31.12.2007	31.12.2006	31.12.2005	31.12.2004	Change 2007/2006	Change 2006/2005	Change 2005/2004
Unearned - premium reserve	7 442	5 746	3 424	2 094	29,52%	67,82%	63,51%
Unexpired risk reserve	506	33	528	318	1 433,33%	-93,75%	66,04%
Loss reserve	1 684	570	368	240	195,44%	54,89%	53,33%
Equalization reserve	584	481	0	0	21,41%	-	-
Bonuses and rebates reserve	161	40	0	0	0	-	-
Other provisions, approved by FSC	0	0	0	0	0	-	-
<b>Total:</b>	<b>10 377</b>	<b>6 870</b>	<b>4 320</b>	<b>2 652</b>	<b>51,05%</b>	<b>59,03%</b>	<b>62,90%</b>

## ASSETS FOR COVERING HEALTH INSURANCE PROVISIONS

Types of assets	31.12.2007		31.12.2006	
	BGN thousands	share (%)	BGN thousands	share (%)
Government securities	4 746	39,71%	3 209	44,25%
Unencumbered real estate	62	0,52%	209	2,88%
Bonds, issued and warranted by municipalities	40	0,33%	0	0,00%
Shares and bonds which are issued by commercial companies and admitted to trading on a stock exchange	1 941	16,24%	463	6,38%
Bank deposits	4 967	41,55%	1 210	16,69%
Mortgage bonds	197	1,65%	167	2,30%
Takings under health insurance contracts	-		1 994	27,50%
<b>Total assets for covering technical provisions:</b>	<b>11 953</b>	<b>100%</b>	<b>7 252</b>	<b>100,00%</b>

the health insurance provisions increased by 64,82 % as compared to the end of 2006. As of 31 December 2007 an increase by 310,50 % of the assets, placed in bank deposits, was noted as well as an increase by 319,22 % of the assets in shares and bonds as compared to the end of 2006.

It is apparent from the structure of the assets for covering health insurance provisions that the biggest share is held by bank deposits - 41,55 %, followed by GS - 39,71 %.

### 15.4.4. Technical Result and Financial Result

The result of health insurance activity (**Appendix 15.4.4**) at the end of 2007 significantly decreased, again being negative and came to (BGN -4 896) thousand as compared to the negative technical result of (BGN -392) thousands in the end of 2006. This negative technical result was partly due to the outpacing increase of the incurred claims (29,93 %) and of net operational expenses (44,53 %) in comparison with earned premiums (15,98 %). In 2007, 10 health insurance companies closed with a negative technical result, the lowest being with GENERALI ZAKRILA HEALTH INSURANCE AD at the amount of (BGN -4 293) thousands as compared to (BGN -63) thousands in the end of 2006. Only 5 of the companies carrying out activities in the field of voluntary health insurance realized a positive technical result – Voluntary Health Insurance Network ZDRAVE AD, Health Insurance Fund MEDICO 21 AD, Health Insurance Company NADEZHDA AD, United Health Insurance Fund DOVERIE and HEALTH INSURANCE INSTITUTE AD.

At the end of 2007 the companies in the voluntary health insurance sector reported a negative financial result of (BGN -2 497) thousand, as compared to (BGN -9) thousand, reported in the end of 2006. Seven out of a total of 15 health insurance companies closed the year at a loss, the losses sustained by GENERALI ZAKRILA HEALTH INSURANCE AD being the biggest.

### 15.4.5. Main Balance Sheet Indicators

#### TOTAL AMOUNT OF ASSETS AND OWN CAPITAL OF HEALTH INSURANCE COMPANIES

The total amount of the assets of health insurance com-

panies came to BGN 45 243 thousand at 31 December 2007, whereby a growth of 54,56 % was recorded on a year-on-year basis. The own capital in the sector picked up by 36,51 % on a year-on-year basis and amounted at BGN 27 969 thousands. The amount of assets and own capital of the health insurance companies is given in **Appendix 15.4.5**.

The next table presents the own funds and the solvency margin of the voluntary health insurance companies, from which it is apparent that their own funds exceeded many times their solvency margin.

#### INVESTMENTS

In the health insurance sector the total amount of the investments reached BGN 22 968 thousand, an increase of 57,64 % on an annual basis being reported. This increase was the result predominantly of the increase of investments of the balance group Other Financial Investments (63,26 % or BGN 8 553 thousand), which at the end of 2007 constituted 96,10 % of the total amount of the investments in the sector. The biggest share in this group of investments, in their turn, was held by bank deposits (45,58 %) and by debt securities and other fixed income securities (32,32 %).

The Investments in shares and units in subsidiary, joint and associated undertakings dropped by 28,05 %. This was mainly due to UHIF Doverie AD, where a 100 % decrease in the value of the concerned investments was reported.

In the general structure of investments near liquid instruments prevailed - bank deposits (43,80 %) and government securities (24,33 %). At the end of 2007 bank deposits amounted to BGN 10 061 thousands, marking an increase of 77,04 % on a year-on-year basis.

The investment incomes of the health insurance companies as of 31 December 2007 amounted to BGN 3 144 thousands, with reported BGN 822 thousand in 2006. The highest percentage in the total income was held by the income from positive differences of investments revaluation - 72,93 %.

The expenses regarding investments in 2007 amounted to BGN 717 thousands. In comparison, their amount at the end of 2006 was BGN 314 thousands. The biggest share in the total expenses regarding investments was held by the negative differences of investments revaluation - 68,48 %.

## OWN FUNDS AND SOLVENCY MARGIN OF HEALTH INSURANCE COMPANIES

Health insurance companies	Own resources	Solvency margin	Solvency ratio
GENERALI ZAKRILA HEALTH INSURANCE AD	1 437 992	2 234 028	64,37%
UHIF DOVERIE AD	2 174 329	364 605	596,35%
HIC BULSTRAD HEALTH AD	1 579 521	184 737	855,01%
HIJSC DZI AD	1 781 815	390 274	456,56%
HIF MEDICO 21 AD	2 063 513	476 330	433,21%
BZOF AD	1 194 000	70 111	1703,03%
HIC BULGARIA HEALTH AD	2 279 561	59 373	3839,42%
VHIN - ZDRAVE AD	2 087 809	1 108 889	188,28%
HIC NADEZHDA AD	1 931 996	246 420	784,03%
HIC PLANET AD	1 772 000	152 040	1165,48%
HIC SAINT NIKOLAS CHUDOTVORETS AD	2 089 569	122 865	1700,70%
HEALTH INSURANCE INSTITUTE AD	1 999 537	15 119	13225,24%
HIC VSEOTDAINOST AD	1 871 362	222 307	841,79%
TOKUDA HEALTH INSURANCE FUND AD	454 000	14 166	3204,86%
HIC CCB EAD	952 241	0	-
<b>Total:</b>	<b>25 669 246</b>	<b>5 661 265</b>	<b>453,42%</b>

## INVESTMENTS OF THE COMPANIES IN THE AREA OF VOLUNTARY HEALTH INSURANCE AS OF 31 DECEMBER 2007

Type of investment	31.12.2007		31.12.2006		Change
	BGN thousand	share (%)	BGN thousand	share (%)	
I. Land and buildings	0	0,00	0	0,00	-
II. Investments in subsidiary, joint and associated undertakings, in which the company possesses a shareholding, including:	895	3,90	1 050	7,21	-14,76%
Shares and units in subsidiary, joint and associated undertakings	395	1,72	549	3,77	-28,05%
Debt securities, issued by subsidiary, joint and associated undertakings, as well as loans granted to them	0	0,00	0	0,00	0,00%
Other shareholdings	500	2,18	501	3,44	-0,20%
Debt securities, issued by other undertakings in which the insurer has shareholding, as well as loans granted to them	0	0,00	0	0,00	0,00%
III. Other financial investments, including:	22 073	96,10	13 520	92,79	63,26%

Shares and other variable-yield securities and units in investment funds	3 085	13,43	1 147	7,87	168,96%
Debt securities and other fixed income securities	7 135	31,06	6 056	41,56	17,82%
including securities, issued and warranted by the state	5 589	24,33	5 087	34,91	9,87%
Participation in investment pools	0	0,00	0	0,00	0,00%
Loans, warranted by mortgage	0	0,00	0	0,00	0,00%
Other loans	140	0,61	134	0,92	4,48%
Bank deposits	10 061	43,80	5 683	39,00	77,04%
Other	1 652	7,19	500	3,43	230,40%
<b>Total:</b>	<b>22 968</b>	<b>100,00</b>	<b>14 570</b>	<b>100,00</b>	<b>57,64%</b>

### 15.5. Insurance Mediation and Allocation of the Premium Income to Insurers through Sale Channels

At the end of 2007 the total number of registered insurance brokers was 234, and that of insurance agents was 49 802, of whom in the area of health insurance 12 497 and in the area of non-life insurance 37 305. There were 2 414 insurance agents - legal persons, as well as 2 459 - sole traders and 44 929 natural persons. The insurance agents carrying out mediation activity for the benefit of branches of insurers from other EU Member States were 496.

The premium income, generated through insurance brokers for the benefit of insurers having their seat in the Republic of Bulgaria, in 2007 amounted to BGN 404 448 thousands. BGN 372 200 thousands from them were realized in the non-life insurance and the remaining BGN 32 248 thousands in health insurance. The premium income, generated by insurance brokers, reached a growth of 50,4 % on a year-on-year basis.

Within the structure of the generated premium income in non-life insurance through insurance brokers the biggest share was retained by motor-cars insurances – Land Vehicle Insurance Excluding Railway Rolling Stock (55,7 %) and Third Party Liability related to the possession and use of motor vehicles (20,8 %), followed by Fire and Natural Perils (7,4 %) and Property Damage (5,8 %). In the field of health insurance the premium income generated through insurance brokers was mainly from Life Insurance and Annuity (91,5 %).

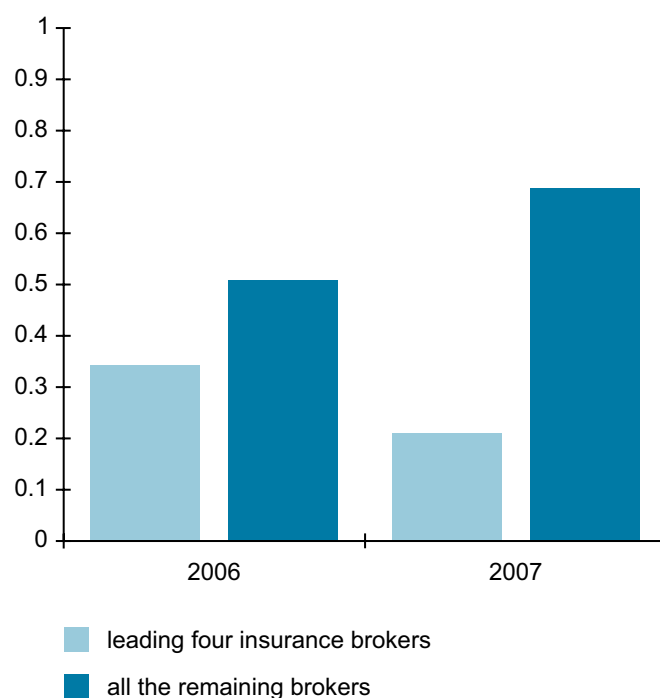
The revenues from commission charges of insurance brokers amounted to BGN 101 947 thousand and reported a growth of 70,2 % on a year-on-year basis. BGN 91 329 thousands from them constituted revenues from commission charges in the non-life insurance and BGN 10 618 thousands in health insurance. The brokers' commissions, towards the premium income generated through them constituted 24,5 % in the non-life insurance area and 32,9 % in the health insurance. There was not a significant change in the relative share of commission charges in non-life insurance and in health insurance in comparison with 2006.

The amount of all paid commissions during the reporting period as a percentage of the recorded premiums was 25,2 %, the previous year that percentage being 22,3 %. The premium income, generated through insurance brokers, and the revenues from commissions of insurance brokers are given in **Appendix 15.5A**.

Motor-car insurances Land Vehicles Excluding Railway Rolling Stock and Third Party Liability related to the possession

and use of motor vehicle contributed the most to the premium income increase, generated through insurance brokers in the non-life insurance sector, by reporting a growth respectively of 77,03 % and 71,02 % on a year-on-year basis and respective premium income of BGN 207 294 thousand and BGN 77 315 thousands. On these two insurances the biggest income from commission charges was also reported - BGN 50 704 thousand, or a growth of 82,8 % on a year-on-year basis on insurance Land Vehicles Excluding Railway Rolling Stock and BGN 21 176 thousands or a growth of 86,1 % on a year-on-year basis on insurance Third Party Liability related to the possession and use of motor vehicle. The reported high growth of premium income with regard to motorcar insurances is explained by the increased demand on the part of consumers of professional services, provided by insurance brokers. The outpacing growth of the income from commission charges in comparison with the growth of premium income with regard to motorcar insurances was due to competition among insurers and their pursuit of ever larger market positions. In 2007 MARSH EOOD with its 7,47 % and RAIFFEISEN INSURANCE BROKER EOOD with its 7,26 % held the biggest market share among insurance brokers. The total share of the

### MARKET CONCENTRATION IN INSURANCE MEDIATION





premium income of the leading four brokers, namely MARSH EOOD, RAIFFEISEN INSURANCE BROKER EOOD, ING INSURANCE BROKERS LTD. and SDI GROUP EOOD amounted to 25,62 %. By way of comparison to 2006, the share of the leading four brokers was 30,91 %. This showed that the concentration in insurance mediation was decreasing in comparison to previous reporting years, however it still remained high.

The allocation of premium income in non-life insurance through sale channels (**Appendix 15.5B**) was as follows: 39 % through insurance agents, 32 % through insurance brokers and 29 % through direct sales.

The data provided by insurers on non-life insurance regarding premium income, generated through insurance brokers, did not coincide with the data, submitted by the brokers themselves. This was due to the fact that some brokers reported the premium income generated through them on the basis of received rather than underwritten premiums.

Because of the difference in the premium income according to the aggregate report on the incomes of the health insurers and the premium income under sale channels, it was impossible to indicate its allocation under the relevant sale channels.

## 15.6. Guarantee Fund

Since the date of entry into force of the Accession Treaty of the Republic of Bulgaria to the European Union, the Guarantee Fund pays indemnities for events (road transport accidents) that have occurred in the territory of the states within the European Economic Area as follows:

- In the case of road transport accident, which is caused by unknown (non-identified) motor vehicle, within the territory of the Republic of Bulgaria and as result of which pecuniary and non-pecuniary damages have been sustained (e.g. the property of third persons has been damaged, death or bodily injuries have been caused, etc.);

- In the case of road transport accident, which is caused by driver not in possession of the mandatory insurance Third Party Liability of motorists, within the territory of the Republic of Bulgaria or other Member State and as a result of which pecuniary and non-pecuniary damages have been caused;

- In the case of road transport accident, which is caused within the territory of the Republic of Bulgaria by driver not in possession of the mandatory insurance Third Party Liability of motorists or the certificate Green Card, driving a motor vehicle, which is registered in a state outside the European Economic Area;

- In the case of road transport accident, which is caused within the territory of the Republic of Bulgaria or other Member State by motor vehicle, the possession of which has been taken through theft or robbery, whereas the Guarantee Fund does not cover damages, sustained by a person, who on his own will has travelled in the motor vehicle, knowing that its possession has been gained through theft or robbery.

In that connection the GF is also under the obligation to recover sums, paid by the compensation bodies in the Member States upon occurrence of an insurance event.

The tasks and the responsibilities of compensation bodies and the guarantee funds have been regulated and clearly defined in the signed by all EU Member States Addendum No 2 to the Agreement among the Compensation Bodies and Warranty Funds, Governing their Relationships in the Case of Road Transport Accident in the Territory of EU (and EEA) Member States.

Following the adoption of the Law amending and supplementing the Insurance Code in November 2007, a Security Fund was established to ensure insurance receivables of consumers of insurance services in cases of bankruptcy of an insurer, having a seat in the Republic of Bulgaria or of an insurer from a third state having registered a branch in our country under the Commerce Act. The Security Fund represents a separate account with the Guarantee Fund, which is managed by the competent bodies of the Guarantee Fund. The Security Fund is financed through annual contributions by insurers and pays the warranted amounts of the insurance receivables on the insurances pursuant to Article 311c of the Insurance Code.

On the basis of the presented 2007 annual activities report of the Guarantee Fund, the following trends regarding its financial situation were established:

The revenues from insurers' contributions amounted to BGN 17 812 thousand and increased by 324,2 % compared to the previous reporting period. That growth was due to the significantly higher contribution, which the insurers in the mandatory Third Party Liability insurance of motorists made to the Guarantee Fund in 2007, that is BGN 10 with regard to every insured motor vehicle, compared to BGN 2,30 in 2006.

By Decision No 1526-GF of 14.11.2007 the Financial Supervision Commission defined the amount of the contribution in 2008 to be reduced from BGN 10 to BGN 8,50 for every motor, for the liability in relation to the use of which, the mandatory Third Party Liability insurance of motorists was concluded (including border insurance Third Party Liability insurance of motorists).

The resources of the Guarantee Fund were spent for payments of compensation to affected persons, administrative and other expenses, related to its activity. In **Appendix 15.6** is presented an income statement of the Guarantee Fund.

The biggest share in the total expenses structure was held by compensation expenses (46,4 %) and administrative costs (20,7 %), whereas the increase of the former on a year-on-year basis was 42,04 %, and that of administrative costs - 31,15 %.

In 2007 totally 679 claims were submitted to the Fund, of which 526 for pecuniary damages and 153 for non-pecuniary damages.

514 of the pecuniary damages were for non-concluded Third Party Liability insurance and 12 concerned damages, caused by unlicensed drivers (for events occurred before 1 January 2006).

27 of the non-pecuniary damages were caused by unknown driver, 99 were for non-concluded Third Party Liability insurance and 27 regarding damages caused by unlicensed drivers (for events which occurred before 1 January 2006).

The expenses for compensations of the GF in 2007 marked a growth of 42,04 % in comparison with the previous year and reached BGN 2 284 thousand, including:

- 266 pecuniary damages amounting to 250 BGN



thousands, from which BGN 126 thousands on 130 claims from previous years, and

- 103 damages for non-pecuniary damages amounting to BGN 2 034 thousand, from which BGN 1 061 thousands on 51 claims from previous years and BGN 174 thousands on 11 non-pecuniary damages, caused by unknown perpetrator.

The Guarantee Fund closed the reporting 2007 with a financial result, amounting to BGN 13 232 thousand, as compared to BGN 2 014 thousands in 2006. The reason behind the significantly higher financial result in 2007 was the forestalling increase of the total amount of the revenues of the fund (284,7 %) towards the amount of the expenses (76,4 %).

The resources of the Guarantee Fund, formed from contributions of the insurers, carrying out mandatory insurance, from fines and pecuniary sanctions, from incomes of investments of the Fund and other, were calculated as amounting to BGN 24 426 thousands. Reduced with the outstanding claims reserve of BGN 4 928 thousand, they amounted at BGN 19 498. The amount of available re-

sources complied with the requirement under Article 287 (1) IC, pursuant to which their minimum was fixed at BGN 3 000 thousands.

The resources of the Fund were invested in accordance with a decision taken by the management board, according the procedure for investment of the insurers' technical provisions, envisaged in the IC and pursuant to the general investment principles adopted by the Board of the Fund.

The total amount of invested resources reached BGN 23 303 thousands, of which bank deposits held the biggest share of 39,39 %, followed by investments in GS - 25,72 %. A significant increase of 172,67 % was reported in the amount of invested resources in comparison with the previous reporting period. There was also a growth of 151,19 % in the income realized in 2007 from interest, which amounted to 947 BGN thousand, compared to the previous year (BGN 377 thousand).

As of 31 December 2007 the resources of the Guarantee Fund were allocated as follows:

		Value (BGN thousand)	Invested resources (%)	Average rate of return (%)
I.	INVESTED GF RESOURCES	23 303	95,40	6,00
1	Government securities	5 993	24,53	3,25
2	Corporate bonds (qualified)	3 354	13,73	4,80
3	Corporate bonds (non-qualified)	2 037	8,34	7,90
4	Mortgage bonds	342	1,40	5,29
5	Shares	1 679	6,88	28,10
6	Investments in units and shares of investment funds	718	2,94	15,00
7	Bank deposits	9 180	37,58	6,63
II.	Cash availability in payment accounts	1 123		
	<b>RESOURCES OF THE FUND</b>	<b>24 426</b>		

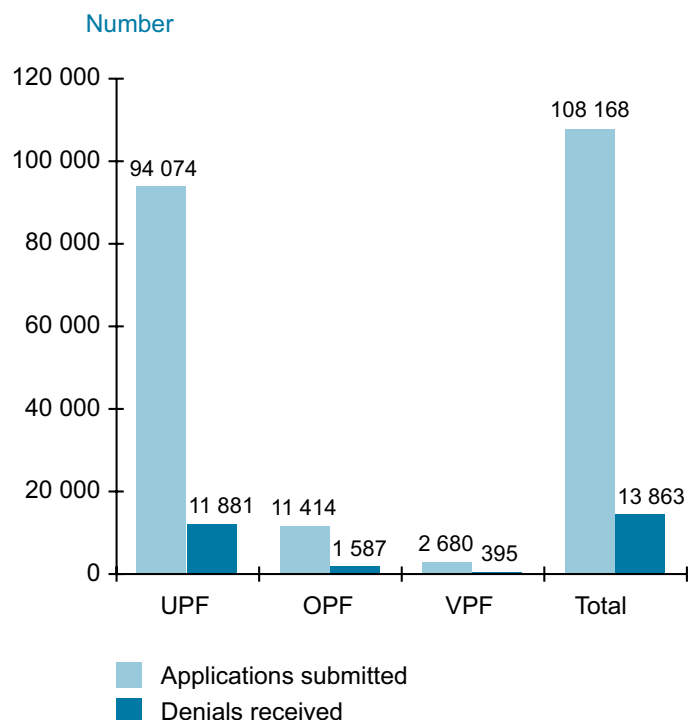
## 16. SUPPLEMENTARY PENSION INSURANCE

### 16.1. Development of the Supplementary Pension Insurance Market in 2007

The importance of the non-banking financial mediation is gaining ever greater significance for the development of the financial markets and economy. The field of supplementary pension insurance is its basic element, where in the last five years a significant increase in the assets, managed by pension insurance companies, was observed. As of 31 December 2007 the balance sheet assets of pension funds reached BGN 2 327 794 thousand, whereby they realized a growth of 52,90 % on a year-on-year basis. The net assets of the supplementary pension insurance funds amounted to BGN 2 318 379 thousands and as a percentage of the GDP for the reporting period they represented 4,10 % as compared with 3,07 % in 2006

During the reviewed period a favorable development continued to be observed of the social and economic indicators, which had influenced the development of the supplementary pension insurance. According to the data provided by NSI the average annual level of unemployment in 2007 decreased by 1,3 percentage points, reaching 6,1 % of the country's labor force. The average total income of a person increased and according to the data provided by NSI during the reporting period it amounted to BGN 3 347 as compared with BGN 2

### NUMBER OF SUBMITTED APPLICATIONS FOR SWITCHING OF PARTICIPATION AND TRANSFER OF RESOURCES FROM THE SUPPLEMENTARY PENSION INSURANCE FUNDS IN 2007



851 in 2006. Simultaneously, the share of the work salary in the average total income of a person also climbed, reaching 47,7% as compared with 46 % in 2006.

### NUMBER OF PERSONS WHO SWITCHED THEIR PARTICIPATION IN SUPPLEMENTARY PENSION INSURANCE FUNDS, AND AMOUNT OF TRANSFERRED FUNDS

	UPF		OPF		VPF		Total	
	2006	2007	2006	2007	2006	2007	2006	2007
Average number of insured persons	2 341 106	2 541 677	187 651	200 100	557 816	579 294	3 086 573	3 321 070
Total number of persons who switched participation	55 584	81 464	4521	9700	1031	2379	61 136	93 543
Share of the persons who switched their participation (%)	2,37	3,21	2,37	4,85	0,18	0,41	1,98	2,82
Average amount of the net assets for the period (in BGN thousand)	574 371	968 130	283 802	362 844	456 594	586 922	1 314 767	1 917 896
Total amount of the transferred funds for the period (in BGN thousand)	14 101	33 582	8596	22 112	1682	3097	24 379	58 791
Share of the transferred funds (%)	2,46	3,47	3,03	6,09	0,37	0,53	1,85	3,07

In the end of 2007 nine companies carried out activities in the field of supplementary pension insurance. Each company had established and was managing both types of funds regarding supplementary mandatory pension insurance, the universal and the occupational fund, as well as a fund regarding supplementary voluntary pension insurance. In connection with the introduction of insurance under professional schemes, which entered into force as of the date of the accession of our country to the EU, two companies established during the reporting period a voluntary pension fund under professional schemes, however they had not yet started managing professional schemes. No new licenses to pursue business were issued in 2007. At the end of the period an application was filed for the obtaining of a license to carry out pension insurance activity by a newly established company, which was in a process of consideration. **Appendix 16.1A** presents the balance sheet assets and own capital of PICs as well as the balance sheet assets and the number of insured persons in the funds for supplementary pension insurance.

The typically high concentration on the market of services for supplementary pension insurance was retained, i.e. two of the companies held a share over 50 % in the net assets of the sector (62,16 %) and a share over 50 % in the number of persons insured in the supplementary pension insurance (59,77 %). The market concentration decreased compared to the end of 2006, the total market share of the biggest two companies shrank by 3,04 percentage points on the basis of the net assets and by 2,55 percentage points according to the number of insured persons.

The considerable foreign participation on the market in supplementary pension insurance was retained. In **Appendix 16.1B** the main shareholders in the capital of the pension insurance companies are presented, a large part of which are either directly or indirectly held by foreign investors.

In 2007 the process of switching of participation and transfer of funds in the supplementary pension insurance funds significantly increased its intensity in comparison with the previous year. For the period January - December 2007 the number of the filed applications for switching of participation and transfer of funds reached 108 168 compared to 68 815 applications in 2006 and 95 502 applications in 2005. 12,82 % of the applications, filed during the reporting period were rejected.

The share of filed applications in the universal pension funds was the highest. In these funds the share of the insured persons in the field of supplementary pension insurance was proportionately the highest.

The number of insured persons who changed their participation or who transferred amounts during the period increased by 32 407 persons, or by 53 %, as compared to 2006. The total amount of the transferred resources for the year also increased accordingly. In the end of 2007 they reached BGN 58 791 thousand. Their value compared to the previous year jumped up by 141 %, or BGN 34 412 thousand.

## 16.2. Analysis of the Participants on the Supplementary Pension Insurance Market

The monitoring activities and the periodic evaluation of the situation of PIC as well as the results of the management of SPIF was carried out both on the basis of day-to-

day provision of information by PIC and the trustee bank at the FSC, and through verification and analysis of the monthly and annual financial statements and statistics regarding the activity of PIC and SPIF, presented at FSC. In the drawing of the reports regarding the activity of each PIC and the funds managed by it, the levels of all normatively defined indicators were determined such as capital adequacy of PIC, liquidity of PIC and the managed funds, percentage of the various types of assets in the investment portfolios of the pension funds from the assets of the relevant fund, size of the shareholding of the PIC and the pension funds in the capital of an issuer, amount of the statutorily set fees, deducted by the pension funds for the benefit of PIC (management fee and investment fee regarding any type of SPIF), amount of the formed in the PIC provisions guaranteeing the minimum rate of return in the supplementary mandatory pension insurance funds and other indicators. Through the determination of the levels of the normative indicators, a monitoring is carried over the lawful implementation of the supplementary pension insurance activity in view of protection of the insured person's interests and provision of transparency for the participants in the pension insurance system.

Besides the indicators having normatively determined levels, indicative indicators are also being analysed, related to the capital, assets, revenues and the expenses of PIC and to the investment of the pension funds assets, by means of which various aspects of the activity of the PICs and the managed by them funds are assessed as well as comparative analysis is made both regarding each individual company in its dynamics and among the various companies within a given time period. In the course of the analysis of the common financial indicators characterizing the situation of the companies and the pension funds managed by them, risks are being identified, emerging both in individual companies and on the social security market or the financial markets as a whole.

### 16.2.1. Pension Insurance Companies

The figures of the normative and indicative indicators for valuation of the results of the activity of the PIC in the end of 2007 in comparison with those at the end of 2006 are represented in **Appendix 16.2.1**.

The pension insurance companies continued to maintain relatively high level of capital adequacy. The average levels of the indicator as of 31 December 2007 was 193,62 %, with normatively defined level of at least 50 % of the minimum capital, whereas according to companies it varied between 57,68 % and 229,26 %, with the exception of two PICs, the capital adequacy of which was respectively 380,06 % and 524,28 %. Compared to the previous year, an increase of the average value of the indicator was observed from 122,42 % as of 31 December 2006 to 193,62 % as of 31 December 2007 the increase of the capital adequacy was as a result of the gained during the year higher profits of the companies.

The minimum liquid funds of PICs and the managed by them funds significantly exceeded the normatively regulated minimum amount.

The amount of the set aside with resources of PIC reserves for guaranteeing the minimum rate of return in the supplementary mandatory pension insurance funds was

in compliance with the statutory rules, and the funds from the reserves were invested pursuant to the statutorily established procedure. The valuation of the assets, in which the funds of the reserves were invested, was made in compliance with the statutory requirements. In 2007 SMPIF, managed by two PICs, set aside a reserve for guaranteeing the minimum rate of return, as the rate of return they achieved was higher than the announced upper limit for the rate of return of the respective funds with regard to the relevant 24 months periods.

The level of registered capital coverage for most of the companies was in the limits between 26,22 % and 154,48 %, with the exception of two PICs, which own capital covered respectively 380,30 % and 479,95 % of the registered one. The average value of the indicator for 2007 was 167,67 % compared to 109,56 % in 2006, i.e. the coverage level of the registered capital increased. The increase in the indicator value was due to an increase of the value of the indicator of eight of the nine PICs, which was a result of the increase of the reported annual profit.

In 2007 eight of the PICs realized profit. One PIC realized operating loss due to which the profitability of its capital had a negative value. The highest capital return was 65,73 %, and the lowest return was -11,01 %. The average value of the indicator for profitability of own capital in 2007 was 23,15 % compared to 12,93 % in 2006, i.e. almost a double increase in profitability was observed. The increase of the indicator value was due to the increase of the value of the indicator of seven of the nine PICs.

The level of assets coverage of the managed SPIF for most of the companies ranged in the limits between 2,46 % - 18,86 %, with the exception of two PICs, the assets of which covered respectively 38,75 % and 48,41 % of the managed funds assets. The average value of the indicator as of 31 December 2007 was 14,42 % compared to 10,43 % at 31 December 2006, i.e. there was an increase in the level of the assets coverage in the managed SPIF, which was due to the higher

rate of growth of the assets of PIC compared to the assets of the funds.

Owing to the positive current financial result of the activity in 2007 eight of the PICs had positive assets profitability, and only one had negative one, which was as a result of the reported annual loss. The average value of the indicator as of 31 December 2007 was 18,26 % compared to 10,64 % in 2006. An increase of the profitability was observed, which was due to the growth of the indicator value of almost all PICs, which was a result of the increase of the reported annual profit and increase of the assets. The lowest profitability was -10,45 %, while the highest was 62,71 %.

For the year eight PICs had revealed positive value of the indicator growth of the assets of PIC, and only one had a negative one. The average value of the indicator was 50,72 % towards 41,26 % in 2006. The value of the indicator increased as a result of the faster rates of increase of the assets of PIC in 2007 in comparison with 2006. As regards individual companies the indicator growth of assets was in the limits between -5,36% and 73,36 %, with the exception of a single PIC, the growth of the assets of which was 193,72 %.

In 2007 the total income of pension companies increased considerably by 89,37 % as compared to those reported during the previous year. The proportion between the revenues from fees and deductions and the revenues from management of own funds became more balanced. Nevertheless, the share of the revenues from fees and deductions remained prevalent (64,35 %). The value of the indicator increased by 68,61 % compared to that for the previous year, reaching BGN 54 079 thousands. This was due both to the higher income from insurance contributions as a result of the increased number of insured persons and the increased income from investment fee as a result of the high rate of return, realized in the management of the pension funds' assets.

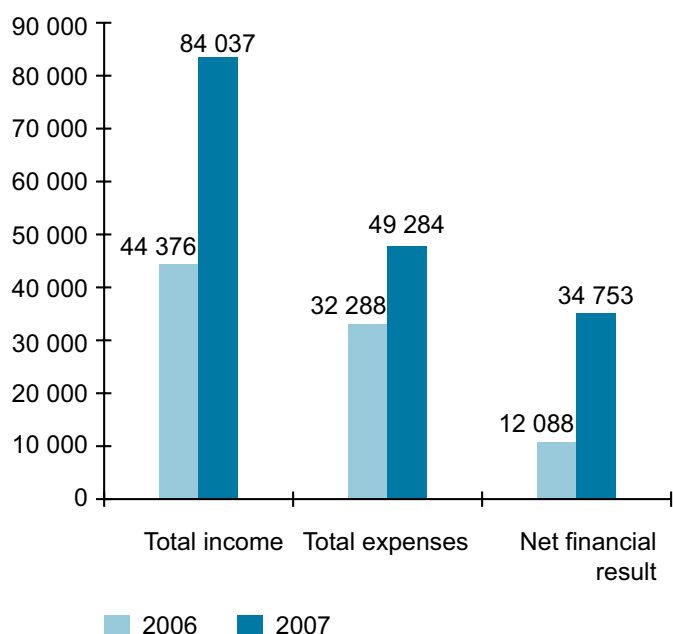
In comparison with 2006, the revenues of PIC from fees and deductions from a single participant in a pension fund increased. The average amount for 2007 reached BGN 15,18 compared to BGN 9,87 for the previous year. The revenues of all companies from fees and deductions in 2007 climbed up at faster rate than the increase of the participants in the managed SPIF, therefore the indicator also edged up. The value of the indicator as regards the individual companies was in the limits between BGN 11,39 and BGN 19,68.

The revenues from fees and deductions per BGN 100 of assets of the funds as of 31 December 2007 were between BGN 2,12 and BGN 3,12. The average value of the indicator amounted to BGN 2,44 compared to BGN 2,32 in 2006. The value of the indicator for all companies with the exception of a single PIC grew as a result of the increase of the revenues from fees and deductions by a rate, which outpaced the rate of increase of the assets.

There was a more significant increase of the other element of the total income of PIC, namely the income from the own funds management. Their amount in the end of 2007 reached BGN 28 552 thousand, which marked a growth of 139,99 % towards the previous year. In the last three years the share of income from own funds management in the total income of PICs increased from 21,98 % in 2005 to 26,81 % in 2006 and

## FINANCIAL INDICATORS OF PENSION INSURANCE COMPANIES

BGN  
Thousand





reached 33,98 % in 2007.

The pension insurance companies, operating in 2007, made common expenses, amounting to BGN 49 284 thousands. This value marked a growth on a year-on-year basis of 52,64 %, which was comparatively lower growth than that of the revenues. By contrast to previous reporting periods, in 2007 the revenues from fees and deductions covered in whole the sum of the expenses of all companies.

The expenses regarding the activity of PIC per a single participant in the managed pension funds as of 31 December 2007 (calculated according to the former formula in view of comparison) were between BGN 7,61 and BGN 40,36. The average value of the indicator reached BGN 14,07 compared to BGN 8,89 in 2006. As regards the individual companies, the value of the indicator for all companies grew because of an increase in the expenses by rate, outpacing the rate of increase of the participants.

The expenses regarding the activity per BGN 100 of assets of the funds as of 31 December 2007 (calculated according to the former formula in view of comparison) were between BGN 0,89 and 7,51. The average value of the indicator reached BGN 2,38 compared to BGN 2,14 in 2006, i.e. an insignificant increase of the indicator's value was observed.

The total net financial result of the nine licensed companies, carrying out activities in the field of supplementary pension insurance reached BGN 34 753 thousands during the reporting period, whereas for a second consecutive year it marked a significant growth of 187,5 % on an annual basis. As an indicator of this served the forestalling growth of the revenues compared to that of the companies' expenses. The period was closed by a positive net financial result by eight of the pension insurance companies in comparison with 2006, where only seven of the companies closed at profit. The factors which contributed to the improvement of the financial result were the increased income from fees and deductions from own funds management of the companies, as well as the good administration of the expenses related to the pension funds management.

The average value of the indicator of effectiveness of the PICs activity was 150,73 %, while a certain increase was observed in comparison with the previous year, which was due to the higher rate of increase of revenues as compared to that of expenses (seven of the PICs had as a main profit source the increase of the revenues from fees and deductions, while a single PIC reported significant income from own funds management). The value of the indicator as regards individual companies was in the limits between 105,40 % and 344,57 %, with the exception of a single PIC, the efficiency of the activity of which was 40,39 %.

In the exercised control over the activities of PICs in 2007 no deviations were established from the statutory requirements regarding the amount of mandatory fees, deducted by the supplementary voluntary pension insurance (SVPIF) for the benefit of PIC. The fees, deducted in the SVPIF, were lower than the statutorily defined maximum levels, the average level of the deductions from the insurance contributions reached 3,50 % with statutorily defined fee of up to 7 %.

The compliance of the average level of the management fees and investment fees of the supplementary mandatory pension insurance funds (SMPIF) with the statutory requirements was controlled on the basis of the day-to-day information, provided via electronic channels by PIC to FSC. In the exercised control over the PICs activity in 2007 no deviations were established from the statutory requirements regarding the amount of the mandatory fees, deducted by SMPIF for the benefit of PIC.

The figures of the indices VOLIDEX, PROFIDEX and UNIDEX for 28 December 2007 (the last working day in 2007) were as follows:

Validex	Profidex	Unidex
1,47388	1,44251	1,44300

#### 16.2.2. Supplementary Pension Insurance Funds

As a result of the income from insurance contributions and the realized positive rate of return from investment of the resources, the amount of the net assets, accumulated in the supplementary pension insurance funds increased and reached a total value of BGN 2 318 379 thousand. This value marked a growth of 52,79 % on a year-on-year basis.

The growth of the net assets of the universal funds was most significant, its value reached BGN 1 228 362 thousand in the end of 2007 and marked a growth of 73,52 % on a year-on-year basis. The high rate of increase was due to the growth in the number of insured persons in that type of funds, the achieved high rate of return from the asset management and also due to the increased income from the insurance contributions, connected with the increase of the insurance contribution from 4% to 5% in 2007 and the growth of the average monthly salary in the country. During the reporting year the amount of the balance assets of the SPIF increased as a result of the income from insurance contributions and the realized positive rate of return from investment of the accumulated resources, with the exception of the assets of SPIF, managed by a single PIC, which increased mainly as a result of the transfer of sums from other SPIF. Compared with the previous year, with regard to all three types of SPIF an increase of the value of the indicator growth of the balance sheet assets was observed, respectively as regards the universal pension funds from 60,69 % as of 31 December 2006 to 73,26 % as of 31 December 2007, as regards the occupational pension funds from 23,34 % to 31,95 % and as regards the voluntary pension funds - from 18,38 % to 37,12 %.

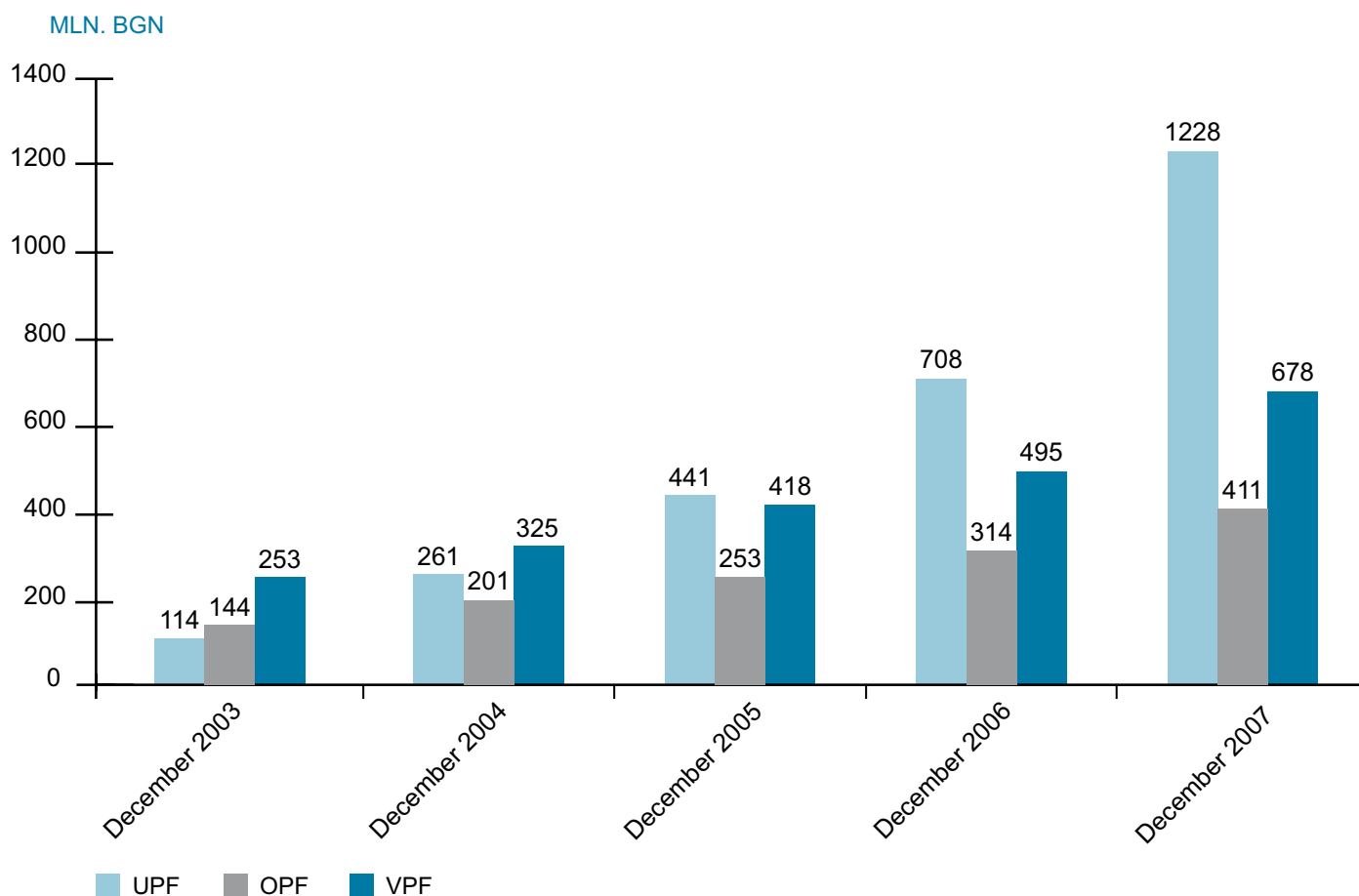
The number of persons, insured in the supplementary pension insurance funds at the end of 2007 reached 3 440 814 persons.

The structure of the distribution of the insured persons among the supplementary pension insurance funds was retained relatively unchanged compared to the previous year. Greatest part of the insured persons were concentrated in the universal pension funds, where 2 640 652 persons (76,74 %) had been insured and the number of the persons, who were insured in occupational and voluntary pension funds was respectively to 207 357 and 592 805 persons.

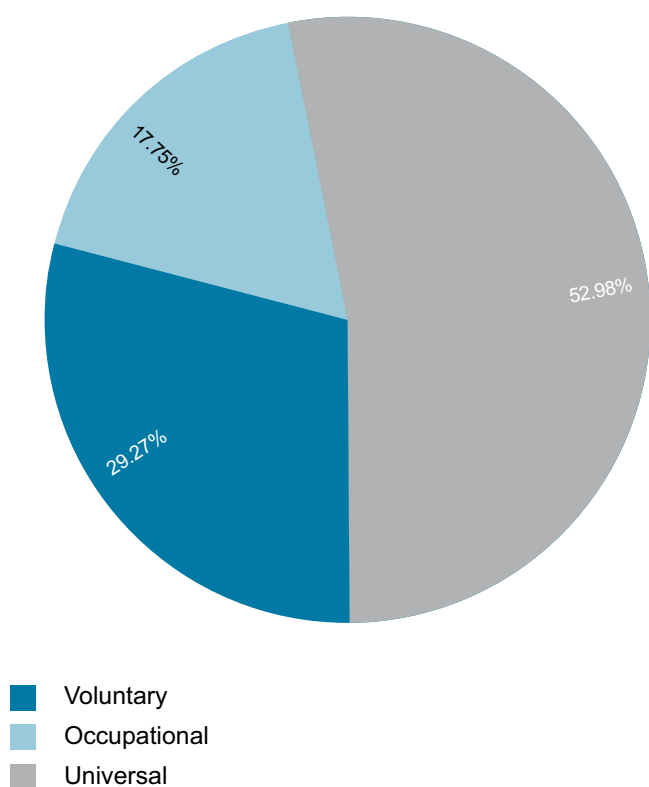
During the reporting year the number of the participants



## DYNAMICS OF THE ALLOCATIONS OF NET ASSETS BY FUNDS



## ALLOCATION OF THE NET ASSETS TO THE SUPPLEMENTARY PENSION INSURANCE FUNDS

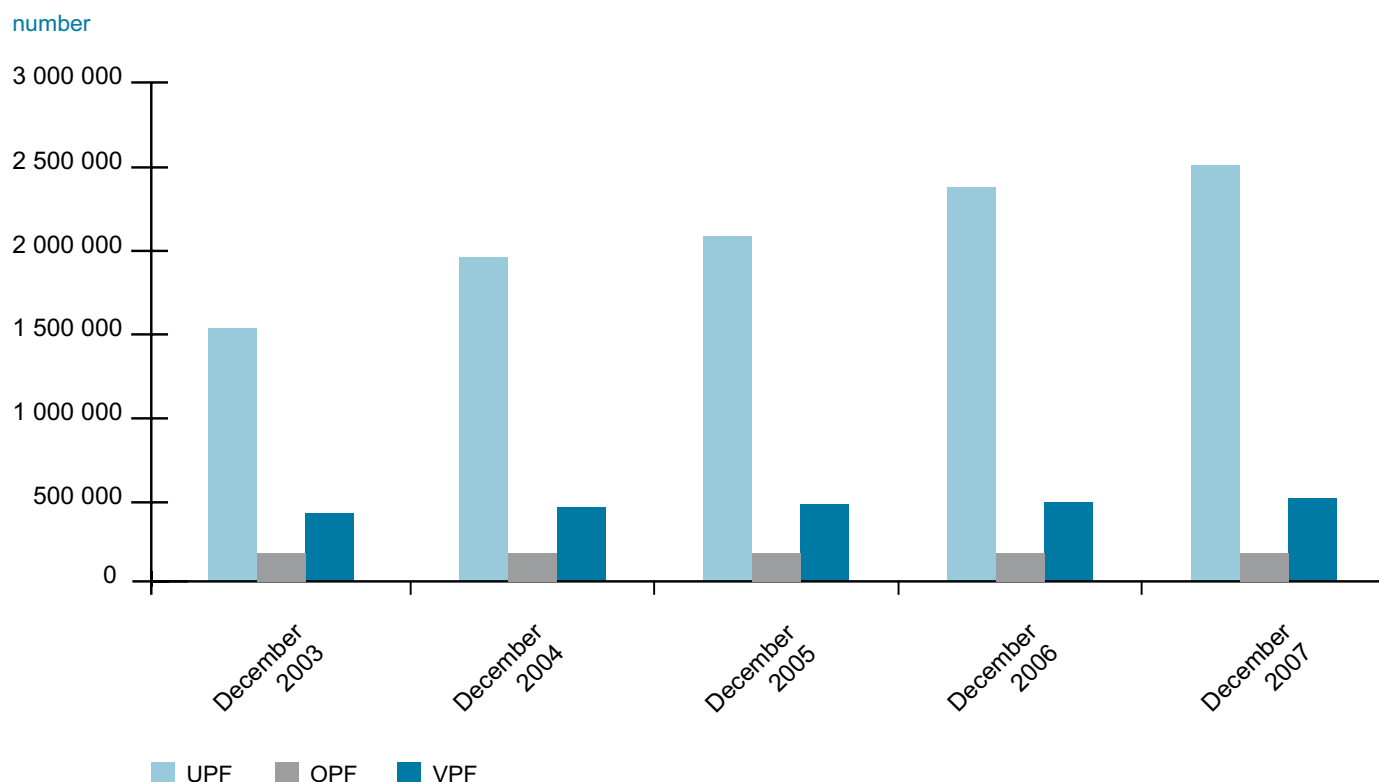


in the SPIF increased in total by 7,47 % compared to 7,71 % in 2006. As regards the OPF and the VPF, the growth during the reporting year in terms of the number

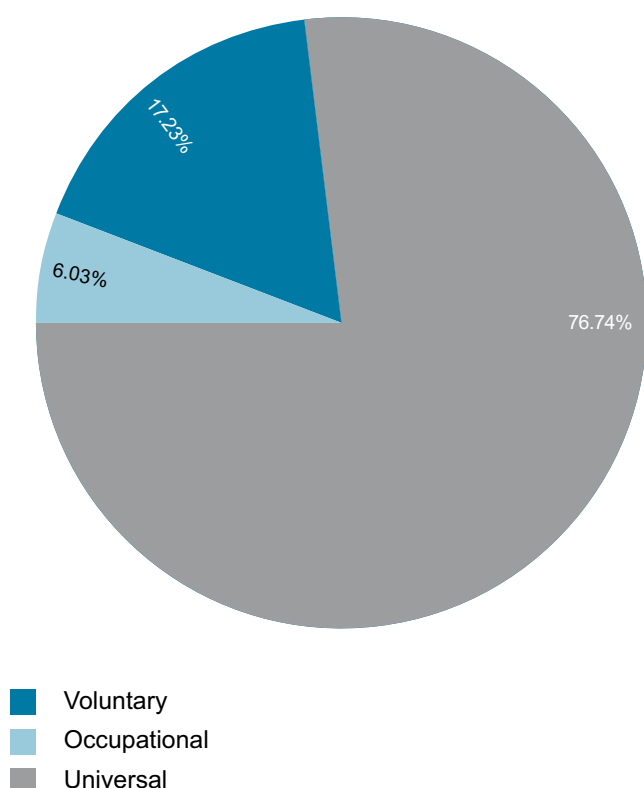
of participants marked an increase in comparison with 2006: with the occupational from 5,68 % to 7,52 % in 2007 and with the voluntary from 2,87 % to 4,75 % in 2007. As regards the universal funds the growth in view of the number of participants during the reporting year marked a decrease in comparison with 2006 from 9,07 % in 2006 to 8,10 % in 2007.

With all three types of SPIF during the reporting year the growth of the assets significantly forestalled the growth in the number of participants. As a result of it the average amount of the managed assets per a single participant in the SPIF increased as regards the three types of funds. The most significant increase in the indicator's rate of growth was that for the universal pension funds. In the end of 2007 the value of the indicator was BGN 425,78 and marked a growth of 57,74 % on a year-on-year basis. Because of the higher amount of the contribution in the occupational pension funds compared to the universal pension funds (12 % of the gross remuneration as regards first category work and 7 % as regards second category work) the average amount of the managed assets of a single participant was significantly higher. At the end of 2007 the value of the indicator reached BGN 1 677,74 and generated a growth of 24,21 % on a year-on-year basis. The average amount of the accumulated resources of a participant in the voluntary pension funds at the end of the reporting period was BGN 1 168,25. That value marked a growth of 24,76 % on an annual basis. There were deviations from the average levels observed by companies - in the UPF the managed assets per one participant were between BGN 301,12 and BGN 521,78, in the OPF - between BGN 713,06 and BGN 2 379,57, and in the SPF they were between BGN 140,82 and BGN 2 235,18. The average values of the indicator

## DYNAMICS OF THE ALLOCATION OF INSURED PERSONS BY FUNDS



## ALLOCATION OF INSURED PERSONS AMONG SUPPLEMENTARY PENSION INSURANCE FUNDS AS OF 31 DECEMBER 2007



for the individual PIC were within the limits between BGN 657,95 and BGN 1 450,29.

The average value of the indicator rate of return of managed assets was as regards UPF 0,14, as regards OPF it was 0,15 and regarding VPF it was 0,16, compared to 0,10 in 2006 for all three types of SPIF. The figures of the indi-

cator with regard to the individual PIC ranged in the limits between -0,02 and 0,28.

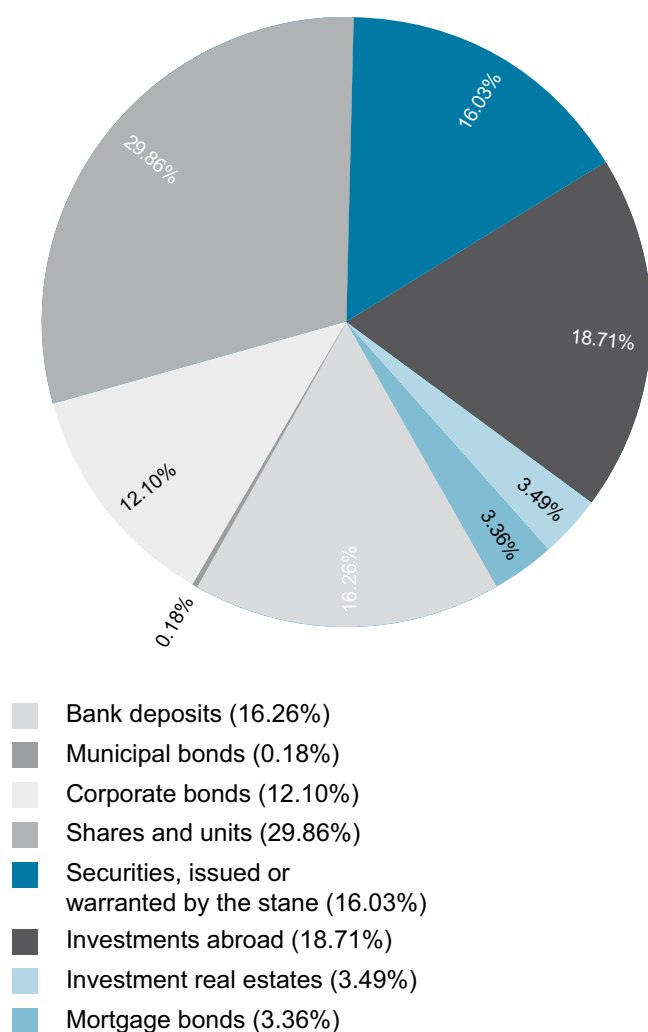
The income from insurance contributions of the supplementary pension insurance funds increased compared to those for the previous year. The value of the indicator in 2007 reached BGN 629 289 thousand and marked a growth of 60,42 % on a year-on-year basis. Most significant was the growth in the income from insurance contributions in the universal pension funds, where their amount in 2007 reached BGN 410 560 thousand and generated a growth of 73,36 % compared to 2006. The income from insurance contributions in the occupational pension funds in the end of 2007 was BGN 64 147 thousand. It has surged by 23,07 % compared with the previous year.

The income from insurance contributions in the voluntary pension funds during the reporting period reached BGN 154 582 thousand and respectively marked a growth of 49,59 % on an annual basis. The outlined in the last two years structure of the contributions according to the depositor of the insurances, remained relatively unchanged. The prevalent share of 68,96 % was occupied by the personal contributions, while the contributions, paid by the employer decreased to 30,21 %. The share of the contributions, paid by other contributor remained the least and hardly represented 0,83 % of the income in the voluntary pension funds.

The rate of return on a year-on-year basis during the last 24 months period, realized by the supplementary pension insurance funds, was significantly higher than the basic interest rate and the inflation levels for the same period. Thus an actual increase was achieved in the pension savings of persons, benefiting from supplementary pension insurance.

The supplementary mandatory pension insurance funds reached rate of return for the period, which exceeded the minimum levels of 7,49 % as regards the occupational

## STRUCTURE OF THE AGGREGATE INVESTMENT PORTFOLIO OF THE SUPPLEMENTARY PENSION INSURANCE FUNDS AS OF 31 DECEMBER 2007



funds and 7.24 % as regards the universal funds. At the same time in 2007 the funds did not exceed the upper limit of the rate of return for the period.

The average weighted rate of return achieved by the universal pension funds on a year-on-year basis for the period from 30 December 2005 to 28 December 2007 was 12.06 %, whereas among the eight funds it amounted to values between 9.56 % and 16.06 %. Five of the funds reached a rate of return above the average weighted value for the period, namely UPF SAGLASE, UPF DSK - RODINA, CCB - SILA, UPF LUKOIL GARANT BULGARIA and UPF BADESHTE.

The average weighted rate of return of the occupational pension funds on a year-on-year basis for the period from 30 December 2005 to 28 December 2007 was 12.48 %, whereas as regards the various funds it varied between 9.52 % and 16.95 %. Four of the PICs reached a rate of return of their occupational funds, which exceeded the average weighted rate of return for the period, namely OPF SAGLASIE, OPF DSK-RODINA, OPF CCB-SILA and OPF BADESHTE.

The rate of return of the voluntary pension funds on an annual basis for the period from 30 December 2005 to 28 December 2007 reached values between 10.17 % and 20.40 %. The average weighted rate of return for the period reached 12.84 %, whereas the profitability of five of the funds exceeded that value, namely VPF DSK - RODI-

NA, VPF SAGLASIE, VPF ING, VPF CCB SILA and VPF BADESHTE.

The total value of investments of the supplementary pension insurance funds as of 31 December 2007 was BGN 2 224 415 thousand. Its amount surged by 53.19 % in the last 12 months, which was due to the significant increase of the accumulated by the pension funds assets. The invested resources of the supplementary pension insurance funds formed 95.56 % of the total value of the balance sheet assets.

The universal pension funds retained their predominant share in the total amount of the investments of the supplementary pension insurance funds. Their share in the end of 2007 grew up to 53.49 %. The resources invested by the voluntary pension funds covered 28.55 % of the total investments, while the occupational funds remained with a share of 17.96 % in the resources invested by SPIF.

The structure of the investments of the supplementary pension insurance funds as of 31.12.2006 is presented in **Appendix 16.2.2.**

As a consequence of the amendments, introduced during the previous period, in the SIC which concern the investment limits, securities, issued or warranted by the state further decreased their relative share. In the end of 2007 their share was 16.03 % as compared to their rate of 28.92 % in the end of 2006. The percentage of the supplementary mandatory pension insurance funds remained higher (18.48 % as regards the universal and 18.41 % with the occupational ones), in the voluntary funds the percentage shrank to 9.94 %, against 21.58 % in the previous year.

Simultaneously, as a result of the amendments made to the SIC in 2006, which concerned the investment alternatives for SPIF, the percentage of shares and units increased from 20.61 % in the end of 2006 to 29.86 % as of 31 December 2007, whereas the share of corporate bonds was preserved within the limits of 12.10 % as compared with 12.35 % in the end of 2006. Thus in the end of 2007 the first place according to the size in the aggregate portfolio of SPIF was occupied by shares and units of publicly traded companies and collective investment schemes.

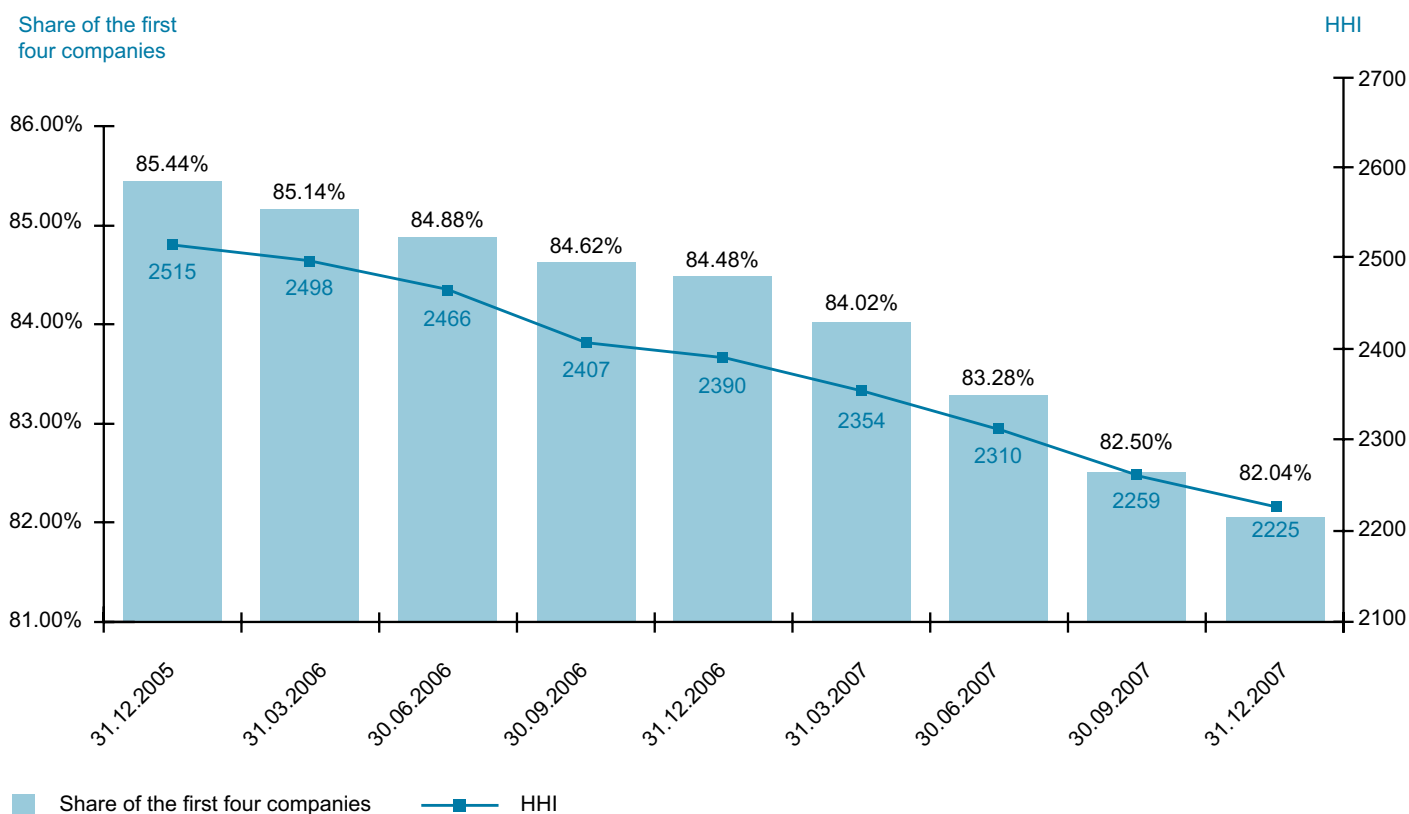
As of 31 December 2007 the resources of the supplementary pension insurance funds, held in the form of bank deposits, were 16.26 % of the total investments and marked a drop compared to the same period of 2006 by 5.6 percentage points.

Investments abroad marked a considerable growth in their share for a second consecutive year. In the end of 2007 they formed 18.71 % of the investments of the supplementary pension insurance funds, whereas their share was the largest in the voluntary pension funds (20.88 %). The increase was by 10.2 percentage points as compared to 2006, where the share of investments abroad was 8.51 %.

The relative share of the resources, held in the form of investment real estates increased about two times. Nevertheless, their share of 3.49 % still remained under the statutorily defined threshold for that instrument, namely 5 % as regarding the mandatory funds, with which the share remained even below 3 %, and 10 % as regards the voluntary funds, with which the share remained 6.47 %.

The resources of the supplementary pension insurance funds, invested in mortgage bonds decreased both in terms of absolute value as well as in terms of percentage of the aggregate investment portfolio. In the end of 2007 only 3.36 % of the supplementary pension insur-

## CONCENTRATION OF THE MARKET IN SUPPLEMENTARY PENSION INSURANCE, MEASURED THROUGH HHI, AND SHARE OF THE FIRST FOUR COMPANIES



ance funds were held in the form of mortgage bonds as compared with 5,55 % in the end of 2006.

The relative share of municipal bonds in the aggregate investment portfolio of SPIF remained insignificantly small (0,18 %) and even decreased in comparison with the previous year, where that value amounted to 0,40 %.

The chart above shows the index HHI (Herfindahl-Hirschman Index) and the share of the four leading companies in the supplementary pension insurance market.

As is apparent from the chart, there was almost insignificant decrease in both indices, measuring concentration on the market of supplementary pension insurance, which is indicative of the comparatively slight increase of competition among market participants and the more even allocation of the assets among the companies.

The liberalization of the statutory regulations for investment of the resources of the supplementary pension insurance funds, which took place in the beginning of 2006, gave impetus to the development of the supplementary pension insurance activity. The new challenge facing the sector relates to regulation of the possibility portfolios with different risk-based investment profile and respectively rate of return which they bear, to be managed in the voluntary pension insurance. This could contribute to the increase of the attractiveness and competitiveness of the supplementary pension insurance.







# Appendixes



## APPENDIXES<sup>47</sup>

### Appendix 2.1.2A

#### ORGANIZATION AND MANAGEMENT OF NEW CONTRACTUAL FUNDS BY MANAGEMENT COMPANIES

Management company	Contractual fund
STATUS CAPITAL AD	STATUS FINANCE
SOMONY ASSET MANAGEMENT	SOMONY STRATEGY
SOMONY ASSET MANAGEMENT	SOMONY PROGRESS
SOMONY ASSET MANAGEMENT	SOMONY EUROSTABILITY
VARCHEV MANAGING COMPANY EAD	VARCHEV BALANCED FUND
CCB ASSET MANAGEMENT EAD	CCB GARANT
CCB ASSET MANAGEMENT EAD	CCB LEADER
CCB ASSET MANAGEMENT EAD	CCB ACTIVE
INVEST FUND MANAGEMENT AD	INVEST CLASSIC
INVEST FUND MANAGEMENT AD	INVEST ACTIVE
BALKAN CAPITAL MANAGEMENT AD	BALKANI
AURORA CAPITAL AD	AURORA CAPITAL - BALANCED
AURORA CAPITAL AD	AURORA CAPITAL - GLOBAL COMMODITY FUND
ALFA ASSET MANAGEMENT EAD	ALFA SELECTED EQUITIES
TBI ASSET MANAGEMENT EAD	TBI TREASURE
AKTIVA ASSET MANAGEMENT AD	AKTIVA BALANCED FUND
AKTIVA ASSET MANAGEMENT AD	AKTIVA HIGH YIELD FUND
ELANA FUND MANAGEMENT AD	ELANA FUND MONEY MARKET
FFBH ASSET MANAGEMENT AD	FIB AVANGUARD
FFBH ASSET MANAGEMENT AD	FIB CLASSIC
FFBH ASSET MANAGEMENT AD	FIB GARANT
REAL FINANCE ASSET MANAGEMENT AD	REAL FINANCE HIGH YIELD FUND
REAL FINANCE ASSET MANAGEMENT AD	REAL FINANCE BALANCED FUND
KAROLL CAPITAL MANAGEMENT EAD	ADVANCE IPO FUND
ZAGORA FINACORP ASSET MANAGEMENT AD	ZAGORA FINACORP BALANCED FUND
RAIFFEISEN ASSET MANAGEMENT (BULGARIA) EAD	RAIFFEISEN (BULGARIA) BALANCED DOLLAR FUND

### Appendix 2.1.2B

#### INDIVIDUAL ADMINISTRATIVE ACTS ISSUED BY THE DEPUTY CHAIRPERSON OF THE FSC IN CHARGE OF INVESTMENT ACTIVITY SUPERVISION DIVISION CONCERNING COLLECTIVE INVESTMENT SCHEMES AND SPECIAL PURPOSE VEHICLES IN 2007

Company	Type
<b>Approval of amendments to the Articles of Association</b>	
CAPMAN CAPITAL AD	investment company

<sup>47</sup>The numeration of the appendixes indicates the chapter from the text of the Annual Report on the Activity of FSC to which it is related.

TBI EUROBOND AD	investment company
ADVANCE INVEST AD	investment company
INDUSTRIAL FUND AD	investment company
ZLATEN LEV AD	investment company
NADEZHDA AD	investment company
UBB Balanced FUND AD	investment company
BENCHMARK FUND – 2AD	investment company
ELANA HIGH YIELD FUND AD	investment company
ELANA EUROFUND AD	investment company
KD PELIKAN AD	investment company
FORUCOM FUND PROPERTIES	SPV
ENERGETICS AND ENERGY SAVINGS FUND - EESF	SPV
REAL ESTATE SOFIA	SPV
FAIRPLAY PROPERTIES	SPV
PALDIN LION GROUP	SPV
INTERCAPITAL PROPERTY DEVELOPMENT	SPV
EXCLUSIVE PROPERTY	SPV
ACTIVE PROPERTIES	SPV
SOLID INVEST	SPV
MEL INVEST AGRICULTURAL LAND FUND	SPV
BULGARIAN INVESTMENT GROUP	SPV
SUPER BOROVETS PROPERTY FUND	SPV
INVEST PROPERTY	SPV
REAL ESTATE FUND	SPV
AGRO FINANCE	SPV
CEE PROPERTY	SPV
QUANTUM DEVELOPMENTS	SPV
HYUNDAI PROPERTIES	SPV
PREMIER FUND	SPV
BULLAND INVESTMENTS	SPV
PARK	SPV
LYUK	SPV
HYUNDAI FINANCE	SPV
ULPINA	SPV

#### Approval of amendments to the Rules of portfolio assessment and net asset value determination

INDUSTRIAL FUND AD	investment company
UBB BALANCED FUND AD	investment company
TBI EUROBOND AD	investment company
ADVANCE INVEST AD	investment company
CAPMAN CAPITAL AD	investment company
BENCHMARK FUND – 2 AD	investment company
UBB BALANCED FUND AD	investment company
NADEZHDA AD	investment company

KD PELIKAN AD	investment company
SENTINEL - PRINCIPAL	contractual fund
SENTINEL - RAPID	contractual fund
UBB PLATINUM BONDS	contractual fund
DSK GROWTH	contractual fund
DSK BALANCE	contractual fund
DSK STANDARD	contractual fund
EUROPE	contractual fund
CONSERVATIVE-SAVING	contractual fund
TBI DYNAMIC	contractual fund
TBI HARMONY	contractual fund
TBI COMFORT	contractual fund
CAPMAN MAX	contractual fund
STATUS NEW EQUITIES	contractual fund
BENCHMARK FUND - 3	contractual fund
BENCHMARK FUND - 1	contractual fund
ALFA INDEX PROPERTIES	contractual fund
ALPHA INDEX TOP 20	contractual fund
UBB PREMIUM EQUITIES	contractual fund
KD BONDS	contractual fund
KD EQUITIES	contractual fund
VARCHEV MANAGING COMPANY	contractual fund
RAIFFEISEN (BULGARIA) MONEY MARKET FUND	contractual fund
RAIFFEISEN (BULGARIA) BALANCED FUND	contractual fund
RAIFFEISEN (BULGARIA) BOND FUND	contractual fund
RAIFFEISEN (BULGARIA) EQUITY FUND	contractual fund
YUG MARKET MAXIMUM	contractual fund
CCB ACTIVE	contractual fund
CCB LEADER	contractual fund
BALKANS	contractual fund
Approval of amendments to the Rules of Investment Companies	
ELANA HIGH YIELD FUND AD	investment company
ELANA EUROFUND AD	investment company
Approval of amendments to the Rules of Contractual Funds	
SENTINEL - PRINCIPAL	contractual fund
SENTINEL - RAPID	contractual fund
RAIFFEISEN (BULGARIA) BALANCED FUND	contractual fund
RAIFFEISEN (BULGARIA) BOND FUND	contractual fund
RAIFFEISEN (BULGARIA) EQUITY FUND	contractual fund
RAIFFEISEN (BULGARIA) MONEY MARKET FUND	contractual fund
DSK STANDARD	contractual fund
DSK GROWTH	contractual fund
DSK BALANCE	contractual fund
STATUS FINANCE	contractual fund
EUROPE	contractual fund



CONSERVATIVE-SAVING	contractual fund
STANDARD INVESTMENT INTERNATIONAL FUND	contractual fund
STANDARD INVESTMENT BALANCED FUND	contractual fund
STANDARD INVESTMENT HIGH YIELD FUND	contractual fund
STATUS NEW EQUITIES	contractual fund
ALFA INDEX PROPERTIES	contractual fund
ALFA INDEX TOP 20	contractual fund
UBB PREMIUM EQUITIES	contractual fund
UBB PLATINIUM BONDS	contractual fund
ADVANCE EASTERN EUROPE	contractual fund
ELANA BALANCED EURO FUND	contractual fund
ELANA BALANCED \$ FUND	contractual fund
KD EQUITIES	contractual fund
KD BONDS	contractual fund
BENCHMARK FUND - 1	contractual fund
VARCHEV MANAGING COMPANY	contractual fund
CCB ACTIVE	contractual fund
CCB LEADER	contractual fund
BENCHMARK FUND - 3	contractual fund
TBI DYNAMIC	contractual fund
ADVANCE EASTERN EUROPE	contractual fund
BALKANS	contractual fund
Approval of the Rules for risk assessment and management	
ADVANCE INVEST AD	investment company
TBI EUROBOND AD	investment company
NADEZHDA AD	investment company
KD PELIKAN AD	investment company
BENCHMARK FUND - 2 AD	investment company
INDUSTRIAL FUND AD	investment company
CAPMAN CAPITAL AD	investment company
TBI DYNAMIC	contractual fund
ADVANCE EASTERN EUROPE	contractual fund
TBI HARMONY	contractual fund
TBI COMFORT	contractual fund
STATUS FINANCE	contractual fund
STATUS NEW EQUITIES	contractual fund
RAIFFEISEN (BULGARIA) MONEY MARKET FUND	contractual fund
RAIFFEISEN (BULGARIA) BALANCED FUND	contractual fund
RAIFFEISEN (BULGARIA) BOND FUND	contractual fund
RAIFFEISEN (BULGARIA) EQUITY FUND	contractual fund
DSK GROWTH	contractual fund
DSK BALANCE	contractual fund
DSK STANDARD	contractual fund
VARCHEV BALANCED FUND	contractual fund
VARCHEV HIGH YIELD FUND	contractual fund

BENCHMARK FUND - 3	contractual fund
BENCHMARK FUND - 1	contractual fund
SINERGON PRESTIGE	contractual fund
CAPMAN MAX	contractual fund
YUG MARKET MAXIMUM	contractual fund
UBB PLATINIUM BONDS	contractual fund
UBB PREMIUM EQUITIES	contractual fund
CONSERVATIVE - SAVING	contractual fund
BALKANS	contractual fund
EUROPE	contractual fund
ALFA INDEX TOP 20	contractual fund
ALFA INDEX PROPERTIES	contractual fund
SENTINEL - PRINCIPAL	contractual fund
SENTINEL - RAPID	contractual fund
ELANA BALANCED EUROFUND	contractual fund
ELANA BALANCED \$ FUND	contractual fund
Approval of change in the general conditions	
STANDARD ASSET MANAGEMENT AD	management company
DSK ASSET MANAGEMENT AD	management company
BENCHMARK ASSET MANAGEMENT AD	management company
STATUS CAPITAL AD	management company
VARCHEV MANAGING COMPANY AD	management company
YUG MARKET FUND MANAGEMENT AD	management company
UBB ASSET MANAGEMENT	management company
Approval of program with measures for bringing the assets in compliance with the legal requirements	
ZLATEN LEV AD	investment company
CAPMAN MAX	contractual fund
EUROPE	contractual fund
BENCHMARK FUND - 3	contractual fund

#### Appendix 2.1.3A

### PROSPECTUS FOR PUBLIC OFFERING OF SECURITIES

Company	Public offering	Type of securities	Confirmative decision
Approved prospectuses in 2007			
AGRO FINANCE REIT	initial	shares	Decision № 406-E/7 March, 2007
AGRO FINANCE REIT	initial	shares	Decision № 1572-E/28 Nov., 2007
MEDIA SYSTEMS AD	initial	shares	Decision № 467-E/20 March, 2007
KAOLIN AD	initial	shares	Decision № 529-E/4 April, 2007
CORPORATE COMMERCIAL BANK AD	initial	shares	Decision № 554-E/18 April, 2007

HYDRAULIC ELEMENTS AND SYSTEMS AD	initial	shares	Decision № 581-PC/25 April, 2007
EUROHOLD BULGARIA AD	initial	shares	Decision № 585-E/25 April, 2007
FIRST INVESTMENT BANK AD	initial	shares	Decision № 586-E/25 April, 2007
BIANOR AD	initial	shares	Decision 717-E/31 May, 2007
DEVIN AD	initial	shares	Decision № 825-E/3 Kuly, 2007
SPECIALIZED BUSINESS SYSTEMS AD	initial	shares	Decision № 1182-PC/29 August, 2007
TECHNOLOGIES AND INNOVATIONS COMPANY SAEDINENIE PLC	initial	shares	Decision № 910-E/18 July, 2007
ADVANCE EQUITY HOLDING AD	initial	shares	Decision № 1121-E/15 August, 2007
UNIVERSAL PROPERTIES REIT	initial	shares	Decision № 1123-E/15 August, 2007
CHIMIMPORT AD	initial	shares	Decision № 1153-E/22.08.2007
BULLAND INVESTMENTS REIT	initial	shares	Decision № 1230-E/26 Sept., 2007
CENTRAL COOPERATIVE BANK AD	initial	shares	Decision № 1256-E/3 Oct., 2007
SPARKY ELTOS AD	initial	shares	Decision № 1257-E/3 Oct., 2007
INDUSTRIAL HOLDING BULGARIA AD	initial	shares	Decision № 1259-E/3 Oct., 2007
AGRICULTURAL LAND OPPORTUNITY FUND MEL INVEST REIT	initial	shares	Decision № 1270-E/10 Oct., 2007
TRACE GROUP HOLD AD	initial	shares	Decision № 1272-E/10 Oct., 2007
HOLDING NOV VEK AD	initial	shares	Decision № 1293-E/16 Oct., 2007
HOLDING VARNA A AD	initial	shares	Decision № 1294-E/16 Oct., 2007
BULGARIAN ROSE - SEVTOPOLIS AD	initial	shares	Decision № 1295-E/16 Oct., 2007
CBA ASSET MANAGEMENT AD	initial	shares	Decision № 1305-E/22 Oct., 2007
BILLBOARD AD	initial	shares	Decision № 1514-E/13 Nov., 2007
AGRIA GROUP HOLDING AD	initial	shares	Decision № 1515-E/13 Nov., 2007
HERTI AD	initial	shares	Decision № 1596-E/12 Dec., 2007
MECOM AD	initial	shares	Decision № 1602-E/12 Dec., 2007
FIA BULGARIA AD	initial	shares	Decision 1606-E/14 Dec., 2007
PETAR KARAMINCHEV AD	initial	shares	Decision № 1638-E/21 Dec., 2007
ZAHARNI ZAVODI AD	initial	shares	Decision № 1639-E/21 Dec., 2007
ENERGETICS AND ENERGY SAVINGS FUND REIT	initial	shares	Decision № 1640-E/21 Dec., 2007

BYALATA LAGUNA	secondary	shares	Decision № 291-PC/14 Feb., 2007
FIA BULGARIA AD	secondary	shares	Decision № 361-PC/28 Feb., 2007
CHAIKAPHARMA THE HIGH-QUALITY MEDICINES AD	secondary	shares	Decision № 179-PC/29 Jan., 2007
TODOROV AD	secondary	shares	Decision № 466-PC/20 March, 2007
SOFIA COMMERCE - PAWN BROKERAGE AD	secondary	shares	Decision № 583-E/25 April, 2007
LOMSKO PIVO AD	secondary	shares	Decision № 865-PC/11 July, 2007
HYDROIZOMAT AD	secondary	shares	Decision № 1292-PC/16 Oct., 2007
ETROPAL AD	secondary	shares	Decision № 1306-PC/22 Oct., 2007
ZARNENI HRANI BULGARIA AD	secondary	shares	Decision № 1573-PC/30 Nov., 2007
DOMOKAT AD	secondary	shares	Decision № 1552-PC/21 Nov., 2007
STOCK PLUS AD	secondary	shares	Decision № 1597-E/12 Dec., 2007
TORGOTERM AD	secondary	shares	Decision № 1610-PC/14 Dec., 2007
BROSS HOLDING AD	secondary	secured corporate bonds	Decision № 4-E/5 Jan., 2007
EUROLEASE AUTO AD	secondary	secured corporate bonds	Decision № 209-E/7 Feb., 2007
EUROLEASE AUTO AD	secondary	secured corporate bonds	Decision № 1271-E/10 Oct., 2007
EUROLEASE AUTO AD	secondary	secured corporate bonds	Decision № 1550-E/21 Nov., 2007
EUROLEASE AUTO AD	secondary	secured corporate bonds	Decision № 1551-E/21 Nov., 2007
EUROLEASE AUTO AD	secondary	secured corporate bonds	Decision № 1605-E/14 Feb., 2007
HOLDING VARNA A AD	secondary	secured corporate bonds	Decision № 331-E/20 Feb., 2007
ENERGETICS AND ENERGY SAVINGS FUND - EESV REIT	secondary	secured corporate bonds	Decision № 360-E/28 Feb., 2007
TBI CREDIT EAD	secondary	secured corporate bonds	Decision № 362-E/28 Feb., 2007
FARIN AD	secondary	secured corporate bonds	Decision № 404-E/7 March, 2007
BULGARIAN POST BANK AD	secondary	corporate bonds	Decision № 407-E/7 March, 2007
BULGARIAN POST BANK AD	secondary	corporate bonds	Decision № 1516-E/13 Nov., 2007
NICROM TUBULAR FURNITURE PLC	secondary	secured corporate bonds	Decision № 439-E/14 March, 2007
ITD NETWORK AD	secondary	secured corporate bonds	Decision № 465-E/20 March, 2007

TRANSINVESTMENT REIT	secondary	secured corporate bonds	Decision № 520-E/4 April, 2007.
TRANSINVESTMENT REIT	secondary	corporate bonds	Decision № 521-E/4 April, 2007
HOLDING NOV VEK AD	secondary	secured corporate bonds	Decision № 730-E/6 June, 2007
HEALTH AND WELLNESS REIT	secondary	secured corporate bonds	Decision № 731-E/6 June, 2007
HEALTH AND WELLNESS REIT	secondary	secured corporate bonds	Decision № 1192-E/4 Sept., 2007
PIRAEUS BANK BULGARIA AD	secondary	corporate bonds	Decision № 938-E/25 July, 2007
BULGARIA PLATINUM GROUP EAD	secondary	secured corporate bonds	Decision № 939-E//25 July, 2007
BALKANCAR - ZARYA AD	secondary	secured corporate bonds	Decision № 1154-E/22 August, 2007
TBI LEASING EAD	secondary	secured corporate bonds	Decision № 1229-E/26 Sept., 2007
METIZI AD	secondary	secured corporate bonds	Decision № 1255-E/3 Oct., 2007
KRISTERA AD	secondary	secured corporate bonds	Decision № 1328-E/31 Oct., 2007
B.L. LEASING AD	secondary	secured corporate bonds	Decision № 1575-PC/30 Nov., 2007
EUROHOLD BULGARIA AD	secondary	secured corporate bonds	Decision № 1604-E/14 Dec., 2007
DOVERIE - BRICO AD	secondary	corporate bonds	Decision № 1621-E/19 Dec., 2007
Prospectuses to which a refusal for approval was issued			
BLACK SEA INVESTMENT REIT	secondary	corporate bonds	Decision № 405-E/7 March, 2007
EUROCREDIT EAD	secondary	corporate bonds	Decision № 522-E/4 April, 2007
NOHA AD	initial	stocks	Decision № 688-PC/22 May, 2007
ROYAL PATATOES AD	secondary	corporate bonds	Decision № 1040-E/8 August, 2007.
DOVERIE - BRICO AD	secondary	corporate bonds	Decision № 1041-E/8 August, 2007
BPC - BULGARIAN PUBLISHING COMPANY	initial	stocks	Decision № 1581-E/5 Dec., 2007.

#### Appendix 2.1.3B

#### ISSUES OF SECURITIES ENTERED IN AND DELETED FROM THE KEPT BY FSC PUBLIC REGISTER IN 2007

Company	Type	Securities
Issues registered by FSC upon approval of a prospectus for public offering		
BROSS HOLDING AD	secondary	secured corporate bonds
EUROLEASE AUTO AD	secondary	secured corporate bonds
EUROLEASE AUTO AD	secondary	secured corporate bonds
EUROLEASE AUTO AD	secondary	secured corporate bonds
EUROLEASE AUTO AD	secondary	secured corporate bonds



EUROLEASE AUTO AD	secondary	secured corporate bonds
HOLDING VARNA AAD	secondary	secured corporate bonds
ENERGETICS AND ENERGY SAVINGS FUND - EESV REIT	secondary	secured corporate bonds
TBI CREDIT EAD	secondary	secured corporate bonds
FARIN AD	secondary	secured corporate bonds
BULGARIAN POST BANK AD	secondary	corporate bonds
NICROM TUBULAR FURNITURE AD	secondary	secured corporate bonds
ITD NETWORK AD	secondary	secured corporate bonds
ITD NETWORK AD	secondary	corporate bonds
TRANSINVESTMENT REIT	secondary	secured corporate bonds
TRANSINVESTMENT REIT	secondary	corporate bonds
HOLDING NOV VEK AD	secondary	secured corporate bonds
HEALTH AND WELLNESS REIT	secondary	secured corporate bonds
HEALTH AND WELLNESS REIT	secondary	secured corporate bonds
PIRAEUS BANK BULGARIA AD	secondary	corporate bonds
BULGARIA PLATINUM GROUP EAD	secondary	secured corporate bonds
BALKANCAR - ZARYA AD	secondary	secured corporate bonds
TBI LEASING EAD	secondary	secured corporate bonds
METIZI AD	secondary	secured corporate bonds
KRISTERA AD	secondary	secured corporate bonds
B.L. LEASING AD	secondary	secured corporate bonds
EUROHOLD BULGARIA AD	secondary	secured corporate bonds
DOVERIE - BRICO AD	secondary	corporate bonds
BYALATA LAGUNA	secondary	shares
FIA BULGARIA AD	secondary	shares
CHAIKAPHARMA THE HIGH-QUALITY MEDICINES AD	secondary	shares
TODOROV AD	secondary	shares
SOFIA COMMERCE - PAWN BROKERAGE AD	secondary	shares
LOMSKO PIVO AD	secondary	shares
HYDROIZOMAT AD	secondary	shares
ETROPAL AD	secondary	shares
ZARNENI HRANI BULGARIA AD	secondary	shares
DOMOKAT AD	secondary	shares
STOCK PLUS AD	secondary	shares
TORGOTERM AD	secondary	shares
Registered issues of shares with the purpose of trading on a regulated securities market		
Issues registered by FSC upon entry of the public company		
SERDIKA PROPERTIES REIT		shares
HYUNDAI PROPERTIES REIT		shares
HYUNDAI FINANCE SPV		shares
HBG INVESTMENT PROPERTY FUND REIT		shares
PALDIN LION GROUP REIT		shares
SINGULAR REIT		shares
ERG CAPITAL - 3 REIT		shares
GLOBEX ESTATE FUND REIT		shares
CITY DEVELOPMENT REIT		shares

UNITED PROPERTIES REIT	shares
ZENITH PROPERTIES REIT	shares
PROPERTIES CAPITAL INVESTMENTS REIT	shares
REAL ESTATE INVESTMENT FUND - REIF REIT	shares
ULPINA REIT	shares
EXPAT PROPERTIES REIT	shares
EFFEKTEN UND FINANZ - PROPERTIES REIT	shares
DIT PROPERTY REIT	shares
PRC REIT	shares
SOPHARMA BUILDINGS REIT	shares
ROY PROPERTY FUND REIT	shares
CITY PROPERTIES REIT	shares
Registered issues of shares with the purpose of trading on a regulated securities market	
Subsequent issues issued as a result of increase in the capital	
TOPLIVO AD	shares
PARK REIT	shares
VELINA AD	shares
ADVANCE TERRAFUND REIT	shares
BULGARIAN RIVER SHIPPING JSC	shares
SVILOZA AD	shares
NADEZHDA AD	shares
AGRICULTURAL LAND OPPORTUNITY FUND MEL INVEST REIT	shares
AKTIV PROPERTIES REIT	shares
SOPHARMA PROPERTIES REIT	shares
SOPHARMA PROPERTIES REIT	shares
MEDIA SYSTEMS AD	shares
AGRO FINANCE REIT	shares
INVEST PROPERTY REIT	shares
BULGARIAN RIVER SHIPPING JSC	shares
ELHIM - ISKRA AD	shares
EUROHOLD BULGARIA AD	shares
STARA PLANINA HOLD AD	shares
EMKA AD	shares
SPARKY ELTOS AD	shares
HYDRAULIC ELEMENTS AND SYSTEMS AD	shares
INDUSTRIAL HOLDING BULGARIA AD	shares
METIZI AD	shares
VINZAVOD AD	shares
ENERGOREMONT- HOLDING AD	shares
BALKANCAR ZARYA AD	shares
IC EURO INS AD	shares
INDUSTRIAL HOLDING BULGARIA AD	shares
UNIVERSAL PROPERTIES REIT	shares
ZAHARNI ZAVODI AD	shares

CHIMIMPORT AD	shares
CORPORATION UNIMASH AD	shares
FORMOPLAST AD	shares
BULLAND INVESTMENTS REIT	shares
DOMINANT FINANCE AD	shares
ADVANCE EQUITY HOLDING AD	shares
Issues of securities deleted from the FSC's register	
TBI CREDIT EAD	corporate bonds
TBI LEASING EAD	corporate bonds
PROCREDIT BANK (BULGARIA) AD	mortgage bonds
PROCREDIT BANK (BULGARIA) AD	mortgage bonds
DUPNITSA MUNICIPALITY	municipal bonds
CAPITAL DIRECT - 1 SPV	corporate bonds
INDUSTRIAL HOLDING BULGARIA AD	corporate bonds
PEB TEXIM AD	corporate bonds
ECONOMIC AND INVESTMENT BANK AD	corporate bonds

### Appendix 2.1.3C

## PUBLIC COMPANIES, ISSUERS AND SPVS FILED INTO OR DELETED FROM THE PUBLIC REGISTER KEPT BY FSC IN 2007

Company	Type
Companies filed in as public in the register kept by FSC	
EUROHOLD BULGARIA AD	public company
SOFIA COMMERCE - PAWN BROKERAGE AD	public company
CCB REAL ESTATE FUND REIT	public company
CAPITAL MANAGEMENT SPV	public company
ALFA CREDIT SPV	public company
FORUCOM FUND PROPERTIES REIT	public company
INO AD	public company
HEALTH AND WELLNESS REIT	public company
SOLID INVEST REIT	public company
EXCLUSIVE PROPERTY REIT	public company
KAOLIN AD	public company
STATUS PROPERTIES REIT	public company
FIRST INVESTMENT BANK AD	public company
CORPORATE COMMERCIAL BANK AD	public company
SPECIALIZED BUSINESS SYSTEMS AD	public company
BIANOR AD	public company
DEVIN AD	public company
REAL ESTATE SOFIA REIT	public company
ZARNENI HRANI BULGARIA AD	public company
CHESTERFIELD AD	public company

TECHNOLOGIES AND INNOVATIONS CORPORATION SAEDINENIE AD	public company
CCB ASSET MANAGEMENT AD	public company
TRACE GROUP HOLD AD	public company
Companies registered by FSC upon entry of issues of shares from the initial obligatory increase in the capital	
SERDIKA PROPERTIES REIT	public company
HYUNDAI PROPERTIES REIT	public company
HYUNDAI FINANCE SPV	public company
HBG INVESTMENT PROPERTY FUND REIT	public company
PALDIN LION GROUP REIT	public company
SINGULAR REIT	public company
ERG CAPITAL - 3 REIT	public company
GLOBEX ESTATE FUND REIT	public company
CITY DEVELOPMENT REIT	public company
UNITED PROPERTIES REIT	public company
ZENITH PROPERTIES REIT	public company
PROPERTIES CAPITAL INVESTMENTS REIT	public company
REAL ESTATE INVESTMENT FUND - REIF REIT	public company
ULPINA REIT	public company
EXPAT PROPERTIES REIT	public company
EFFEKTEN UND FINANZ – PROPERTIES REIT	public company
DIT PROPERTY REIT	public company
PRC REIT	public company
SOPHARMA BUILDINGS REIT	public company
ROY PROPERTY FUND REIT	public company
CITY PROPERTIES REIT	public company
Companies deleted from the FSC's register	
Deleted after deletion from the Commercial Register due to completion of procedure of liquidation or bankruptcy	
MONTEX-M AD	public company
KITKA AD	public company
CIPRINUS AD	public company
Deleted after carried out tender offer according Art. 119 para 1 item 3 of the LPOS	
RODINA TOURIST AD	public company
ZMM NOVA ZAGORA AD	public company
DZI BANK AD	public company
BRAVO AD	public company
DUROPAK-TRAKIA PAPIR AD	public company
VAMO AD	public company
ENERGIA AD	public company
SOFIA AIRPORT CENTER AD	public company
RIVIERA AD	public company
ZMM - SLIVEN AD	public company
AUTOBOHEMIA AD	public company

ZAVODSKI STROEZHI-PC - PERNIK AD	public company
Deleted in view of the circumstance that the issue of securities was not admitted to trading on a regulated securities market within a 3-month period of its entry in the FSC's register	
BULGARIAN BERGMAN EAD	public company
CHAIKAPHARMA THE HIGH-QUALITY MEDICINES AD	public company
Deleted in view of the circumstance that the issue of securities was deleted from the FSC's register and the issuer had no other issue of securities entered in the register under Art. 17 para 1 item 1 of Ordinance № 22.	
PROCREDIT BANK (BULGARIA) AD	issuer
PEB TEXIM AD	issuer
TECHNOLOGY CENTER - INSTITUTE OF MICROELECTRONICS AD	issuer
CHERNOMORSKO ZLATO AD	issuer
SLIVEN MUNICIPALITY	issuer
SVISHTOV MUNICIPALITY	issuer
CF PIONEER AUSTRIA - MASTER FUND I (TRADICIONEL)	issuer

### Appendix 3.1.3

#### NUMBER OF DRAWN UP ACTS FOR ESTABLISHED ADMINISTRATIVE VIOLATIONS (AEAV) IN 2007

Established violations of the legal provisions	Drawn up AEAV – total for 2007
Art. 32 para 1 of the Financial Supervision Commission Act (FSCA)	1
Art. 22 para 3 of the Law on Special Purpose Vehicles (LSPV)	1
Art. 31 para 4 in relation to Art. 30, para 1 of the LSPV in relation to Art	5
Art. 16 para 1 of the Markets in Financial Instruments Act (MFIA)	1
Art. 94 para 1 and/or Art. 99 para 1 in relation to Art. 94 para 1 of the LPOS (canceled provisions)	18
Art. 95 para 1 and/or Art. 99 para 1 in relation to Art. 95 para 1 of the LPOS (cancelled provisions)	15
Art. 100n para 1 in relation to Art. 100s para 1 of the LPOS	2
Art. 100s para. 1 in relation to Art. 100n para 1 of the LPOS	1
Art. 100y para 2 in relation to Art. 100y para 1 item 1 of the LPOS	1
Art. 110 para 9 item 1 of the LPOS	1
Art. 114 para 1 item 2 in relation to Art. 114 para 1 item 1 letter b, in relation to Art. 114 para 5 item 1 of the LPOS	1
Art. 114b para. 1, prepos. one of the LPOS	1
Art. 115 para 3 of the LPOS	41
Art. 117 para 1 of the LPOS	11
Art. 145 para 1 of the LPOS	20
Art. 145 para 4 in relation to Art. 145 para 1 of the LPOS	2
Art. 148 para 3 item 1 in relation to Art. 145 para 1 item 1 of the LPOS	2
Art. 221 para 6 in relation to Art. 212 para 1 item 1 of the LPOS	21
Art. 27 para 2 of Ordinance № 2	2
Art. 28 para 3 in relation to Art. 27 para 2 of Ordinance № 2	12
Art. 31 para 1 item 2 of Ordinance № 2	3
Art. 9 in relation to Art. 10 of Ordinance № 13	1
<b>Total:</b>	<b>163</b>



## INITIATIVES FOR TRAINING AND EXTENSION OF THE FSC'S PERSONNEL QUALIFICATION CARRIED OUT IN 2007

Topic	Type training	Duration		Organizer/Lector	Number of employees
		days	time		
Program Managerial Skills and Interpersonal Relations in the FSC					
Novelties and challenges in the operation of the Financial Supervision Commission	seminar	3 days	25-27 October 2007	FSC	45
Presentation skills	seminar	1 day	12 April 2007	APEIRON COMMUNICATION	6
Master's program in management of the organization	training	2 academic years		FSC	1
Communication and presentation skills	course	2 days	26-27 June 2007	FSC	11
Internal communications	seminar	1 day	28 March 2007	PROJECT FINANCIAL SECTOR INTEGRITY	1
Program Legal Regulations					
Acquis communautaire	seminar	2 days	28-29 March 2007	UNION OF LAWYERS IN BULGARIA	1
New regime of commercial registration under the Commercial Register Act	seminar	1 day	4 May 2007	BULGARIAN DISCUSSION FORUM	1
Commercial law and civil procedure	seminar	3 days	22-24 June 2007	PUBLISHING HOUSE SIBI	4
Program Financial Management and Economic Activity in the Public Sector					
The social security legislation in 2007. Amendments to the social, health and pension social insurance.	seminar	1 day	27 January 2007	KITOV CENTER EOOD	3
Accounting closeout of 2006 for the budget financed undertakings. Financial audit. New tax legislation in 2007	seminar	3 days	29-31 January 2007	NCC RESHENIE OOD PC TRUD I PRAVO	1
Modular seminar for managers and internal auditors of autonomous management systems	seminar	5 days	23-27 June 2007	ALPHA QUALITY INTERNATIONAL OOD	1
Budgeting of activities in program format	seminar	3 days	12-14 April 2007	FSC	39
The role of the internal audit for the corporate governance of the financial sector	conference	2 days	7-8 November 2007	INSTITUTE OF INTERNAL AUDITORS IN BULGARIA (IIAB)	2
Internal audit in the public sector	discussion	1 day	22 October 2007	INSTITUTE OF INTERNAL AUDITORS IN BULGARIA (IIAB)	2
Application of the legislation and methodology in internal control by the internal auditors	seminar	1 day	15 October 2007	SIKON GROUP EOOD	1

## Program Human Resources Development

New developments in social security and in the labor relations in 2007. National classification of professions and positions	seminar	3 days	14-16 February 2007	NCC RESHENIE OOD PC TRUD I PRAVO	2
Improvement of the systems for selection and career development of the civil servants in Bulgaria	среща	1 day	23 February 2007		1
Study of the corporate expectations	presentation	1ден	February 2007	KPMG	1
Overcoming the gap between the educational system and the needs of the public sector	presentation	1 day	27 March 2007	FOUNDATION OF BUSINESS FOR EDUCATION	1
The new ordinance on the structure and organization of the salary	seminar	1 day	4 May 2007	BULGARIAN HUMAN RESOURCES MANAGEMENT ASSOCIATION (BHRMA)	2
The new in the EU: Sharing practices in human resources management	international conference	3 days	17-19 May 2007	BULGARIAN HUMAN RESOURCES MANAGEMENT ASSOCIATION (BHRMA)	1
Trainings on the new Ordinance on the structure and organization of salary	seminar	2 days	17-18 June 2007	NCC RESHENIE OOD PC TRUD I PRAVO	2
Practical advice for conclusion, amendment to and termination of the labor contracts – legal documentation	seminar	2 days	17-18 September 2007	LECTOR EOOD REZON MEDIA GROUP	1
Specialized course in public relations	course	3 months		LONDON SCHOOL OF PUBLIC RELATIONS	1
Ways of combating fraud and abuses in the organizations	seminar	2 days	1-2 March 2007	INSTITUTE OF INTERNAL AUDITORS IN BULGARIA (IIAB)	1
Protection of classified information	course		May	MINISTRY OF DEFENCE	1
Risk management in the organization. Model of ERM	seminar	2 days	31 May -1 June 2007	INSTITUTE OF INTERNAL AUDITORS IN BULGARIA (IIAB)	1
Fundamentals of Network Security	course	36 classes	2-12 June 2007	CTEC-BG	1
Professional training of actuaries	course	without absence from work	without absence from work	BULGARIAN ACTUARIAL SOCIETY (BAS)	1
Products on the financial markets: historical and analytical approach	seminar	3 days	26-28 February 2007	STUDY CENTER OF THE INTERNATIONAL BANKING INSTITUTE	5
Assessment of the regulatory impact and policy of the competition	conference	1 day	21 September 2007	COMMISSION FOR PROTECTION OF COMPETITION	5

Software decisions for analysis and combating of frauds and abuses	seminar	1 day	20 March 2007	SM CONSULTA	6
Application of the credit rating in the financial system	seminar	1 day	21 January 2007	STUDY CENTER OF THE INTERNATIONAL BANKING INSTITUTE	7
The most actual IT aspects in the development of the bank and financial control	seminar	3 days	21-23 June 2007	CN SYS	10
Proposals for amendments and supplements to the Social Insurance Code and drawing up of a common draft of law on amendment and supplement to the SIC	working meeting	3 days	1-3 November 2007	BULGARIAN ASSOCIATION OF THE SUPPLEMENTARY PENSION INSURANCE COMPANIES (BASPIC)	10
International educational internship program	specialization	50 days	20 October-9 December 2007	NATIONAL AGENCY OF INSURANCE COMMISSIONERS (USA)	2
Professionalism and professional standards	course	2 days	5-6 November 2007	BULGARIAN ACTUARIAL SOCIETY (BAS)	2
Program Foreign Language Training					
English language: II-nd level	course	5 months	24 October 2006 - 15 March 2007	FSC	22
English language: III-rd level	course	5 months	24 October 2006 - 15 March 2007	FSC	16
English language: IV-th level	course	5 months	25 October 2006 - 15 March 2007	FSC	17
English language for preparation about First Cambridge Certificate	course	5 months	11 December 2006 - 30 April 2007	FSC	22
French Language	course			FSC	6
Institutional framework of the European Union	international seminar	3 days	26-28 March 2007	INTERNATIONAL BANKING INSTITUTE	2
The challenges facing the internal audit in Bulgaria after the accession to the European Union	international conference	1 day	11 April 2007	INSTITUTE OF INTERNAL AUDITORS IN BULGARIA (IIAB)	2
Legal and judicial system of the European Union	seminar	3 days	20-22 April 2007	EUROPEAN LAW INSTITUTE FSC	1
Training of the participants in task forces and committees to the European Commission	seminar	3 days	17-19 March 2007	FSC	58

Specifics of the implementation of the <i>acquis communautaire</i> in the Member States and of the proceedings before the European Court of Justice	seminar	4 days	23-27 May 2007	EUROPEAN LAW INSTITUTE	5
European procedure law	seminar	3 days	1-3 June 2007	PUBLISHING HOUSE SIBI	
Program Foreign Language Training					
Harmonization of the regulation of disclosure of financial information of insurers and pension funds	seminar	2 days	5-6 June 2007	PROJECT UNDER EU PHARE PROGRAM	11
Harmonization of the regulation of disclosure of financial information of insurers and pension funds	seminar	2 days	22-23 March 2007	PROJECT UNDER EU PHARE PROGRAM	11
Harmonization of the regulation of the collective guarantee schemes for pension funds	seminar	5 days	12-16 February 2007	PROJECT UNDER EU PHARE PROGRAM	11
Reinsurance	seminar	3 days	11-13 April 2007	PROJECT UNDER EU PHARE PROGRAM	9
Good practices in the insurance supervision in the Spanish Directorate General for insurance and social security supervision	seminar	4 days	8-11 May 2007	PROJECT UNDER EU PHARE PROGRAM DIRECTORATE GENERAL FOR INSURANCE AND SOCIAL SECURITY SUPERVISION	10
Harmonization of the legislation under the Directive on market abuses	seminar	4 days	17-20 July 2007	PROJECT UNDER EU PHARE PROGRAM	15
Harmonization of the legislation under the Directive on tender offers	seminar	2 days	2-3 July 2007	PROJECT UNDER EU PHARE PROGRAM	7
Harmonization of the legislation under the Directive on prospectuses	seminar	2 days	6-7 August 2007	PROJECT UNDER EU PHARE PROGRAM	16
Harmonization of the legislation under the Directive on investment services and the Directive on markets in financial instruments (ISD/MIFID)	seminar	3 days	28-30 May 2007	PROJECT UNDER EU PHARE PROGRAM	8
Harmonization of the legislation under the Directive on requirements for transparency	seminar	2 days	4-5 July 2007	PROJECT UNDER EU PHARE PROGRAM	9
Harmonization of the legislation for disclosure of financial information about insurers and pension funds	seminar	3 days	14-16 May 2007	PROJECT UNDER EU PHARE PROGRAM	11
Harmonization of the insurers' solvency margin and the minimum amount of the guarantee capital	seminar	3 days	14-16 May 2007	PROJECT UNDER EU PHARE PROGRAM	59

Harmonization of the criterion for solvency of insurers and the minimum amount of guarantee capital (Additional session)	seminar	2 days	26-27 June 2007	PROJECT UNDER EU PHARE PROGRAM	25
Insurance intermediation. Register of the insurance agents	seminar	2 days	6-7 June 2007	PROJECT UNDER EU PHARE PROGRAM	74
Training and information campaign about third parties liability	seminar	3 days	25-27 June 2007	PROJECT UNDER EU PHARE PROGRAM	6

#### Appendix 14.1A

#### FINANCIAL INDICATORS OF PUBLIC COMPANIES, INCLUDED IN THE CALCULATION OF THE SOFIX INDEX AS OF 31 DECEMBER 2007

Company	Capitaliza- tion	Total as- sets	Total operating income	Unconsoli- dated finan- cial result	Equity	Free float (up to 5%)*	Foreign- owned capital of the com- pany
	in BGN thousand						
ALBENA AD (ALB)	507 562	424 145	97 459	17 729	275 773	24,19%	7,22%
ELANA AGRICULTURAL LAND FUND REIT (ELARG)	131 375	152 760	53 498	47 529	130 059	38,04%	65,75%
IC EURO INS AD (EURINS)	167 000	52 887	66 578	5 374	21 389	32,00%	16,30%
INDUSTRIAL HOLDING BULGA- RIA AD (IHLBL)	297 721	87 742	5 251	3 727	86 702	69,85%	41,77%
KAOLIN AD (KAO)	434 750	150 323	110 908	17 191	115 014	21,94%	0,00%
M+S HYDRAULIC AD (MCH)	180 044	52 874	76 267	4 140	32 992	22,62%	2,50%
MONBAT AD АД (MONBAT)	595 920	128 247	14 417	17 409	87 319	24,63%	4,67%
NEOCHIM AD (NEOH)	204 253	137 207	185 361	3 008	79 293	25,73%	27,15%
ORGACHIM AD (ORGH)	323 853	108 317	128 345	6 764	69 835	35,79%	72,47%
PETROL AD (PET)	576 838	499 478	817 105	-22 918 000	152 094	7,57%	22,53%
SOPHARMA AD (SFARM)	1 184 040	367 295	180 294	30 630	214 580	13,08%	25,15%
SPARKY ELTOS AD(ELTOS)	229 880	113 284	71 275	9 191	95 035	22,02%	15,16%
CB BULGARIAN-AMERICAN CREDIT BANK AD (BACB)	1 005 686	689 632	74 214	51 100	153 169	26,11%	96,84%
CB CENTRAL COOPERATIVE BANK AD (CCB)	772 719	1 566 880	96 202	20 094	211 345	26,98%	19,41%
TOPLIVO AD (TOPL)	157 738	219 454	277 124	8 311	133 335	27,33%	5,71%
CHIMIMPORT AD (CHIM)	2 326 500	777 977	94 814	82 483	537 885	16,92%	14,73%
<b>Total:</b>	<b>9 095 879</b>	<b>5 528 502</b>	<b>2 349 112</b>	<b>301 762</b>	<b>2 395 819</b>	<b>21,07%</b>	<b>24,72%</b>

\* The free float is calculated on data provided by Central Depository without taking into account the relatedness between minority shareholders



## FINANCIAL INDICATORS OF PUBLIC COMPANIES, INCLUDED IN THE BG-40 INDEX AS OF 31 DECEMBER 2007

Company	Capitali- zation	Total assets	Total operating income	Unconsoli- dated financial result	Equity	Free float (up to 5%)*	Foreign- owned capital of the company
	in BGN thousand						
ADVANCE TERRA- FUND REIT (ATERA)	89 434	93 535	25 964	23 044	82 579	75,24%	34,55%
ALBENA AD (ALB)	507 562	424 145	97 459	17 729	275 773	24,19%	7,22%
ALBENA INVEST HOLDING AD (AL- BHL)	111 320	141 407	12 589	11 590	129 421	52,17%	4,07%
ALCOMET AD (ALUM)	302 687	172 882	253 907	3 762	66 814	9,90%	19,05%
BULGARIAN ROSE- SEVTOPOLIS AD (SEVTO)	18 400	21 502	13 288	1 752	17 727	89,27%	9,58%
BULGARIAN HOLD- ING COMPANY AD (BHC)	43 124	45 629	3 374	1 803	37 055	61,21%	1,67%
DEKOTEX AD (DEKOT)	45 125	43 047	1 089	38	22 967	8,06%	0,07%
DOVERIE UNITED HOLDING AD (DOVUHL)	187 648	43 029	1 969	172	23 596	74,55%	3,61%
EUROHOLD BULGA- RIA AD (EUBG)	426 234	225 021	83 720	71 459	163 923	28,61%	0,00%
ELANA AGRICUL- TURAL LAND FUND REIT (ELARG)	131 375	152 760	53 498	47 529	130 059	38,04%	65,75%
EMKA AD (EMKA)	81 346	30 091	66 014	2 603	17 347	20,54%	3,49%
ZAHARNI ZAVODI AD (ZAHZA)	126 853	15 822	39 524	2 585	30 920	5,87%	0,50%
IC EURO INS AD (EURINS)	167 000	52 887	66 578	5 374	21 389	32,00%	16,30%
INDUSTRIAL CAPITAL HOLDING AD (HIKA)	77 838	14 196	3 588	3 179	13 945	55,74%	6,19%
INDUSTRIAL HOLDING BULGARIA AD (IHLBL)	297 721	87 742	5 251	3 727	86 702	69,85%	41,77%
KAOLIN AD (KAO)	434 750	150 323	110 908	17 191	115 014	21,94%	0,00%
ODESSOS SHIPREPAIR YARD AD (ODES)	181 824	60 357	42 778	7 964	50 307	35,85%	1,37%
M+S HYDRAULIC AD (MCH)	180 044	52 874	76 267	4 140	32 992	22,62%	2,50%

MONBAT AD (MONBAT)	595 920	128 247	144 170	17 409	87 319	24,63%	4,67%
LED-ZINC COMPLEX AD (OTZK)	767 130	154 010	250 180	13 826	67 543	10,14%	1,56%
ORGACHIM AD (ORGH)	323 853	108 317	128 345	6 764	69 835	35,79%	72,47%
BULGARIAN RIVER SHIPPING JSC (BRP)	280 899	47 104	38 343	3 006	37 964	20,99%	3,96%
PETROL AD (PET)	576 838	499 478	817 105	-22 918	152 094	7,57%	22,53%
POLIMERI AD (POLIM)	59 581	236 063	48 649	1 552	214 349	26,98%	47,01%
OIL AND GAS EXPLO- RATION AND EXTRA- CITON AD (GAZ)	166 057	65 546	27 685	5 671	46 116	25,33%	1,22%
SEVERCOOP GUMZA HOLDING AD (GAM- ZA)	11 043	13 693	291	144	12 902	86,83%	3,33%
SYNERGON HOLD- ING AD (PETHL)	268 223	128 043	19 093	13 889	96 672	53,01%	13,89%
SOPHARMA AD (SFARM)	1 184 040	367 295	180 294	30 630	214 580	13,08%	25,15%
SPARKY ELTOS AD(ELTOS)	229 880	113 284	71 275	9 191	95 035	22,02%	15,16%
STARA PLANINA HOLD AD (CENHL)	160 020	27 657	3 280	2 754	26 667	65,47%	27,46%
CB BULGARIAN- AMERICAN CREDIT BANK AD (BACB)	1 005 686	689 632	74 214	51 100	153 169	26,11%	96,84%
CB FIRST INVEST- MENT BANK AD (FIB)	1 266 100	4 205 055	190 525	55 780	325 656	15,00%	0,00%
CB CENTRAL COOP- ERATIVE BANK AD (CCB)	772 719	1 566 880	96 202	20 094	211 345	26,98%	19,41%
TK-HOLD AD (TCH)	31 126	13 509	1 704	1 132	10 145	61,47%	1,04%
TOPLIVO AD (TOPL)	157 738	219 454	277 124	8 311	133 336	27,33%	5,71%
FAVORIT HOLD AD (AFH)	36 674	12 849	1 234	129	9 881	83,57%	0,99%
FAZERLES AD (FZLES)	159 671	19 112	32 127	5 422	17 408	32,25%	18,55%
CHIMIMPORT AD (CHIM)	2 326 500	777 977	94 814	82 483	537 885	16,92%	14,73%
HOLDING VARNA-A AD (HVAR)	44 510	95 615	9 903	7 243	67 646	69,22%	0,08%
CHUGUNOLEENE AD (CHUG)	20 903	35 783	36 875	811	12 953	16,89%	0,51%
<b>Total:</b>	<b>13 844 353</b>	<b>11 351 852</b>	<b>3 501 197</b>	<b>540 064</b>	<b>3 919 030</b>	<b>26,21%</b>	<b>18,42%</b>

\* The free float is calculated on data provided by Central Depository without taking into account the relatedness between minority shareholders

**FINANCIAL INDICATORS OF PUBLIC COMPANIES INCLUDED IN THE CALCULATION OF INDEX BG REIT AS OF 31 DECEMBER 2007**

Company	Capitaliza tion	Total assets	Total operating income	Unconsoli dated financial result	Equity	Free float (up to 5%)*	Foreign- owned capital of the com- pany
	in BGN thousand						
ADVANCE TERRA- FUND REIT (ATERA)	89 434	93 535	25 964	23 044	82 579	75,24%	34,55%
AKTIV PROPER- TIES REIT (AKTIV)	42 415	36 813	4 724	1 393	35 406	65,46%	6,33%
BENCHMARK PRO- PERTIES FUND REIT (BMREIT)	49 129	47 592	25 674	13 884	46 411	64,53%	44,82%
BULLAND INVEST- MENTS REIT (LAND)	7 111	16 538	1 307	934	16 512	50,20%	7,55%
ELANA AGRICUL- TURAL LAND FUND REIT (ELARG)	131 375	152 760	53 498	47 529	130 059	38,04%	65,75%
INTERCAPITAL PROPERTY DE- VELOPMENT REIT (ICPD)	49 683	66 992	26 358	7 237	18 011	68,83%	41,60%
PARK REIT (PARK)	14 094	16 289	7 399	5 729	16 267	24,62%	11,75%
PRIME PROPERTY BG REIT (TBIRE)	57 845	73 172	14 117	11 091	69 820	27,83%	69,41%
FAIRPLAY PROPER- TIES REIT (FPP)	113 568	84 990	47 899	11 128	62 915	19,76%	2,16%
AGRICULTURAL LAND OPPORTU- NITY FUND MEL IN- VEST REIT (ALOFMI)	9 838	5 438	1 956	1 173	15 611	52,53%	3,13%
BULGARIA REAL ESTATE FUND REIT (BREF)	126 340	167 897	37 466	29 160	101 983	33,31%	0,00%
Total:	690 832	762 016	246 362	152 302	595 574	42,81%	28,83%

\* The free float is calculated on data provided by Central Depository without taking into account the relatedness between minority shareholders

**FINANCIAL INDICATORS OF THE PUBLIC COMPANIES, INCLUDED IN THE CALCULATION OF INDEX BG TR30  
AS OF 31 DECEMBER 2007**

Company	Capitaliza tion	Capitaliza tion	Total operating income	Unconsoli dated financial	Equity	Free float (up to 5%)*	Foreign- owned capital of the compa- ny
	in BGN thousand						
ADVANCE TER- RAFUND REIT (ATERA)	89 434	93 535	25 964	23 044	82 579	75,24%	34,55%
ALBENA AD (ALB)	507 562	424 145	97 459	17 729	275 773	24,19%	7,22%
ALBENA INVEST HOLDING AD (AL- BHL)	111 320	141 407	12 589	11 590	129 421	52,17%	4,07%
DOVERIE UNITED HOLDING AD (DOVUHL)	187 648	43 029	1 969	172	23 596	74,55%	3,61%
EUROHOLD BULGARIA AD (EUBG)	426 234	225 021	83 720	71 459	163 923	28,61%	0,00%
ELANA AGRI- CULTURAL LAND FUND REIT (EL- ARG)	131 375	152 760	53 498	47 529	130 059	38,04%	65,75%
IC EURO INS AD (EURINS)	167 000	52 887	66 578	5 374	21 389	32,00%	16,30%
INDUSTRIAL CAPI- TAL HOLDING AD (HIKA)	77 838	14 196	3 588	3 179	13 945	55,74%	6,19%
INDUSTRIAL HOLDING BUL- GARIA (IHLBL)	297 721	87 742	5 251	3 727	86 702	69,85%	41,77%
KAOLIN AD (KAO)	434 750	150 323	110 908	17 191	115 014	21,94%	0,00%
ODESSOS SHIPREPAIR YARD AD (ODES)	181 824	60 357	42 778	7 964	50 307	35,85%	1,37%
M+S HYDRAULIC AD (MCH)	180 044	52 874	76 267	4 140	32 992	22,62%	2,50%

MONBAT AD (MONBAT)	595 920	128 247	144 170	17 409	87 319	24,63%	4,67%
NEOCHIM AD (NEOH)	204 253	137 207	185 361	3 008	79 293	25,73%	27,15%
ORGACHIM AD (ORGH)	323 853	108 317	128 345	6 764	69 835	35,79%	72,47%
PETROL AD (PET)	576 838	499 478	817 105	-22 918	152 094	7,57%	22,53%
PLOVDIV – YURI GAGARIN BT AD (GAGBT)	117 055	62 735	52 211	7 441	47 725	21,92%	6,69%
POLIMERI AD (POLIM)	59 581	236 063	48 649	1 552	214 349	26,98%	47,01%
SYNERGON HOLDING AD (PETHL)	268 223	128 043	19 093	13 889	96 672	53,01%	13,89%
SOPHARMA AD (SFARM)	1 184 040	367 295	180 294	30 630	214 580	13,08%	25,15%
STARA PLANINA HOLD AD (CENHL)	160 020	27 657	3 280	2 754	26 667	65,47%	27,46%
CB BULGAR- IAN-AMERICAN CREDIT BANK AD (BACB)	1 005 686	689 632	74 214	51 100	153 169	26,11%	96,84%
CB CORPORATE COMMERCIAL BANK AD (CORP)	576 180	1 771 306	52 495	25 790	156 083	17,58%	0,00%
CB FIRST INVEST- MENT BANK AD (FIB)	1 266 100	4 205 055	190 525	55 780	325 656	15,00%	0,00%
CB CENTRAL CO- OPERATIVE BANK AD (CCB)	772 719	1 566 880	96 202	20 094	211 345	26,98%	19,41%
TOPLIVO AD (TOPL)	157 738	219 454	277 124	8 311	133 335	27,33%	5,71%
FAZERLES AD (FZLEZ)	159 671	19 112	32 127	5 422	17 408	32,25%	18,55%
BULGARIA REAL ESTATE FUND REIT (BREF)	126 340	167 897	37 466	29 160	101 983	33,31%	0,00%



CHIMIMPORT AD (CHIM)	2 326 500	777 977	94 814	82 483	537 885	16,92%	14,73%
HOLDING VARNA A AD (HVAR)	44 510	95 615	9 903	7 243	67 646	69,22%	0,08%
<b>Total:</b>	<b>12 717 977</b>	<b>12 706 246</b>	<b>3 023 947</b>	<b>559 010</b>	<b>3 818 744</b>	<b>26,66%</b>	<b>18,85%</b>

\* The free float is calculated on data provided by Central Depository without taking into account the relatedness between minority shareholders

## Appendix 14.1E

### NEW LISTED FOR TRADING AND DELISTED FROM TRADING ISSUES IN 2007 ISSUES LISTED TO BE TRADED ON BSE – SOFIA AS OF 31 DECEMBER 2007

Market	Registered issues for the period 1 January - 31 December 2007
Official Market of Equities - segment A (registered from subsequent increases in the capital of the companies)	3
Official Market of Equities – segment B (registered from subsequent increases in the capital of the companies)	3
Unofficial Market of Equities – segment A (registered to be traded)	38
Unofficial Market of Equities - segment A (registered from subsequent increases in the capital of the companies)	25
Unofficial Market of Equities – segment B (registered from subsequent increases in the capital of the companies)	5
Unofficial Market of Bonds (corporate)	28
Unofficial Market of Bonds (mortgage)	2
Unofficial Market of Other Securities	13
Market	Issues delisted in the period 1 January - 31 December 2007
Unofficial Market of Equities - segment A (deletion from the public register)	8
Unofficial Market of Equities – segment B (deletion from the public register)	5
Unofficial Market of Equities - segment B (deletion from the Commercial Register)	2
Unofficial Market of Equities - segment B (winding-up without going into liquidation)	1
Unofficial Market of Bonds (corporate)	13
Unofficial Market of Bonds (mortgage)	2
Market	Number of issues as of 31 December 2007
Official Market of Equities – segment A	4
Official Market of Equities – segment B	15
Official Market Corporate Bonds	5
Official Bond Market – segment government securities	1
Official Market Municipal Bonds	0
Unofficial Market of Equities - segment A	176
Unofficial Market of Equities - segment B	186

Unofficial Market of Bonds	80
Unofficial Market of Other Securities	42
Market of Compensatory Instruments	3

#### Appendix 14.2.1A

### MARKET CAPITALIZATION OF THE PUBLIC COMPANIES BY INDUSTRIES. FOREIGN-OWNED CAPITAL BY INDUSTRIES

	Industries	Market capitalization (BGN)	Share of the industry in the market capitalization	Foreign-owned percent from the market capitalization	Free float (up to 5%)*
A	Products of agriculture, hunting and forestry	777 306 137	2,68%	0,01%	35,76%
CA	Mining and quarrying of energy producing materials	166 057 082	0,57%	1,22%	25,33%
CB	Extraction, without the extraction of energy producing materials	434 750 000	1,50%	0,00%	21,94%
DA	Manufacture of food products, beverages and tobacco	729 490 899	2,52%	9,26%	18,39%
DB	Manufacture of textile and textile products; manufacture of clothes	146 643 195	0,51%	8,26%	10,81%
DC	Manufacture of leather and leather products	1 404 578	0,00%	0,00%	10,03%
DD	Manufacture of wood and wood products, without furniture	257 951 977	0,89%	19,57%	21,76%
DE	Manufacture of pulp, paper, cardboard and paper and cardboard products; publishing and printing	240 593 865	0,83%	32,05%	7,31%
DG	Manufacture of chemicals, chemical products and man-made fibres	2 300 335 543	7,94%	39,78%	20,84%
DH	Manufacture of rubber and plastic products	194 792 359	0,67%	31,93%	11,72%
DI	Manufacture of other non-metallic mineral products	941 328 415	3,25%	99,11%	4,24%
DJ	Metallurgy and manufacture of metal products, without manufacture of machines and equipment	1 777 598 352	6,13%	6,80%	8,67%
DK	Manufacture of machines and equipment, without those under DL	620 098 411	2,14%	10,79%	21,88%
DL	Manufacture of electrical, optical and other equipment	926 765 096	3,20%	7,09%	23,09%
DM	Manufacture of transport equipment	221 983 858	0,77%	3,95%	18,62%

E	Manufacture and distribution of electric and thermal energy, gaseous fuels and water	93 700	0,00%	0,00%	4,99%
DN	Manufacturing , n.e.c.	15 498 296	0,05%	0,04%	9,31%
F	Construction	1 648 281 052	5,69%	5,42%	21,61%
G	Wholesale and retail trade; repair and technical servicing of motor vehicles, motorcycles and personal and household goods	3 368 363 339	11,62%	15,63%	13,84%
H	Hotels and restaurants	893 746 609	3,08%	7,85%	11,15%
I	Transport, storage and communication	3 473 244 788	11,98%	5,70%	7,41%
J	Financial intermediation	8 724 081 053	30,10%	33,11%	38,04%
K	Real estate, renting and business activities	1 125 341 210	3,88%	24,11%	32,83%
O	Other community, social and personal service activities	1 110 000	0,00%	0,00%	11,19%
	<b>Total:</b>	<b>28 986 859 813</b>	<b>100,00%</b>	<b>22,17%</b>	<b>25,09%</b>

\* The free float is calculated on data provided by Central Depository without taking into account the relatedness between minority shareholders

## Appendix 14.2.1B

### EQUITY, ACCUMULATED ASSETS AND MARKET SHARE OF SPVs / REITs AS OF 31 DECEMBER 2007

Company	Authorized capital as of 31 Dec., 2007 (BGN)	Equity (BGN)	Annual growth of equity	Total assets (BGN)	Market share - 2007	Annual growth of assets	Specific activity
CAPITAL DIRECT -1 SPV	650 000	714 000	1,85%	1 019 000	1,15%	-78,68%	securitization of receivables
CAPITAL MANAGEMENT - SPV	650 000	4 141 000	-20,56%	64 829 000	73,14%	-8,93%	securitization of receivables
HYPOCAPITAL- SPV	650 000	621 000	-0,16%	621 000	0,70%	-1,90%	securitization of receivables
TRANSINVESTMENT - SPV	650 000	964 000	1,47%	11 147 000	12,58%	-	securitization of receivables
ENERGETICS AND ENERGY SAVINGS FUND SPV	650 000	1 222 000	56,67%	6 484 000	7,31%	-21,80%	securitization of receivables
ALFA CREDIT SPV	650 000	1 305 000	183,08%	1 983 000	2,24%	62,41%	securitization of receivables
HYUNDAI FINANCE SPV	650 000	650 000	-	1 028 000	1,16%	-	securitization of receivables

ULPINA SPV	500 000	613 000	-	1 531 000	1,73%	-	securitization of receivables
<b>TOTAL</b>	<b>5 050 000</b>	<b>10 230 000</b>	<b>17,22%</b>	<b>88 642 000</b>	<b>100,00%</b>	<b>-8,75%</b>	<b>securitization of receivables</b>
BULGARIA REAL ESTATE FUND REIT	60 450 000	101 983 000	37,18%	167 897 000	35,80%	88,72%	securitization of real estate
ELANA AGRICULTURAL LAND OPPORTUNITY FUND REIT	59 715 885	130 059 000	54,80%	152 760 000	32,60%	80,64%	securitization of real estate
ADVANCE TERRA-FUND REIT	44 056 000	82 579 000	157%	93 535 000	20%	111,07%	securitization of real estate
BULLAND INVESTMENTS REIT	13 018 000	16 512 000	167,79%	16 538 000	3,50%	167,69%	securitization of real estate
AGRICULTURAL LAND OPPORTUNITY FUND MEL INVEST REIT	14 044 300	16 035 000	521,75%	16 087 000	3,40%	364,27%	securitization of real estate
AGRO FINANCE REIT	16 137 954	21 188 735	2620,76%	21 686 636	4,60%	865,63%	securitization of real estate
<b>TOTAL (RE- farm land)</b>	<b>207 422 139</b>	<b>368 356 735</b>	<b>84,22%</b>	<b>468 503 636</b>	<b>100,00%</b>	<b>103,93%</b>	<b>securitization of real estate</b>
PRIME PROPERTY BG REIT	35 706 593	69 819 806	18,89%	73 171 874	9,00%	23,09%	securitization of real estate
BENCHMARK FUND PROPERTIES REIT	23 394 706	46 411 000	41,32%	47 592 000	5,80%	41,74%	securitization of real estate
COLOS -1 REIT	1 603 000	1 819 000	11,39%	6 231 000	0,80%	266,96%	securitization of real estate
ERG CAPITAL-1 REIT	3 000 000	4 744 000	1,65%	11 996 000	1,50%	0,00%	securitization of real estate
AKTIV PROPERTIES REIT	19 728 000	35 406 000	420,22%	36 813 000	4,50%	344,66%	securitization of real estate
PARK REIT	9 720 266	16 267 000	189,14%	16 289 000	2,00%	154,24%	securitization of real estate
INTERCAPITAL PROPERTY DEVELOPMENT REIT	4 824 000	18 011 000	27,59%	66 992 000	8,20%	115,12%	securitization of real estate
QUANTUM DEVELOPMENTS REIT	650 000	9 045 662	25,35%	9 721 304	1,20%	20,68%	securitization of real estate

ERG CAPITAL-2 REIT	3 450 000	6 345 000	2,27%	17 267 000	2,10%	0,00%	securitization of real estate
CCB REAL ESTATE FUND REIT	650 000	894 000	-2,83%	939 000	0,10%	0,00%	securitization of real estate
FAIRPLAY PROPERTIES REIT	50 700 000	62 915 000	21,49%	84 990 000	10,40%	17,05%	securitization of real estate
BULGARIAN INVESTMENT GROUP REIT	650 000	643 000	2,55%	714 000	0,10%	0,01%	securitization of real estate
PREMIER FUND REIT	650 000	650 000	-1,37%	851 000	0,10%	0,03%	securitization of real estate
BLACK SEA INVESTMENT REIT	650 000	15 500 000	-24,22%	24 959 000	3,10%	21,89%	securitization of real estate
CEE PROPERTIES REIT	650 000	1 213 000	52,58%	1 342 000	0,20%	0,07%	securitization of real estate
SOPHARMA PROPERTIES REIT	11 700 000	25 727 000	301,86%	26 606 000	3,30%	314,68%	securitization of real estate
UNIVERSAL PROPERTIES REIT	6 500 000	46 239 000	2710,88%	54 786 000	6,70%	2 853,42%	securitization of real estate
LIAM REIT	1 700 000	2 621 000	57,04%	2 806 000	0,30%	65,84%	securitization of real estate
LUKE REIT	1 500 000	349 000	-78,52%	21 800 000	2,70%	408,40%	securitization of real estate
INVEST PROPERTY REIT	1 666 400	5 033 000	687,64%	9 522 000	1,20%	322,45%	securitization of real estate
SUPER BOROVETS PROPERTY FUND REIT	650 000	6 593 000	-33,94%	13 808 000	1,70%	34,70%	securitization of real estate
ALFA PROPERTY 1 REIT	650 000	2 417 000	-0,53%	2 447 000	0,30%	0,00%	securitization of real estate
FORUCOM FUND PROPERTIES REIT	715 000	715 000	36,19%	960 000	0,10%	0,04%	securitization of real estate
STATUS PROPERTIES REIT	650 000	630 000	26,00%	630 000	0,10%	0,03%	securitization of real estate
EXCLUSIVE PROPERTY REIT	7 998 144	13 971 000	2722,42%	22 821 000	2,80%	4 510,30%	securitization of real estate
HEALTH AND WELLNESS REIT	975 000	3 418 000	259,41%	62 685 000	7,70%	6 402,59%	securitization of real estate
SOLID INVEST REIT	650 000	684 000	55,10%	2 275 000	0,30%	412,39%	securitization of real estate
REAL ESTATE SOFIA REIT	650 000	8 415 000	97,81%	11 811 000	1,40%	129,65%	securitization of real estate
SERDIKA PROPERTIES REIT	650 000	2 419 000	-	41 537 000	5,10%	-	securitization of real estate
BALKAN AND SEA PROPERTIES REIT	650 000	1 214 000	-	1 220 000	0,10%	-	securitization of real estate
PALDIN LION GROUP REIT	650 000	5 986 000	-	5 989 000	0,70%	-	securitization of real estate



HBG INVESTMENT PROPERTY FUND REIT	650 000	1 131 000	-	1 203 000	0,10%	-	securitization of real estate
SINGULAR REIT	650 000	79 787 000	-	79 806 000	9,80%	-	securitization of real estate
ERG CAPITAL - 3 REIT	21 000 000	29 978 000	-	40 119 000	4,90%	-	securitization of real estate
UNITED PROPERTIES REIT	650 000	932 000	-	938 000	0,10%	-	securitization of real estate
ZENITH PROPERTIES REIT	650 000	686 000	-	690 000	0,10%	-	securitization of real estate
GLOBEX ESTATE FUND REIT	650 000	589 558	-	612 301	0,10%	-	securitization of real estate
CITY DEVELOPMENT REIT	2 198 000	2 685 000	-	2 886 000	0,40%	-	securitization of real estate
PROPERTIES CAPITAL INVESTMENTS REIT	650 000	758 000	-	766 000	0,10%	-	securitization of real estate
REAL ESTATE INVESTMENT FUND - REIF REIT	650 000	631 000	-	818 000	0,10%	-	securitization of real estate
EFFEKTEN UND FINANZ - PROPERTIES REIT	650 000	630 000	-	630 000	0,10%	-	securitization of real estate
EXPAT PROPERTIES REIT	2 000 000	1 987 000	-	2 003 000	0,20%	-	securitization of real estate
PRC REIT	650 000	644 000	-	654 000	0,10%	-	securitization of real estate
DIT PROPERTY REIT	550 000	545 000	-	549 000	0,10%	-	securitization of real estate
CITY PROPERTIES REIT	500 000	476 000	-	479 000	0,10%	-	securitization of real estate
ROY PROPERTY FUND REIT	500 000	500 000	-	500 000	0,10%	-	securitization of real estate
SOPHARMA BUILDINGS REIT	500 000	480 000	-	487 000	0,10%	-	securitization of real estate
<b>TOTAL (RE)</b>	<b>217 358 843</b>	<b>538 554 026</b>	<b>108,33%</b>	<b>814 711 479</b>		<b>145,74%</b>	<b>securitization of real estate</b>
<b>TOTAL (RE and FL)</b>	<b>424 780 982</b>	<b>906 910 761</b>	<b>97,81%</b>	<b>1 283 215 115</b>		<b>128,63%</b>	<b>securitization of real estate</b>
<b>TOTAL (SPV and REIT)</b>	<b>429 830 982</b>	<b>917 140 761</b>	<b>96,31%</b>	<b>1 371 857 115</b>		<b>108,36%</b>	<b>securitization of real estate</b>

## STRUCTURE OF SPECIAL PURPOSE VEHICLES' ASSETS (SECURITIZATION OF RECEIVABLES)

Assets (BGN)	CAPITAL DIRECT -1	CAPITAL MANAGE-MENT	HIPO-CAPITAL	TRANSINVEST-MENT	ENERGETICS AND ENERGY SAVINGS FUND	ALFA CREDIT
Financial assets	-	-	-	-	3 636 000	1 179 000
Cash	263 000	290 000	611 000	222 000	2 115 000	495 000
Receivables up to 1 year.	77 000	800 000	1 000	-	426 000	309 000
Receivables over 1 year.	679 000	63 457 000	9 000	10 925 000	-	-
Others	-	282 000	-	-	307 000	0
<b>Total balance sheet assets</b>	<b>1 019 000</b>	<b>64 829 000</b>	<b>621 000</b>	<b>11 147 000</b>	<b>6 484 000</b>	<b>1 983 000</b>

## STRUCTURE OF SPECIAL PURPOSE VEHICLES' ASSETS (SECURITIZATION OF RECEIVABLES)

Assets (BGN)	HUNDAI FINANCE	ULPINA	TOTAL
Financial assets	-	1 380 000	6 195 000
Cash	86 000	137 000	4 219 000
Receivables up to 1 year.	939 000	7 000	2 559 000
Receivables over 1 year.	-	-	75 070 000
Others	3 000	7 000	599 000
<b>Total balance sheet assets</b>	<b>1 028 000</b>	<b>1 531 000</b>	<b>88 642 000</b>

## STRUCTURE OF REAL ESTATE INVESTMENT TRUSTS' ASSETS (SECURITIZATION OF REAL ESTATE (FARM LAND))

Assets (BGN)	BULGARIA REAL ESTATE FUND	ELANA AGRICULTURAL LAND OPPORTUNITY FUND	ADVANCE TERRA-FUND	BULLAND INVESTMENTS	AGRI-CULTURAL LAND OPPORTUNITY FUND MEL INVEST	AGRO FINANCE	Total (for agricultural land)
Investment properties (land, terrains)	-	-	-	-	-	-	-
Investment properties (buildings, equipment)	72 638 000	-	-	-	-	-	72 638 000
Investment properties (farm land)	-	141 132 000	91 929 000	7 032 000	10 631 000	19 079 258	269 803 258

Properties in process of construction (acquisition)	16 480 000	-	-	-	-	-	16 480 000
Financial assets	246 000	-	-	3 970 000	-	-	4 216 000
Cash	3 122 000	10 600 000	514 000	4 867 000	5 438 000	2 279 234	26 820 234
Receivables	297 000	982 000	1 066 000	106 000	-	292 766	2 743 766
Others	75 114 000	46 000	26 000	563 000	18 000	35 378	75 802 378
<b>Total balance sheet assets</b>	<b>167 897 000</b>	<b>152 760 000</b>	<b>93 535 000</b>	<b>16 538 000</b>	<b>16 087 000</b>	<b>21 686 636</b>	<b>468 503 636</b>

#### STRUCTURE OF REAL ESTATE INVESTMENT TRUSTS' ASSETS (SECURITIZATION OF REAL ESTATE (FARM LAND))

Assets (BGN)	PRIME PROPERTY BG	BENCHMARK REAL ESTATE INVESTMENT FUND	COLOS-1	ERG CAPITAL-1	ACTIVE PROPERTIES	PARK	INTERCAPITAL PROPERTY DEVELOPMENT
Investment properties (land, terrains)	47 835 219	15 060 000	-	797 000	9 888 967	-	6 405 000
Investment properties (buildings, equipment)	9 620 339	-	2 950 000	9 833 000	489 075	14 074 000	-
Investment properties (farm land)	-	-	-	-	-	-	-
Properties in process of construction (acquisition)	-	17 942 000	2 521 000	-	9 705 910	-	42 946 000
Financial assets	17 568	-	-	171 000	-	-	15 000
Cash	8 981 959	6 647 000	341 000	1 169 000	10 455 000	1 416 000	11 447 000
Receivables	1 126 470	7 943 000	417 000	10 000	1 770 000	790 000	2 662 000
Others	5 590 319	-	2 000	16 000	4 504 048	9 000	3 517 000
<b>Total balance sheet assets</b>	<b>73 171 874</b>	<b>47 592 000</b>	<b>6 231 000</b>	<b>11 996 000</b>	<b>36 813 000</b>	<b>16 289 000</b>	<b>66 992 000</b>

Assets (BGN)	QUANTUM DEVELOPMENTS	ERG CAPITAL-2	CCB REAL ESTATE FUND	FAIRPLAY PROPERTIES	BULGARIAN INVESTMENT GROUP	PREMIER FUND	BLACK SEA INVESTMENT
Investment properties (land, terrains)	-	3 419 000	-	-	-	372 000	15 060 000
Investment properties (buildings, equipment)	2 905 908	12 104 000	-	29 875 000	632 000	-	-
Investment properties (farm land)	-	-	-	-	-	-	-
Properties in process of construction (acquisition)	5 058 103	-	-	45 004 000	-	-	-
Financial assets	-	392 000	-	-	-	10 000	-
Cash	1 394 476	1 322 000	439 000	1 455 000	8 000	445 000	1 210 000
Receivables	362 817	12 000	500 000	8 399 000	74 000	21 000	1 181 000

Others	-	18 000	-	257 000	-	3 000	7 508 000
<b>Total balance sheet assets</b>	<b>9 721 304</b>	<b>17 267 000</b>	<b>939 000</b>	<b>84 990 000</b>	<b>714 000</b>	<b>851 000</b>	<b>24 959 000</b>

Assets (BGN)	CEE ES-TATES	SOPHAR-MA PROP-ERTIES	UNIVERSAL PROP-ERTIES	LIAM	LUKE	INVEST PROP-ERTY	SUPER BORO-VETS PROP-ERTY FUND
Investment properties (land, terrains)	-	-	-	2 761 000	19 769 000	3 447 000	1 100 000
Investment properties (buildings, equipment)	1 342 000	19 897 000	42 007 000	-	-	4 400 000	6 563 000
Investment properties (farm land)	-	-	-	-	-	-	-
Properties in process of construction (acquisition)	-	-	-	-	-	111 000	955 999
Financial assets	-	-	-	-	-	-	-
Cash	-	658 600	7 576 000	38 000	896 000	1 560 000	33 000
Receivables	-	123 000	505 000	-	909 000	-	5 152 000
Others	0	5 927 400	4 698 000	7 000	226 000	4 000	4 001
<b>Total balance sheet assets</b>	<b>1 342 000</b>	<b>26 606 000</b>	<b>54 786 000</b>	<b>2 806 000</b>	<b>21 800 000</b>	<b>9 522 000</b>	<b>13 808 000</b>

Assets (BGN)	ALFA PROP-ERTY 1	FORU-COM REAL ESTATE FUND	STATUS PROP-ERTIES	EXCLUSIVE PROPERTY	HEALTH AND WELL-NESS	SOLID INVEST	REAL ES-TATE SOFIA
Investment properties (land, terrains)	-	-	-	-	48 593 000	2 262 000	-
Investment properties (buildings, equipment)	1 884 000	696 000	-	14 669 000	4 832 000	-	-
Investment properties (farm land)	-	-	-	-	-	-	-
Properties in process of construction (acquisition)	-	-	-	7 432 000	4 717 000	-	-
Financial assets	-	9 000	-	-	4 000	-	-
Cash	100 000	56 000	630 000	463 000	2 661 000	4 000	10 627 000
Receivables	461 000	24 000	-	227 000	1 878 000	8 000	1 184 000
Others	2 000	175 000	-	30 000	-	1 000	-
<b>Total balance sheet assets</b>	<b>2 447 000</b>	<b>960 000</b>	<b>630 000</b>	<b>22 821 000</b>	<b>62 685 000</b>	<b>2 275 000</b>	<b>11 811 000</b>

Assets (BGN)	SERDIKA PROPERTIES	BALKAN AND SEA PROPERTIES	PALDIN LION GROUP	HBG INVESTMENT PROPERTY FUND	SINGULAR	ERG CAPITAL-3	UNITED PROPERTIES
Investment properties (land, terrains)	4 938 000	-	1 997 000	371 000	-	31 526 000	448 000
Investment properties (buildings, equipment)	29 850 000	-	-	-	63 622 000	6 224 000	-
Investment properties (farm land)	-	-	-	-	-	-	-
Properties in process of construction (acquisition)	54 000	1 200 000	-	234 000	-	-	-
Financial assets	-	-	-	-	-	-	-
Cash	305 000	20 000	3 826 000	397 000	15 901 000	2 347 000	11 000
Receivables	1 137 000	-	44 000	189 000	283 000	12 000	479 000
Others	5 253 000	-	122 000	12 000	-	10 000	-
<b>Total balance sheet assets</b>	<b>41 537 000</b>	<b>1 220 000</b>	<b>5 989 000</b>	<b>1 203 000</b>	<b>79 806 000</b>	<b>40 119 000</b>	<b>938 000</b>

Assets (BGN)	ZENITH PROPERTIES	GLOBEX ESTATE FUND	CITY DEVELOPMENT	PROPERTIES CAPITAL INVESTMENTS	REAL ESTATE INVESTMENTS FUND - REIF	EFFEKTEN UND FINANZ PROPERTIES	EXPAT PROPERTIES
Investment properties (land, terrains)	388 000	72 085	-	-	567 000	-	-
Investment properties (buildings, equipment)	-	-	-	-	-	-	-
Investment properties (farm land)	-	-	-	-	-	-	-
Properties in process of construction (acquisition)	-	4 997	-	-	-	-	-
Financial assets	5 000	-	-	-	-	-	-
Cash	296 000	520 561	1 163 000	14 000	-	630 000	2 002 000
Receivables	1 000	14 657	1 713 000	752 000	-	-	1 000
Others	-	1	10 000	-	251 000	-	-
<b>Total balance sheet assets</b>	<b>690 000</b>	<b>612 301</b>	<b>2 886 000</b>	<b>766 000</b>	<b>818 000</b>	<b>630 000</b>	<b>2 003 000</b>

Assets (BGN)	P R C	DIT PROPERTY	CITY PROPERTIES	ROY PROPERTY FUND	SOPHARMA BUILDINGS
Investment properties (land, terrains)	-	-	-	-	-
Investment properties (buildings, equipment)	-	-	-	-	-
Investment properties (farm land)	-	-	-	-	-



Properties in process of construction (acquisition)	-	-	-	-	-
Financial assets	-	-	-	-	-
Cash	654 000	547 000	478 000	-	-
Receivables	-	1 000	1 000	-	-
Others	-	1 000	-	500 000	487 000
<b>Total balance sheet assets</b>	<b>654 000</b>	<b>549 000</b>	<b>479 000</b>	<b>500 000</b>	<b>487 000</b>

Assets (BGN)	TOTAL (for RE)	TOTAL (for FL and RE)
Investment properties (land, terrains)	217 076 271	217 076 271
Investment properties (buildings, equipment)	278 469 322	351 107 322
Investment properties (farm land)	-	269 803 258
Properties in process of construction (acquisition)	137 886 009	154 366 009
Financial assets	623 568	4 839 568
Cash	101 144 596	127 964 830
Receivables	40 366 944	43 110 710
Others	39 144 769	114 947 147
<b>Total balance sheet assets</b>	<b>814 711 479</b>	<b>1 283 215 115</b>

## DIVIDEND DISTRIBUTED FOR 2006 AND REPORTED EARNINGS OF REITs AND SPVs IN 2007

Company	Dividend distributed for 2006 (BGN per 1 share)	Reported earnings for 2007	Earnings per 1 share	Specific activity
CAPITAL DIRECT -1 SPV	-	315 000	48,462	securitization of receivables
CAPITAL MANAGEMENT - SPV	-	-	-	securitization of receivables
HIPOCAPITAL - SPV	-	-1 000	-0,015	securitization of receivables
TRANSINVESTMENT SPV	0,11	11 000	0,017	securitization of receivables
ENERGETICS AND ENERGY SAVINGS FUND SPV	0,18	-55 000	-0,085	securitization of receivables
ALFA CREDIT SPV	-	94 000	0,145	securitization of receivables
HYUNDAI FINANCE SPV	-	-84 000	-0,129	securitization of receivables
ULPINA SPV	-	113 000	0,226	securitization of receivables
BULGARIA REAL ESTATE FUND REIT	0,007	29 160 000	0,482	securitization of real estate /fl/
ELANA AGRICULTURAL LAND OPPORTUNITY FUND REIT	-	47 529 000	0,796	securitization of real estate /fl/
ADVANCE – TERRAFUND REIT	-	23 044 000	0,523	securitization of real estate
BULLAND INVESTMENTS REIT	0,004	934 000	0,072	securitization of real estate
AGRICULTURAL LAND OPPORTUNITY FUND MEL INVEST REIT	-	1 173 000	0,084	securitization of real estate
AGRO FINANCE REIT	-	3 373 206	0,209	securitization of real estate
PRIME PROPERTY BG REIT	-	11 091 100	0,311	securitization of real estate
BENCHMARK PROPERTIES FUND REIT	0,013	13 884 000	0,593	securitization of real estate
COLOS-1 REIT	-	187 000	1,167	securitization of real estate
ERG CAPITAL-1 REIT	0,1992	711 000	0,237	securitization of real estate
AKTIV PROPERTIES REIT	0,028	1 393 300	0,071	securitization of real estate
PARK REIT	0,0062	5 729 000	0,589	securitization of real estate
INTERCAPITAL PROPERTY DEVELOPMENT REIT	-	7 237 000	1,5	securitization of real estate
QUANTUM DEVELOPMENTS REIT	-	1 829 257	2,814	securitization of real estate
ERG CAPITAL-2 REIT	0,2127	818 000	0,237	securitization of real estate

CCB REAL ESTATE FUND REIT	-	-34 000	-0,052	securitization of real estate
FAIRPLAY PROPERTIES REIT	-	11 128 000	0,219	securitization of real estate
BULGARIAN INVESTMENT GROUP REIT	-	16 000	0,025	securitization of real estate
PREMIER FUND REIT	0,013	192 000	0,295	securitization of real estate
BLACK SEA INVESTMENT REIT	25,13	11 380 000	17,508	securitization of real estate
CEE ESTATES REIT	-	418 000	0,643	securitization of real estate
SOPHARMA PROPERTIES REIT	-	13 475 000	1,152	securitization of real estate
UNIVERSAL PROPERTIES REIT	-	38 744 000	5,961	securitization of real estate
LIAM REIT	-	576 000	0,339	securitization of real estate
LUKE REIT	-	-1 276 000	-0,851	securitization of real estate
INVEST PROPERTY REIT	-	213 000	0,128	securitization of real estate
SUPER BOROVETS PROPERTY FUND REIT	12,283	2 988 000	4,597	securitization of real estate
ALFA PROPERTY 1 REIT	-	-13 000	-0,02	securitization of real estate
FORUCOM FUND PROPERTIES REIT	-	-31 000	-0,043	securitization of real estate
STATUS PROPERTIES REIT	-	-22 000	-0,034	securitization of real estate
EXCLUSIVE PROPERTY REIT	-	2 923 000	0,365	securitization of real estate
HEALTH AND WELLNESS REIT	-	-4 093 000	-4,198	securitization of real estate
SOLID INVEST REIT	-	-157 000	-0,242	securitization of real estate
REAL ESTATE SOFIA REIT	7,3594	7 690 000	11,831	securitization of real estate
SERDIKA PROPERTIES REIT	-	-84 000	-0,129	securitization of real estate
BALKAN AND SEA PROPERTIES REIT	-	-54 000	-0,083	securitization of real estate
PALDIN LION GROUP REIT	-	5 147 000	7,918	securitization of real estate
HBG INVESTMENT PROPERTY FUND REIT	-	-64 000	-0,098	securitization of real estate
SINGULAR REIT	-	62 210 000	95,708	securitization of real estate
ERG CAPITAL - 3 REIT	-	490 000	0,233	securitization of real estate
UNITED PROPERTIES REIT	-	-	-	securitization of real estate
ZENITH PROPERTIES REIT	-	12 000	0,018	securitization of real estate
GLOBEX ESTATE FUND REIT	-	-	-	securitization of real estate
CITY DEVELOPMENT REIT	-	487 000	2,216	securitization of real estate

PROPERTIES CAPITAL INVESTMENTS REIT	-	-19 000	-0,029	securitization of real estate
REAL ESTATE INVESTMENT FUND REIT – REIF REIT	-	-19 000	-0,029	securitization of real estate
EFFEKTEN UND FINANZ – PROPERTIES REIT	-	-	-	securitization of real estate
EXPAT PROPERTIES REIT	-	-28 000	-0,014	securitization of real estate
PRC REIT	-	-	-	securitization of real estate
DIT PROPERTY REIT	-	-5 000	-0,009	securitization of real estate
CITY PROPERTIES REIT	-	-24 000	-0,048	securitization of real estate
ROY PROPERTY FUND REIT	-	-25 000	-0,05	securitization of real estate
SOPHARMA BUILDINGS REIT	-	-	-	securitization of real estate

**SPECIAL PURPOSE VEHICLES/ REAL ESTATE INVESTMENT TRUSTS - DATE OF ESTABLISHMENT, ENVISAGED PERIOD OF EXISTENCE AND MAJOR SHAREHOLDERS**

Companies for securitization of receivables	Date of establishment (registration in the Court)	Envisaged period of existence	Main founders	Main shareholders
CAPITAL DIRECT-1 SPV	06.08.2003 (11.09.2003 Sofia City Court)	indefinite	1. BULGARIAN-AMERICAN INVESTMENT FUND - 70%	1. BULGARIAN-AMERICAN INVESTMENT FUND - 7,92%
			2. BACB - 30%	2. BULGARIAN – AMERICAN PROPERTY MANAGEMENT EOOD - 23,08%
CAPITAL MANAGEMENT SPV	24.10.2005 (08.11.2005 Sofia City Court)	indefinite	1. CCB GROUP ASSET MANAGEMENT - 70%	1. TIM CLUB OOD - 53,8%
			2. ZAD ARMEETS AD - 30%	2. ZAD ARMEETS AD - 23,1%
				3. CCB AD - 23,1%
HIPOCAPITAL SPV	14.10.2005 (08.11.2005 Sofia City Court)	indefinite	1. HIPOCREDIT AD - 70%	1. HIPOCREDIT AD - 69%
			2. ZPAD BULSTRAD- 30%	2. ZPAD BULSTRAD- 30%
TRANSINVESTMENT SPV	10.08.2005. (01.09.2006 Sofia City Court)	indefinite	1. PETROL HOLDING AD - 70%	1. PETROL HOLDING AD - 67,9%
			2. PIRAEUS EUROBANK AD - 30%	2. YURII STANCHEV - 7,4%
ENERGETICS AND ENERGY SAVINGS FUND – EESF SPV	21.02.2006 (10.03.2006 Sofia City Court)	indefinite	1. ENEMONA AD - 70%	1. ENEMONA AD - 58,1%
			2. EKOINVEST HOLDING AD - 30%	
ALFA CREDIT SPV	29.08.2006 (27.09.2006 Sofia City Court)	indefinite	1. ALFA FINANCE HOLDING AD - 40%	1. FINANCIAL GROUP AD - 70%
			2. ALBENA INVEST HOLDING AD - 30%	2. IGLIKA D. LOGOFETOVA - 29,99%
			3. TEKAM OOD - 30%	
HYUNDAI FINANCE SPV	28.09.2006 (11.10.2006 Sofia City Court)	indefinite	1. INDUSTRIAL COMMERCE EOOD - 70%	1. INDUSTRIAL COMMERCE EOOD - 100%
			2. SINERGON HOLDING AD - 30%	
ULPINA SPV	09.03.2007 (2007 Sofia City Court)	indefinite	1. HARSEV CO KDA - 35%	1. HARSEV CO KDA - 35%
			2. IC BENCHMARK FUND – 2 AD - 30%	2. IC BENCHMARK FUND – 2 AD- 30%
			3. FACTORY I.N. AD - 35%	3. FACTOR I..N.AD - 35%



Companies for securitization of receivables	Date of establishment (registration in the Court)	Envisaged period of existence	Main founders	Main shareholders
BULGARIA REAL ESTATE FUND REIT	04.10.2004 (11.12.2004 Sofia City Court)	15 years	1. IC NADEZHDA AD - 40%	1. HANSAPANK (ESTONIA) - 30%
				2. HANSAPANK CLIENTS (ESTONIA) -23%
				3. SKAND ENSKILDA BANKEN - 8%
				4. DANSKE FUND - 7%
ELANA AGRICULTURAL LAND OPPORTUNITY FUND REIT	14.03.2005 (07.04.2005 Sofia City Court)	7 years	1. ELANA HOLDING AD - 70%	1. QVT FUND LP (CAIMAN ISLANDS) - 38,7%
			2. VZK DOBRUDJA - MJIVOT – 20%	2. ALLIANZ BULGARIA - 16,16%
			3. HEALTH INSURANCE COMPANY PLANET AD - 10%	3. MORGAN STANLEY - 10,94%
				4. RAIFFEISEN ZENTRALBANK OSTERREICH AG - 6,6%
ADVANCE TERRA-FUND REIT	12.04.2005 (26.04.2005 Sofia City Court)	indefinite	1. KAROLL STANDARD EOOD – 70%	1. STANIMIR MARINOV KAROLEV - 13,4%
			2. IC ADVANCE INVEST AD - 30%	2. KAROLL FINANCE EOOD - 13,16%
				3. UPF DOVERIE - 5,64%
BULLAND INVESTMENTS REIT	09.08.2005 (24.08.2005 Sofia City Court)	indefinite	1. ZD EURO INS AD - 30%	1. EUROHOLD BULGARIA AD - 18,44%
			2. ASKENT SHOP EOOD – 23,20%	2. VPF ALLIANZ BULGARIA - 7%
			3. SEVT AD - 20%	3. UPF ALLIANZ BULGARIA - 7%
			4. ET ASKENT PLAMEN PENCHEV - 10%	4. ZPAD ALLIANZ BULGARIA AD - 5,7%
			5. ET SELECT ILIA MIHAILOV – 10%	5. EURO – FINANCE AD - 6%
				6. BANK OF NEW YORK - 5,65%
AGRICULTURAL LAND OPPORTUNITY FUND MEL INVEST REIT	20.02.2006 (09.03.2006 Sofia City Court)	7 years	1. MEL INVEST HOLDING AD - 45,4%	1. VENTURE EQUITY BULGARIA EOOD - 28,5%
			2. MIA EOOD - 22%	2. ALFA FINANCE HOLDING AD - 20%
				3. ALFA CAPITAL MANAGEMENT AD - 5,4%
				4. MEL INVEST HOLDING AD - 5,1%

AGRO FINANCE REIT	30.01.2006 (23.02.2006 Sofia City Court)	7 years	1. ZPAD BULSTRAD ADS - 30%	1. BAYERISCHEHYRGO UND VERE INS-BANK - 34%
			2. ZAD BULSTRAD JIVOT AD - 20%	2. MSIL IPB CLIENT ACCOUNT - 8,3%
			3. CSIF AD - 20%	3. VPF DOVERIE- 7%
			4. TBI CREDIT EAD - 20%	4. OPF DOVERIE- 7%
			5. TBI INVEST EAD - 10%	5. UPF DOVERIE- 7%
				6. CF UBB PREMIUM SHARES - 6,2%
				7. ZPAD BULSTRAD AD - 6%
PRIME PROPERTY BG REIT	08.09.2003 (06.10.2003 Sofia City Court)	8 years	1. BALKAN CONSULTING COMPANY OOD - 50%	1. IMMOEAST BE-TEILIGUNG GMBH (VIENNA) - 42,24%
			2. ZPAD BULSTRAD- 48,8%	2. HANSAPANK CLIENTS (TALIN) - 9,02%
			3. TBI INVEST EAD - 0,2%	3. VPF DOVERIE- 6,97%
				4. OPF DOVERIE- 6,99%
				5. UPF DOVERIE- 6,93%
BENCHMARK FUND EASTATES REIT	29.06.2004 (11.07.2004 Sofia City Court)	indefinite	1. RAZVITIE INDUSTRY HOLDING AD - 30%	1. LANDSBANKI LUX-EMBOURG - 23,78%
				2. HANSAPANK CLIENTS (TALIN) - 12,21%
COLOS -1 REIT	29.10.2003 (31.10.2003 Sofia City Court)	indefinite	1. VI-VESTA HOLDING EAD - 74,4%	1. VI-VESTA HOLDING EAD- 56,56%
			2. PERLA AD - 25,6%	2. PERLA AD - 12,35%
				3. ZOK NADEZHDA AD - 29,65%
ERG CAPITAL-1 REIT	05.08.2004 (18.08.2004 Sofia City Court)	7 years	1. BULGARIAN-AMERICAN INVESTMENT FUND - 99,9%	1. BULGARIAN-AMERICAN INVESTMENT FUND- 37%
				2. BULGARIAN-AMERICAN CREDIT BANK- 10%
				3. VPF ALLIANZ BULGARIA - 5,2%
				4. FRANK LUIS BAUER - 5,8%
				5. MICHAEL HANSBURGER - 5,5%

AKTIV PROPERTIES REIT	23.12.2004 (20.01.2005 Plovdiv Regional Court)	indefinite	1. ROADS HOLDING COMPANY AD - 65,5%	1. ROADS HOLDING COMPANY AD - 28,9%
			2. IC ADVANCE INVEST AD - 30%	2. IC ADVANCE INVEST AD - 5,7%
				3. SIENIT EOOD - 5,9%
PARK REIT	23.03.2005 (05.04.2005 Sofia City Court)	5 years	1. ZAGORA INVEST OOD - 20%	1. ZAGORA INVEST OOD - 8,2%
			2. RHL AD - 30%	2. ECONOMIC AND INVESTMENT BANK AD - 8,2%
			3. BETA CORP AD - 12%	3. ALFA FINANCE HOLDING AD - 42,5%
				4. KINSALE CAPITAL MANAGEMENT LIMITED - 11,4%
INTERCAPITAL PROPERTY DEVELOPMENT REIT	18.02.2005 (29.03.2005 Sofia City Court)	indefinite	1. ROADS HOLDING COMPANY AD - 31,7%	1. NAVER INVESTMENT INC (BVO) - 11,42%
			2. NAVER INVESTMENT INC. - 43,2%	2. BANK OF NEW YORK - 6,3%
			3. INTERCAPITAL EOOD - 18,9%	3. LANGE INVESTMENTS LTD (BVO) - 6,5%
				4. LANDSBANKI LUXEMBOURG S.A. - 6,4%
QUANTUM DEVELOPMENTS REIT	18.10.2005 (04.11.2005 Sofia City Court)	indefinite	1. AC CARPET OOD - 70%	1. AC CARPET OOD - 47,9%
			2. CB CORPORATE COMMERCIAL BANK - 30%	2. QUANTUM INVESTMENTS AD - 47,5%
ERG CAPITAL-2 REIT	25.05.2005 (08.06.2005 Sofia City Court)	31.12.2011	1. BULGARIAN-AMERICAN INVESTMENT FUND- 70%	1. BULGARIAN-AMERICAN INVESTMENT FUND- 36,8%
				2. BULGARIAN-AMERICAN CREDIT BANK- 9,9%
				3. UPF DOVERIE - 7%
				4. FRANK LUIS BAUER - 5,86%
CCB REAL ESTATE FUND REIT	26.10.2005 (08.11.2005 Sofia City Court)	indefinite	1. CCB GROUP ASSETS MANAGEMENT AD - 70%	1. CCB GROUP ASSETS MANAGEMENT EAD - 53,8%
			2. ZAD ARMEETZ AD - 30%	2. ZAD ARMEETZ AD - 23,1%
				3. CHIMIMPORT AD - 23,1%

FAIRPLAY PROPERTIES REIT	15.07.2005 (28.07.2005 Sofia City Court)	indefinite	1. ANNA PETROVA ZAHARIEVA - 7% - CHAIRPERSON OF THE BD	1. FAIRPLAY INTERNATIONAL AD - 66%
			2. MARIO ZAHARIEV ZAHARIEV - 12%	2. MARIO ZAHARIEV - 9,4%
			3. FAIRPLAY INTERNATIONAL AD- 51%	3. ANNA ZAHARIEVA - 5,4%
			4. IC CAPMAN CAPITAL AD- 30%	
BULGARIAN INVESTMENT GROUP	10.03.2005 (05.05.2005 Sofia City Court)	indefinite	1. KEY DEVELOPMENT EOOD – 50%	1. IVANKA T. IVANOVA - 11,4%
			2. ZK LEV INS AD - 40%	2. ZPK LEV INS AD - 46,1%
			3. ATLAS EOOD - 10%	3. ATLAS AD - 30,8%
PREMIER FUND REIT	11.01.2006 (27.01.2006 Varna Regional Court)	indefinite	1. HOLDING VARNA A AD- 10%	1. CCB SILA AD - 9,2%
			2. IC KD PELIKAN AD - 20%	2. CF STATUS NEW SHARES - 15,3%
				3. UPF SAGLASIE AD - 6,1%
				4. EXPRESS GARANTION OOD - 7,6%
				5. VIA OIL EOOD - 54%
				6. SILVIA NIKOLOVA- 7,1%
BLACK SEA INVESTMENT REIT	17.03.2006 (28.03.2006 Sofia City Court)	indefinite	1. INVESTMENT COMPANY AD - 35%	1. SVETOSLAV DIMITROV IVANOV - 50% - Deputy Chairman of the BD
			2. IC ELANA HIGH YIELD FUND AD - 30%	2. STEFAN PLAMENOV PAPALEZOV - 50% - Executive Director
			3. STEFAN PLAMENOV PAPALEZOV - 35%	
CEE ESTATES REIT	15.11.2005 (20.12.2005 Sofia City Court)	indefinite	1. WEST-EAST BANK AD- 40%	1. FX STUDIO EOOD - 90%
			2. CEE ASSETS MANAGEMENT LTD- LONDON- 30%	
			3. M AUTO AD - 30%	
SOPARMA PROPERTIES REIT	20.03.2006 (24.03.2006 Sofia City Court)	indefinite	1. IC NADEZHDA AD - 30%	1. DONEV INVESTMENTS AD - 20,4%
			2. SOFIA AD- 20%	2. TELEKOMPLEKT AD - 20,5%
			3. TELEKOMPLEKT AD- 20%	3. TELSO AD - 18,3%
			4. TELSO AD – 25,5% (directly and through related persons)	4. OGNIAN IVANOV DONEV – 13,2%
			5. SOPARMA AD - 16,5% (directly and through related persons)	5. VENTSISLAV SIMEONOV STOEV - 13,3%

UNIVERSAL PROPERTIES REIT	13.02.2006 (21.02.2006 Sofia City Court)	indefinite	1. UNIVERSAL OOD - 51%	1. LUBOMIR GEORGIEV MANCHOROV – owns directly and indirectly (through UNIVERSAL OOD and INVESTIK OOD) 84,18 % of the votes in the General Meeting of the shareholders
			2. IC EURO INS AD - 30%	2. BALCORP INTERNATIONAL LIMITED OOD, VALLETTA, MALTA - 15,39 %
			3. LUBOMIR MANCHOROV-19%	3. UNIVERSAL OOD - 51,12 %
				4. INVESTIK OOD - 30,74%
LIAM REIT	27.06.2006 (12.07.2006 Sofia City Court)	indefinite	1. IC ELANA HIGH YIELD FUND AD - 30%	1. KARL-HEINTZ HANS HUGO WALTER PFOHE - 9,1%
			2. KARL-HEINTZ HANS HUGO WALTER PFOHE-65%	
LUKE REIT	27.06.2006 (05.07.2006 Sofia City Court)	indefinite	1. IC ELANA HIGH YIELD FUND AD -30%	1. PHILIP MICHAEL PFOHE - 35%
			2. KARL-HEINTZ HANS HUGO PFOHE - 50%	2. KARL-HEINTZ HANS HUGO PFOHE - 40%
INVEST PROPERTY REIT	20.04.2006 (26.04.2006 Vratza Regional Court)	indefinite	1. MIHAIL ALEKSANDROV PETKOV - 55%	1. MIHAIL ALEKSANDROV PETKOV - 72,91%
			2. IC ELANA HIGH YIELD FUND AD -30%	2. LEVENT NAZIFOGLU - 5,04%
SUPER BOROVTZ PROPERTY FUND REIT	06.04.2006 (26.05.2006 Varna Regional Court)	indefinite	1. SUPER BOROVTZ PROPERTY INVESTMENT AD - 65,50%	1. FX STUDIO OOD - 6,1%
			2. WEST-EAST BANK AD - 30%	2. DOBROMIR ANDONOV - 33,4%
				3. IVAILO KOEVSKY - 30,2%
				4. KRASIMIR ILIEV-14%
				5. DIMITAR ILIEV-13,2%
ALFA PROPERTY 1 REIT	26.06.2006 (03.07.2006 Sofia City Court)	indefinite	1. ALFA FINANCE HOLDING AD - 35%	1. ALFA FINANCE HOLDING AD - 46,31%
			2. ALBENA INVEST HOLDING AD - 30%	2. BALTO – SLAVIC VENTURES LIMITED, MALTA - 50%
			3. CF ALFA INDEX IMOTI-30%	



FORUCOM FUND PROPERTIES REIT	26.04.2006 (30.05.2006 Has- kovo Regional Court)	indefinite	1. FORUCOM AND COM- PANY OOD - 50%	1. FORUCOM AND COMPANY OOD -14%
			2. AKVA – 3 OOD - 20%	2. VENERA STYLE OOD - 7%
			3. CF BENCHMARK FUND- 1 - 13,64%	3. AKVA – 3 OOD - 15,4%
			4. IC BENCHMARK FUND – 2AD - 16,36%	4. FORUCOM AD - 24,5%
				5. II ZAGORA FINAC- ORP - 7%
STATUS PROPERTIES REIT	23.03.2006 (03.05.2006 Sofia City Court)	indefinite	1. STATUS INVEST AD- 20%	1. STATUS INVEST AD - 15,4%
			2. IC ADVANCE INVEST AD – 30%	2. BULGARIAN POST BANK AD - 9,5%
			3. YANTRA ALEKSANDRO- VA – 15	3. YANTRA ALEKSAN- DROVA - 15%
			4. KOSTA LUBENOV - 10%	4. KOSTA LUBENOV - 10%
				5. SEVDALIN RU- SANOV - 10,3%
				6. ORLIN YAPRAKOV - 15,4%
				7. VLADISLAV PANEV - 5,7%
EXCLUSIVE PROP- ERTY REIT	01.08.2006 (28.08.2006 Sofia City Court)	indefinite	1. FIMICO AD - 70%	1. FIMICO AD - 15%
			2. IC BENCHMARK FUND- 2 AD - 22%	2. TERRA BUILD OOD - 10%
			3. DOVERIE UNITED HOLDING AD - 8%	3. POST ART EOOD - 10%
				4. AVINCOET DEVEL- OPMENT S.A., BRIT- ISH VIRGIN ISLANDS - 7,34%
				5. PETRANKA LAZ- AROVA NIKOLOVA - 6,25%
HEALTH AND WELL- NESS REIT	07.08.2006 (18.08.2006 Sofia City Court)	indefinite	1. CF TBI DYNAMIC - 20%	1. CF TBI DYNAMIC -15,4%
			2. CF TBI HARMONY - 10%	2. CF TBI HARMONY – 7,7%
			3. AKVA FINANCE EOOD - 40%	3. AKVA FINANCE EOOD - 40%
			4. IMO AKTIVA EOOD - 10%	4. IMO AKTIVA EOOD - 10%
			5. TC PROPERTIES EOOD – 13,3%	5. TC PROPERTIES EOOD – 13,3%
			6. DUKOVTSI OOD – 6,7%	6. DUKOVTSI OOD – 6,7%

SOLID INVEST REIT	01.06.2006 (15.06.2006 Sofia City Court)	indefinite	1. CINEMAX 2000 EOOD - 15%	1. CINEMAX 2000 EOOD – 11,5%
			2. UNITED CINEMA AD - 15%	2. UNITED CINEMA AD – 11,5%
			3. MILLENIUM 2001 OOD - 15%	3. MILLENIUM 2001 OOD – 11,5%
			4. BG RENT OOD - 15%	4. BG RENT OOD - 11,5%
			5. HEMUS GROUP OOD - 10%	5. HEMUS GROUP OOD – 7,7%
			6. IC ELANA HIGH YIELD FUND AD - 30%	6. SINERGON ASSET MANAGEMENT AD – 12,3%
SOFIA REAL ESTATE REIT	16.10.2006 (27.10.2006 Sofia City Court)	indefinite	1. CF STATUS NEW SHARES - 49%	1. LUBOMIR PAVLOV - 49%
			2. II STATUS INVEST AD - 9 %	2. YULII PAVLOV - 6%
			3. STATUS-1 - 6%	3. DILYANA GROZ-DANOVA - 15%
			4. ECOZONE AD - 6%	4. SOFCONSULTING AD - 30%
			5. SOFCONSULTING AD - 30%	
SERDIKA PROPERTIES REIT	01.12.2006 (08.12.2006 Sofia City Court)	indefinite	1. CONTRACT SOFIA OOD - 70%	1. SERDIKON PROPERTIES LIMITED, NICOSIA, CYPRUS – 99,07%
			2. ZPAD DZI – GENERAL INSURANCE - 30%	
BALKAN AND SEA PROPERTIES REIT	20.10.2006 (25.10.2006 Sofia City Court)	indefinite	1. INDUSTRIAL COMMERCE EOOD - 70%	1. GAMMA FINANCE EOOD - 49%
			2. CF SENTINEL - PRINCIPAL - 30%	2. HOLDING VARNA A AD - 28%
				3. CCB GROUP ASSET MANAGEMENT AD - 8,5%
				4. CHIMIMPORT INVEST AD - 7,7%
				5. PIC SAGLASIE AD - 6,9%
PALDIN LION GROUP REIT	16.10.2006 (31.10.2006 Sofia City Court)	indefinite	1. MARIN IVANOV MARINOV – Chairman of the BD - 70%	1. MARIN IVANOV MARINOV – Chairman of the BD - 98%
			2. IC ELANA HIGH YIELD FUND AD - 30%	
HBG INVESTMENT PROPERTY FUND REIT	08.11.2006 (23.11.2006 Varna Regional Court)	indefinite	1. AREA EOOD - 35%	1. SEVEN HOLDING AD - 53,84%
			2. JULY EOOD - 35%	2. ORLIN POPOV - 10%
			3. CF STANDARD INVESTMENT HIGH YIELD FUND - 30%	3. TEODORA IVANOVA POPOVA-ZHELYAZKOVA - 10%

SINGULAR REIT	15.02.2007 (01.03.2007 Sofia City Court)	indefinite	1. SINGULAR ASSET MANAGEMENT AD - 47,5%	1. SINGULAR ASSET MANAGEMENT AD - 36,5%
			2. UNIQUE INVESTMENT AD - 43,5%	2. UNIQUE INVESTMENT AD - 33,5%
			3. AMD COMMERCE OOD - 5%	3. ARGO TOWERS MALTA LIMITED LA VALETTA, MALTA - 23,1%
ERG CAPITAL - 3 REIT	23.06.2006 (13.07.2006 Sofia City Court)	31.12.2014	1. BULGARIAN-AMERICAN INVESTMENT FUND - 70%	1. BULGARIAN-AMERICAN INVESTMENT FUND - 46,67%
				2. BULGARIAN-AMERICAN PROPERTY MANAGEMENT EOOD - 6,7%
				3. FRANK LUIS BAUER - 6%
				4. MICHAEL HANSBURGER - 5,7%
UNITED PROPERTIES REIT	18.09.2006 (02.10.2006 Sofia City Court)	indefinite	1. REPUBLIKA HOLDING AD - 30%	1. STOYAN CHUKANOV - 23,08%
ZENITH PROPERTIES REIT	14.02.2007 (21.03.2007 Sofia City Court)	indefinite	1. ZENITH AGROHOLDING AD - 76%	1. ZENITH AGROHOLDING AD - 81,54%
GLOBEX ESTATE FUND REIT	06.03.2007 (26.03.2007 Sofia City Court)	indefinite	1. GLOBEX ESTATE AD - 70%	1. GLOBEX ESTATE AD - 53,8%
			2. CF STATUS NEW SHARES - 30%	2. CF STATUS NEW SHARES - 23,1%
				3. BULGARIAN ENERGETICS - 20%
CITY DEVELOPMENT REIT	15.01.2007 (26.01.2007 Sofia City Court)	7 years	1. ET RUMEN VATKOV - II - 65%	1. ET RUMEN VATKOV - II I - 25%
			2. CF TBI DYNAMIC - 15%	2. CF TBI DYNAMIC - 21%
			3. CF TBI HARMONY - 15%	3. CF TBI HARMONY - 5,7%
			4. FINANCIAL AND BUSINESS CONSULTATIONS - 5%	4. PIC DOVERIE - 7%
				5. ZPAD BULSTRAD AD - 7%
				6. CF CAPMAN MAX - 7%
PROPERTIES CAPITAL INVESTMENTS REIT	23.04.2007 (22.05.2007 Varna Regional Court)	indefinite	1. BORD OOD - 50%	1. BORD OOD - 38,46%
			2. CF ALFA INDEX PROPERTIES - 30%	2. SWISS CAPITAL INVESTMENTS AD - 46,15%
			3. BONKA SIMEONOVA NENKOVA - 10%	3. BONKA SIMEONOVA NENKOVA - 7,69%
			4. SIMEON PLAMENOV NENKOV - 10%	4. SIMEON PLAMENOV NENKOV - 7,69%

REAL ESTATE INVESTMENT FUND – REIF	01.02.2007 (23.02.2007 Sofia City Court)	indefinite	1. ENEMONA AD -70%	1. ENEMONA AD - 69%
			2. ECOINVEST HOLDING AD – 30%	2. ECOINVEST HOLDING AD - 26%
EFFEKTEN UND FINANZ – PROPERTIES REIT	03.05.2007 (10.05.2007 Sofia City Court)	7 years	1. PETAR KIRILOV TERZIEV - 60%	1. PETAR KIRILOV TERZIEV - 62,3%
			2. CF TBI DYNAMIC - 15%	2. CF TBI DYNAMIC - 15%
			3. CF TBI HARMONY - 15%	3. CF TBI HARMONY - 15%
			4. EFFEKTEN UND FINANZ SOFIA AD - 10%	4. EFFEKTEN UND FINANZ SOFIA AD - 7,7%
EXPAT PROPERTIES REIT	18.07.2007 (01.08.2007 Sofia City Court)	10 years	1. GEORGIEV, TODOROV&CO. LAW OFFICES - 70%	1. GEORGIEV, TODOROV&CO. LAW OFFICES -17,5%
			2. CF EUROPE - 30%	2. CF EUROPE - 7,5%
				3. GALENIT INVEST AD - 75%
PRC REIT	04.06.2007 (11.07.2007 Sofia City Court)	indefinite	1. ALEXI MLADENOV POPOV – 22,4%	1. ALEXI MLADENOV POPOV - 24,6%
			2. BULGARIAN-AMERICAN CREDIT BANK - 30%	2. BULGARIAN-AMERICAN CREDIT BANK - 23,1%
			3. RAICHO GEORGIEV RAICHEV - 18,2%	3. RAICHO GEORGIEV RAICHEV - 20%
			4. EMA PAVLOVA BONEVA - 18,2%	4. EMA PAVLOVA BONEVA - 20%
			5. TODOR HRISTOSKOV ROGACHEV - 7%	5. TODOR HRISTOSKOV ROGACHEV - 7,7%
DIT PROPERTY REIT	05.04.2007 (18.08.2007 Sofia City Court)	10 years	1. VAKLIN ASSENOV CHANDAROV -11,8%	1. VAKLIN ASSENOV CHANDAROV -11,8%
			2. MC CAPMAN ASSET MANAGEMENT AD - 30%	2. MC CAPMAN ASSET MANAGEMENT AD - 30%
			3. VEKS 2000 EOOD - 39,5%	3. VEKS 2000 EOOD - 39,5%
CITY PROPERTIES REIT	23.03.2007 (02.04.2007 Sofia City Court)	indefinite	1. TRANSSTROY BURGAS AD -70%	1. TRANSSTROY BURGAS AD -70%
			2. CF TBI DYNAMIC - 15%	2. CF TBI DYNAMIC - 15%
			3. CF TBI HARMONY- 15%	3. CF TBI HARMONY - 15%
ROY PROPERTY FUND REIT	20.12.2006 (16.02.2007 Sofia City Court)	indefinite	1. ITA-HOLD AD -7%	1. ITA-HOLD AD -7%
			2. ATANEL INVEST OOD-7%	2. ATANEL INVEST OOD - 7%
			3. PERFECT-INVEST HOLDING AD - 7%	3. PERFECT-INVEST HOLDING AD - 7%
			4. CF CAPMAN MAX - 30%	4. CF CAPMAN MAX - 30%

SOPHARMA BUILDINGS REIT	06.07.2007 (14.08.2007 Sofia City Court)	indefinite	1. IC NADEZHDA AD - 30%	1. IC NADEZHDA AD-30 %
			2. SOPHARMA AD - 10 %	2. SOPHARMA AD - 10 %
			3. TELEKOMPLEKT AD- 6%	3. TELEKOMPLEKT AD - 6 %
			4. DONEV INVESTMENT HOLDING AD - 6 %	4. DONEV INVESTMENT HOLDING AD- 6 %
			5. OGNIAN IVANOV DONEV - 24 %	5. OGNIAN IVANOV DONEV - 24 %
			6. VENTSISLAV SIMEONOV STOEV - 24 %	6. VENTSISLAV SIMEONOV STOEV - 24 %



## EQUITY, ASSETS AND MARKET CONCENTRATION OF SERVICES PROVIDED BY CIS

Company	Total assets (BGN)		Net assets (BGN)		Annual growth (net assets)	Share in the net assets of the type of collective investment scheme		Share in the net assets of all collective investment schemes	
	31.12.2006	31.12.2007	31.12.2006	31.12.2007		31.12.2006	31.12.2007	31.12.2006	31.12.2007
Open-end investment companies									
IC ZLATEN LEV AD	8 781 003	11 417 721	8 781 001	11 383 408	29,64%	8,09%	6,10%	2,79%	1,30%
IC ELANA EUROFUND AD	8 828 472	5 979 931	8 810 136	5 971 709	-32,22%	8,12%	3,20%	2,80%	0,70%
IC T B I EUROBOND AD	21 999 843	14 798 800	21 958 225	14 773 803	-32,72%	20,23%	7,90%	6,97%	1,60%
IC ADVANCE INVEST AD	33 693 362	59 032 906	33 610 349	58 894 114	75,23%	30,97%	31,70%	10,66%	6,50%
IC CAPMAN CAPITAL AD	9 441 046	21 220 834	9 422 316	21 183 519	124,82%	8,68%	11,40%	2,99%	2,30%
IC KD PELIKAN AD	5 195 045	6 874 328	5 175 060	6 788 748	31,18%	4,77%	3,70%	1,64%	0,80%
IC UBB Balanced FUND AD	5 463 536	12 440 692	5 449 335	12 408 158	127,70%	5,02%	6,70%	1,73%	1,40%
IC ELANA HIGH YIELD FUND AD	9 935 335	26 701 597	9 904 295	26 581 516	168,38%	9,13%	14,30%	3,14%	2,90%
IC BENCHMARK FUND – 2 AD	5 432 956	28 306 255	5 411 264	27 924 146	416,04%	4,99%	15,00%	1,72%	3,10%
Total for open-end investment companies	108 770 598	186 773 064	108 521 981	185 909 121	71,31%	100%	100%	34,43%	20,60%
Closed-end investment companies									
IC NADEZHDA AD	5 599 378	9 244 963	5 571 031	9 193 274	65,02%	69,32%	77,40%	1,77%	1,00%
IC INDUSTRIAL FUND PLC	2 481 249	2 691 375	2 465 703	2 689 263	9,07%	30,68%	22,60%	0,78%	0,30%
Total for closed-end investment companies	8 080 627	11 936 338	8 036 734	11 882 537	47,85%	100%	100%	2,55%	1,30%

Contractual funds	31.12.2006	31.12.2007	31.12.2006	31.12.2007		31.12.2006	31.12.2007	31.12.2006	31.12.2007
CF DSK STANDARD	3 722 897	6 379 200	3 719 266	6 373 148	71,35%	1,87%	0,90%	1,18%	0,70%
CF SENTINEL PRINCIPAL	2 111 493	3 371 540	2 108 233	3 364 987	59,61%	1,06%	0,50%	0,67%	0,40%
CF TBI DYNAMIC	7 274 239	23 494 797	7 232 594	23 379 699	223,25%	3,64%	3,30%	2,29%	2,60%
CF ELANA Balanced EU-ROFUND	14 385 910	41 022 149	14 340 585	40 787 334	184,42%	7,22%	5,80%	4,55%	4,50%
CF BENCHMARK FUND-1	2 845 177	4 647 734	2 839 173	4 637 945	63,36%	1,43%	0,70%	0,90%	0,50%
CF DSK BALANCE	17 115 384	46 421 460	17 064 555	46 315 870	171,42%	8,59%	6,60%	5,41%	5,10%
CF SENTINEL - RAPID	1 456 430	2 092 819	1 455 336	2 090 363	43,63%	0,73%	0,30%	0,46%	0,20%
CF UBB PREMIUM STOCKS	5 786 000	39 049 487	5 772 000	38 931 666	574,49%	2,91%	5,50%	1,83%	4,30%
CF UBB PLATINUM BONDS	1 947 000	3 510 039	1 946 000	3 507 272	80,23%	0,98%	0,50%	0,62%	0,40%
CF CAPMAN MAX	7 311 843	76 577 016	7 284 089	76 404 729	948,93%	3,67%	10,80%	2,31%	8,50%
CF TBI COMFORT	5 326 653	9 889 160	5 312 563	9 872 805	85,84%	2,67%	1,40%	1,69%	1,10%
CF TBI HARMONY	7 645 627	15 161 438	7 618 082	15 120 975	98,49%	3,84%	2,10%	2,42%	1,70%
CF DSK GROWTH	17 163 630	77 625 584	17 083 623	77 371 413	352,90%	8,60%	11,00%	5,42%	8,60%
CF STANDARD INVEST-MENT HIGH YIELD FUND	10 417 114	18 864 470	10 383 332	18 808 000	81,14%	5,23%	2,70%	3,29%	2,10%
CF STANDARD INVEST-MENT BALANCED FUND	4 581 703	8 275 000	4 567 466	8 225 045	80,08%	2,30%	1,20%	1,45%	0,90%
CF ELANA BALANCED \$ FUND	11 683 366	35 652 894	11 641 100	35 557 730	205,45%	5,86%	5,00%	3,69%	3,90%
CF RAIFFEISEN (BULGARIA) FUND MONEY MARKET	3 204 773	6 128 668	3 202 481	6 126 984	91,32%	1,61%	0,90%	1,02%	0,70%
CF RAIFFEISEN (BULGARIA) FUND BONDS	5 383 511	5 731 938	5 374 672	5 724 146	6,50%	2,71%	0,80%	1,71%	0,60%
CF RAIFFEISEN (BULGARIA) FUND EQUITIES	13 279 301	63 254 476	13 249 865	63 073 183	376,03%	6,67%	8,90%	4,20%	7,00%
CF RAIFFEISEN (BULGARIA) BALANCED FUND	26 771 721	55 879 689	26 723 251	55 740 544	108,58%	13,45%	7,90%	8,48%	6,20%
CF ALFA INDEX IMOTI	1 875 750	2 073 279	1 875 116	2 063 215	10,03%	0,94%	0,30%	0,59%	0,20%
CF KD BONDS BULGARIA	595 122	786 312	591 703	774 906	30,96%	0,30%	0,10%	0,19%	0,10%
CF KD STOCKS BULGARIA	1 034 568	6 680 086	1 026 515	6 585 687	541,56%	0,52%	0,90%	0,33%	0,70%
CF STATUS NEW SHARES	4 505 077	18 078 494	4 467 168	17 807 876	298,64%	2,25%	2,50%	1,42%	2,00%

CF BENCHMARK FUND-3	679 960	2 120 128	677 239	2 114 484	212,22%	0,34%	0,30%	0,21%	0,20%
CF ALFA INDEX TOP 15	451 337	5 062 178	441 238	5 056 904	1046,07%	0,22%	0,70%	0,14%	0,60%
CF YUG MARKET MAXIMUM	1 018 870	16 205 868	1 013 746	16 168 392	1494,92%	0,51%	2,30%	0,32%	1,80%
CF ADVANCE EAST EUROPE	2 950 488	28 573 836	2 942 765	28 528 404	869,44%	1,48%	4,00%	0,93%	3,20%
CF CONSERVATIVE - SAVING	505	519 000	483	483 000	99900,00%	0,00%	0,10%	0,00%	0,10%
CF EUROPE	16 697 000	22 007 000	16 667 716	21 955 000	31,72%	8,39%	3,10%	5,29%	2,40%
CF VARCHEV HIGH YIELD FUND	-	3 131 309	-	2 796 072	-	-	0,40%	-	0,30%
CF STANDARD INVESTMENT INTERNATIONAL FUND	-	4 015 354	-	2 039 508	-	-	0,30%	-	0,20%
CF SINERGON PROFIT	-	3 129 789	-	2 275 378	-	-	0,30%	-	0,30%
CF SINERGON PRESTIGE	-	643 496	-	544 768	-	-	0,10%	-	0,10%
CF STATUS FINANCE	-	2 279 798	-	2 276 953	-	-	0,30%	-	0,30%
CF SOMONY STRATEGY	-	520 111	-	425 872	-	-	0,10%	-	0,00%
CF SOMONY PROGRESS	-	2 923 615	-	2 186 914	-	-	0,30%	-	0,20%
CF SOMONY EUROSTABILITY	-	10 014	-	9 790	-	-	0,00%	-	0,00%
CF VARCHEV BALANCED FUND	-	39 964	-	39 528	-	-	0,00%	-	0,00%
CF CCB LEADER	-	13 006 010	-	12 972 302	-	-	1,80%	-	1,40%
CF CCB ACTIVE	-	7 512 787	-	7 496 512	-	-	1,10%	-	0,80%
CF CCB GARANT	-	522 799	-	522 353	-	-	0,10%	-	0,10%
CF INVEST CLASSIC	-	764 826	-	762 167	-	-	0,10%	-	0,10%
CF INVEST ACTIVE	-	1 437 192	-	1 427 618	-	-	0,20%	-	0,20%
CF BALKANS	-	550 791	-	549 056	-	-	0,10%	-	0,10%
CF AURORA CAPITAL BALANCED	-	1 117 836	-	1 117 836	-	-	0,20%	-	0,10%
CF ALFA SELECTED EQUITIES	-	3 729 654	-	3 715 422	-	-	0,50%	-	0,40%
CF TBI TREASURE	-	39 371	-	39 371	-	-	0,00%	-	0,00%
CF AKTIVA HIGH YIELD FUND	-	934 842	-	924 638	-	-	0,10%	-	0,10%
CF AKTIVA BALANCED FUND	-	277 324	-	274 262	-	-	0,00%	-	0,00%

CF REAL FINANCE BAL- ANCED FUND	-	27 907	-	-	27 809	-	-	0,00%	-	0,00%
CF REAL FINANCE HIGH YIELD FUND	-	37 629	-	-	37 502	-	-	0,00%	-	0,00%
CF FIB GARANT	-	532 848	-	-	531 813	-	-	0,10%	-	0,10%
CF FIB CLASSIC	-	1 118 718	-	-	1 114 979	-	-	0,20%	-	0,10%
CF FIB AVANGUARD	-	1 958 845	-	-	1 944 492	-	-	0,30%	-	0,20%
CF ELANA FUND MONEY MARKET	-	5 461 965	-	-	5 452 475	-	-	0,80%	-	0,60%
CF ADVANCE IPO FUND	-	11 862 469	-	-	11 775 971	-	-	1,70%	-	1,30%
CF AURORA CAPITAL - GLOBAL COMMODITY FUND	-	-	-	-	-	-	-	-	-	-
CF RAIFFEISEN (BULGAR- IA) BALANCED DOLLAR FUND	-	-	-	-	-	-	-	-	-	-
CF ZAGORA FINACORP BALANCED FUND	-	-	-	-	-	-	-	-	-	-
Total for contractual funds	199 222 449	712 723 002	198 621 955	706 233 067	255,57%	100,00%	100,00%	63,02%	78,10%	
Total for CIS	316 073 674	911 432 404	315 180 670	904 024 725	186,83%			100,00%	100,00%	

## INVESTMENT PROFILE, NET ASSET VALUE PER SHARE/ UNIT AND RETURN OF CIS AS OF 31 DECEMBER 2007

Company	Investment profile	Legal form	Par value per 1 share/unit (BGN)	NAV per 1 share (unit) as of 31 December 2007 (BGN)	Rate of return (31 December 2007/31 December 2006)	Rate of return from the starting of the public offering of shares/units	Starting date of the public offering
IC ZLATEN LEV AD	balanced	investment company of open-end type	1	8,61	32,71%	761,00%	1999
IC ELANA EURO-FUND AD	conservative	investment company of open-end type	100	145,91	6,15%	45,91%	04.12.2002
IC TBI EUROBOND AD	conservative	investment company of open-end type	200	282,45	6,34%	41,23%	17.11.2003
IC ADVANCE INVEST AD	aggressive	investment company of open-end type	1	3,73	55,37%	273,00%	25.05.2004
IC CAPMAN CAPITAL AD	balanced	investment company of open-end type	10	40,46	83,07%	304,60%	01.10.2004
IC KD PELIKAN AD	balanced	investment company of open-end type	10	23,07	35,99%	130,70%	17.12.2004
IC UBB BALANCED FUND AD	balanced	investment company of open-end type	100	189,24	40,82%	89,24%	31.01.2005
IC ELANA HIGH YIELD FUND AD	aggressive	investment company of open-end type	100	202,00	60,97%	102,00%	20.06.2005
IC BENCHMARK FUND – 2 AD	aggressive	investment company of open-end type	100	233,45	63,36%	133,45%	01.03.2006
IC NADEZHDA AD	-	investment company of closed-end type	1	2,34	38,85%	134,00%	closed-end type
IC INDUSTRIAL FUND AD	-	investment company of closed-end type	1	3,34	9,07%	234,00%	closed-end type
CF DSK STANDARD	conservative	contractual fund	1	1,13	5,86%	13,00%	01.12.2005



CF SENTINEL - PRINCIPAL	balanced	contractual fund	1	1,31	15,30%	31,00%	12.09.2005
CF TBI DYNAMIC	aggressive	contractual fund	10	21,66	43,18%	116,60%	07.09.2005
CF ELANA BALANCED EUROFUND	balanced	contractual fund	100	181,97	34,36%	81,97%	07.12.2005
CF BENCHMARK FUND-1	balanced	contractual fund	100	174,94	25,35%	74,94%	14.12.2005
CF DSK BALANCE	balanced	contractual fund	1	1,67	22,85%	67,00%	01.12.2005
CF SENTINEL - RAPID	conservative	contractual fund	1	1,06	2,92%	6,00%	15.11.2005
CF UBB PREMIUM EQUITIES	aggressive	contractual fund	10	19,76	40,33%	97,60%	30.01.2006
CF UBB PLATINUM BONDS	conservative	contractual fund	10	10,82	7,98%	8,20%	30.01.2006
CF CAPMAN MAX	aggressive	contractual fund	10	42,07	52,43%	320,70%	05.01.2006
CF TBI COMFORT	conservative	contractual fund	10	14,36	20,04%	43,60%	27.12.2005
CF TBI HARMONY	balanced	contractual fund	10	17,33	32,81%	73,30%	27.12.2005
CF DSK GROWTH	balanced	contractual fund	1	2,13	32,26%	113,00%	01.03.2006
CF STANDARD INVESTMENT HIGH YIELD FUND	aggressive	contractual fund	10	28,47	44,79%	184,70%	01.03.2006
CF STANDARD INVESTMENT BALANCED FUND	balanced	contractual fund	10	21,25	44,47%	112,50%	01.03.2006
CF ELANA BALANCED \$ FUND	balanced	contractual fund	100 (\$)	237,80	28,57%	137,80%	06.03.2006
CF RAIFFEISEN (BULGARIA) FUND MONEY MARKET	conservative - balanced	contractual fund	1	2,98	65,43%	198,00%	16.03.2006
CF RAIFFEISEN (BULGARIA) FUND BONDS	conservative - balanced	contractual fund	1	1,67	38,12%	67,00%	16.03.2006
CF RAIFFEISEN (BULGARIA) FUND EQUITIES	aggressive	contractual fund	1	1,76	24,13%	76,00%	16.03.2006
CF RAIFFEISEN (BULGARIA) BALANCED FUND	balanced	contractual fund	1	1,51	21,73%	51,00%	16.03.2006

CF ALFA INDEX IMOTI	aggressive	contractual fund	1	1,29	22,38%	29,00%	17.04.2006
CF KD BONDS BUL-GARIA	balanced	contractual fund	100	125,23	16,12%	25,23%	04.05.2006
CF KD EQUITIES BULGARIA	aggressive	contractual fund	1	2,00	37,06%	100,00%	04.05.2006
CF STATUS NEW SHARES	balanced	contractual fund	1	1,91	32,83%	91,00%	22.05.2006
CF BENCHMARK FUND-3	balanced	contractual fund	100	119,21	22,06%	19,21%	21.06.2006
CF ALFA INDEX TOP 15	aggressive	contractual fund	1	1,95	39,69%	95,00%	16.08.2006
CF YUG MARKET MAXIMUM	moderate - aggressive	contractual fund	1	2,75	52,06%	175,00%	18.09.2006
CF ADVANCE EAST EUROPE	moderate - aggressive	contractual fund	1(euro)	2,59	59,39%	159,00%	10.10.2006
CF CONSERVATIVE-SAVING	conservative	contractual fund	100	78,04	-26,31%	-21,96%	21.11.2006
CF EUROPE	aggressive	contractual fund	100	144,45	24,73%	44,45%	21.11.2006
CF VARCHEV HIGH YIELD FUND	aggressive	contractual fund	100	133,44	-	33,44%	05.01.2007
CF STANDARD INVESTMENT INTERNATIONAL FUND	moderate - aggressive	contractual fund	10	4,12	-	-58,80%	26.06.2007
CF SINERGON PROFIT	aggressive	contractual fund	10	10,00	-	0,00%	12.02.2007
CF SINERGON PRES-TIGE	conservative	contractual fund	10	10,00	-	0,00%	19.02.2007
CF STATUS FINANCE	moderate - aggressive	contractual fund	1	0,87	-	-13,00%	02.05.2007
CF SOMONY STRATEGY	balanced	contractual fund	1	1,00	-	0,00%	02.06.2007
CF SOMONY PROGRESS	moderate - aggressive	contractual fund	1	1,00	-	0,00%	02.06.2007
CF SOMONY EUROSTABILITY	conservative - balanced	contractual fund	1	0,98	-	-2,00%	02.06.2007
CF VARCHEV BALANCED FUND	balanced	contractual fund	100	90,45	-	-9,55%	27.06.2007

CF CCB LEADER	moderate - ag- gressive	contractual fund	10	12,09	-	-	20,90%	01.06.2007
CF CCB ACTIVE	balanced	contractual fund	10	12,01	-	-	20,10%	01.06.2007
CF CCB GARANT	conservative - balanced	contractual fund	10	10,10	-	-	1,00%	02.07.2007
CF INVEST CLASSIC	conservative - balanced	contractual fund	1	0,99	-	-	-1,00%	03.10.2007
CF INVEST ACTIVE	moderate - ag- gressive	contractual fund	1	0,93	-	-	-7,00%	03.10.2007
CF BALKANS	moderate - ag- gressive	contractual fund	100	98,84	-	-	-1,16%	04.10.2007
CF AURORA CAPI- TAL BALANCED	balanced	contractual fund	10	9,71	-	-	-2,90%	15.12.2007
CF ALFA SELECTED SHARES	moderate - ag- gressive	contractual fund	1	0,98	-	-	-2,00%	10.10.2007
CF TBI TREASURE	balanced	contractual fund	10	20,65	-	-	106,50%	08.10.2007
CF AKTIVA HIGH YIELD FUND	moderate - ag- gressive	contractual fund	10	9,89	-	-	-1,10%	12.11.2007
CF AKTIVA BAL- ANCED FUND	balanced	contractual fund	10	9,89	-	-	-1,10%	12.11.2007
CF REAL FINANCE BALANCED FUND	balanced	contractual fund	1	0,97	-	-	-3,00%	31.10.2007
CF REAL FINANCE HIGH YIELD FUND	moderate - ag- gressive	contractual fund	1	0,97	-	-	-3,00%	31.10.2007
CF FIB GARANT	conservative	contractual fund	1	1,00	-	-	0,00%	19.11.2007
CF FIB CLASSIC	balanced	contractual fund	1	1,01	-	-	1,00%	19.11.2007
CF FIB AVANGUARD	aggressive	contractual fund	1	1,01	-	-	1,00%	19.11.2007
CF ELANA FUND MONEY MARKET	conservative	contractual fund	100	102,06	-	-	2,06%	01.11.2007
CF ADVANCE IPO FUND	aggressive	contractual fund	1(euro)	1,01	-	-	1,00%	23.11.2007
CF AVRORA CAPITAL - GLOBAL COMMOD- ITY FUND	aggressive	contractual fund	10	-	-	-	-	23.01.2008
CF RAIFFEISEN (BULGARIA) BAL- ANCED DOLLAR FUND	conservative - balanced	contractual fund	1 (\$)	-	-	-	-	11.02.2008

CF ZAGORA FINA- CORP BALANCED FUND	balanced	contractual fund	1	-	-	-	04.03.2008
--	----------	------------------	---	---	---	---	------------

#### Appendix 14.2.2C Structure of the CIS's assets

#### STRUCTURE OF ASSETS OF OPEN-END INVESTMENT COMPANIES

Assets (BGN)	ZLATEN LEV AD		ELANA EUROFUND AD		TBI EUROBOND AD		ADVANCE INVEST AD		CAPMAN CAPITAL AD	
	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share
Cash, incl.	1 440 424	12,62%	3 133 860	52,41%	3 955 184	26,73%	10 432 563	17,67%	4 698 919	22,14%
Bank deposit	1 213 836	10,63%	3 124 533	52,25%	3 871 045	26,16%	9 000 000	15,25%	-	0,00%
Equities	6 883 372	60,29%	-	-	-	-	35 863 084	60,75%	11 894 768	56,05%
Corporate bonds	1 391 037	12,18%	2 157 773	36,08%	9 870 259	66,70%	1 486 875	2,52%	3 585 781	16,90%
Mortgage bonds	289 090	2,53%	463 532	7,75%	-	-	258 830	0,44%	-	0,00%
Municipal bonds	-	0,00%	-	-	38 068	0,26%	-	-	-	0,00%
Compensatory notes	-	0,00%	-	-	-	-	-	-	-	0,00%
Government securities	616 295	5,40%	119 711	2,00%	687 073	4,64%	-	-	969 922	4,57%
Euro-bonds	327 494	2,87%	-	-	-	-	-	-	-	0,00%
Foreign securities	339 156	2,97%	-	-	-	-	9 027 056	15,29%	-	0,00%
Non-financial assets, including	54 886	0,48%	105 055	1,76%	248 216	1,68%	1 939 502	3,29%	71 444	0,34%
Receivables	54 886	0,48%	105 055	1,76%	248 216	1,68%	1 939 502	3,29%	71 444	0,34%
Others	75 967	0,67%	-	-	-	-	24 996	0,04%	-	0,00%
<b>Total balance sheet assets</b>	<b>11 417 721</b>	<b>100,00%</b>	<b>5 979 931</b>	<b>100,00%</b>	<b>14 798 800</b>	<b>100,00%</b>	<b>59 032 906</b>	<b>100,00%</b>	<b>21 220 834</b>	<b>100,00%</b>

## STRUCTURE OF ASSETS OF OPEN-END INVESTMENT COMPANIES

Assets (BGN)	KD PELIKAN AD		UBB BALANCED FUND AD		ELANA HIGH YIELD FUND AD		BENCHMARK FUND - 2 AD		Total for open-end investment companies	
	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share
Cash, incl.	2 138 800	31,11%	2 901 213	23,32%	7 689 944	28,80%	5 926 510	20,94%	42 317 417	22,66%
Bank deposit	1 729 806	25,16%	1 600 000	12,86%	7 445 066	27,88%	2 000 000	7,07%	29 984 286	16,05%
Equities	3 345 033	48,66%	5 470 915	43,98%	14 026 627	52,53%	21 674 779	76,57%	99 158 578	53,09%
Corporate bonds	1 231 227	17,91%	2 723 778	21,89%	1 094 258	4,10%	-	-	23 540 988	12,60%
Mortgage bonds	-	-	500 127	4,02%	-	-	-	-	1 511 579	0,81%
Municipal bonds	-	-	123 887	1,00%	-	-	-	-	161 955	0,09%
Compensatory notes	-	-	-	-	-	-	-	-	-	-
Government securities	-	-	-	-	-	-	-	-	2 393 001	1,28%
Euro-bonds	-	-	-	-	-	-	-	-	327 494	0,18%
Foreign securities	-	-	180 523	1,45%	1 869 444	7,00%	341 574	1,21%	11 757 753	6,30%
Non-financial assets, including	159 268	2,32%	535 811	4,31%	1 840 277	6,89%	363 392	1,28%	5 317 851	2,85%
Receivables	159 268	2,32%	535 811	4,31%	1 840 277	6,89%	363 392	1,28%	5 317 851	2,85%
Others	-	-	4 437	0,04%	181 047	0,68%	-	-	286 447	0,15%
<b>Total balance sheet assets</b>	<b>6 874 328</b>	<b>100,00%</b>	<b>12 440 692</b>	<b>100,00%</b>	<b>26 701 597</b>	<b>100,00%</b>	<b>28 306 255</b>	<b>100,00%</b>	<b>186 773 064</b>	<b>100,00%</b>

## STRUCTURE OF ASSETS OF CLOSED-END INVESTMENT COMPANIES

Assets (BGN)	NADEZHDA AD		INDUSTRIAL FUND AD		Total for closed-end investment companies		Total for investment companies	
	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share
Cash, incl.	1 060 066	2,56%	894 000	-0,19%	1 954 066	16,37%	44 271 483	22,28%
Bank deposit	210 815	2,28%	894 000	33,22%	1 104 815	9,26%	31 089 101	15,65%
Equities	6 523 362	70,56%	1 714 000	63,68%	8 237 362	69,01%	107 395 940	54,05%

Corporate bonds	791 892	8,57%	-	-	791 892	6,63%	24 332 880	12,25%
Mortgage bonds	-	-	-	-	-	-	1 511 579	0,76%
Municipal bonds	-	-	-	-	-	-	161 955	0,08%
Compensatory notes	-	-	-	-	-	-	-	-
Government securities	242 363	2,62%	-	-	242 363	2,03%	2 635 364	1,33%
Euro-bonds	-	-	-	-	-	-	327 494	0,16%
Foreign securities	-	-	-	-	-	-	11 757 753	5,92%
Non-financial assets, including	612 774	6,63%	78 000	2,90%	690 774	5,79%	6 008 625	3,02%
Receivables	612 774	6,63%	5 000	0,19%	617 774	5,18%	5 935 625	2,99%
Others	14 506	0,16%	5 375	0,20%	19 881	0,17%	306 328	0,15%
<b>Total balance sheet assets</b>	<b>9 244 963</b>	<b>100,00%</b>	<b>2 691 375</b>	<b>100,00%</b>	<b>11 936 338</b>	<b>100,00%</b>	<b>198 709 402</b>	<b>100,00%</b>

#### STRUCTURE OF CONTRACTUAL FUNDS' ASSETS

Assets (BGN)	DSK STANDARD		SENTINEL-PRINCIPAL		TBI DYNAMIC		BENCHMARK FUND-1		DSK BALANCE		SENTINEL - RAPID	
	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share
Cash, incl.	2 265 404	35,51%	44 265	1,31%	3 624 985	15,43%	893 622	19,23%	10 273 005	22,13%	655 891	31,34%
Bank deposit	2 121 612	33,26%	391 456	11,61%	3 576 678	15,22%	305 000	6,56%	9 399 968	20,25%	484 181	23,14%
Equities	201 413	3,16%	1 079 584	32,02%	15 216 379	64,76%	1 507 424	32,43%	20 570 168	44,31%	-	-
Corporate bonds	3 438 310	53,90%	1 462 554	43,38%	-	-	2 202 220	47,38%	11 273 811	24,29%	840 660	40,17%
Mortgage bonds	372 333	5,84%	-	-	-	-	-	-	980 413	2,11%	85 492	4,09%
Municipal bonds	-	-	-	-	-	-	-	-	-	-	27 036	1,29%
Compensatory notes	-	-	-	-	-	-	-	-	-	-	-	-
Government securities	-	-	-	-	-	-	-	-	-	-	61 084	2,92%
Euro-bonds	-	-	-	-	-	-	-	-	-	-	-	-



Foreign securi- ties	-	-	37 458	1,11%	2 357 519	10,03%	-	-	936 726	2,02%	422 345	20,18%
Non-financial as- sets, including	10 174	0,16%	11 861	0,35%	2 057 635	8,76%	44 469	0,96%	2 387 337	5,14%	311	0,01%
Receivables	10 174	0,16%	312	0,01%	2 057 635	8,76%	44 469	0,96%	2 387 337	5,14%	311	0,01%
Others	91 566	1,44%	735 818	21,82%	238 279	1,01%	-	-	-	-	-	-
<b>Total balance sheet assets</b>	<b>6 379 200</b>	<b>100,00%</b>	<b>3 371 540</b>	<b>100,00%</b>	<b>23 494 797</b>	<b>100,00%</b>	<b>4 647 734</b>	<b>100,00%</b>	<b>46 421 460</b>	<b>100,00%</b>	<b>2 092 819</b>	<b>100,00%</b>

STRUCTURE OF CONTRACTUAL FUNDS' ASSETS

Assets (BGN)	ELANA Balanced EUROFUND		UBB PREMIUM EQUITIES		UBB PLATINIUM BONDS		CAPMAN MAX		TBI COMFORT		TBI HARMONY	
	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share
Cash, incl.	14 551 892	35,47%	4 951 200	12,68%	1 124 638	32,04%	8 109 029	10,59%	1 678 873	16,98%	2 377 943	15,68%
Bank deposit	14 265 134	34,77%	3 570 000	9,14%	490 000	13,96%	7 900 000	10,32%	1 640 848	16,59%	2 351 413	15,51%
Equities	17 733 174	43,23%	32 103 948	82,21%	9 693	0,28%	64 540 267	84,28%	1 619 155	16,37%	5 768 051	38,04%
Corporate bonds	3 206 071	7,82%	20 211	0,05%	1 948 646	55,52%	-	-	5 487 422	55,49%	4 940 768	32,59%
Mortgage bonds	997 473	2,43%	-	-	90 261	2,57%	-	-	-	-	-	-
Municipal bonds	100 000	0,24%	-	-	-	-	-	-	46 202	0,47%	16 696	0,11%
Compensatory notes	-	-	-	-	-	-	-	-	-	-	-	-
Government secu- rities	-	-	-	-	-	-	-	-	-	-	-	-
Euro-bonds	-	-	-	-	-	-	-	-	-	-	-	-
Foreign securities	2 763 303	6,74%	14 782	0,04%	90 261	2,57%	2 246 628	2,93%	703 834	7,12%	1 208 335	7,97%
Non-financial as- sets, including	1 670 236	4,07%	1 957 531	5,01%	96 652	2,75%	1 482 418	1,94%	353 674	3,58%	849 645	5,60%
Receivables	1 670 236	4,07%	1 957 531	5,01%	96 652	2,75%	1 482 418	1,94%	353 674	3,58%	849 645	5,60%
Others	-	-	1 815	0,00%	149 888	4,27%	198 674	0,26%	-	-	-	-
<b>Total balance sheet assets</b>	<b>41 022 149</b>	<b>100,00%</b>	<b>39 049 487</b>	<b>100,00%</b>	<b>3 510 039</b>	<b>100,00%</b>	<b>76 577 016</b>	<b>100,00%</b>	<b>9 889 160</b>	<b>100,00%</b>	<b>15 161 438</b>	<b>100,00%</b>

## STRUCTURE OF CONTRACTUAL FUNDS' ASSETS

Assets (BGN)	DSK GROWTH		STANDARD INVESTMENT YIELD FUND		STANDARD INVESTMENT BALANCED FUND		ELANA Balanced \$ FUND		RAIFFEISEN (BULGARIA) MONEY		RAIFFEISEN (BULGARIA) BOND FUND	
	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share
Cash, incl.	14 291 670	18,41%	1 371 417	7,27%	173 725	2,10%	12 705 975	35,64%	1 734 714	28,30%	2 583 925	45,08%
Bank deposit	13 266 876	17,09%	1 333 412	7,07%	-	-	10 516 555	29,50%	1 162 763	18,97%	1 080 570	18,85%
Equities	55 507 475	71,51%	17 391 225	92,19%	5 686 426	68,72%	15 190 752	42,61%	-	-	112 308	1,96%
Corporate bonds	1 505 967	1,94%	-	-	2 347 511	28,37%	3 181 570	8,92%	1 110 554	18,12%	2 747 000	47,92%
Mortgage bonds	-	-	-	-	-	-	719 745	2,02%	-	-	-	-
Municipal bonds	-	-	-	-	-	-	114 000	0,32%	-	-	-	-
Compensatory notes	-	-	-	-	-	-	-	-	-	-	-	-
Government securities	-	-	-	-	-	-	-	-	3 181 884	51,92%	196 000	3,42%
Euro-bonds	-	-	-	-	-	-	-	-	-	-	-	-
Foreign securities	800 384	1,03%	-	-	-	-	2 288 077	6,42%	-	-	-	-
Non-financial assets, including	5 520 088	7,11%	101 829	0,54%	67 425	0,81%	1 452 775	4,07%	101 516	1,66%	-	-
Receivables	5 520 088	7,11%	101 829	0,54%	67 425	0,81%	1 452 775	4,07%	101 516	1,66%	-	-
Others	-	-	-	-	-	-	-	-	-	-	92 705	1,62%
<b>Total balance sheet assets</b>	<b>77 625 584</b>	<b>100,00%</b>	<b>18 864 470</b>	<b>100,00%</b>	<b>8 275 087</b>	<b>100,00%</b>	<b>35 652 894</b>	<b>100,00%</b>	<b>6 128 668</b>	<b>100,00%</b>	<b>5 731 938</b>	<b>100,00%</b>

## STRUCTURE OF CONTRACTUAL FUNDS' ASSETS

Assets (BGN)	RAIFFEISEN (BULGARIA) EQUITY FUND		RAIFFEISEN (BULGARIA) BALANCED FUND		ALFA INDEX PROPERTIES		KD BONDS BULGARIA		KD STOCKS BULGARIA		STATUS NEW EQUITIES	
	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	стойност (BGN)	share	amount (BGN)	share	amount (BGN)	share
Cash, incl.	11 811 000	18,67%	10 995 624	19,68%	326 274	15,74%	247 586	31,49%	756 170	11,32%	2 693 838	14,90%

Bank deposit	9 798 117	15,49%	10 245 194	18,33%	-	233 444	29,69%	583 810	8,74%	896 413	4,96%
Equities	49 359 991	78,03%	28 588 000	51,16%	1 735 734	83,72%	151 921	19,32%	5 855 300	14 409 427	79,70%
Corporate bonds	-	-	10 652 000	19,06%	-	380 345	48,37%	-	-	-	-
Mortgage bonds	-	-	-	-	-	-	-	-	-	-	-
Municipal bonds	-	-	-	-	-	-	-	-	-	-	-
Compensatory notes	-	-	-	-	-	-	-	-	-	-	-
Government securities	-	-	605 000	1,08%	-	-	-	-	-	-	-
Euro-bonds	-	-	-	-	-	-	-	-	-	-	-
Foreign securities	-	-	3 166 000	5,67%	-	-	-	-	-	-	-
Non-financial assets, including	2 083 385	3,29%	1 873 000	3,35%	11 271	0,54%	6 459	0,82%	68 616	975 229	5,39%
Receivables	2 083 385	3,29%	1 873 000	3,35%	11 271	0,54%	6 459	0,82%	68 616	975 229	5,39%
Others	100	0,00%	65	0,00%	-	1	0,00%	-	-	-	-
<b>Total balance sheet assets</b>	<b>63 254 476</b>	<b>100,00%</b>	<b>55 879 689</b>	<b>100,00%</b>	<b>2 073 279</b>	<b>100,00%</b>	<b>786 312</b>	<b>100,00%</b>	<b>6 680 086</b>	<b>18 078 494</b>	<b>100,00%</b>

STRUCTURE OF CONTRACTUAL FUNDS' ASSETS

Assets (BGN)	BENCHMARK FUND-3		ALFA INDEX TOP 15		YUG MARKET MAXIMUM		ADVANCE EASTERN EUROPE		CONSERVATIVE - SAVING		EUROPE	
	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share
Cash, incl.	254 971	12,03%	688 114	13,59%	5 995 474	37,00%	3 336 841	11,68%	476 600	91,83%	2 872 000	13,05%
Bank deposit	115 000	5,42%	-	-	3 005 595	18,55%	2 782 332	9,74%	475 577	91,63%	2 851 618	12,96%
Equities	1 754 362	82,75%	4 250 272	83,96%	7 865 170	48,53%	2 449 653	8,57%	41 400	7,98%	17 441 000	79,25%
Corporate bonds	-	-	-	-	1 102 601	6,80%	-	-	-	-	-	-
Mortgage bonds	-	-	-	-	-	-	-	-	-	-	-	-
Municipal bonds	-	-	-	-	-	-	-	-	-	-	-	-
Compensatory notes	-	-	-	-	-	-	-	-	-	-	-	-
Government securities	-	-	-	-	-	-	-	-	-	-	-	-

Euro-bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign securities	-	-	-	-	-	-	22 714 652	79,49%	-	-	-	-	-
Non-financial assets, including	9 859	0,47%	123 792	2,45%	1 242 621	7,67%	64 536	0,23%	1 000	0,19%	1 694 000	7,70%	7,70%
Receivables	9 859	0,47%	123 792	2,45%	1 242 621	7,67%	64 536	0,23%	1 000	0,19%	1 694 000	7,70%	7,70%
Others	100 936	4,76%	-	-	2	0,00%	8 154	0,03%	-	-	-	-	-
<b>Total balance sheet assets</b>	<b>2 120 128</b>	<b>100,00%</b>	<b>5 062 178</b>	<b>100,00%</b>	<b>16 205 868</b>	<b>100,00%</b>	<b>28 573 836</b>	<b>100,00%</b>	<b>519 000</b>	<b>100,00%</b>	<b>22 007 000</b>	<b>100,00%</b>	<b>100,00%</b>

## STRUCTURE OF CONTRACTUAL FUNDS' ASSETS

Assets (BGN)	VARCHEV HIGH YIELD FUND		STANDARD INVESTMENT INTERNATIONAL FUND		SINERGON PROFIT		SINERGON PRES-TIGE		STATUS FINANCE		SOMONY STRAT-EGY	
	amount (BGN)	share	стойност (BGN)	share	стойност (BGN)	share	стойност (BGN)	share	стойност (BGN)	share	стойност (BGN)	share
Cash, incl.	1 172 203	37,43%	368 889	9,19%	398 201	12,72%	91 356	14,20%	264 353	11,60%	254 019	48,84%
Bank deposit	-	-	368 332	9,17%	398 201	12,72%	91 356	14,20%	202 500	8,88%	254 019	48,84%
Equities	1 902 332	60,75%	2 006 945	49,98%	2 262 062	72,28%	496 954	77,23%	2 004 767	87,94%	224 419	43,15%
Corporate bonds	-	-	-	-	215 303	6,88%	37 093	5,76%	-	-	-	-
Mortgage bonds	-	-	-	-	-	-	-	-	-	-	-	-
Municipal bonds	-	-	-	-	-	-	-	-	-	-	-	-
Compensatory notes	-	-	-	-	-	-	-	-	-	-	-	-
Government securities	-	-	-	-	-	-	-	-	-	-	-	-
Euro-bonds	-	-	-	-	-	-	-	-	-	-	-	-
Foreign securities	-	-	1 525 912	38,00%	-	-	-	-	-	-	-	-
Non-financial assets, including	56 773	1,81%	113 608	2,83%	254 223	8,12%	18 093	2,81%	10 678	0,47%	41 673	8,01%
Receivables	56 773	1,81%	113 608	2,83%	254 223	8,12%	18 093	2,81%	10 678	0,47%	41 673	8,01%
Others	1	0,00%	-	-	-	-	-	-	-	-	-	-
<b>Total balance sheet assets</b>	<b>3 131 309</b>	<b>100,00%</b>	<b>4 015 354</b>	<b>100,00%</b>	<b>3 129 789</b>	<b>100,00%</b>	<b>643 496</b>	<b>100,00%</b>	<b>2 279 798</b>	<b>100,00%</b>	<b>520 111</b>	<b>100,00%</b>

## STRUCTURE OF CONTRACTUAL FUNDS' ASSETS

Assets (BGN)	SOMONY PROGRESS		SOMONY EU-ROSTABILITY		VARCHEV BAL-ANCED FUND		CCB LEADER		CCB ACTIVE		CCB GARANT	
	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share
Cash, incl.	512 321	17,52%	9 697	96,83%	31 330	78,40%	4 630 489	35,60%	2 585 350	34,41%	445 234	85,16%
Bank deposit	512 321	17,52%	9 697	96,83%	-	-	4 300 000	33,06%	2 450 000	32,61%	100 000	19,13%
Equities	1 953 574	66,82%	-	-	8 593	21,50%	7 902 072	60,76%	4 638 679	61,74%	-	-
Corporate bonds	-	-	-	-	-	-	391 609	3,01%	240 990	3,21%	77 422	14,81%
Mortgage bonds	-	-	-	-	-	-	-	-	-	-	-	-
Municipal bonds	-	-	-	-	-	-	-	-	-	-	-	-
Compensatory notes	-	-	-	-	-	-	-	-	-	-	-	-
Government securities	-	-	-	-	-	-	-	-	-	-	-	-
Euro-bonds	-	-	-	-	-	-	-	-	-	-	-	-
Foreign securities	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial assets, including	457 720	15,66%	114	1,14%	-	-	81 840	0,63%	47 768	0,64%	143	0,03%
Receivables	457 720	15,66%	114	1,14%	-	-	81 840	0,63%	47 768	0,64%	143	0,03%
Others	-	-	203	2,03%	41	0,10%	-	-	-	-	-	-
<b>Total balance sheet assets</b>	<b>2 923 615</b>	<b>100,00%</b>	<b>10 014</b>	<b>100,00%</b>	<b>39 964</b>	<b>100,00%</b>	<b>13 006 010</b>	<b>100,00%</b>	<b>7 512 787</b>	<b>100,00%</b>	<b>522 799</b>	<b>100,00%</b>

## STRUCTURE OF CONTRACTUAL FUNDS' ASSETS

Assets (BGN)	INVEST CLASSIC		INVEST ACTIVE		BALKANS		AURORA CAPITAL BALANCED		ALFA SELECTED SHARES		TBI TREASURE	
	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share
Cash, incl.	327 339	42,80%	545 170	37,93%	467 215	84,83%	305 212	27,30%	1 086 357	29,13%	18 576	47,18%
Bank deposit	320 000	41,84%	530 000	36,88%	466 000	84,61%	-	-	-	-	-	-
Equities	83 140	10,87%	753 242	52,41%	81 256	14,75%	812 624	72,70%	2 229 218	59,77%	6 268	15,92%
Corporate bonds	298 690	39,05%	36 024	2,51%	-	-	-	-	-	-	11 960	30,38%
Mortgage bonds	-	-	-	-	-	-	-	-	-	-	-	-
Municipal bonds	-	-	-	-	-	-	-	-	-	-	1 479	3,76%
Compensatory notes	-	-	-	-	-	-	-	-	-	-	-	-

Government securities	-	-	-	-	-	-	-	-	-	192 680	5,17%	-	-
Euro-bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign securities	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial assets, including	55 657	7,28%	102 756	7,15%	2 320	0,42%	-	-	-	220 942	5,92%	1 088	2,76%
Receivables	55 657	7,28%	102 756	7,15%	2 320	0,42%	-	-	-	220 942	5,92%	1 088	2,76%
Others	-	-	-	-	-	-	-	-	-	457	0,01%	-	-
<b>Total balance sheet assets</b>	<b>764 826</b>	<b>100,00%</b>	<b>1 437 192</b>	<b>100,00%</b>	<b>550 791</b>	<b>100,00%</b>	<b>1 117 836</b>	<b>100,00%</b>	<b>3 729 654</b>	<b>100,00%</b>	<b>39 371</b>	<b>100,00%</b>	<b>100,00%</b>

#### STRUCTURE OF CONTRACTUAL FUNDS' ASSETS

Assets (BGN)	AKTIVA HIGH YIELD FUND		AKTIVA BALANCED FUND		REAL FINANCE BALANCED FUND		REAL FINANCE HIGH YIELD FUND		FIB GARANT		FIB CLASSIC	
	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share
Cash, incl.	202 255	21,64%	104 489	37,68%	13 828	49,55%	19 598	52,08%	517 534	97,13%	861 110	76,97%
Bank deposit	202 255	21,64%	104 489	37,68%	-	-	-	-	250 000	46,92%	200 000	17,88%
Equities	708 626	75,80%	159 687	57,58%	13 054	46,78%	15 951	42,39%	14 019	2,63%	219 563	19,63%
Corporate bonds	-	-	-	-	1 024	3,67%	2 080	5,53%	-	-	-	-
Mortgage bonds	-	-	-	-	-	-	-	-	-	-	-	-
Municipal bonds	-	-	-	-	-	-	-	-	-	-	-	-
Compensatory notes	-	-	-	-	-	-	-	-	-	-	-	-
Government securities	-	-	-	-	-	-	-	-	-	-	-	-
Euro-bonds	-	-	-	-	-	-	-	-	-	-	-	-
Foreign securities	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial assets, including	13 757	1,47%	10 086	3,64%	-	-	-	-	1 295	0,24%	38 044	3,40%
Receivables	13 757	1,47%	10 086	3,64%	-	-	-	-	1 295	0,24%	38 044	3,40%
Others	10 204	1,09%	3 062	1,10%	1	0,00%	-	-	-	-	1	0,00%
Total balance sheet assets	934 842	100,00%	277 324	100,00%	27 907	100,00%	37 629	100,00%	532 848	100,00%	1 118 718	100,00%



# STRUCTURE OF CONTRACTUAL FUNDS' ASSETS

Assets (BGN)	FIB AVANGUARD		ELANA FUND MONEY MARKET		ADVANCE IPO FUND		AURORA CAP- ITAL - GLOBAL COMMODITY FUND		RAIFFEISEN (BULGARIA) BALANCED DOLLAR FUND		ZAGORA FINACORP BALANCED FUND		TOTAL for CF	
	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share
Cash, incl.	1 229 798	62,78%	1 644 163	30,10%	10 933 458	92,17%	-	-	-	-	-	-	152 906 209	21,45%
Bank deposit	200 000	10,21%	-	-	9 818 922	82,77%	-	-	-	-	-	-	125 621 658	17,63%
Equities	620 881	31,70%	3 795 960	69,50%	196 933	1,66%	-	-	-	-	-	-	421 250 491	59,10%
Corporate bonds	-	-	-	-	-	-	-	-	-	-	-	-	59 160 416	8,30%
Mortgage bonds	-	-	-	-	-	-	-	-	-	-	-	-	3 245 717	0,46%
Municipal bonds	-	-	-	-	-	-	-	-	-	-	-	-	305 413	0,04%
Corporate bonds - BG	-	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Government securities	-	-	-	-	-	-	-	-	-	-	-	-	4 236 648	0,59%
Euro-bonds	-	-	-	-	-	-	-	-	-	-	-	-	0	0,00%
Foreign securities	-	-	-	-	232 970	1,96%	-	-	-	-	-	-	41 509 186	5,82%
Non-financial assets, including	108 165	5,52%	21 241	0,39%	499 108	4,21%	-	-	-	-	-	-	28 476 436	4,00%
Receivables	108 165	5,52%	21 241	0,39%	499 108	4,21%	-	-	-	-	-	-	28 464 887	3,99%
Others	1	0,00%	601	0,01%	-	-	-	-	-	-	-	-	1 632 575	0,23%
<b>Total balance sheet assets</b>	<b>1 958 845</b>	<b>100,00%</b>	<b>5 461 965</b>	<b>100,00%</b>	<b>11 862 469</b>	<b>100,00%</b>	<b>0</b>	<b>0,00%</b>	<b>0</b>	<b>0,00%</b>	<b>0</b>	<b>0,00%</b>	<b>712 723 090</b>	<b>100,00%</b>

# STRUCTURE OF COLLECTIVE INVESTMENT SCHEMES' ASSETS IN TOTAL

Assets (BGN)	TOTAL FOR INVESTMENT COMPANIES		TOTAL FOR CONTRACTUAL FUNDS		TOTAL FOR COLLECTIVE INVESTMENT SCHEMES	
	amount (BGN)	share	amount (BGN)	share	amount (BGN)	share
Cash, incl.	44 271 483	22,28%	152 906 209	21,45%	197 177 693	21,63%
Bank deposit	31 089 101	15,65%	125 621 658	17,63%	156 710 759	17,19%
Equities - BG	107 395 940	54,05%	421 250 491	59,10%	528 646 431	58,00%
Corporate bonds - BG	24 332 880	12,25%	59 160 416	8,30%	83 493 296	9,16%
Mortgage bonds	1 511 579	0,76%	3 245 717	0,46%	4 757 296	0,52%
Municipal bonds	161 955	0,08%	305 413	0,04%	467 368	0,05%
Compensatory notes	-	-	-	-	-	-
Government securities	2 635 364	1,33%	4 236 648	0,59%	6 872 012	0,75%
Euro-bonds	327 494	0,16%	-	-	327 494	0,04%
Foreign securities	11 757 753	5,92%	41 509 186	5,82%	53 266 939	5,84%
Non-financial assets, including	6 008 625	3,02%	28 476 436	4,00%	34 485 061	3,78%
Receivables	5 935 625	2,99%	28 464 887	3,99%	34 400 512	3,77%
Others	306 328	0,15%	1 632 575	0,23%	1 938 903	0,21%
<b>Total balance sheet assets</b>	<b>198 709 402</b>	<b>100,00%</b>	<b>712 723 090</b>	<b>100,00%</b>	<b>911 432 492</b>	<b>100,00%</b>

## FOREIGN MUTUAL FUNDS OFFERING PUBLICLY UNITS IN BULGARIA AS OF 31 DECEMBER 2007

Mutual funds – foreign collective investment schemes	Funds/Subfunds	Management company	Distributor for Bulgaria
PIONEER FUNDS (LUX-EMBOURG)	1. PIONEER FUNDS – EASTERN EUROPEAN EQUITIES	PIONEER ASSET MANAGEMENT S.A.	BULBANK AD, HVB BANK BIO-CHIM AD AND HEN-ROS BANK AD
	2. PIONEER FUNDS – EMERGING MARKETS BOND		
	3. PIONEER FUNDS - EMERGING MARKETS EQUITY		
	4. PIONEER FUNDS – EURO BOND		
	5. PIONEER FUNDS – EURO CORPORATE BONDS		
	6. PIONEER FUNDS – EURO SHORT-TERM		
	7. PIONEER FUNDS – EURO EQUITY OP-PORTUNISTIC		
	8. PIONEER FUNDS - EUROPEAN SMALL CAP COMPANIES		
	9. PIONEER FUNDS – WORLD EQUITY		
	10. PIONEER FUNDS – CHINESE EQUITY		
	11. PIONEER FUNDS – INTERNATIONAL BOND		
	12. PIONEERS FUNDS – JAPANESE EQUITY		
	13. PIONEER FUNDS - PACIFIC (EX. JAPAN) EQUITY		
	14. PIONEER STRATEGIC INCOME FUNDS		
	15. PIONEER FUNDS – LEADING EUROPEAN COMPANIES		
	16. PIONEER FUNDS - TOTAL RETURN DYNAMIC		
	17. PIONEER FUNDS – U.S. DOLLAR SHORT-TERM		
	18. PIONEER FUNDS – U.S. HIGH YIELD CORPORATE BOND		
	19. PIONEER FUNDS – GROWTH U.S. BIG CAP COMPANIES		
	20. PIONEER FUNDS – U.S. MID CAP COMPANIES		
	21. PIONEER FUNDS – U.S. PIONEER FUND		
	22. PIONEER FUNDS – U.S. SMALL CAP COMPANIES		
	23. PIONEER FUNDS – GLOBAL SELECTIVE		
PIONEER P.F.	1. PIONEER P.F. – EURO PROTECT	PIONEER ASSET MANAGEMENT S.A.	BULBANK AD, HVB BANK BIO-CHIM AD AND HEN-ROS BANK AD
	2. PIONEER P.F. – GLOBAL DEFENSIVE		
	3. PIONEER P.F. – GLOBAL DEFENSIVE PLUS		
	4. PIONEER P.F. – GLOBAL DYNAMIC		
	5. PIONEER P.F. – GLOBAL DYNAMIC PLUS		
	6. PIONEER P.F. – GLOBAL PROGRESSIVE		

PIONEER FUNDS (AUSTRIA)	1. PIONEER FUNDS AUSTRIA GUARANTEE BASKET 2010	PIONEER INVESTMENTS AUSTRIA GMBX	HVB BANK BIOCHIM AD AND HERBROS BANK AD
	2. PIONEER FUNDS AUSTRIA SELECT EUROPE STOCK		
SGAM FUND (LUXEMBURG)	1. SGAM FUND/ EQUITIES EUROPE	SOCIETE GENERALE ASSET MANAGEMENT S.A.	SOCIETE GENERALE EXPRESS-BANK AD
	2. SGAM FUND/ GLOBAL EQUITIES		
	3. SGAM FUND / EQUITIES US CONCENTRATED CORE		
	4. SGAM FUND / BONDS EUROPE		
	5. SGAM FUND / BONDS WORLD		
	6. SGAM FUND / MONEY MARKET (EUR)		
	7. SGAM FUND / MONEY MARKET (USD)		
	8. SGAM FUND / EQUITIES CHINA		
	9. SGAM FUND / EQUITIES EAST EUROPE		
	10. SGAM FUND / EQUITIES EUROLAND VALUE		
	11. SGAM FUND / EQUITIES GOLD MINES		
	12. SGAM FUND / EQUITIES GLOBAL ENERGY		
RAIFFEISEN GLOBAL BALANCED FUND	-	RAIFFEISEN CAPITAL MANAGEMENT (AUSTRIA)	MC RAIFFEISEN ASSET MANAGEMENT (BULGARIA) EAD
RAIFFEISEN GLOBAL SHARES FUND	-		
RAIFFEISEN GLOBAL BONDS FUND	-		
RAIFFEISEN EURO PLUS BONDS FUND	-		
RAIFFEISEN EAST EUROPEAN SHARES FUND	-		
RAIFFEISEN CONVERGENCE TO EU FUND	-		
RAIFFEISEN BONDS FUND IN USD	-		
RAIFFEISEN EURASIA SHARES FUND	-		
OTP INTERNATIONAL EQUITY – UBS FUND OF FUNDS	-	OTP FUND MANAGEMENT PTE. LTD. (HUNGARY)	DSK BANK EAD
OTP CENTRAL EUROPEAN SHARES FUND	-		

LUXEMBOURG FUND L.F. UMBRELLA	1. (LF) FUND BONDS – YIELD PLUS	EUROBANK AND EFG FUND MANAGEMENT COMPANY (LUX) S.A. (LUXEMBOURG)	BULGARIAN POST BANK AD
	2. (LF) FUND BONDS –GOVERNMENT SECURITIES		
	3. (LF) FUND BONDS – CORPORATE SECURITIES		
	4. (LF) FUND BONDS – EMERGING MARKETS SOUTHEASTERN EUROPE		
	5. (LF) FUND BONDS – WORLD EMERGING EUROPE		
	6. (LF) FUND EQUITY - U.S. GROWTH		
	7. (LF) FUND EQUITY – EUROPEAN GROWTH		
	8. (LF) FUND EQUITY – INSTITUTIONAL PORTFOLIOS		
	9. (LF) FUND EQUITY – EMERGING MARKETS SOUTHEASTERN EUROPE		
	10. (LF) FUND EQUITY – VALUE INDEX FTSE/ ASE 20		
	11. (LF) FUND EQUITY MIDCAP PRIVATE SECTOR INDEX 50		
	12. (LF) WORLD BALANCED FUND		
	13. (LF) FUND MONEY MARKET –INCOME PLUS \$ USD		
	14. (LF) FUND ABSOLUTE RETURN		
MUTUAL FUND (LF) FUND OF FUNDS	1. (LF) FUND OF FUNDS PRIME INCOME	EUROBANK AND EFG FUND MANAGEMENT COMPANY (LUX) S.A. (LUXEMBOURG)	BULGARIAN POST BANK AD
	2. (LD) FUND OF FUNDS PRIME GROWTH		
RAIFFEISEN EMERGING MARKET EQUITIES	-	RAIFFEISEN CAPITAL MANAGEMENT (AUSTRIA)	MC RAIFFEISEN ASSET MANAGEMENT (BULGARIA) EAD
RAIFFEISEN EUROPEAN SMALL CAP	-		

## EQUITY, ASSETS MANAGED BY AND CONTACTS CONCLUDED BY MANAGEMENT COMPANIES

Management company	Authorized capital (BGN)	Equity (BGN)	Annual growth of equity	Assets managed (BGN)	Annual growth of managed assets	Share in the managed assets (for 2007)	Management contracts concluded by the company as of 31 Dec., 2007
MC ZLATEN LEV CAPITAL AD	250 000	471 953	34,81%	11 384 173	29,65%	1,04%	1. IC ZLATEN LEV AD
MC ELANA FUND MANAGEMENT AD	260 000	2 228 594	171,95%	123 495 105	61,05%	11,28%	1. IC ELANA EUROFUND AD
							2. IC ELANA HIGH YIELD FUND AD
							3. CF ELANA BALANCED EURO FUND
							4. CF ELANA BALANCED \$ FUND
							5. CF ELANA FUND MONEY MARKET
MC TBI ASSET MANAGEMENT EAD	1 400 000	1 320 495	62,61%	154 735 779	70,88%	14,14%	6. VZK DOBRUDJA - M - LIFE
							7. HEALTH INSURANCE COMPANY – PLANET AD
							8. ELANA AGRICULTURAL LAND OPPORTUNITY FUND REIT
							1. IC TBI EUROBOND AD
							2. CF TBI DYNAMIC
							3. CF TBI COMFORT
							4. CF TBI HARMONY
							5. CF TBI TREASURE
							6. EFFEKTEN UND FINANZ - PROPERTIES REIT



MC CAPMAN ASSET MANAGEMENT AD	250 000	1 531 521	306,68%	97 797 850	483,77%	8,93%	1. IC CAPMAN CAPITAL AD
							2. CF CAPMAN MAX
IC KAROLL CAPITAL MANAGEMENT EAD	550 000	2 529 530	202,72%	108 353 537	195,69%	9,90%	1. IC ADVANCE INVEST AD
							2. CF ADVANCE EASTERN EUROPE
							3. CF ADVANCE IPO FUND
MC KD INVESTMENTS EAD	2 565 000	648 000	52,47%	14 340 726	111,10%	1,31%	1. CF KD BONDS BUL-GARIA
							2. IC KD PELIKAN AD
							3. CF KD SHARES BUL-GARIA
MC FFBH ASSET MANAGEMENT AD	250 000	385 184	19,13%	12 855 375	129,59%	1,17%	1. IC NADEZHDA AD
							2. CF FIB GARANT
							3. CF FIB CLASSIC
							4. CF FIB AVANGUARD
MC UBB ASSET MANAGEMENT EAD	330 000	637 276	110,32%	54 846 928	316,54%	5,01%	1. IC UBB BALANCED FUND AD
							2. CF UBB PREMIUM STOCKS
							3. CF UBB PLATINUM BONDS
MC DSK ASSET MANAGEMENT EAD	650 000	2 575 281	255,35%	148 190 730	225,08%	13,54%	1. CF DSK STANDARD
							2. CF DSK BALANCE
							3. CF DSK GROWTH
							4. ZK DSK GARANTZIA AD
							5. ZHZK DSK GARANTZIAAD
MC SENTINEL ASSET MANAGEMENT AD	250 000	276 942	9,41%	5 470 359	53,32%	0,50%	1. CF SENTINEL-PRINCIPAL
							2. CF SENTINEL - RAPID

MC BENCHMARK AS- SET MANAGEMENT AD	260 000	1 202 780	341,08%	50 474 694	162,38%	4,61%	1. CF BENCHMARK FUND-1 2. IC BENCHMARK FUND – 2 AD 3. CF BENCHMARK FUND-3 4. VZK DOBRUDJA - M- LIFE 5. BENCHMARK FUND ES- TATES REIT
	350 000	977 000	212,41%	31 000 000	106,68%	2,83%	1. CF STANDARD INVEST- MENT HIGH YIELD FUND 2. CF STANDARD INVEST- MENT BALANCED FUND 3. CF STANDARD INVEST- MENT INTERNATIONAL FUND
	MC RAIFFEISEN AS- SET MANAGEMENT AD	250 000	2 674 508	316,46%	174 792 223	218,50%	15,97%

MC YUG MARKET FUND MANAGEMENT AD	250 000	323 452	31,13%	16 205 868	1 490,57%	1,48%	1. CF YUG MARKET MAXIMUM
MC BALKAN CAPITAL MANAGEMENT AD	300 000	555 000	94,12%	23 000 000	37,75%	2,10%	1. CF CONSERVATIVE -SAVING
							2. CF EUROPE
							3. CF BALKANS
MC STATUS CAPITAL AD	250 000	698 000	168,37%	20 578 044	339,97%	1,88%	1. CF STATUS NEW SHARES
							2. CF STATUS FINANCE
MC ALFA ASSET MANAGEMENT EAD	300 000	347 773	26,00%	10 865 111	367,03%	0,99%	1. CF ALFA INDEX IMOTI
							2. CF ALFA INDEX TOP 20
							3. CF ALFA SELECTED SHARES
MC AVRORA CAPITAL AD	250 000	229 467	1,91%	1 107 851		0,10%	1. CF AVRORA CAPITAL BALANCED
							2. CF AVRORA CAPITAL - GLOBAL COMMODITY FUND
MC SINERGON ASSET MANAGEMENT AD	250 000	252 000	20,05%	3 772 192		0,34%	1. CF SINERGON PROFIT
							2. CF SINERGON PRES-TIGE
MC VARCHEV MANAGEMENT COMPANY EAD	250 000	208 000	-14,34%	3 010 513		0,28%	1. CF VARCHEV HIGH YIELD FUND
							1. CF VARCHEV HIGH YIELD FUND
MC SOMONY ASSET MANAGEMENT AD	300 000	304 695	17,75%	3 802 456		0,35%	1. CF SOMONY STRATEGY
							2. CF SOMONY PROGRESS
							3. CF SOMONY EURO STABILITY

MC REAL FINANCE ASSET MANAGEMENT AD	250 000	213 435	-14,63%	65 536		0,01%	1. CF REAL FINANCE HIGH YIELD FUND
							2. CF REAL FINANCE BALANCED FUND
							1. CF CCB LEADER
							2. CF CCB ACTIVE
							3. CF CCB GARANT
MC CCB ASSET MANAGEMENT EAD	500 000	702 000		21 041 496		1,92%	1. CF INVEST ACTIVE
							2. CF INVEST CLASSIC
MC INVEST FUND MANAGEMENT AD	270 000	208 000		2 189 785		0,20%	1. CF AKTIVA HIGH YIELD FUND
							2. CF AKTIVA BALANCED FUND
MC AKTIVA ASSET MANAGEMENT AD (FORMER UNICA FINANCE)	300 000	272 687		1 198 176		0,11%	1. CF ZAGORA FINACORP BALANCED FUND
MC ZAGORA FINACORP ASSET MANAGEMENT AD	250 000	234 000		-		0,00%	
MC EVER ASSET MANAGEMENT AD	250 000	244 408		-		0,00%	
MC EXPAT ASSET MANAGEMENT AD	250 000	248 560		-		0,00%	
MC KTB ASSET MANAGEMENT AD	300 000	304 000		-		0,00%	
Total	12 135 000	22 804 541	161,94%	1 094 574 507	161,88%	100,00%	

## FOREIGN SHAREHOLDERS IN INVESTMENT INTERMEDIARIES' EQUITY AS OF 31 DECEMBER 2007

BBG SIMEX – BULGARIA OOD	SIMEX OOD, CZECH REPUBLIC BRNO BROKERAGE GROUP, CZECH REPUBLIC	10,00% 80,00%
BULFIN INVEST AD	NEOFINANCE AD - indirect – LANGFORD FINANCIAL SERVICES – USA, POS- SESSES 40% OF NEOFINANCE AD	99,756%
TBI INVEST EAD	TBIF BULGARIA EAD - indirect	100%
CEE SECURITIES AD	VOIKO ODLAZEK MIRAN MENTZEY	33,37% 66,63%
KD SECURITIES EAD	KD HOLDING, SLOVENIA	100%
CAPITAL FINANCE OOD	ZEON AD NIVIA TRADING EOOD INDIRECT	30,769% 69,231%
CAPITAL ENGINEER PROJECT OOD	LEO KRISTOPH, USA	3,49%
FH FINA – S AD	AFLIK BULGARIA EAD – AFLIK LIMITED - UK TSVETAN RADOEV VASILEV	99,968% 0,032%
II DZI INVEST AD	KBC INSURANCE NV, REPUBLIC OF BELGIA (indirect)	100 %
EFG SECURITIES BULGARIA EAD	EFG NEW EUROPE HOLDING B. V., NETHERLANDS	100 %

## BALANCE SHEET OF THE FUND FOR COMPENSATION OF INVESTORS IN SECURITIES AS OF 31 DECEMBER 2007

	31.12.2007 (BGN thousand)	31.12.2006 (BGN thousand)
<b>Assets</b>		
Cash and cash equivalents	13	16
Financial assets	2 465	1 430
Long-term tangible assets	10	18
Long-term intangible assets	1	4
Other assets	37	19
<b>TOTAL ASSETS</b>	<b>2 526</b>	<b>1 487</b>
<b>Liabilities and own funds</b>		
<b>Liabilities</b>		
Liabilities for refunding of paid in excess initial contributions	25	43
Liabilities to suppliers	-	-

Liabilities to the staff	-	1
<b>TOTAL LIABILITIES</b>	<b>25</b>	<b>44</b>
<b>Own funds</b>		
Accumulated profit from past years	1 443	549
Current year profit	1 058	894
<b>TOTAL OWN FUNDS</b>	<b>2 501</b>	<b>1 443</b>
<b>TOTAL LIABILITIES AND OWN FUNDS</b>	<b>2 526</b>	<b>1 487</b>

#### Appendix 14.2.4B

### INCOME STATEMENT OF THE FUND FOR COMPENSATION OF INVESTORS IN SECURITIES AS OF 31 DECEMBER 2007

	31.12.2007 (BGN thousand)	31.12.2006 (BGN thousand)
<b>Income</b>		
Income from annual contributions	1 155	1 027
<b>Expenses</b>		
Expenses for materials	7	4
Expenses for outside services	61	62
Depreciation cost	12	12
Expenses for wages	99	88
Expenses for social insurance	11	13
Other operating expenses	6	5
<b>TOTAL NON-FINANCIAL EXPENSES</b>	<b>196</b>	<b>184</b>
Operating profit	959	843
Income related to investments	98	46
Income from donations	-	4
Income from penalty interest	1	1
<b>Profit from ordinary activities</b>	<b>1 058</b>	<b>894</b>
Extraordinary income/ expenses	-	-
<b>Profit for the current year</b>	<b>1 058</b>	<b>894</b>



**STATEMENT ON THE CHANGES IN THE OWN FUNDS OF THE FUND FOR COMPENSATION OF INVESTORS IN SECURITIES FOR THE PERIOD 1 JANUARY 2007 - 31 DECEMBER 2007**

	Accumulated profit from past years (BGN thousand)	Current year profit (BGN thousand)	Total (BGN thousand)
Balance as of 1 January, 2006			
Profit for the period			
Balance as of 31 December, 2006		1 443	1 443
Carrying the current profit over to the undistributed profit reserve			
Net profit as of 31 December, 2007		1 058	1 058
Balance as of 31 December, 2007		2 501	2 501

**CASH FLOW STATEMENT OF THE FUND FOR COMPENSATION OF INVESTORS IN SECURITIES (DIRECT METHOD) AS OF 31 DECEMBER 2007**

Cash flows	Current period 2007 (BGN thousand)			Preceding period 2006 (BGN thousand)		
	receipts	payments	net flow	receipts	payments	net flow
<b>A. Cash flows from the main activities</b>						
Cash flows from initial and annual contributions by the investment intermediaries	1 155		1 155	1 027		1 027
Cash flows related to commercial contractors	1	65	(64)		69	(69)
Cash flows related to wages and and social insurance	1	121	(120)	1	110	(109)
Other cash flows from main activity		18	(18)	43	2	41
<b>TOTAL CASH FLOWS FROM MAIN ACTIVITIES (A)</b>	<b>1 157</b>	<b>204</b>	<b>953</b>	<b>1 071</b>	<b>181</b>	<b>890</b>
<b>B. Cash flows from investing activities</b>						
Cash flows related to investments				29		29
Cash flows related to interest and commissions	80		80	1		1
Cash flows related to long-term assets						
<b>TOTAL CASH FLOW FROM THE INVESTING ACTIVITIES (B)</b>	<b>80</b>		<b>80</b>	<b>30</b>		<b>30</b>
<b>C. Change in cash for the period (A+B)</b>	<b>1 237</b>	<b>204</b>	<b>1 033</b>	<b>1 101</b>	<b>181</b>	<b>920</b>
<b>D. Cash at beginning of the period</b>			<b>1 446</b>			<b>526</b>
<b>E. Cash at end of the period</b>			<b>2 479</b>			<b>1 446</b>

## GROSS PREMIUMS CHARGED (WRITTEN) OF NON-LIFE INSURANCE COMPANIES

INSURERS	2007		2006	
	Gross premiums charged (written) (BGN thousand)	Market share (%)	Gross premiums charged (written) (BGN thousand)	Market share (%)
ZPAD DZI – GENERAL INSURANCE	186 729	14,71%	186 679	17,78%
ZPAD BULSTRAD AD	177 576	13,99%	148 633	14,16%
ZPAD ALLIANZ BULGARIA AD	149 183	11,75%	140 885	13,42%
ZD BUL INS AD	146 573	11,55%	125 014	11,91%
ZPK LEV INS AD	101 681	8,01%	67 011	6,38%
ZPAD ARMEEZ AD	90 725	7,15%	57 889	5,51%
ZD UNIKA AD	87 724	6,91%	66 400	6,32%
INSURANCE COMPANY EURO INS AD	66 578	5,24%	52 685	5,02%
GENERALI INSURANCE AD	64 920	5,11%	60 440	5,76%
ZPAD ENERGIA	52 784	4,16%	46 544	4,43%
INSURANCE COMPANY BULGARSKI IMOTI AD	50 866	4,01%	29 789	2,84%
ZAD VICTORIA AD	30 911	2,43%	21 052	2,00%
AIG BULGARIA INSURANCE AND REINSURANCE COMPANY EAD	17 417	1,37%	16 620	1,58%
INTERAMERIKAN BULGARIA ZEAD	14 003	1,10%	8 318	0,79%
HDI ZAD	13 845	1,09%	9 981	0,95%
OBSTINSKA ZASTRAHOVATELNA KOMPANIJA AD	7 397	0,58%	7 397	0,70%
ZK DSK GARANTZIA AD	4 942	0,39%	2 383	0,23%
UBB-AIG ZPD AD	2 903	0,23%	12	0,00%
BULGARIAN EXPORT INSURANCE AGENCY EAD	2 789	0,22%	2 282	0,22%
<b>Total:</b>	<b>1 269 546</b>	<b>100,00%</b>	<b>1 050 014</b>	<b>100,00%</b>

## GROSS RECEIVED PREMIUMS FROM INWARD REINSURANCE BY NON-LIFE INSURANCE COMPANIES (IN BGN)

TYPE OF INSURANCE	ZPAD ARMEEZ AD		ZPAD ALLIANZ BUL-GARIA AD		AIG BULGARIA ZPD EAD		ZPK LEV INS AD		UBB-AIG ZPD AD		TOTAL	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
1. Accident including obligatory Accident Insurance of passenger in public transport vehicles	0	0	0	10 569	7 040	0	0	0	509 357	0	516 397	10 569
2. Sickness	0	0	0	0	0	0	0	0	0	0	0	0
3. Land vehicles, excl. railway rolling stock	0	0	0	136 148	0	0	2 031 049	278 522	0	0	2 031 049	414 670
4. Railway rolling stock	0	0	0	0	0	0	0	0	0	0	0	0
5. Aircrafts	43 155	0	0	387 683	0	0	0	0	0	0	43 155	387 683
6. Vessels	0	0	212 827	17 907	0	0	0	0	0	0	212 827	17 907
7. Loads in transit	0	0	-2 009	140 652	130 046	140 454	0	0	0	0	128 038	281 106
8. Fire and natural perils	73 201	0	4 041 147	8 973 824	1 103 560	945 337	0	0	0	0	5 217 908	9 919 161
9. Property damage	0	0	18 592	142 827	1 332 248	256 807	0	0	0	0	1 350 840	399 634
10. Third party liability related to the possession and use of motor vehicles, including:	0	0	0	13 980	0	0	0	0	0	0	0	13 980
Third party liability of motorists	0	0	0	13 980	0	0	0	0	0	0	0	13 980
Green card	0	0	0	0	0	0	0	0	0	0	0	0
Border insurance TPL	0	0	0	0	0	0	0	0	0	0	0	0
Third party liability of carriers	0	0	0	0	0	0	0	0	0	0	0	0
11. Third party liability related to the possession and use of aircrafts	895	0	0	5 934	0	0	0	0	0	0	895	5 934

12. Third party liability related to the possession and use of vessels	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13. General third party liability	78	0	15 795	42 203	100 051	48 208	0	0	0	0	0	0	115 924	90 411			
14. Credits	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
15. Sureties	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
16. Various financial losses	0	0	0	0	46 885	72 757	0	0	0	0	0	0	46 885	72 757			
17. Legal expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
18. Travel assistance	0	0	0		0	0	0	0	0	0	0	0	0	0			
<b>Total:</b>	<b>117 329</b>	<b>0</b>	<b>4 286 351</b>	<b>9 871 726</b>	<b>2 719 831</b>	<b>1 463 562</b>	<b>2 031 049</b>	<b>278 522</b>	<b>509 357</b>	<b>0</b>	<b>9 663 918</b>	<b>11 613 810</b>					

#### Appendix 15.2.2A

### PAID UP INDEMNITIES AND INCURRED CLAIMS OF NON-LIFE INSURANCE COMPANIES

INSURERS	2007						2006					
	Paid up indemnities (BGN thou-sand)	Market share	Incurred claims (BGN thou-sand)	Market share	Paid up in-demnities (BGN thou-sand)	Market share	Incurred claims (BGN thou-sand)	Market share	Paid up in-demnities (BGN thou-sand)	Market share	Incurred claims (BGN thou-sand)	Market share
ZPAD ARMEEZ AD	25 277	5,60%	41 638	7,36%	15 510	4,28%	19 351	4,41%				
ZPAD ALLIANZ BULGARIA AD	56 040	12,41%	63 733	11,27%	52 474	14,49%	64 681	14,74%				
ZPAD BULSTRAD AD	97 503	21,60%	104 403	18,46%	73 819	20,38%	75 008	17,10%				
ZD BUL INS AD	62 493	13,84%	73 557	13,00%	54 228	14,97%	57 785	13,17%				
INSURANCE COMPANY BULGARSKI IMOTI AD	12 588	2,79%	25 708	4,54%	6 770	1,87%	12 023	2,74%				
BULGARIAN EXPORT INSURANCE AGENCY EAD	259	0,06%	-44	-0,01%	509	0,14%	760	0,17%				
ZD UNIKA AD	37 893	8,39%	46 209	8,17%	27 762	7,66%	48 970	11,16%				
ZPAD DZI - GENERAL INSURANCE	68 815	15,24%	93 714	16,57%	66 749	18,43%	90 261	20,58%				

IC EURO INS AD	23 752	5,26%	29 139	5,15%	15 520	4,28%	19 540	4,45%
ZPAD ENERGIA	2 589	0,57%	2 807	0,50%	2 589	0,71%	1 206	0,27%
AIG BULGARIA INSURANCE AND REIN- SURANCE COMPANY EAD	1 058	0,23%	1 430	0,25%	3 156	0,87%	3 905	0,89%
INTERAMERIKAN BULGARIA ZEAD	2 862	0,63%	3 390	0,60%	1 461	0,40%	2 031	0,46%
ZPK LEV INS AD	30 171	6,68%	38 208	6,75%	17 725	4,89%	15 207	3,47%
ZAD VICTORIA AD	7 654	1,70%	11 021	1,95%	4 815	1,33%	6 796	1,55%
OBSTINSKA ZASTRAHOVATELNA KOM- PANIJA AD	1 877	0,42%	2 144	0,38%	1 724	0,48%	3 027	0,69%
GENERALI INSURANCE AD	16 519	3,66%	22 275	3,94%	14 090	3,89%	12 949	2,95%
HDI ZAD	3 847	0,85%	5 799	1,03%	3 300	0,91%	4 960	1,13%
ZK DSK GARANTZIA AD	244	0,05%	261	0,05%	58	0,02%	210	0,05%
UBB-AIG ZPD AD	64	0,01%	284	0,05%	0	0,00%	1	0,00%
<b>Total:</b>	<b>451 504</b>	<b>100,00%</b>	<b>565 676</b>	<b>100,00%</b>	<b>362 259</b>	<b>100,00%</b>	<b>438 671</b>	<b>100,00%</b>

## Appendix 15.2.2B

### GROWTH/DROP OF THE GROSS CHARGED (WRITTEN) PREMIUMS, INCREASE/DECREASE OF THE PAID UP INDEMNITIES AND OF INCURRED CLAIMS OF NON-LIFE INSURERS

INSURERS	Growth/drop of gross charged (written) premiums for 2007 com- pared to 2006	Increase/ decrease of the paid up in- demnities for 2007 compared to 2006	Increase/ decrease of the incurred claims for 2007 compared to 2006
ZPAD DZI - GENERAL INSURANCE	0,03%	3,10%	3,83%
ZPAD BULSTRAD AD	19,47%	32,08%	39,19%
ZPAD ALLIANZ BULGARIA AD	5,89%	6,80%	-1,47%
ZD BUL INS AD	17,25%	15,24%	27,29%
ZPK LEV INS AD	51,74%	70,22%	151,25%
ZPAD ARMEEZ AD	56,72%	62,97%	115,17%
ZD UNIKA AD	32,11%	36,49%	-5,64%

IC EURO INS AD	26,37%		53,04%	49,12%
GENERALI INSURANCE AD	7,41%		17,24%	72,02%
ZPAD ENERGIA	13,41%		0,00%	132,75%
INSURANCE COMPANY BULGARSKI IMOTI AD	70,75%		85,94%	113,82%
ZAD VICTORIA AD	46,83%		58,96%	62,17%
AIG BULGARIA INSURANCE AND REINSURANCE COMPANY EAD	4,80%		-66,49%	-63,38%
INTERAMERIKAN BULGARIA ZEAD	68,35%		95,89%	66,91%
HDI ZAD	38,71%		16,58%	16,92%
OBSTINSKA ZASTRAHOVATELNA KOMPANIJA AD	0,00%		8,87%	-29,17%
ZK DSK GARANTZIA AD	107,39%		319,96%	24,24%
UBB-AIG ZPD AD	-		-	-
BULGARIAN EXPORT INSURANCE AGENCY EAD	22,22%		-49,12%	-105,79%
<b>Total:</b>	<b>20,91%</b>		<b>24,64%</b>	<b>28,95%</b>



**PAID UP INDEMNITIES, INCURRED CLAIMS AND ACTUALLY MADE EXPENSES (WITHOUT CLAIMS SETTLEMENT EXPENSES) OF THE NON-LIFE INSURANCE COMPANIES BY TYPES OF INSURANCES (IN BGN THOUSAND)**

TYPES OF INSURANCES	2007			2006		
	Paid up indemnities	Incurred claims	Actually made expenses (without claims settlement expenses)	Paid up indemnities	Incurred claims	Actually made expenses (without claims settlement expenses)
1. Accident	3 534	4 389	10 098	2 027	2 526	7 892
including obligatory Accident insurance of passenger in public transport vehicles	622	824	1 785	397	319	1 229
2. Sickness	33	34	4	33	34	6
3. Land vehicles, excl. railway rolling stock	254 178	274 935	215 697	210 578	229 874	161 402
4. Railway rolling stock	0	282	1 183	5	1 278	889
5. Aircrafts	560	2 302	1 092	107	1 766	1 433
6. Vessels	6 586	11 687	7 026	9 065	6 485	5 492
7. Loads in transit	4 381	4 409	7 752	2 731	-1 368	6 481
8. Fire and natural perils	30 375	35 231	56 562	25 417	21 600	48 876
9. Property damage	6 094	6 870	23 470	8 965	8 835	17 218
10. Third party liability related to the possession and use of motor vehicles, including:	123 273	199 534	116 402	87 481	148 617	95 117

Third party liability of motorists	95 931	176 108	113 167	56 855	201 570	80 249
Green card	26 395	14 888	2 582	29 793	40 830	14 518
Border insurance TPL	10	7 235	181	0	0	0
Third party liability of carriers	938	1 304	471	398	1 749	351
11. Third party liability related to the possession and use of aircrafts	112	-16	922	-623	-463	1 969
12. Third party liability related to the possession and use of vessels	9	14	422	-4	-300	881
13. General third party liability	11 955	12 074	7 118	5 106	7 621	6 239
14. Credits	1 819	1 403	3 383	3 789	4 629	2 074
15. Suretyship	203	-2 170	1 163	711	1 135	1 440
16. Various financial losses	6 261	5 291	9 967	5 158	8 251	9 521
17. Legal expenses	0	0	0	0	0	1
18. Travel assistance	1 938	1 536	5 321	1 494	2 142	5 700
<b>Total:</b>	<b>451 310</b>	<b>557 806</b>	<b>467 581</b>	<b>362 039</b>	<b>442 661</b>	<b>372 632</b>

#### Appendix 15.2.2D

#### CHANGE IN THE GROSS CHARGED (WRITTEN) PREMIUMS, EARNED PREMIUMS, PAID UP INDEMNITIES AND INCURRED CLAIMS BY TYPES OF INSURANCES ON ANNUAL BASIS

TYPES OF INSURANCES	Growth/drop of gross charged (written) premiums for 2007 compared to 2006	Increase/ decrease of the paid up indemnities for 2007 compared to 2006	Increase/ decrease of the incurred claims for 2007 in comparison with 2006
1. Accident	20,53%	74,29%	73,77%
including obligatory Accident insurance of passenger in public transport vehicles	31,62%	56,48%	158,15%
2. Sickness	-26,53%	-0,34%	-1,30%
3. Land vehicles, excl. railway rolling stock	36,62%	20,70%	19,60%
4. Railway rolling stock	19,66%	-101,90%	-77,95%
5. Aircrafts	-40,18%	425,86%	30,37%
6. Vessels	-7,39%	-27,35%	80,23%
7. Loads in transit	8,99%	60,41%	-422,41%
8. Fire and natural perils	9,75%	19,51%	63,11%

9. Property damage	12,25%	-32,03%	-22,24%
10. Third party liability related to the possession and use of motor vehicles, including:	15,06%	40,91%	34,26%
Third party liability of motorists	35,55%	68,73%	-12,63%
Green card	-82,74%	-11,41%	-63,54%
Border insurance TPL	0,00%	0,00%	0,00%
Third party liability of carriers	35,34%	135,51%	-25,42%
11. Third party liability related to the possession and use of aircrafts	-7,97%	-117,91%	-96,63%
12. Third party liability related to the possession and use of vessels	-3,49%	-348,32%	-104,58%
13. General third party liability	0,86%	134,16%	58,44%
14. Credits	54,21%	-51,99%	-69,68%
15. Suretyship	-29,07%	-71,50%	-291,24%
16. Various financial losses	34,22%	21,38%	-35,87%
17. Legal expenses	-94,57%	0,00%	0,00%
18. Travel assistance	1,99%	29,70%	-28,26%
<b>Total:</b>	<b>20,89%</b>	<b>24,66%</b>	<b>26,01%</b>

#### Appendix 15.2.4

#### TECHNICAL AND FINANCIAL RESULT OF THE NON-LIFE INSURANCE COMPANIES (IN BGN THOUSAND)

INSURERS	Technical result		Financial result	
	2007	2006	2007	2006
ZPAD ARMEEZ AD	1 164	-3 284	14 910	17 497
ZPAD ALLIANZ BULGARIA AD	19 272	13 531	15 805	11 102
ZPAD BULSTRAD AD	1 215	1 787	1 693	1 604
ZD BUL INS AD	2 961	6 348	58	3 397
INSURANCE COMPANY BULGARSKI IMOTI AD	73	439	416	514
BULGARIAN EXPORT INSURANCE AGENCY EAD	759	384	1 379	821
ZD UNIKA AD	-2 301	-1 008	-1 162	-630
ZPAD DZI - GENERAL INSURANCE	-22 018	-6 175	-3 479	1 056
IC EURO INS AD	6 319	4 747	5 374	4 237
ZPAD ENERGIA	20 604	21 042	20 656	19 523
AIG BULGARIA ZPD EAD	3 868	2 881	3 690	2 180
INTERAMERIKAN BULGARIA ZEAD	-1 847	-836	-1 138	-606
ZPK LEV INS AD	8 547	7 328	10 317	7 860
ZAD VICTORIA AD	-179	95	724	489
OBSTINSKA ZASTRAHOVATELNA KOMPANIJA AD	566	-477	125	76

GENERALI INSURANCE AD	192	674	129	239
HDI ZAD	-166	-317	125	19
UBB-AIG ZPD AD	-69	-123	134	-68
ZK DSK GARANTZIA AD	-1 196	-1 127	17	-1 025
<b>Total:</b>	<b>37 763</b>	<b>45 909</b>	<b>69 773</b>	<b>68 285</b>

## Appendix 15.2.5

### ASSET AMOUNT AND EQUITY OF NON-LIFE INSURANCE COMPANIES (IN BGN THOUSAND)

INSURERS	Asset amount		Change	Equity		Change
	2007	2006		2007	2006	
ZPAD ARMEEZ AD	116 900	80 179	45,80%	48 388	33 478	44,54%
ZPAD ALLIANZ BULGARIA AD	165 731	141 763	16,91%	50 142	40 742	23,07%
ZPAD BULSTRAD AD	184 518	171 198	7,78%	45 971	44 293	3,79%
ZD BUL INS AD	117 045	98 642	18,66%	26 604	26 549	0,21%
INSURANCE COMPANY BULGARSKI IMOTI AD	51 881	26 706	94,27%	10 645	10 211	4,25%
BULGARIAN EXPORT INSURANCE AGENCY EAD	15 852	14 312	10,76%	13 600	12 539	8,46%
ZD UNIKA AD	81 416	77 698	4,79%	19 585	20 746	-5,60%
ZPAD DZI - GENERAL INSURANCE	226 649	179 060	26,58%	29 953	33 772	-11,31%
IC EURO INS AD	52 887	42 861	23,39%	21 389	17 012	25,73%
ZPAD ENERGIA	71 891	70 624	1,79%	51 375	51 280	0,19%
AIG BULGARIA ZPD EAD	23 376	20 044	16,62%	14 154	10 608	33,43%
INTERAMERIKAN BULGARIA ZEAD	16 151	11 125	45,18%	7 858	6 411	22,57%
ZPK LEV INS AD	99 916	69 825	43,09%	38 790	25 786	50,43%
ZAD VICTORIA AD	31 532	23 674	33,19%	11 267	10 677	5,53%
OBSTINSKA ZASTRAHOVATELNA KOMPANIJA AD	14 545	13 191	10,26%	9 393	8 936	5,11%
GENERALI INSURANCE AD	53 890	36 928	45,93%	17 842	18 087	-1,35%
HDI ZAD	16 177	13 134	23,17%	7 454	7 329	1,71%
ZK DSK GARANTZIA AD	9 981	8 470	17,85%	7 534	7 118	5,85%
UBB-AIG ZPD AD	8 476	5 890	43,90%	6 601	5 872	12,41%
<b>Total:</b>	<b>1 358 815</b>	<b>1 105 324</b>	<b>22,93%</b>	<b>438 545</b>	<b>391 446</b>	<b>12,03%</b>

## PREMIUM INCOME OF LIFE INSURANCE COMPANIES

INSURERS	2007		2006		Growth 2007 / 2006
	BGN thou- sand	Market share (%)	BGN thou- sand	Market share (%)	
ZAD ALLIANZ BULGARIA LIFE AD	56 127	23,83	45 330	24,38	23,82%
ZPAD DZI	40 649	17,26	55 075	29,62	-26,19%
ZK UNIKA LIFE AD	30 685	13,03	15 818	8,51	93,99%
GENERALI LIFE INSURANCE AD	24 463	10,39	17 716	9,53	38,08%
AIG LIFE BULGARIA ZD EAD	23 989	10,19	15 980	8,59	50,12%
ZAD BULSTRAD-LIFE AD	21 748	9,23	13 472	7,24	61,43%
GRAWE BULGARIA LIFE INSURANCE AD	13 952	5,92	10 516	5,65	32,67%
ZHZK DSK GARANTZIA AD	5 921	2,51	4 750	2,55	24,64%
SINDIKALNA VZK	5 614	2,38	2 629	1,41	113,54%
UBB – AIG LIFE INSURANCE COMPANY AD	5 236	2,22	395	0,21	1 225,57%
ZHZK BULGARSKI IMOTI AD	4 829	2,05	3 447	1,85	40,09%
JIVOTOZASTRAHOVATELEN INSTITUT AD	1 074	0,46	27	0,01	3 877,78%
ZD KD LIFE AD	716	0,30	-	-	-
VZK DOBRUDJA - M - LIFE	501	0,21	812	0,44	-38,30%
ZAD SOGELIFE BULGARIA AD	20	0,01	-	-	-
ZEAD CCB LIFE	0	0,00	-	-	-
INTERAMERCIAN BULGARIA LIFE INSURANCE EAD	0	0,00	-	-	-
<b>Total:</b>	<b>235 524</b>	<b>100,00</b>	<b>185 967</b>	<b>100,00</b>	<b>26,65%</b>

## PAID UP CLAIMS BY LIFE-INSURANCE COMPANIES

INSURERS	2007		2006		Change 2007/ 2006
	BGN thousand	Market share (%)	BGN thousand	Market share (%)	
ZAD ALLIANZ BULGARIA LIFE AD	10 195	13,11	5 561	8,17	83,33%
ZPAD DZI	26 755	34,40	34 547	50,76	-22,55%
ZK UNIKA LIFE AD	12 955	16,66	9 196	13,51	40,88%
GENERALI LIFE INSURANCE AD	14 371	18,48	9 766	14,35	47,15%
AIG LIFE BULGARIA ZD EAD	1 713	2,20	1 375	2,02	24,58%
ZAD BULSTRAD-LIFE AD	8 225	10,58	3 987	5,86	106,30%
GRAWE BULGARIA LIFE INSURANCE AD	568	0,73	424	0,62	33,96%
ZHZK DSK GARANTZIA AD	456	0,59	1 779	2,61	-74,37%
SINDIKALNA VZK	672	0,86	100	0,15	572,00%
UBB – AIG LIFE INSURANCE COMPANY AD	534	0,69	17	0,02	3038,76%

ZHZK BULGARSKI IMOTI AD	1 251	1,61	1 080	1,59	15,83%
JIVOTOZASTRAHOVATELEN INSTITUT AD	5	0,01	1	0,00	400,00%
ZD KD LIFE AD	0	0,00	-	-	-
VZK DOBRUDJA - M - LIFE	67	0,09	230	0,34	-70,87%
ZAD SOGELIFE BULGARIA AD	0	0,00	-	-	-
ZED CCB LIFE	0	0,00	-	-	-
INTERAMERCIAN BULGARIA LIFE INSURANCE EAD	0	0,00	-	-	-
<b>Total:</b>	<b>77 767</b>	<b>100,00</b>	<b>68 063</b>	<b>100,00</b>	<b>14,26%</b>

#### Appendix 15.3.2B

### INSURANCE PAYMENTS OF LIFE INSURANCE COMPANIES IN 2007

Types of insurance	Insurance payments				
	2007		2006		Growth
	BGN thousand	Market share	BGN thousand	Market share	
1. Life insurance and annuities	60 796	77,65%	52 472	77,07%	15,87%
a) Life insurance	53 390	68,19%	49 261	72,36%	8,38%
- Life insurance - mixed	49 959	63,81%	45 975	67,53%	8,67%
- Risk life insurance (with only risk of death covered)	3 431	4,38%	3 269	4,80%	4,95%
b) Insurance for pension or rent	7 406	9,46%	3 210	4,71%	130,72%
2. Marriage and child insurance	1 463	1,87%	1 476	2,17%	-0,87%
3. Unit linked life insurance	5 822	7,44%	4 584	6,73%	27,03%
4. Permanent health insurance	1 169	1,49%	1 176	1,73%	-0,66%
5. Capital redemption	0	0,00%	0	0,00%	0,00%
6. Supplementary insurance	4 870	6,22%	5 648	8,30%	-13,77%
7. Accident insurance	4 171	5,33%	2 727	4,00%	52,96%
<b>Total:</b>	<b>78 292*</b>	<b>100,00%</b>	<b>68 082*</b>	<b>100,00%</b>	<b>15,00%</b>

\*The difference with the above stated paid up claims is as a result of the accounting policy adopted by some insurers for separation of the deposit component of the premium of Unit Linked Life Insurance, and respectively the paid indemnities and amounts are not accrued as expense, but reduce the reserve of that type of insurance.

#### Appendix 15.3.2C

### AMOUNTS AND INDEMNITIES PAID BY LIFE INSURANCE COMPANIES BY TYPES OF INSURANCES IN 2007 (IN BGN THOUSAND)

Types of insurance	Paid up claims (without claims settlement expenses)	Incl. under contracts with expired term or overdue maturity	Incl. surrenders	Incl. upon death	Incl. other amounts and indemnities
1. Life insurance and annuities	60 524	36 712	7 872	4 107	11 832
a) Life insurance	53 138	33 464	4 183	4 064	11 427



- Life insurance - mixed	49 734	33 464	4 182	2 467	9 621
- Risk life insurance (with only risk of death covered)	3 404	0	2	1 597	1 806
b) Insurance for pension or rent	7 386	3 248	3 689	43	406
2. Marriage and child insurance	1 446	1 034	370	7	35
3. Unit linked life insurance	5 663	3 698	1 841	100	24
4. Permanent health insurance	1 153	0	0	22	1 131
5. Capital redemption	0	0	0	0	0
6. Supplementary insurance	4 862	0	0	1 619	3 243
7. Accident insurance	3 673	0	0	2 022	1 651
<b>Total:</b>	<b>77 321</b>	<b>41 445</b>	<b>10 083</b>	<b>7 878</b>	<b>17 915</b>

#### Appendix 15.3.4

#### TECHNICAL AND FINANCIAL RESULT OF LIFE INSURANCE COMPANIES (IN BGN THOUSAND)

INSURERS	TECHNICAL RESULT		FINANCIAL RESULT	
	2007	2006	2007	2006
ZAD ALLIANZ BULGARIA LIFE AD	7 546	4 679	8 687	5 215
ZPAD DZ	-722	-19 615	36 727	162 895
ZK UNIKA LIFE AD	1 533	654	1 231	538
GENERALI LIFE INSURANCE AD	41	191	9	100
AIG LIFE BULGARIA ZD EAD	4 904	2 544	4 402	2 150
ZAD BULSTRAD-LIFE AD	1 464	1 558	1 702	1 223
GRAWE BULGARIA LIFE INSURANCE AD	241	4	762	314
ZHZK DSK GARANTZIA AD	-468	-1 565	-468	-1 570
SINDIKALNA VZK	127	13	112	7
UBB – AIG LIFE INSURANCE COMPANY AD	1 065	11	954	9
ZHZK BULGARSKI IMOTI AD	-688	15	-570	88
JIVOTOZASTRAHOVATELEN INSTITUTE AD	396	23	379	19
ZD KD LIFE AD	-1 475	-	-1 483	
VZK DOBRUDJA - M - LIFE	-16	-28	8	1
ZAD SOGELIFE BULGARIA AD	-691	-	-532	
ZED CCB LIFE	0	-	1	
INTERAMERCIAN BULGARIA LIFE INSURANCE EAD	-78	-	-42	
<b>Total:</b>	<b>13 179</b>	<b>-11 516</b>	<b>51 879</b>	<b>170 989</b>

## ASSET AMOUNT AND EQUITY OF LIFE INSURANCE COMPANIES (IN BGN THOUSAND)

INSURERS	ASSET AMOUNT			EQUITY		
	2007	2006	Change	2007	2006	Change
ZAD ALLIANZ BULGARIA LIFE AD	182 918	130 193	40,50%	24 907	20 605	20,88%
ZPAD DZI	378 308	340 845	10,99%	281 311	245 079	14,78%
ZK UNIKA LIFE AD	25 458	14 803	71,98%	8 789	7 158	22,79%
GENERALI LIFE INSURANCE AD	20 457	18 287	11,87%	9 605	9 131	5,19%
AIG LIFE BULGARIA ZD EAD	43 508	30 404	43,10%	12 976	8 661	49,82%
ZAD BULSTRAD-LIFE AD	30 779	22 205	38,61%	10 367	8 866	16,93%
GRAWE BULGARIA LIFE INSURANCE AD	39 539	29 857	32,43%	8 845	8 409	5,18%
ZHZK DSK GARANTZIA AD	12 668	11 891	6,53%	7 146	7 214	-0,94%
SINDIKALNA VZK	7 264	2 930	147,92%	653	481	35,76%
UBB – AIG LIFE INSURANCE COMPANY AD	10 368	6 939	49,42%	7 954	6 609	20,35%
ZHZK BULGARSKI IMOTI AD	12 904	11 052	16,76%	6 769	7 339	-7,77%
JIVOTOZASTRAHOVATELEN INSTITUTE AD	7 800	6 557	18,96%	6 898	6 519	5,81%
ZD KD LIFE AD	8 859	-	-	8 034	-	-
VZK DOBRUDJA - M - LIFE	2 793	2 366	18,05%	908	898	1,11%
ZAD SOGELIFE BULGARIA AD	7 025	-	-	6 668	-	-
ZED CCB LIFE	6 401	-	-	6 401	-	-
INTERAMERCIAN BULGARIA LIFE INSURANCE EAD	10 207	-	-	10 129	-	-
<b>Total:</b>	<b>807 256</b>	<b>628 329</b>	<b>28,48%</b>	<b>418 360</b>	<b>336 969</b>	<b>24,15%</b>

## PREMIUM INCOME OF VOLUNTARY HEALTH INSURANCE COMPANIES

HEALTH INSURANCE COMPANIES	2007		2006		Growth 2007 / 2006
	BGN thousand	Market share (%)	BGN thousand	Market share (%)	
GENERALI ZAKRILA HEALTH INSURANCE AD	9 889	39,07	13 378	59,14	-26,08%
VOLUNTARY HEALTH INSURANCE NETWORK ZDRAVE AD	3 751	14,82	2 329	10,30	61,06%
HEALTH INSURANCE FUND MEDICO-21 AD	2 449	9,67	2 095	9,26	16,90%
HEALTH INSURANCE JOINT STOCK COMPANY DZI AD	2 170	8,57	773	3,42	180,72%
HEALTH INSURANCE COMPANY NADEZHDA AD	1 369	5,41	810	3,58	69,01%
UNITED HEALTH INSURANCE FUND DOVERIE	1 368	5,40	839	3,71	63,05%
HEALTH INSURANCE COMPANY VSEOTDAIN-OST AD	1 255	4,96	518	2,29	142,28%

HEALTH INSURANCE COMPANY BULSTRAD ZDRAVE AD	1 085	4,29	814	3,60	33,29%
HEALTH INSURANCE COMPANY ST. NICOLAI CHUDOTVORETS AD	683	2,70	367	1,62	86,10%
HEALTH INSURANCE COMPANY- PLANETA AD	412	1,63	319	1,41	29,15%
BULGARIA HEALTH INSURANCE FUND AD	390	1,54	261	1,15	49,43%
HEALTH INSURANCE COMPANY BULGARIA ZDRAVE AD	330	1,30	61	0,27	440,98%
HEALTH INSURANCE INSTITUTE AD	84	0,33	56	0,25	50,00%
TOKUDA HEALTH INSURANCE FUND AD	79	0,31	-	-	-
HEALTH INSURANCE COMPANY CCB EAD	0	0,00	-	-	-
<b>Total:</b>	<b>25 314</b>	<b>100,00</b>	<b>22 620</b>	<b>100,00</b>	<b>11,91%</b>

#### Appendix 15.4.2

#### CLAIMS PAID UP BY THE VOLUNTARY HEALTH INSURANCE COMPANIES

HEALTH INSURANCE COMPANIES	2007		2006		Change 2007/ 2006
	BGN thou- sand	Market share (%)	BGN thou- sand	Market share (%)	
GENERALI ZAKRILA HEALTH INSURANCE AD	9 399	61,34	8 842	70,18	6,30%
VOLUNTARY HEALTH INSURANCE NETWORK ZDRAVE AD	1 444	9,42	833	6,61	73,35%
HEALTH INSURANCE FUND MEDICO-21 AD	1 870	12,20	1 750	13,89	6,86%
HEALTH INSURANCE JOINT STOCK COMPANY DZI AD	645	4,21	178	1,41	262,36%
HEALTH INSURANCE COMPANY NADEZHDA AD	278	1,81	107	0,85	159,81%
UNITED HEALTH INSURANCE FUND DOVERIE	654	4,27	405	3,21	61,48%
HEALTH INSURANCE COMPANY VSEOTDAINOST AD	161	1,05	0	0,00	-
HEALTH INSURANCE COMPANY BULSTRAD ZDRAVE AD	520	3,39	331	2,63	57,10%
HEALTH INSURANCE COMPANY ST. NICOLAI CHUDOTVORETS AD	206	1,34	45	0,36	357,78%
HEALTH INSURANCE COMPANY- PLANETA AD	26	0,17	9	0,07	188,89%
BULGARIA HEALTH INSURANCE FUND AD	110	0,72	86	0,68	27,91%
HEALTH INSURANCE COMPANY BULGARIA ZDRAVE AD	7	0,05	13	0,10	-46,15%
HEALTH INSURANCE INSTITUTE AD	3	0,02	0	0,00	-
TOKUDA HEALTH INSURANCE FUND AD	0	0,00	-	-	-
HEALTH INSURANCE	0	0,00	-	-	-
<b>Total:</b>	<b>15 323</b>	<b>100,00</b>	<b>12 599</b>	<b>100,00</b>	<b>21,62%</b>

#### Appendix 15.4.4

#### TECHNICAL AND FINANCIAL RESULT (IN BGN THOUSAND)

HEALTH INSURANCE COMPANIES	Technical result		Financial result	
	2007	2006	2007	2006

GENERALI ZAKRILA HEALTH INSURANCE AD	-4 293	-63	-3 378	84
UNITED HEALTH INSURANCE FUND DOVERIE	80	-22	490	42
HEALTH INSURANCE COMPANY BULSTRAD ZDRAVE AD	-290	-343	-145	-276
HEALTH INSURANCE JOINT STOCK COMPANY DZI AD	-79	24	-84	-123
HEALTH INSURANCE FUND MEDICO-21 AD	89	-19	156	20
BULGARIA HEALTH INSURANCE FUND AD	-514	-83	-447	-80
HEALTH INSURANCE COMPANY BULGARIA ZDRAVE AD	-2	15	54	18
VOLUNTARY HEALTH INSURANCE NETWORK ZDRAVE A	394	303	272	365
HEALTH INSURANCE COMPANY NADEZHDA AD	326	143	333	129
HEALTH INSURANCE COMPANY- PLANETA AD	-218	-64	283	45
HEALTH INSURANCE COMPANY ST. NICOLAI CHUDOT- VORETS A	-309	-201	9	-156
HEALTH INSURANCE INSTITUTE AD	7	-4	23	1
HEALTH INSURANCE COMPANY VSEOTDAINOST AD	-24	-78	-11	-78
TOKUDA HEALTH INSURANCE FUND AD	-50	-	-44	-
HEALTH INSURANCE COMPANY CCB EAD	-13	-	-8	-
<b>Total:</b>	<b>-4 896</b>	<b>-392</b>	<b>-2 497</b>	<b>-9</b>

#### Appendix 15.4.5

#### ASSET AMOUNT AND EQUITY OF HEALTH INSURANCE COMPANIES (IN BGN THOUSAND)

Health insurance companies	Asset amount		Change	Equity		Change
	2007	2006		2007	2006	
GENERALI ZAKRILA HEALTH INSURANCE AD	10 863	8 155	33,21%	1 157	4 598	-74,84%
UNITED HEALTH INSURANCE FUND DOVERIE	3 169	2 553	24,13%	2 646	2 145	23,36%
HEALTH INSURANCE COMPANY BULSTRAD ZDRAVE AD	2 259	1 903	18,71%	1 580	1 386	14,00%
HEALTH INSURANCE JOINT STOCK COMPANY DZI AD	3 016	2 278	32,40%	1 783	1 878	-5,06%
HEALTH INSURANCE FUND MEDICO-21 AD	2 728	2 842	-4,01%	2 243	2 083	7,68%
BULGARIA HEALTH INSURANCE FUND AD	1 928	1 092	76,56%	1 669	716	133,10%
HEALTH INSURANCE COMPANY BULGARIA ZDRAVE AD	2 376	592	301,35%	2 079	575	261,57%
UNITED HEALTH INSURANCE FUND DOVERIE	4 023	2 790	44,19%	2 679	1 804	48,50%
HEALTH INSURANCE COMPANY NADEZHDA AD	3 043	2 065	47,36%	2 348	1 641	43,08%
HEALTH INSURANCE COMPANY- PLANETA AD	2 943	1 099	167,79%	2 290	552	314,86%
HEALTH INSURANCE COMPANY ST. NICOLAI CHUDOTVORETS AD	2 506	930	169,46%	2 113	688	207,12%
HEALTH INSURANCE INSTITUTE AD	2 053	519	295,57%	2 023	500	304,60%
HEALTH INSURANCE COMPANY VSEOTDAINOST AD	2 777	2 455	13,12%	1 911	1 922	-0,57%
TOKUDA HEALTH INSURANCE FUND AD	514	-	-	456	-	-
HEALTH INSURANCE COMPANY CCB EAD	1 045	-	-	992	-	-
<b>Total:</b>	<b>45 243</b>	<b>29 273</b>	<b>54,56%</b>	<b>27 969</b>	<b>20 488</b>	<b>36,51%</b>

## PREMIUM INCOME EARNED THROUGH INSURANCE BROKERS AND REVENUES FROM COMMISSION OF THE INSURANCE BROKERS

TYPE OF INSURANCE	PREMIUM INCOME	REVENUE FROM COMMISSIONS	Commissions share of the premium income	PREMIUM INCOME	REVENUE FROM COMMISSIONS	Commissions share of the premium income
	2007			2006		
ACCIDENT	9 445 103	3 085 407	32,7%	4 958 393	1 188 440	24,0%
SICKNESS	498 897	106 688	21,4%	391 112	278 355	71,2%
LAND VEHICLES, EXCL. RAILWAY ROLLING STOCK	207 294 236	50 703 510	24,5%	117 097 510	27 738 292	23,7%
RAILWAY ROLLING STOCK	3 772 566	578 276	15,3%	3 038 768	527 738	17,4%
AIRCRAFTS	620 316	21 623	3,5%	353 517	39 556	11,2%
VESSELS	2 391 927	317 669	13,3%	1 189 272	150 413	12,6%
LOADS IN TRANSIT	4 602 603	937 195	20,4%	4 942 109	962 835	19,5%
FIRE AND NATURAL PERILS	27 412 968	6 693 409	24,4%	18 370 831	3 813 593	20,8%
PROPERTY DAMAGE	21 497 490	4 304 064	20,0%	32 702 286	3 277 597	10,0%
THIRD PARTY LIABILITY RELATED TO THE POSSESSION AND USE OF MOTOR VEHICLES	77 314 668	21 176 379	27,4%	45 208 189	11 376 344	25,2%
THIRD PARTY LIABILITY RELATED TO THE POSSESSION AND USE OF AIRCRAFTS	396 803	94 466	23,8%	174 418	37 056	21,2%
THIRD PARTY LIABILITY RELATED TO THE POSSESSION AND USE OF VESSELS	478 904	68 384	14,3%	1 580 136	188 546	11,9%
GENERAL THIRD PARTY LIABILITY	7 473 016	1 258 117	16,8%	8 679 769	1 214 463	14,0%
CREDITS	2 343 106	369 647	15,8%	2 366 906	373 241	15,8%
SURETYSHIP	455 456	121 270	26,6%	269 670	62 953	23,3%
VARIOUS FINANCIAL LOSSES	4 695 047	972 556	20,7%	3 670 500	588 305	16,0%
LEGAL EXPENSES	11 935	2 305	19,3%	5 905	1 365	23,1%
TRAVEL ASSISTANCE	1 494 616	518 126	34,7%	1 269 269	423 375	33,4%
LIFE INSURANCE AND ANNUITIES	29 509 094	10 134 787	34,3%	19 459 127	7 017 265	36,1%
MARRIAGE AND CHILD INSURANCE	20 523	2 006	9,8%	119 132	50 732	42,6%
UNIT LINKED LIFE INSURANCE	901 333	146 640	16,3%	650 494	43 291	6,7%

PERMANENT HEALTH INSURANCE	587 829	134 849	22,9%	319 767	79 973	25,0%
CAPITAL REDEMPTION	14 365	3 391	23,6%	22	7	30,0%
SUPPLEMENTARY INSURANCE	1 214 819	195 839	16,1%	2 077 926	455 122	21,9%
<b>Total:</b>	<b>404 447 617</b>	<b>101 946 603</b>	<b>25,2%</b>	<b>268 895 028</b>	<b>59 888 858</b>	<b>22,3%</b>

## Appendix 15.5B

### ALLOCATION OF THE PREMIUM INCOME OF NON-LIFE INSURANCE BY SALE CHANNELS

TYPES OF INSURANCES	SALE CHANNELS				Commissions of the brokers and agents	Commissions share of the premium income realized through brokers and agents
	Direct sales (BGN thousand)	Through brokers (BGN thousand)	Through agents (BGN thousand)	Through agents (BGN thousand)		
ACCIDENT	8 069	5 197	8 632	4 067	29%	
SICKNESS	13	0	4	2	44%	
LAND VEHICLES, EXCL. RAILWAY ROLLING STOCK	108 653	208 344	242 546	121 074	27%	
RAILWAY ROLLING STOCK	226	3 599	11	784	22%	
AIRCRAFTS	8 687	392	79	94	20%	
VESSELS	9 560	1 880	2 415	1 588	37%	
LOADS IN TRANSIT	6 133	7 440	5 311	2 825	22%	
FIRE AND NATURAL PERILS	100 392	38 618	37 082	21 806	29%	
PROPERTY DAMAGE	20 469	23 622	15 327	10 181	26%	
THIRD PARTY LIABILITY RELATED TO THE POSSESSION AND USE OF MOTOR VEHICLES	47 125	97 489	165 101	61 398	23%	
THIRD PARTY LIABILITY RELATED TO THE POSSESSION AND USE OF AIRCRAFTS	8 196	440	23	228	49%	
THIRD PARTY LIABILITY RELATED TO THE POSSESSION AND USE OF VESSELS	1 348	541	236	260	34%	
GENERAL THIRD PARTY LIABILITY	18 126	7 275	5 311	3 069	24%	
CREDITS	3 264	5 067	998	919	15%	
SURETYSHIP	2 526	497	409	318	35%	



VARIOUS FINANCIAL LOSSES	12 224	4 414	6 480	4 426	41%
LEGAL EXPENSES	0	0	0	0	0%
TRAVEL ASSISTANCE	3 700	2 045	3 966	2 287	38%
<b>Total:</b>	<b>358 711</b>	<b>406 862</b>	<b>493 931</b>	<b>235 328</b>	<b>26%</b>

## INCOME STATEMENT OF THE GUARANTEE FUND

	INCOME STATEMENT	STATEMENT 2007 (BGN thou- sand.)	STATEMENT 2006 (BGN thou- sand)
I.	INCOME	20 573	5 348
1.	Income from insurers	17 812	4 199
2.	Income from regress claims	122	103
3.	Income from fines and property sanctions	387	99
4.	Financial income	947	362
5.	Gains on revaluation of investments value	559	248
6.	Other income	746	337
II.	EXPENSES	4 923	2791
1.	Expenses of activities	3 309	1725
1.1.	Indemnity expenses	2 284	1608
1.2.	Liquidations costs	67	62
1.3.	Legal costs	75	55
1.4.	Expenses of a reinsurance contract	883	
2.	Administrative expenses	1 019	777
3.	Financial expenses	82	47
4.	Losses from revaluation of investments value	513	242
5.	Other expenses		
III.	Result of the Fund's operation	15 650	2 557
	Change in the gross amount of the Outsanding Claims Reserve	-2 418	-543
IV.	Financial result of the Fund	13 232	2 014

**EQUITY AND BALANCE SHEET ASSETS OF PENSION INSURANCE COMPANIES (PIC). BALANCE SHEET ASSETS AND NUMBER OF PERSONS INSURED IN SUPPLEMENTARY PENSION INSURANCE FUNDS AS OF 31 DECEMBER 2007**

Pension insurance company	Equity of PIC (BGN thousand)	Balance sheet assets of PIC (BGN thousand)	Balance sheet assets of the supplementary pension insurance funds managed (BGN thousand)				Number of persons insured			
			Universal	Occupational	Voluntary	Total	Universal	Occupational	Voluntary	Total
PIC DOVERIE PLC	11 674	19 558	468 403	158 639	109 608	736 650	1 000 002	74 531	162 045	1 236 578
PIC SAGLASIE PLC	6 739	11 656	150 160	79 256	26 369	255 785	334 145	35 490	35 216	404 851
PIC DSK-RODINA PLC	9 284	10 595	100 628	19 406	58 608	178 642	244 479	15 001	33 896	293 376
PIC ALLIANZ BULGARIA PLC	19 015	24 693	269 442	86 709	349 872	706 023	516 393	36 439	267 184	820 016
ING PIC PLC	3 042	5 193	121 178	21 778	68 392	211 348	240 463	13 512	30 589	284 564
PIAD CCB – SILA PLC	26 397	27 671	48 122	10 286	13 007	71 415	130 592	10 594	20 465	161 651
PIC LUKOIL GARANT – BULGARIA AD	4 861	5 963	50 850	29 723	47 436	128 009	104 946	13 186	32 570	150 702
PIC FUTURE JSC	5 415	5 712	18 446	3 238	8 609	30 293	61 258	4 541	5 365	71 164
PIC TOPLINA AD	4 423	4 661	2 703	6 155	771	9 629	8 374	4 063	5 475	17 912
<b>TOTAL</b>	<b>90 850</b>	<b>115 702</b>	<b>1 229 932</b>	<b>415 190</b>	<b>682 672</b>	<b>2 327 794</b>	<b>2 640 652</b>	<b>207 357</b>	<b>592 805</b>	<b>3 440 814</b>

## MAIN SHAREHOLDERS IN PENSION INSURANCE COMPANIES AS OF 31 DECEMBER 2007

PIC	Shareholders	BULSTAT	Percent of shares/ units possessed directly	Percent of shares/unit possessed indirectly
PIC DOVERIE PLC	BZP GROUP AD	130131469	80,29	
	ZPAD BULSTRAD AD	000694286	12,29	
PIC SAGLASIE PLC	CHIMIMPORT AD	000627519	49,28	
	FINANCE CONSULTING EAD	103765841	19,09	
PIC DSK-RODINA PLC	DSK BANK AD	121830616	97,00	
PIC ALLIANZ BUL-GARIA PLC	ALLIANZ BULGARIA HOLDING AD	0040812785	65,40	
	NATSIONALNA ELEKTRICHESKA KOMPANIA EAD	0000649348	37,00	
ING PIC PLC	ING CONTINENTAL EUROPE HOLDING		100,00	
PIC CCB-SILA PLC	CCB GROUP ASSETS MANAGEMENT EAD	121749139	89,26	99,20
	CENTRAL COOPERATIVE BANK AD	831447150	9,95	99,20
PIC LUKOIL GARANT – BULGARIA PLC	CHIMIMPORT INVEST AD	831541734	84,60	
PIC FUTURE JSC	INTERHOTEL SANDANSKY – BULGARIA AD	101511550	25,00	
	UNIVERSE COMPANY OOD	130948859	15,00	
	GOLDEN UNION OOD	130948827	15,00	
	CERAMIC – STYLE OOD	121551239	11,04	
	BETA TRADING CORPORATION OOD	130948866	10,00	
	EAST TRADING CORPORATION OOD	130948811	10,00	
PIC TOPLINA AD	LM IMPEX EOOD	122073062	46,40	
	BRIKEL EAD	123526494	30,30	

**STATUTORILY SET INDICATORS OF PENSION INSURANCE COMPANIES AND SUPPLEMENTARY PENSION INSURANCE FUNDS**

Indicators	Measure	Average value	
		31.12.2007	31.12.2006
Capital adequacy of pension insurance companies	%	193,62	122,42
Loquidity of pension insurance companies	coeff.	49,99	20,32
Liquidity of universal pension funds	coeff.	165,86	175,58*
Liquidity of occupational pension funds	coeff.	118,51	229,06*
Liquidity of voluntary pension funds	coeff.	55,00	33,78*
Charged investment fee of the voluntary pension funds	%	9,99	9,98*
Average amount of fee from insurance contributions in voluntary pension funds	%	3,50	3,88*

**FINANCIAL AND ECONOMIC INDICATORS OF PENSION INSURANCE COMPANIES AND SUPPLEMENTARY PENSION INSURANCE FUNDS**

Pension Insurance Companies				
Indicators		Measure	31.12.2007	31.12.2006
1. Analysis of the pension insurance companies' equity				
1.1.	Extent of coverage of equity	%	167,67	109,56
1.2.	Earnings capacity of equity	%	23,15	12,93
2. Analysis of the pension insurance companies' assets				
2.1.	Extent of coverage of assets of supplementary pension insurance funds	%	14,42	10,43*
2.2.	Earnings capacity of assets of pension insurance companies	%	18,26	10,64
2.3.	Growth in assets of pension insurance companies	%	50,72	41,26*
3. Analysis of the incomes and expenses of pension insurance companies				
3.1.	Efficiency of pension insurance companies' activity	%	150,73	120,42
3.2.	Fees and deductions per insured person in supplementary pension insurance funds	BGN	15,18	9,87*
3.3.	Expenses from activity per insured person in supplementary pension insurance funds	BGN	14,07	8,89*
	Expenses from activity per insured person in supplementary pension insurance funds **	BGN	21,30	
3.4.	Fees and deductions per BGN 100 of the supplementary pension insurance funds assets	BGN	2,44	2,32*
3.5.	Expenses from activity per BGN 100 of supplementary pension insurance funds assets	BGN	2,38	2,14*
	Expenses from activity per BGN 100 of supplementary pension insurance funds assets **	BGN	3,80	
Supplementary pension insurance funds				
1. Assets				
1.1.	Rate of return on the universal supplementary pension insurance fund assets	coeff.	0,14	0,10*
1.2.	Rate of return on the occupational supplementary pension insurance fund assets	coeff.	0,15	0,10*

1.3.	Rate of return on the voluntary supplementary pension insurance fund assets	coeff.	0,16	0,10*
1.4.	Managed assets per insured person in universal supplementary pension insurance funds	BGN	425,78	269,92*
1.5.	Managed assets per insured person in occupational supplementary pension insurance funds	BGN	1 677,74	1350,72*
1.6.	Managed assets per insured person in voluntary supplementary pension insurance funds	BGN	1 168,25	936,38*
1.7.	Growth in the assets of universal supplementary pension insurance funds	%	73,26	60,69*
1.8.	Growth in the assets of occupational supplementary pension insurance funds	%	31,95	23,34*
1.9.	Growth in the assets of voluntary supplementary pension insurance funds	%	37,12	18,38*
2. Persons insured in a pension insurance fund				
2.1.	Growth in the number of persons insured in universal supplementary pension insurance funds	%	8,10	9,07*
2.2.	Growth in the number of persons insured in occupational supplementary pension insurance funds	%	7,52	5,68*
2.3.	Growth in the number of persons insured in voluntary supplementary pension insurance funds	%	4,75	2,87*

Note: The average value of all indicators is calculated as an arithmetic average of the value of the indicators for all pension insurance companies/ supplementary pension insurance funds, except for the indicators for growth in the assets of the supplementary pension insurance funds and the growth in the number of persons insured in the supplementary pension insurance funds, which are calculated as a ratio of the annual increase/ decrease in their value and their initial value at the beginning of the year.

\* The average value of the indicator does not include the value of the indicator of the supplementary pension insurance funds, managed by the licensed in 2006 PIC TOPLINA AD.

\*\* The formulae for calculation of indicators expenses from activity per insured person in supplementary pension insurance funds and expenses from activity per BGN 100 of supplementary pension insurance funds assets in 2007 are changed – in the old formulae only the expenses by economic elements have participated, while in the new participates the total amount of expenses from activity.



## Appendix 16.2.2. STRUCTURE OF SUPPLEMENTARY PENSION FUNDS' INVESTMENTS

Pension funds	Universal pension funds (UPF)				Occupational pension funds (OPF)			
	2007		2006		2007		2006	
	Amount (BGN thousand)	share (%)	Amount (BGN thousand)	share (%)	Amount (BGN thousand)	share (%)	Amount (BGN thousand)	share (%)
<b>Total investments</b>	<b>1 189 905</b>	<b>100,00%</b>	<b>667 475</b>	<b>100,00%</b>	<b>399 401</b>	<b>100,00%</b>	<b>306 239</b>	<b>100,00%</b>
Securities issued or guaranteed by the state	219 951	18,48%	215 295	32,26%	73 542	18,41%	101 427	33,12%
Equities and units	336 185	28,25%	130 423	19,54%	124 107	31,07%	64 816	21,17%
Corporate bonds	158 175	13,29%	85 363	12,79%	53 188	13,32%	33 251	10,86%
Municipal bonds	1 693	0,14%	2 548	0,38%	1 158	0,29%	1 791	0,58%
Bank deposits	193 185	16,24%	143 605	21,51%	58 709	14,70%	64 180	20,961%
Mortgage bonds	34 791	2,92%	31 509	4,72%	14 502	3,63%	15 336	5,01%
Securities derivatives	0	0,00%	0	0,00%	0	0,00%	0	0,00%
Investment property	26 195	2,20%	5 349	0,80%	10 314	2,58%	3 753	1,23%
Investments abroad	219 730	18,47%	53 383	8,00%	63 882	15,99%	21 686	7,08%
<b>Supplementary pension insurance funds (SPF)</b>								
Pension funds	Voluntary pension funds (VPF)				Supplementary pension insurance funds (SPF)			
	2007		2006		2007		2006	
	Amount (BGN thousand)	share (%)	Amount (BGN thousand)	share (%)	Amount (BGN thousand)	share (%)	Amount (BGN thousand)	share (%)
<b>Total investments</b>	<b>635 109</b>	<b>100,00%</b>	<b>478 329</b>	<b>100,00%</b>	<b>2 224 415</b>	<b>100,00%</b>	<b>1 452 043</b>	<b>100,00%</b>
Securities issued or guaranteed by the state	63 117	9,94%	103 218	21,58%	356 610	16,03%	419 940	28,92%
Equities and units	203 932	32,11%	104 003	21,74%	664 224	29,86%	299 242	20,61%
Corporate bonds	57 866	9,11%	60 774	12,71%	269 229	12,10%	179 388	12,35%
Municipal bonds	1 193	0,19%	1 524	0,32%	4 044	0,18%	5 863	0,40%
Bank deposits	109 898	17,30%	109 588	22,91%	361 792	16,26%	317 373	21,86%
Mortgage bonds	25 384	4,00%	33 731	7,05%	74 677	3,36%	80 576	5,55%
Securities derivatives	0	0,00%	0	0,00%	0	0,00%	0	0,00%
Investment property	41 111	6,47%	16 969	3,55%	77 620	3,49%	26 071	1,80%
Investments abroad	132 609	20,88%	48 522	10,14%	416 221	18,71%	123 591	8,51%