IFRS ADOPTION IN BULGARIAN BANKS: NON-NUMERICAL DISCLOSURE EVIDENCES

Anita Atanassova, University of Economics - Varna, Bulgaria

Abstract
Bulgarian banks are within the range of the early mandatory adopters of International Financial Reporting Standards (IFRS)- since 2003. They are institutions with a great importance for Bulgarian economy. The period 2000- 2007 was highlighted by intensive transitional development and preparation for the European Union (EU) membership, in a country where the stock exchange is not the main capital provider, but rather the bank system plays this role. About 95 % of the bank capital in Bulgaria is private and about 85% of it is owned by non Bulgarian owners. The implementation of IFRS in Bulgarian banks is a matter of great concern, as far as it influences the national economy (on a corporate and individual level), and the international financial flows. At the end of 2007 the bank assets of all commercial banks in Bulgaria are about 105% of the Gross Domestic Product. The research is performed entirely on the internet accessible information (web pages of all currently existing Bulgarian banks and the official web page of the Bulgarian National Bank (BNB)). It is accepted that the financial reports, the way they are published in the internet web pages of the banks, reflect in a genuine way the specific bank idea and will for publicity. The research focuses on the non-numerical disclosure evidences for the implementation of the IFRS: published auditors' reports, managerial reports and the announced accounting base in the notes to the bank financial statements. There could be summarized some findings on the base of other non-numerical evidences too: which is the initial year the bank started to publish in the web pages their reports, in what form, do they include verbal information or not, do they announce on the base of which standards are the financial reports presented, what is the level of detailed announcement of IFRS implementation. The last item is a matter of growing importance for all the companies implementing IFRS in EU, and especially for Bulgaria and Romania, as far as there are special regulations for the implementation of IFRS as approved by EU and published in the national languages of these two countries in the Official Journal of EU.

Key words: Bulgaria, Banks, Disclosure, IFRS
This research is a part of the INTACCT - The European Commission Research Training Network (Contract No. MRTN-CT-2006-035850)

Introduction

The idea of International financial reporting standards (IFRS) is to make the financial information uniform, transparent and comparable, to increase the quality of information and to make it as close to the true and fair presentation of company status as possible; hence to make the capital movement across the countries easier and less costly.
Financial system, including regulations, institutions and functions, is a key factor for the capital movement in the reality of the global market economy. Banks are one of the most important institutional representatives of the financial system. Their role is even greater in continental Europe. Historical tradition, still prevailing in transitional EU countries, is to rely on banks as a major financing institution for private and business purposes and to prefer this mechanism in front of the securities market.
At the end of 2007 in Bulgaria there were 29 commercial banks (including foreign bank's branches). Over 95% of the bank capital in Bulgaria is private and over 85% if foreign.

Economic presence of Bulgarian commercial banks is comparatively stable, despite the starting world financial crisis. The commercial banks total assets at the end of 2007 are about 105% of Gross Domestic Product[1].

Banks in Bulgaria are obliged to apply IFRS for their financial reporting purposes since 2003.The adoption of IFRS in Bulgaria is a process in development. The 2000 change of the national Accounting law, required IFRS implementation for some companies and permitted their implementation for the rest since 2003. The new Accounting law approved at the end of 2001, changed the regulations, but not in the part concerning the banks. These regulations place Bulgarian commercial banks among the earliest mandatory adopters of IFRS in Europe.

World Bank released a Report on Bulgaria in November 2005

"Bulgaria: The road to successful EU integration: the policy agenda"[2]

Part of the conclusions of this report is concerning banks too. It was reported that Bulgaria should start to introduce internet sites with consolidated entrepreneur's information into a single electronic source. There is not yet an official digital data base of corporate financial statements in Bulgaria. Bulgaria has the most complicated legislation system in the region (South Eastern Europe) and the "gap between the system and its implementation is large". Institutional development is central to the growth prospects of the country and institutional quality is positively associated with economic performance.

World Bank Report on the Observance of Standards and Codes (ROSC), December 2002, Bulgaria, contains a separate chapter on Accounting and Auditing[3]. It was concluded on the base of five banks review that the bank financial statements are generally of high quality. "However, an area of possible conflict with IAS, but not national requirements, is in the calculation of loan loss provisions. There are also indications of several practical difficulties in applying IAS, in particular the determination of fair values of financial assets and financial liabilities (IAS 32, Financial Instruments: Disclosure and Presentation; and IAS 39, Financial Instruments: Recognition and measurement) and the status of adjustments in prior years for the effects of hyperinflation (IAS 16, Property, Plant and Equipment; and IAS 29, Financial Reporting in Hyperinflationary Economies)…"

The aim of this research is to estimate the exact period of IFRS adoption by Bulgarian commercial banks, the IFRS used in this transformation process, the way the effect of this process is reported in the verbal financial statements information and to encompass the possible reasons for these results. The method used is comparative analysis.

Prior Research

There was a lot of concern in the last years for the way accounting is developing as a theory and as a practical implementation in the context of globalization. That provoked the researchers' interest in IFRS adoption (both mandatory and voluntarily) all over the world. The question of IFRS adoption consequences is crucial especially for the EU listed companies, as far as they are required to present their consolidated financial statements in accordance with IFRS for years beginning on or after January 1, 2005 (Regulation (EC) 1606/2002).

Soderstrom and Sun (2007) argue that "cross-country differences in accounting quality are likely to remain following IFRS adoption because accounting quality is a function of the

[1] www.nsi.bg

[2] http://siteresources.worldbank.org/INTBULGARIA/Resources/BG_CEM_Chapt6.pdf

[3] http://www.worldbank.org/ifa/rosc_bgr.pdf

firm's overall institutional setting, including the legal and political system of the country in which the firm resides."

Renders and Gaeremynck (2007) underline that "IFRS adoption also leads to increased disclosure and reduced accounting choices, resulting in a loss of private benefits for company insiders…. this loss depends on characteristics of the institutional environment (i.e. the level of investor protection)….in countries with strong laws or extensive corporate governance codes IFRS is more likely adopted as the loss of private benefits for company insiders is smaller."

Jermakowicz and Gornik-Tomaszewski (2006) provide "insight into the IFRS adoption process based on a questionnaire sent to EU-listed companies in 2004." Among their findings are that the process of IFRS adoption is "costly, complex, and burdensome" and "the complexity of IFRS as well as the lack of implementation guidance and uniform interpretation are key challenges in convergence", so "a majority of respondents would not adopt IFRS if not required by the EU Regulation."

Moya and Oliveras (2006) find out the "results are that the impact of initial adoption of IFRS was, both individually and overall, significant." In the same time that impact differs between sectors of economy.

Brown and Tarca (2005) summatize that "the adoption of International Financial Reporting Standards (IFRS) is supported in many countries, because it may improve the quality and international comparability of financial reporting. However, these goals are less likely to be achieved without regulatory oversight that promotes rigorous and consistent use of IFRS."

Dargenidou, McLeay and Raonic (2006) "article provides evidence that financial market integration may have already contributed to mitigating the economic consequences of accounting diversity, and that switching to IFRS could have a short lived impact on capital markets."

Gassen and Sellhorn (2006) "analyzing the determinants of voluntary IFRS adoption by publicly traded German firms during the period 1998-2004, …find that size, international exposure, dispersion of ownership, and recent IPOs are important drivers."

Cuijpers and Buijink (2005) "find that firms voluntarily using non-local GAAP are more likely to … have more geographically dispersed operations. Furthermore, they are more likely to be domiciled in a country with lower quality financial reporting and where IAS[4] is explicitly allowed as an alternative to local GAAP…. However, by comparing 'early' and 'late' adopters, we find some evidence that suggests that benefits take some time to fully materialize"

Daske, Hail, Leuz, Verdi (2007) "paper examines the economic consequences of the introduction of mandatory IFRS reporting across the world. …. the capital-market benefits exist only in countries with strict enforcement regimes and institutional environments that provide strong reporting incentives. Furthermore, the effects are weaker when local GAAP are closer to IFRS, in countries with an IFRS convergence strategy and in industries with higher voluntary adoption rates. In terms of magnitude, the capital market effects are most pronounced for firms that voluntarily switch to IFRS, both in the year when they switch and again when IFRS becomes mandatory."

Karamanou and Nishiotis (2005) paper "documents a positive, statistically and economically significant effect of increased disclosure, in general, and IAS adoption, in particular, on firm value."

[4] Since 01 July 2003 IFRS incorporate within the IAS and here after both are addressed as IFRS according to the IASB statement.

Armstrong, Barth, Jagolinzer and Riedl (2007) findings "suggest that European equity investors expect net benefits from IFRS adoption associated with convergence and increased information quality."
Francis, Khurana, Martin and Pereira (2007) confirmed that "both firm and country factors matter in the voluntary IAS adoption decision. …firm factors dominate country factors in more developed countries, while in less developed countries, country factors dominate firm factors in explaining IAS adoptions."
PriceWaterhouseCoopers issued a report "Accounting for change: A Survey of banks IFRS 2005 annual reports". This was a survey of 20 EU leading global banks to find out how they comply with the IFRS first year mandatory adoption. "The survey found that compliance had been the top concern for the banks, as for disclosure it would take longer to be closer to the IFRS requirements. There was less volatility in the first set of financial statements than expected…"
At a hearing of the Economic and Monetary Affairs Committee of the European Parliament in Brussels, 26 March 2008, Jean-Claude Trichet, President of the European Central Bank (ECB)[5] conluded, that current financial market turbulence require policy responses. Among them the first to be mentioned was
„with regard to improving disclosure and valuations of structured finance products, financial institutions are called upon to promptly and fully disclose on- and off-balance sheet risk exposures. Moreover, guidance is warranted by auditors and supervisors with the aim of enhancing the clarity and robustness of structured product valuations, particularly in relation to illiquid assets."
The Financial Stability Forum (FSF)[6] presented (29 March 2008) to the G7 Finance Ministers and central bank Governors a report making recommendations for enhancing the resilience of markets and financial institutions. They were provoked by the FSF conclusions of not sufficient transparency of the financial system valuations, investments and operations. The meaning of the recommendations was consistent with the ECB position.
Sumarizeed reserch results lead to the conlcussion that IFRS adoption is a long, costly and contraversial results process for different countries, sectors of economy and companies. It leads to some advantages improving the finanfial statements information quality and is more likely to be profitable for companies in countries with strong enforcement mechanisms and reporting incentives. For financial institutions and for internationaly owned and active companies it is more likely the convergence to be voluntarily act and to have a small convergency effect. Despite the advantages of IFRS adoption, there could be enumerated some draw backs, including lack of transparant consistent disclosure and uniform treatment of standards.

Legal background

Public companies in Bulgaria, banks and any types of financial institutions (insurance companies, pension funds, investment funds, etc.), disregarding the fact are they public or not, are required by Accounting law to present their individual financial reports on the base of IFRS[7] since 2003. Since 2005 the so called "large companies" in Bulgaria are required to

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[5] http://www.ecb.int/press/key/date/2008/html/sp080326.en.html

[6] The FSF held its Nineteenth Meeting in Rome on 28-29 March 2008.
http://www.fsforum.org/home/home.html
[7] Since 01 July 2003 IFRS incorporate within the IAS and here after both are addressed as IFRS according to the IASB statement.

apply IFRS too in their individual financial reports. All the rest of the companies are permitted voluntarily to apply IFRS since 2003.There are different sets of IFRS in the current Bulgarian practice:

- IFRS as approved by International Accounting Standards Board (IASB);
- IFRS as approved by European Commission (EC);
- IFRS as approved by EC, and as they are published in the national language in the Official Journal of EU (regulation in force for Bulgaria and Romania, signed in their Accession Treaties);
- IFRS as approved by EC, and as they are published in the national language in the Official Journal of EU (regulation in force for Bulgaria and Romania) and after the publication in the national State Gazette (regulation in force for Bulgaria).

As far as Bulgarian Banks were mandatory required to implement IFRS since 2003, it is important what were the regulations in this period of time.

Table 1: Accounting standards mandatory applicable for Bulgarian Banks in the period 1998- 2008

Regulations mandatory applicably for banks	**Precise edition of regulations**	**National Decree**	**Years of Application of regulations in Bulgaria**
National Accounting Standards (NAS)	NAS approved by the Council of Ministers in Bulgaria	Decree of the Council of Ministers 65/25.03.1998, State Gazette, issue 36/1998	1998, 1999, 2000, 2001
National Accounting Standards (NAS)	NAS approved by the Council of Ministers in Bulgaria	Decree of the Council of Ministers 37/13.02.2002, State Gazette, issue 22/2002	2002
International Accounting Standards (IAS)	IFRS, issued by the International Accounting Standards Board (IASB) in their revision as at 1 January 2002.	Decree of the Council of Ministers 21/04.02.2003, State Gazette, issue 13/2003	2002, 2003, 2004, 2005
International Financial Reporting Standards (IFRS)	IFRS's, issued by the International Accounting Standards Board (IASB) and adopted by the European Union Commission in their revision as at 1 January 2005.	Decree of the Council of Ministers 207/07.08.2006, State Gazette, issue 66/2006	2006, 2007 (?)
IFRS	IFRS's, issued by the International Accounting Standards Board (IASB) and adopted by the European Union Commission in their revision as at 1 January 2008	Revised Regulation (EC) 1606/2002, introducing the new so called 'regulatory procedure with scrutiny', 3 March 2008 does not make clear the time of the new standards adoption/amendment by EC	2008 (?)

IFRS approved for use in Bulgaria differ from the ones officially issued by International Accounting Standards Board (IASB), because of two reason- time and type of amendments by European Commission, at the date of approval of standards by Bulgarian Council of ministers.
All International Financial Reporting Standards issued by the IASB have been adopted by the EU through the endorsement procedure established by the European Commission[8], with the exception of the International Accounting Standard IAS 39 "Financial Instruments: Recognition and Measurement". Following recommendations from the Accounting Regulatory Committee, the Commission adopted the Regulations 2086/2004 and 1864/2005 requiring the use of IAS 39, minus certain provisions on portfolio hedging of core deposits, by all listed companies from 1 January 2005. That process of IFRS endorsement by EC is supposed to be even slower after 3 March 2008 amendments of regulation (EC) 1606/2002 because of a longer- three month oversight period- starting when all linguistic versions of a draft Regulation endorsing IFRS or Interpretation have been submitted to them.
In the case of Bulgaria and Romania, according to their 2005 EU Accession Treaties, the IFRS national language translations for the current year should be published in the Official Journal, in order to be endorced in the country. That makes the process even slower and deviations in the IFRS used are innevitable. Some of the banks use the IFRS as approved by the IASB, some- as approved by the EC- english version; some IFRS as published in the Official Journal in the national language, some- the IFRS last approved by the Counsil of ministers in Bulgaria.
For 2002 there was enforced a National Accounting Standard (NAS) 30 „Banks' Financial Reports Presenttion". It was stated[9] there that banks in Bulgaria prepare their financial reports according to Accounting law, IAS and the regulations of Bulgarian National Bank (BNB). The standard could be treated quite broadly. For some of the banks it meant to implement directly IAS/IFRS; for some- to follow the Central bank regulations and forms as they were accepted to be IAS compliened. Still, some of the BNB regulations[10], as Regulation 9 for measurement and classification of risk exposures and allowance for impairment losses, do not comply with IAS/IFRS completely and the expenses accrued according to this regulation are not supposed to be recognized according to IFRS. Another disputable moment was which IAS/IFRS are applicable in Bulgaria for 2002, as far as there was not an approved by the Council of ministers IFRS translation until February 2003.

Data

The research is performed entirely on the internet accessible web page information of all currently existing Bulgarian banks and the official web page of the Bulgarian National Bank[11]. It is accepted that the financial reports, the way they are published in the internet web pages of the banks, reflect in a genuine way the specific bank idea and will for publicity. The research

[8] European federation (FEE) of CPA in Europe (2005) "has called for an end to ambiguity over international financial reporting standards. This confusion has been caused by the existence of different versions of new international financial reporting standards. This has lead to uncertainty in the market and has damaged investor's confidence. The federation has called on the European Commission to issue guidance to the financial reporting framework".

[9] NAS approved by the Council of Ministers in Bulgaria, Decree of the Council of Ministers 37/13.02.2002, State Gazette, issue 22/2002, NAS 30, paragraph 7.

[10] "…Where the Bulgarian National Bank and other regulators need additional (unpublished) information for prudential supervision purposes, this should be by way of topping-up IAS. This approach would make clear the distinction between prudential and general-purpose financial reporting. However, since the regulators would have a keen interest in ensuring that the base IAS financial statements are correct—since their reports would be built on that foundation—this would mobilize them to assist in the enforcement of shareholder- or stakeholder-oriented financial statements as well." http://www.worldbank.org/ifa/rosc_bgr.pdf

[11] See a list of web addresses in the Appendix. The data are used on the 10.01.2008 and confirmed on the 10.04.2008

focuses on the non-numerical disclosure evidences for the implementation of the IFRS: published auditors' reports, managerial reports and the announced accounting base in the notes to the bank financial statements. For the banks which do not exist in 2007, either, because of an insolvency failure or because of merges and acquisitions with/by other banks, there are not financial reports available in the Internet. Reports of foreign bank branches active in Bulgaria are not published in Internet too, in most of the cases. The financial reports published by BNB in the period 1999- 2007 include only Balance sheets and Income statements of licensed banks- no verbal financial reports information available. In case of necessity for someone to deliver official information for a bank report (short version- Balance sheet and Income statement), it could be purchased from Bulgarian National Bank for all the years after 1998. Practically there is no way to deliver and use the full financial statement information, unless the bank itself is not willing to present it. That was the case until 2007. It is supposed that, since 2008, Bulgaria will have a full electronic record of all the financial statements of the companies, including banks, in a Trade register, managed by the Registering agency.

Findings

There is no information for the periods before 2002 in most of the bank web pages. The included information in the individual web pages of the banks reflects the subjective choice of the management. So, although the research was planned as a full base research, it was changed into a sample research, as far as not all the reports are web published and available. The sample is strongly influence by managerial decision of the bank governance, not by the researcher.

Table 2 IFRS implementation in Bulgarian banks

Year	Num-ber of banks	Number of web published reports	Banks applying IAS/IFRS declared	Banks announced which IAS/ IFRS apply	Banks audited by the "Big4"	Auditors' reports[12] which point out which IAS/IFRS are applied
2001	35	7	2	1 IASB	all but 3	-
2002	34	14	9	1 IASB	all but 3	1 IASB
2003	35	15	all	2 IASB	all but 2	1 IASB
2004	35	20	all	1 IASB	all but 2	1 IASB
2005	34	23	all	11: 8BG, 1EU, 2 IASB	all but 2	12: 8BG, 4 IASB
2006	32	21	all	13: 10BG, 2EU, 1 IASB	all but 2	13: 9BG, 4EU
2007	29	-	-	-[13]	-	-

In 2003 the number of Bulgarian owned banks was 10, in 2007 they are only 5. In the beginning of 2008 there started a process of privatization of the last state owned bank- Encouragement bank. That process might change the percentage of private ownership of bank capital (about 95% at the end of 2007) and the percentage of foreign owned bank capital (about 85% at the end of 2007).

[12] All auditors' reports are without reserves.

[13] At the time the article was written, there were only 9 bank financial reports published for 2007, as far as the publication period was not over- that is the reason information for 2007 to be missing.

It is obvious from the presented Table 2 that there goes a process of concentration of bank capital. The number of banks is constantly diminishing, both due to bankruptcy and due to acquisitions and merges. There started a new process in Bulgaria after the accessing in EU. The licensed banks on the territory of EU do not need a license from BNB anymore to start working on the territory of Bulgaria. At the end of 2007 there were 71 foreign banks that declared in front of BNB, that they would like to work on Bulgarian territory, but non of them started effective actions until the end of 2007.

Not all existing Bulgarian banks were publishing their reports in the available web pages. As the years went on, the number of banks publishing grows up; in the same time the number of existing banks decreases. That increases the percentage of publicly accessible bank information.

Although only about 1/3 of the banks published their financial reports for 2002 and declared that they are presented in accordance with IFRS, it is quite likely most of Bulgarian banks to had adopted IFRS since 2002, not since 2003. This is a legal possibility and requirement by the regulations of NAS 30 „Banks‘ Financial Reports Presenttion“, although the Accounting law requires a transition since 2003. None of the published financial reports for 2003 included any explicit reclassification, or effect of reconciliation, or announcement of changed accounting policy and accounting base. There was only one financial report with reclassifications and adjustments summarized and it was for 2001- an year which is not expected to be accounted according to IFRS. Banks, as other companies, have the right to reconcile their financial reports for information purposes. The bank statement adoption of IFRS prior to 2002 might have only that treatment in Bulgaria. It is a fact that almost all the banks published their financial reports prior to 2003 prepared on the base of IFRS. Although it is not explicitly announce, the context of the reported information supposes that these are IFRS as approved by IASB for the periods before 2005 in most of the cases. All those banks were foreign capitals dominated and it is natural that information would be more useful for international users on the base of officially recognized IFRS.

In most of the cases banks have started to announce which exactly IFRS set is used since or after 2005. This is the year in which the European regulations for application of IFRS were endorsed. But in the same time, this fact should be treated as a part of a growing process of awareness for the importance of disclosure and verbal information. In the last years there were any possible applications of IFRS- as adopted of IFRB, as adopted by EU, as approved in Bulgaria. It was stated in several reports that there are not reclassifications and adjustments, because different IFRS usage does not cause great deviations. Still the question of comparability and adequate accounting base stays open. Materiality in accounting and auditing is measured with some value, which might be very different for different banks, depending on the size of their assets, liabilities, etc. possible base. Materiality is not only quantative but qualitative measure, and as such could be quite subjective. It is not enough to declare that a company is applying IFRS. It is necessary to specify which exactly (as they are many options already), why and what are the possible effects.

Conclusions

1. The largest Bulgarian banks have applied IFRS since 2002. Banks did not announce information which exactly standards (IAS/IFRS) were applicable in most of the cases; there was not presented reclassification and transformation effects. The transition to IFRS is not explicitly announced- when did it take place, how, according to which standards- in the web published financial statements.

2. Published financial statements are expected to be the ones according to the IFRS, audited and certified by the auditors report, but they still contain the effects of BNB regulations, non fully consistent with IFRS.

3. In most of the cases BG banks adopted IFRS before the last possible term, according to the BG regulations (2003). There is not one fixed year that could be pointed for the year of transaction of Bulgarian banks to IFRS. In most of the researched cases it was 2002 or even earlier. That fact makes Bulgarian banks one of the early voluntary and mandatory adopters of IFRS.

4. There are no reports published in the Internet for some banks. It does not mean that they do not have financial reports and they do not fulfill the official requirements. They could publish them practically anywhere till the end of 2007, besides presenting them to the Central bank and Trade register, Tax department and National Statistical Institute. None of the enumerated institutions has a publicly available database with full financial reports at the moment. The Central bank keeps and presents in its web page Balance sheets and Income statements of the commercial banks. Banks which do not publish their reports in Internet (besides foreign bank branches) are mostly with capital owners outside EU; they are not listed on stock exchange and in most of the cases are serving some closed private holding systems.

5. In the last years (2005, 2006) there started to appear information in the auditors' reports, announcing which exactly IFRS are used- the BG approved ones or the IASB ones or the published in the Official Journal of the EU ones. It could be explained with 3 main reasons:

- The professional competence, the understanding for the importance of detailed and strict information, (including in a verbal form) increased in the professional community of practicing auditors and financial specialists. It is a matter of development in both directions- inside the professional circles and outside- as requirements from the users of information published in the financial statements.

- The second factor is the change of the auditing company. There is no obligatory period of time in BG, after which the auditors' company should be changed. It is a matter of a client's choice and the change in most of the cases is connected with stricter audit in the initial period.

- EU mandatory adoption of IFRS since 2005 for public companies and Bulgarian preparation for an EU membership.

There could be summarized several major factors for implementing the current IFRS, approved by the IASB, prevailing over the use of Bulgarian approved IFRS in banks in periods before 2005:

1. Foreign ownership of the bank capital is dominant in Bulgaria.
2. One of the "Big 4" auditing companies (KPMG; Earnest and Young; PriceWaterhouseCoopers; Deloitte) were contracted by the banks for an independent audit.
3. Lack of contradictory items in Bulgarian practice (regulated by EU and IASB in a different way - like some items in IAS 39), mostly due to the underdeveloped Bulgarian financial market (There is no official Bulgarian market for options, for example).
4. Lack of great differences between the national and international accounting regulation in financial sphere for the period of transition to IFRS (2002 in most of the bank cases). In fact IAS 39 is applied as national accounting standard since 2005 and before that it was used in case of necessity, due to the lack of national one.

Tendencies in the bank development of Bulgaria are optimistic for the moment, despite the starting global financial crisis:

1. Bulgarian bank system has financial stability due to:

- stable political system;
- stable and modern legal base;
- existence of Monetary board in Bulgaria (fixed official currency rate 1 euro is equal to 1,95583 leva);
- important regulatory role of the Central bank (BNB);
- banking sector with normal economic growth, profitability, reserves etc. in market conditions;
- development of the financial market outside the banking one (stock exchange market with steady growth in the last 4 years);
- international dimensions of bank activity, dispersion and diversification as information sources, presentation, bank operations and products.

2. Concentration of bank capital and governance- merges and acquisitions of already existing commercial banks or insolvency and termination of activity (rear occasions- 2 in the last 5 years) diminishing the number of banks. In the same time, there are an increasing number of foreign banks' branches officially situated within the Bulgarian financial system in the last years.

3. Prevailing presence of foreign capitals in the banking sector and of private ownership. The total number of bank institutions in Bulgaria in 2007 is: 24 banks and 5 foreign bank branches officially licensed and registered by BNB. Bulgarian owned ones are five[14].

The results of the research is that most of the Bulgarian banks adopted IFRS earlier than 2003 (earlier than the mandatory adoption term); banks did not announce or not publish information for the year of the transition- reclassification, reconciliation, change of some treatment and policy, etc; they do not always announce exactly which IFRS are used- the Bulgarian approved ones, the EC approved ones or the IASB approved ones. The early voluntarily and mandatory IFRS adoption in banks was strongly influenced by the financial and international character of bank activity, international ownership of capital in banks, and the compliance of national accounting regulation with IAS/IFRS in the bank sector. A strong positive effect for the transition had the strict regulation and enforcement in the sector by the Central bank (BNB). The disclosed non numerical information increased steadily in the last years.

The conclusions of this case study should provoke some research questions and they are valid beyond the limited case of Bulgarian banks IFRS adoption. It should not be automatically accepted that the official year announce for mandatory adoption of IFRS is the real year of transition for the companies. Companies obliged to implement IFRS and informed beforehand, are quite likely to voluntarily adopt IFRS earlier than the mandatory year or converge, making IFRS compliance choices within the range of national standards. It should not be presumed that companies announcing implementation of IFRS really mean one and the same accounting base. It should not be automatically accepted that the mandatory implementation of IFRS is one and the same (as time and range) for all the countries in EU. In the Bulgarian case, all the public companies and all the financial companies (including banks) were obliged to apply IFRS since 2003, and there was a second wave of mandatory IFRS adopters since 2005 (the so called “large companies” which range changes each year). Banks, on the other hand, changed their accounting base even earlier- in 2002. The regulation for applying IFRS is valid not only for the consolidated statements but for the individual statements of the appointed companies. Neither the scope nor the time of mandatory implementation of IFRS in Bulgaria matched the one in other EU countries. That should be taken into consideration as a possible research concern for any other country.

[14] Central cooperative bank; Corporate bank; Municipality bank; Economic and Industrial bank, Encouragement bank (the last state owned bank, in process of privatization- 2008)

Future researches in IFRS implementation should take into consideration the importance of company's and industry's specificity and scale in addition to country factors, sector of economy factors and firm incentive factors for the degree of consistency in IFRS adoption. The conclusions of this research are closest to Gassen and Sellhorn (2006) findings "that size, international exposure, dispersion of ownership…. are important drivers." in the voluntary IFRS adoption. They are important factors for the process of mandatory IFRS adoption too.

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Appendix

List of commercial banks for 2007 in Bulgaria:

-Bulbank, Sofia - /Italy/	http://www.bulbank.bg/index.jsp?id=1.5&lng=en
-DSK Bank Plc - /Hungary/	http://www.dskbank.bg/page/default.aspx?user_id=&session_id=&xml_id=/en-US/About/reports/
-United Bulgarian Bank, Sofia - /Greece/	http://www.ubb.bg/PressFileList.aspx?TypeID=5
-Bulgarian Post Bank, Sofia - /USA/	http://www.postbank.bg/TransformationService.asmx/XHTML?strXML=/en-US/about/Investor%20Relations/Annual%20reports/
-Raiffeisenbank (Bulgaria), Sofia - /Austria/	http://www.raiffeisen.bg/transform/?user_id=&session_id=&id=/en-US/about/05_Reports/
-SG Expressbank, Varna - /France/	http://www.sgexpressbank.bg/en/php/openpage.php?language=en&chapter=thebank&item=balancesheet
-Commercial Bank Allianz Bulgaria Ltd. - /Germany/	http://bank.allianz.bg/index_en.php?page=otcheti
- Piraeus bank, Sofia branch (now- a full licensed bank) ,no reports	http://www.piraeusbank.bg/ecportal.asp?id=238240&lang=2&nt=103%20&sid=&txtSearch=
-Unionbank, Sofia	http://www.unionbank.bg/index.php?p=about_2&language=en

-First Investment Bank, Sofia - /Austria/, no reports	http://www.fibank.bg/inside.php?language=38&parent=577
-Economic and Investment Bank AD (former BRIBank) - /Bermudas/, no verbal information	http://www.eibank.bg/php/sitemap.php
-Emporiki bank	http://www.emporiki.bg/emporiki/home.nsf/vPagesLookup/reports~en
-Bulgarian-American Credit Bank Ltd., Sofia - /USA/	http://www.bacb.bg/en/reports.php
-ProCredit Bank, Sofia	http://www.procreditbank.bg/main/en/about.php?sel=8
-D Commerce Bank AD	http://www.dbank.bg/?dispatch=about&id=22
-Corporate Commercial Bank PLC, Sofia	http://www.corpbank.bg/financial_reports.html
-International Bank for Trade and Development, Sofia, no reports	http://www.ibank.bg/?lang=en
-Central Cooperative Bank, Sofia	http://www.ccbank.bg/display.php?page=reports&sub=104
-Municipal Bank, Sofia	http://www.municipalbank.bg/display.asp?page=bank_7&sub_page=23
-Encouragement bank AD	http://www.nasbank.bg/opencms/opencms/menu/en/topmenu/thebank/fininfo/
-International Asset Bank	http://www.iabank.bg/en/page/153
-West-East Bank Plc.	http://www.westeastbank.bg/transform/?user_id=&session_id=&id=/en-US/about/
-BNP-Paribas (Bulgaria), Sofia (former BNP-Dresdnerbank) - /France/; now is a branch, no reports for the branch	http://invest.bnpparibas.com/en/results/
-Alpha Bank S. A. - Bulgaria Branch	http://www.alphabank.bg/display.aspx
-Texim Private Enterpreneurial Bank - /Lichtenstein/, no reports	http://www.teximbank.bg/en_index.htm
-Tokuda Credit Express Bank, Sofia - /Japan/, no reports	http://www.tcebank.com/page.php?cat=about&lang=en
- ING Bank N.V. - Sofia Branch , no reports	http://www.ing.bg/maindisplay.aspx?page=show_news&show_year=2008&news_ID=418&news_table=_w
-Citibank N.A.- Sofia Branch –	http://www.citibank.com/bulgaria/corporate/english/index.htm
-T.C. Ziraat Bankasi - Sofia Branch – NO WEBPAGE	http://www.bnb.bg/bnb/home.nsf/vWebPagesByADOptionBG/91169D254F214EBBC2256B5F005B806A?OpenDocument&count=-1&BG

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