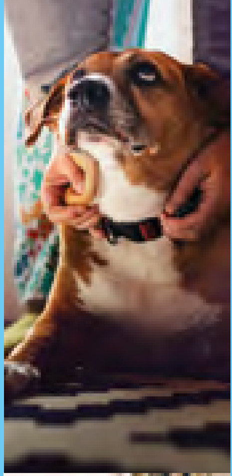
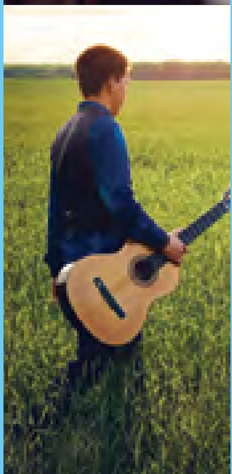
Inside real life. A 360° view.

2015 Consolidated Reports and Accounts

Welcome to

UniCredit Bulbank





Imagine you're hungry.

You need food, of course. But you also need a plate and a fork. Maybe even a knife. After that, you'll need water to wash the dishes and before that, the right tools to cook your meal. And don't forget the table, or the chair, or the roof over your head.

In the end, food is just a small part of our far more complicated system of needs – a system that is contained by its own set of values. Consider, for example, the entire production chain behind the food on your table. Food comes from a farm. It has to be tended by people, and inspected by others to ensure it is safely made, processed and transported to market. Every link in this chain is crucial for today's consumers, who are increasingly sensitive to the quality of their food, as well as the environmental and working conditions that produce it.

UniCredit firmly believes that to truly understand real life, we must directly experience it. That way we are more prepared to find sustainable solutions while the world's needs and values constantly change.

For us, helping customers fulfil the basic necessities of modern life is just as important as offering the very best financial and banking products.

This means providing a complete range of services to support families and businesses, fully aware that responding to their needs builds a sustainable future for everyone.

Our products begin with real human insights that help us accompany customers throughout their lives. Because life is full of ups and downs, but it is also full of many other things, like buying a home, getting married, having children and sending them to university, etc.

We know life often takes unexpected twists and turns while many of us work to buy a home, get married, have children and send them to university.

It's a 360-degree approach that we call Real Life Banking.

Over the following pages, our aim is not just to present data and numbers about our Group's performance. We also want to share stories that show how we have helped people realize their dreams and supported the communities that host our branches.

Because the drive to build a better future is what keeps people going.

And supporting people keeps us going too.

Life is full of ups and downs.
We're there for both.

Welcome to
UniCredit Bulbank

I know it's not the best time, but I need to check my finances.

Let's talk about financial advice anywhere, anytime.

Imagine you are in the middle of a ski holiday. Everything is beautiful and the conditions are just right. You feel like you don't have a single worry in the world. But suddenly a thought comes along to disturb your peace: Did you forget to settle your financial business last week?

That's exactly what happened to Nico. During his first romantic holiday with Emma, he realized that this little banking detail was driving him crazy, and spoiling the fun. And he thought to himself: "You know what would be really useful right now? A bank manager I can call or, even better, text."

No sooner said than done.

Thanks to SmartBanking in Austria, it's possible to bring the branch to you. Whether at home with your laptop or on the go with your mobile phone, SmartBanking enables you to manage your finances in the most convenient way for you.

Relationship managers will give advice quickly and conveniently, by any possible method you want, from SMS to video chat. So now answers that you need on every possible financial topic, from taking out a loan to explaining your banking transactions, are at your fingertips.

That means we can help you save for your holiday, and save your holiday.

Contents

Financial Highlights (Unconsolidated)

Thousands of BGN, unless otherwise stated

Income Statement Figures

	YEAR		CHANGE
	2015	2014	
Net interest income	469 321	445 308	5.4%
Net fee and commission income	197 868	171 798	15.2%
Net income from trading, investments and dividends	78 965	61 913	27.5%
Other operating income/expenses, net	-5 705	2 091	-372.8%
Operating income	740 449	681 110	8.7%
Operating expenses	-309 488	-257 166	20.3%
Gross operating profit	430 961	423 944	1.7%
Impairment losses on financial assets	-103 112	-149 169	-30.9%
Provisions for risk and charges	-5 279	-5 923	-10.9%
Income from PPE	451	167	170.1%
Profit before tax	323 021	269 019	20.1%
Net profit	290 007	241 657	20.0%

Volume Figures

	YEAR		CHANGE
	2015	2014	
Total assets (eop)	17 368 317	14 843 791	17.0%
Net customer loans (eop)	8 769 392	9 936 482	-11.7%
Customer deposits (eop)	13 485 196	10 782 577	25.1%
Shareholders‘ equity (eop)	2 507 791	2 240 731	11.9%
RWA (eop)	8 825 466	9 538 760	-7.5%

Key Performance Indicators (%)

	YEAR		CHANGE
	2015	2014	
Return on average assets (ROA)	1.8	1.8	0.0pp
Return on average equity (ROE)	12.2	11.1	1.1pp
Cost/Income ratio	41.8	37.8	4.0pp
Net profit margin	39.2	35.5	3.7pp
Capital/Asset ratio (eop)	14.4	15.1	-0.7pp
Total capital adequacy ratio (eop)	24.7	20.9	3.8pp
Tier 1 capital ratio (eop)	24.4	20.6	3.8pp
Risk weighted assets/Total assets ratio (eop)	50.8	64.3	-13.4pp
Non-performing loans/Gross loans	15.8	14.5	1.4pp
Net Loan/Deposit ratio	65.0	92.2	-27.1pp

Resources (number) - (eop)

	YEAR		CHANGE
	2015	2014	
Employees	3 565	3 538	27
Branches	176	194	-18

Financial Highlights (Consolidated)

Thousands of BGN, unless otherwise stated

Income Statement Figures

	YEAR 2015	YEAR 2014	CHANGE
Net interest income	579 391	529 895	9.3%
Net fee and commission income	198 752	186 893	6.3%
Net income from trading, investments and dividends	78 979	62 094	27.2%
Other operating income/expenses, net	- 6 367	3 608	-276.5%
Operating income	850 755	782 490	8.7%
Operating expenses	- 337 235	- 284 454	18.6%
Gross operating profit	513 520	498 036	3.1%
Impairment losses on financial assets	- 124 289	- 182 408	-31.9%
Provisions for risk and charges	- 11 116	629	-1867.2%
Income from PPE	451	458	-1.5%
Profit before tax	378 566	316 715	19.5%
Net profit	340 191	284 535	19.6%

Volume Figures

	YEAR 2015	YEAR 2014	CHANGE
Total assets (eop)	18 878 645	15 984 106	18.1%
Net customer loans (eop)	10 322 202	11 112 403	-7.1%
Customer deposits (eop)	13 295 739	10 666 785	24.6%
Shareholders' equity (eop)	2 669 790	2 352 548	13.5%
RWA (eop)	10 157 047	10 588 014	-4.1%

Key Performance Indicators (%)

	YEAR 2015	YEAR 2014	CHANGE
Return on average assets (ROA)	2.0	1.9	0.0pp
Return on average equity (ROE)	13.5	12.6	1.0pp
Cost/Income ratio	39.6	36.4	3.3pp
Net profit margin	40.0	36.4	3.6pp
Capital/Asset ratio (eop)	14.1	14.7	-0.6pp
Total capital adequacy ratio (eop)	22.5	19.5	3.0pp
Tier 1 capital ratio (eop)	22.3	19.2	3.0pp
Risk weighted assets/Total assets ratio (eop)	53.8	66.2	-12.4pp
Non-performing loans/Gross loans	14.9	14.5	0.4pp
Net Loan/Deposit ratio	77.6	104.2	-26.5pp

Resources (number) - (eop)

	YEAR 2015	YEAR 2014	CHANGE
Employees	4 162	4 136	26
Branches	185	203	-18

Chairman's message to the Shareholders

"Our aim is to be easy-to-deal-with and deliver concrete answers and real benefits for the challenges and opportunities that our customers face in real life."

LEVON HAMPARTZOUMIAN
Chairman of the Management Board and CEO

Dear Shareholders,

In 2015, despite the challenging global environment, the **Bulgarian economy showed signs of gradual recovery**. GDP growth nearly doubled to 2.8% yoy and, for the first year on record, it was broad-based and well-balanced, with all GDP components having a positive contribution. Exports expansion was the main growth driver. At the same time, both private consumption and investments also grew, gaining strength from the labor market recovery and the record-high improvement in EU funds absorption, respectively.

The improving sentiments in the economy however were not able to spur credit demand and loans in the **banking system** marked a decreasing trend of -2.6% yoy. On the other side, the deposits build-up continued at high speed of 8.7% yoy growth despite interest rates decrease. Although in 2015 Bulgarian banks started the preparation for the 2016 assets quality review and focused on boosting the provisions' coverage, the loan loss provision charges increased only marginally by 0.7% yoy. They were more than offset by a positive trend in revenues that increased by 7.5% yoy. Thus the banking system after-tax profit marked a 20.4% yoy growth.

For UniCredit Bulbank in particular, 2015 was another year of distinguished expansion of its market presence and assertion of its number one market position. The importance of the bank for the overall Bulgarian financial system was underlined by the remarkable growth in **total assets** of +17.0% yoy, to BGN 17.4 mln. at the end of 2015, which represents almost 20% from the assets of the Bulgarian banking system. The Bank remained the main partner of households and companies thus continuing to support the development of the real economy in Bulgaria. Thanks to its sustainable business strategy and commercial approach, oriented towards establishment of a long-term relation with customers, the Bank confirmed its position of the **top market lender** with a market share of 17.9% in total gross loans.

At the same time, UniCredit Bulbank clearly positioned itself as the most trusted bank and the one preferred by the customers, as indicated by the **impressive growth of 25% yoy in customer deposits** for a second consecutive year and the highest market share gain of 255 bp, to 19.5%.

Furthermore, we consolidated our **strong liquidity position** and the **net loans-to-deposits ratio** marked a positive change to historically low 65%, from 92% a year earlier. With regard to capitalization, the Tier 1 ratio reached 24.4% and is very close to the total capital adequacy ratio of 24.7%, which proves the **high quality of the capital instruments** – i.e. mainly Tier I eligible ones. Both capital ratios report significant buffers compared to regulatory defined minimum thresholds of 11.5% for Tier 1 ratio and 13.5% for the total capital adequacy.

The strong market position of UniCredit Bulbank contributed to **enhanced revenues generation**. The Bank recorded 8.7% yoy growth in **revenues to BGN 740.4**

mln., achieving 18.1% market share, supported by almost all income components. **Net fees and commission** became the most important driver of revenues' growth recording a 15.2% yoy increase, thanks to the successful commercial approach of **strong positioning in traditional banking services combined with focus on their digitalization** as well as enrichment of the product portfolio with innovative offers on investment products. **Net interest income** also grew by +5.4% yoy, positively influenced by the favourable market trend of deposits repricing along with performed liquidity optimization in terms of increased investments in bonds and reduction in the wholesale funding. **Operating expenses** reached BGN 309.5 mln. Their annual increase of 20.3% was mainly driven by significant amount of the regulatory defined contributions to the Deposits Guarantee Fund and the first instalment to the newly established Resolution Fund. The improved quality of loan portfolio and recoveries of some large exposures resulted in 30.9% yoy reduction in the **loan loss impairment charges** that reached BGN 103.1 mln. Thus, **the Bank's net profit increased impressively by 20% yoy to BGN 290 mln**. Thanks to its competitive advantages in terms of revenues generation, efficiency in operations and strong risk management, **UniCredit Bulbank continued to deliver almost 1/3 of the Net Profit of the Bulgarian banking system**. The strong profitability generation profile was confirmed also by the significantly above-market average Return on Equity of 12.2% compared to 8.1% for the market.

The outstanding financial performance was supported by a variety of **innovation and digitalization initiatives that are the main cornerstones of UniCredit Bulbank strategy.** All innovations that we offer are inspired by our customers. Our aim is to be easy-to-deal-with and deliver concrete answers and real benefits for the challenges and opportunities that our customers face in real life. Thus we provided to our customers the multichannel banking experience through the **award winning easy-to-use and secure online and mobile banking**. Besides, we created the **Branch of the future** client experience through a completely modernized service model, including integrated **online financial advisor**. Furthermore, we designed the innovative and award-winning **International center** to provide 360 degrees support for international businesses to invest in Bulgaria and create new jobs and opportunities here. Among the main achievements in our digitalization agenda were also the introduction of the first-on- the-market web-based platform **"eFactoring.bg"** and the implementation of the **digital services in the area of trade finance**.

In addition, the bank continued being focused on customer needs and looking for tailor-made solutions also in ordinary services. Corporate and Investment banking Division continued the implementation of initiatives under the strategic project **CEE 2020 PLUS Program**. Within the new EU Funds Program, UniCredit Bulbank was positioned as the **reference bank for agriculture**. In financial markets, the Bank acted as a **Joint Book Runner of the triple-tranche Eurobond issue** under MTN Programme of the government. Retail Division put the emphasis on **new service model implementation**, aiming at improved efficiency. New functionalities of the **alternative channels** were implemented – utility payments, cards management, insurances, post-selling support processes, etc.

As the client centricity continued to be the one of the main strategic pillars of UniCredit Group, in 2015 UniCredit Bulbank continued the activities on creating an objective measurement of the **perception of the Bank,** its products, services and image among various groups of stakeholders. The overall reputation of the Bank remained strong and stable, even improving among both customers and non-customers.

In 2015 UniCredit Bulbank continued the development of its **corporate social responsibility program** in the areas of education, business and social entrepreneurship, art and culture. Beyond providing basic access to the financial world and responding to concrete social concerns, we encouraged the **cultural development of communities** both through educational initiatives and support for artistic events. UniCredit Bulbank has partnered with numerous **schools and universities** for projects, fostering cultural exchange and empowering young talents. The Bank sponsored a high- profile Education and Business Conference as well as many educational organizations. The Bank continued to organize **numerous exhibitions** in its own gallery for contemporary art "UniCredit Studio" as well as in the National Art Gallery. UniCredit Bulbank was also an active member in **social and charity events**, gathering the business, political and diplomatic elite of the country. Many of the bank's employees and partners were involved in projects developed by the national volunteering network.

Supported by the strong brand of UniCredit, UniCredit Bulbank asserted its image of a **stable and reliable employer**. We are motivated to create an environment where our people generate sustainable value for our customers, feel great about our company and are connected with the communities we live in. These commitments allow us to attract, develop and retain the best talents.

During the past years UniCredit Bulbank built its partnerships and business relations reckoning on its principles and values, thus ensuring solid foundation for strong development in the future. We enter 2016 as a robust institution **with outstanding reputation and capable of delivering value-added solutions to customers, overall society and to shareholders**. For these achievements, I would like to thank to the management team and all employees for their commitment and great contribution as well as to our customers and shareholders for their trust.

Levon Hampartzoumian
Chairman

Supervisory Board and Management Board[1]

Supervisory Board

Robert Zadrazil	**Chairman**
Alberto Devoto	**Deputy Chairman**
Dimitar Zhelev Heinz Meidlinger Simone Marcucci Mauro Maschio Gerhard Deschkan	**Members**

Management Board (MB)

Levon Hampartzoumian	**Chairman and Chief Executive Officer**
Andrea Casini	**Deputy Chairman and Chief Operative Officer**
Emilia Palibachiyska Michele Amadei Tsvetanka Mincheva Patrick Schmitt Luboslava Uram	**Members**

On 10 October 2015 Ms. Luboslava Uram became member of the Management Board.

[1] As of December 31st, 2015

Supervisory Board and Management Board (continued)

Art. 247, par. 2, pt. 4 from the Commercial Law (01.01.2015 - 31.12.2015)

Members of the Supervisory Board

Robert Zadrazil
- SCHOELLERBANK AG – chairman of SB
- OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT – member of SB
- UNICREDIT BANK AUSTRIA AG – member of MB
- ZAGREBACKA BANKA DD - member of SB

Alberto Devoto
- Does not participate in the management of any other entities

Heinz Meidlinger
- UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA AS – deputy chairman of SB
- UNICREDIT BANK ROMANIA S.A. – member of SB
- MEIDLINGER INVESTMENT&CONSULTING GMBH – 99% ownership and managing partner
- WIENER PRIVATRBANK SE, WIEN - member of SB

Dimitar Zhelev
- STADIS AD - member of the Board of Directors (BD), majority control through BULLS AD and INSURANCE AND SHIPPING FOUNDATION
- DZH AD – member of BD, 50% ownership
- ALLIANZ BULGARIA HOLDING AD – chairman of BD and executive director, 34% ownership through STADIS AD and BULLS AD
- BULLS AD - member of BD, 51% ownership
- INDUSTRIAL HOLDING BULGARIA – 49.5% ownership through both BULLS AD and DZH AD
- ALLIANZ BANK BULGARIA AD – chairman of SB
- ZAD ALLIANZ BULGARIA LIFE – member of BD until September 2, 2015

Simone Marcucci
- UNICREDIT BANK HUNGARY ZRT. – deputy chairman of SB and member of Audit Committee until June 1, 2015
- UNICREDIT BANK SERBIA JSC – member of SB until September 23, 2015
- RN BANK RUSSIA – member of SB until October 26, 2015
- BARN B.V., NETHERLANDS – member of BD until August 1, 2015

Mauro Maschio
- UKRSOTSBANK - deputy chairman of MB
- UNICREDIT BANK HUNGARY ZRT. – member of SB until September 21, 2015
- UNICREDIT BANK CZECH AND SLOVAKIA REPUBLIC A.S. - member of SB until September 24, 2015
- BANK AUSTRIA AG – procurator until November 24, 2015
- RN BANK RUSSIA – member of SB until August 18, 2015
- BARN B.V., NETHERLANDS – member of BD until July 15, 2015

Gerhard Deschkan
- UNICREDIT BANK HUNGARY ZRT. – member of SB

Members of the Management Board

Levon Hampartzoumian
- UNICREDIT CONSUMER FINANCING AD – member of SB
- BORIKA-BANKSERVICE AD – member of BD
- BULBANK LEASING EAD – member of SB until September 4, 2015
- UNICREDIT LEASING AD - member of SB

Andrea Casini
- UNICREDIT CONSUMER FINANCING AD – member of SB
- BULBANK LEASING EAD - member of SB until September 4, 2015
- UNICREDIT LEASING AD - member of SB
- INDACO EOOD – 100% ownership of capital

Emilia Palibachiyska
- UNICREDIT CONSUMER FINANCING AD – member of SB
- BULBANK LEASING EAD - member of SB until September 4, 2015
- UNICREDIT LEASING AD - member of SB

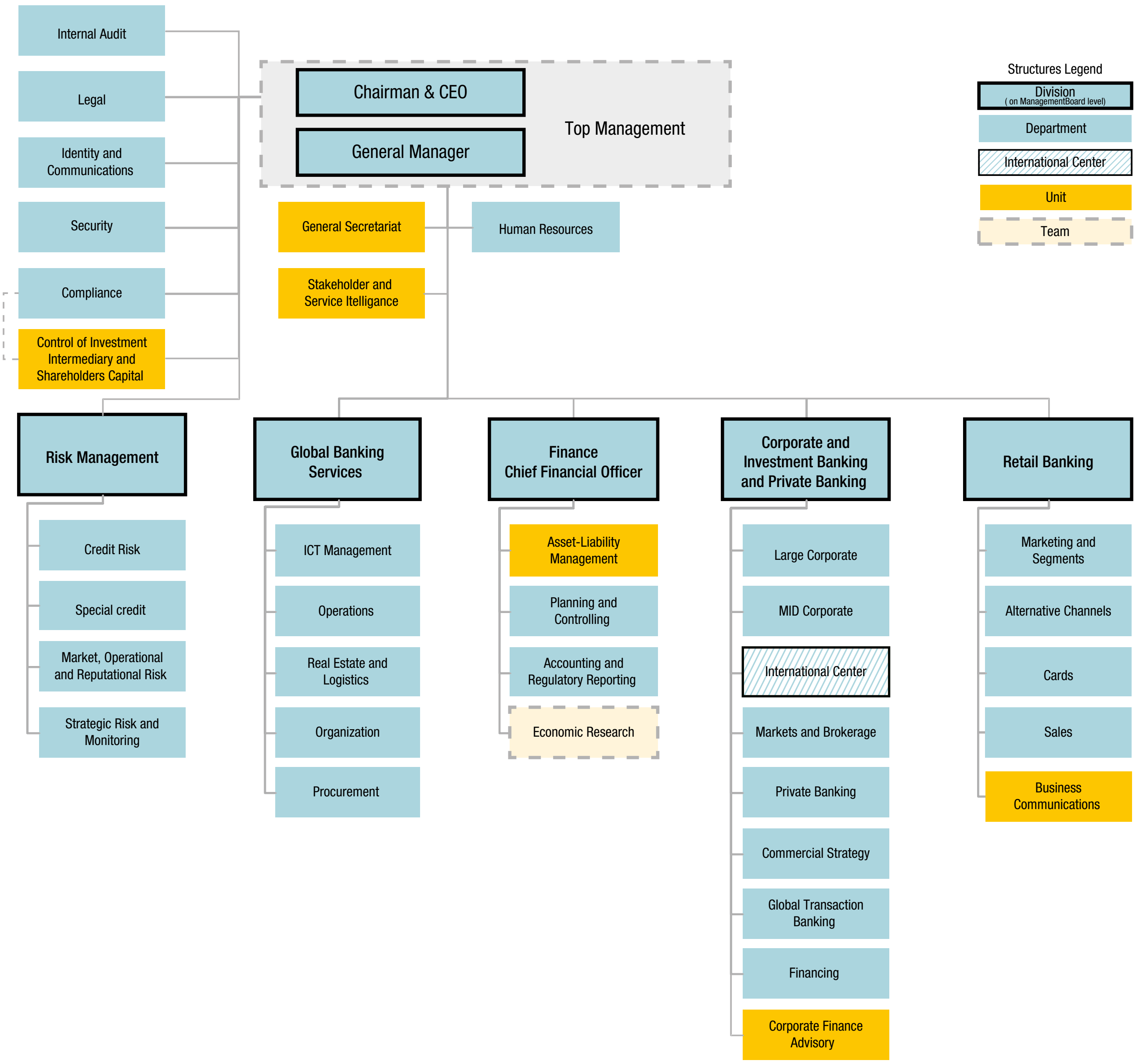
Michele Amadei
- UNICREDIT FACTORING EAD – member of BD
- BULBANK LEASING EAD – member of SB until September 4, 2015
- UNICREDIT LEASING AD - member of SB

Tsvetanka Mincheva
- UNICREDIT CONSUMER FINANCING AD – member of MB
- CASH SERVICE COMPANY AD - member of BD

Patrick Schmitt
- UNICREDIT CONSUMER FINANCING AD – member of SB

Luboslava Uram
- Does not participate in the management of any other entities

Organisation Chart[1]



[1] As of December 31, 2015

Credit Rating

COUNTERPARTY CREDIT RATING (STANDARD & POOR'S)[1]

Long-term	**BB+**
Short-term	**B**
Outlook	**Stable**

2015 AWARDS

- Primary dealer of securities that has purchased the largest number of securities in the primary market in 2015 - Ministry of Finance
- Primary dealer of securities that has purchased the largest number of securities in the primary market 2015 for its own account - Ministry of Finance
- Effectiveness award – Bank of the year Association
- Precision of the forecast for GDP and inflation – Consensus Economics
- Best Digital Bank in Bulgaria for 2015 – Global Finance magazine
- Best Custodian Bank in Bulgaria for 2015 – Global Finance magazine
- Best initiative for development strategy for contactless payment – Visa Europe
- The International Center of UniCredit Bulbank – award for the Best Innovative Business Space for 2015 in the House of the Year Competition 2015 – Ideal Home magazine
- Best bank in Bulgaria for 2015 - Euromoney magazine
- Best Bank in Bulgaria - EMEA Finance magazine
- Donor of the Year - Encho Keryazov Foundation
- Best Bank in Bulgaria for 2015 - Global Finance magazine
- Best Foreign Exchange Providers in Bulgaria for 2015 - Global Finance magazine
- Best Trade Finance Provider in Bulgaria - Euromoney magazine

[1] Equal to and capped by the S&P sovereign credit rating of Bulgaria (BB+/B/Stable).

Highlights

UniCredit is a leading European commercial bank operating in **17** countries with more than **144,000** employees, over **7,900** branches and with an international network spanning in about **50** markets.
UniCredit benefits from a strong European identity, extensive international presence and broad customer base.
Our strategic position in Western and Eastern Europe gives us one of the region's highest market shares.

Over

144,000

EMPLOYEES[1]

Over

7,900

BRANCHES[2]

Financial Highlights (€ mln)

Operating income
22,405

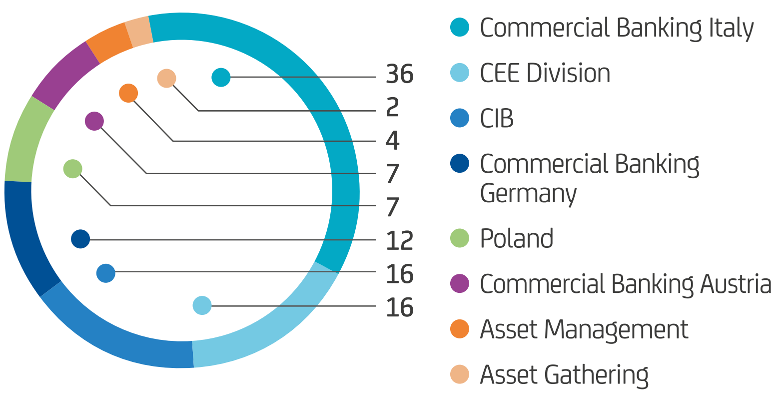
Net profit
1,694

Shareholder's equity
50,087

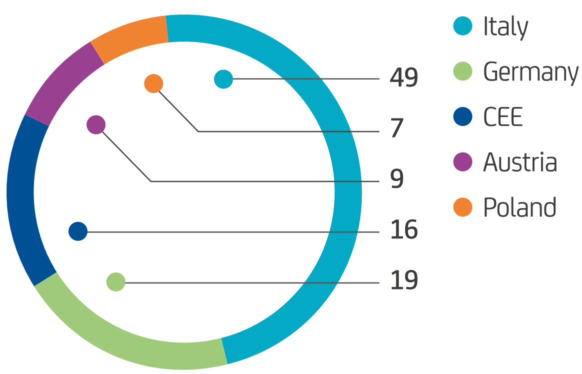
Total assets
860,433

Common Equity Tier 1 ratio*
10.73%

Revenues by Business Lines** (%)



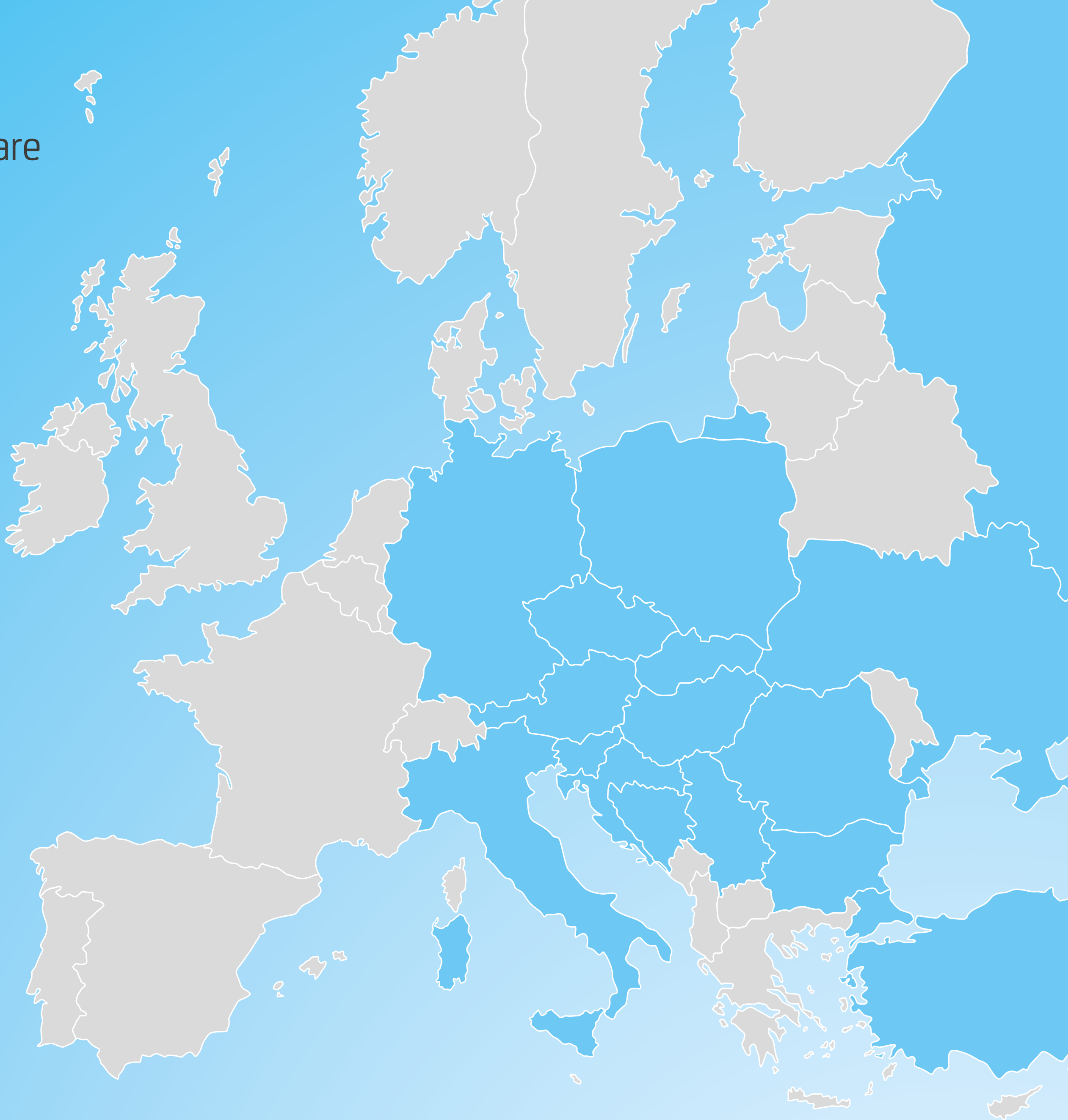
Revenues by Region** (%)



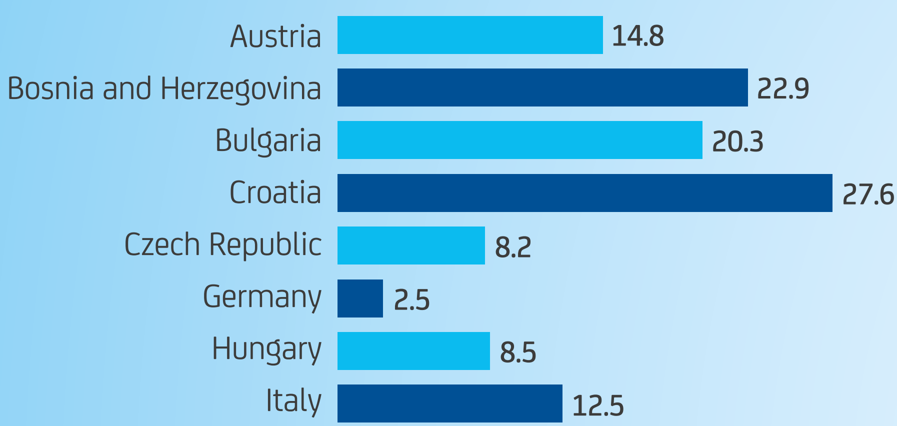
1. Data as at December 31, 2015. FTE = "Full Time Equivalent": number of employees counted for the rate of presence. Figures include all employees of Yapi Kredi Group (Turkey).
2. Data as at December 31, 2015. Figures include all branches of Yapi Kredi Group (Turkey).
* CET 1 transitional pro-forma for 2015 scrip dividend of 12 €cents per share assuming 75%-25% shares-cash acceptance.
** Data as at December 31, 2015.

Where we are

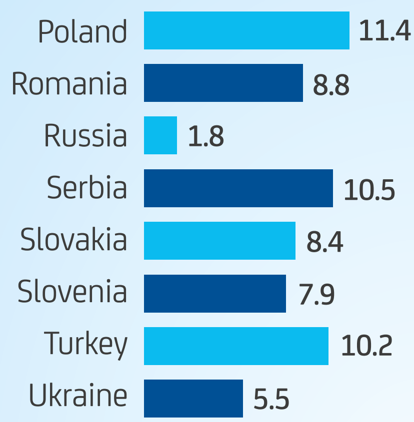
Austria
Azerbaijan
Bosnia
And Herzegovina
Bulgaria
Croatia
Czech republic
Germany
Hungary
Italy
Poland
Romania
Russia
Serbia
Slovakia
Slovenia
Turkey
Ukraine



Market Shares[1] (%)



Market Shares[1] (%)



1. Market Shares in terms of Total Loans as at December 31, 2015.
Source: Company data, National Central Banks.
Total Loans definition includes corporate, household, self-employed, non-profit institutions serving household, insurances, pension funds, other financial intermediaries, local government, central government. For Poland and Romania central government is not included.

Industrial Plan

UniCredit intends to reaffirm its standing as a **rock-solid European commercial bank**, backed by a well-diversified presence in 17 countries and an international network that spans in 50 markets.

Due to the challenging and rapidly changing business environment, UniCredit has elected to accelerate its transformation by adopting **a strategy that aims to achieve growth and development through increased efficiency and simplification.** This is the direction outlined in the Strategic Plan approved by UniCredit's Board of Directors on November 11, 2015.

First and foremost, UniCredit will be **a bank that is efficient, integrated and easy to deal with.** The Group is working to reduce its cost base and streamline its structure. This will enable it to be more responsive and more effectively allocate resources by leveraging its pan-European profile.

UniCredit will also **invest in the growth** of traditional businesses by providing credit to the real economy, and in areas with significant growth potential such as corporate & investment banking, asset management, asset gathering and, in general, in Central and Eastern Europe.

The result will be a rock-solid, profitable bank that is able to generate sustainable value, maintain a strong balance sheet and transform challenges into opportunities.

Accelerating implementation of our Strategic Plan

- Leading Pan-European corporate and retail bank
- Efficient, effective and innovative
- Simpler and more integrated
- Investing in digital, high growth, capital light businesses

Sustainable profitability and organic capital generation

2018 TARGET

RoTE TARGET 11%	CET RATIO AT 12.6% PRE DIVIDEND DISTRIBUTION	POTENTIAL UPSIDE FROM DISCONTINUITY ACTIONS

Digital Strategy

Digitization is essential to successfully addressing ongoing changes and sustain growth.

UniCredit has decided to invest heavily in this area to make the Group highly competitive in the new digital arena.

The first order of work will be to **accelerate the Group's digital transformation.** This will improve the speed and quality of our services, as well as the experiences of our customers. We will do this with a full commitment to creating an excellent and engaging digital user experience through better accessibility and instant feedback from our clients. In short: Providing a complete, multi-channel service.

Second, we will develop our future digital business model, which will be based on a new IT infrastructure. This model will meet customers' basic needs, reducing our cost-to-serve. The **buddybank** initiative will be key to the success of this endeavor. A clear discontinuity from traditional banking, buddybank will absorb less capital and be accessible solely via mobile devices, with customer service available 24/7.

Digital strategy to accelerate retail multichannel transformation

Supported by EUR 1.2 bn Investments (2016-2018)

ACCELERATE THE DIGITAL TRANSFORMATION

DELIVERY MODEL UPDATE	**Continue transaction migration** to remote channels **Right-sizing footprint** with new and flexible formats
SIMPLIFICATION AND PROCESS DIGITALIZATION	Digitalize and simplify **back-end processes** **Fully-digitalized** document management **Credit Revolution** program aiding real time automatic credit decisions
INCREASE SALES	Extend end-to-end

BUILD A FUTURE DIGITAL BUSINESS MODEL

A NEW DIGITAL CORE BANKING SYSTEM	New cheaper **IT infrastructure** to serve customers' basis purchase behaviors, **reducing cost-to-serve**
buddybank	1st **molecular bank** offering a **pure mobile customer experience with a 24/7 live-caring concierge** **Plug-and-play platform to facilitate new markets entrance** Implementation started, launch early 2017

Look, I just made a mess!

Let's talk about everyday challenges.

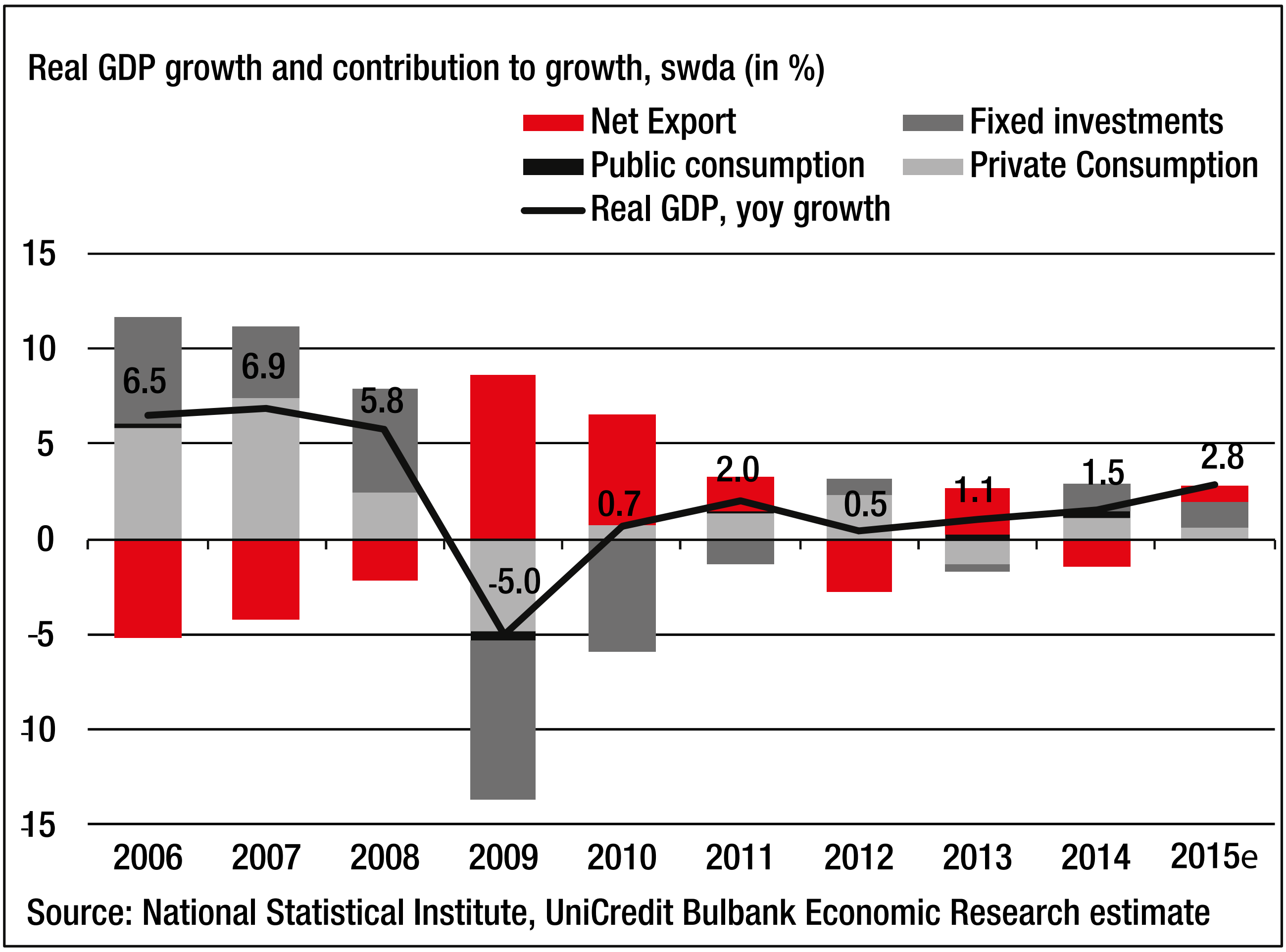
Who said that everyday life is boring? It certainly isn't if you're dealing with a rascal like Agata. Around her, simple things like getting to school on time, managing the family budget or walking the puppy become far more complicated. Agata's mom and dad – and countless other parents – face more complications every day. Clearly they could use our help.

For Agata's parents we have designed dozens of new services that simplify life. Take, for example, what Zagrebačka banka is doing in Croatia. Its two-in-one web token enables customers to not only to do their banking online, but also have access to their public administration documents.

This means you can check your account balance or transfer funds online in the same place where you can get your child's school grades, see an electronic copy of your birth or marriage certificate or order your European Health Insurance card.

Now with a bit more time for cleaning up her messes, maybe Agata's parents can laugh a little more too.

Bulgarian Economy in 2015[1]



The rate of economic expansion nearly doubled in 2015, compared to 2014, reaching a new post-crisis high, which is estimated at 2.8% yoy. What's more, 2015 was the first year on record when all components of GDP had a positive contribution to growth, highlighting the start of a more broad-based recovery phase for the economy.

On the external front the market share of Bulgarian exporters increased further against the background of a gradual recovery in the economies of many key trading partners and a closer integration of local companies in the Western European production chains. Thanks also to the decrease in energy prices that underpinned competitiveness of local companies, the export of goods and services increased by 6.7% yoy (from -0.1% in 2014) while at the same time it undergone a material shift towards industries with higher value added output. This positive trend gained momentum despite stagnating global trade growth, a marked slowdown in emerging market economies, the narrowly escaped financial collapse of Greece - a key trading partner and a number of geo-political risks materializing over the course of the year.

The positive development of labor market continued at a solid pace in 2015 pushing unemployment down to circa 8.8% in Dec 2015 from 10.2% in Dec 2014. Employment reported a steady increase in 2015, with 50 thousand new jobs, marginally above the 46 thousand mark, posted in 2014. More importantly, the better part of the new hiring has been comprised by well-paid workers in outsourcing services (mainly IT, but also many back-office services).

The positive labor market developments have been further supported by a constructive deflation period (mainly associated with energy prices) and rising wages which boosted real disposable incomes of the Household sector and should support demand in the short-term. Consumer prices averaged -0.1% yoy as transportation costs dropped by 14.5% over the course of 2015 on the back of sliding global crude oil prices.

[1] Data cut-off as of 17.02.2016

Source: National Statistical Institute, UniCredit Bulbank Economic Research

The slide in global energy prices also supported the balance of payment dynamics. The resulting drop in import costs, a surge in exports and a sizable uptick in EU transfers kept the C/A surplus at a robust level and at par with the 2014 print of 1.2% of GDP. This not only means that Bulgarian economy is competitive, but also suggests that there is a sizable buffer now in place, should any negative external shocks materialize in the near future.

The overall macroeconomic stability, improving sentiments and attractiveness for investments have helped push capital expenditures higher. Yet, the main uptick in investments came from the absorption of EU funds which took record-high proportions in 2015. All these positive developments did not remain unnoticed by international investors, which helped push net FDI to a new post-crisis peak of 3.4% of GDP.

Stronger than expected economic activity, together with concrete efforts to improve tax compliance helped push fiscal revenues increase by 9.5% yoy. The higher EU transfers towards the end of the n+2 program period (up 25% yoy) also supported budgetary proceeds. Thus, despite the increase in government investment spending (up 39.8% yoy), the budgetary position was kept under control. The deficit narrowed to 2.9% of GDP from 3.6% a year ago, while the general government debt position was largely unchanged at 26.5% of GDP, leaving Bulgaria as one of the outperformers in the EU (average of 86% of GDP as of 3Q2015).

Bulgarian Economy in 2015 (continued)

MACROECONOMIC INDICATORS	2015	2014	2013	2012	2011	CHANGE 2015/2014
Nominal GDP[1] (BGN million)	85 852	83 612	81 971	81 544	80 100	2.7%
GDP per capita[1] (BGN)	11 997	11 609	11 313	11 194	10 932	3.3%
Real GDP growth[1], swda (%)	2.8	1.5	1.3	0.2	1.6	+1.2 pp
Basic Interest Rate, avg (%)	0.01	0.03	0.02	0.10	0.20	-0.02 pp
Inflation, eop (%)	-0.4	-0.9	-1.6	4.2	2.8	+0.5 pp
Inflation, avg (%)	-0.1	-1.4	0.9	3.0	4.2	+1.3 pp
Unemployment rate, SA, eop (%)	8.8	10.2	12.9	12.5	11.7	-1.4 pp
Official exchange rate, eop (BGN/USD)	1.79	1.61	1.42	1.48	1.51	11.3%
Official exchange rate, avg (BGN/USD)	1.76	1.47	1.47	1.52	1.41	19.7%
Current account balance (BGN millions)	1 059	969	1 497	-212	734	9.4%
Current account balance / GDP[1] (%)	1.2	1.2	1.8	-0.3	0.9	+0.1 pp
Net foreign direct investments (BGN millions)	2 954	1 635	2 431	2 089	2 326	80.7%
Net foreign direct investments / GDP[1] (%)	3.4	2.0	3.0	2.6	2.9	+1.5 pp
Gross foreign debt[2], eop (BGN millions)	67 559	76 975	72 240	73 761	70 856	-10.4%
Gross foreign debt[2] / GDP[1] (%)	78.7	92.1	88.1	90.5	88.5	-11.5 pp
Public debt, eop (BGN millions)	22 714	22 102	14 673	14 352	12 255	2.8%
Public debt / GDP[1] (%)	26.5	26.4	17.9	17.6	15.3	+0.02 pp
BNB FX reserves (BGN millions)	39 675	32 338	28 215	30 418	26 108	22.7%
Budget balance / GDP[1] (%)	-2.9	-3.6	-1.8	-0.4	-2.0	+0.7 pp
Acting commercial banks at the end of the period	28	28	30	31	31	0

Source: Bulgarian National Bank, National Statistical Institute, Ministry of Finance and UniCredit Bulbank projections

[1] UniCredit Bulbank forecast for 2015
[2] Data as of November 2015

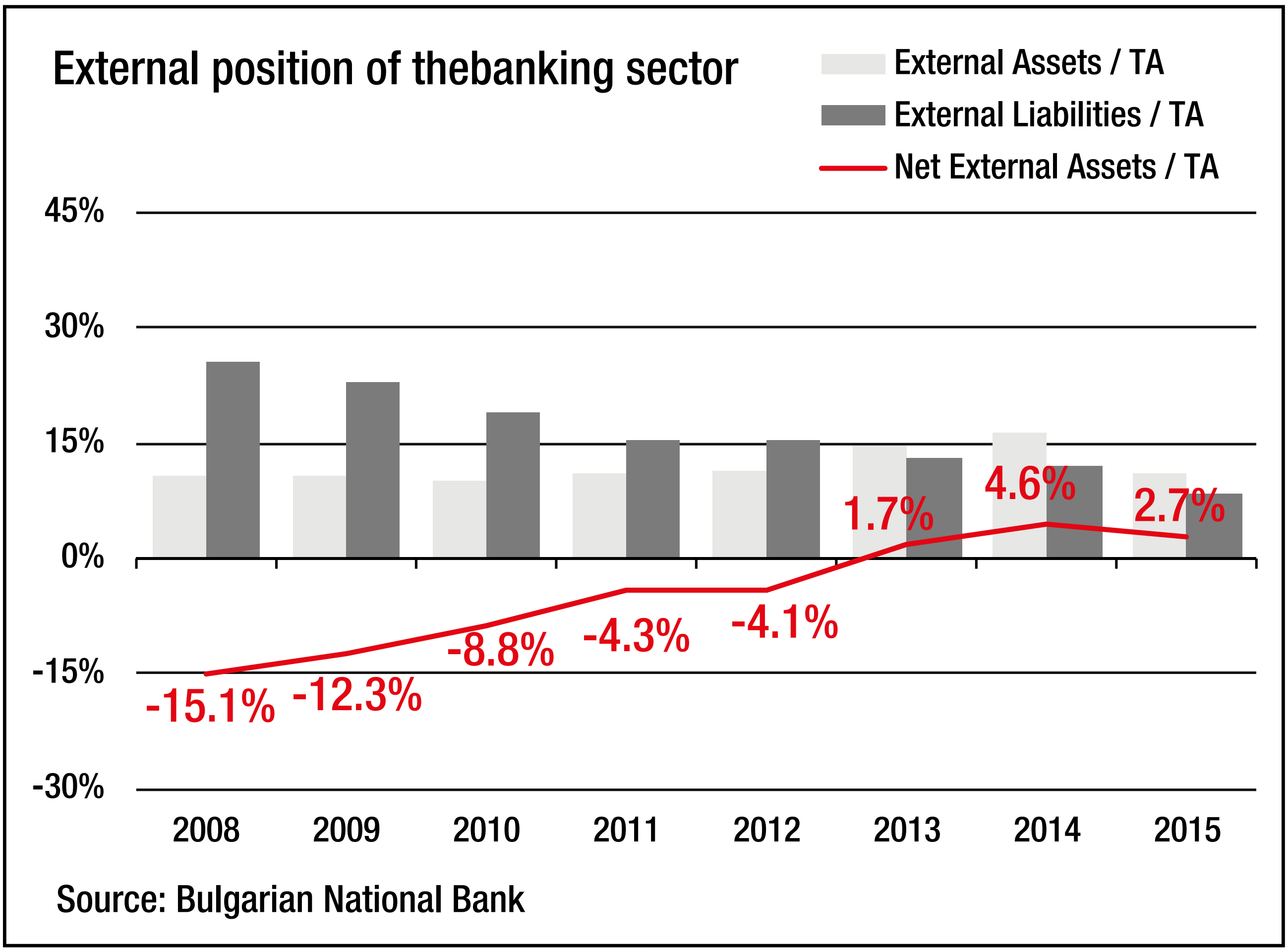
Banking Sector Overview

The year of 2015 was marked by the preparation of the banking industry for the assets quality review and stress test scheduled for 1H 2016. The focus was on boosting provisions coverage of distressed assets to help strengthen banks' resilience to shocks. To this end, banks set aside BGN 1.169 bn of additional provisions – the third highest annual volume posted since the bursting of the real estate bubble. Thus NPLs coverage with provisions increased to 68% in the end of 2015, from 58% one year earlier. The absolute amount of impaired loans reached BGN 11.0 bn and represented 20.4% of total gross loans and 12.8% from GDP in 2015.

However, the loan loss provision charges increased only marginally by 0.7% yoy and were more than offset by the positive trend in revenues that increase by 7.5% yoy. Thus the banking sector after-tax profit reached BGN 898 mln marking a 20.4% yoy growth.

Besides the favorable macro-economic conditions, as indicated by the 2.8% real GDP growth, the solid profitability performance last year was above all attributable to the normalization of costs of customer deposits. The pace of average deposit rates contraction was strong (116bp down yoy), but real interest rates on deposits remained in positive territory in the context of a mild deflationary pressure (-0.1% yoy). Average interest rates on loans also continued trending downward (78bp down yoy), which positively affected both availability and the cost of credit. At the same time, the boost in profitability last year also drew support from some one-offs, as other income rose by 21% yoy to its record highest level in more than a decade. This was accompanied by a solid 7.3% yoy increase in fee and commission income, mostly on the back of a strong push in interbank money transfers and other payments related services.

Funding position remained broadly unchanged last year with positive net external assets at 2.7% of total assets in 2015 (4.7% in 2014). Loan-to-deposit ratio receded below the 80% benchmark (to 77% in 2015 from 86% in 2014) thereby edging closer to the levels seen more than a decade ago. The latter mostly captured record-high increase in gross savings rate to 24% of GDP in 2015 (from already very solid 22% in 2014), which was the main driving force behind the solid 8.2% yoy rise in resident deposits. Gross loans to residents posted a marginal decline (-2.8%) last year on the back of some one-offs in 2014 as well as subdued investment demand in combination with technical factors with more transitory nature, as banks stepped up sales of distressed assets.



BANKING SYSTEM KEY FIGURES	2015	2014	2013	2012	2011	CHANGE 2015/2014
INCOME STATEMENT (BGN MILLION)						
Operating income	4 198	3 905	3 709	3 816	3 914	7.5%
incl. Net interest income	2 771	2 632	2 541	2 625	2 869	5.3%
incl. Net non-interest income	1 427	1 272	1 169	1 190	1 045	12.2%
Operating costs	2 022	1 924	1 986	1 983	1 958	5.1%
Operating profit	2 176	1 981	1 723	1 832	1 956	9.9%
Provisions (net)	1 169	1 161	1 144	1 212	1 306	0.7%
Pre-tax profit	1 013	838	588	636	664	20.8%
Net profit	898	746	527	567	586	20.4%
BALANCE SHEET (BGN MILLION)						
Total assets	87 524	85 135	85 689	82 416	76 811	2.8%
Loans to customers (incl. non-residents)	54 121	55 590	58 489	57 841	56 044	-2.6%
thereof: Non-performing loans	8 308	9 309	9 870	9 614	8 365	-10.7%
Deposits from customers (incl. non-residents)	69 276	63 710	62 230	57 256	52 808	8.7%
Shareholders' equity	11 523	10 839	11 106	10 850	10 448	6.3%
MAIN RATIOS (%)						
Loans-to-Deposits ratio (on residents)	77.0	85.7	93.9	101.6	106.8	-8.7 pp
Cost / Income ratio	48.2	49.3	53.5	52.0	50.0	-1.1 pp
NPLs[1] ratio	20.4	16.7	16.9	16.6	14.9	+3.7 pp
Cost of Risk[2]	2.0	2.2	2.1	2.2	2.5	-0.2 pp
ROAE (after tax)	8.1	6.8	4.8	5.3	5.7	+1.3 pp
ROAA (after tax)	1.1	0.9	0.6	0.7	0.8	+0.2 pp

Source: Bulgarian National Bank

Long-anticipated transformation in the ownership structure of the sector gained momentum last year, after the sixth largest local player - Eurobank Bulgaria (subsidiary of Greek owned Eurobank Group) announced the acquisition of the seventeenth largest - Alpha Bank, Bulgaria Branch (local entity which belongs to Alpha Bank). More consolidation activities are expected in 2016 particularly in the segment of the smallest entities, which seems too small to be able to generate economies of scale large enough to withstand competitive pressure.

More signs of credit recovery are expected to be seen this year, especially when assets quality review and stress test are over and negative effect of NPLs sales is fully subtracted. Rising building permits and more favorable prospects for households' incomes will also help clear most of the remaining hurdles to the residential investments and they will return to positive yoy growth rates at some point in 2016.

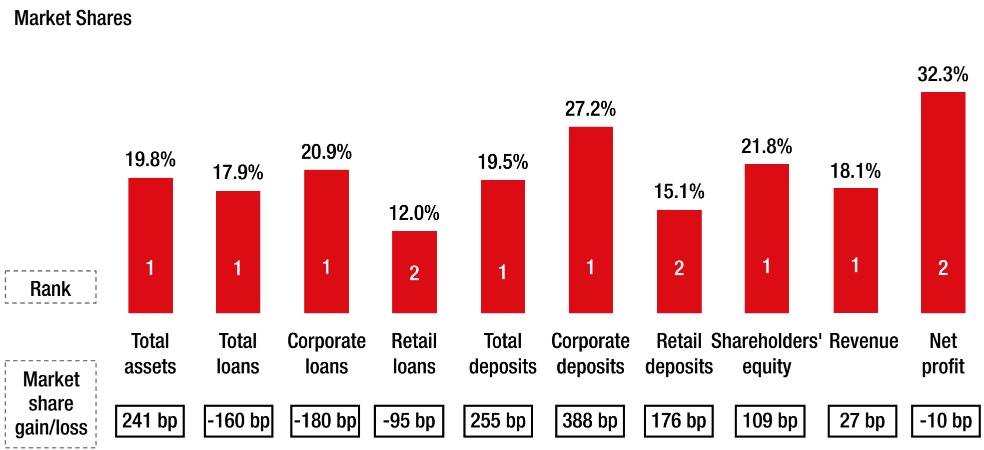
[1] Starting from 2015 BNB reports impaired loans, which makes these incomperable with the level of loans past due more than 90 days, as published by the BNB until the end of 2014.
[2] Provisions flow / Avg gross loans

Market Positioning

Market Positioning

2015 was another year of distinguished expansion of UniCredit Bulbank's market presence and assertion of its **number one** market position. The Bank topped the rankings in almost all indicators: total assets, gross customer loans, customer deposits, shareholders' equity and revenues. UniCredit Bulbank, being an institution with more than 50 years of history, with a client portfolio of more than one million customers and a branch network of 176 units not only established itself as the leading bank in Bulgaria but also is recognized by its parent company, UniCredit Bank Austria AG, as a strategically important bank in CEE region and enjoys its full financial and operational support.

All this achievements originate from the sustainable business strategy focused on innovations for positive customer impact. Thus UniCredit Bulbank positioned itself not only as the Number One Bank but also as the FIRST to introduce innovative products and services on the Bulgarian market with focus on digitalization and on changing customers' needs.



Source: Regulatory financial statements of UniCredit Bulbank and BNB

In 2015 UCB achieved the impressive growth in both indicators **total assets** (+17.0% yoy) and **shareholders' equity** (11.9% yoy), which resulted in achieving market share of 19.8% vs. 17.4% a year ago and 21.8% vs 20.7% in 2014, respectively. At the same time the positive distance to the second largest bank increased to 716bp in terms of total assets and 801bp in terms of shareholders equity, which indicates the indisputable leadership of UniCredit Bulbank.

During 2015 the Bank continued to keep its leading position in the field of the bonds trading and at the year-end scored higher security portfolio (+35.2% yoy). Cash and current account with BNB also moved substantially upwards due to enhanced liquidity.

Thanks to UCB commercial approach, oriented to establish a long-term relation with customers the Bank confirmed its position of the top market lender with a market share of 17.9% in **total gross loans** (18.9% if including the business, generated mainly through the Bank's subsidiary, specialized in consumer financing). The annual trend in the customer loans market share (-160bp yoy) is triggered by a short-term bridge-to-bond facility at BGN 1 bln that was provided to the Bulgarian government in December 2014 and was pre-paid in March 2015. In the sector of corporate and government lending UCB retained its leading position with market share at 20.9% and excluding the impact of the above mentioned transaction, market share increased by 35bp on annual basis. Despite the market's trend of weak consumer and mortgage lending, UCB's market share of **retail loans** increased by 16bp to 15.0%, when considering the contribution of UniCredit Consumer Financing. The good performance in retail sector was supported by the continuing process of projects simplification, new service model implementation and enhancement of the alternative channels functionalities.

After the 2014 crisis in some local banks, in 2015 the Greek turbulences triggered another wave of customer deposits re-allocation. Thanks to its excellent reputation, UniCredit Bulbank recorded another 25.1% yoy increase in customer deposits for second consecutive year, with similar growth rates in both corporate and retail segment. Market share reached 19.5%, gaining additional 255bp, which represented the highest gain for the banking system. Leadership in corporate segment was re-affirmed and market share reached the impressive 27.2% adding 388bp yoy. The positioning in retail segment was strengthened by taking #2 market position, reaching 15.1% market share and a sizable gain of 176bp yoy.

The strong market position contributed to enhanced revenues generation. UniCredit Bulbank recorded 8.7% y/y growth in revenues, achieving 18.1% market share, supported by almost all income components - net interest income (+5.4% yoy growth to 16.9% market share), net fees and commission income (+15.2% yoy growth to 22.2% market share) and trading income including investment securities increasing by 27.5% y/y. Thanks to its competitive advantages in terms of revenues generation, efficiency in operations and strong risk management, UniCredit Bulbank continued to deliver almost 1/3 from the Net Profit of the Bulgarian banking system (32.3% on stand-alone basis; 34.6% if adding the UniCredit Consumer Financing banking business net profit).

UniCredit Bulbank Activity Review

Unconsolidated Financial Results

In 2015 UniCredit Bulbank successfully leveraged on favorable market trends and backed also by its excellent reputation and successful business strategy marked yet another year of outstanding financial results. The Bank remained focused on businesses initiatives with prospects for sustainable development and stable return and reported a steady growth in the core income components: +5.4% yoy in net interest income and 15.2% yoy in fee and commission income. Trading and investments' income also performed impressively and **total operating income** accelerated its growth to 8.7% yoy at BGN 740.4 mln. **Operating expenses** (BGN 309.5 mln) increased by 20.3% mainly driven by regulatory defined costs related to the regular contribution to the Deposit Insurance Fund and the 1st instalment to newly established Resolution Fund. Despite the substantial increase in systemic charges, the **Gross operating profit** grew by 1.7% yoy to BGN 431.0 mln. Thanks to the traditionally sound coverage of non-performing exposures combined with improvement in loan portfolio quality, the **impairment losses on financial assets** declined by 30.9% to BGN 103.1 mln and contributed to the 20.0% yoy growth in **Net Profit** to BGN 290.0 mln.

In thousands of BGN

OPERATING INCOME COMPONENTS	YEAR		CHANGE	
	2015	2014	%	AMOUNT
Net interest income	469 321	445 308	5.4%	24 013
Net fee and commission income	197 868	171 798	15.2%	26 070
Net trading income	61 442	58 460	5.1%	2 982
Net result from investment securities and dividend	17 523	3 453	407.5%	14 070
Other operating income/expenses, net	-5 705	2 091	-372.8%	-7 796
OPERATING INCOME	**740 449**	**681 110**	**8.7%**	**59 339**
Operating expenses	-309 488	-257 166	20.3%	-52 322
GROSS OPERATING PROFIT	**430 961**	**423 944**	**1.7%**	**7 017**
Impairment losses on financial assets	-103 112	-149 169	-30.9%	46 057
Provisions for risk and charges	-5 279	-5 923	-10.9%	644
Income from property, plant and equipment	451	167	170.1%	284
Income tax expense	-33 014	-27 362	20.7%	-5 652
NET PROFIT	**290 007**	**241 657**	**20.0%**	**48 350**

Thanks to the efficient operating model and despite the material amount of systemic charges, the operating efficiency of UniCredit Bulbank significantly outpaced the market average expressed by cost/income ratio at 41.8% compared to market's level of 48.2%. Profitability KPIs evidenced the Bank's solid performance on an annual basis with a return on average equity ratio at 12.2% (11.1% in 2014) vs. 8.1% for the market. Return on average assets was flat yoy at 1.8% vs. 1.1% for the market. Preserving the positive trend from the previous year, Net profit margin improved notably by 3.7pp to 39.2% vs market average at 21.4%.

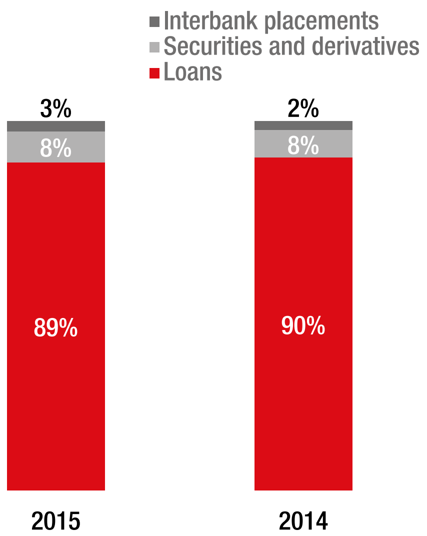
In 2015, the net interest revenues remained the major item in the revenues composition with 63% share in operating income. Similar to the trend in the overall banking system, UniCredit Bulbank reported an increase of 5.4% in **net interest revenues** to BGN 469.3 mln. The growth is derived mainly from the positive impact of funding costs optimization and strategy of active excess liquidity management.

With regard to **interest revenues**, in 2015 they reached BGN 560.8 mln and are primarily earned from the lending business, which accounted for 89% of total interest income. This once again indicated the strategic importance of commercial banking for UniCredit Bulbank and its commitment to local economy. On annual basis, **interest income from loans** decreased by 6.2%, because of the decrease in loan rates, due to general decline in interbank reference rates and competition driven margin compression.

Interest income from securities and derivatives increased by 6.1% yoy keeping the share of 8%, as a result of increase in the bonds portfolio aiming at excess liquidity optimization and favored by the leading position of the Bank in the government securities market. **Interest income from interbank placements** grew by 9.0% yoy and marked an increase in its share from 2% in 2014 to 3% a year later, as a result of volumes growth.

Unconsolidated Financial Results (continued)

Share in Interest Income



With regard to **interest expenses**, in 2015 they amounted to BGN 91.4 mln. The highest share of 78% belongs to **customer deposits**. Thanks to pronounced market trend of decrease in their interest rates, the absolute amount of interest expenses for customer deposits (BGN 71.4 mln.) shrank by 37.7% yoy, although UniCredit Bulbank gained a 25.1% annual growth of deposits base. **Interest expenses for banks' deposits** (BGN 10.8 mln.) also reported a significant decline of 35.8% yoy, supported by the optimized volumes of wholesale funding.

In 2015 the Bank actively followed its policy for stronger market positioning in traditional banking services while at the same time putting special focus on their digitalization. Fee generating product portfolio continued enlarging by enriching investment products' portfolio, enhancing the cards business, adding new functionalities to the alternative banking channels and digitalizing the trade finance and factoring services. In combination with maximized synergy value coming from active collaboration with the external product factories for consumer financing, leasing and insurance businesses, this strategy made the **net fee and commission income** an important driver of revenues' growth. It reported a 15.2% yoy increase and its share expanded by 150bp yoy to 27% from total operating income. Net fee and commission income amounted to BGN 197.9 mln increasing mainly in transactional services (up by 14.5% yoy), investment products (up by 53.3% yoy) and other banking services (up by 63.6%).

REVENUE STRUCTURE	YEAR	
	2015	2014
Net interest income	63%	66%
Net fee and commission income	27%	25%
Net result from trading and securities and other income	10%	9%
OPERATING INCOME	**100%**	**100%**

The remaining components of operating income: net income from trading, investments and dividends and net other operating income/expenses taken altogether increased by 14.5% yoy, reaching BGN 73.3 mln mainly as a result of higher Net income from investment securities. **Net trading income** marked an annual increase by 5.1% to BGN 61.4 mln mainly driven by higher revenues from FX operations. The **dividend income** amounted to BGN 1.0 mln (BGN 1.2 mln in 2014). **Net other operating income/expenses** reported a negative value of BGN -5.7 mln influenced by impairments of foreclosed properties.

Higher staff expenses, deposits volume-driven increase in the costs for Bulgarian Deposit Insurance Fund and the first contribution to the newly instituted Resolution Fund predetermined the annual increase of **Operating expenses** (20.3% yoy). In accordance with the newly adopted Law on the Recovery and Resolution of Credit Institutions and Investment Intermediaries, the first contribution to the Resolution fund at the amount of BGN 22.9 mln was paid in 2015. In addition, the costs for the Deposit Insurance Fund increased by 14.4% to BGN 43.0 mln, because of the growth in the customer deposits attracted by UniCredit Bulbank. **Personnel costs** reported an annual growth of 7.5% reaching BGN 114.3 mln, in line with the improved financial and commercial performance as well as due to the regulatory defined increase in the max threshold for social contributions. **Non-personnel costs** went up by 26.1% to BGN 151.3 mln. If the two regulatory defined contributions to Resolution and Deposit insurance Funds at the amount of BGN 65.9 mln (75.5% growth yoy) were excluded, the non-personnel expense increased by 3.5% to BGN 85.3 mln. The main drivers of the remaining costs' increase are the expenses for strategic business projects like the CEE 2020 Plus program, the alternative channels enhancement program and the implementation of new service model in Retail network as well as strategic operational projects like the IT Technological program.

Expenses for depreciation and impairment on non-current assets grew by 42.4% yoy to BGN 43.9 mln driven by impairment of investment properties at BGN 13.6 mln.

In 2015 **impairment losses on financial assets** continued shrinking significantly by 30.9% yoy to BGN 103.1 mln as compared to BGN 149.2 mln in 2014, supported by the improved quality of loan portfolio and write-backs from recoveries of some large non-performing exposures in 2015. It reflected on the favorable trend of cost of risk ratio, based on average net loans, down by 0.5pp yoy to 1.1% (1.6% in 2014).

Profit before tax marked positive development of 20.1% yoy reaching BGN 323.0 mln. The higher result of the latter predetermined the annual upward movement of 20.7% of **Income tax,** pointed at BGN 33.0 mln.

Unconsolidated Assets and Liabilities

Operating more than 50 years on the Bulgarian banking sector, in 2015 UniCredit Bulbank re-affirmed its leadership on the market in terms of **total assets** which amounted to BGN 17 368 mln. They increased with BGN 2 525 mln yoy supported by the significant growth in funding sources, mainly customer deposits. The trend of the separate assets' categories proves once again the systemic importance of UniCredit Bulbank not only for the Bulgarian banking system but also for overall financial and economic environment in the country. At the end of 2014 UniCredit Bulbank extended bridge-to-bond facility to BG government at the amount of BGN 1 bln that was prepaid in March 2015, following the successful placement of bonds within the Global Medium Term Note Programme. This is the main reason for the reported decline of 11.7% yoy in the **Net loans and advances to customers** which ended up at BGN 8 769 mln. **Loans and advances to banks** posted 24.7% reduction yoy to BGN 1 225 mln, while on the other side, **Securities portfolio** followed the upward trend, increasing by 35.2% to BGN 2 292 mln, which resulted into improved revenue generation capacity. **Cash and balances with Central Bank** grew significantly with BGN 3 493 mln yoy to BGN 4 585 mln, driven by continuous rise in customers' liquidity.

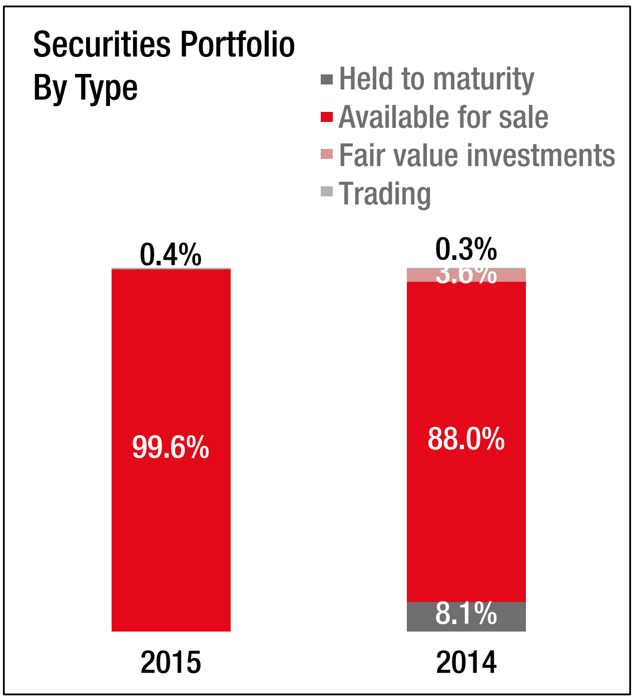
In thousands of BGN

BALANCE SHEET STRUCTURE	YEAR		CHANGE	
	2015	2014	%	AMOUNT
ASSETS				
Cash and balances with Central Bank	4 585 396	1 092 227	319.8%	3 493 169
Loans and advances to banks	1 225 373	1 627 489	-24.7%	-402 116
Securities	2 292 373	1 695 827	35.2%	596 546
Loans and advances to customers	8 769 392	9 936 482	-11.7%	-1 167 090
Property and equipment	165 523	180 160	-8.1%	-14 637
Other assets, net	330 260	311 606	6.0%	18 654
TOTAL ASSETS	**17 368 317**	**14 843 791**	**17.0%**	**2 524 526**
LIABILITIES AND EQUITY				
Customer deposits	13 485 196	10 782 577	25.1%	2 702 619
Deposits from banks	1 090 445	1 502 765	-27.4%	-412 320
Other liabilities	284 885	317 718	-10.3%	-32 833
TOTAL LIABILITIES	**14 860 526**	**12 603 060**	**17.9%**	**12 257 466**
SHAREHOLDERS' EQUITY	**2 507 791**	**2 240 731**	**11.9%**	**267 060**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**17 368 317**	**14 843 791**	**17.0%**	**2 524 526**

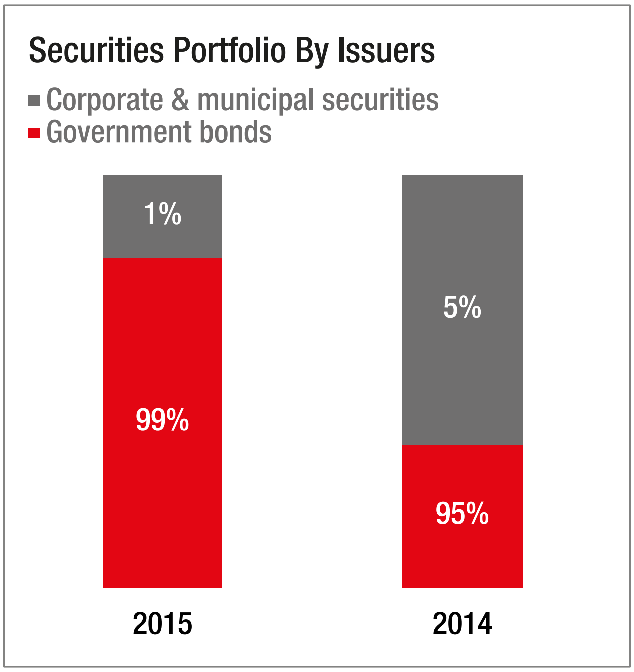
High credibility and real-value-added support to the customers remained the key success factor for the Bank in developing the trustworthy relationship with both individuals and business clients. Thus the focus on sustainable development of commercial banking pre-determined the highest share of **Net loans and advances to customers** at 50% in the asset structure.

The decrease in the share of **Loans and advances to banks** to 7% (-391bp) resulted from the re-allocation of funds to the securities portfolio. This trend was in line with the beneficial conditions on the market and Bank's liquidity management strategy, underpinned also by the leading position of UniCredit Bulbank on the Bulgarian government bonds market proved by several awards. In 2015 the Bank was awarded in both categories for the third consecutive year – primary dealer of securities that has purchased the largest number of securities on the primary market in 2015 and a primary dealer of securities that has purchased the largest number of securities on the primary market in 2015 for its own account.

The **securities portfolio** comprised almost entirely of government bonds at BGN 2 260 mln (up by 39.7% yoy) constituting 99% of the total, whereas the corporate and municipal securities shrank to BGN 32 mln (1% of total) downsizing more than twice yoy.



Unconsolidated Assets and Liabilities (continued)



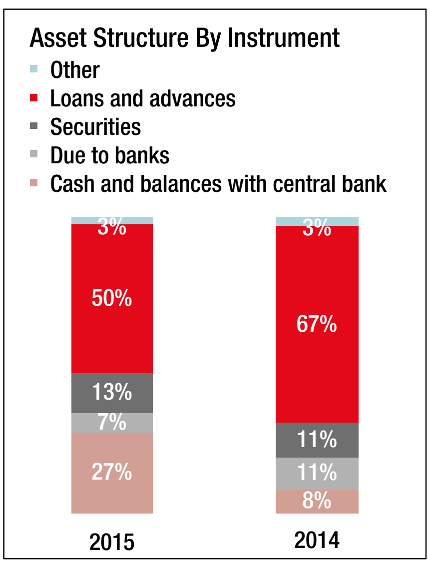
Taking advantage of the banking system liquidity, its steady market position and impeccable reputation, the annual increase in UniCredit Bulbank's **customer deposits** reached the noteworthy 25.1% and they amounted to BGN 13 485 mln. In 2015 the share of Corporate and Retail deposits equaled, with companies' funds growing a bit faster (by 27.7%) than that of individuals (22.6% yoy), to BGN 6 765 mln and BGN 6 720 mln, respectively. This trend highlighted the structured approach of the Bank in expanding the retail banking along with enhancing its pronounced corporate profile.

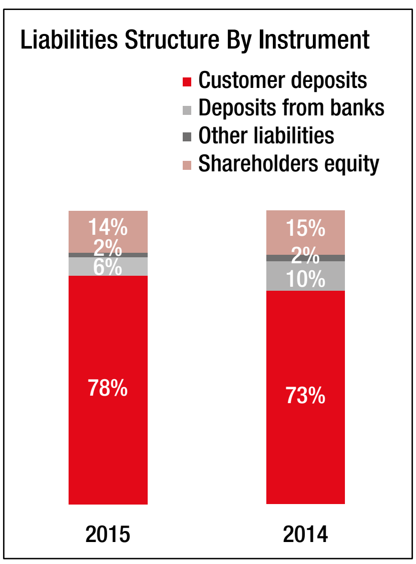
The share of customer deposits in total liabilities (excl. equity) increased by 519bp to 91% indicating the strengthened balance sheet structure. Net loans-to-deposits ratio marked an improved positive change of 27.1pp reaching 65.0% in 2015 down from 92.2% in 2014 owing to impressive growth of customer deposits.

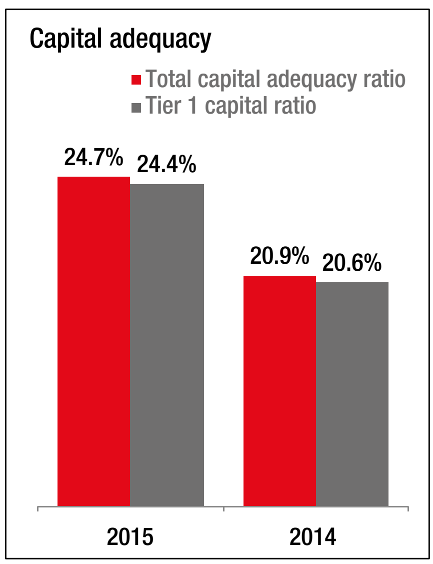
Deposits from banks declined by 27.4% yoy, pointing at BGN 1 090 mln, as well as the other components of the liabilities going down by 10.3% yoy to BGN 285 mln, leveraging on abundant customer liquidity and following a prepayment and maturity of some long-term funds and subordinated loans tranches.

The capitalized part of the 2014 Net Profit along with the impressive financial result generation for 2015 led to continued upward trend of **shareholders' equity** which grew by 11.9% to BGN 2 508 mln.

In compliance with Basel III (CRD IV) regulatory framework, in the current period UniCredit Bulbank fulfilled the minimum requirements of 13.5% for total capital adequacy ratio and 11.5% for Tier 1 ratio with significant buffers. The total capital adequacy ratio reached 24.7% (20.9% in 2014) and Tier 1 ratio reached 24.4% (20.6% in 2014), which also indicates the high quality of the capital instruments – i.e. mainly Tier I eligible ones.







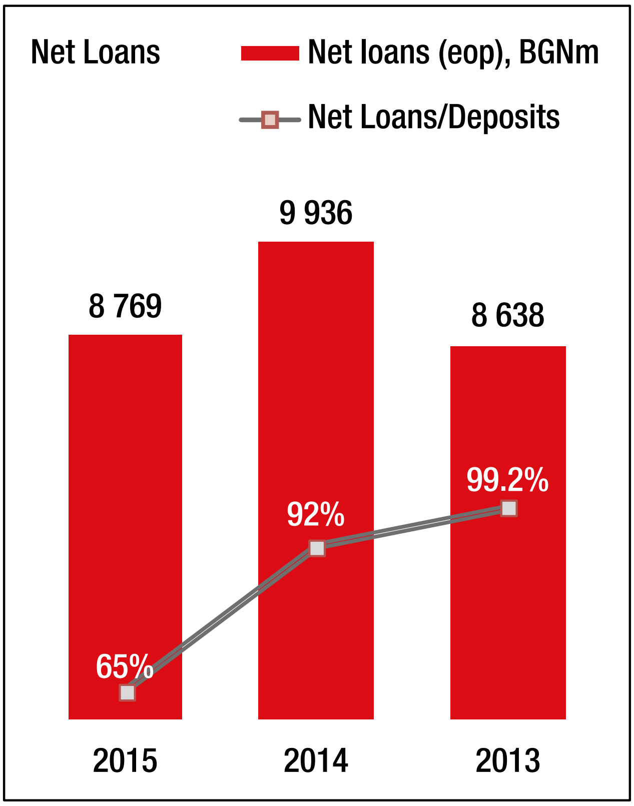
Unconsolidated Assets and Liabilities (continued)

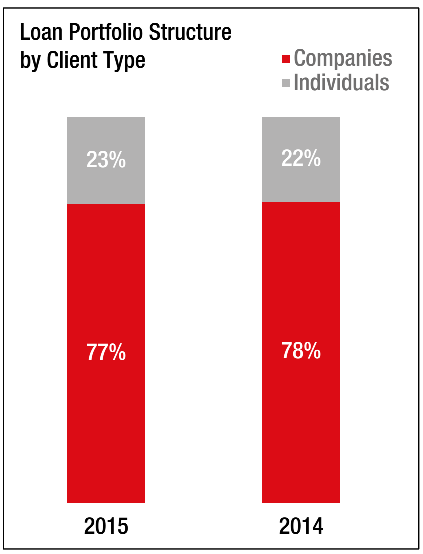
Customer Loans

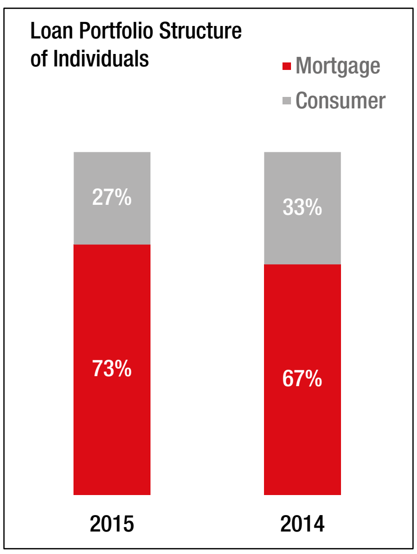
Although in 2015 the Bulgarian economy showed a signs of gradual recovery, the improving sentiments were not able to spur demand for credit and loan expansion. In such an environment UniCredit Bulbank successfully penetrated and retained the existing clients and further focused on new businesses. The commercial initiatives were addressed to providing a comprehensive range of Bank financing products supplemented also by factoring and leasing products to fully meet customer needs.

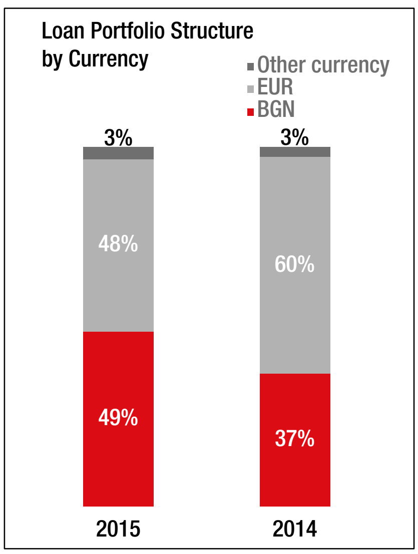
UniCredit Bulbank maintained its leading market position with **net customer loans** at the amount of BGN 8 769 mln and **gross customer loans** at the amount of BGN 9 698 mln. The Bank remained the most active player in the Bulgarian lending market with a share of 17.9%. If excluding the short-term bridge-to-bond facility extended to the government at the end of 2014, the Bank's gross customer loans portfolio decreased by 1.4% yoy at stand-alone basis, mainly in retail sector due to strategic decision to channel the consumer financing production through the specialized subsidiary UniCredit Consumer Financing.

Loans to companies and government amounted to BGN 7 505 mln and represented the largest portion (77%) of the Bank's loan portfolio. With regard to corporate customers, the Bank is indisputable leader and continuously facilitated sound businesses initiatives and profitable projects. The differentiated strategy by corporate sub-segments, along with the long-term trusted relationships and high quality of risk management resulted in effective financing solutions for the customers and new healthy revenue generation for the Bank. **Loans to individuals** amounted to BGN 2 193 mln, reaching a 23% share of total volume (22% in 2014). In 2015 mortgage loans marked slightly positive trend of 0.9%, reflecting the tentative revival on the real estate market. Their share in total loans increased to 17% yoy (73% share in loans to individuals) from 15% in 2014. As in the prior year, the transfer of new consumer loans production to Bank's subsidiary specialized in consumer financing led to decrease in its consumer loans portfolio by 23.9% to BGN 588 mln. They represent 6% share of total loans (27% share in loans to individuals vs 33% in 2014). If adding the banking consumer loans produced via UniCredit Consumer Financing, the growth in the consolidated consumer loans portfolio approached 4.7% yoy, while the market reported negative average annual growth of 0.3%.









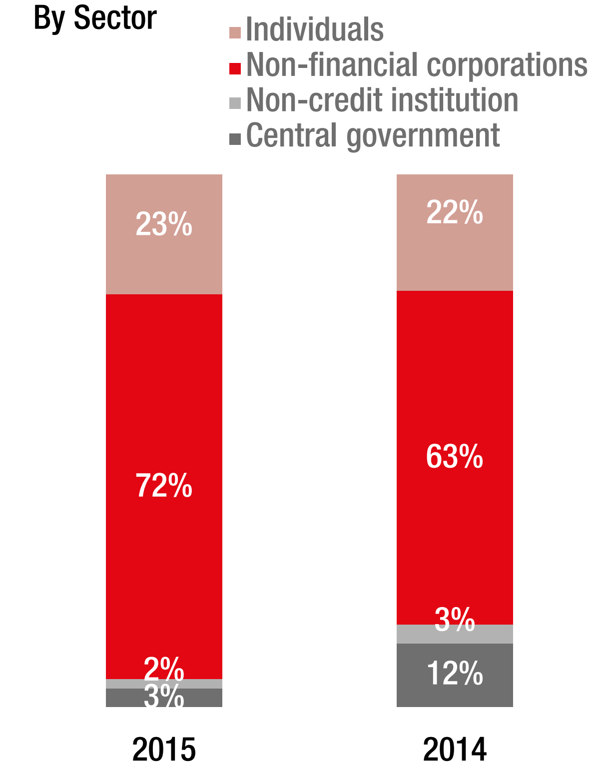
Unconsolidated Assets and Liabilities (continued)

At the end of 2015 the loans in EUR shrank in share to 48% of the **currency structure** of Bank's gross loan portfolio and amounted to BGN 4 642 mln. Loans in BGN grew by 17.9% yoy partially offsetting the EUR loan portfolio by taking a share of 49%. Loans in other currencies remained immaterial with 3% share.

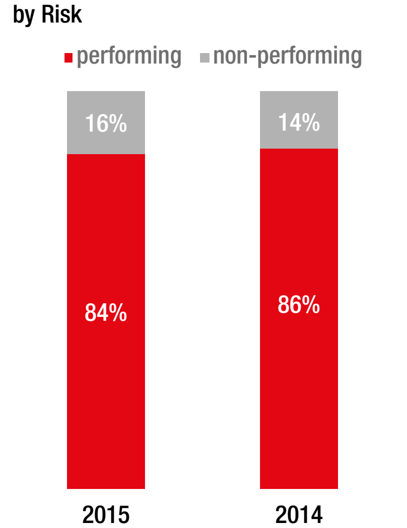
In terms of **structure by economic sectors** loans granted to non-financial corporations represented the largest portion in the loan portfolio, exceeding its share from a year ago to 72% (from 63% in 2014) at the expense of the share of loans to government sector (3% in 2015 vs. 12% in 2014) as a result of a short-term bridge-to-bond government loan granted by UniCredit Bulbank to the Ministry of Finance at the end of 2014, which was prepaid in March 2015. Loans to non-credit institutions constituted only 2%.

In terms of **assets quality**, performing loans portfolio represented 84% of total loans, amounting to BGN 8 163 mln, while the non-performing loans declined by 2.1% yoy to BGN 1 535 mln supported by strong recovery activities. As of December 2015 the Bank reported NPL ratio of 15.8%. The loan loss provision coverage of non-performing exposures acquired additional 3pp to 57% at the end of 2015 compared to 54% at the end of 2014. Total loan loss impairments increased by 2.4% on an annual basis and reached BGN 929 mln. Loans provisioning coverage ratio reached 9.6% (8.4% for 2014).

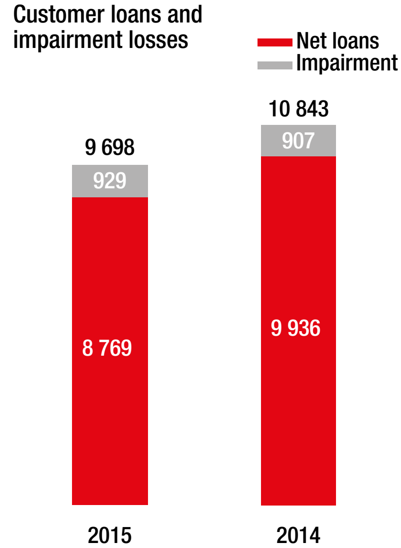
Loan Portfolio Structure By Sector



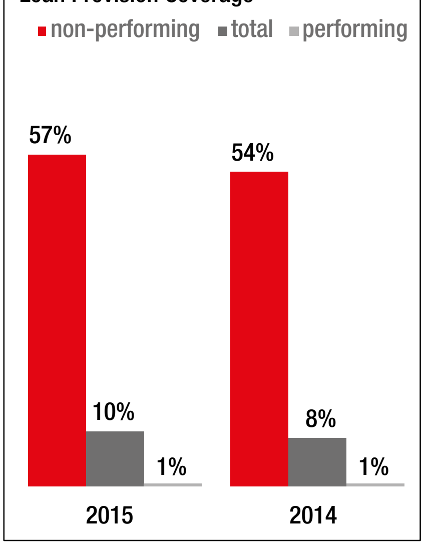
Loan Portfolio Structure by Risk



Customer loans and impairment losses



Loan Provision Coverage



Unconsolidated Assets and Liabilities (continued)

In 2015 the industry distribution remained almost unchanged, if taking into account the impact of the bridge-to-bond government loan in the 2014. Commerce, Services and Tourism grew in share at the expense of Transport and communication and Financial services sectors. The absolute amount of the exposure of "Construction and real estate" sector continued its decrease by 2.0% yoy remaining with a share at 16%. In line with Bank's strategy slight increase marked Housing loans (0.9% yoy) with a new share of 17% in 2015 (16% in 2014). The largest areas of concentration were commerce (22%), retail financing (23%) and manufacturing (20%).

In thousands of BGN

INDUSTRY STRUCTURE	2015		2014		
	AMOUNT	SHARE	AMOUNT	SHARE	SHARE ADJUSTED[1)]
Manufacturing	1 969 390	20%	2 002 245	18%	20%
Commerce	2 179 715	22%	2 052 031	19%	21%
Construction and real estate	1 528 474	16%	1 560 410	14%	16%
Services	507 809	5%	420 536	4%	4%
Transport and communication	229 109	2%	255 657	2%	3%
Agriculture and forestry	426 445	4%	377 985	3%	4%
Financial services	192 643	2%	366 004	3%	4%
Tourism	155 673	2%	140 804	1%	1%
Sovereign	315 605	3%	1 304 097	12%	3%
RETAIL	**2 192 937**	**23%**	**2 363 570**	**22%**	**24%**
Housing loans	1 604 843	17%	1 590 636	15%	16%
Consumer loans	457 418	5%	638 139	6%	6%
Other loans	130 676	1%	134 795	1%	1%
TOTAL LOAN PORTFOLIO	**9 697 800**	**100%**	**10 843 339**	**100%**	**100%**

[1] Excluding the shrot-term bridge-to-bond government loan

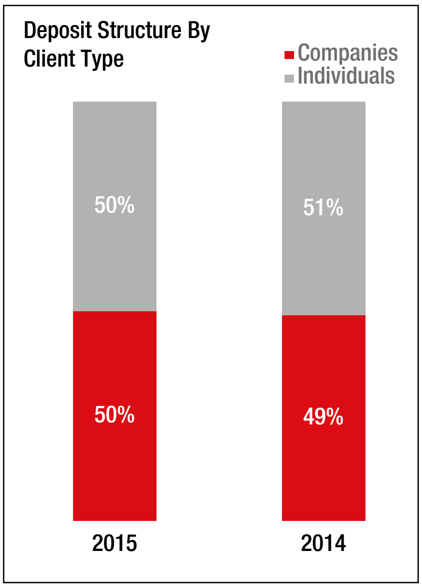
Unconsolidated Assets and Liabilities (continued)

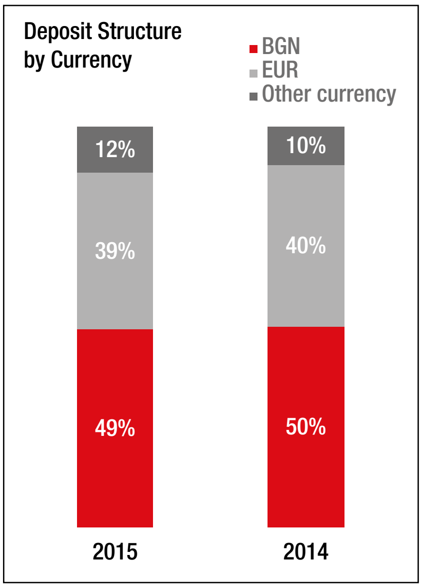
Customer Deposits

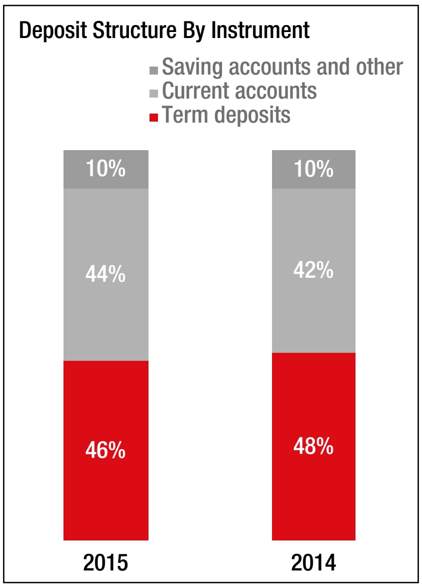
2015 was another year of distinct expansion of UniCredit Bulbank's market presence when the institution noticeably established itself as the most trusted bank on the market which translated into an impressive 25.1% growth of its deposit base for a second consecutive year. **Deposit from customers** amounted to BGN 13 485 mln. Market share reached 19.5%, gaining additional 255bp, which was the biggest gain among all competitors thus distancing further from the second on the market. Moreover, the Bank strengthened its position in Retail banking by moving from third in 2014 to second ranking in 2015. UniCredit Bulbank became the bank of choice for the individual clients and companies thanks to its undisputable safety and stability as well as excellent reputation.

In terms of **currency distribution** the structure of deposits displayed a 49% share of BGN denominated deposits, compared to 50% in 2014. Deposits denominated in EUR shrank to 39% (40% in 2014) although they grew by 21.2% yoy. Again significant growth is observed in deposits denominated in other currencies (+50.8% yoy) growing in share out of total funds to 12%.

With regard to the **product structure**, current accounts gained additional share to 44% at the expense of term deposits. Saving accounts remained at 10% share of total.







Both **Deposits of individuals** (BGN 6 720 mln) and **Company deposits** (BGN 6 765 mln) ticked up fine by 22.6% and 27.7%, each accounting for a 50% share from total deposits. Following customer behavior trends, the Bank continuously enriches its product portfolio. Besides the standard deposits, a variety of long-term investment and saving solutions are offered to customers, such as structured deposits, mutual funds of Pioneer Investments, life insurances and pension funds of Allianz.

Consolidated Financial Results

The following table represents the list of UniCredit Bulbank's subsidiaries, their consolidation method and respective participation in equity as of 31 December 2015:

COMPANY	PARTICIPATION IN EQUITY	CONSOLIDATION METHOD
UniCredit Consumer Financing EAD	100.0%	Full consolidation
UniCredit Leasing Group	100.0%	Full consolidation
UniCredit Factoring EAD	100.0%	Full consolidation
Hypovereins Immobilien EOOD	100.0%	Full consolidation
Cash Service Company AD	20.0%	Equity method

The trends in the consolidated financial results are defined mainly by those of UniCredit Bulbank (as already described in previous section of the report).

The **consolidated net profit** of UniCredit Group for 2015 was at BGN 340.2 mln increasing by 19.6% yoy. The growth was mainly driven by increase in revenues of both Bank stand-alone and subsidiaries as well as the reduced provisions for impairment losses on financial assets, mainly in the Bank stand-alone financial statements. The net profit figure was positively impacted by significant increase of all components of the operating income except for net other operating income. Net interest income (+9.3% yoy), fees and commissions income (+6.3% yoy) and trading income (+27.2% yoy) scored higher performance yoy. In addition to the positive contribution of the growing revenues of the Bank, the growth in **consolidated revenues** (8.7% yoy) was supported by robust increase in the income from consumer lending channeled through UniCredit Consumer Financing.

Group's **consolidated operating expenses** had an upward trend of 18.6% yoy to BGN 337.2 mln mainly due to growth in costs of the Bank (stand-alone). The sound social policy conducted by the Bank and legislation-imposed systemic charges justified the compelling annual increase of both personnel costs non-personnel costs.

The increase in operating costs, were more than counterbalanced by the growth in operating income and thus **gross operating profit** was up by 3.1% yoy.

Consolidated Impairment losses on financial assets decreased by 31.9% yoy to BGN 124.3 mln, following the trend of the Bank's stand-alone figures.

Total **consolidated assets** reported 18.1% annual increase and reached BGN 18 879 mln. Thanks to the positive contribution of subsidiaries - UniCredit Consumer Financing, UniCredit Leasing Group and UniCredit Factoring, the consolidated net customer loans grew by 2.2% (if excluding the bridge-to-bond facility in 2014) to BGN 10 322 mln. Customer deposits of the Group were at BGN 13 296 mln, rising by 24.6% yoy.

In thousands of BGN

	YEAR		CHANGE %
	2015	2014	
INCOME STATEMENT FIGURES			
Operating income	850 755	782 490	8.7%
Operating expenses	- 337 235	- 284 454	18.6%
Gross operating profit	513 520	498 036	3.1%
Impairment losses on financial assets	- 124 289	- 182 408	-31.9%
Net profit	340 191	284 535	19.6%
VOLUME FIGURES			
Total assets (eop)	18 878 645	15 984 106	18.1%
Net customer loans (eop)	10 322 202	11 112 403	-7.1%
Customer deposits (eop)	13 295 739	10 666 785	24.6%

Risk Management

Credit Risk

In 2015 the Bank performed its credit activities in compliance with the governing rules and policies and in respect of the defined risk appetite framework. Thanks to registered improvement in the economic environment in 2015, the deterioration of the customer loan portfolio slowed down in all major business segments. As a result, the cost of risk ratio on consolidated level decreased from 177bp in 2014 to 116bp in 2015. The impaired portfolio remained a major focus and therefore the Bank continued with the repossession of assets, debt collection and several very successful cessions of loan packages in private individuals and small business segments. A number of fully provisioned loans without or with sold collaterals were put on off balance sheet status. Due to new forbearance regulations introduced by EBA, several exposures had to be classify as default, while previously were classified as performing-forborne. Nevertheless UniCredit Bulbank achieved net reduction in the impaired portfolio of BGN 71.5 mln and improved NPL ratio to 14.9%, compared to 15.9% adjusted value (excluding the bridge-to-bond facility extended to the government) from previous year.

At the end of 1H 2015 the Group started the IFRS9 conversion project, divided in two work streams – "Classification and measurement" and "Loan loss provision calculation". Several simulations regarding the impact on the new provision coverage were already conducted and the process will continue during 2016.

The major event expected in 2016 will be the **Asset Quality Review** (AQR) of the Bulgarian banking system, which will be performed by the Bulgarian National Bank, including review of the quality and adequacy of the used valuation of assets and collaterals, as well as applied practices for impairment and provisioning.

The **credit underwriting** activity in 2015 was performed in accordance with the adopted local Credit Risk Policies, based on UniCredit Group Credit Risk and Industry Strategies as well as Economic Sectors Outlooks. In the origination of new loans, the Bank conformed to the prescribed financing principles for probability of defaults, transaction's structural features, covenants and conditions and provision of collateral. During 2015 several projects were performed aiming to introduce more flexible and efficient underwriting process. In its approval process for individuals and SMEs, the Bank enlarged the use of implemented behavior scoring. The analysis phase of the project for change of the automated underwriting systems for retail customers, both SMEs and individuals was completed during the year. The major goal was to enhance the loan origination process by addressing issues as timely updates of the scoring cards, processing time, data management, improvement of the scoring process and the predictive power of the automated system.

Throughout 2015 the **Monitoring function** took significant part in the ongoing collateral workflow process improvement through ensuring informationally the newly established process that grants the Bank more active role in the renewal of collateral's insurances and evaluations. The weekly delivery of reports to all participants in the process as well as the preparation of weekly summary status reports to the Management had a substantial positive effect on the collaterals' database quality.

In addition, a lot of efforts have been put into simplification and optimization of the produced set of monitoring reports with the purpose to more properly respond to the business requirements, where a Risk Reporting Map was created in order to present a clear overview of the reports in the area of Risk Management.

Following the implementation of the SME Monitoring Golden Standards in the end of 2014, on the basis of one year time series, some adjustments in the warning signals were introduced in order to optimize the structure of the Watch List and to identify truly risky clients with potential financial problems. With regard to corporate clients, due to IT resource constraints and dependence on some other important projects, part of the latest amendments in the Internal Rules in terms of technical solution together with upgrade of Retail Monitoring Tool were rescheduled for the middle of 2016.

Apart from the afore-mentioned activities, starting from the first months of 2015, there is a process of monitoring and Watch List process synchronization with the Bank's subsidiaries with two-way reporting from Bank to Subsidiaries and vice versa.

UniCredit Bulbank reports regulatory capital for credit risk for banking institutions and corporate clients under the **Foundation Internal Rating Based Approach** (FIRB) while exposures to retail clients, public sector entities, multilateral development banks and municipalities are treated under the Standardised Approach. Approval for the use of the Advanced Internal Rating Based Approach for retail and corporate clients' exposures is expected in the first half of 2016. Regulatory capital for operational risk is quantified under the Advanced Measurement Approach (AMA).

In parallel to regulatory capital calculation, the Bank also maintains a full-scale economic capital quantification and reporting and stress testing as part of its **Internal Capital Adequacy Assessment Process (ICAAP)**. Along this process the Bank has also implemented the Group Risk Appetite Framework which explicitly defines the level of risk it is prepared to accept in pursuit of its strategic objectives and business plan, taking into account the interest of its customers and shareholders as well as regulatory requirements.

Risk Management (continued)

Market, Counterparty and Liquidity Risk

In the area of risk appetite and strategy, the Market risk management function supported regular reassessment of market and liquidity risk limits with focus on client-flow business. Market risk policies and processes were regularly adapted to ensure group-compliant risk measurement and control tools. In 2015 the Bank finalized the implementation of new risk and front-office architecture aimed at higher efficiency in managing market and liquidity risks. The adoption of group Independent Price Valuation processes and tools in daily price control activities was another important achievement.

Regarding limit control and reporting, the Market risk management function continued to supply management with daily limit compliance reports. These consisted of VaR metric complemented by stress-oriented FX, interest rate and credit spread sensitivity measures, combined with stop-loss and operative liquidity triggers. Within ALCO process, the Bank's management was regularly supplied with comprehensive summary of potential profit and loss impact of extreme shifts in FX, interest rates, credit spreads and market liquidity squeeze on major portfolios.

With reference to risk methodology and architecture, UniCredit Bulbank makes use of the group internal model IMOD for daily market risks control and economic capital assessment. Asset and liability management systems were adapted to facilitate daily calculation and monitoring of Basel III liquidity ratios – Liquidity coverage ratio (assuming liquidity stress over 1 month horizon) and Net stable funding ratio over 1 year horizon. The system for counterparty risk measurement and control was upgraded to facilitate quantification of CVA risks in pricing and valuation.

Activities of Market risk management function in 2016 will be focused on further adaptation of tools and processes related to fair valuation of financial instruments in the context of IFRS13. Major step ahead in the area of prudent valuation is the continuing upgrade of risk systems for implementation of Fair Value Adjustments and Additional Value Adjustments. Refinement of liquidity models as per new regulatory rules will be another area for development.

Other important project to continue in 2016 is the integration of banks' subsidiaries' operations in terms of risk infrastructure, management and reporting tools.

Operational and Reputational Risk

The main activities of the Operational and Reputational Risk unit in 2015 were focused on the further development of its management, with emphasis on preventative and mitigation actions to reduce future losses. Several Group instructions, including additional Reputational risk policies were implemented at local level.

The Operational Risk management at UniCredit Bulbank AD is well established, at a high level of quality, as can be concluded from the annual self-validation report. This fact was confirmed by the control verifications of UniCredit Group Internal Validation and the Bank's Internal Audit inspections which found the operational risk management and control system fully adequate and compliant with regulatory and Group standards. All of the annual activities included in the annual plan, defined by the Group, were performed following the Group methodology and on a timely manner.

Moreover, the risk culture had been constantly spread out within the Bank. Beside the regular Operational risk training to all new or relocated employees and the obligatory online training for all Bank personnel, a Reputational Risk online training was introduced. All the training activities, combined with methodological guidance and support to the other structures within the Bank ensured the outstanding operational risk awareness at Bank level.

The main challenge for in 2016 will be to maintain and further improve the high level of the operational risk management and to accomplish a similar level of understanding in the field of reputational risk. A significant part of the resources of the unit in 2016 will be devoted towards the implementation and monitoring of the UniCredit Bulbank Operational Risk Strategies, which are derived from the Group Strategies for 2016 and include different approaches to mitigate Cyber risk, Credit application fraud, Compliance risk etc. The Operational and Reputational Risk unit will continue the training and monitoring of the bank's subsidiaries with regard to the identification, reporting and mitigation of the Operational and Reputational risk according to the regulatory and UniCredit Group standards.

Corporate, Investment and Private Banking

General Overview

The economic recovery in Bulgaria in 2015 was supported by both exports and public investment. In this macroeconomic environment the strategy of CIB&PB division was built on two main pillars: (1) acquisition of new customers in export-oriented sectors and agro-financing; (2) development of the existing customers through the establishment of long-lasting relationships.

Projects under the CEE 2020 PLUS Program, innovative local initiatives on business' internationalization and on digitalization were among the main pillars of CIB&PB strategy.

CEE 2020 Initiatives

In Corporate Banking the CEE 2020 PLUS program targets to boost value creation of corporate portfolio through several initiatives. In 2015 UniCredit Bulbank was actively working on the Capital Light business model which involves a review of account planning process to help relationship managers to focus on top priority customers and select "capital-light" products for their financial need.

In addition, Corporate Banking kicked off 2 new projects part of CEE 2020 PLUS: One CIB for international clients that focus on implementation of a truly distinctive and effective multi-country clients' proposition and Big Data that focus on proposing a tailor-made, need-based product offering and building a long term trust-based partnership.

In Private Banking the CEE 2020 PLUS program targets a further development of service model by implementing a new holistic need-based advisory model and providing the best-in-class financial solutions and guided asset allocation propositions to the private banking clients.

International Center

Exclusively dedicated to the international business, the International Center service model continued to realize potential in 2015. Being built as a "one stop service" location, the Center offers temporary offices and lounge services for our clients. The meeting room zones are used also for organizing official events, business-to-business networking opportunities, themed sector events and joint-marketing initiatives. Since the opening of the International center, more than 1700 meetings were held and more than 35 events were organized.

Innovation and Digitalization

In 2015 Global Transaction Banking implemented an innovative system for processing Trade Finance orders based on Bulbank Online that will provide the customers a modern and convenient method for communicating with the Bank via e-channel. The objective of the tool is to increase sales and maintain market leadership, while mitigating the operational risks and improving document management.

In Q4 2015, Factoring subsidiary went digital for corporate clients, both suppliers and buyers, with eFactoring.bg. Being a first mover and market leader, with this innovative product UniCredit Factoring targets to boost speed, minimize paper usage, enhance security and uplift process control. The tool will also be used as a client origination engine.

In terms of financial performance, CIB&PB revenues (including the Leasing and Factoring subsidiaries) increased by 9.4% yoy, predominantly driven by net interest income (+9.7% yoy). Non-interest revenues were 8.9% yoy, mainly stemming from non-customer related trading, payment transactions, trade finance products, FX, POS and ATM. Before-tax profit was 46.5% higher vs. previous year, while impairment charges decreased by 30%.

All sub-segments recorded higher revenues yoy, except for the international clients segment, due to postponed investment activity of most of the foreign companies in Bulgaria. Mid-sized domestic clients proved to be the back-bone of the sustainable revenues of the division. Large domestic companies segment, reported significant growth yoy (+15%), leveraging on the public investments and clients loyalty, built on the bank's reputation. In parallel, the Real Estate segment reported 15.4% higher revenue yoy, thanks to the favorable investment environment in the sector and focus on the NPL portfolio recovery. Based on the market-driven deceleration of interest rates, the unit dedicated to servicing the financial institution groups managed to significantly optimize deposit costs.

Customer deposits continued to grow in 2015 supported by UniCredit excellent reputation and its leadership position on the local market. The average deposit base at division level reached BGN 5.5 bln in 2015, registering annual growth rate of 23%. With regard to the distribution per segments, the largest share of deposit volumes came from large domestic clients, followed by mid-sized domestic corporates and international companies. The financial institutions, including insurance companies and pension funds, also distinguished the Bank as a preferred partner in the attracting funds. The currency structure of the deposit base comprised of deposits in BGN (51%), EUR (38%), USD (10%) and other currencies (1%). Overall, the stand-alone corporate deposits market share of the Bank increased by 4.8pp yoy to 27.8%[1]) at year-end.

The average group loan base reached BGN 7.7bln in 2015 with a growth of 8.4% yoy. The front-runners in terms of loan volumes were mid-sized domestic and large domestic clients. Mid segment focused on client refinancing and leveraged on working capital loans. The major share of the loan portfolio for large domestic clients was allocated to investment facilities driven by business expansion of the companies and public investments. International and Real Estate sub-segments also had higher shares of investment loans. The loan currency structure included loans in EUR (58%), BGN (38%) and USD (4%). The group corporate loans market share of the Bank decreased by 1.72pp yoy, to 22.3%[1]) at year-end due to some investment loan repayments.

Special attention was also put on the non-performing part of the loan portfolio. The commercial actions aimed to match restructuring plans with client characteristics as well as to improve the asset quality of the existing portfolio. The NPL (Non-performing loans) Asset Sale

[1] Market shares based on data as per Monetary Statistics Reports of BNB

Corporate, Investment and Private Banking (continued)

initiative was further devolved by the launching of a shared tool, enhancing the cooperation between business and risk divisions. The pool of potential investors was enlarged due to the constantly exerted efforts of marketing the eligible assets for sale. As a result around 45 transactions were closed in 2015, thus optimizing the risk costs of the division.

Leveraging on the synergies with the subsidiaries, the joint initiative for active sales of insurances on loan portfolio collaterals contributed to the improved results of UniCredit Insurance Broker while reducing the credit risk for UniCredit Bulbank.

Product/Coverage model

CIB&PB division serviced different types of customers, based on their needs and behaviors. The essence of the service model lies in its cross-functional responsibility towards the customer from both product owners and segment coverage, which contributed to increase furthermore the customer satisfaction. In 2015, segment coverage units and their relationship managers (RMs) focused on business origination via expanding the skills set in order to meet the qualitative level of consultancy, to create conditions for sustainable growth and extra business value. Increased quality deliverables resulted in better application process, leading to less refusals and faster approval.

In 2015 the product factories focused on implementing innovative systems across all areas with one common objective - providing the customers with a modern and convenient method for communicating with the Bank via e-channels (i.e. Trade Finance Automation initiative). The switch to digitalization, performed at Group level, delivered to the clients increased speed, paperless transactions, enhanced security and process control (e.g. eFactoring). Time to market was optimized, waiting times between phases were eliminated, while delivering operational excellence and maintaining customer satisfaction (i.e. “Docsy” initiative).

As of 2015, the corporate branch network consists of 10 branches covering all the regions of the country and ensuring a high-class operational service to the clients’ daily banking transactions. The corporate centers are dedicated only to corporate clients which is highly appreciated by our customers.

European Funds

In 2015 UCB achieved a total commitment of EUR 202 mln in loans under financial instruments (JEREMIE, RSI and EPMF) from the Bulgarian structural funds and European Investment Fund. More than 1400 companies took advantage of the preferential conditions of the guarantee schemes for working capital and investment needs.

The European Funds team created added value for the clients by developing the first digital calculator for EU Funds, which enables the companies to calculate easily on their own what their score would be when applying under the Operational Program “Innovation and Competitiveness” (OPIC 2014-2020), with a total budget of EUR 1.3 bln.

Furthermore, UniCredit Bulbank was positioned as a reference Bank for agriculture in Bulgaria, by serving all players of the value chain: production, trade, processing and retail. Informative seminars and events were organized throughout the whole country, which were attended by more than 2000 companies. The customer satisfaction was above 97%. Hence, more than EUR 35mln of loans with pledge on subsidies were granted to 586 agricultural companies.

The strategy for 2016 is set on offering special products and advisory services related to EU Funds for companies and projects with high potential for development, which in turn is expected to lead to improved utilization of subsidized financing.

Markets and Brokerage

In 2015 UniCredit Bulbank retained its position as leading market maker for local currency denominated products. The Bank continued to exploit risk-reward strategies in its trading activities in market environment of excess liquidity, negative rates and high volatility. For a third consecutive year the Bank was awarded by the Ministry of Finance in two categories: (1) a dealer that acquired the highest volume of government bonds on the primary market; (2) a dealer that acquired the highest volume of government bonds for its own account on the primary market.

With regard to FX market, in 2015 UniCredit Bulbank was awarded “Best Foreign Exchange Provider for Bulgaria” in the annual ranking of the international magazine Global Finance.

The Corporate Treasury Sales (CTS) team successfully continued supporting the Bank’s customers in their daily FX operations as well as financial risk management solutions. The Bank’s comprehensive product range was further upgraded with the introduction of soft commodities as new underlying in the list of hedging solutions.

UniCredit Bulbank retained its leading position in offering high level brokerage services for equity, fixed income, and exchange traded financial instruments and derivatives. The investment intermediation activity gives Institutional, Private Banking and Retail clients an opportunity to participate in the Bulgarian and the international capital markets, including developed markets, CEE and Emerging markets.

2016 outlook for M&B envisages reinforcing the leading market position in primary and secondary markets via active portfolio management in available for sale securities, increase in the bond portfolio volume and active market making in BGN products. In line with overall CIB&PB division strategy, a balance between new clients’ acquisition and existing clients’ activation is targeted, leveraging on digitalization, commodity hedging and value chain hedging.

Corporate, Investment and Private Banking (continued)

Financing

In 2015 the Bank continued developing its particular expertise in providing structured finance solutions to various industries. Quality assistance for optimizing the capital structure of the projects has been provided to both existing customers and the new ones. The aim was to ensure sufficient liquidity in order to allow for smooth development and financial robustness.

In 2015 the Real Estate portfolio has been further stabilized and numerous good opportunities for new financings were captured on market segments with growing expectations – high quality residential projects and office developments. New business was generated also by restructuring or disposal of distressed assets.

Project finance (PF) unit structured complex, tailor-made deals, while at the same time observing the risk appetite of the Bank and risks, associated with the local environment. Continuous monitoring on the existing clients in sectors with still changing regulatory requirements was crucial for stabilizing revenue and sustainability of the projects.

The strategy for 2016 is to continue growing in selected export oriented industries with new focus on IT and business outsourcing industries, to explore opportunities for cooperation in Public Private Partnerships (PPPs) for infrastructure projects, to explore the current potential for participation in innovative and profit driven projects under EU operational programs and to apply full debt repackaging, corporate solutions (including syndicated transactions) and acquisition financing.

Corporate Finance and Advisory

2015 proved to be another successful year for the Corporate Finance Advisory unit, building on new business origination initiatives in 2015 as well as better leverage on cross-functional and cross-country efforts. CFA unit advised some high profile, landmark transactions in M&A and Debt Capital Markets (DCM), supporting the UniCredit brand in winning the 2015 Mergermarket "M&A Financial Adviser of the Year" award for CEE, as well as getting to #3 Lead Manager position in CEE as per Dealogic Analytics League Tables for sovereign Eurobond issues for 2015. In the Equity Capital Markets (ECM) field we have successfully restructured an equity-linked product for a client. The excellent cooperation among product factories and geographies was the basis for excellent results of all CFA products.

In 2016 our efforts will continue to focus on building a strong pipeline, leveraging on UniCredit's sector and regional coverage for the big tickets, as well as on the internal network and client base for smaller opportunities. Capital markets activities remain a key priority and UniCredit will pursue existing opportunities in DCM and pitch for new ECM situations.

Global Transaction Banking

In 2015 the Bank maintained its leading position in trade finance, cash management, transactional sales and global security services business areas. In line with its long term strategy to offer value adding products and services, the Bank launched its innovative Trade Finance module within the online banking platform allowing its customers to fully manage their transactions in a digital environment.

The high quality of services and profound expertise of employees was recognized by both customers and reputable international financial sources. In 2015 the Bank was recognized as "Best Trade Finance Provider in Bulgaria" by Euromoney Trade Finance Survey, "Best Trade Finance Bank in Bulgaria" and "Best Sub-custodian Bank in Bulgaria" by Global Finance Magazine.

During 2016 the UniCredit Bulbank will keep developing its transactional products offering to support its clients in the current fast moving business environment.

Private Banking

In 2015 Private Banking managed to enlarge its product offer of structured deposits and put a strong focus on cooperation with external partners, especially in the area of life insurances. These commercial actions increased flexibility in servicing private customers.

In terms of financial performance, the optimization of deposit costs significantly contributed to the increased operating efficiency of the department. The commercial efforts focused on investment products increased F&C revenue part as well as income from structured term deposits.

Average loan volumes increased by 3.7% yoy. On the other hand, the volume of total financial assets (TFA) in Private Banking department reported an impressive 23% annual growth, supported by a 7.3% increase in average deposit volumes, 27% increase in assets under management, 11% increase in assets under custody and 68% increase in structured term deposits.

The main focus fell on the structured products and assets under management. Main idea was to differentiate the private banking product offer on the domestic market and gain advantage over main competitors by increasing the value proposition to the clients. The products' parameters were re-designed several times during the year in order to better respond to the changing market conditions and client preferences. Only in 2015, EUR 72mln of customer's assets were placed in structured term-deposits.

In 2016 Private Banking will focus on new product development and leverage on partnership with external partners. The strategy for 2016 is to further develop the existing products offered to clients and introduce new investment solutions with above-deposit rate yields.

Corporate, Investment and Private Banking (continued)

Outlook for 2016

With expected GDP growth of 3% and clear indications for higher investment activity in 2016, CIB&PB will concentrate on operational efficiency, freeing up energy for increasing sales, improving quality, speed, development, and client relationship. The division is starting the year as a renowned market leader with high level of customer satisfaction and strong ambition to attract foreign investors, leveraging on the International Center in Sofia. During the next year, CIB&PB is aiming to support not only valuable business projects but also to boost the economic recovery of the country.

In order to sustain its market leadership, in 2016 CIB&PB will keep up with new business and customer acquisition while offering the safest and still innovative solutions to its existing customers. The main objective continues to be the establishment of long-lasting relationships with the customers, managing sound businesses. Furthermore, priority is set on providing EU Funds related expertise and special products to companies and projects with growth potential so as to increase successful absorption of subsidized funding.

Retail Banking

General Overview

Retail banking division continued the strategy for sustainable business growth with focus on clients and their needs thus consolidating its position as a preferred partner of households and small business companies. The active relationship with customers and prospects in the period of Greek financial turmoil once again confirmed the Bank's outstanding reputation among customers.

In 2015 the successful implementation of a new service model along with the strategic projects for process simplification supported Retail to handle substantial growth in active customers (+7.1%) and in the number of transactions (+8.5%), while at the same time carrying out strong commercial activity in strategic areas: consumer financing channelled through the UniCredit Consumer Financing subsidiary, small business and alternative investments.

In terms of financial performance, revenues of Retail Division incl. UniCredit Consumer Financing grew by 15% in 2015 and reached BGN 476.4 mln. The profit from ordinary activities before tax grew with 35.3% y/y to BGN 231.5 mln.

During the year there was significant growth in attracted funds from individuals and small business clients – by 24.7% yoy to BGN 7.2 bln. The market share for deposits of households increased with 164bp to 15.1 %[1]).

In lending to individuals and households, the Bank managed to increase market share by 39bp y/y to 15.0%[1]). In line with the commercial strategy, consumer lending was the main growth driver leveraging on the product specialization of the fully consolidated company UniCredit Consumer Financing. The consolidated consumer loans portfolio increased with 6.6%, compared to 3% growth of the market, thus reaching 42bp increase in the market share to 12.6%[1]) On the mortgage lending market UniCredit Bulbank managed to consolidate its market position reaching market share of 18.9%[1]) (+33bp y/y).

In small business lending, the focus continued to be on micro-lending and on loans utilizing funds or guarantee schemes of external institutions. UniCredit Bulbank supported the micro enterprises in the agricultural sector by providing quick access to financing for fulfilling the investment projects under Measure 121 "Modernization of agricultural holdings" from the Rural Development program 2007-2013, after the measure's reopening in September. The total amount of the loans granted to final beneficiaries was almost BGN 14 mln.

The continuous upward trend in Retail was supported by a set of strategic initiatives to improve efficiency of branch staff and to relocate operative activities to alternative channels, thus improving branches staff's focus on sales. The implementation of a new service model in 2015 allowed the division to support the growth in transactions and business volumes without increasing staff or branches.

The strategy for development of the alternative distribution channels included implementation of additional online functionalities for individuals in order to stimulate activeness – utility payments, cards management, insurances, post-sales support processes, etc. During the year, direct sales increased by 15% y/y favored also by the introduction of new processes.

With regard to branch network development, an on-going focus on branch optimization and reallocation following customer trends is in place.

Main Activities, Initiatives and Achievements

The new service model which was piloted in the second half of 2014 was approved for official roll out in the network in 2015. Its main purpose was to apply a fast standardized service approach with simplified products and processes. The implementation plan was divided in four separate waves providing for a smooth migration to the new model in nearly 90% of the branches. Change management activities were put in place and nearly 90% of the branch managers and employees took part into dedicated tailor-made trainings.

In the sub-segment of Micro and Small enterprises, UniCredit Bulbank retained its successful business model in 2015 which involves a highly qualified personal banker dedicated to a customer, who can consult and answer to all of his business needs.

In the sub-segment of private individual customers, the service model was updated and improved in order to reflect the constant change in customer groups and behavior.

With regard to products development, the "Bulbank Academic League" - a dedicated program for students and universities' employees was further developed in 2015. Some features of the students' loans were improved and the granting process was simplified. In combination also with a strong marketing and communication campaign among the students society in Bulgaria, the Bank increased the number of the new student loans by 25%. The brand "Academic league" became more recognizable by students.

In 2015 the Bank increased the customers' awareness about alternative investments opportunities and long term investment strategies by the structured initiative "Save Smart". The long-term investment solutions to customers include a wide portfolio of investment and saving products - mutual funds of Pioneer Investments, life insurances and pension funds of Allianz.

Also, new distribution funds with Pioneer were launched: Target Income Funds which distribute cash dividends to unit holders periodically based on an estimated at the beginning of each year income target yield.

In 2015 UniCredit Bulbank enhanced the "Corners" initiative, launched in 2014, by adding the opportunity of corporate customers to participate as well. Therefore the Bank's business clients have the opportunity to advertise free of charge their goods/services in eight branches, in seven different cities. This initiative is still unique for the Bulgarian banking market and over 280 business clients have participated and exhibited their products and/or services for the past year. With this initiative the Bank aims to support its customers by not only providing financial services but also creating opportunities for new business contacts.

[1] Market shares based on data as per Monetary Statistics Reports of BNB

Retail Banking (continued)

Four bulletins addressed to the Bank's business customers were published in 2015. Each bulletin contains information about innovations in various economic sectors as well as useful analysis to improve the knowledge of our customers.

In 2015 UCB expanded its non-banking services by conducting specialized meetings and presentations to customers. These informational meetings were held in nine towns and were dedicated to important business topics like (Rural Development Programme and subsidies. External lectors from various institutions and organizations answered questions and explained some peculiarities in the agricultural sector.

The strategic initiatives for further simplification and optimization of the daily activities, including development of a user-friendly application for automation of the processes, were also on the agenda. The aim was to reduce significantly the customer's service time and to increase customer's satisfaction.

The Product catalogue was also subject to optimization in order to create a simplified and clear product offer. As a result 17 deposit and saving products were closed for new sales.

Cards business overview

Cards business performance proved for yet another year the innovative spirit of UniCredit Bulbank and its leading position on the domestic market. A well distinctive trend of continuous growth was clearly indicated in 2015. Compared to 2014, the total number of transactions with cards issued by UCB increased by 19%, whereas the generated turnover was up by 23%. Besides the increase in the overall transaction activity, the purchases with UCB cards on POS terminals reached a significant 29% growth in the number of transactions and 27% in expenditure volume. Compared to that, the annual increase of cash-withdraws was 13% in transactions and 22% in volume. This ratio clearly indicates a long-term, prominent trend of switch in cards usage from ATM withdrawals to POS purchases.

One particular trend that is worth mentioning is the growing customers' confidence in credit cards as a preferred payment instrument. During the reported period, a double-digit growth in the indicators of credit cards is observed, such as the POS usage of credit cards - 10% increase in transactions and more than 15% in volume. In 2015, UniCredit Bulbank demonstrated its high potential in the contactless market. The Bank was the first Bulgarian bank to receive the prestigious European award "Visa Best Award" namely for its overall development strategy of contactless payments. Currently the Bank has already issued over half a million contactless cards and serves them on 12 000 contactless terminals. The average monthly volume of contactless transactions was 5.7 times higher compared to 2014.

In 2015 UniCredit Bulbank maintained its market leadership in terms of the number of merchant outlets, number of transactions and merchant payments volume, as well. Furthermore, POS terminal network of the Bank increased by 18% compared to previous year and now consists of more than 20 000 devices. The aim was to enable clients to use payment cards - quickly, easily and securely, even in smaller cities, as well as smaller merchant outlets.

The number of ATMs increased to 756, with growing share of new generation machines that offer a deposit function. The fully fledged self-service zones that can be used by cardholders provide 24/7 access to their accounts.

For yet another year e-commerce has the highest growth rate. UniCredit Bulbank recorded a 39% y/y growth in the number of purchases and more than 63% y/y growth in the volume of purchases.

Throughout 2015 UniCredit Bulbank successfully equipped 6 stations of the Sofia Metropolitan with 10 unattended ticketing machines, all of them enabled for contactless payments. The initiative received wide acclaim from the society and Municipality. In 2016 the Bank will continue developing its unattended terminal network, with further expansion in transportation as well as other diverse sectors.

The Bank also advances in the development of innovative digital payments aiming to enable convenient and fast card payments virtually anywhere, regardless of location and specifics of merchants' business. Those services will be a focus also in 2016.

Channels

2015 was a successful year in terms of new developments and commercial results in alternative distribution channels. The number of initiated sales from the call center, internet banking and web site grew by 40% yoy.

The digital strategy of the Bank was confirmed and all multichannel developments were included in a structured program with special focus and dedicated resources. As a result more than 10 different projects and strategic tasks were finalized in 2015.

Mobile banking users increased significantly and marked 61.6% growth yoy. The number of internet banking users continued to grow exceeding 430 000 at year end.

Call Center activity grew with more than 17% annually in terms of number of contacts and more than 22% in terms of number of sales. Thus, the Call Center positioned itself as a direct channel with major commercial contribution, mainly in consumer loans, overdrafts, credit cards and insurances. This result was supported by increasing the commercial team and implementation of new processes for targeting clients. Transaction migration continued to be on focus. The migration index increased with close to 2p.p. yoy and alternative channels operations accounted for around 72% of total transactions.

New selling process for overdrafts was introduced in internet banking, which allows the client to initiate and close the purchase completely online. In addition, 2015 results were supported also by some co-marketing initiatives with strategic partners such as Car Corner, Samsung and others, which confirmed the image of UniCredit Bulbank as an innovative bank close to the customer.

Retail Banking (continued)

Outlook for 2016

In 2016, special efforts on improvement of the customer experience with strong focus on the commercial channels management will be put in place. Having all the channels integrated in a single environment, a unique experience for our customers will be created, regardless of their respective interaction point. Retail Division will focus on following our customers throughout their growth and development, thus supporting their specific needs in each stage of lifecycle.

In 2016 the Division will continue focusing on compliance and client protection related legal requirements, thus ensuring the customer-centric image of our business.

The simplification and digitalization of main front and back office processes will lead to better efficiency and customer satisfaction. Further channels' development will aim at combining typical banking service and offering of non-banking products (such as bill payments, tickets sale, insurances, etc.), thus establishing stronger partnership with customers.

Loyalty program will be also launched in 2016. It gives loyal UCB cardholders the possibility to receive bonuses in the form of "points" that can be used later in POS purchases.

Asset and Liability Management

In 2015, UniCredit Bulbank continued maintaining diversified mid-term and long-term wholesale funding sources.

On the part of the purpose-tied financing, funds under the existing EIB, EIF and CEB facilities were further allocated to final beneficiaries, supporting SMEs and Mid-Caps in improvement of their efficiency and productivity. Further utilization and allocation of EIB funding was planned for 2016, continuing to grant the Bank's customers access to cheap sources of financing.

The volume of general-purpose interbank funding was reduced, with the intra-group funding still keeping the dominant share. The aim – successfully achieved – was to decrease overall cost of funding for the Bank, while at the same time ensuring compliance with various liquidity limits and liquidity stress tests (incl. Austrian Supervisory Guidance and calculations of BASEL-3 ratios) and capital adequacy requirements. The surplus liquidity of the Bank was maintained at very comfortable levels, with abundant liquidity buffers being kept against the backdrop of increasing liquidity in the local banking system. Adequate amount of intra-group funding was planned for 2016, too, so that gradually increasing opportunities for a sound lending growth can be taken advantage of, without deviating from the prudent liquidity management policy pursued so far. Since UniCredit Bulbank Group includes local subsidiaries (Leasing, Consumer Financing, Factoring etc.), the consolidated 2016 Funding Plan covers their liquidity needs, too.

Customer deposits remained the main funding source for the Bank, growing considerably and steadily throughout 2015 and contributing to a further increase of the customer deposits market share and decrease of the loan/deposit ratio compared to 2014, continuing the trend from the previous years. UniCredit Bulbank will maintain its focus on retail and corporate deposits also in 2016, taking advantage of its excellent reputation, international franchising, variety of products and service quality.

Given the excellent liquidity position of the Bank, no bonds were issued in 2015 or planned for 2016.

Over the course of the year 2015, UniCredit Bulbank continued to pursue an active but sensible investment policy in accordance with the approved internal limits and rules and with a view of maintaining a sound short-term and structural liquidity position of the Bank. The investment portfolio, managed by ALM unitwas being structured with the aim to invest the surplus liquidity, earning sufficient return on an acceptable risk basis. The bond portfolio also served as liquidity cushion, being partially pledged as collateral for funds attracted from state budget entities and banking institutions. The Bank gradually increased the volume of ALM investment portfolio from BGN 637 Mio to BGN 700 Mio in face value terms. In line with the preliminarily approved investment policy, the only bonds acquired in 2015 were issued by the Bulgarian government. Thus, the share of Bulgarian government bonds (domestic and global) in the investment portfolio was stabilized and even increased, reaching 100% as of the end of 2015. The average rating of the investment portfolio was "BB+" (as per S&P) and the average modified duration – 5.69 years.

Human Resources

In 2015 HR department continued its constant focus on employee engagement and satisfaction as well as on internal efficiency. At the same time new development initiatives for the employees and attractive employer branding events were introduced.

At the end of last year, the number of employees of the Bank increased slightly to 3 565, compared to 3 538 at the end of 2014. The **HR costs remained** under control, keeping the conservative approach, but also being at level that ensures competitive remuneration in comparison with the market and considersthe extremely positive commercial performance during the year. The staff voluntary turnover showed an increase – from 5.4% to ~6.4% in correlation with the increased dynamic on the labour market and increasing competition from organizations outside the financial industry. It became a focus of detailed monitoring as well as an object of dedicated compensation actions and initiatives in order to assure business sustainability.

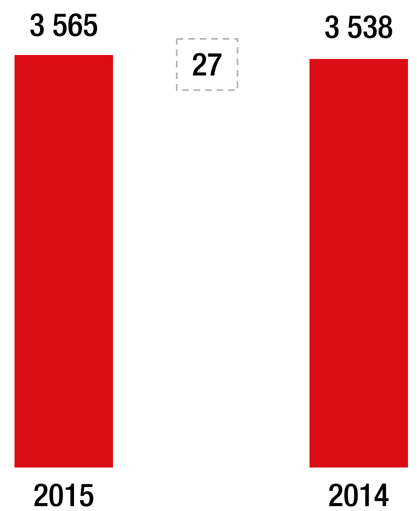
The Bank continued to be considered a good place to work and a stable and reliable Employer. It continued its presence in the career events and in the professional social media. In 2015, for a first year UniCredit Bulbank took part in a couple of international job fairs as well as organized a dedicated event for Bulgarian students in Milan. In terms of recruitment, particularly challenging were specific labor market segments that require highly qualified banking skills and the ones in the technological area. Programs like “Start career in Corporate Banking” and “IT Branding campaign” were successfully introduced as targeted actions for attracting young professionals and motivated students. In 2015 slightly above 400 new employees were hired.

The Internship program continued to be one of the key priorities. UniCredit Bulbank conducts one of the largest Internship program on the local market with around 340 participants, out of which more than 130 have been hired for permanent jobs, representing almost 30% of all new hires.

The compensation policy is in line with the Group approach and with the European and local legislative requirements. Special attention was dedicated to analyzing and confirming the equal approach towards both genders’ remuneration. Market trends have been closely monitored as usual through participation in salary survey and thoroughly analyzing the results. Dedicated initiative for retaining key managerial and expert employees were in place and has been additionally enhanced towards newly identified priority segments.

In 2015 HR made consecutive steps towards creation of cross learning and sharing experience culture and invested in initiatives which aim not only to enhance our people’s competencies but also directly to foster their engagement and motivation. Specially designed training program was organized to facilitate smooth transition of the Retail employees to the new roles under the CEE 2020 project.

Number of Bank Staff (FTEs)



The Branch managers were supported with the delivery of fully customized seminar on Change Management, while part of the network employees, identified as CEE 2020 Ambassadors were engaged in a specific communication skills training, focused on effective knowledge and practice sharing. A variety of business oriented learning initiatives were organized during the year, such as the ”Business Originators” concept which develops the competencies needed for Clients’ internationalization model. Other group of actions, facilitating the practical learning, personal motivation and growth were developed, like “LIVE Motives”, “Out of the Box” for CIB&PB and “Meet to Learn” for GBS.

The leadership development is another key pillar for sustainable people and business development represented through initiatives supporting the key people in the organization and ensuring the continuity of the crucial processes – e.g. the participants in the Executive development plan (EDP), Talent management review (TMR), succession planning. A broader 360 degree feedback, followed by personal action plan was realized for large group of our managers and key people.

In 2016 HR will continue to act as contributing and supporting partner for sustainable business and leadership growth and to work for positive environment and better experience not only for our colleagues but also for our customers. Employer branding initiatives are going to be conceptually stronger positioned and new HR projects will be launched in order to ensure more comfortable access to the performance management process and training resources.

UniCredit Bulbank Activity Review (continued)

Global Banking Services

In 2015 Global Banking Services (GBS) provided critical services to internal and external clients focusing on following priorities:

- Assuring proper technical and organizational infrastructure for further growth with the main contribution of ICT technological program
- Operational excellence, which is achieved by combination of growing productivity, better quality and lower risk
- Cost Efficiency, via optimization of cost structure and centralization of procurement activities
- Process Optimization and Improvement, aiming at increasing the available capacity and decreasing operational complexity
- Innovation and change management activities under strategic program CEE 2020 PLUS Program

Looking forward towards 2016, the focus of GBS will remain similar like in previous year, but also there will be new activities in each area, the most significant among them being the ones related to upgrade of core banking system.

Operations

In 2015 an essential achievement of Operations was related to the increase in production capacity that allowed meeting the growth in the transactions volumes (10% more payments, 35% more local cash volumes, 8% of cards operations).

Thanks to Lean Six Sigma methodology, key processes related to payments processing, certification issuing, loans restructuring and collateral administration were redesigned and some of these activities were centralized.

In 2016, the main focus will be on revision of domestic payments processing, main vault and cash management as well as loan administration, in order to increase centralization of activities and improve productivity there.

Information and Communication Technologies

In the beginning of 2015, UniCredit Bulbank approved the updated ICT Strategy. It defines as key priority the improvement of technical infrastructure and architecture of the Bank, which is achieved by defining and executing the ICT Technological program. Within the program scope, in 2015 were finalized several projects targeting replacement of old communication equipment, covering security requirements as well as improving disaster recovery and resilience of the overall environment, as follows: Application delivery controllers' implementation; Data Center Firewall replacement; WAN and Internet routers replacement; LAN Branches and Head Office switches replacement; Network monitoring tool implementation; Disaster recovery plan improvement; Backup improvement project (to be finalized in Q1'16), as well as SAP Business intelligence upgrade (to be finalized in Q1'16). All of them were executed without unplanned business services' disruption.

Beside execution of ICT Technological program 2015, ICT provided stable capacity for the other local and group projects and supported regular small developments, covering around 600 different small enhancements of exiting banking applications.

KPI targets for the critical services was kept on a very high level – 99.9% availability, which clearly shows that Bank was operating in stable and predictable production environment.

For 2016, the outlook in ICT area is determined by additional upgrades under the ICT Technological Program 2016; strengthening the ICT security in infrastructure and applications and preparation steps for defining the strategy for Core Banking System Upgrade including gap analysis.

Organization

In the area of demand management, the project portfolio health and KPIs improved in 2015 despite the increase in the overall number of initiatives, due to the full inclusion of Bank's subsidiaries as well as the increased share of critical and complex projects, due to the growing number of strategic and regulatory projects. During the year more than 65 initiatives were ongoing. Business projects in Retail, CIB and Private banking, bundled under the CEE 2020 PLUS program, were the main priority.

Besides CEE 2020 PLUS program, other critical projects were also successfully finalized such as PERDAR, Loyalty program, Head Office consolidation, IT technological program. Important regulatory projects such as MIFID/MIFIR II, IFRS, Volcker rule, Common reporting standards, Local AQR, Forbearance, Intraday liquidity management, were properly set up in order to meet imposed deadlines. In the last quarter of 2015 feasibility study of upgrade of core banking system was initiated ensuring successful following steps in 2016.

In the area of Lean Six Sigma (LSS), UniCredit Bulbank was appointed as the best example and supported it's roll out in the other CEE countries.

In 2016 the main focus of Organization department will be towards key project execution incl. CEE 2020 plus successful continuation, upgrade of core banking system, security and IT programs, on time delivery of regulatory projects and further development of LSS and cost management function.

Procurement

Procurement Department successfully implemented the Global Sourcing Department Tool and applied locally the new version of the Global Procurement Charter CEE thus aligning our procurement organization and workflows with the Group Global Procurement. Following the principles for centralization of the procurement activities, UniCredit Bulbank' s Procurement Department became responsible also for the procurement activities in all UniCredit Group subsidiaries in Bulgaria.

The Procurement Department contributed significantly in the optimization of the operating expenditures of the Bank and to the timely and in-scope project implementation by achieving excellent results related to some of the new projects – e.g. the negotiated

Global Banking Services (continued)

conditions with Cisco and Oracle (for the Flex Cube support) could be treated as benchmark for the Group in the CEE area.

Real Estate and Logistics

In the area of Real Estate Construction, the department worked on several projects. Within the project for Branch Network Redesign, related to implementation of new service model in Retail, 80 branches with more than 1 000 working places were re-constructed and refurbished. Within the project for Branch Network Development and Enhancements, the roll out of new format of branches (Branch of the future) continued; 13 locations were opened or relocated and the new scheme of Self Service Zones with 24/7 accessibility was implemented. The project for Head Office Premises Consolidation was finalized in December with opening of new head office building in Sofia and more than 1 200 employees were relocated, including UniCredit Bulbank subsidiaries.

In the area of Administrative and Logistics services, the optimization of rent levels continued in 2015; sales of 15 owned properties were completed and 7 contracts for lease out of non-bank used areas were signed. A centralized system for registration of incoming and outgoing correspondence in the Bank was put in use and integrated to the new business processes.

The main focus in 2016 will be on finalization of the branches' reconstructions, enlarging the Self-Service zones and locations under the branch-of-the future model, as well as reconstruction activities in the main Head Office building at Sveta Nedelja square. The implementation of facility management software is also among the priorities for 2016.

Customer Satisfaction Management

In 2015 the main focus of Stakeholder and Service Intelligence department remained concentrated on creating and managing listening activities and objective measurement of the perception of UniCredit Bulbank, its products, services and image among various groups of stakeholders such as external customers, internal customers, community members and employees. The customer experience and behaviour related to the banking business is dramatically changing with clients' expectations and priorities requiring Omni-channel service, impeccable on-time support and effortless client journey.

External Customer Satisfaction

In Retail banking more than 3 500 own customers and 2 700 competitors' customers were interviewed in 2015. According to the established practice, the surveyed sample was expanded on regional level in order to achieve stable indicator on the performance of each region. In 2015 a drop in customer satisfaction of Retail customers (-4 points yoy) was observed. Although the gap to competitors shrunk from +17 points in 2014 to +12 points in 2015, it still remained significant. As a part of the special program (BEST) the satisfaction on portfolio level was measured for a fifth consecutive year where 12 900 interviews were conducted.

In Corporate segment UCB remained a market leader, although slightly decreasing the gap to market from +9 TRI*M points in 2014 to +8 points in 2015 (-3 points decrease for the market) and returning the level of customer satisfaction to 81 points. In order to measure the aspects of excellence and to identify areas of improvement, 838 own clients and over 600 competitors' customers were interviewed. Relationship manager, Loans and Branch areas were the ones with the best performance and highest impact on TRIM index.

Regarding the Private banking despite the decrease in TRIM by -2 points to 96 points and CAI (Customer Advisory Index) by -3 points to 89 points, the both indices remained very high.

Internal Client Satisfaction

For a seventh consecutive year UniCredit Bulbank measured the satisfaction of interaction and internal service between the different structures in the Bank along the value chain. The overall level of internal customer satisfaction increased by +2 points and achieved 70 TRI*M points with comparatively stable response rate (-1%) and very reliable base for analysis (2 661 participants).

Mystery Shopping

In 2015, in accordance with some new requirements of Group's CEE methodology, an up-to-date approach for measuring the experience of a prospect was applied. Two new indices were used to expand the insight gathered by the Service Quality Index – an Emotional Index targeting the emotional aspects and an Acquisition Index tracking the willingness of a prospect to buy the product and recommend the Bank. The insight was gathered by more than 1 400 mystery shopping visits in all Bank's branches and covered a diverse set of scenarios, including investment products, credit cards, loans and cash transactions. At the end of the year all three indices marked significantly increase, leading to a huge overall difference to competitors for both Individuals and Small Business segments.

For a fifth consecutive year an online portal was supported, allowing all level of management body constantly to monitor the performance of the respective structure and to take the required actions, in needed.

Reputation Management

In line with the Group guidelines, for a second year a new methodology was applied. It focuses on comprehensive approach of verifying the stakeholders' perception at all stages of the relationship with the Bank was used.

The overall reputation of UCB measured through the Advocacy pyramid methodology was strong and stable. Among Individuals segment the awareness of the brand was on a high level and UniCredit Bulbank ranked third in the overall awareness index. Compared to 2014 the reputation improved through both customers and non-customers. Among Corporate segment the Corporate pyramid and percentage of advocates remained stable for both customers and non-customers with a very good positive gap to all main peers.

Corporate Social Responsibility and Sustainable Development

In 2015, the corporate citizenship program of the Bank continued in the areas of education, business innovations for positive customer impact and social entrepreneurship. The Bank supported more than a 100 NGOs, institutions, organizations, universities, schools and individuals.

Focus on education, innovation and digitalization

UniCredit Bulbank has partnered with numerous schools and universities for projects, fostering cultural exchange and empowering young talents. The Bank sponsored a high profile Education and Business Conference as well as many organizations like Teach for Bulgaria, the Leadership program of The Duke of Edinburgh's International Award Bulgaria and Rails Girls Bulgaria.

Promoting diversity and empowerment of women UniCredit Bulbank provided trainings within the annual Leadership Academy of the Council of Women in Business in Bulgaria and sponsored the 2015 edition of business forum "Women - tender power in business, the next generation".

Among other projects in the field of innovation and digitalization were the participation in the Microsoft Indeed Conference in Sofia and the annual IT Manager of the Year competition. In 2015 UniCredit Bulbank also became main sponsor of the first Innovation Explorer forum in Sofia that brought together representatives of some of the world's most innovative companies.

Valuable innovative initiatives like the TEDxAUBG organized by the students of the American University in Blagoevgrad – again won the partnership of the Bank.

Focus on business and social entrepreneurship

UniCredit Bulbank was a valued partner in many of the high profile initiatives and conferences of the business chambers in Bulgaria. Members of the Management Board and managers took part in the Italian Business Forum of Confindustria Bulgaria, the Bulgarian Chamber of Commerce and Industry's EU Club meetings, in the business forums of the American Chamber of Commerce in Bulgaria, the German – Bulgarian Chamber, the meetings of the Austrian Business Circle and so on.

The Bank was also active in social and charity events, gathering the business, political and diplomatic elite of the country. Traditionally UniCredit Bulbank was main partner of the charitable Vienna Ball in Sofia. The funds collected from the Vienna Ball in 2015 were distributed to: Association "Children with hematologic diseases" and Social and youth center of the "Concordia" in Sofia. The Midsummer Celebration of the Nordic Chamber of Commerce and the 4th July celebration, organized by AmCham were also among the supported projects.

After a promising launch of a three year partnership back in 2012, in the past year UniCredit Foundation approved a second three-year period for finding and funding the best program for social entrepreneurship for non-profit organizations in Bulgaria. The annual competition is initiated by the Bulgarian Center for Not-for-profit Law (BCNL) and aims to gather and distinguish the best business cases prepared by foundations and associations. Experts from the Bank joined as trainers at the initial training stages of the competition. The awarded winners for 2015 were: Hug Me Atelier, "Protection, Love and Hope" Association and TEAM Foundation.

The tradition of combined support of healthy lifestyle, sport, and social entrepreneurship was continued also in the last year with the fourth edition of the 1000 km Balkan Charity Challenge.

Focus on art, culture and UniCredit Studio

The Bank organized numerous exhibitions during the year in its gallery for contemporary art UniCredit Studio. The gallery hosted events like "15 years later" – exhibition which was part of the traditionally supported Month of photography; "Sofia: transformation" – an exhibition, featuring pictures from Sofia town from the end of IXX to the middle of XX century; "Endangered Species" – an exhibition of Mariya Milkova, who shot ordinary people of extraordinary nature. During the year UniCredit Studio was invited to host an exhibition in the Lovech Art Gallery with the pictures of the well-known late photographer Toros Horisian.

In a flagship partnership with the Spanish Embassy in Sofia, UniCredit Bulbank was main supporter also of the "Picasso Eternal Search" exhibition. It was inaugurated in the National Art Gallery "The Palace" at the end of October and included 85 artworks by Picasso provided by the Picasso Birthplace Museum in Malaga.

Among the projects, continued also from previous years were the sponsorship of the Stoyan Kambarev Foundation "Flight over art" award for young artists, the Month of Photography 2015 and the second Photo Factory Festival – a photo fe stival with four exhibitions in 2015: "Marginal Man", "Where is my home?", "Various selves" and "Endangered spices".

Focus on volunteering initiatives

In 2015 the traditional Christmas and Easter Charity Bazaars were organized by the Bank employees in several venues. The proceeds from those events go to charity to organizations, proposed by the employees. In addition the national volunteering network developed numerous projects around the country, involving colleagues and partners.

Major Subsidiaries and Associates

UniCredit Consumer Financing

In an environment of recovering economy and slowly growing consumer lending market in 2015, UniCredit Consumer Financing (UCFin) completed another extremely dynamic and successful year.

For the year ended December 31, 2015 UCFin reported net profit in the amount of BGN 46.5 mln, representing a growth of 18% yoy. The revenues reached BGN 81.5 mln (+13% yoy) with net interest income (NII) being the usual main contributor with a share of 93%. As far as the three major channels are concerned (Banking, POS and CVM) the trend remains the same and NII coming from personal loans generated through the Banking channel kept its predominant position (74% from total NII for 2015). The operating costs of UCFin for 2015 amounted to BGN 17.2 mln (+4.3% yoy). Cost growth was mostly volume driven and was negligible compared to the revenues growth which was a clear indicator for the vigorous cost management system adopted by the company and spread out across all areas. For another consecutive year UCFin carried on with its prudential risk management policy and considering the fast growing portfolio of the company, allocated supplementary risk reserves. Having that into account, the overall impairment losses charged for the year amounted to BGN 12.8 mln (+10% yoy).

The performance of UCFin was also facilitated by the high quality of the loan portfolio due to strong underwriting activities and outstanding collection performance. As of December 2015 performing loans portfolio was strong and stable and represented 99% of total outstanding loans. All those regular high level results led to the Group's decision to keep a Risk Center of Excellence in Bulgaria, thus meeting reporting and modelling needs for Consumer Finance in the Group.

In 2015, the outstanding portfolio increased by 53% supported by an increase in new sales by 50%, mainly due to the banking channel. The new sales of consumer loans produced with the Bank increased by 58%, thanks to continuing joint commercial initiatives, focused on acquisition of new clients and cross-selling. POS distribution model remained stable through large (55%) and small (45%) dealers. Customer value management (CVM) segment showed a stable performance, reaching its mature development. In line with the strategy to cover all associated risks - FX, currency and liquidity risk, as of December 2015 the funding structure of UCFin comprised 99% BGN funding and 1% EUR funding.

At the end of 2015 the total number of FTEs was 427, thereof 255 were "desk employees" promoting UCFin financing at the points of sales.

In 2016 the recovery of the economy is expected to continue and the competition among the banking and non-banking players to remain fierce. In such an environment UCFin will focus its efforts on keeping the leading market position and bringing sustainable profits by leveraging on its strength, being innovative and by re-enforcing the links with UniCredit Bulbank. POS business will remain acquisition engine for new customers for the Group. In parallel, UCFin will keep on acting as product factory for the Bank, bringing the state-of-the-art risk management for underwriting, collection as well as after-sales processes.

UniCredit Leasing

In 2015 UniCredit Leasing's consolidated net profit increased by 27% yoy to BGN 3.7 mln. The level of loan loss provisions decreased by 13% yoy, while the net investments in finance lease increased by 14.6% yoy.

With regards to risk management, a continuously positive trend of improvement in asset quality is on track. Favored by the strong recovery actions, gross defaulted loans were reduced by 20.2% compared to 2014. At the same time, gross performing loans increased by 20.5% yoy.

The improvement in terms of performance and efficiency continued in 2015. The 14% increase in the volume of new leasing contracts contributed to the upturn in the market share by 3pp to 26%.

The main sectors that drive the growth were as follows:

- The transportation segment and especially the trucks related business where UniCredit Leasing has been traditionally strong with providing flexible solutions, together with the vendors. The overall market coverage reached 35%. In 2015 the new cooperation with a leading European heavy vehicles brand was particularly successful, leading to a penetration level of about 30%.
- The agricultural sector - in the first full year of operation, the cooperation with the world market leader in heavy agricultural equipment helped UniCredit Leasing to become the leading player in that market. Additional boost came with the launch of a new EU Funds product, which enables the clients to use also financial leasing, while participating in the EU grant programs.
- The manufacturing sector - UniCredit Leasing successfully implemented the offering of the so-called "package deals", where UniCredit Leasing finances the necessary equipment of certain projects and the Bank provides the working capital, real estate financing and the relevant banking products and services.

In the passenger cars sector, UniCredit Leasing together with UniCredit Bulbank launched the "Car Corner" Initiative. It led to a 90% increase of the penetration rate with the car's brand participant. At the same time, the cooperation with the leading premium car brand in Bulgaria helped UniCredit Leasing to reach record breaking penetration level of 36%, which represents a market share of 54%.

The successful cooperation between UniCredit Insurance Broker and UniCredit Bulbank resulted in an increase of the overall penetration coverage of the Bank's corporate collateral portfolio from 10% in 2014 to 30% in 2015. The overall net income increased by 22%, also due to the business growth of the leasing company. The Insurance Broker has maintained its market leadership position of CASCO insurance.

Major Subsidiaries and Associates (continued)

UniCredit Factoring

In 2015 UniCredit Factoring continued with the sustainable positive trend of development, recording a 10% yoy growth in revenues, despite completion driven margin compression. Business volumes increased by 17% thanks to diversification of the client and product portfolios. Both the number of debtors (by 40%) and the processed invoices (by 30%) grew on annual basis. The strong revenue performance and strict cost management contributed to 3pp decrease in the Cost/Income ratio down to 35%. Sound risk assessment approach, coupled with the ability of the company to collect its receivables, ensured a Cost of Risk level of about 0.04%. Thus, net profit before tax reached 12% growth yoy, to BGN 3.8 mln.

In terms of products and services, volumes of domestic recourse factoring upturned by 19% and the higher-value added international factoring upturned by 16%. In terms of penetration by sectors, the company successfully closed several transactions with municipalities and public institutions, while in the economic industries factoring products penetration expanded from production of heavy and light industries and infrastructure to social services such as transportation and storage, consultancy, and ITC. In terms of markets, besides the unsaturated domestic market, European leading economies were also attractive markets for factoring business - e.g. Germany, France, Italy, Austria, etc.

The service quality within the company was enriched through entirely renovated processes, continuous increase of competences and up-to-date internal regulatory frame. The company's ICT function was fully insourced to UniCredit Bulbank. The upgrade of the core system was successfully accomplished, which enabled further business and technological strategic projects.

In 2015 UniCredit Factoring launched the first full electronic portal for factoring on the Bulgarian market: eFactoring.bg, ensuring fully digitalized innovative customer environment, which ultimately brings a variety of benefits to the customers: increases the speed and transparency; ensures secure and efficient digital environment; provides flexible electronic communication between all sides in the transaction.

In 2016, the company will leverage on speed and transparency in provided services, in order to take advantage of all business opportunities, to further penetrate the market and to preserve the leadership position. The immature Bulgarian market and the positive trend of Bulgarian export are prerequisites for reinforcing a good environment for factoring business. The tendency of increasing demand for factoring products and enlarging clients' needs of customized business solutions will be a key driver for further product diversification, customization and flexibility.

Hypovereins Immobilien

Hypovereins Immobilien is a non-financial company specialized in providing transport and car fleet management services to companies within UniCredit Group in Bulgaria. As of December 31, 2015 the company operates total 165 motor vehicles with headcount of 6 people employed. For the year ended December 31, 2015 the company reports net profit in the amount of BGN 133 thousand (BGN 165 thousand previous year), which is around 19% decrease yoy. The main driver of that decrease is cost driven as in 2015 the company had to cover certain maintenance costs cyclically incurring. In 2016 the company will continue to keep its focus on cost optimization without impacting the quality of the provided services.

I’d rather play basketball.

Let’s talk about making the right investments.

Nina’s father thinks she has a future as a dancer, but she has other plans. What exactly? Well, actually, she changes her mind every day ... basketball player, pop singer, pianist, actress. Right now, she’s probably just not mature enough to invest seriously in her future. But Nina’s father doesn’t see that. He could use some wise advice.

Everyone has different goals and needs – and everyone can use a good consultant to help meet them. That’s why we take care of each of our customers by tailoring our solutions to their individual needs.

This premium approach is especially popular with our clients in Germany, thanks to the FinanzKonzept project, which provides an interactive consulting platform for integrated advice.

This is financial counseling 2.0: Smart, transparent, available via video and telephone, from advisors with the right skills. We are doing this because, in a world of data and numbers, it makes a difference to have a personal relationship with clients and figure out together what to expect from the future.

Daddy, are you done working yet?

Let’s talk about lending a hand to entrepreneurs.

Being an entrepreneur often means that the line between work and private life is very thin. Sometimes it just does not exist, as is the case with Matteo and Giacomo’s father: He wants to balance everything by himself, but often he just can’t make that happen.

But help is closer than it looks. When you think about the ways banks can support private businesses, you probably think about financing, or special current accounts for small enterprises.

Our Italian colleagues were able to look beyond that when they created My Business Manager. To help small entrepreneurs in their everyday lives, My Business Manager is an online report that enables them to continuously monitor and forecast flows, transactions, payments, receipts, invoices and credit.

It’s just like having a personal manager who handles the administration while you take care of your business. Easy, isn’t it?

Thanks to this simple interface, entrepreneurs like Matteo and Giacomo’s dad can check their business at a glance and be faster in all of their transactions and, above all, spend more time with their families.

Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
UniCredit Bulbank AD

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of UniCredit Bulbank AD ("the Bank"), which comprise the separate statement of financial position as of December 31, 2015, and the separate income statement, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Independet Auditors' Report (continued)

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with IFRS, as adopted by the European Union.

Report on Other Legal and Regulatory Requirements - Annual separate report on the activities of the Bank, according to the Accountancy Act

Pursuant to the requirements of the Bulgarian Accountancy Act, we have read the accompanying Annual separate report on the activities of the Bank prepared by the Bank's management. The Annual separate report on the activities of the Bank is not a part of the separate financial statements. The historical financial information presented in the Annual separate report on the activities of the Bank prepared by the management is consistent, in all material aspects with the financial information disclosed in the separate financial statements of the Bank as of December 31, 2015, prepared in accordance with IFRS, as adopted by the European Union. Management is responsible for the preparation of the Annual separate report on the activities of the Bank, dated February 3, 2016.

Deloitte Audit

Deloitte Audit OOD

Sylvia Peneva
Statutory Manager
Registered Auditor

Sofia
March 2, 2016

Income Statement

In thousands of BGN

	Notes	2015	2014
Interest income		560 756	589 775
Interest expense		(91 435)	(144 467)
Net interest income	7	**469 321**	**445 308**
Dividend income		**968**	**1 246**
Fee and commission income		218 497	188 372
Fee and commission expense		(20 629)	(16 574)
Net fee and commission income	8	**197 868**	**171 798**
Net gains on financial assets and liabilities held for trading and hedging derivatives	9	61 442	58 460
Net gains/(losses) on other financial assets designated at fair value through profit or loss	10	10 072	(192)
Net income from investments	11	6 483	2 399
Other operating income/(expenses), net	12	(5 705)	2 091
TOTAL OPERATING INCOME		**740 449**	**681 110**
Net income related to property, plant and equipment	13	451	167
Personnel expenses	14	(114 321)	(106 346)
General and administrative expenses	15	(151 269)	(120 002)
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	16	(43 898)	(30 818)
Provisions for risk and charges	17	(5 279)	(5 923)
Net impairment loss on financial assets	18	(103 112)	(149 169)
PROFIT BEFORE INCOME TAX		**323 021**	**269 019**
Income tax expense	19	(33 014)	(27 362)
PROFIT FOR THE YEAR		**290 007**	**241 657**

These separate financial statements have been approved by the Management Board of UniCredit Bulbank AD on February 03, 2016

Levon Hampartzoumian
Chairman of the Management Board and Chief Executive Officer

Andrea Casini
Deputy Chairman of the Management Board and Chief Operative Officer

Emilia Palibachiyska
Member of the Management Board and Chief Financial Officer

Deloitte Audit OOD

Sylvia Peneva
Registered auditor 02/03/2016

София
Рег. №033
"Делойт Одит" ООД

The accompanying notes 1 to 48 are an integral part of these separate financial statements

Statement of Comprehensive Income

In thousands of BGN

	Notes	2015	2014
Profit for the year		**290 007**	**241 657**
Other comprehensive income - items that will not be reclassified subsequently to profit or loss			
Actuarial gains (losses)	42	(323)	(795)
Income tax relating to items of other comprehensive income that will not be reclassified subsequently to profit or loss		32	79
		(291)	**(716)**
Other comprehensive income - items that may be reclassified subsequently to profit or loss			
Available for sale investments		54 814	1 684
Cash flow hedge		9 516	(38 040)
Income tax relating to items of other comprehensive income that may be reclassified subsequently to profit or loss		(6 433)	3 636
		57 897	**(32 720)**
Total other comprehensive income net of tax for the year		**57 606**	**(33 436)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**347 613**	**208 221**

These separate financial statements have been approved by the Management Board of UniCredit Bulbank AD on February 03, 2016

Levon Hampartzoumian Chairman of the Management Board and Chief Executive Officer	Andrea Casini Deputy Chairman of the Management Board and Chief Operative Officer	Emilia Palibachiyska Member of the Management Board and Chief Financial Officer

Deloitte Audit OOD

Sylvia Peneva
Registered auditor 02/03/2016

Специализирано одиторско предприятие
София
Рег. №033
"Делойт Одит" ООД

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Statement of Financial Position

In thousands of BGN

	Notes	31.12.2015	31.12.2014
ASSETS			
Cash and balances with Central Bank	20	4 585 396	1 092 227
Non-derivative financial assets held for trading	21	10 147	5 607
Derivatives held for trading	22	126 271	124 528
Derivatives held for hedging	23	13 455	-
Financial assets designated at fair value through profit or loss	24	-	60 754
Loans and advances to banks	25	1 225 373	1 627 489
Loans and advances to customers	26	8 769 392	9 936 482
Available for sale investments	27	2 282 226	1 492 803
Held to maturity investments	28	-	136 663
Investments in subsidiaries and associates	29	55 004	55 004
Property, plant, equipment and investment properties	30	165 523	180 160
Intangible assets	31	23 155	23 211
Current tax assets	32	-	6 598
Deferred tax assets	33	3 159	-
Other assets	35	109 216	102 265
TOTAL ASSETS		**17 368 317**	**14 843 791**
LIABILITIES			
Financial liabilities held for trading	36	100 154	85 940
Derivatives used for hedging	23	35 400	41 925
Deposits from banks	37	1 090 445	1 502 765
Deposits from customers	38	13 485 196	10 782 577
Subordinated liabilities	39	-	70 596
Provisions	40	51 245	44 513
Current tax liabilities		7 977	4 310
Deferred tax liabilities	33	-	1 102
Other liabilities	41	90 109	69 332
TOTAL LIABILITIES		**14 860 526**	**12 603 060**
EQUITY			
Share capital		285 777	285 777
Revaluation and other reserves		43 566	(14 040)
Retained earnings		1 888 441	1 727 337
Profit for the year		290 007	241 657
TOTAL EQUITY	42	**2 507 791**	**2 240 731**
TOTAL LIABILITIES AND EQUITY		**17 368 317**	**14 843 791**

These separate financial statements have been approved by the Management Board of UniCredit Bulbank AD on February 03, 2016

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Statement of Changes in Equity

In thousands of BGN

	Share capital	Statutory reserve	Retained earnings	Available for sale investments reserve	Cash flow hedges reserves	IAS 19 reserve	Total
Balance as of January 1, 2014	**285 777**	**342 378**	**1 456 778**	**22 582**	**(2 422)**	**(764)**	**2 104 329**
Profit for the year			**241 657**				**241 657**
Actuarial gains (losses)	-	-	-	-	-	(795)	**(795)**
Change of revaluation reserve on available for sale investments	-	-	-	1 684	-	-	**1 684**
Change of revaluation reserve on cash flow hedges	-	-	-	-	(38 040)		**(38 040)**
Income tax related to components of other comprehensive income	-	-	-	(168)	3 804	79	**3 715**
Total other comprehensive income for the year net of tax	**-**	**-**	**-**	**1 516**	**(34 236)**	**(716)**	**(33 436)**
Total comprehensive income for the year net of tax	**-**	**-**	**241 657**	**1 516**	**(34 236)**	**(716)**	**208 221**
Dividends paid	-	-	(71 819)	-	-	-	**(71 819)**
Balance as of December 31, 2014	**285 777**	**342 378**	**1 626 616**	**24 098**	**(36 658)**	**(1 480)**	**2 240 731**
Profit for the year			**290 007**				**290 007**
Actuarial gains (losses)	-	-	-	-	-	(323)	**(323)**
Change of revaluation reserve on available for sale investments	-	-	-	54 814	-	-	**54 814**
Change of revaluation reserve on cash flow hedges	-	-	-	-	9 516	-	**9 516**
Income tax related to components of other comprehensive income	-	-	-	(5 481)	(952)	32	**(6 401)**
Total other comprehensive income for the year net of tax	**-**	**-**	**-**	**49 333**	**8 564**	**(291)**	**57 606**
Total comprehensive income for the year net of tax	**-**	**-**	**290 007**	**49 333**	**8 564**	**(291)**	**347 613**
Dividends paid	-	-	(80 553)	-	-	-	**(80 553)**
Balance as of December 31, 2015	**285 777**	**342 378**	**1 836 070**	**73 431**	**(28 094)**	**(1 771)**	**2 507 791**

These separate financial statements have been approved by the Management Board of UniCredit Bulbank AD on February 03, 2016

Levon Hampartzoumian
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Deloitte Audit OOD

Sylvia Peneva
Registered auditor 02/03/2016

София
Рег. №033

The accompanying notes 1 to 48 are an integral part of these separate financial statements

Statement of Cash Flows

In thousands of BGN

	Notes	2015	2014
Net profit		**290 007**	**241 657**
Current and deferred tax expenses, recognised in income statement		33 014	27 362
Adjustments for non-cash items			
Depreciation and amortisation	16	30 311	27 822
Impairment of financial assets	18	120 564	159 325
Impairment of property plant, equipment, investment properties and other assets	12, 16	22 096	3 480
Provisions, net	40	5 279	5 923
Unrealised fair value losses (gains) through profit or loss, net		12 650	(17 992)
Unrealised fair value losses (gains) on FX revaluation		92 499	36 682
Net income from sale of property, plant and equipment		(419)	(162)
Net interest income		(469 321)	(445 308)
Dividend income		(968)	(1 246)
Increase in other accruals		45 109	16 213
Cash flows from profits before changes in operating assets and liabilities		**180 821**	**53 756**
Operating activities			
Change in operating assets			
(Increase) in loans and advances to banks		(188 015)	(293 842)
Decrease/(Increase) in loans and advances to customers		830 001	(1 286 517)
(Increase) in available for sale investments		(718 792)	(569 862)
Decrease/(Increase) in financial instruments held for trading and hedging derivatives		(10 748)	8 133
Decrease in financial instruments at fair value through profit or loss		59 279	600
(Increase) in other assets		(63 173)	(15 724)
Change in operating liabilities			
Increase (Decrease) in deposits from banks		(430 179)	24 523
Increase in deposits from customers		2 593 474	1 978 633
Provisions utilization		(3 410)	(5 080)
Increase in other liabilities		33 919	11 338
Interest received		557 611	588 197
Interest paid		(103 153)	(149 138)
Dividends received on available for sale investments		968	1 246
Taxes paid		(35 335)	(20 857)
Net cash flow from operating activities		**2 703 268**	**325 426**

Statement of Cash Flows (continued)

In thousands of BGN

	Notes	2015	2014
Cash flow from investing activities			
Cash payments to acquire tangible assets		(20 395)	(26 363)
Cash receipt from sale of tangible assets		1 183	523
Cash payments to acquire intangible assets		(8 011)	(6 472)
Cash payment for acquisition of investments in subsidiaries		-	(6 000)
Cash receipts from redemption of held to maturity investments		136 187	4 899
Net cash flow from investing activities		**108 964**	**(33 413)**
Cash flow from financial activities			
Dividends paid		(80 553)	(71 819)
Subordinated loans paid		(70 596)	(149 409)
Net cash flows from financial activities		**(151 149)**	**(221 228)**
Effect of exchange rate changes on cash and cash equivalents		**7 855**	**14 885**
Net increase in cash and cash equivalents		**2 668 938**	**85 670**
Cash and cash equivalents at the beginning of period	46	**2 065 697**	**1 980 027**
Cash and cash equivalents at the end of period	46	**4 734 635**	**2 065 697**

These separate financial statements have been approved by the Management Board of UniCredit Bulbank AD on February 03, 2016

Levon Hampartzoumian
Chairman of the Management Board and Chief Executive Officer

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Deloitte Audit OOD

Sylvia Peneva
Registered auditor 02/03/2016

Специализирано одиторско предприятие София Рег. №033 "Делойт Одит" ООД

The accompanying notes 1 to 48 are an integral part of these separate financial statements

Notes to the Separate Financial Statements

1. Reporting entity

UniCredit Bulbank AD (the Bank) is a universal Bulgarian bank established upon a triple legal merger, performed on April 27th, 2007 between Bulbank AD, HVB Bank Biochim AD and Hebros Bank AD. UniCredit Bulbank AD possesses a full-scope banking licence for performing commercial banking activities. It is domiciled in the Republic of Bulgaria with registered address city of Sofia, 7 "Sveta Nedelya" sq. The Bank is primarily involved in corporate and retail banking and in providing asset management services.
As of December 31, 2015 Bank operates through its network comprising of 176 branches and offices.

2. Basis of preparation

(a) Statement of compliance

These separate financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting standards Board (IASB) and adopted by the European Union.
These separate financial statements have been prepared on unconsolidated basis as required by Bulgarian Accountancy Act. Whenever deemed necessary for comparison reasons, certain positions in prior year financial statements have been reclassified.
These separate financial statements are approved by the Management Board of UniCredit Bulbank AD on February 03, 2016. They should be read in conjunction with the consolidated financial statements which will be approved by the Management Board of the Bank as well in February, 2016.

(b) Basis of measurement

These separate financial statements have been prepared on historical cost basis except for:
- derivative financial instruments measured at fair value;
- trading instruments and other instruments designated at fair value through profit or loss measured at fair value;
- available for sale financial instruments measured at fair value, where such can be reliably determined;
- liabilities for defined benefit obligation presented as present value of defined benefit obligation.

(c) Functional and presentation currency

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

(d) Use of estimates and judgement

The preparation of financial statements requires the Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in notes **4** and **5**.

3. Significant accounting policies

There have been no changes in significant accounting policies for the periods presented in these financial statements, except as described below. Whenever certain information in the current period is presented in a different way for the purposes of providing more reliable and relevant view of the financial position of the Bank, prior period information is also recalculated for comparative reasons.

CHANGE IN ACCOUNTING POLICY

In 2015 the Bank has changed its accounting policy with regards to presentation of transaction costs related to credit card business. Detailed explanations and summary of the effects are as follows:
For the periods until December 31, 2014 the Bank has treated certain transaction costs related to credit card business as technical services (as required by local tax administration) and presented them within General and administrative expenses. In 2015 the Bank reached an agreement with the tax administration on the financial nature of the services and decided to change their presentation from General and administrative expenses to Fee and commission expenses for the year ended December 31, 2015. For comparison reasons the Bank did similar reclassification for the year ended December 31, 2014 thus reclassifying BGN 5 342 thousand from General and administrative expenses to Fee and commission expenses. The policy change represents reclassification and does not impact neither net profit of the Bank nor net assets.
The actual restatement amounts impacting separate income statement are as follows:

In thousands of BGN

SEPARATE INCOME STATEMENT	REPORTED 31.12.2014	RESTATEMENT DUE TO CHANGE IN THE ACCOUNTING POLICY ON CARDS PAYMENT FEES	RESTATED AMOUNT 31.12.2014
Fee and commission expense	(11 232)	(5 342)	(16 574)
General and administrative expenses	(125 344)	5 342	(120 002)

(a) Interest income and expense

Interest income and expenses are recognized in the Income statement following the accruing principle, taking into account the effective yield of the asset/liability in all material aspects. Interest income and expenses include the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.
Interest income and expense presented in the Income statement include:

- interest on financial assets and liabilities at amortised cost calculated on an effective interest rate basis;
- interest on available for sale investment securities calculated on an effective interest rate basis;
- interest on financial instruments held for trading;
- interest on financial instruments designated at fair value through profit or loss;
- interest on derivatives designated as effective hedging instruments.

(b) Fee and commission income and expenses

Fee and commission income and expense arise on financial services provided/received and are recognized upon rendering/receiving of the corresponding service.
Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate thus presented as interest income or expense.

(c) Net gains (losses) on financial assets and liabilities held for trading

Net gains (losses) on financial assets and liabilities held for trading include those gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading (including derivative deals) as well as trading income in dealing with foreign currencies and exchange differences from daily revaluation of the net open foreign currency position of the Bank.
The Bank concludes interest rate swaps deals with customers which represent a margin driven business. The market risk on all such deals is covered through back-to-back deals concluded on the derivatives' primary markets (with counterparties being usually other banks part of UniCredit Group such as UniCredit Bank Austria AG and UniCredit Bank AG). The whole realized and unrealized gains/losses on interest rate swaps related to customers' business and their respective back-to-back derivatives with banks are presented net and included as part of the net gains on financial assets and liabilities held for trading and hedging derivatives.

(d) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency at the official Bulgarian National Bank foreign exchange rate effective at the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated at the closing foreign exchange rate being the official rate of the Bulgarian National Bank. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate effective at the date of the transaction.
As of each reporting date, all foreign currency denominated monetary assets and liabilities are revaluated on net basis using Bulgarian National Bank closing exchange rates. Any gain/loss is recognized in the profit or loss.

(e) Net gains (losses) on other financial assets designated at fair value through profit or loss

Net gains (losses) on other financial assets designated at fair value through profit or loss include all realised and unrealised fair value changes and foreign exchange differences on assets which are managed on fair value basis and for which the Bank has applied "fair value option" upon initial recognition.

(f) Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

(g) Lease payments made

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.
Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term and so producing a constant periodic rate of interest on the remaining balance of the liability.

(h) Financial instruments

(i) Recognition

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognised on the settlement date. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.
A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition cost.

(ii) Classification

a) Cash and balances with the Central Bank

Cash and balances with the Central bank include notes and coins on hand and unrestricted balances held with the Central Bank. They are carried at amortised cost in the statement of financial position.

b) Financial assets and derivatives held for trading

Financial assets and derivatives held for trading are those that the Bank holds for the purpose of short-term profit taking. These include securities and derivative contracts that are not designated as effective hedging instruments, and liabilities from short sales of financial instruments. All derivatives with positive fair values and purchased options are reported separately as derivatives held for trading. All derivatives with negative fair values and written options are reported as financial liabilities held for trading.
Financial assets and derivatives held for trading are carried at fair value in the statement of financial position.

c) Financial assets designated at fair value through profit or loss

Financial instruments that are not held for trading but which are part of a group of financial assets which performance is internally evaluated and reported on a fair value basis are initially designated and subsequently reported as financial assets designated at fair value through profit or loss.
Financial assets, designated at fair value through profit or loss are carried at fair value in the statement of financial position.

d) Loans and advances to banks and customers

Loans and advances to banks and customers are instruments where the Bank provides money to a debtor other than those created with the intention of short-term profit taking or selling in the near term. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method.

e) Available for sale investments

Available for sale investments are non-derivative investments that are designated as available for sale or are not classified in another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available for sale investments are carried at fair value.
Fair value changes are recognised directly in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are recognised in profit or loss.

f) Held to maturity investments

Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity and which are not designated as at fair value through profit or loss or as available for sale and do not meet the definition of loans and receivables.
A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available for sale, and would prevent the Bank from classifying investment securities as held to maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:
- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after Bank has collected substantially all of the asset's original principal;
- sales or reclassifications attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated (such as material creditworthiness deterioration of the issuer).

Held to maturity investments are carried at amortised cost using the effective interest method.

g) Investments in subsidiaries and associates

Investments in subsidiaries comprise of equity participations in entities where the Bank exercises control. In accordance with IFRS 10 "Consolidated Financial Statements" control is achieved when cumulatively the Bank:
- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee;
- has the ability to use its power to affect its returns.

Following the above criteria, in 2015 the Bank has assessed that it has control in all the investees, where it holds directly or indirectly more than 50% of the voting rights.
Investments in associates comprise of equity participations in entities where the Bank does not exercise control or joint control but has significant influence in governing the investees' activities. The Bank has assessed that it has significant influence over entities where it holds directly or indirectly 20% and more of the voting rights.
In the separate financial statements the Bank has adopted the policy of carrying all investments in subsidiaries and associates at cost.

h) Deposits from banks, customers and subordinated liabilities

Deposits from banks, customers and subordinated liabilities are financial instruments related to attracted funds by the Bank, payable on demand or upon certain maturity and bearing agreed interest rate. Subordinated liabilities meet some additional requirements set by Bulgarian National Bank (see note **39**). Deposits from banks, customers and subordinated liabilities are carried at amortised cost using the effective interest rate method.

(iii) Reclassification

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

(iv) Derecognition

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

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

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

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

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

(v) Amortised cost measurement

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

(vi) Fair value measurement principles

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In accordance with IFRS 7 “Financial instruments: Disclosures” the Bank applies three-level fair value hierarchy that reflects the significance of the inputs used in measurements (for more details see note **5**).

(vii) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when both the Bank and the counter party have a legally enforceable right to offset the recognized amounts and the transactions are intended to be settled on a net basis.

(viii) Repurchase agreements

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

(i) Impairment

The carrying amounts of Bank’s assets are regularly reviewed to determine whether there is any objective evidence for impairment as follows:

- for loans and receivables – by the end of each month for the purposes of preparing interim financial statements reported to the Bulgarian National Bank and Management;
- for available for sale, held to maturity financial assets and investments in subsidiaries and associates - semi-annually based on review performed by the Bank and decision approved by ALCO;
- for non-financial assets – by the end of each year for the purposes of preparing annual financial statements.

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

(i) Assets carried at amortised cost

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

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

Assets classified as held to maturity are assessed for impairment on a semi-annual basis based on available market data. Review is performed and decision is taken my Assets and Liabilities Committee (ALCO) of the Bank.

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

(ii) Financial assets remeasured to fair value directly in other comprehensive income

Financial assets remeasured to fair value directly through other comprehensive income are those classified as available for sale financial investments.

Where an asset remeasured to fair value directly through other comprehensive income is impaired, and a write down of the asset was previously recognized directly in other comprehensive income, the write-down is transferred to profit or loss and recognized as part of the impairment loss.

Where debt instrument measured to fair value directly through other comprehensive income is impaired, and an increase in the fair value of the instrument was previously recognized in other comprehensive income, the increase in fair value of the instrument recognized in other comprehensive income is reversed to the extent the asset is impaired. Any additional impairment loss is recognized in profit or loss. For equity instruments, no reversal of impairment is recognized in profit or loss. Any increase in fair value after impairment is recognized in other comprehensive income.

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

Assessment of impairment indicators of available for sale investments is done semi-annually. Decision for existence of any impairment is taken by ALCO.

(j) Derivatives used for hedging

Derivatives used for hedging include all derivative assets and liabilities that are not classified as held for trading. Derivatives used for hedging are designated as effective hedging instruments and are measured at fair value in the statement of financial position.

Since 2009 the Bank has developed hedge accounting methodology aiming at effective management of interest rate risk out of the banking book positions through certain fair value hedge and cash flow hedge relationships.

Since 2009 the Bank applies Cash Flow Hedge accounting.

Since 2015 the Bank has started to apply Fair Value Hedge accounting.

In accordance with the approved methodology, upon initial designation of the hedge, the Bank formally documents the relationship between the hedging instruments and the hedged items, including risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess and measure the effectiveness of the hedge relationship. Assessment is performed, both at the inception of the hedge relationship as well as on ongoing basis (based on Market risk Department independent assessment), as to whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within the range of 80-125 percent. The Bank also makes an assessment for each cash flow hedge of a forecast transaction, as to whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

FAIR VALUE HEDGE

When a derivative is designated as hedging instrument in a hedge of fair value of recognized asset or liability that could affect profit or loss, changes in the fair value of the derivative are recognized immediately in profit or loss. When the hedged item is classified as available for sale, cumulative changes of the fair value attributable to the hedged risk are recognized in profit and loss against revaluation reserve of the hedged items.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, fair value hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item, for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life. Amortisation starts immediately when hedge relationship no longer exists. When the hedged item is derecognized due to sale or expiration then the whole unamortized revaluation reserve is immediately recognised in profit and loss.

CASH FLOW HEDGE

Bank designates derivatives as hedging instruments in hedge of the variability in cash flows attributable to particular type of risk associated with highly probable forecast transaction that could ultimately affect profit or loss. While the derivative is carried at fair value in the statement of financial position, the effective portion of the changes of the fair value is recognized in other comprehensive income under cash flow hedge reserve and the ineffective part is recognized immediately in profit or loss.
If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked then the hedge accounting is discontinued prospectively.
As Bank's hedging strategy covers forecast cash flows as hedged items, the cumulative amount, recognized in other comprehensive income from the period when the hedge was effective, is recycled in profit or loss when the forecast transactions occur. In case the forecast transaction is no longer expected to occur, the whole balance outstanding in other comprehensive income is reclassified in profit or loss.

(k) Property, plant, equipment and investment property

All items of property, plant and equipment are carried at cost less accumulated depreciation or impairment losses.
Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or use for administrative purposes. Investment property is measured at cost less any accumulated depreciation.
Properties acquired upon collaterals foreclosure, which are neither intended to be used in the banking business nor kept as investment properties, but intended to be sold or constructed for the purposes to be sold, are presented in other assets in accordance with IAS 2 "Inventories" (see also Note **35**)
The gains or losses on disposal of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognized net in profit or loss.
Depreciation on all items of property, plant and equipment and investment property is provided on a straight-line basis at rates designed to write down the cost or valuation of fixed assets over their expected useful lives. Assets are not depreciated until they are brought into use and transferred from construction in progress into the relevant asset category.
The applicable annual depreciation rates based on expected useful life on major assets categories are as follows:

	ANNUAL DEPRECIATION RATES (%)	EQUIVALENT EXPECTED USEFUL LIFE (YEARS)
Buildings	4	25
Computer hardware	20-50	2-5
Fixtures and fittings	15-20	5-7
Vehicles	25	4

(l) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any impairment losses. As of December 31, 2015 and December 31, 2014 intangible assets include primarily investments in software and related licenses.
Amortisation is calculated on a straight-line basis over the expected useful life of the asset. The average useful life of intangible assets controlled by the Bank is estimated to approximately 5 years, which is an equivalent of approximately 20% annual amortisation rate.

(m) Non-current assets and disposal groups classified as held for sale

The Bank presents as non-current assets held for sale, investments in properties whose carrying amount will be recovered principally through sale transaction rather than continuing use. Items are only included in this category when the Management of the Bank has clear intention to finalize the sale and has already started looking for a buyer.
Non-current assets held for sale are carried at the lower of their carrying amount and fair value less costs to sell.

(n) Provisions

A provision is recognized when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. As of December 31, 2015 and December 31, 2014 Management has reviewed Bank's legal and constructive obligation and to the extent they meet the requirement for recognition, provision is recorded, respectively.

(o) Employees' benefits

(i) Short-term employee's benefits

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

(ii) Defined benefit obligation

Defined benefit obligations are those agreed in the Collective Labour Agreement.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value. The discount rate used is those of Bulgarian local currency government bonds at the reporting date. The calculation is performed by a qualified actuary. To determine the net amount in the statement of financial position, any actuarial gains and losses is presented separately in the Statement of other comprehensive income.

(iii) UniCredit Group Short and Long-Term incentive plans

UniCredit Group Short and Long-Term incentive plans comprise of deferred cash payments (cash settled) as well as stock options and performance share (equity settled) granted by the ultimate parent UniCredit S.p.A. They are allocated to selected group of top and senior managers of the Bank.
Whenever the vesting period of the stock options or performance shares ends, UniCredit Bulbank is required to settle the monetary amount, corresponding to the economic value of the respective instruments. Thereafter the parent effectively grants the instruments to the respective managers.
As of December 31, 2015 and December 31, 2014 UniCredit Bulbank presents the corresponding part of the economic value of the stock options and performance shares and respective accruals on the deferred cash payments as payroll costs under personnel expenses in the Income statement and the related obligation as other liability.

(p) Share capital and reserves

(i) Share capital

As described in Note **1**, HVB Bank Biochim AD and Hebros Bank AD merged into Bulbank AD legally as of April 27th, 2007 with retroactive effect for accounting purposes since January 1st, 2007. At the time of the merger the three merging entities were under direct control of UniCredit bank Austria AG and ultimately under control of UniCredit S.p.A. The merger represented a share-exchange transaction, where share-exchange ratios based on fair valuation of the net assets of the three Banks, certified by independent auditor, as required by the Bulgarian Commercial Act, were applied. The share capital of UniCredit Bulbank AD as of the date of the merger was in the amount of BGN 239 256 thousand and comprise of the share capital of Bulbank AD before the merger in the amount of BGN 166 370 thousand, increased by the newly issued ordinary shares exchanged for the ordinary shares of the merging Banks - HVB Bank Biochim AD and Hebros Bank AD (increase in the amount of BGN 72 886 thousand).
In September 2010 shareholders of UniCredit Bulbank AD approved a capital increase in the amount of BGN 179 000 thousand through issuing 24 655 650 new shares with issuing price BGN 7.26 and face value BGN 1, each. The capital increase was dully completed and registered and as of December 31, 2010 the share capital of the Bank amounted to BGN 263 911 thousand.
In May 2011 shareholders of UniCredit Bulbank AD approved a capital increase in the amount of BGN 158 744 thousand through issuing 21 865 500 new shares with issuing price BGN 7.26 and face value BGN 1, each. The capital increase was dully completed and registered and as of December 31, 2011 the share capital of the Bank amounts to BGN 285 777 thousand. No changes in the share capital were performed in 2015 and 2014.

(ii) Reserves

Reserves consist of statutory reserves and retained earnings held within the Bank as well as reserves on available for sale investments, cash flow hedges and reserve resulted from defined benefit obligation actuarial gains and losses. As of December 31, 2015 and December 31, 2014 the reserves includes also the premium of previously issued shares corresponding to the difference between the issuing price and the face value.

(q) Taxation

Tax on the profit for the year comprises current tax and the change in deferred tax. Income tax is recognized in the Income statement except to the extent that it relates to items recognized directly to other comprehensive income, in which case it is recognised in other comprehensive income. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the reporting date, and any adjustment of tax payable for previous years.
Deferred tax is provided using the liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.
Deferred tax is calculated on the basis of the tax rates that are expected to apply for the periods when the asset is realized or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to the Income statement, except to the extent that it relates to items previously charged or credited directly to other comprehensive income.
A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. As of December 31, 2015 and December 31, 2014 balances of deferred tax are presented net in the Statement of financial position as the respective netting requirements set out in IAS 12 are fully met.

(r) Segment reporting

In 2009 the Bank has adopted IFRS 8 "Operating Segments" which requires the Bank to present operating segments based on the information that is internally provided to the Management. This adoption did not result in a change in accounting policy as the business segments that have been previously determined and presented by the Bank in accordance with IAS 14 "Segment Reporting" are also the primary operating segments which are regularly reported to the Management of the Bank.

(s) Initial application of new amendments to the existing Standards and Interpretations effective for the current financial period

The following new amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current financial period:

- Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)" resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 18, 2014 (amendments are to be applied for annual periods beginning on or after January 1, 2015),
- IFRIC 21 "Levies" adopted by the EU on June 13, 2014 (effective for annual periods beginning on or after June 17, 2014).

The adoption of these amendments to the existing standards and interpretation has not led to any material changes in the Bank's financial statements.

(t) Amendments to the existing Standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following amendments to the existing standards issued by IASB and adopted by the EU were in issue but not yet effective:

- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 17, 2014 (amendments are to be applied for annual periods beginning on or after February 1, 2015),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: Bearer Plants - adopted by the EU on November 23, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on December 2, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions - adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015),
- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations adopted by the EU on November 24, 2015 (effective for annual periods beginning on or after January 1, 2016).
- Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative – adopted by the EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements - adopted by the EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 15, 2015 (amendments are to be applied for annual periods beginning on or after January 1, 2016).

(u) New Standards and amendments to the existing Standards issued by IASB but not yet adopted by the EU

- At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except from the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at February 03, 2016 (the effective dates stated below is for IFRS in full):
- IFRS 9 Financial Instruments (effective for annual periods beginning on or after January 1, 2018);
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after January 1, 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- IFRS 15 "Revenue from Contracts with Customers" and further amendments (effective for annual periods beginning on or after January 1, 2018),
- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after January 1, 2016),

The Bank anticipates that the adoption of these standards and amendments to the existing standards will have no material impact on the financial statements of the Bank in the period of initial application except for the one noted below which might have material effect on the financial statements:

- IFRS 9 Financial Instruments which is the replacement of IAS

39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition. IFRS 9 introduces new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces the existing rule-based requirements under IAS 39. The new standard also results in a single impairment model being applied to all financial instruments. IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.
According to the Bank's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: Financial Instruments: Recognition and Measurement, would not significantly impact the financial statements, if applied as at the reporting date.

4. Financial risk management

(a) General framework

UniCredit Bulbank AD is exposed to the following risks from financial instruments:
- market risk;
- liquidity risk;
- credit risk;
- operational and reputational risk.

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk and the Bank's management of capital. Different types of risks are managed by specialized departments and bodies within the Bank's structure. The applicable policies entirely correspond to the requirements of Risk Management Group Standards as well as all respective requirements set by Bulgarian banking legislation. Bank manages risk positions on aggregate basis, focusing in reaching optimal risk/return ratio.
Assets and Liabilities Committee (ALCO) is a specialized body established in the Bank for the purposes of market risk and structural liquidity management.
Credit risk in the Bank is specifically monitored through Provisioning and Restructuring Committee (PRC). It is a specialized body responsible for credit risk assessment, classification of credit risk exposures and impairment losses estimation. Assessment of the credit risk is in accordance with the Group standards and for regulatory purposes in accordance with Bulgarian National Bank requirements.

Management of the Bank has approved certain limits aiming to mitigate the risk impact on the Bank's result. These limits are within the overall risk limits of the banking group. The limits for credit risk depend on size of the exposure. Management Board approves the big exposure – 10 % of the capital of the Bank (requirement of Law on Credit Institutions). There is an effective procedure established in the Bank for limits monitoring, including early warning in case of limits breaches.
The operational risk governance system of UniCredit Bulbank AD is set to identify, manage and mitigate the operational risk exposure, defining a system of clearly outlined responsibilities and controls. Senior management is responsible for the effective oversight over operational risk exposure and approves all material aspects of the framework. Fundamental element of the operational risk system is the existence of an Operational Risk Committee. Starting from Q3 2014 UniCredit Bulbank AD applies the new Advanced Measurement Approach (new AMA) for its capital calculation of operational risk.

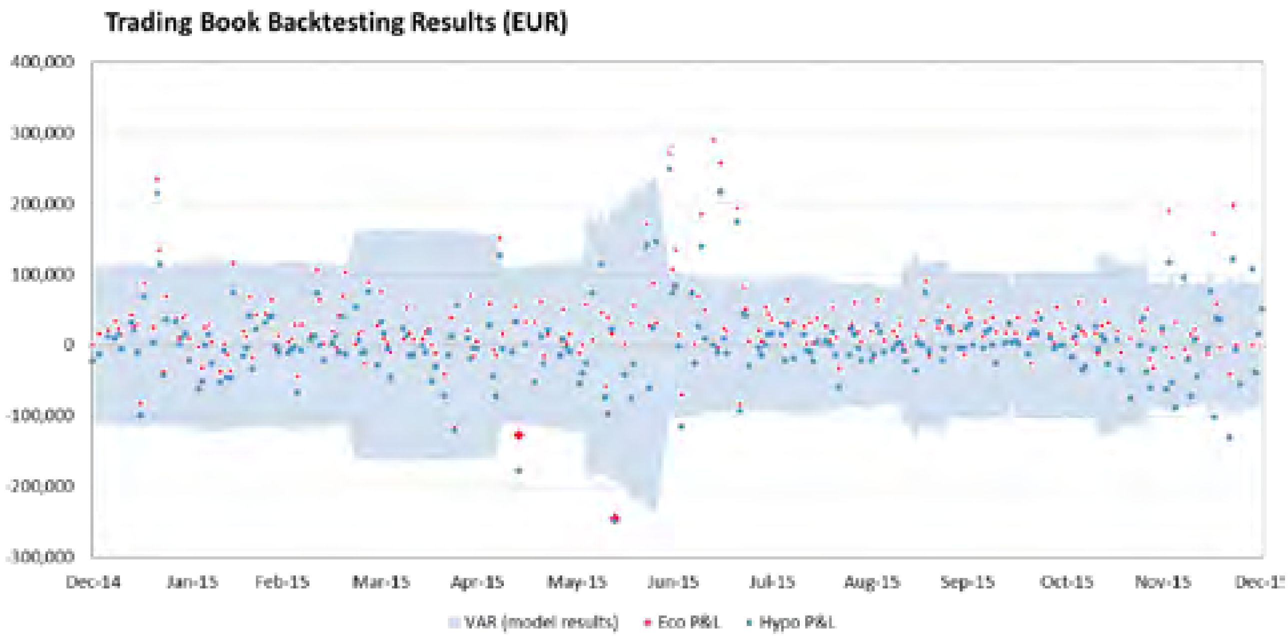
(b) Market risks

Risk monitoring and measurement in the area of market risks, along with trading activities control is performed by Market Risk department. Market risks control function is organized independently from the trading and sales activities. Prudent market risk management policies and limits are explicitly defined in Market Risk Rule Book and Financial Markets Rule Book, reviewed at least annually. A product introduction process is established in which risk managers play a decisive role in approving a new product.
Market risk management in UniCredit Bulbank AD encompasses all activities in connection with Markets and Investment Banking operations and management of the assets and liabilities structure. Risk positions are aggregated at least daily, analysed by the independent Market risk management unit and compared with the risk limits set by the Management Board and ALCO. The risk control function also includes ongoing monitoring and reporting of the risk positions, limit utilization, and daily presentation of results of Markets & Brokerage and Assets and Liabilities Management (ALM) operations.
UniCredit Bulbank AD applies uniform Group risk management procedures. These procedures make available the major risk parameters for various trading operations at least once a day. Besides Value at Risk, other factors of equal importance are stress-oriented sensitivity and position limits. Additional elements of the limit system are the loss-warning level (applied to accumulated results for a specific period), the stressed VaR (SVaR) metric, the incremental risk charge (IRC) limit and granular limits by sensitivity.
For internal risk management and Group compliant risk measurement, the Bank applies UniCredit Group's internal model IMOD. It is based on historical simulation with a 500-day market data time window for scenario generation and covers all major risk categories: interest rate risk and equity risk (both general and specific), currency risk and commodity position risk. Internal model also includes quantification of Stressed VaR and Incremental risk

charge values. The simulation results, supplemented with distribution metrics and limit utilization are reported on a daily basis to the Management. In addition to the risk model results, income data from market risk activities are also determined and communicated on a daily basis. Reporting covers the components reflected in IFRS-based profit and the mark to market of all investment positions regardless of their recognition in the IFRS-based financial statements ("total return"). Fair value adjustments (FVA) are applied to the extent that they are consistent with the objective of a fair value measurement. The use of credit/debit valuation adjustments (CVA/DVA) for OTC derivatives in UniCredit Bulbank AD was further refined in 2014 and integrated in the presentation of results of market activities including Corporate Treasury Sales on quarterly basis.
During 2015, VaR (1 day holding period, confidence interval of 99 %) of Bulbank group moved in a range between EUR 3.25 million and EUR 9.50 million, averaging EUR 6.70 million, with credit spreads and interest rates being main drivers of total risk in both, trading and banking books. VaR of UniCredit Bulbank AD by risk category in EUR million for 2015 on stand-alone basis is as follows:

RISK CATEGORY	MINIMUM	MAXIMUM	AVERAGE	YEAR-END
Interest rate risk	1.11	3.49	2.08	2.58
Credit spread	3.00	8.26	6.13	8.21
Exchange rate risk	0.06	0.09	0.08	0.08
Vega risk	0.0	0.0	0.0	0.0
VaR overall[1]	**3.25**	**9.50**	**6.70**	**9.20**

Reliability and accuracy of the internal model is monitored via daily back-testing, comparing the simulated results with actually observed fluctuations in market parameters and in the total value of books. Back-testing results for 2015 confirm the reliability of used internal model with only 2 (two) negative excesses.



In addition to VaR, risk positions of the Bank are limited through sensitivity-oriented limits. The most important detailed presentations include: basis point shift value (interest rate /spread changes of 0.01 % by maturity bucket), credit spread basis point value (credit spread changes of 0.01% by maturity bucket) and FX sensitivities. In the interest rate sector, the Basis-Point-Value (BPV) limit restricts the maximum open position by currency and time buckets, with valuation changes based on shift by 0.01% (1 basis point).

[1] Including diversification effects between risk factors.

The sensitivities' tables below provide summary of the overall interest rate risk exposure of UniCredit Bulbank AD on stand-alone basis as of December 31, 2015 (change in value due to 1 basis point shift, amounts in EUR):

IR BASIS POINT SHIFT (EUR)

CCY	0-3M	3M-1Y	1Y-3Y	3Y-10Y	10Y-	SUM
EUR	12 594	39 669	(23 595)	(75 924)	16 602	(30 654)
BGN	1 506	(2 760)	(52 682)	(152 914)	(776)	(207 626)
USD	(3 850)	1 015	1 132	(216)	0	(1 919)
CHF	76	236	(109)	(37)	0	166
GBP	(462)	268	33	0	0	(161)
Other	(7)	0	0	0	0	(7)
Total ABS	**18 495**	**43 948**	**77 551**	**229 091**	**17 378**	**240 532**

Measured by total absolute basis-point value, the credit spread sensitivity measure for UniCredit Bulbank AD as of December 31, 2015 totalled EUR 583,179. Treasury instruments continue to account for the largest part of the credit spread positions while the current exposure to financials and corporates is relatively insignificant.

SP BASIS POINT SHIFT

ISSUER	0-3M	3M-1Y	1Y-3Y	3Y-10Y	10Y-	SUM
Sovereigns	(133)	(8 374)	(59 355)	(431 858)	(79 371)	(579 091)
Regional governments	-	-	(129)	(1 304)	-	(1 433)
Corporates	-	-	-	(2 655)	-	(2 655)
Total ABS	**133**	**8 374**	**59 484**	**435 817**	**79 371**	**583 179**

Internal model results are complemented by various stress scenarios to identify potential effects of stressful market conditions on the Bank's earnings. The assumptions under such stress scenarios include extreme movements in prices or rates and deterioration in market liquidity. Stress results for major asset classes and portfolios (credit, rates and FX) and estimated impact on liquidity position up are reported at least monthly to ALCO. In 2015 the Bank's Management continued prudent risk management practices with primary focus on client-driven business.

UniCredit Bulbank AD is exposed to exchange rate risk through transactions in foreign currencies. Net FX open positions in trading and banking book are monitored on daily basis and are restricted by volume overnight limits.
As of December 31, 2015 the FX balances of UniCredit Bulbank AD are as outlined in the table below:

In thousands of BGN

	EUR AND BGN	OTHER CURRENCIES	TOTAL
ASSETS			
Cash and balances with Central Bank	4 570 614	14 782	**4 585 396**
Non-derivative financial assets held for trading	10 147	-	**10 147**
Derivatives held for trading	101 173	25 098	**126 271**
Derivatives held for hedging	13 455	-	**13 455**
Loans and advances to banks	1 188 159	37 214	**1 225 373**
Loans and advances to customers	8 468 235	301 157	**8 769 392**
Available for sale investments	2 282 226	-	**2 282 226**
Investments in subsidiaries and associates	55 004	-	**55 004**
Property, plant, equipment and investment properties	165 523	-	**165 523**
Intangible assets	23 155	-	**23 155**
Deferred tax assets	3 159	-	**3 159**
Other assets	109 156	60	**109 216**
TOTAL ASSETS	**16 990 006**	**378 311**	**17 368 317**
LIABILITIES			
Financial liabilities held for trading	75 597	24 557	**100 154**
Derivatives used for hedging	35 400	-	**35 400**
Deposits from banks	874 112	216 333	**1 090 445**
Deposits from customers	11 921 654	1 563 542	**13 485 196**
Provisions	28 876	22 369	**51 245**
Current tax liabilities	7 977	-	**7 977**
Other liabilities	87 874	2 235	**90 109**
TOTAL LIABILITIES	**13 031 490**	**1 829 036**	**14 860 526**
EQUITY	**2 507 791**	**-**	**2 507 791**
Net off-balance sheet spot and forward position	**(1 456 038)**	**1 462 114**	**6 076**
Net position	**(5 313)**	**11 389**	**6 076**

As of December 31, 2014 the FX balances of UniCredit Bulbank AD are as outlined in the table below:

In thousands of BGN

	EUR AND BGN	OTHER CURRENCIES	TOTAL
ASSETS			
Cash and balances with Central Bank	1 076 692	15 535	**1 092 227**
Non-derivative financial assets held for trading	5 607	-	**5 607**
Derivatives held for trading	100 111	24 417	**124 528**
Financial assets designated at fair value through profit or loss	60 754	-	**60 754**
Loans and advances to banks	1 478 766	148 723	**1 627 489**
Loans and advances to customers	9 642 277	294 205	**9 936 482**
Available for sale investments	1 492 803	-	**1 492 803**
Held to maturity investments	-	136 663	**136 663**
Investments in subsidiaries and associates	55 004	-	**55 004**
Property, plant, equipment and investment properties	180 160	-	**180 160**
Intangible assets	23 211	-	**23 211**
Current tax assets	6 598	-	**6 598**
Other assets	102 205	60	**102 265**
TOTAL ASSETS	**14 224 188**	**619 603**	**14 843 791**
LIABILITIES			
Financial liabilities held for trading	61 711	24 229	**85 940**
Derivatives used for hedging	41 223	702	**41 925**
Deposits from banks	1 269 043	233 722	**1 502 765**
Deposits from customers	9 745 576	1 037 001	**10 782 577**
Subordinated liabilities	70 596	-	**70 596**
Provisions	24 425	20 088	**44 513**
Current tax liabilities	4 310	-	**4 310**
Deferred tax liabilities	1 102	-	**1 102**
Other liabilities	67 377	1 955	**69 332**
TOTAL LIABILITIES	**11 285 363**	**1 317 697**	**12 603 060**
EQUITY	**2 240 731**	**-**	**2 240 731**
Net off-balance sheet spot and forward position	**(686 360)**	**700 922**	**14 562**
Net position	**11 734**	**2 828**	**14 562**

(c) Liquidity risk

In line with Group standards, UniCredit Bulbank deals with liquidity risk as a central risk in banking business by monitoring and steering short-term and medium-term liquidity requirements. In this context, liquidity situation is analysed against standard and stress scenarios. Methods of liquidity analysis, management responsibilities, as well as contingency plan and funding plan procedures are laid down in the Bank's Liquidity Management Policy.

Liquidity is operationally managed through Markets/Treasury Department and the structural liquidity through Asset-Liability Management Department. According to the Liquidity Policy, Asset-Liability Management Department monitors on a daily basis short term flows, arising from interbank activities with a time horizon up to three months. The structural liquidity is monitored on a weekly basis prepared under going concern scenario. For the purposes of liquidity management short-term limits are monitored daily, defined as function of the primary funds and liquidity stress-test results. Structural liquidity limit ratios define minimum required coverage of long-term assets with coherent liabilities.

Integral part of liquidity management process is monitoring the results of regular stress tests. Market risks control function performs liquidity stress tests on regular basis, using standardised Group-wide scenarios and specific local set. These scenarios describe the effects of market-driven or specific name-crisis signals, with assumptions about behaviour of non-financial customers. The liquidity outflows expected to occur are compared with available collateral (essentially, securities eligible as collateral at the central bank) to examine banks' ability to withstand liquidity shock over 40 days horizon. The results of extreme scenario combining market- and name-driven crisis have shown comfortable coverage during 2015, meaning that assuming extreme stress conditions the Bank is expected to cope with liquidity shock using own resources.

The following tables provide basic analysis of the financial assets expected recoverability and financial liabilities of the Bank split into relevant maturity bands based on the remaining contractual periods to repayment for items with defined maturity and model mapping for items with no defined maturity or roll over assumptions. The gross amounts include also estimated contractual interest payments. Actual outflows may materially differ from those presented in the tables as historically most of the clients' attracted deposit have economic maturity much longer than the contractual one (deposits are consistently rolled over).

In thousands of BGN

MATURITY TABLE AS AT 31 DECEMBER 2015	UP TO 1 YEAR	OVER 1 YEAR	TOTAL
ASSETS			
Non-derivative financial assets held for trading	10 147	-	**10 147**
Loans and advances to banks	502 384	722 989	**1 225 373**
Loans and advances to customers	3 038 481	5 730 911	**8 769 392**
Available for sale investments	148 450	2 133 776	**2 282 226**
Other assets	49 263	59 953	**109 216**
TOTAL FINANCIAL ASSETS	**3 748 725**	**8 647 629**	**12 396 354**

In thousands of BGN

MATURITY TABLE AS AT 31 DECEMBER 2014	UP TO 1 YEAR	OVER 1 YEAR	TOTAL
ASSETS			
Non-derivative financial assets held for trading	5 607	-	5 607
Financial assets designated at fair value through profit or loss	-	60 754	60 754
Loans and advances to banks	1 243 272	384 217	1 627 489
Loans and advances to customers	4 359 686	5 576 796	9 936 482
Available for sale investments	442 191	1 050 612	1 492 803
Held to maturity investments	136 663	-	136 663
Other assets	38 971	63 294	102 265
TOTAL FINANCIAL ASSETS	**6 226 390**	**7 135 673**	**13 362 063**

In thousands of BGN

MATURITY TABLE AS OF DECEMBER 31, 2015	CARRYING AMOUNT	GROSS IN (OUT) FLOW	UP TO 1 MONTH	FROM1 TO 3 MONTHS	FROM 3 MONTHS TO 1 YEAR	OVER 1 YEARS
Non derivative instruments						
Deposits from banks	**1 090 445**	**(1 095 883)**	(434 147)	(135 884)	(126 828)	(399 024)
Deposits from customers	**13 485 196**	**(13 503 651)**	(9 224 362)	(1 478 007)	(2 244 190)	(557 092)
Unutilized credit lines	**-**	**(1 597 935)**	(23 969)	-	(295 618)	(1 278 348)
Total non-derivative instruments	**14 575 641**	**(16 197 469)**	**(9 682 478)**	**(1 613 891)**	**(2 666 636)**	**(2 234 464)**
Derivatives used for trading, net	**26 117**					
Outflow		**(3 505 905)**	(2 028 474)	(580 642)	(640 540)	(256 249)
Inflow		**3 536 711**	2 033 863	581 239	646 810	274 799
Derivatives used for hedging, net	**(21 945)**					
Outflow		**(104 087)**	(51 484)	(254)	(41 110)	(11 239)
Inflow		**83 448**	69 752	-	13 581	115
Total derivatives	**4 172**	**10 167**	**23 657**	**343**	**(21 259)**	**7 426**
Total financial liabilities	**14 579 813**	**(16 187 302)**	**(9 658 821)**	**(1 613 548)**	**(2 687 895)**	**(2 227 038)**

In thousands of BGN

MATURITY TABLE AS OF DECEMBER 31, 2014	CARRYING AMOUNT	GROSS IN (OUT) FLOW	UP TO 1 MONTH	FROM1 TO 3 MONTHS	FROM 3 MONTHS TO 1 YEAR	OVER 1 YEARS
Non derivative instruments						
Deposits from banks	**1 502 765**	**(1 544 499)**	(594 078)	(4 730)	(31 727)	(913 964)
Deposits from customers	**10 782 577**	**(10 811 243)**	(7 289 722)	(1 289 817)	(1 886 970)	(344 734)
Subordinated liabilities	**70 596**	**(70 797)**	-	-	(33 263)	(37 534)
Unutilized credit lines	**-**	**(1 319 242)**	(19 789)	-	(244 060)	(1 055 394)
Total non-derivative instruments	**12 355 938**	**(13 745 781)**	**(7 903 589)**	**(1 294 547)**	**(2 196 020)**	**(2 351 626)**
Derivatives used for trading, net	**38 588**					
Outflow		**(2 678 304)**	(1 309 821)	(542 009)	(522 303)	(304 171)
Inflow		**2 721 934**	1 315 675	548 106	530 589	327 564
Derivatives used for hedging, net	**(41 925)**					
Outflow		**(64 980)**	(988)	(1 604)	(4 659)	(57 729)
Inflow		**22 349**	47	62	146	22 094
Total derivatives	**(3 337)**	**999**	**4 913**	**4 555**	**3 773**	**(12 242)**
Total financial liabilities	**12 352 601**	**(13 744 782)**	**(7 898 676)**	**(1 289 992)**	**(2 192 247)**	**(2 363 868)**

(d) Credit risks

Credit risk is defined as potential losses arising from not fulfilment of any contractual obligation with regard to issued or originated financial instrument.
Bank effectively manages credit risk inherent to its trading and banking book.
Bank applies different approach and has established different departments with regard to monitoring the credit risk related to corporate clients, small and middle enterprises and individuals.

(i) Credit risk in the trading book

For the purposes of portfolio management and risk limitation in the derivatives and security financing business with banks and customers, UniCredit Bulbank uses the group internal counterparty risk model based on Monte Carlo simulations by estimating the potential future exposure at portfolio level for each counterpart. Calculations are based on market volatilities, correlations between specific risk factors, future cash flows and stress considerations, taking into account netting and collateral agreements, if applicable. Subject to simulations are all major types of transactions, e. g. foreign exchange and interest rate derivatives, equity / bond-related instruments, credit derivatives and commodity derivatives.
Treasury credit lines utilisation for derivatives and security financing business is available on-line in the central treasury system operated on group-wide basis.
Additionally, UniCredit Bulbank limits the credit risk arising from its derivatives and repo-based business through strict use of master agreements, ongoing monitoring of documentation standards by legal experts, and application of break clauses and collateral agreements.
Regulatory trading book includes financial assets held for trading purposes and derivatives, not held in conjunction with banking book positions.
The analysis based on client credit quality and rating (where available) as of December 31, 2015 and December 31, 2014 is as shown in the next table:

In thousands of BGN

	31.12.2015	31.12.2014
Government bonds		
Rated BB+	10 147	5 607
Derivatives (net)		
Banks and financial institution counterparties	(22 048)	(14 109)
Corporate counterparties	26 220	52 697
Total trading assets and liabilities	**14 319**	**44 195**

Government bonds presented as of December 31, 2015 and December 31, 2014 include only bonds issued by Republic of Bulgaria.

(ii) Credit risk in the banking book

Credit risk, inherent in the banking book, is managed as the creditworthiness of Bank's clients is assessed for the whole life of the loan, from the date of initial loan application till the date of final repayment. Issued Letters of Guarantees, Letters of Credit and all other irrevocable credit commitments fell also within the scope of Bank's credit risk monitoring. As a credit risk mitigation policy, Bank accepts different types of collaterals depending on the product and client.
Competences for evaluation and classification of risk exposures, assessment and quantification of impairment allowances and provisions for credit risk are exclusively within the responsibility of Provisioning and Restructuring Committee (PRC) established in the Bank.
The Bank applies the principle of individual and collective assessment of credit risk exposures depending on existence or non-existence of objective impairment indicators and considering the adopted individually significant materiality threshold.
Objective impairment indicators are those "loss events" that have occurred after initial recognition of the exposure and which have an impact on the exposure estimated future cash flows. In order to provide consistency in the risk measurement, the Bank assumes existence of objective impairment indicators in case of occurrence of a default event as per applicable regulatory framework.
Exposures with objective evidence for impairment (defaulted exposures) generally trigger specific impairment allowances (calculation amount based on individual assessment or portfolio model-based). For all exposures that are not defaulted, impairment assessment is done on a portfolio basis combining exposures with similar credit characteristics. The Bank adopts Expected Loss (EL) concept for assessing impairment on portfolio basis, considering expected default probability within one year horizon, adjusted by Loss Confirmation Period (LCP) in order to translate it into incurred loss as defined by IFRS (IBNR concept).
Risk assessment is done at least once per month. Credit risk methodology adopted by the Bank is explicitly defined in the Policy for evaluation of risk exposures. The process of evaluation of contingent liabilities and allocation of provisions as per the requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" is performed specifically whenever provision allocation indicator exists, as per the current Policy, and mandatory by the year-end for the purposes of drawing annual financial statements of the Bank.
Credit risk monitoring is also focused on fulfilment of statutory lending limits set in Law on Credit Institutions. Exposure to one customer or group of related customers exceeding 10% of own funds are treated as big exposures and it has to be approved by the Management Board. Maximum amount of an exposure to one customer or group of related customers must not exceed 25% of the capital base of the Bank.

The table below shows the ratio of the biggest exposure to a group of customers and the top five biggest groups of customers as of December 31, 2015 and December 31, 2014.

In thousands of BGN

	CREDIT RISK EXPOSURE BEFORE RISK TRANSFER		CREDIT RISK EXPOSURE AFTER RISK TRANSFER		% OF OWN FUNDS	
	2015	2014	2015	2014	2015	2014
Biggest credit risk exposure to customers' group	313 422	420 503	313 020	420 503	14.3%	21.1%
Credit risk exposure to top five biggest customers' groups	1 003 810	1 144 983	821 108	876 140	37.6%	44.0%

The table below analyses the breakdown of impairment allowances as of December 31, 2015 and December 31, 2014 on loans and advances to customers:

In thousands of BGN

	CARRYING AMOUNT BEFORE IMPAIRMENT		IMPAIRMENT ALLOWANCE		CARRYING AMOUNT	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Impaired	**1 345 821**	**1 420 250**	**881 329**	**852 679**	**464 492**	**567 571**
individually assessed	681 140	751 161	372 889	369 790	308 251	381 371
portfolio assessed	664 681	669 089	508 440	482 889	156 241	186 200
Collectively impaired	**7 197 358**	**7 089 719**	**47 079**	**54 178**	**7 150 279**	**7 035 541**
Past due but not impaired	**189 295**	**147 001**	**-**	**-**	**189 295**	**147 001**
individually assessed	144 124	83 999	-	-	144 124	83 999
portfolio assessed	45 171	63 002	-	-	45 171	63 002
Past due comprises of:						
up to 90 days	67 422	61 556	-	-	67 422	61 556
from 91 to 180 days	30 408	8 983	-	-	30 408	8 983
over 181 days	91 465	76 462	-	-	91 465	76 462
	189 295	147 001	-	-	189 295	147 001
Neither past due nor impaired	**965 326**	**2 186 369**	**-**	**-**	**965 326**	**2 186 369**
Total	**9 697 800**	**10 843 339**	**928 408**	**906 857**	**8 769 392**	**9 936 482**

The breakdown of the fair value of physical and cash collaterals pledged in favour of the Bank on loans and advances to customers is as follows:

In thousands of BGN

	LOANS AND ADVANCES TO CUSTOMERS	
	31.12.2015	31.12.2014
Impaired defaulted exposures		
Cash collateral	2 005	1 584
Property	1 136 890	1 409 420
Other collateral	501 361	603 602
Collectively impaired performing exposures (IBNR)		
Cash collateral	67 165	64 175
Property	8 481 725	7 651 656
Other collateral	7 041 042	6 375 994
Past due but not impaired defaulted exposures		
Cash collateral	1 642	661
Property	492 642	364 445
Other collateral	198 011	98 879
Neither past due nor impaired performing exposures		
Cash collateral	61 448	92 431
Property	1 583 650	1 742 494
Debt securities	10 847	5 780
Other collateral	70 551	41 268
Total	**19 648 979**	**18 452 389**

Other collaterals include mostly pledges on non-real estate long-term assets, going concerns and inventories.

The concentration of risk exposures in different sectors of the economy as well as geographical spread out is as outlined in table below as of December 31, 2015 and December 31, 2014.

In thousands of BGN

	LOANS AND ADVANCES TO CUSTOMERS		LOANS AND ADVANCES TO BANKS		INVESTMENT SECURITIES	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Concentration by sectors						
Sovereign	315 605	1 304 097	-	-	2 253 848	1 617 407
Manufacturing	1 969 390	2 002 245	-	-	-	-
Commerce	2 179 715	2 052 031	-	-	-	-
Construction and real estate	1 528 474	1 560 410	-	-	67	67
Agriculture and forestry	426 445	377 985	-	-	-	-
Transport and communication	229 109	255 657	-	-	655	655
Tourism	155 673	140 804	-	-	-	-
Services	507 809	420 536	-	-	-	-
Financial services	192 643	366 004	1 225 373	1 627 489	82 660	66 341
Retail (individuals)						
Housing loans	1 604 843	1 590 636	-	-	-	-
Consumer loans	457 418	638 139	-	-	-	-
Other	130 676	134 795	-	-	-	-
	9 697 800	**10 843 339**	**1 225 373**	**1 627 489**	**2 337 230**	**1 684 470**
Impairment allowances	(928 408)	(906 857)	-	-	-	-
Total	**8 769 392**	**9 936 482**	**1 225 373**	**1 627 489**	**2 337 230**	**1 684 470**
Concentration by geographic location						
Europe	9 616 832	10 761 404	1 212 245	1 584 633	2 337 230	1 684 470
North America	39 966	40 123	12 399	42 503	-	-
Asia	2 908	4 827	606	322	-	-
Africa	130	154	-	-	-	-
South America	12	29	-	-	-	-
Australia	37 952	36 802	123	31	-	-
	9 697 800	**10 843 339**	**1 225 373**	**1 627 489**	**2 337 230**	**1 684 470**
Impairment allowances	(928 408)	(906 857)	-	-	-	-
Total	**8 769 392**	**9 936 482**	**1 225 373**	**1 627 489**	**2 337 230**	**1 684 470**

(e) Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events (including legal risk). Examples include compensations paid to customers for incorrect/inadequate product-related advice, IT system failures, damage to property, processing errors or fraud, subject to consolidated risk measurement and management (collection of loss data, external data, scenarios, indicators), on which the calculation of capital held for operational risk is based.

In UniCredit Bulbank AD the operational risk management framework is a combined set of policies and procedures for controlling, measuring and mitigating the operational risk exposure, which includes the UniCredit Group guidelines and local documents. The Bank has a dedicated function to operational risk management, which is independent from the business and operational areas. The responsibilities of the unit are in line with those envisaged by the Holding and Sub-Holding. Nominated operational risk managers in the branch network and the Head Office, working on a decentralized basis, are responsible for loss data identification and reporting as well as for adoption of measures to reduce and prevent risks in their respective areas.

The established Operational and Reputational Risk Committee (Reputational Risk function is included within the scope of the Committee since 2013) greatly enhanced the regular exchange of information and promotion of the operational risk awareness within the Bank. Meetings are held quarterly and are attended by the Bank's senior management. The Operational and Reputational Risk Committee acts also as a Permanent Workgroup, where current operational and reputational risk issues and developments are reported, and serves as a platform for discussion of unresolved issues for the purpose of finding risk mitigation solutions.

Reputational Risk function is within the scope of the responsibility of the Operational and Reputational Risk Unit. Reputational risk is defined as the current or prospective risk to earnings and capital arising from adverse perception of the image of the financial institution on the part of customers, counterparties, shareholders/investors, regulators or employees (stakeholders). All relevant rules and policies for the management and monitoring of the Reputational Risk exposure have been adopted in full compliance with the UniCredit Group guidelines. Under the Reputational risk process, special attention is paid to the management and monitoring of the Bank's exposure towards economic sectors and transactions, such as Defence/Weapons, Nuclear energy etc.

The main activities of the Operational and Reputational Risk unit in 2015 were focused on the further development of the Operational Risk management, with emphasis on preventative and mitigation actions to reduce future losses. There have been several Group instructions that were introduced and were implemented within the current processes within UniCredit Bulbank. A significant part of the resources of the Operational and Reputational Risk unit were also devoted towards the implementation and monitoring of the UniCredit Bulbank Operational Risk Strategies (Operational risk strategies deploy their effect in a multiyear perspective) and include different approaches to mitigate Cyber risk, Credit application fraud, Compliance risk etc. Moreover, all the training activities, combined with methodological guidance and support to the other structures within the Bank by Operational and Reputational Risk unit ensure the outstanding Operational Risk awareness at Bank level.

Overall, the organization of operational and reputational risk management at UniCredit Bulbank AD is well established, at a high level of quality, as stated in the annual self-validation report. This was confirmed by the control verifications of UniCredit Group Internal Validation and Bank's Internal Audit inspections. Based on these independent assessments, the operational risk management and control system was found sound and well developed with focus on proactiveness, proposal and implementation of mitigation actions with the active involvement of the operational and reputational risk function, and all relevant units in the Bank.

(f) Basel III disclosure

In 2014, Basel III (CRD IV) regulatory framework has been effectively introduced in Bulgaria and has become mandatory for all local institutions. Under the new regulation, Bank continues to allocate capital for covering three major types of risk, namely credit risk, market risk and operational risk.

The Bank applies Foundation Internal Rating Based (F-IRB) Approach for calculation of credit risk capital requirements for corporate clients and credit institutions and Advances Measurement Approach (AMA) for the calculation of capital requirements for operational risk. For all the remaining exposures, Bank applies Standardised Approach (STA).

The new regulatory framework sets minimum limits of Core Equity Tier 1 (CET 1) ratio, Tier 1 ratio and Total Capital Adequacy ratio of 4.5%, 6% and 8%, respectively. In addition, under the sole discretion of local Regulator is the definition and imposition of certain additional capital buffers, having as a core objective further strengthening of capital positions of the banks. In this respect Bulgarian National Bank (BNB) has imposed two additional buffers, namely capital conservation buffer of 2.5% and systemic risk buffer of 3% (or combined buffers additional capital requirement of 5.5%). All the buffers should be covered by highest quality capital positions, CET 1 eligible. Considering the combined buffers additional capital requirements, listed above, the minimum limits for Core Equity Tier 1 ratio, Tier 1 ratio and Total Capital Adequacy Ratio for Bulgaria as of December 31, 2015 are 10%, 11.5% and 13.5%, respectively. UniCredit Bulbank AD fulfils the minimum requirements, with sufficient excess, already from the first application of the new regulatory framework (more details presented in the following paragraphs).

SECURITIZATION

In 2011 Bank has signed First Loss Guarantee Agreement (FLPG) with European Investment Fund, covering newly disbursed SME loans. In 2012 upon agreement for the regulatory treatment with Bulgarian National Bank, the above mentioned transaction is presented as synthetic securitization under STA for the purposes of allocating capital for credit risk under Basel III. Summary of FLPG as of December 31, 2015 is presented in the table below:

NAME		EIF JEREMIE
Type of securitisation:		First Loss Portfolio Guarantee
Originator:		UniCredit Bulbank
Issuer:		European Investment Fund
Target transaction :		Capital Relief and risk transfer
Type of asset:		Highly diversified and granular pool of newly granted SME loans
Quality of Assets as of December 31, 2015		Performing loans
Agreed maximum portfolio volume:		EUR 50,000 thousand
Nominal Value of reference portfolio :		BGN 86,005 thousand
Issued guarantees by third parties:		First loss cash coverage by EIF
Amount and Condition of tranching:		
Type of tranche	Senior	Junior
Reference Position as of December 31, 2015	BGN 43,399 thousand	BGN 25,405 thousand

(i) Own funds and capital requirements

The development of the own funds and capital requirements as of December 31, 2015 and December 31, 2014 are as follows:

In thousands of BGN

	31.12.2015	31.12.2014
Regulatory own funds		
Core Equity Tier 1 (CET 1)	2 153 895	1 966 981
Tier 1 capital	2 153 895	1 966 981
Tier 2 capital	24 237	26 405
Total regulatory own funds	**2 178 132**	**1 993 386**
Risk Weighted Assets (RWA)		
RWA for credit risk	7 984 027	8 617 436
RWA for market risk	10 801	21 175
RWA for operational risk	830 638	900 149
Total Risk Weighted Assets (RWA)	**8 825 466**	**9 538 760**
CET 1 ratio	**24.41%**	**20.62%**
Tier 1 ratio	**24.41%**	**20.62%**
Total capital adequacy ratio	**24.68%**	**20.90%**
Minimum CET 1 capital requirements (4.5%)	**397 146**	**429 244**
Minimum Tier 1 capital requirements (6%)	**529 528**	**572 326**
Minimum total capital requirements (8%)	**706 037**	**763 101**
Additional capital requirements for conservation buffer (2.5%)	220 637	238 469
Additional capital requirements for systemic risk buffer (3%)	264 764	286 163
Combined buffers additional capital requirements (5.5%)	**485 401**	**524 632**
Adjusted minimum CET 1 capital requirements after buffers (10%)	**882 547**	**953 876**
Adjusted minimum Tier 1 capital requirements, including buffers (11.5%)	**1 014 929**	**1 096 957**
Adjusted minimum total capital requirements after buffers (13.5%)	**1 191 438**	**1 287 733**
Free equity, after buffers	**986 694**	**705 653**

Following previous prudential approach, in parallel to the introduction of the Basel III regulatory framework, in 2014 BNB defined two additional capital buffers –for conservation and for systemic risk. All Bulgarian banks should meet combined buffers capital requirements already as of December 31, 2014. Buffers can be covered by Core Equity Tier 1 eligible positions only.
As of December 31, 2015 the same requirements remained valid.

5. Use of estimates and judgements

For the purposes of preparation of these separate financial statements Management has used certain estimates and judgement in order to provide fair and true presentation of the financial position of the Bank. These estimates and judgement require Management to use all information available in order to assess and where possible to quantify potential impact on the Bank's financial position as a result of some uncertain events.

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

- Fair value determination of financial instruments;
- Fair value determination of non-financial assets;
- Impairment of financial instruments, especially loans;
- Quantification of the provisions for constructive and/or legal obligations.

(a) Fair value determination of financial instruments

As described in note **3 (h) (vi)** the Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Unobservable in this context means that there is little or no current market data available from which to determine the price at which an arm's length transaction would be likely to occur.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, various option pricing models and other valuation models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other inputs used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the fair value of the financial instrument at the reporting date that would have been determined by market participants and that represents the price that would be received to sell an asset or paid to transfer liability in an orderly transaction. The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to liquidity, changes based on specific events and general conditions in the financial markets.

Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation. Management judgement and estimation are usually required for selection of appropriate valuation model, determination of probability of default and prepayment speeds and selection of appropriate discount rates.

Under IFRS 13 "Fair Value Measurement" requirements, the Bank paid specific attention on assessing and revising its valuation techniques, especially with regards to valuation of OTC derivatives and other Level 2 and Level 3 financial instruments, otherwise carried at amortized cost (loans and deposits to/from customers and banks). In doing such revision the Bank has adopted UniCredit Group valuation techniques and methodologies.

OTC DERIVATIVES

CVA (Credit Value Adjustment) represents adjustment made on the valuation of OTC derivative transaction in order to properly reflect the credit risk of the derivative counter-party. It can also be referred as the market value of counterparty credit risk. According to the adopted methodology in UniCredit Group, CVA is calculated on bilateral basis using market-based parameters (PD and LGD). In bilateral computations DVA (Debit Value Adjustment) representing market value of Bank's own credit risk towards counterparty, is also considered (for the actual amounts of CVA/DVA adjustments for 2015 and 2014 see also Note **9**).

LOANS AND ADVANCES TO BANKS AND CUSTOMERS

The adopted fair value calculation is coherent with DCF methods for estimation of financial instruments subject to default risk using risk neutral default probabilities. For defaulted loans, as the allocation of impairment requires deeper analysis of the expected cash flows, in accordance with Group methodology, Management can reasonably assume that the fair value is equal to the carrying amount and all such instruments are mapped to Level 3 fair value hierarchy.

As all loans are not traded on active markets, attention should be paid to proper mapping them into the FV hierarchy as per IFRS 7.

In this regard, according to the UniCredit Group methodology, also adopted by the Bank for 2015, whenever risk-free FV deviates by more than 2% (2% in 2014) from risk-adjusted FV, then the unobservable input has material impact on the final fair value determination, therefore the fair value of the respective instrument is mapped to Level 3. If the deviation is within the above mentioned threshold, the instrument is mapped to Level 2 fair value hierarchy.

DEPOSITS FROM BANKS AND CUSTOMERS

The adopted fair valuation technique represents DCF method, where the applicable discount factor is the sum of risk free rate and own credit spread (liquidity spreads). Similarly to loans and advances to banks and customers, same risk-free to risk-adjusted thresholds are applied to deposits from banks and customers in assessing their fair value levels. In addition, according to updated Group Fair Value methodology, both as of December 31, 2015 and December 31, 2014 all demand deposits are mapped to Level 3 fair value hierarchy. The table below analyses financial instruments by valuation method applied by the Bank as of December 31, 2015 and December 31, 2014.

In thousands of BGN

INSTRUMENT CATEGORY	LEVEL 1		LEVEL 2		LEVEL 3		TOTAL	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Non derivative financial assets held for trading	-	-	10 147	5 607	-	-	**10 147**	**5 607**
Derivatives held for trading	-	-	125 694	123 530	577	998	**126 271**	**124 528**
Derivatives used for hedging	-	-	13 455	-	-	-	**13 455**	**-**
Financial assets designated at fair value through profit or loss	-	-	-	-	-	60 754	**-**	**60 754**
Available for sale Investments	1 188 240	200 347	1 061 872	1 275 736	32 114	16 720	**2 282 226**	**1 492 803**
Held to maturity investments	-	136 723	-	-	-	-	**-**	**136 723**
Loans and advances to banks	-	-	273 905	1 341 932	903 706	276 375	**1 177 611**	**1 618 307**
Loans and advances to customers	-	-	1 526 487	3 732 081	8 033 725	7 111 739	**9 560 212**	**10 843 820**
	1 188 240	**337 070**	**3 011 560**	**6 478 886**	**8 970 122**	**7 466 586**	**13 169 922**	**14 282 542**
Financial liabilities held for trading	-	-	100 154	85 940	-	-	**100 154**	**85 940**
Derivatives used for hedging	-	-	35 400	41 925	-	-	**35 400**	**41 925**
Deposits from banks	-	-	576 613	437 412	486 789	1 039 675	**1 063 402**	**1 477 087**
Deposits from customers	-	-	6 173 759	5 207 399	7 312 394	5 590 452	**13 486 153**	**10 797 851**
Subordinated liabilities	-	-	-	-	-	70 588	**-**	**70 588**
	-	**-**	**6 885 926**	**5 772 676**	**7 799 183**	**6 700 715**	**14 685 109**	**12 473 391**

The movement in financial instruments belonging to Level 3 for the year ended December 31, 2015 is as follows:

In thousands of BGN

	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE FOR SALE INVESTMENTS
Opening balance (January 1, 2015)	**998**	**60 754**	**16 720**
Increases	**380**	**10 076**	**16 497**
Profit recognized in income statement	-	10 076	-
Profit recognized in equity	-	-	16 497
Transfer from other levels	380	-	-
Decreases	**(801)**	**(70 830)**	**(1 103)**
Sales	-	(68 751)	-
Redemption	(14)	(600)	(1 089)
Loses recognized in income statement	(203)	(4)	-
Transfer to other levels	(584)	-	-
Other decreases	-	(1 475)	(14)
Closing balance (December 31, 2015)	**577**	**-**	**32 114**

The tables below analyses the fair value of financial instruments by classification as of December 31, 2015 and December 31, 2014.

In thousands of BGN

DECEMBER 2015	FAIR VALUE THROUGH PROFIT OR LOSS	HELD TO MATURITY	LOANS AND RECEIVABLES	AVAILABLE FOR SALE	DERIVATIVES HELD FOR HEDGING	OTHER AMORTIZED COST	TOTAL CARRYING AMOUNT	FAIR VALUE
ASSETS								
Cash and balances with Central bank	-	-	-	-	-	4 585 396	**4 585 396**	**4 585 396**
Non-derivative financial assets held for trading	10 147	-	-	-	-	-	**10 147**	**10 147**
Derivatives held for trading	126 271	-	-	-	-	-	**126 271**	**126 271**
Derivatives held for hedging	-	-	-		13 455		**13 455**	**13 455**
Loans and advances to banks	-	-	1 225 373	-	-	-	**1 225 373**	**1 177 611**
Loans and advances to customers	-	-	8 769 392	-	-	-	**8 769 392**	**9 560 212**
Available for sale Investments	-	-	-	2 282 226	-	-	**2 282 226**	**2 282 226**
TOTAL ASSETS	**136 418**	**-**	**9 994 765**	**2 282 226**	**13 455**	**4 585 396**	**17 012 260**	**17 755 318**
LIABILITIES								
Financial liabilities held for trading	100 154	-	-	-	-	-	**100 154**	**100 154**
Derivatives used for hedging	-	-	-	-	35 400	-	**35 400**	**35 400**
Deposits from banks	-	-	-	-	-	1 090 445	**1 090 445**	**1 063 402**
Deposits from customers	-	-	-	-	-	13 485 196	**13 485 196**	**13 486 153**
TOTAL LIABILITIES	**100 154**	**-**	**-**	**-**	**35 400**	**14 575 641**	**14 711 195**	**14 685 109**

In thousands of BGN

DECEMBER 2014	FAIR VALUE THROUGH PROFIT OR LOSS	HELD-TO-MATURITY	LOANS AND RECEIVABLES	AVAILABLE FOR SALE	DERIVATIVES HELD FOR HEDGING	OTHER AMORTIZED COST	TOTAL CARRYING AMOUNT	FAIR VALUE
ASSETS								
Cash and balances with Central bank	-	-	-	-	-	1 092 227	**1 092 227**	**1 092 227**
Non-derivative financial assets held for trading	5 607	-	-	-	-	-	**5 607**	**5 607**
Derivatives held for trading	124 528	-	-	-	-	-	**124 528**	**124 528**
Financial assets designated at fair value through profit or loss	60 754	-	-	-	-	-	**60 754**	**60 754**
Loans and advances to banks	-	-	1 627 489	-	-	-	**1 627 489**	**1 618 307**
Loans and advances to customers	-	-	9 936 482	-	-	-	**9 936 482**	**10 843 820**
Available for sale Investments	-	-	-	1 492 803	-	-	**1 492 803**	**1 492 803**
Held to maturity Investments	-	136 663	-	-	-	-	**136 663**	**136 723**
TOTAL ASSETS	**190 889**	**136 663**	**11 563 971**	**1 492 803**	**-**	**1 092 227**	**14 476 553**	**15 374 769**
LIABILITIES								
Financial liabilities held for trading	85 940	-	-	-	-	-	**85 940**	**85 940**
Derivatives used for hedging	-	-	-	-	41 925	-	**41 925**	**41 925**
Deposits from banks	-	-	-	-	-	1 502 765	**1 502 765**	**1 477 087**
Deposits from customers	-	-	-	-	-	10 782 577	**10 782 577**	**10 797 851**
Subordinated liabilities	-	-	-	-	-	70 596	**70 596**	**70 588**
TOTAL LIABILITIES	**85 940**	**-**	**-**	**-**	**41 925**	**12 355 938**	**12 483 803**	**12 473 391**

(b) Fair value determination of non-financial assets

Fair value determination of non-financial assets is usually applied on non-recurring basis when measuring recoverable amount of investment properties. Bank has adopted the approach whereas recoverable amount for all investment properties is deemed to be their fair value (cost to sell considered immaterial). Fair value is assessed based on external valuation considering highest and best use of the asset. As of December 31, 2015 and December 31, 2014 all investment properties have undergone external fair valuation and whenever the assessed fair value was below carrying amount, impairment has been recognized (see also Note **30**).

(c) Impairment of financial instruments

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

Collectively assessed impairment losses cover credit losses inherent in portfolios of loans bearing similar economic characteristics when there is an objective evidence to suggest that they contain impaired loans. In such assessments, factors that are mostly considered include credit quality, portfolio size, concentration and economic factors. Practically collective impairment allowances are based on expected loss calculated for the respective portfolio, adjusted by average loss confirmation period in order to arrive at incurred loss as of the measurement date. As of December 31, 2015 and December 31, 2014 the average applied loss confirmation period is 6 months. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty impairment and the model assumptions and parameters used in determining collective impairment.

(d) Provisions

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

6. Segment reporting

Business segments pay and receive interest from the Asset-Liability Management Department (ALM) on arms' length basis, through given Fund Transfer Pricing rate (FTP) to reflect the funding costs per currencies/tenors. Allocation of capital is also carried out, in proportion to respective RWA.
The Bank operates the following main business segments:
- Retail banking;
- Corporate and Investment Banking and private Banking;
- Asset-Liability Management Dept. and other.

In thousands of BGN

DECEMBER 2015	RETAIL BANKING	CIB AND PRIVATE BANKING	ALM AND OTHER	TOTAL
Net interest income	254 483	262 485	-47 647	**469 321**
Dividend income	0	0	968	**968**
Net fee and commission income	125 524	69 712	2 632	**197 868**
Net gains (losses) from financial assets and liabilities held for trading	20 527	39 511	1 404	**61 442**
Net gains (losses) from other financial assets designated at fair value through profit or loss	0	10 072	0	**10 072**
Net income from investments	0	1 852	4 631	**6 483**
Other operating income	41	92	-5 838	**-5 705**
TOTAL OPERATING INCOME	**400 575**	**383 724**	**-43 850**	**740 449**
Personnel expenses	-48 147	-16 350	-49 824	**-114 321**
General and administrative expenses	-54 880	-10 013	-86 376	**-151 269**
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	-16 466	-4 277	-23 155	**-43 898**
Total direct expenses	**-119 493**	**-30 640**	**-159 355**	**-309 488**
Allocation of indirect and overhead expenses	-45 708	-29 168	74 876	**0**
TOTAL OPERATING EXPENSES	**-165 201**	**-59 808**	**-84 479**	**-309 488**
Provisions for risk and charges	-23 756	-13 504	31 981	**-5 279**
Net impairment loss on financial assets	-27 291	-75 680	-141	**-103 112**
Net income related to property, plant and equipment	0	0	451	**451**
PROFIT BEFORE INCOME TAX	**184 327**	**234 732**	**-96 038**	**323 021**
Income tax expense	-18 433	-23 473	8 892	**-33 014**
PROFIT FOR THE YEAR	**165 894**	**211 259**	**-87 146**	**290 007**
ASSETS	**2 791 609**	**12 201 881**	**2 374 827**	**17 368 317**
LIABILITIES	**7 211 002**	**6 348 306**	**1 301 218**	**14 860 526**

In thousands of BGN

DECEMBER 2014	RETAIL BANKING	CIB AND PRIVATE BANKING	ALM AND OTHER	TOTAL
Net interest income	223 756	238 749	(17 197)	**445 308**
Dividend income	-	-	1 246	**1 246**
Net fee and commission income	105 979	65 512	307	**171 798**
Net gains (losses) from financial assets and liabilities held for trading and hedging derivatives	17 181	42 174	(895)	**58 460**
Net gains (losses) from other financial assets designated at fair value through profit or loss	-	(192)	-	**(192)**
Net income from investments	-	2 321	78	**2 399**
Other operating income	5	15	2 071	**2 091**
TOTAL OPERATING INCOME	**346 921**	**348 579**	**(14 390)**	**681 110**
Personnel expenses	(44 721)	(16 160)	(45 465)	**(106 346)**
General and administrative expenses	(53 182)	(9 799)	(57 021)	**(120 002)**
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	(16 411)	(3 728)	(10 679)	**(30 818)**
Total direct expenses	**(114 314)**	**(29 687)**	**(113 165)**	**(257 166)**
Allocation of indirect and overhead expenses	(42 498)	(27 339)	69 837	**-**
TOTAL OPERATING EXPENSES	**(156 812)**	**(57 026)**	**(43 328)**	**(257 166)**
Provisions for risk and charges	(20 781)	(22 504)	37 362	**(5 923)**
Net impairment loss on financial assets	(38 672)	(110 176)	(321)	**(149 169)**
Net income related to property, plant and equipment	-	-	167	**167**
PROFIT BEFORE INCOME TAX	**130 656**	**158 873**	**(20 510)**	**269 019**
Income tax expense	(13 066)	(15 887)	**1 591**	**(27 362)**
PROFIT FOR THE YEAR	**117 590**	**142 986**	**(18 919)**	**241 657**
ASSETS	**2 907 236**	**9 486 786**	**2 449 769**	**14 843 791**
LIABILITIES	**5 782 471**	**5 444 213**	**1 376 376**	**12 603 060**

7. Net interest income

In thousands of BGN

	2015	2014
Interest income		
Non-derivative financial assets held for trading	297	793
Derivatives held for trading	42	774
Financial assets designated at fair value through profit or loss	1 379	4 158
Loans and advances to banks	14 818	13 597
Loans and advances to customers	499 266	532 187
Available for sale investments	44 632	31 452
Held to maturity investments	322	6 814
	560 756	**589 775**
Interest expense		
Derivatives held for trading	-47	-844
Derivatives used for hedging	-9 018	-7 133
Deposits from banks	-10 762	-16 759
Deposits from customers	-71 419	-114 656
Subordinated debt	-189	-5 075
	-91 435	**-144 467**
Net interest income	**469 321**	**445 308**

For the financial years ended December 31, 2015 and December 31, 2014 the interest income recognized on impaired financial instruments (loans and advances to customers) is in the amount of BGN 25 814 thousand and BGN 24 366 thousand, respectively.

8. Net fee and commission income

In thousands of BGN

	2015	2014
Fee and commission income		
Collection and payment services	118 508	103 574
Lending business	16 535	19 097
Account services	9 464	9 774
Management, brokerage and securities trading	7 707	5 187
Documentary business	17 451	17 490
Package accounts	17 662	15 136
Other	31 170	18 114
	218 497	**188 372**
Fee and commission expense		
Collection and payment services	(16 992)	(14 909)
Management, brokerage and securities trading	(1 475)	(1 123)
Lending business	(213)	(288)
Other	(1 949)	(254)
	(20 629)	**(16 574)**
Net fee and commission income	**197 868**	**171 798**

9. Net gains on financial assets and liabilities held for trading and hedging derivatives

In thousands of BGN

	2015	2014
FX trading income, net	55 610	44 384
Net income from debt instruments	732	1 392
Net income from equity instruments	(1)	-
Net income from derivative instruments	5 306	12 684
Net income from hedging derivative instruments	(205)	-
Net gains on financial assets and liabilities held for trading and hedging derivatives	**61 442**	**58 460**

The total CVA (net of DVA) for the years ended December 31, 2015 and December 31, 2014, included in position net income from derivative instruments is in the amount of BGN (778) thousand and BGN 2 435 thousand, respectively.

10. Net gains/(losses) on other financial assets designated at fair value through profit or loss

Bank designates as financial assets at fair value through profit or loss only debt securities, which fair values, can be reliably measured. Net income recorded on financial instruments designated at fair value through profit or loss includes realized gains and losses on such instruments as well as unrealized ones due to fair value change. The amounts for the years ended December 31, 2015 and December 31, 2014 are BGN 10 072 thousand BGN (192) thousand, respectively.

11. Net income from investments

In thousands of BGN

	2015	2014
Realised gains on disposal of available for sale investments	6 483	2 396
Realised gains on disposal of unimpaired loans and advances	-	3
Net income from investments	**6 483**	**2 399**

Realized gains on disposal of unimpaired loans and advances include the net profit out of sale of performing exposures. The realised gains (losses) on sale of impaired (defaulted) exposures are included under Net impairment loss on financial assets (see also note **18**).

12. Other operating income/(expenses), net

In thousands of BGN

	2015	2014
Other operating income		
Income from non-financial services	934	2 055
Rental income	631	895
Other income	2 395	2 104
	3 960	**5 054**
Other operating expenses		
Impairment of foreclosed properties	(8 509)	(484)
Other operating expenses	(1 156)	(2 479)
	(9 665)	**(2 963)**
Other operating income, net	**(5 705)**	**2 091**

In 2015 and 2014 Bank has assessed net realizable value of foreclosed properties and to the extent that it is lower than their carrying amount, impairment loss has been recognized.

13. Net income related to property, plant and equipment

Net income related to property, plant and equipment represents the net gain the Bank has realized upon disposal of long-term assets. For the years ended December 31, 2015 and December 31, 2014 the gains are in the amount of BGN 451 thousand and BGN 167 thousand respectively.

14. Personnel expenses

In thousands of BGN

	2015	2014
Wages and salaries	(94 581)	(89 656)
Social security charges	(12 029)	(11 134)
Pension and similar expenses	(563)	(522)
Temporary staff expenses	(1 512)	(1 372)
Share-based payments	(1 834)	(452)
Other	(3 802)	(3 210)
Total personnel expenses	**(114 321)**	**(106 346)**

As of December 31, 2015 the total number of employees, expressed in full time employee equivalent is 3 565 (December 31, 2014: 3 538).

As described in note **3 (o) (iii)** ultimate parent company UniCredit S.p.A has granted stock options and performance shares to top and senior managers of UniCredit Bulbank AD. Upon expiration of the vesting period of any of the granted instruments, UniCredit Bulbank AD is required to settle in cash to the parent amounts corresponding to the economic value of the respective instruments. In addition to that, employees of the Bank can voluntarily participate in Employee Share Ownership Plan (ESOP), where the advantages are that by buying UniCredit S.p.A ordinary shares employees can receive free ordinary shares, measured on the basis of the shares purchased by each participant during the "Enrolment period". The granting of free ordinary shares is subordinated to vesting conditions.

The table below analyses the costs and movement in the Bank's liability by type of instruments granted:

In thousands of BGN

	ECONOMIC VALUE AT DECEMBER 31, 2014	2015 COST (GAINS)	SETTLED IN 2015	ECONOMIC VALUE AT DECEMBER 31, 2015
Deferred Short Term Incentive (stock options)	126	(126)	-	-
Deferred Short Term Incentive (ordinary shares)	1 943	1 860	-	3 803
ESOP and shares for Talents	273	99	(41)	331
Total Options and Shares	**2 342**	**1 833**	**(41)**	**4 134**

Pension and similar expenses comprise of current services costs and interest costs related to defined benefits obligation of the Bank to its employees upon retirement. For more details about the pension scheme see note **40**.

15. General and administrative expenses

In thousands of BGN

	2015	2014
Deposit guarantee fund and RR fund annual contribution	(65 946)	(37 586)
Advertising, marketing and communication	(9 602)	(9 772)
Credit information and searches	(1 921)	(2 031)
Information, communication and technology expenses	(30 875)	(28 906)
Consulting, audit and other professionals services	(2 048)	(2 105)
Real estate expenses	(11 291)	(11 181)
Rents	(11 997)	(12 278)
Travel expenses and car rentals	(3 218)	(3 177)
Insurance	(1 143)	(1 136)
Supply and miscellaneous services rendered by third parties	(11 191)	(9 806)
Other costs	(2 037)	(2 024)
Total general and administrative expenses	**(151 269)**	**(120 002)**

16. Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale

In thousands of BGN

	2015	2014
Depreciation charge	(30 311)	(27 822)
Impairment	(13 587)	(2 996)
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	**(43 898)**	**(30 818)**

As part of the standard year-end closure procedures, Bank performs impairment assessment of its long-term assets. Impairment is recognized whenever recoverable amount of the assets is lower than their carrying amount. For the years ended December 31, 2015 and December 31, 2014 the impairment of long-term assets, is in the amount of BGN 13 587 thousand and BGN 2 996 thousand, respectively.

17. Provisions for risk and charges

Provisions are allocated whenever based on Management best estimates Bank has present obligation (legal or constructive) arising from past events for the settlement of which outflow of resources embodying economic benefits will be required. Whenever based on new circumstances and evidences it is not any more likely the outflow of resources to occur, the previously allocated provisions are reversed (for more details see also Note **40**).

In thousands of BGN

	2015	2014
Additions of provisions		
Provisions on letters of guarantee	-	(5 675)
Legal cases provisions	(9 679)	(1 495)
Other provisions	(398)	(285)
Provisions on constructive obligations	(1 173)	-
	(11 250)	**(7 455)**
Reversal of provisions		
Provisions on letters of guarantee	5 675	-
Legal cases provisions	296	1 532
Provisions on constructive obligations	-	-
	5 971	**1 532**
Net provisions charge	**(5 279)**	**(5 923)**

18. Net Impairment loss on financial assets

In thousands of BGN

	2015	2014
Balance 1 January		
Loans and advances to customers	**906 857**	**889 695**
Increase		
Loans and advances to customers	216 830	230 655
Decrease		
Loans and advances to customers	(96 266)	(71 330)
Recoveries from loans previously written-off	(17 452)	(10 156)
	(113 718)	(81 486)
Net impairment losses	**103 112**	**149 169**
FX revaluation effect on imparment allowances	2 809	2 794
Other movements	-	356
Written-off		
Loans and advances to customers	(101 822)	(145 313)
Balance December 31		
Loans and advances to customers	**928 408**	**906 857**

19. Income tax expense

Taxation is payable at a statutory rate of 10 % on adjusted profits under the annual tax return prepared under the Bulgarian Corporate Income Tax Law. Deferred tax is calculated using a tax rate of 10 %, applicable for 2016.
The breakdown of tax charges in the income statement is as follows:

In thousands of BGN

	2015	2014
Current tax	(43 312)	(25 167)
Deferred tax income (expense) related to origination and reversal of temporary differences	10 662	(2 191)
Underprovided prior year income tax	(364)	(4)
Income tax expense	**(33 014)**	**(27 362)**

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

In thousands of BGN

	2015	2014
Accounting profit before tax	323 021	269 019
Corporate tax at applicable tax rate (10% for 2015 and 2014)	(32 302)	(26 902)
Tax effect of non-taxable revenue	290	125
Tax effect of non-tax deductible expenses	(782)	(718)
Overprovided (underprovided) prior year income tax	(220)	133
Income tax expense	**(33 014)**	**(27 362)**
Effective tax rate	**10,22%**	**10,17%**

20. Cash and balances with Central bank

In thousands of BGN

	31.12.2015	31.12.2014
Cash in hand and in ATM	195 641	240 659
Cash in transit	69 151	58 190
Current account with Central Bank	4 320 604	793 378
Total cash and balance with Central Bank	**4 585 396**	**1 092 227**

21. Non-derivative financial assets held for trading

In thousands of BGN

	31.12.2015	31.12.2014
Government bonds	10 147	5 607
Total non-derivative financial assets held for trading	**10 147**	**5 607**

Financial assets held for trading comprise of bonds that the Bank holds for the purpose of short-term profit taking by, selling or repurchasing them in the near future.
In October 2008 Management has adopted amendments in IAS 39 "Financial instruments: Recognition and measurement" issued by IASB that same month. Considering the ongoing financial markets turmoil as an example of "rare circumstances", Management has changed its intention with regard to certain government bonds, previously classified as held for trading and reclassified them into held to maturity category.
The reclassification was performed retrospectively, as allowed by the amendments in IAS 39, with effective date July 1st, 2008. Maturity of the government bonds, with regards to which reclassification was performed, expired in January 2015, so as of December 31, 2015 there is no held to maturity category.

22. Derivatives held for trading

In thousands of BGN

	31.12.2015	31.12.2014
Interest rate swaps	66 404	74 900
Equity options	13 509	13 970
FX forward contracts	18 506	15 593
FX options	-	12
Other options	2	9
FX swaps	7 726	3 372
Commodity swaps	9 535	9 413
Commodity options	10 589	7 259
Total trading derivatives	**126 271**	**124 528**

Derivatives comprise of trading instruments that have positive market value as of December 31, 2015 and December 31, 2014. They are traded for Bank's own purposes, including off-setting some FX, interest rate or credit risks in banking and trading book as well as covering Bank customers' business positions.

23. Derivatives used for hedging

As described in Note **3 (j)** in 2009 Bank has adopted hedge accounting methodology aiming at managing the residual interest rate risk in banking book.
As of December 31, 2014 the Bank has designated only cash flow hedge relationships with hedging instruments being interest rate swaps and hedged items being highly probable forecasted interest cash flows derived from customers' and banks' business (attracted deposits).
Since 2015 the Bank has started to apply Fair Value Hedge accounting also. Hedging instruments are interest rate swaps and respectively hedged items are bonds classified as available for sale financial assets.

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

In thousands of BGN

	31.12.2015	31.12.2014
Municipality bonds	-	607
Corporate bonds	-	60 147
Total financial assets designated at fair value through profit or loss	**-**	**60 754**

Financial assets designated at fair value through profit or loss are non-trading assets with determinable market price that form a portfolio whose performance is managed by the Bank on a fair value basis.
In 2015 corporate bonds designated at fair value through profit or loss have been repurchased by the issuer, and municipality bonds held in the same category matured. As a result the Bank has no investments in securities designated at fair value through profit and loss as of December 31, 2015.

25. Loans and advances to banks

In thousands of BGN

	31.12.2015	31.12.2014
Loans and advances to banks	1 130 667	1 355 233
Current accounts with banks	94 706	272 256
Total loans and advances to banks	**1 225 373**	**1 627 489**

As of December 31, 2015 loans and advances to banks include also receivables under repurchase agreements. For more details on the outstanding amounts of such agreements as well as the market value of collaterals see Note **44**. As of December 31, 2014 there are no receivables under repurchase agreements with banks.

26. Loans and advances to customers

In thousands of BGN

	31.12.2015	31.12.2014
Receivables under repurchase agreement	69 196	234 385
Companies	7 120 062	6 941 287
Individuals		
Housing loans	1 604 843	1 590 636
Consumer loans	457 418	638 139
Other loans	130 676	134 795
Central and local governments	315 605	1 304 097
	9 697 800	10 843 339
Less impairment allowances	(928 408)	(906 857)
Total loans and advances to customers	**8 769 392**	**9 936 482**

Receivables under repurchase agreement disclosed as of December 31, 2015 and December 31, 2014 represent short-term funding provided to a local financial institution, collateralized with Bulgarian government bonds. In addition certain loans granted to corporate clients and central government are pledged on funding received (deposits from banks and customers). For more information on pledged assets see Note **44**.

27. Available for sale investments

In thousands of BGN

	31.12.2015	31.12.2014
Government bonds	2 249 854	1 475 689
Municipality bonds	3 994	5 055
Equities	28 378	12 059
Total available for sale investments	**2 282 226**	**1 492 803**

Government and corporate bonds classified as available for sale investments are held by the Bank for the purposes of maintaining middle-term and long-term liquidity and coverage of interest rate risk. They all have determinable fair value.
Equities presented as available for sale investments comprise of minority participation of the Bank in companies where neither control nor significant influence is exercised. These investments are carried at fair value, when such can be reliably measured, otherwise at cost.
As of December 31, 2015 and December 31, 2014 all available for sale investments are assessed for impairment. As a result of this assessment, no impairment has been recognized for the years.
As of December 31, 2015 in its capacity of principal member, the Bank has one redeemable ordinary share of EUR 10 in Visa Europe Limited, to which its economic rights are attached. In 2016 Visa Inc. is going to exercise its call option on Visa Europe shares retained by its members thereby purchasing Visa Europe shares by paying an Upfront Amount composed by:

- Cash
- Preferred stock of Visa Inc.

The expected transaction allows revaluating the investment held in Visa Europe as it gives evidence of the share's fair value as of December 31, 2015. As per the Group guidelines the fair value to be attributed to Visa Europe shares shall include only the cash component of the upfront amount and not the value of the preferred stock due to some uncertainties which do not allow, as of the date of authorization of these separate financial statements, the measurement of a reliable fair value for these instruments.
Considering above-mentioned, Visa Europe share was reclassified from AFS at cost to AFS at FV and revalued as of December 31, 2015 to the amount of the expected cash consideration.
As of December 31, 2015 and December 31, 2014 available for sale investments in the amount of BGN 264 878 thousand and

BGN 284 350 thousand, respectively, are pledged either on open repo-deals and other funding deals or under regulatory requirement to pledge government bonds as collateral for servicing State Budget accounts (see also Note **44**).

28. Held to maturity investments

As of December 31, 2015 there are no held to maturity investments. As of December 31, 2014 held to maturity investments comprise only of first class government bonds with determinable payments that the Bank has the intention and ability to hold to maturity. All such investments are assessed for impairment and as a result of this assessment no impairment has been recognized as of December 31, 2014.

As of December 31, 2014 held to maturity investments in the amount of BGN 133,672 thousand were pledged either on open repo-deals and other funding deals or under regulatory requirement to pledge government bonds as collateral for servicing State Budget accounts (see also Note **44**).

29. Investments in subsidiaries and associates

COMPANY	ACTIVITY	SHARE IN CAPITAL DECEMBER 2015	SHARE IN CAPITAL DECEMBER 2014	CARRYING VALUE IN THOUSANDS OF BGN DEC 2015	CARRYING VALUE IN THOUSANDS OF BGN DEC 2014
UniCredit Factoring EAD	Factoring activities	100%	100%	3 000	3 000
Hypovereins Immobilien EOOD	Transport services	100%	100%	655	655
UniCredit Consumer Financing EAD	Consumer lending and other similar activities in line with the applicable law and regulations	100%	100%	39 238	39 238
UniCredit Leasing EAD	Leasing activities	100%	100%	9 611	3 408
HVB Leasing EOOD	Leasing activities	0%	100%	-	6 203
Cash Service Company AD	Accepting, processing, safekeeping and delivering of valuable consignments with banknotes and coins to the banks	20%	20%	2 500	2 500
		Total		**55 004**	**55 004**

As described in Note **3 (h) (ii) g)**, investments in subsidiaries and associates comprise of equity participations in entities where Bank exercises either control or significant influence.

As of December 31, 2014 the Bank owned also HVB Leasing EOOD, which merged into UniCredit Leasing EAD on April 14, 2015 and ceased to exist.

All investments in subsidiaries and associates are accounted for in the separate financial statements of UniCredit Bulbank AD at cost.

In addition the Bank also prepares consolidated financial statements where all entities in which the Bank has control are fully consolidated and those where the Bank exercises significant influence, are consolidated under equity method.

30. Property, plant, equipment and investment properties

In thousands of BGN

	LANDS	BUILDINGS	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	INVESTMENT PROPERTY	TOTAL
Cost							
As of December 31, 2014							
Additions	5 628	148 894	6 334	74 313	46 992	61 658	**343 819**
Transfers	-	4 486	2 068	6 994	6 784	267	**20 599**
Write offs	-	(1 254)	(272)	(10 355)	(6 691)	(15 449)	**(34 021)**
Disposals	-	(31)	-	(948)	(58)	(739)	**(1 776)**
As of December 31, 2015	**5 628**	**150 958**	**8 130**	**70 004**	**47 027**	**48 171**	**329 918**
Depreciation							
As of December 31, 2014	**-**	**64 271**	**3 755**	**59 540**	**35 012**	**1 081**	**163 659**
Depreciation charge	-	6 854	910	6 364	6 185	1 931	**22 244**
Impairment	-	-	-	-	-	13 587	**13 587**
Write offs	-	(1 254)	(272)	(10 355)	(6 691)	(15 449)	**(34 021)**
On disposals	-	(31)	-	(945)	(47)	(51)	**(1 074)**
Transfers	-	(400)	-	-	-	400	**-**
As of December 31, 2015	**-**	**69 440**	**4 393**	**54 604**	**34 459**	**1 499**	**164 395**
Net book value as of December 31, 2015	**5 628**	**81 518**	**3 737**	**15 400**	**12 568**	**46 672**	**165 523**
Net book value as of December 31, 2014	**5 628**	**84 623**	**2 579**	**14 773**	**11 980**	**60 577**	**180 160**

In thousands of BGN

	LANDS	BUILDINGS	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	INVESTMENT PROPERTY	TOTAL
Cost							
As of December 31, 2013	**5 628**	**145 436**	**5 467**	**72 748**	**44 242**	**5 802**	**279 323**
Additions	-	3 864	1 066	4 542	5 042	59 244	**73 758**
Transfers	-	-198	-	1	-1	198	**0**
Write offs	-	-208	-199	-1 728	-1 968	-3 170	**-7 273**
Disposals	-	-	-	-1 250	-323	-416	**-1 989**
As of December 31, 2014	**5 628**	**148 894**	**6 334**	**74 313**	**46 992**	**61 658**	**343 819**
Depreciation							
As of December 31, 2013	**-**	**57 852**	**3 318**	**55 373**	**31 480**	**1 571**	**149 594**
Depreciation charge	-	6 696	636	6 385	5 471	947	**20 135**
Impairment	-	4	-	754	316	1 757	**2 831**
Write offs	-	-208	-199	-1 728	-1 968	-3 170	**-7 273**
On disposals	-	-	-	-1 244	-287	-97	**-1 628**
Transfers	-	-73	-	-	-	73	**0**
As of December 31, 2014	-	**64 271**	**3 755**	**59 540**	**35 012**	**1 081**	**163 659**
Net book value as of December 31, 2014	**5 628**	**84 623**	**2 579**	**14 773**	**11 980**	**60 577**	**180 160**
Net book value as of December 31, 2013	**5 628**	**87 584**	**2 149**	**17 375**	**12 762**	**4 231**	**129 729**

Items of property, plant, equipment and investment property are carried at cost less any accumulated depreciation and adjusted for impairment, if any.
As part of the year-end closing procedure, Bank has assessed all items of property, plant, equipment and investment properties for existence of any impairment indicators. For non-real estate items, impairment is usually recognized when those items are found to be obsoleted or their usage is planned to be discontinued. In such cases the recoverable amount on those items is reasonably assessed to be immaterial (close to zero), therefore the remaining carrying amount is fully impaired.

For investment properties Bank assesses that fair value of the assets closely approximates their recoverable amount (costs to sell are ignored as immaterial). As of December 31, 2015 and December 31, 2014 all investment properties have undergone external independent fair valuation and when the latter resulted in lower value than the carrying amount, impairment loss has been recognized (total impairment on investment properties recognized for the years ended December 31, 2015 and December 31, 2014 amount to BGN 13 587 thousand and BGN 1 757 thousand, respectively). The following table illustrates the fair value of investment properties as of December 31, 2015 and December 31, 2014. The fair values of investment properties as of December 31, 2015 and December 31, 2014 are ranked Level 3 as per fair value hierarchy.

In thousands of BGN

	CARRYING AMOUNT		FAIR VALUE	
	2015	2014	2015	2014
Investment properties				
Land	6 902	13 662	7 024	14 184
Buildings	39 770	46 915	40 967	48 150
Total investment properties	**46 672**	**60 577**	**47 991**	**62 334**

31. Intangible assets

In thousands of BGN

Cost	
As of December 31, 2014	**85 145**
Additions	8 011
Write offs	(594)
Disposals	**-**
As of December 31,2015	92 562
Depreciation	
As of December 31, 2014	61 934
Depreciation charge	8 067
Write offs	(594)
As of December 31,2015	**69 407**
Net book value as of December 31, 2015	**23 155**
Net book value as of December 31, 2014	**23 211**

In thousands of BGN

Cost	
As of December 31, 2013	**79 004**
Additions	6 472
Write offs	(331)
Disposals	
As of December 31,2014	**85 145**
Depreciation	
As of December 31, 2013	54 413
Depreciation charge	7 687
Impairment due to obsolescence	165
Write offs	**(331)**
As of December 31,2014	**61 934**
Net book value as of December 31, 2014	**23 211**
Net book value as of December 31, 2013	**24 591**

32. Current tax

The current tax assets comprise of Bank's net receivable tax position with regard to corporate income tax for the respective years increased by overpaid prior years' tax that is not yet recovered by tax authorities. According to the statutory requirements, Bank pays during the year advance instalments for corporate income tax on the basis of forecasted tax profit for the current year. Should by the year-end advance instalments exceed the overall annual current tax liability, the overpaid amount cannot be automatically off-set with next year current tax liabilities, but have to be explicitly recovered by tax administration.

Based on that, as of December 31, 2015 the current tax assets, reported by the Bank, represent overprovided current tax for 2014, while current tax liabilities represent net payable current tax position for 2015.

33. Deferred tax

The origination breakdown of the deferred tax assets and liabilities as of December 31, 2015 and December 31, 2014 is as outlined below:

In thousands of BGN

	31.12.2015	31.12.2014
Property, plant, equipment, investment properties and intangible assets	4 103	7 025
Available for sale investments	872	872
Provisions	(3 293)	(2 666)
Actuarial gains (losses)	(196)	(164)
Cash flow hedge	-	-
Other liabilities/Other assets	(4 645)	(3 965)
Net tax (assets) liabilities	**(3 159)**	**1 102**

The movements of deferred tax assets and liabilities on net basis throughout 2015 are as outlined below:

In thousands of BGN

	BALANCE 31.12.2014	RECOGNISED IN P&L	RECOGNISED IN EQUITY	BALANCE 31.12.2015
Property, plant and equipment	7 025	(2 922)	-	4 103
Available for sale investments	872	(5 481)	5 481	872
Provisions	(2 666)	(627)	-	(3 293)
Actuarial gains (losses)	(164)	-	(32)	(196)
Cash flow hedge	-	(952)	952	-
Other liabilities	(3 965)	(680)	-	(4 645)
Net tax (assets) liabilities	**1 102**	**(10 662)**	**6 401**	**(3 159)**

34. Non-current assets and disposal group classified as held for sale

The Bank presents as non-current assets and disposal group held for sale only properties that no longer will be used in the ordinary activity of the Bank nor will be utilized as investment properties. For all such assets Management has started intensively looking for a buyer and the selling negotiations are in advance stage as of the year-ends. As of December 31, 2015 and December 31, 2014 Bank has not classified any properties as non-current assets held for sale.

35. Other assets

In thousands of BGN

	31.12.2015	31.12.2014
Receivables and prepayments	41 608	31 577
Receivables from the State Budget	1	-
Materials, spare parts and consumables	998	1 302
Other assets	6 656	6 092
Foreclosed properties	59 953	63 294
Total other assets	**109 216**	**102 265**

36. Financial liabilities held for trading

In thousands of BGN

	31.12.2015	31.12.2014
Interest rate swaps	42 974	51 232
FX forward contracts	16 562	2 956
Equity options	14 275	13 909
Other options	2	9
FX options	0	12
FX swaps	5 805	1 536
Commodity swaps	9 692	9 133
Commodity options	10 844	7 153
Total trading liabilities	**100 154**	**85 940**

37. Deposits from banks

In thousands of BGN

	31.12.2015	31.12.2014
Current accounts and overnight deposits		
Local banks	174 142	148 003
Foreign banks	167 350	118 013
	341 492	**266 016**
Deposits		
Local banks	70 376	28 587
Foreign banks	660 284	1 195 993
	730 660	**1 224 580**
Other	**18 293**	**12 169**
Total deposits from banks	**1 090 445**	**1 502 765**

38. Deposits from customers

Deposits from customers comprise of outstanding balances on clients' current accounts, term deposits and saving accounts as well as respective accrued interest on them as of the reporting date. As of December 31, 2015 and December 31, 2014 there are transfers in execution that have either not left the Bank's patrimony (outgoing payments), or clients' accounts have not been yet credited (incoming payments). These temporary balances are presented as deposits from customers under transfers in execution and process.

In thousands of BGN

	31.12.2015	31.12.2014
Current accounts		
Individuals	1 323 689	1 002 455
Corporate	4 409 704	3 239 343
Budget and State companies	215 183	290 635
	5 948 576	**4 532 433**
Term deposits		
Individuals	4 150 997	3 463 272
Corporate	2 006 526	1 671 006
Budget and State companies	58 061	57 847
	6 215 584	**5 192 125**
Saving accounts	**1 245 577**	**1 017 611**
Transfers in execution process	**75 459**	**40 408**
Total deposits from customers	**13 485 196**	**10 782 577**

39. Subordinated liabilities

As of December 31, 2014 the subordinated liabilities with total amount of BGN 70 596 thousand and represent the outstanding debt (principal and accrued interest) on two loan facilities provided by UniCredit Bank Austria AG as outlined in the table below:

In thousands of BGN

START DATE	TERM TO MATURITY	AMOUNT OF THE ORIGINAL PRINCIPAL	OUTSTANDING AMOUNT AS OF DECEMBER 31, 2015	OUTSTANDING AMOUNT AS OF DECEMBER 31, 2014
February 3, 2005	10 years	25 426	-	33 229
August 2, 2005	10 years	29 337	-	37 367
Total		**54 763**	-	**70 596**

In 2015 all prior years' subordinated loans matured and were fully repaid.

40. Provisions

The movement in provisions for the years ended December 31, 2015 and December 31, 2014 is as follows:

In thousands of BGN

	LETTERS OF GUARANTEE	LEGAL CASES	RETIREMENT BENEFITS	CONSTRUCTIVE OBLIGATIONS	OTHER	TOTAL
	(a)	(b)	(c)	(d)	(e)	
Balance as of December 31, 2013	**13 033**	**20 389**	**4 942**	**1 047**	**556**	**39 967**
Allocations	5 675	1 495	522	-	285	**7 977**
Releases	0	-1 532	-	-	-	**-1 532**
Additions due to FX revaluation	5 577	2 010	-	-	-	**7 587**
Releases due to FX revaluation	-3 838	-1 383	-	-	-	**-5 221**
Actuarial gains/losses recognized in OCI	-	-	795	-	-	**795**
Utilization	-	-3 986	-444	-326	-304	**-5 060**
Balance as of December 31, 2014	**20 447**	**16 993**	**5 815**	**721**	**537**	**44 513**
Allocations	0	9 679	563	1 173	398	**11 813**
Releases	-5 675	-296	-	-	-	**-5 971**
Additions due to FX revaluation	11 632	4 179	-	-	-	**15 811**
Releases due to FX revaluation	-9 963	-3 579	-	-	-	**-13 542**
Actuarial gains/losses recognized in OCI	-	-	324	-	-	**324**
Utilization	-	-645	-292	-321	-445	**-1 703**
Balance as of December 31, 2015	**16 441**	**26 331**	**6 410**	**1 573**	**490**	**51 245**

(a) Provisions on letters of guarantees

Provisions on letters of guarantees represent inherent credit risk losses embedded in undertaken by the Bank contingent liabilities, whereas based on performed risk assessment by the respective bodies of the Bank, it is more likely that the Bank would have to settle the obligation upon fulfilment of some uncertain events. As of December 31, 2015 Bank assessed its entire portfolio of issued letters of guarantee and quantified provisions in the amount of BGN 16 441 thousand (BGN 20 447 thousand as of December 31, 2014).

(b) Provisions on legal cases

Provisions on legal cases are recognized when based on legal expertise the Bank would most likely have to settle the obligation in the near future. As of December 31, 2015 Bank has assessed its position in legal cases against it, and provision in the amount of BGN 26 331 thousand has been recognized (BGN 16 993 as of December 31, 2014).

(c) Retirement benefit provision

Retirement benefit provision represents the present value of the bank's liability in accordance with Collective Labour Agreement as of the reporting date. Actuarial gains/losses adjust the value of the defined benefit liability with corresponding item recognized in the Statement of comprehensive income.
Major assumptions underlying in 2015 Defined benefit obligation are as follows:

- Discount rate – 3.00%;
- Salary increase – 5% p.a.;
- Retirement age: Men 63 years and 8 months, women 60 years and 8 months for 2015 and increase by 2 months each year thereafter until the age of 65 years for men and for women is reached.

The movement of the defined benefit obligation for the year ended December 31, 2015 and expected services cost, interest costs and amortization of actuarial gains/losses for the following year are outlined in the table below:

In thousands of BGN

Recognized defined benefit obligation as of December 31, 2014	**5 815**
Current service costs for 2015	402
Interest cost for 2015	161
Actuarial losses recognized in OCI in 2015	323
Benefits paid	(291)
Recognized defined benefit obligation as of December 31, 2015	**6 410**
Interest rate beginning of the year	3,00%
Interest rate end of the year	2,60%
Future increase of salaries	5,00%
Expected 2016 service costs	430
Expected 2016 interest costs	155
Expected 2016 benefit payments	1 081

Current service cost and interest cost are presented under Personnel expenses (See note **14**).

The major factors impacting the present value of the defined benefit obligation are those of discount rate and future salary increase rate. Sensitivity analysis of those two is as follows:

In thousands of BGN

	2015	2014
Sensitivity - Discount rate +/- %	0,25%	0,25%
DBO Discount rate -	6 565	5 958
DBO Discount rate +	6 261	5 677
Sensitivity - Salary increase rate +/- %	0,25%	0,25%
DBO Salary increase rate -	6 264	5 679
DBO Salary increase rate +	6 561	5 955

(d) Provisions on constructive obligation

In the course of regular business, the Bank has to follow certain rules as defined by specific Banking legislation prevailing in Bulgaria. The respective amounts as of December 31, 2015 and December 31, 2014 are as follows:

In thousands of BGN

	31.12.2015	31.12.2014
Provisions in accordance with Instruction I-171 of BNB and Ministry of Internal Affairs	98	419
Provisions related to passportization of buildings	302	302
Provisions related to AQR	1 173	-
Total provisions on constructive obligation	**1 573**	**721**

As of December 31, 2015 and December 31, 2014 the Bank has recorded provisions on constructive obligations in accordance with Instructions I-171 of BNB and Ministry of Internal Affairs, related to security standards of the premises and safe-deposits boxes.
In accordance with the requirements set out in Law on Territory Planning, Energy Efficiency Act and some other related regulations the Bank had to perform until the end of 2014, energy efficiency assessment and technical passportization of all owned buildings with Gross Floor Area above 500 sq. m. In 2014 law amendments moved the deadline for the above mentioned assessment to December 31, 2015. The balances as of December 31, 2015 and December 31, 2014 represent unutilized provision amounts as of the reporting dates.
As per the stipulations of the Law on the Recovery and Resolution of Credit Institutions and Investment Firms (par.9 of the Transitional and Final Provisions), in 2015 Bulgarian National Bank (BNB) started conducting a system-wide independent asset quality analysis of the banking system - Asset Quality Review (AQR) and Stress test for all the banks operating In Bulgaria. As required in the same Law, each bank is supposed to hire a highly qualified external consultant company that will perform the credit file review following the methodology and prescriptions of BNB. All the costs associated with the review shall be borne by the respective bank. As of December 31, 2015 the Bank has recorded provisions related to this constructive obligation.

(e) Other provision

Other provisions in the amount of BGN 490 thousand (BGN 537 thousand in 2014) relates to coverage of claims related to credit cards business as well as other claims.

41. Other liabilities

In thousands of BGN

	31.12.2015	31.12.2014
Liabilities to the State budget	3 969	4 394
Liabilities to personnel	32 424	28 459
Liabilities for unused paid leave	5 203	5 349
Dividends	474	471
Incentive plan liabilities	4 134	2 342
Other liabilities	43 905	28 317
Total other liabilities	**90 109**	**69 332**

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

Liability to personnel includes accrued not paid liability to employees with regard to additional performance payments. The amounts represent Management best estimate for the goals achieved throughout 2015 and 2014 in accordance with the defined target settings and adopted incentive programs.
Liabilities for unused paid leave represent quantification of Bank's current liability due to employees for unutilized current and prior years leave.
As described in note **3 (o) (iii)** selected group of Top and Senior Managers are given UniCredit S.p.A stock options and performance shares as part of their remuneration packages. The economic value of the options and shares is presented as other liability, as upon expiring of the vesting period respective amounts have to be settled in cash. The breakdown of the liabilities by type of instruments is presented in note **14** above.

42. Equity

(a) Share capital

As of December 31, 2015 and December 31, 2014 share capital comprises of 285 776 674 ordinary shares with nominal value of BGN 1 each. All shares give equal voting rights to their holders.

(b) Statutory reserves

Statutory reserves represent allocated profits after taxation into Reserve Fund in accordance with requirements of the Bulgarian Commercial Act. The share-premium of newly issued ordinary shares is also allocated into statutory reserves.

(c) Retained earnings

Under Retained earnings the Bank shows the excess of all reserves, formed out of net profit in prior years and transformation of revaluation reserves over statutory reserves amount. In this position Bank also shows the difference between the purchase price paid for newly acquired subsidiaries in business combinations under common control and their book value as recorded in the separate financial statements of the transferor as of the date of transfer.

(d) Revaluation and other reserves

Revaluation reserves include those related to fair value changes on available for sale investments and derivatives designated as effective hedging instrument in cash flow hedge relationship as well as actuarial gains/losses on remeasurement of defined benefit obligation in accordance with IAS 19 "Employee Benefits".
Revaluation reserves related to available for sale investments and derivatives designated as effective hedging instruments in cash flow hedge relationship are subject to recycling through profit or loss upon certain conditions being met (e.g. derecognition, hedge revoke etc.). For the years ended December 31, 2015 and December 31, 2014 only reserves related to available for sale investments have been recycled to profit or loss following their derecognition. The amounts are BGN (2 492) thousand and BGN 1 856 thousand, respectively, net of tax.

43. Contingent liabilities

In thousands of BGN

	31.12.2015	31.12.2014
Letters of credit and letters of guarantee	1 507 431	1 318 137
Credit commitments	1 597 935	1 319 242
Total contingent liabilities	**3 105 366**	**2 637 379**

(a) Letters of credit and letters of guarantee

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

The contractual amounts of financial guarantees and letters of credit are set out in the above table. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts for guarantees and letters of credit represent the maximum accounting loss that would be recognized if counterparties failed completely to perform as contracted. These commitments and contingent liabilities are reported off-balance sheet and only fees and accruals for probable losses are recognized in the statement of financial position until the commitments are fulfilled or expire. Most of the contingent liabilities and commitments expire without being advanced in whole or in part.
As of December 31, 2015 and December 31, 2014 the Bank has made assessment in compliance with IAS 37 "Provisions, Contingent liabilities and Contingent assets". Due to abnormal credit risk related to certain clients' exposures, Bank's Management has evaluated the risk, where it is more probable that any issued Bank guarantee could lead to an outflow of resources from the Bank (see also Note **40**).

(b) Litigation

As of December 31, 2015 and December 31, 2014 there are some open litigation proceedings against the Bank. There is significant uncertainty with regard to the timing and the outcome of such proceedings. Since the ultimate outcome of the claims against the Bank cannot presently be determined with sufficient reliability, provisions have been accrued only on cases where sufficient degree of certainty exists that the Bank would have to settle the obligation. Litigation claims provided for in these financial statements as of December 31, 2015 are in the amount of BGN 26 331 thousand (BGN 16 993 thousand in 2014), (see also Note **40)**.

(c) Credit commitments

During the course of normal lending activity the Bank has negotiated with clients different types of credit facilities including credit lines, overdraft facilities and revolving loans. Contractually the Bank has committed itself for a certain amount which is at clients' disposal. As of December 31, 2015 and December 31, 2014 the Bank presents unutilized credit facilities as part of its off-balance sheet positions.

44. Assets pledged as collateral

In thousands of BGN

	31.12.2015	31.12.2014
Securities pledged for budget holders' account service	972	5 808
Securities pledged on REPO deals	-	229 655
Securities pledged on other deals	263 906	182 559
Loans pledged for budget holders' account service	254 885	254 886
Loans pledged on other deals	11 555	15 346
	531 318	**688 254**
Pledged assets include:		
Available for sale assets	264 878	284 350
Assets held to maturity	-	133 672
Loans and advances	266 440	270 232
Total	**531 318**	**688 254**

Securities and loans pledged on other deals include those contractually pledged on long-term financing provided to the Bank by local and foreign institutions.

Information on the collaterals received on open reverse repo deals as of December 31, 2015 and December 31, 2014 is as follows:

In thousands of BGN

	31.12.2015		31.12.2014	
	CARRYING AMOUNT	COLLATERAL VALUE	CARRYING AMOUNT	COLLATERAL VALUE
Receivables under repurchase agreements with banks	50 988	49 457	-	-
Receivables under repurchase agreements with customers	69 196	72 231	234 385	243 865
Total	**120 184**	**121 688**	**234 385**	**243 865**

45. Related parties

UniCredit Bulbank AD has a controlling related party relationship with its direct parent company UniCredit Bank Austria AG and its ultimate parent UniCredit S.p.A (jointly referred as "parent companies").
In addition the Bank has relatedness with its subsidiaries and associates (see also Note 29) as well as all other companies within UniCredit Group and key management personnel (jointly referred as other related parties).
The related parties' balances and transactions in terms of statement of financial position items as of December 31, 2015 and December 31, 2014 and Income statement items for the years ended thereafter are as follows:

In thousands of BGN

AS OF DECEMBER 31, 2015	PARENT COMPANIES	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES	TOTAL
Financial assets held for trading	-	-	-	45 834	**45 834**
Financial assets held for hedging	-	-	-	13 455	**13 455**
Current accounts and deposits placed	1 104 698	-	-	6 779	**1 111 477**
Extended loans	-	17 501	-	5 328	**22 829**
Other assets	2 865	11 971	-	3 182	**18 018**
Financial liabilities held for trading	2 623	-	-	43 515	**46 138**
Derivatives used for hedging	32 913	-	-	2 487	**35 400**
Current accounts and deposits taken	379 808	216 572	501	24 674	**621 555**
Other liabilities	6 275	32	-	3 486	**9 793**
Guarantees received by the Group	**41 276**	**-**	**-**	**40 799**	**82 075**

In thousands of BGN

AS OF DECEMBER 31, 2014	PARENT COMPANIES	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES	TOTAL
Financial assets held for trading	1	-	-	34 004	**34 005**
Current accounts and deposits placed	1 441 137	-	-	1 089	**1 442 226**
Extended loans	-	37 230	-	3 139	**40 369**
Other assets	2 143	8 476	-	2 286	**12 905**
Financial liabilities held for trading	2 670	-	-	52 158	**54 828**
Derivatives used for hedging	38 895	-	-	3 030	**41 925**
Current accounts and deposits taken	959 079	148 834	653	12 009	**1 120 575**
Subordinated liabilities	70 596	-	-	-	**70 596**
Other liabilities	3 558	36	-	3 113	**6 707**
Guarantees received by the Group	**56 578**	**-**	**-**	**49 706**	**106 284**

In thousands of BGN

YEAR ENDED DECEMBER 31, 2015	PARENT COMPANIES	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES	TOTAL INCOME (EXPENSE)
Interest incomes	14 514	653	-	126	**15 293**
Interest expenses	(14 271)	(1 352)	(8)	(3 589)	**(19 220)**
Dividend income	-	-	180		**180**
Fee and commissions income	652	12 103	-	1 884	**14 639**
Fee and commissions expenses	(50)	-	-	(11)	**(61)**
Net gains (losses) on financial assets and liabilities held for trading	(1 161)	-	-	69 080	**67 919**
Other operating income	25	634	-	12	**671**
Administrative and personnel expenses	(1 784)	(1 742)	(1 038)	(7 545)	**(12 109)**
Total	**(2 075)**	**10 296**	**(866)**	**59 957**	**67 312**

In thousands of BGN

YEAR ENDED DECEMBER 31, 2014	PARENT COMPANIES	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES	TOTAL INCOME (EXPENSE)
Interest incomes	13 217	1 814	0	527	15 558
Interest expenses	(22 685)	(1 381)	(3)	(2 602)	(26 671)
Fee and commissions income	883	8 709	0	1 284	10 876
Fee and commissions expenses	(87)	0	0	(10)	(97)
Net gains (losses) on financial assets and liabilities held for trading	(4 396)	0	0	(5 688)	(10 084)
Other operating income	25	346	0	12	383
Administrative and personnel expenses	(1 013)	(1 690)	(945)	(6 732)	(10 380)
Total	**(14 056)**	**7 798**	**(948)**	**(13 209)**	**(20 415)**

As of December 31, 2015 the loans extended to key management personnel amount to BGN 395 thousand (BGN 524 thousand in 2014). For the year ended December 31, 2015 the compensation paid to key management personnel amounts to BGN 3 740 thousand (BGN 3 835 thousand in 2014).

46. Cash and cash equivalents

In thousands of BGN

	31.12.2015	31.12.2014
Cash in hand and in ATM	195 641	240 659
Cash in transit	69 151	58 190
Current account with the Central Bank	4 320 604	793 378
Current accounts with banks	94 706	272 256
Receivables under repurchase agreements	50 988	234 385
Placements with banks with original maturity less than 3months	3 545	466 829
Total cash and cash equivalents	**2,065,697**	**1,980,027**

47. Leasing

Bank has concluded numerous operating lease agreements to support its daily activity. Under operating lease contracts Bank acts both as a lessor and lessee in renting office buildings and cars. Summary of non-cancellable minimum lease payments as of December 31, 2015 and December 31, 2014 are presented in the tables below.

(a) Operating lease contracts where the Bank acts as a lessee

In thousands of BGN

RESIDUAL MATURITY	TOTAL FUTURE MINIMUM LEASE PAYMENT	
	31.12.2015	31.12.2014
Up to one year	5 827	4 831
Between one and five years	9 528	4 626
Beyond five years	6 037	1 119
Total	**21 392**	**10 576**

(b) Operating lease contracts where the Bank acts as a lessor

In thousands of BGN

RESIDUAL MATURITY	TOTAL FUTURE MINIMUM LEASE PAYMENT	
	31.12.2015	31.12.2014
Up to one year	235	85
Total	**235**	**85**

48. Other regulatory disclosures

In accordance with the requirements of art. 70 para 6 of Law on Credit Institutions, Banks are required to make certain quantitative and qualitative disclosures related to major financials and other indicators separately for the business originating from Republic of Bulgaria and from other countries, where Bank has active subsidiaries and/or branches.

UniCredit Bulbank AD possesses a full-scope banking licence for performing commercial banking activities. For the years ended December 31, 2015 and December 31, 2014 UniCredit Bulbank AD has no subsidiaries or branches established outside Republic of Bulgaria. Summary of separate quantitate mandatory disclosures required by Law on Credit Institutions and their respective reference to other Notes in these separate financial statements or other mandatory reports are as follows:

In thousands of BGN

	2015	2014	REFERENCE TO OTHER NOTES AND REPORTS
Total operating income	740 449	681 110	Separate Income Statement and details in Notes 7,8,9,10,11 and 12
Profit before income tax	323 021	269 019	Separate Income Statement
Income tax expense	(33 014)	(27 362)	Separate Income Statement and details in Note 19
Return on average assets (%)	1,8%	1,8%	2015 Annual Report on Activity
Full time equivalent number of personnel as of December 31	3 565	3 538	Note 14

UniCredit Bulbank AD has never requested or been provided any state grants or subsidies.

My ideas are so big, they make me feel small.

Let’s talk about realizing your projects.

Stefan runs his family’s company in Bucharest. He has designed and built kitchens since he was a boy, and still loves it. But since he also loves to cook, he thinks it would be perfect to combine his passions by opening a special show room that hosts cooking classes and workshops with famous chefs.

A place like that would have some cultural value and give his whole neighborhood a boost, so he thinks he could apply to receive public funds. But he doesn’t know where to start. He needs a partner, someone who helps prove the feasibility of the project to the government.

Hey Stefan, why not ask us? We often give advice to customers who want to get grants and other funding. In Romania, for instance, we provide 360° support, from the stage when a client gets an investment idea, to when the client secures funding, until even after that, while the client’s use of funding is monitored.

Thanks to our preliminary advice, including guidance on where to apply for funds, and our full range of banking products and attentive monitoring service, Stefan can make his idea a reality. And, who knows, maybe it will also help him become the world’s next great artisan-cook.

Ok guys, where's the stage?

Let's talk about getting the goods on time.

Every summer, major music festivals are held in the countryside. The line-ups are announced months in advance, and thousands of people buy tickets to see their favorite bands live. But sometimes ... things can go wrong.

Tens of thousands of goods pass through the customs every day. It's so ordinary that you never even think about it. Until one day, when goods vital to your business operation absolutely must arrive in time.

From concert equipment to spare parts, it can take up to three working days to get your customs payments processed. That is why in Russia we introduced the PayHD card. It speeds up import/export operations and helps our customers avoid bad surprises. With PayHD, goods are always processed quickly, with no extra paper work required.

Now entrepreneurs in Russia can concentrate on their own business and stop worrying about import/export timings.

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ДДС/VAT № BG121145199

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
UniCredit Bulbank AD

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of UniCredit Bulbank AD ("the Bank"), which comprise the consolidated statement of financial position as of December 31, 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Independendet Auditors' Report (continued)

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with IFRS, as adopted by the European Union.

Report on Other Legal and Regulatory Requirements - Annual consolidated report on the activities of the Bank, according to the Accountancy Act

Pursuant to the requirements of the Bulgarian Accountancy Act, we have read the accompanying Annual consolidated report on the activities of the Bank prepared by the Bank's management. The Annual consolidated report on the activities of the Bank is not a part of the consolidated financial statements. The historical financial information presented in the Annual consolidated report on the activities of the Bank prepared by the management is consistent, in all material aspects with the financial information disclosed in the consolidated financial statements of the Bank as of December 31, 2015, prepared in accordance with IFRS, as adopted by the European Union. Management is responsible for the preparation of the Annual consolidated report on the activities of the Bank, dated February 26, 2016.

Deloitte Audit

Deloitte Audit OOD

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №033
"Делойт Одит" ООД

Sylvia Peneva
Statutory Manager
Registered Auditor

Sofia
March 2, 2016

Income Statement

In thousands of BGN

	Notes	2015	2014
Interest income		695 556	696 093
Interest expense		(116 165)	(166 198)
Net interest income	7	**579 391**	**529 895**
Dividend income		**788**	**1 246**
Fee and commission income		219 728	203 852
Fee and commission expense		(20 976)	(16 959)
Net fee and commission income	8	**198 752**	**186 893**
Net gains on financial assets and liabilities held for trading	9	61 439	58 487
Net gains/(losses) on other financial assets designated at fair value through profit or loss	10	10 072	(192)
Net income from investments	11	6 680	2 553
Other operating income/(expenses), net	12	(6 367)	3 608
TOTAL OPERATING INCOME		**850 755**	**782 490**
Net income related to property, plant and equipment	13	451	458
Personnel expenses	14	(131 676)	(123 302)
General and administrative expenses	15	(160 313)	(129 057)
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	16	(45 246)	(32 095)
Provisions for risk and charges	17	(11 116)	629
Net impairment loss on financial assets	18	(124 289)	(182 408)
PROFIT BEFORE INCOME TAX		**378 566**	**316 715**
Income tax expense	19	(38 375)	(32 180)
PROFIT FOR THE YEAR		**340 191**	**284 535**

These consolidated financial statements have been approved by the Management Board of UniCredit Bulbank AD on February 26, 2016

Levon Hampartzoumian
Chairman of the Management Board and Chief Executive Officer

Andrea Casini
Deputy Chairman of the Management Board and Chief Operative Officer

Emilia Palibachiyska
Member of the Management Board and Chief Financial Officer

Deloitte Audit OOD

Sylvia Peneva
Registered auditor
02/03/2016

София
Рег. №033

The accompanying notes 1 to 48 are an integral part of these consolidated financial statements

Statement of Comprehensive Income

In thousands of BGN

	Notes	2015	2014
Profit for the year		**340 191**	**284 535**
Other comprehensive income - items that will not be reclassified subsequently to profit or loss			
Actuarial gains (losses)	42	(325)	(796)
Income tax relating to items of other comprehensive income that will not be reclassified subsequently to profit or loss		32	79
		(293)	**(717)**
Other comprehensive income - items that may be reclassified subsequently to profit or loss			
Available for sale investments		54 814	1 684
Cash flow hedge		9 516	(38 040)
Income tax relating to items of other comprehensive income that may be reclassified subsequently to profit or loss		(6 433)	3 636
		57 897	**(32 720)**
Total other comprehensive income net of tax for the year		**57 604**	**(33 437)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**397 795**	**251 098**

These consolidated financial statements have been approved by the Management Board of UniCredit Bulbank AD on February 26, 2016

Levon Hampartzoumian
Chairman of the Management Board and Chief Executive Officer

Andrea Casini
Deputy Chairman of the Management Board and Chief Operative Officer

Emilia Palibachiyska
Member of the Management Board and Chief Financial Officer

Deloitte Audit OOD

Sylvia Peneva
Registered auditor 02/03/2016

Специализирано одиторско предприятие
София
Рег. №033
Делойт Одит ООД

The accompanying notes 1 to 48 are an integral part of these consolidated financial statements

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Statement of Financial Position

In thousands of BGN

	Notes	31.12.2015	31.12.2014
ASSETS			
Cash and balances with Central Bank	20	4 585 398	1 092 229
Non-derivative financial assets held for trading	21	10 147	5 607
Derivatives held for trading	22	126 271	124 528
Derivatives held for hedging	23	13 455	-
Financial assets designated at fair value through profit or loss	24	-	60 754
Loans and advances to banks	25	1 226 482	1 627 489
Loans and advances to customers	26	10 322 202	11 112 403
Available for sale investments	27	2 282 226	1 492 803
Held to maturity investments	28	-	136 663
Investments in associates	29	2 732	2 716
Property, plant, equipment and investment properties	30	169 396	183 217
Intangible assets	31	25 405	24 836
Current tax assets	32	33	6 993
Deferred tax assets	33	6 526	2 656
Other assets	35	108 372	111 212
TOTAL ASSETS		**18 878 645**	**15 984 106**
LIABILITIES			
Financial liabilities held for trading	36	100 154	85 940
Derivatives used for hedging	23	35 400	41 925
Deposits from banks	37	2 610 251	2 635 100
Deposits from customers	38	13 295 739	10 666 785
Subordinated liabilities	39	-	70 596
Provisions	40	53 162	41 940
Current tax liabilities	32	8 576	5 377
Deferred tax liabilities	33	84	1 176
Other liabilities	41	105 489	82 719
TOTAL LIABILITIES		**16 208 855**	**13 631 558**
EQUITY			
Share capital		285 777	285 777
Revaluation reserves		43 555	(14 049)
Retained earnings		2 000 267	1 796 285
Profit for the year		340 191	284 535
TOTAL EQUITY	42	**2 669 790**	**2 352 548**
TOTAL LIABILITIES AND EQUITY		**18 878 645**	**15 984 106**

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Statement of Changes in Equity

In thousands of BGN

	Share capital	Statutory reserve	Retained earnings	Available for sale investments reserve	Cash flow hedges reserves	IAS 19 reserve	Total
Balance as of January 1, 2014	**285 777**	**342 378**	**1 525 726**	**22 582**	**(2 422)**	**(772)**	**2 173 269**
Profit for the year	-	-	**284 535**	-	-	-	**284 535**
Actuarial gains (losses)	-	-	-	-	-	(796)	**(796)**
Change of revaluation reserve on available for sale investments	-	-	-	1 684	-	-	**1 684**
Change of revaluation reserve on cash flow hedges	-	-	-	-	(38 040)	-	**(38 040)**
Income tax related to components of other comprehensive income	-	-	-	(168)	3 804	79	**3 715**
Total other comprehensive income for the period net of tax	-	-	-	1 516	(34 236)	(717)	**(33 437)**
Total comprehensive income for the period net of tax	-	-	**284 535**	**1 516**	**(34 236)**	**(717)**	**251 098**
Dividends paid	-	-	(71 819)	-	-	-	**(71 819)**
Balance as of December 31, 2014	**285 777**	**342 378**	**1 738 442**	**24 098**	**(36 658)**	**(1 489)**	**2 352 548**
Profit for the year	-	-	**340 191**	-	-	-	**340 191**
Actuarial gains (losses)	-	-	-	-	-	(325)	**(325)**
Change of revaluation reserve on available for sale investments	-	-	-	54 814	-	-	**54 814**
Change of revaluation reserve on cash flow hedges	-	-	-	-	9 516	-	**9 516**
Income tax related to components of other comprehensive income	-	-	-	(5 481)	(952)	32	**(6 401)**
Total other comprehensive income for the period net of tax	-	-	-	**49 333**	**8 564**	**(293)**	**57 604**
Total comprehensive income for the period net of tax	-	-	**340 191**	**49 333**	**8 564**	**(293)**	**397 795**
Dividends paid	-	-	(80 553)	-	-	-	**(80 553)**
Balance as of December 31, 2015	**285 777**	**342 378**	**1 998 080**	**73 431**	**(28 094)**	**(1 782)**	**2 669 790**

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Statement of Cash Flows

In thousands of BGN

	Notes	2015	2014
Net profit		**340 191**	**284 535**
Current and deferred tax expenses, recognised in income statement		38 375	32 180
Adjustments for non-cash items			
Depreciation and amortisation	12,16	31 659	30 429
Impairment of financial assets	18	141 333	192 155
Impairment of property plant, equipment, investment properties and other assets	12,16	22 096	3 482
Provisions, net	40	(11 116)	(629)
Unrealised fair value (gains) through profit or loss, net		12 650	(17 992)
Unrealised fair value losses on FX revaluation		92 499	36 682
Net income from associates under equity method		(197)	(154)
Net income from sale of property, plant and equipment		(451)	(453)
Net interest income		(579 391)	(529 895)
Dividend income		(788)	(1 246)
Increase in other accruals		2 272	18 979
Cash flows from profits before changes in operating assets and liabilities		**89 132**	**48 073**
Operating activities			
Change in operating assets			
(Increase) in loans and advances to banks		(258 320)	(293 842)
Decrease (Increase) in loans and advances to customers		501 539	(1 601 183)
(Increase) in available for sale investments		(718 792)	(569 862)
Decrease (Increase)in financial instruments held for trading and hedging derivatives		(10 748)	8 133
Decrease in financial instruments at fair value through profit or loss		59 279	600
(Increase) in other assets		(41 339)	(18 332)
Change in operating liabilities:			
Increase (Decrease) in deposits from banks		(42 708)	196 620
Increase in deposits from customers		2 519 809	2 041 439
Provisions utilization		17 473	(6 057)
Increase in other liabilities		60 599	15 635
Interest received		692 411	694 515
Interest paid		(127 883)	(170 869)
Dividends received		968	1 246
Taxes paid		(35 335)	(25 832)
Net cash flow from operating activities		**2 706 085**	**320 284**

Statement of Cash Flows (continued)

	Notes	2015	2014
Cash flow from investing activities			
Cash payments to acquire tangible assets		(22 374)	(27 412)
Cash receipt from sale of tangible assets		1 272	888
Cash payments to acquire intangible assets		(8 938)	(6 648)
Cash receipts from redemption of held to maturity investments		136 187	4 899
Net cash flow from investing activities		**106 147**	**(28 273)**
Cash flow from financial activities			
Dividends paid		(80 553)	(71 819)
Subordinated loans paid		(70 596)	(149 409)
Net cash flows from financial activities		**(151 149)**	**(221 228)**
Effect of exchange rate changes on cash and cash equivalents		**7 855**	**14 885**
Net increase in cash and cash equivalents		**2 668 938**	**85 668**
Cash and cash equivalents at the beginning of period	46	**2 065 699**	**1 980 031**
Cash and cash equivalents at the end of period	46	**4 734 637**	**2 065 699**

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Notes to Consolidated Financial Statements

1. Reporting entity

UniCredit Bulbank AD (the Bank) is a universal Bulgarian bank established upon a triple legal merger, performed on April 27th, 2007 between Bulbank AD, HVB Bank Biochim AD and Hebros Bank AD. These consolidated financial statements comprise of UniCredit Bulbank AD and its subsidiaries and associates (hereafter together referred as UniCredit Bulbank AD or the Bank).
UniCredit Bulbank AD possesses a full-scope banking licence for performing commercial banking activities. It is domiciled in the Republic of Bulgaria with registered address city of Sofia, 7 "Sveta Nedelya" sq. The Bank is primarily involved in corporate and retail banking and in providing asset management services.
As of December 31, 2015 the Bank operates through its network comprising of 185 branches and offices.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting standards Board (IASB) and adopted by the European Union.
These financial statements have been prepared on consolidated basis as required by Bulgarian Accountancy Act. Whenever deemed necessary for comparison reasons, certain positions in prior year financial statements have been reclassified.
These consolidated financial statements are approved by the Management Board of UniCredit Bulbank AD on February 26, 2016.

(b) Basis of measurement

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

- derivative financial instruments measured at fair value;
- trading instruments and other instruments designated at fair value through profit or loss measured at fair value;
- available for sale financial instruments measured at fair value, where such can be reliably determined;
- liabilities for defined benefit obligation presented as present value of defined benefit obligation.

(c) Functional and presentation currency

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

(d) Use of estimates and judgement

The preparation of financial statements requires the Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in notes **4** and **5**.

3. Significant accounting policies

There have been no changes in significant accounting policies for the periods presented in these financial statements, except as described below. Whenever certain information in the current period is presented in a different way for the purposes of providing more reliable and relevant view of the financial position of the Bank, prior period information is also recalculated for comparative reasons.

CHANGE IN ACCOUNTING POLICY

In 2015 the Bank has changed its accounting policy with regards to presentation of transaction costs related to credit card business. Detailed explanations and summary of the effects are as follows:
For the periods until December 31, 2014 the Bank has treated certain transaction costs related to credit card business as technical services (as required by local tax administration) and presented them within General and administrative expenses. In 2015 the Bank reached an agreement with the tax administration on the financial nature of the services and decided to change their presentation from General and administrative expenses to Fee and commission expenses for the year ended December 31, 2015. For comparison reasons the Bank did similar reclassification for the year ended December 31, 2014 thus reclassifying BGN 5 342 thousand from General and administrative expenses to Fee and commission expenses. The policy change represents reclassification and does not impact neither total revenue of the Bank nor net assets.
The actual restatement amounts impacting consolidated income statement are as follows:

In thousands of BGN

CONSOLIDATED INCOME STATEMENT	REPORTED 31.12.2014	RESTATEMENT DUE TO CHANGE IN THE ACCOUNTING POLICY ON CARDS PAYMENT FEES	RESTATED AMOUNT 31.12.2014
Fee and commission expense	(11 617)	(5 342)	(16 959)
General and administrative expenses	(134 399)	5 342	(129 057)

(a) Basis of consolidation

These financial statements are prepared on consolidated basis whereas all entities where UniCredit Bulbank AD exercises control are consolidated applying full consolidation method and all participations in entities where UniCredit Bulbank AD exercises significant influence are consolidated applying equity method.

In accordance with IFRS 10 "Consolidated Financial Statements" control is achieved when cumulatively the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee;
- has the ability to use its power to affect its returns.

Following the above criterion, the Bank has performed assessment in two areas focused on:

1. Control existence assessment over all directly and indirectly owned equity participations;
2. Control existence assessment over entities where the Bank has no direct or indirect equity participation.

Upon completion of the first area of assessment, Bank reconfirmed that it has control over the investees in all the cases where it holds directly or indirectly more than 50% of the investee's voting rights. In addition Bank reconfirmed to exercise significant influence over investee's activities in all the cases where it does not exercise control or joint control but owns 20% and more of the investee's voting rights.
For the purposes of the second area of assessment, the Bank primarily focused on so called "troubled loans" analysis. It covered thorough assessment of the relationship and legally-binding obligations between the Bank and customers on all defaulted and forborne loans and advances to corporate customers with material outstanding amount as of the reporting dates (for practical reasons materiality threshold of EUR 1 million was applied). As a result of performing the above mentioned assessment, the Bank concluded that in no cases the definition of control is met, therefore no consolidation procedures on such customers have been applied as of December 31, 2015 and December 31, 2014.
All the entities where the Bank exercises control are consolidated under full consolidation method and all entities where the Bank exercises significant influence are consolidated under equity method.
As of December 31, 2015 and December 31, 2014 there are no significant restrictions on the ability of all consolidated subsidiaries and associates to transfer cash or to repay loans to the parent company.
The consolidation scope as of December 31, 2015 has changed to the one applied as of December 31, 2014 and it covers the following entities:

COMPANY	PARTICIPATION IN EQUITY	DIRECT/INDIRECT PARTICIPATION	CONSOLIDATION METHOD
UniCredit Factoring EAD	100.00%	Direct	Full consolidation
Hypovereins Immobilien EOOD	100.00%	Direct	Full consolidation
UniCredit Consumer Financing EAD	100.00%	Direct	Full consolidation
UniCredit Leasing EAD	100.00%	Direct	Full consolidation
UniCredit Insurance Broker EOOD	100.00%	Indirect	Full consolidation
BA Creditanstalt Bulus EOOD	100.00%	Indirect	Full consolidation
Cash Service Company AD	20.00%	Direct	Equity method

Changes affected the scope of consolidation are, as follows:
On 14 April 2015, HVB Leasing EOOD, which was the sole owner of HVB Auto Leasing EOOD and BA Creditanstalt Bulus EOOD, merged into UniCredit Leasing EAD.
On 4 September 2015, UniCredit Auto Leasing EOOD, Bulbank Leasing EAD and HVB Auto Leasing EOOD merged into UniCredit Leasing EAD.

As of December 31, 2015 UniCredit Leasing EAD remains sole owner of two subsidiaries, namely BA Creditanstalt Bulus EOOD (100%) and UniCredit Insurance Broker EOOD (100%), respectively the Bank indirectly owns same legal entities.

(b) Interest income and expense

Interest income and expenses are recognized in the Income statement following the accruing principle, taking into account the effective yield of the asset/liability in all material aspects. Interest income and expenses include the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.
Interest income and expense presented in the Income statement include:

- interest on financial assets and liabilities at amortised cost calculated on an effective interest rate basis;
- interest on available for sale investment securities calculated on an effective interest rate basis;
- interest on financial instruments held for trading;
- interest on financial instruments designated at fair value through profit or loss;
- interest on derivatives designated as effective hedging instruments.

(c) Fee and commission income and expenses

Fee and commission income and expense arise on financial services provided/received and are recognized upon rendering/receiving of the corresponding service.
Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate thus presented as

interest income or expense.

(d) Net gains (losses) on financial assets and liabilities held for trading

Net gains (losses) on financial assets and liabilities held for trading include those gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading (including derivative deals) as well as trading income in dealing with foreign currencies and exchange differences from daily revaluation of the net open foreign currency position of the Bank.
The Bank concludes interest rate swaps deals with customers which represent a margin driven business. The market risk on all such deals is covered through back-to-back deals concluded on the derivatives' primary markets (with counterparties being usually other banks part of UniCredit Group such as UniCredit Bank Austria AG and UniCredit Bank AG). The whole realized and unrealized gains/losses on interest rate swaps related to customers' business and their respective back-to-back derivatives with banks are presented net and included as part of the net gains on financial assets and liabilities held for trading and hedging derivatives.

(e) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency at the official Bulgarian National Bank foreign exchange rate effective at the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated at the closing foreign exchange rate being the official rate of the Bulgarian National Bank. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate effective at the date of the transaction.
As of each reporting date, all foreign currency denominated monetary assets and liabilities are revaluated on net basis using Bulgarian National Bank closing exchange rates. Any gain/loss is recognized in the profit or loss.

(f) Net gains (losses) on other financial assets designated at fair value through profit or loss

Net gains (losses) on other financial assets designated at fair value through profit or loss include all realised and unrealised fair value changes and foreign exchange differences on assets which are managed on fair value basis and for which the Bank has applied "fair value option" upon initial recognition.

(g) Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

(h) Lease payments made

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.
Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term and so producing a constant periodic rate of interest on the remaining balance of the liability.

(i) Financial instruments

(i) Recognition

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognised on the settlement date. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.
A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition cost.

(ii) Classification

a) Cash and balances with the Central Bank

Cash and balances with the Central bank include notes and coins on hand and unrestricted balances held with the Central Bank. They are carried at amortised cost in the statement of financial position.

b) Financial assets and derivatives held for trading

Financial assets and derivatives held for trading are those that the Bank holds for the purpose of short-term profit taking. These include securities and derivative contracts that are not designated as effective hedging instruments, and liabilities from short sales of financial instruments. All derivatives with positive fair values and purchased options are reported separately as derivatives held for trading. All derivatives with negative fair values and written options are reported as financial liabilities held for trading.
Financial assets and derivatives held for trading are carried at fair value in the statement of financial position.

c) Financial assets designated at fair value through profit or loss

Financial instruments that are not held for trading but which are part of a group of financial assets which performance is internally evaluated and reported on a fair value basis are initially designated and subsequently reported as financial assets designated at fair value through profit or loss.
Financial assets, designated at fair value through profit or loss are carried at fair value in the statement of financial position.

d) Loans and advances to banks and customers

Loans and advances to banks and customers are instruments where the Bank provides money to a debtor other than those created with the intention of short-term profit taking or selling in the near term. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method.

e) Available for sale investments

Available for sale investments are non-derivative investments that are designated as available for sale or are not classified in another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available for sale investments are carried at fair value.
Fair value changes are recognised directly in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are recognised in profit or loss.

f) Held to maturity investments

Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity and which are not designated as at fair value through profit or loss or as available for sale and do not meet the definition of loans and receivables.
A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available for sale, and would prevent the Bank from classifying investment securities as held to maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Bank has collected substantially all of the asset's original principal;
- sales or reclassifications attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated (such as material creditworthiness deterioration of the issuer).

Held to maturity investments are carried at amortised cost using the effective interest method.

g) Investments in subsidiaries and associates

Investments in associates comprise of equity participations in entities where the Bank does not exercise control or joint control but has significant influence in governing the investees' activities. The Bank has assessed that it has significant influence over entities where it holds directly or indirectly 20% and more of the voting rights.
In these consolidated financial statements the Bank has adopted the policy of carrying all investments in associates at equity method. All investments in subsidiaries are fully consolidated.

h) Deposits from banks, customers and subordinated liabilities

Deposits from banks, customers and subordinated liabilities are financial instruments related to attracted funds by the Bank, payable on demand or upon certain maturity and bearing agreed interest rate. Subordinated liabilities meet some additional requirements set by Bulgarian National Bank (see note **39**). Deposits from banks, customers and subordinated liabilities are carried at amortised cost using the effective interest rate method.

(iii) Reclassification

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

(iv) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.
The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.
The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.
In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if it does not retain control over the asset. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers in which, control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.
In certain transactions the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised in its entirety if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

(v) Amortised cost measurement

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

(vi) Fair value measurement principles

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
In accordance with IFRS 7 "Financial instruments: Disclosures" the Bank applies three-level fair value hierarchy that reflects the significance of the inputs used in measurements (for more details see note **5**).

(vii) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when both the Bank and the counter party have a legally enforceable right to offset the recognized amounts and the transactions are intended to be settled on a net basis.

(viii) Repurchase agreements

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

(j) Impairment

The carrying amounts of Bank's assets are regularly reviewed to determine whether there is any objective evidence for impairment as follows:
- for loans and receivables – by the end of each month for the purposes of preparing interim financial statements reported to the Bulgarian National Bank and Management;
- for available for sale, held to maturity financial assets and investments in subsidiaries and associates - semi-annually based on review performed by the Bank and decision approved by ALCO;
- for non-financial assets – by the end of each year for the purposes of preparing annual financial statements.

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

(i) Assets carried at amortised cost

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.
Loans and advances to banks and customers are assessed for impairment indicators on a monthly basis for the purposes of preparing monthly financial statements of the Bank. Review is performed and decisions are taken by Bank's Provisioning and Restructuring Committee which is a specialized internal body for monitoring, valuation and classification of risk exposures. Loans and advances are presented net of allocated allowances for impairment. Impairment allowances are made against the carrying amount of loans and advances that are identified as being impaired based on regular reviews of outstanding balances. Impairment allowances on portfolio basis are maintained to reduce the carrying amount of portfolios of similar loans and receivables to their estimated recoverable amounts at the reporting date. The expected cash flows for portfolios of similar assets are estimated based on previous experience, late payments of interest, principals or penalties. Increases in the allowance account are recognized in profit or loss. When a loan is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is directly written off.
Assets classified as held to maturity are assessed for impairment on a semi-annual basis based on available market data. Review is performed and decision is taken my Assets and Liabilities Committee (ALCO) of the Bank.
If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down or allowance is reversed through profit or loss thus increasing the amortized cost to the amount that never exceeds the amortised cost had the loan never been impaired.

(ii) Financial assets remeasured to fair value directly in other comprehensive income

Financial assets remeasured to fair value directly through other comprehensive income are those classified as available for sale financial investments.
Where an asset remeasured to fair value directly through other comprehensive income is impaired, and a write down of the asset

was previously recognized directly in other comprehensive income, the write-down is transferred to profit or loss and recognized as part of the impairment loss.
Where debt instrument measured to fair value directly through other comprehensive income is impaired, and an increase in the fair value of the instrument was previously recognized in other comprehensive income, the increase in fair value of the instrument recognized in other comprehensive income is reversed to the extent the asset is impaired. Any additional impairment loss is recognized in profit or loss. For equity instruments, no reversal of impairment is recognized in profit or loss. Any increase in fair value after impairment is recognized in other comprehensive income.
If in subsequent periods the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.
Assessment of impairment indicators of available for sale investments is done semi-annually. Decision for existence of any impairment is taken by ALCO.

(k) Derivatives used for hedging

Derivatives used for hedging include all derivative assets and liabilities that are not classified as held for trading. Derivatives used for hedging are designated as effective hedging instruments and are measured at fair value in the statement of financial position.
Since 2009 the Bank has developed hedge accounting methodology aiming at effective management of interest rate risk out of the banking book positions through certain fair value hedge and cash flow hedge relationships.
Since 2009 the Bank applies Cash Flow Hedge accounting. Since 2015 the Bank has started to apply Fair Value Hedge accounting.
In accordance with the approved methodology, upon initial designation of the hedge, the Bank formally documents the relationship between the hedging instruments and the hedged items, including risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess and measure the effectiveness of the hedge relationship. Assessment is performed, both at the inception of the hedge relationship as well as on ongoing basis(based on Market risk Department independent assessment).,as to whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within the range of 80-125 percent. The Bank also makes an assessment for each cash flow hedge of a forecast transaction, as to whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

FAIR VALUE HEDGE

When a derivative is designated as hedging instrument in a hedge of fair value of recognized asset or liability that could affect profit or loss, changes in the fair value of the derivative are recognized immediately in profit or loss. When the hedged item is classified as Available for sale, cumulative changes of the fair value attributable to the hedged risk are recognized in profit and loss against revaluation reserve of the hedged items.
If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, fair value hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item, for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life. Amortisation starts immediately when hedge relationship no longer exists. When the hedged item is derecognized due to sale or expiration than the whole unamortized revaluation reserve is immediately recognised in profit and loss.

CASH FLOW HEDGE

The Bank designates derivatives as hedging instruments in hedge of the variability in cash flows attributable to particular type of risk associated with highly probable forecast transaction that could ultimately affect profit or loss. While the derivative is carried at fair value in the statement of financial position, the effective portion of the changes of the fair value is recognized in other comprehensive income under cash flow hedge reserve and the ineffective part is recognized immediately in profit or loss. If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked then the hedge accounting is discontinued prospectively.
As Bank's hedging strategy covers forecast cash flows as hedged items, the cumulative amount, recognized in other comprehensive income from the period when the hedge was effective, is recycled in profit or loss when the forecast transactions occur. In case the forecast transaction is no longer expected to occur, the whole balance outstanding in other comprehensive income is reclassified in profit or loss.

(l) Property, plant, equipment and investment property

All items of property, plant and equipment are carried at cost less accumulated depreciation or impairment losses.
Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or use for administrative purposes. Investment property is measured at cost less any accumulated depreciation.
Properties acquired upon collaterals foreclosure, which are neither intended to be used in the banking business nor kept as investment properties, but intended to be sold or constructed for the purposes to be sold, are presented in other assets in accordance with IAS 2 "Inventories" (see also Note 35)
The gains or losses on disposal of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognized net in profit or loss.
Depreciation on all items of property, plant and equipment and

investment property is provided on a straight-line basis at rates designed to write down the cost or valuation of fixed assets over their expected useful lives. Assets are not depreciated until they are brought into use and transferred from construction in progress into the relevant asset category.
The applicable annual depreciation rates based on expected useful life on major assets categories are as follows:

	ANNUAL DEPRECIATION RATES (%)	EQUIVALENT EXPECTED USEFUL LIFE (YEARS)
Buildings	4	25
Computer hardware	20-50	2-5
Fixtures and fittings	15-20	5-7
Vehicles	25	4

(m) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any impairment losses. As of December 31, 2015 and December 31, 2014 intangible assets include primarily investments in software and related licenses.
Amortisation is calculated on a straight-line basis over the expected useful life of the asset. The average useful life of intangible assets controlled by the Bank is estimated to approximately 5 years, which is an equivalent of approximately 20% annual amortisation rate.

(n) Non-current assets and disposal groups classified as held for sale

The Bank presents as non-current assets held for sale, investments in properties whose carrying amount will be recovered principally through sale transaction rather than continuing use. Items are only included in this category when the Management of the Bank has clear intention to finalize the sale and has already started looking for a buyer.
Non-current assets held for sale are carried at the lower of their carrying amount and fair value less costs to sell.

(o) Provisions

A provision is recognized when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. As of December 31, 2015 and December 31, 2014 Management has reviewed Bank's legal and constructive obligation and to the extent they meet the requirement for recognition, provision is recorded, respectively.

(p) Employees' benefits

(i) Short-term employee's benefits

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

(ii) Defined benefit obligation

Defined benefit obligations are those agreed in the Collective Labour Agreement.
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value. The discount rate used is those of Bulgarian local currency government bonds at the reporting date. The calculation is performed by a qualified actuary. To determine the net amount in the statement of financial position, any actuarial gains and losses is presented separately in the Statement of other comprehensive income.

(iii) UniCredit Group Short and Long-Term incentive plans

UniCredit Group Short and Long-Term incentive plans comprise of deferred cash payments (cash settled) as well as stock options and performance share (equity settled) granted by the ultimate parent UniCredit S.p.A. They are allocated to selected group of top and senior managers of the Bank.
Whenever the vesting period of the stock options or performance shares ends, UniCredit Bulbank is required to settle the monetary amount, corresponding to the economic value of the respective instruments. Thereafter the parent effectively grants the instruments to the respective managers.
As of December 31, 2015 and December 31, 2014 UniCredit Bulbank presents the corresponding part of the economic value of the stock options and performance shares and respective accruals on the deferred cash payments as payroll costs under personnel expenses in the Income statement and the related obligation as other liability.

(q) Share capital and reserves

(i) Share capital

As described in Note **1**, HVB Bank Biochim AD and Hebros Bank AD merged into Bulbank AD legally as of April 27th, 2007 with retroactive effect for accounting purposes since January 1st, 2007. At the time of the merger the three merging entities were under direct control of UniCredit bank Austria AG and ultimately under control of UniCredit S.p.A. The merger represented a share-exchange transaction, where share-exchange ratios based on fair valuation of the net assets of the three Banks, certified by independent auditor, as required by the Bulgarian Commercial Act, were applied. The share capital of UniCredit Bulbank AD as of the date of the merger was in the amount of BGN 239 256 thousand and comprise of the share capital of Bulbank AD before the merger in the amount of BGN 166 370 thousand, increased by the newly issued ordinary shares exchanged for the ordinary shares of the merging Banks - HVB Bank Biochim AD and Hebros Bank AD (increase in the amount of BGN 72 886 thousand).

In September 2010 shareholders of UniCredit Bulbank AD approved a capital increase in the amount of BGN 179 000 thousand through issuing 24 655 650 new shares with issuing price BGN 7.26 and face value BGN 1, each. The capital increase was dully completed and registered and as of December 31, 2010 the share capital of the Bank amounted to BGN 263 911 thousand.

In May 2011 shareholders of UniCredit Bulbank AD approved a capital increase in the amount of BGN 158 744 thousand through issuing 21 865 500 new shares with issuing price BGN 7.26 and face value BGN 1, each. The capital increase was dully completed and registered and as of December 31, 2011 the share capital of the Bank amounts to BGN 285 777 thousand. No changes in the share capital were performed in 2015 and 2014.

(ii) Reserves

Reserves consist of statutory reserves and retained earnings held within the Bank as well as reserves on available for sale investments, cash flow hedges and reserve resulted from defined benefit obligation actuarial gains and losses. As of December 31, 2015 and December 31, 2014 the reserves includes also the premium of previously issued shares corresponding to the difference between the issuing price and the face value.

(r) Taxation

Tax on the profit for the year comprises current tax and the change in deferred tax. Income tax is recognized in the Income statement except to the extent that it relates to items recognized directly to other comprehensive income, in which case it is recognised in other comprehensive income. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the reporting date, and any adjustment of tax payable for previous years.

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

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. As of December 31, 2015 and December 31, 2014 balances of deferred tax are presented net in the Statement of financial position on single entity level within the consolidation scope and then consolidated in the Statement of financial position. All respective netting requirements set out in IAS 12 are fully met on single entity level.

(s) Segment reporting

In 2009 the Bank has adopted IFRS 8 “Operating Segments” which requires the Bank to present operating segments based on the information that is internally provided to the Management. This adoption did not result in a change in accounting policy as the business segments that have been previously determined and presented by the Bank in accordance with IAS 14 “Segment Reporting” are also the primary operating segments which are regularly reported to the Management of the Bank.

(t) Initial application of new amendments to the existing Standards and Interpretations effective for the current financial period

The following new amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current financial period:

- Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)” resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 18, 2014 (amendments are to be applied for annual periods beginning on or after January 1, 2015),
- IFRIC 21 “Levies” adopted by the EU on June 13, 2014 (effective for annual periods beginning on or after June 17, 2014).

The adoption of these amendments to the existing standards and interpretation has not led to any material changes in the Banks’s financial statements.

(u) Amendments to the existing Standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following amendments to the existing standards issued by IASB and adopted by the EU were in issue but not yet effective:

- Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)” resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 17, 2014 (amendments are to be applied for annual periods beginning on or after February 1, 2015),
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS

41 “Agriculture” - Agriculture: Bearer Plants - adopted by the EU on November 23, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on December 2, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IAS 19 “Employee Benefits” - Defined Benefit Plans: Employee Contributions - adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015),
- Amendments to IFRS 11 “Joint Arrangements” – Accounting for Acquisitions of Interests in Joint Operations adopted by the EU on November 24, 2015 (effective for annual periods beginning on or after January 1, 2016).
- Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure Initiative – adopted by the EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IAS 27 “Separate Financial Statements” - Equity Method in Separate Financial Statements - adopted by the EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)” resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 15, 2015 (amendments are to be applied for annual periods beginning on or after January 1, 2016).

(v) New Standards and amendments to the existing Standards issued by IASB but not yet adopted by the EU

- At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except from the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at February 26, 2016 (the effective dates stated below is for IFRS in full):
- IFRS 9 Financial Instruments (effective for annual periods beginning on or after January 1, 2018);
- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after January 1, 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- IFRS 15 “Revenue from Contracts with Customers” and further amendments (effective for annual periods beginning on or after January 1, 2018),
- IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after January 1, 2016),

The Bank anticipates that the adoption of these standards and amendments to the existing standards will have no material impact on the financial statements of the Bank in the period of initial application except for the one noted below which might have material effect on the financial statements:
- IFRS 9 Financial Instruments which is the replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition. IFRS 9 introduces new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces the existing rule-based requirements under IAS 39. The new standard also results in a single impairment model being applied to all financial instruments. IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.
According to the Banks's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: Financial Instruments: Recognition and Measurement, would not significantly impact the financial statements, if applied as at the reporting date.

4. Financial risk management

(a) General framework

UniCredit Bulbank AD is exposed to the following risks from financial instruments:
- market risk;
- liquidity risk;
- credit risk;
- operational and reputational risk.

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk and the Bank's management of capital. Different types of risks are managed by specialized departments and bodies within the Bank's structure. The applicable policies entirely correspond to the requirements of Risk Management Group Standards as well as all respective requirements set by Bulgarian banking legislation. Bank manages risk positions on aggregate basis, focusing in reaching optimal risk/return ratio.

Assets and Liabilities Committee (ALCO) is a specialized body established in the Bank for the purposes of market risk and structural liquidity management.

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

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

The operational risk governance system of UniCredit Bulbank AD is set to identify, manage and mitigate the operational risk exposure, defining a system of clearly outlined responsibilities and controls. Senior management is responsible for the effective oversight over operational risk exposure and approves all material aspects of the framework. Fundamental element of the operational risk system is the existence of an Operational Risk Committee. Starting from Q3 2014 UniCredit Bulbank AD applies the new Advanced Measurement Approach (new AMA) for its capital calculation of operational risk on stand-alone level. In these consolidated financial statements total operational risk requirements are presented as the sum of AMA amount calculated for the Bank stand-alone plus the respective additions from consolidated entities, calculated under standardized approach.

(b) Market risks

Risk monitoring and measurement in the area of market risks, along with trading activities control is performed by Market Risk department. Market risks control function is organized independently from the trading and sales activities. Prudent market risk management policies and limits are explicitly defined in Market Risk Rule Book and Financial Markets Rule Book, reviewed at least annually. A product introduction process is established in which risk managers play a decisive role in approving a new product.

Market risk management in UniCredit Bulbank AD encompasses all activities in connection with Markets and Investment Banking operations and management of the assets and liabilities structure. Risk positions are aggregated at least daily, analysed by the independent Market risk management unit and compared with the risk limits set by the Management Board and ALCO. The risk control function also includes ongoing monitoring and reporting of the risk positions, limit utilization, and daily presentation of results of Markets & Brokerage and Assets and Liabilities Management (ALM) operations.

UniCredit Bulbank AD applies uniform Group risk management procedures. These procedures make available the major risk parameters for various trading operations at least once a day. Besides Value at Risk, other factors of equal importance are stress-oriented sensitivity and position limits. Additional elements of the limit system are the loss-warning level (applied to accumulated results for a specific period), the stressed VaR (SVaR) metric, the incremental risk charge (IRC) limit and granular limits by sensitivity.

For internal risk management and Group compliant risk measurement, the Bank applies UniCredit Group's internal model IMOD. It is based on historical simulation with a 500-day market data time window for scenario generation and covers all major risk categories: interest rate risk and equity risk (both general and specific), currency risk and commodity position risk. Internal model also includes quantification of Stressed VaR and Incremental risk charge values. The simulation results, supplemented with distribution metrics and limit utilization are reported on a daily basis to the Management. In addition to the risk model results, income data from market risk activities are also determined and communicated on a daily basis. Reporting covers the components reflected in IFRS-based profit and the mark to market of all investment positions regardless of their recognition in the IFRS-based financial statements ("total return"). Fair value adjustments (FVA) are applied to the extent that they are consistent with the objective of a fair value measurement. The use of credit/debit valuation adjustments (CVA/DVA) for OTC derivatives in UniCredit Bulbank AD was further refined in 2014 and integrated in the presentation of results of market activities including Corporate Treasury Sales on quarterly basis.

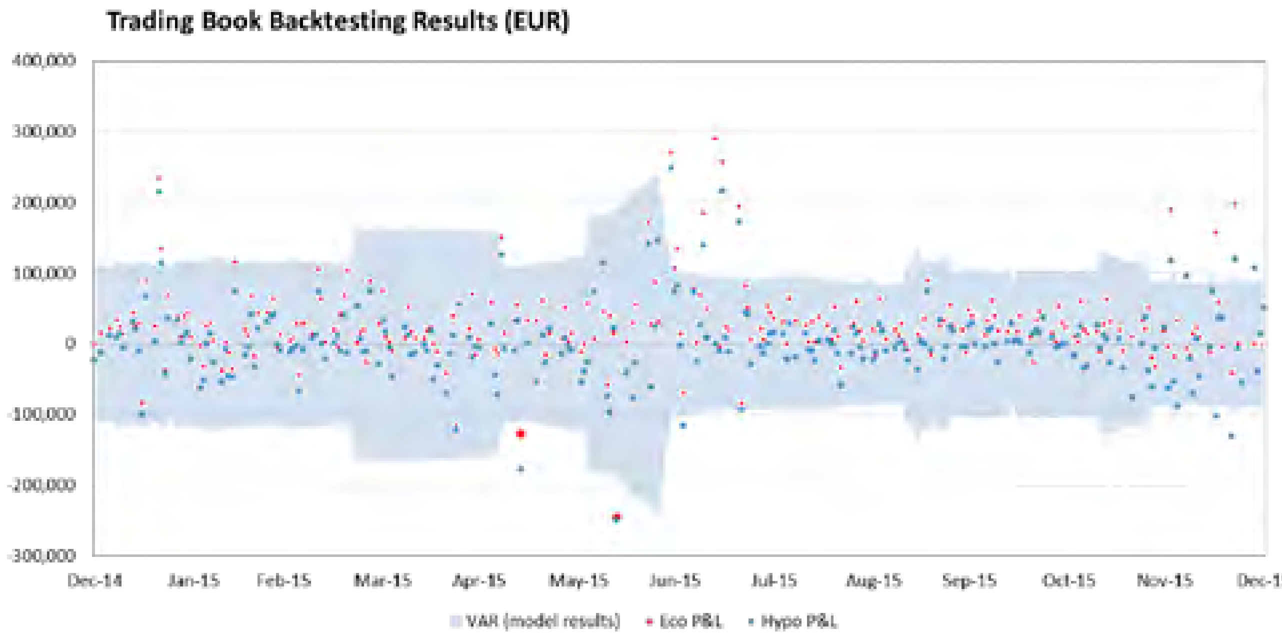
During 2015, VaR (1 day holding period, confidence interval of 99 %) of Bulbank group moved in a range between EUR 3.19 million and EUR 9.48 million, averaging EUR 6.76 million, with credit spreads and interest rates being main drivers of total risk in both, trading and banking books. VaR of UniCredit Bulbank AD by risk category in EUR million for 2015 on consolidated basis is as follows:

RISK CATEGORY	MINIMUM	MAXIMUM	AVERAGE	YEAR-END
Interest rate risk	1.63	3.49	2.40	2.86
Credit spread	3.00	8.26	6.13	8.21
Exchange rate risk	0.06	0.09	0.08	0.08
Vega risk	0.0	0.0	0.0	0.0
VaR overall[1]	**3.19**	**9.48**	**6.76**	**8.98**

[1] Including diversification effects between risk factors.

Reliability and accuracy of the internal model is monitored via daily back-testing, comparing the simulated results with actually observed fluctuations in market parameters and in the total value of books.

Back-testing results for 2015 confirm the reliability of used internal model with only 2 (two) negative excesses.



In addition to VaR, risk positions of the Bank are limited through sensitivity-oriented limits. The most important detailed presentations include: basis point shift value (interest rate /spread changes of 0.01 % by maturity bucket), credit spread basis point value (credit spread changes of 0.01% by maturity bucket) and FX sensitivities. In the interest rate sector, the Basis-Point-Value (BPV) limit restricts the maximum open position by currency and time buckets, with valuation changes based on shift by 0.01% (1 basis point).
The sensitivities' tables below provide summary of the overall interest rate risk exposure of UniCredit Bulbank AD on consolidated basis as of December 31, 2015 (change in value due to 1 basis point shift, amounts in EUR):

IR Basis point shift (EUR)

CCY	0-3M	3M-1Y	1Y-3Y	3Y-10Y	10Y-	SUM
EUR	14 619	38 724	(26 439)	(77 046)	16 602	(33 540)
BGN	2 245	(4 496)	(63 896)	(175 251)	(783)	(242 181)
USD	(3 850)	1 015	1 132	(216)	-	(1 919)
CHF	76	236	(109)	(37)	-	166
GBP	(462)	268	33	-	-	(161)
Other	(7)	-	-	-	-	(7)
Total ABS	**21 259**	**44 739**	**91 609**	**252 550**	**17 385**	**277 974**

Measured by total absolute basis-point value, the credit spread sensitivity measure for UniCredit Bulbank AD as of December 31, 2015 totalled EUR 583 179. Treasury instruments continue to account for the largest part of the credit spread positions while the current exposure to financials and corporates is relatively insignificant.

SP Basis point shift

Issuer	0-3M	3M-1Y	1Y-3Y	3Y-10Y	10Y-	SUM
Sovereigns	(133)	(8 374)	(59 355)	(431 858)	(79 371)	(579 091)
Regional governments	-	-	(129)	(1 304)	-	(1 433)
Corporates	-	-	-	(2 655)	-	(2 655)
Total ABS	**133**	**8 374**	**59 484**	**435 817**	**79 371**	**583 179**

Internal model results are complemented by various stress scenarios to identify potential effects of stressful market conditions on the Bank's earnings. The assumptions under such stress scenarios include extreme movements in prices or rates and deterioration in market liquidity. Stress results for major asset classes and portfolios (credit, rates and FX) and estimated impact on liquidity position up are reported at least monthly to ALCO. In 2015 the Bank's Management continued prudent risk management practices with primary focus on client-driven business.

UniCredit Bulbank AD is exposed to exchange rate risk through transactions in foreign currencies. Net FX open positions in trading and banking book are monitored on daily basis and are restricted by volume overnight limits.

As of December 31, 2015 the FX balances of UniCredit Bulbank AD are as outlined in the table below:

In thousands of BGN

	EUR AND BGN	OTHER CURRENCIES	TOTAL
Cash and balances with Central Bank	4 570 616	14 782	4 585 398
Non-derivative financial assets held for trading	10 147	-	**10 147**
Derivatives held for trading	101 173	25 098	**126 271**
Derivatives held for hedging	13 455	-	**13 455**
Loans and advances to banks	1 189 268	37 214	**1 226 482**
Loans and advances to customers	10 021 050	301 152	**10 322 202**
Available for sale investments	2 282 226	-	**2 282 226**
Investments in associates	2 732	-	**2 732**
Property, plant, equipment and investment	169 396	-	**169 396**
properties			
Intangible assets	25 405	-	**25 405**
Current tax assets	33	-	**33**
Deferred tax assets	6 526	-	**6 526**
Other assets	108 312	60	**108 372**
TOTAL ASSETS	**18 500 339**	**378 306**	**18 878 645**
LIABILITIES			
Financial liabilities held for trading	75 597	24 557	**100 154**
Derivatives used for hedging	35 400	-	**35 400**
Deposits from banks	2 393 918	216 333	**2 610 251**
Deposits from customers	11 732 197	1 563 542	**13 295 739**
Provisions	30 793	22 369	**53 162**
Current tax liabilities	8 576	-	**8 576**
Deferred tax liabilities	84	-	**84**
Other liabilities	103 254	2 235	**105 489**
TOTAL LIABILITIES	**14 379 819**	**1 829 036**	**16 208 855**
EQUITY	**2 669 790**	-	**2 669 790**
Net off-balance sheet spot and forward position	(1 456 038)	1 462 114	**6 076**
Net position	**(5 308)**	**11 384**	**6 076**

As of December 31, 2014 the FX balances of UniCredit Bulbank are as outlined in the table below:

In thousands of BGN

	EUR AND BGN	OTHER CURRENCIES	TOTAL
ASSETS			
Cash and balances with Central Bank	1 076 694	15 535	**1 092 229**
Non-derivative financial assets held for trading	5 607	-	**5 607**
Derivatives held for trading	100 111	24 417	**124 528**
Financial assets designated at fair value through profit or loss	60 754	-	**60 754**
Loans and advances to banks	1 478 766	148 723	**1 627 489**
Loans and advances to customers	10 816 879	295 524	**11 112 403**
Available for sale investments	1 492 803	-	**1 492 803**
Held to maturity investments	-	136 663	**136 663**
Investments in associates	2 716	-	**2 716**
Property, plant, equipment and investment properties	183 217	-	**183 217**
Intangible assets	24 836	-	**24 836**
Current tax assets	6 993	-	**6 993**
Deferred tax assets	2 656	-	**2 656**
Other assets	111 152	60	**111 212**
TOTAL ASSETS	**15 363 184**	**620 922**	**15 984 106**
LIABILITIES			
Financial liabilities held for trading	61 711	24 229	**85 940**
Derivatives used for hedging	41 223	702	**41 925**
Deposits from banks	2 401 378	233 722	**2 635 100**
Deposits from customers	9 628 478	1 038 307	**10 666 785**
Subordinated liabilities	70 596	-	**70 596**
Provisions	21 852	20 088	**41 940**
Current tax liabilities	5 377	-	**5 377**
Deferred tax liabilities	1 176	-	**1 176**
Other liabilities	80 763	1 956	**82 719**
TOTAL LIABILITIES	**12 312 554**	**1 319 004**	**13 631 558**
EQUITY	**2 352 548**	**-**	**2 352 548**
Net off-balance sheet spot and forward position	**(686 360)**	**700 922**	**14 562**
Net position	**11 722**	**2 840**	**14 562**

(c) Liquidity risk

In line with Group standards, UniCredit Bulbank deals with liquidity risk as a central risk in banking business by monitoring and steering short-term and medium-term liquidity requirements. In this context, liquidity situation is analysed against standard and stress scenarios. Methods of liquidity analysis, management responsibilities, as well as contingency plan and funding plan procedures are laid down in the Bank's Liquidity Management Policy.

Liquidity is operationally managed through Markets/Treasury Department and the structural liquidity through Asset-Liability Management Department. According to the Liquidity Policy, Asset-Liability Management Department monitors on a daily basis short term flows, arising from interbank activities with a time horizon up to three months. The structural liquidity is monitored on a weekly basis prepared under going concern scenario. For the purposes of liquidity management short-term limits are monitored daily, defined as function of the primary funds and liquidity stress-test results. Structural liquidity limit ratios define minimum required coverage of long-term assets with coherent liabilities.

Integral part of liquidity management process is monitoring the results of regular stress tests. Market risks control function performs liquidity stress tests on regular basis, using standardised Group-wide scenarios and specific local set. These scenarios describe the effects of market-driven or specific name-crisis signals, with assumptions about behaviour of non-financial customers. The liquidity outflows expected to occur are compared with available collateral (essentially, securities eligible as collateral at the central bank) to examine banks' ability to withstand liquidity shock over 40 days horizon. The results of extreme scenario combining market- and name-driven crisis have shown comfortable coverage during 2015, meaning that assuming extreme stress conditions the Bank is expected to cope with liquidity shock using own resources.

The following tables provide basic analysis of the financial assets expected recoverability and financial liabilities of the Bank split into relevant maturity bands based on the remaining contractual periods to repayment for items with defined maturity and model mapping for items with no defined maturity or roll over assumptions. The gross amounts include also estimated contractual interest payments. Actual outflows may materially differ from those presented in the tables as historically most of the clients' attracted deposit have economic maturity much longer than the contractual one (deposits are consistently rolled over).

In thousands of BGN

MATURITY TABLE AS AT 31 DECEMBER 2015	UP TO 1 YEAR	OVER 1 YEAR	TOTAL
ASSETS			
Non-derivative financial assets held for trading	10 147	-	10 147
Loans and advances to banks	503 493	722 989	1 226 482
Loans and advances to customers	3 613 833	6 708 369	10 322 202
Available for sale investments	148 450	2 133 776	2 282 226
Other assets	48 389	59 983	108 372
TOTAL FINANCIAL ASSETS	**4 324 312**	**9 625 117**	**13 949 429**

In thousands of BGN

MATURITY TABLE AS AT 31 DECEMBER 2014	UP TO 1 YEAR	OVER 1 YEAR	TOTAL
ASSETS			
Non-derivative financial assets held for trading	5 607	-	5 607
Financial assets designated at fair value through profit or loss	-	60 754	60 754
Loans and advances to banks	1 243 272	384 217	1 627 489
Loans and advances to customers	4 841 382	6 271 021	11 112 403
Available for sale investments	442 191	1 050 612	1 492 803
Held to maturity investments	136 663	-	136 663
Other assets	46 551	64 661	111 212
TOTAL FINANCIAL ASSETS	**6 715 666**	**7 831 265**	**14 546 931**

In thousands of BGN

MATURITY TABLE AS AT 31 DECEMBER 2015	CARRYING AMOUNT	GROSS IN (OUT) FLOW	UP TO 1 MONTH	FROM 1 TO 3 MONTHS	FROM 3 MONTHS TO 1 YEAR	OVER 1 YEARS
Non derivative instruments						
Deposits from banks	**2 610 251**	**(2 684 890)**	(447 103)	(175 172)	(513 376)	(1 549 239)
Deposits from customers	**13 295 739**	**(13 314 175)**	(9 038 254)	(1 477 972)	(2 240 857)	(557 092)
Unutilized credit lines	**-**	**(1 662 149)**	(24 932)	-	(307 498)	(1 329 719)
Total non-derivative instruments	**15 905 990**	**(17 661 214)**	**(9 510 289)**	**(1 653 144)**	**(3 061 731)**	**(3 436 050)**
Trading derivatives, net	**26 117**					
Outflow		**(3 505 905)**	(2 028 474)	(580 642)	(640 540)	(256 249)
Inflow		**3 536 711**	2 033 863	581 239	646 810	274 799
Derivatives used for hedging, net	**(21 945)**					
Outflow		**(104 087)**	(51 484)	(254)	(41 110)	(11 239)
Inflow		**83 448**	69 752	-	13 581	115
Total derivatives	**4 172**	**10 167**	**23 657**	**343**	**(21 259)**	**7 426**
Total financial liabilities	**15 910 162**	**(17 651 047)**	**(9 486 632)**	**(1 652 801)**	**(3 082 990)**	**(3 428 624)**

In thousands of BGN

MATURITY TABLE AS AT 31 DECEMBER 2014	CARRYING AMOUNT	GROSS IN (OUT) FLOW	UP TO 1 MONTH	FROM 1 TO 3 MONTHS	FROM 3 MONTHS TO 1 YEAR	OVER 1 YEARS
Non derivative instruments						
Deposits from banks	**2 635 100**	**(2 748 876)**	(598 854)	(27 826)	(274 883)	(1 847 313)
Deposits from customers	**10 666 785**	**(10 695 424)**	(7 175 875)	(1 291 830)	(1 882 985)	(344 734)
Subordinated liabilities	**70 596**	**(70 797)**	-	-	(33 263)	(37 534)
Unutilized credit lines	-	**(1 285 375)**	(19 281)	-	(237 794)	(1 028 300)
Total non-derivative instruments	**13 372 481**	**(14 800 472)**	**(7 794 010)**	**(1 319 656)**	**(2 428 925)**	**(3 257 881)**
Trading derivatives, net	**38 588**					
Outflow		**(2 678 304)**	(1 309 821)	(542 009)	(522 303)	(304 171)
Inflow		**2 721 934**	1 315 675	548 106	530 589	327 564
Derivatives used for hedging, net	**(41 925)**					
Outflow		**(64 980)**	(988)	(1 604)	(4 659)	(57 729)
Inflow		**22 349**	47	62	146	22 094
Total derivatives	**(3 337)**	**999**	**4 913**	**4 555**	**3 773**	**(12 242)**
Total financial liabilities	**13 369 144**	**(14 799 473)**	**(7 789 097)**	**(1 315 101)**	**(2 425 152)**	**(3 270 123)**

(d) Credit risks

Credit risk is defined as potential losses arising from not fulfilment of any contractual obligation with regard to issued or originated financial instrument.
The Bank effectively manages credit risk inherent to its trading and banking book.
The Bank applies different approach and has established different departments with regard to monitoring the credit risk related to corporate clients, small and middle enterprises and individuals.

(i) Credit risk in the trading book

For the purposes of portfolio management and risk limitation in the derivatives and security financing business with banks and customers, UniCredit Bulbank uses the group internal counterparty risk model based on Monte Carlo simulations by estimating the potential future exposure at portfolio level for each counterpart. Calculations are based on market volatilities, correlations between specific risk factors, future cash flows and stress considerations, taking into account netting and collateral agreements, if applicable. Subject to simulations are all major types of transactions, e. g. foreign exchange and interest rate derivatives, equity / bond-related instruments, credit derivatives and commodity derivatives.
Treasury credit lines utilisation for derivatives and security financing business is available on-line in the central treasury system operated on group-wide basis.
Additionally, UniCredit Bulbank limits the credit risk arising from its derivatives and repo-based business through strict use of master agreements, ongoing monitoring of documentation standards by legal experts, and application of break clauses and collateral agreements.
Regulatory trading book includes financial assets held for trading purposes and derivatives, not held in conjunction with banking book positions.
The analysis based on client credit quality and rating (where available) as of December 31, 2015 and December 31, 2014 is as shown in the next table:

In thousands of BGN

	31.12.2015	31.12.2014
Government bonds		
Rated BB+	10 147	5 607
Derivatives (net)		-
Banks and financial institution counterparties	(22 048)	(14 109)
Corporate counterparties	26 220	52 697
Total trading assets and liabilities	**14 319**	**44 195**

Government bonds presented as of December 31, 2015 and December 31, 2014 include only bonds issued by Republic of Bulgaria.

(ii) Credit risk in the banking book

Credit risk, inherent in the banking book, is managed as the creditworthiness of Bank's clients is assessed for the whole life of the loan, from the date of initial loan application till the date of final repayment. Issued Letters of Guarantees, Letters of Credit and all other irrevocable credit commitments fell also within the scope of Bank's credit risk monitoring. As a credit risk mitigation policy, the Bank accepts different types of collaterals depending on the product and client.
Competences for evaluation and classification of risk exposures, assessment and quantification of impairment allowances and provisions for credit risk are exclusively within the responsibility of Provisioning and Restructuring Committee (PRC) established in the Bank.
The Bank applies the principle of individual and collective assessment of credit risk exposures depending on existence or non-existence of objective impairment indicators and considering the adopted individually significant materiality threshold.
Objective impairment indicators are those "loss events" that have occurred after initial recognition of the exposure and which have an impact on the exposure estimated future cash flows. In order to provide consistency in the risk measurement, the Bank assumes existence of objective impairment indicators in case of occurrence of a default event as per applicable regulatory framework.
Exposures with objective evidence for impairment (defaulted exposures) generally trigger specific impairment allowances (calculation amount based on individual assessment or portfolio model-based). For all exposures that are not defaulted, impairment assessment is done on a portfolio basis combining exposures with similar credit characteristics. The Bank adopts Expected Loss (EL) concept for assessing impairment on portfolio basis, considering expected default probability within one year horizon, adjusted by Loss Confirmation Period (LCP) in order to translate it into incurred loss as defined by IFRS (IBNR concept).
Risk assessment is done at least once per month. Credit risk methodology adopted by the Bank is explicitly defined in the Policy for evaluation of risk exposures. The process of evaluation of contingent liabilities and allocation of provisions as per the requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" is performed specifically whenever provision allocation indicator exists, as per the current Policy, and mandatory by the year-end for the purposes of drawing annual financial statements of the Bank.
Credit risk monitoring is also focused on fulfilment of statutory lending limits set in Law on Credit Institutions. Exposure to one customer or group of related customers exceeding 10% of own funds are treated as big exposures and it has to be approved by the Management Board. Maximum amount of an exposure to one customer or group of related customers must not exceed 25% of the capital base of the Bank.

The table below shows the ratio of the biggest exposure to a group of customers and the top five biggest groups of customers as of December 31, 2015 and December 31, 2014.

In thousands of BGN

	CREDIT RISK EXPOSURE BEFORE RISK TRANSFER		CREDIT RISK EXPOSURE AFTER RISK TRANSFER		% OF OWN FUNDS	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	2015	2014
Biggest credit risk exposure to customers' group	313 422	420 503	313 020	420 503	13,7%	20,4%
Credit risk exposure to top five biggest customers' groups	1 026 721	1 151 906	841 782	883 063	36,9%	42,9%

The table below analyses the breakdown of impairment allowances as of December 31, 2015 and December 31, 2014 on loans and advances to customers:

In thousands of BGN

	CARRYING AMOUNT BEFORE IMPAIRMENT		IMPAIRMENT ALLOWANCE		CARRYING AMOUNT	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2013
Impaired	**1 504 992**	**1 613 180**	**997 475**	**987 028**	**507 517**	**626 152**
individually assessed	*734 375*	*803 552*	*405 959*	*398 832*	*328 416*	*404 720*
portfolio based	*770 617*	*809 628*	*591 516*	*588 196*	*179 101*	*221 432*
Collectively impaired	**8 742 695**	**8 255 784**	**73 840**	**74 768**	**8 668 855**	**8 181 016**
Past due but not impaired	192 634	155 981	-	-	192 634	155 981
individually assessed	*147 265*	*92 823*	-	-	*147 265*	*92 823*
portfolio based	*45 369*	*63 158*	-	-	*45 369*	*63 158*
Past due comprises of:						
up to 90 days	*69 849*	*66 599*	-	-	*69 849*	*66 599*
from 91 to 180 days	*30 408*	*9 833*	-	-	*30 408*	*9 833*
over 181 days	*92 377*	*79 549*	-	-	*92 377*	*79 549*
	192 634	**155 981**	**-**	**-**	**192 634**	**155 981**
Neither past due nor impaired	**953 196**	**2 149 254**	**-**	**-**	**953 196**	**2 149 254**
Total	11 393 517	12 174 199	1 071 315	1 061 796	10 322 202	11 112 403

The breakdown of the fair value of physical and cash collaterals pledged in favour of the Bank on loans and advances to customers is as follows:

In thousands of BGN

	LOANS AND ADVANCES TO CUSTOMERS	
	31.12.2015	31.12.2014
Impaired defaulted exposures		
Cash collateral	2 005	1 584
Property	1 136 890	1 409 420
Other collateral	650 354	643 926
Collectively impaired performing exposures (IBNR)		
Cash collateral	67 165	64 175
Property	8 481 725	7 651 656
Other collateral	7 738 776	7 087 047
Past due but not impaired defaulted exposures		
Cash collateral	1 642	661
Property	492 642	364 445
Other collateral	201 350	107 428
Neither past due nor impaired performing exposures		
Cash collateral	61 448	92 431
Property	1 583 650	1 742 494
Debt securities	10 847	249 645
Other collateral	70 557	41 697
Total	**20 499 051**	**19 456 609**

Other collaterals include mostly pledges on non-real estate long-term assets, going concerns and inventories.

The concentration of risk exposures in different sectors of the economy as well as geographical spread out is as outlined in table below as of December 31, 2015 and December 31, 2014.

In thousands of BGN

	LOANS AND ADVANCES TO CUSTOMERS		LOANS AND ADVANCES TO BANKS		INVESTMENT SECURITIES	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Concentration by sectors						
Sovereign	334 584	1 304 281	-	-	2 253 848	1 617 407
Manufacturing	2 175 774	2 197 173	-	-	-	-
Commerce	2 427 585	2 298 659	-	-	-	-
Construction and real estate	1 621 401	1 668 010	-	-	67	67
Agriculture and forestry	511 224	443 727	-	-	-	-
Transport and communication	435 893	412 917	-	-	-	-
Tourism	162 473	146 718	-	-	-	-
Services	559 310	462 997	-	-	-	-
Financial services	186 404	344 148	1 226 482	1 627 489	31 043	14 708
Retail (individuals)						
Housing loans	1 604 843	1 590 636	-	-	-	-
Consumer loans	1 243 350	1 170 138	-	-	-	-
Other loans	130 676	134 795	-	-	-	-
	11 393 517	**12 174 199**	**1 226 482**	**1 627 489**	**2 284 958**	**1 632 182**
Impairment allowances	(1 071 315)	(1 061 796)	-	-	-	-
Total	**10 322 202**	**11 112 403**	**1 226 482**	**1 627 489**	**2 284 958**	**1 632 182**
Concentration by geographic location						
Europe	11 312 522	12 173 246	1 213 354	1 584 633	2 284 958	1 632 182
North America	39 966	148	12 399	42 503	-	-
Asia	2 935	654	606	322	-	-
Africa	130	117	-	-	-	-
South America	12	32	-	-	-	-
Australia	37 952	2	123	31	-	-
	11 393 517	**12 174 199**	**1 226 482**	**1 627 489**	**2 284 958**	**1 632 182**
Impairment allowances	(1 071 315)	(1 061 796)	-	-	-	-
Total	**10 322 202**	**11 112 403**	**1 226 482**	**1 627 489**	**2 284 958**	**1 632 182**

(e) Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events (including legal risk). Examples include compensations paid to customers for incorrect/inadequate product-related advice, IT system failures, damage to property, processing errors or fraud, subject to consolidated risk measurement and management (collection of loss data, external data, scenarios, indicators), on which the calculation of capital held for operational risk is based.

In UniCredit Bulbank AD the operational risk management framework is a combined set of policies and procedures for controlling, measuring and mitigating the operational risk exposure, which includes the UniCredit Group guidelines and local documents. The Bank has a dedicated function to operational risk management, which is independent from the business and operational areas. The responsibilities of the unit are in line with those envisaged by the Holding and Sub-Holding. Nominated operational risk managers in the branch network and the Head Office, working on a decentralized basis, are responsible for loss data identification and reporting as well as for adoption of measures to reduce and prevent risks in their respective areas.

The established Operational and Reputational Risk Committee (Reputational Risk function is included within the scope of the Committee since 2013) greatly enhanced the regular exchange of information and promotion of the operational risk awareness within the Bank. Meetings are held quarterly and are attended by the Bank's senior management. The Operational and Reputational Risk Committee acts also as a Permanent Workgroup, where current operational and reputational risk issues and developments are reported, and serves as a platform for discussion of unresolved issues for the purpose of finding risk mitigation solutions.

Reputational Risk function is within the scope of the responsibility of the Operational and Reputational Risk Unit. Reputational risk is defined as the current or prospective risk to earnings and capital arising from adverse perception of the image of the financial institution on the part of customers, counterparties, shareholders/investors, regulators or employees (stakeholders). All relevant rules and policies for the management and monitoring of the Reputational Risk exposure have been adopted in full compliance with the UniCredit Group guidelines. Under the Reputational risk process, special attention is paid to the management and monitoring of the Bank's exposure towards economic sectors and transactions, such as Defence/Weapons, Nuclear energy etc.

The main activities of the Operational and Reputational Risk unit in 2015 were focused on the further development of the Operational Risk management, with emphasis on preventative and mitigation actions to reduce future losses. There have been several Group instructions that were introduced and were implemented within the current processes within UniCredit Bulbank. A significant part of the resources of the Operational and Reputational Risk unit were also devoted towards the implementation and monitoring of the UniCredit Bulbank Operational Risk Strategies (Operational risk strategies deploy their effect in a multiyear perspective) and include different approaches to mitigate Cyber risk, Credit application fraud, Compliance risk etc. Moreover, all the training activities, combined with methodological guidance and support to the other structures within the Bank by Operational and Reputational Risk unit ensure the outstanding Operational Risk awareness at Bank level.

Overall, the organization of operational and reputational risk management at UniCredit Bulbank AD is well established, at a high level of quality, as stated in the annual self-validation report. This was confirmed by the control verifications of UniCredit Group Internal Validation and Bank's Internal Audit inspections. Based on these independent assessments, the operational risk management and control system was found sound and well developed with focus on proactiveness, proposal and implementation of mitigation actions with the active involvement of the operational and reputational risk function, and all relevant units in the Bank.

(f) Basel III disclosure

In 2014, Basel III (CRD IV) regulatory framework has been effectively introduced in Bulgaria and has become mandatory for all local institutions. Under the new regulation, the Bank continues to allocate capital for covering three major types of risk, namely credit risk, market risk and operational risk.

On stand-alone basis the Bank applies Foundation Internal Rating Based (F-IRB) Approach for calculation of credit risk capital requirements for corporate clients and credit institutions and Advances Measurement Approach (AMA) for the calculation of capital requirements for operational risk. For all the remaining exposures (including those originating from consolidated subsidiaries) the Bank applies Standardised Approach (STA).

The new regulatory framework sets minimum limits of Core Equity Tier 1 (CET 1) ratio, Tier 1 ratio and Total Capital Adequacy ratio of 4.5%, 6% and 8%, respectively. In addition, under the sole discretion of local Regulator is the definition and imposition of certain additional capital buffers, having as a core objective further strengthening of capital positions of the banks. In this respect Bulgarian National Bank (BNB) has imposed two additional buffers, namely capital conservation buffer of 2.5% and systemic risk buffer of 3% (or combined buffers additional capital requirement of 5.5%). All the buffers should be covered by highest quality capital positions, CET 1 eligible. Considering the combined buffers additional capital requirements, listed above, the minimum limits for Core Equity Tier 1 ratio, Tier 1 ratio and Total Capital Adequacy Ratio for Bulgaria as of December 31, 2015 are 10%, 11.5% and 13.5%, respectively.

UniCredit Bulbank AD fulfils the minimum requirements, with sufficient excess, already from the first application of the new regulatory framework (more details presented in the following paragraphs).

Securitization

In 2011 the Bank has signed First Loss Guarantee Agreement (FLPG) with European Investment Fund, covering newly disbursed SME loans. In 2012 upon agreement for the regulatory treatment with Bulgarian National Bank, the above mentioned transaction is presented as synthetic securitization under STA for the purposes of allocating capital for credit risk under Basel III. Summary of FLPG as of December 31, 2015 is presented in the table below:

NAME		EIF JEREMIE
Type of securitisation:		First Loss Portfolio Guarantee
Originator:		UniCredit Bulbank
Issuer:		European Investment Fund
Target transaction :		Capital Relief and risk transfer
Type of asset:		Highly diversified and granular pool of newly granted SME loans
Quality of Assets as of December 31, 2015		Performing loans
Agreed maximum portfolio volume:		EUR 50 000 thousand
Nominal Value of reference portfolio :		BGN 86 005 thousand
Issued guarantees by third parties:		First loss cash coverage by EIF
Amount and Condition of tranching:		
Type of tranche	Senior	Junior
Reference Position as of December 31, 2015	BGN 43 399 thousand	BGN 25 405 thousand

Own funds and capital requirements

The development of the own funds and capital requirements as of December 31, 2015 and December 31, 2014 are as follows:

In thousands of BGN

	31.12.2014	31.12.2013
	Basel III	**Basel II**
Regulatory own funds		
Core Equity Tier 1 (CET 1)	2 260 504	2 034 385
Tier 1 capital	2 260 504	2 034 385
Tier 2 capital	23 457	26 405
Total regulatory own funds	**2 283 961**	**2 060 790**
Risk Weighted Assets (RWA)		
RWA for credit risk	9 168 071	9 529 901
RWA for market risk	10 801	21 175
RWA for operational risk	978 175	1 036 938
Total Risk Weighted Assets (RWA)	**10 157 047**	**10 588 014**
CET 1 ratio	**22,26%**	**19,21%**
Tier 1 ratio	**22,26%**	**19,21%**
Total capital adequacy ratio	**22,49%**	**19,46%**
Minimum CET 1 capital requirements (4.5%)	**457 067**	**476 461**
Minimum Tier 1 capital requirements (6%)	**609 423**	**635 281**
Minimum total capital requirements (8%)	**812 564**	**847 041**
Additional capital requirements for conservation buffer (2.5%)	253 926	264 700
Additional capital requirements for systemic risk buffer (3%)	304 711	317 640
Combined buffers additional capital requirements (5.5%)	**558 638**	**582 341**
Adjusted minimum CET 1 capital requirements after buffers (10%)	1 015 705	1 058 801
Adjusted minimum Tier 1 capital requirements, including buffers (11.5%)	1 168 060	1 217 622
Adjusted minimum total capital requirements after buffers (13.5%)	1 371 201	1 429 382
Free equity, after buffers	**912 760**	**631 408**

Following previous prudential approach, in parallel to the introduction of the Basel III regulatory framework, in 2014 BNB defined two additional capital buffers –for conservation and for systemic risk. All Bulgarian banks should meet combined buffers capital requirements already as of December 31, 2014. Buffers can be covered by Core Equity Tier 1 eligible positions only.
As of December 31, 2015 the same requirements remained valid.

5. Use of estimates and judgements

For the purposes of preparation of these consolidated financial statements Management has used certain estimates and judgement in order to provide fair and true presentation of the financial position of the Bank. These estimates and judgement require Management to use all information available in order to assess and where possible to quantify potential impact on the Bank's financial position as a result of some uncertain events.
In general the estimates and judgement are widely used in assessing:
- Fair value determination of financial instruments;
- Fair value determination of non-financial assets;
- Impairment of financial instruments, especially loans;
- Quantification of the provisions for constructive and/or legal obligations.

(a) Fair value determination of financial instruments

As described in note **3 (h) (vi)** the Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:
- **Level 1:** Quoted market price (unadjusted) in an active market for an identical instrument;
- **Level 2:** Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- **Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Unobservable in this context means that there is little or no current market data available from which to determine the price at which an arm's length transaction would be likely to occur.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, various option pricing models and other valuation models.
Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other inputs used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the fair value of the financial instrument at the reporting date that would have been determined by market participants and that represents the price that would be received to sell an asset or paid to transfer liability in an orderly transaction. The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to liquidity, changes based on specific events and general conditions in the financial markets.
Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation. Management judgement and estimation are usually required for selection of appropriate valuation model, determination of probability of default and prepayment speeds and selection of appropriate discount rates.
Under IFRS 13 "Fair Value Measurement" requirements, the Bank paid specific attention on assessing and revising its valuation techniques, especially with regards to valuation of OTC derivatives and other Level 2 and Level 3 financial instruments, otherwise carried at amortized cost (loans and deposits to/from customers and banks). In doing such revision the Bank has adopted UniCredit Group valuation techniques and methodologies.

OTC derivatives

CVA (Credit Value Adjustment) represents adjustment made on the valuation of OTC derivative transaction in order to properly reflect the credit risk of the derivative counter-party. It can also be referred as the market value of counterparty credit risk. According to the adopted methodology in UniCredit Group, CVA is calculated on bilateral basis using market-based parameters (PD and LGD). In bilateral computations DVA (Debit Value Adjustment) representing market value of Bank's own credit risk towards counterparty, is also considered (for the actual amounts of CVA/DVA adjustments for 2015 and 2014 see also Note **9**).

Loans and advances to banks and customers

The adopted fair value calculation is coherent with DCF methods for estimation of financial instruments subject to default risk using risk neutral default probabilities. For defaulted loans, as the allocation of impairment requires deeper analysis of the expected cash flows, in accordance with Group methodology, Management can reasonably assume that the fair value is equal to the carrying amount and all such instruments are mapped to Level 3 fair value hierarchy.

As all loans are not traded on active markets, attention should be paid to proper mapping them into the FV hierarchy as per IFRS 7. In this regard, according to the UniCredit Group methodology, also adopted by the Bank for 2015, whenever risk-free FV deviates by more than 2% (2% in 2014) from risk-adjusted FV, then the unobservable input has material impact on the final fair value determination, therefore the fair value of the respective instrument is mapped to Level 3. If the deviation is within the above mentioned threshold, the instrument is mapped to Level 2 fair value hierarchy.

Deposits from banks and customers
The adopted fair valuation technique represents DCF method, where the applicable discount factor is the sum of risk free rate and own credit spread (liquidity spreads). Similarly to loans and advances to banks and customers, same risk-free to risk-adjusted thresholds are applied to deposits from banks and customers in assessing their fair value levels. In addition, according to updated Group Fair Value methodology, both as of December 31, 2015 and December 31, 2014 all demand deposits are mapped to Level 3 fair value hierarchy.

The table below analyses financial instruments by valuation method applied by the Bank as of December 31, 2015 and December 31, 2014.

In thousands of BGN

INSTRUMENT CATEGORY	LEVEL 1		LEVEL 2		LEVEL 3		TOTAL	
	2015	2014	2015	2014	2015	2014	2015	2014
Non-derivative financial assets held for trading	-	-	10 147	5 607	-	-	**10 147**	**5 607**
Derivatives held for trading	-	-	125 694	123 530	577	998	**126 271**	**124 528**
Derivatives used for hedging	-	-	13 455	-	-	-	**13 455**	**-**
Financial assets designated at fair value through profit or loss	-	-	-	-	-	60 754	**-**	**60 754**
Available for sale Investments	1 188 240	200 347	1 061 872	1 275 736	32 114	16 720	**2 282 226**	**1 492 803**
Held to maturity investments	-	136 723	-	-	-	-	**-**	**136 723**
Loans and advances to banks	-	-	274 668	1 341 932	904 052	276 375	**1 178 720**	**1 618 307**
Loans and advances to customers	-	-	3 230 089	5 063 603	8 060 914	7 142 118	**11 291 003**	**12 205 721**
	1 188 240	**337 070**	**4 715 925**	**7 810 408**	**8 997 657**	**7 496 965**	**14 901 822**	**15 644 443**
Financial liabilities held for trading	-	-	100 154	85 940	-	-	**100 154**	**85 940**
Derivatives used for hedging	-	-	35 400	41 925	-	-	**35 400**	**41 925**
Deposits from banks	-	-	1 874 088	1 614 809	689 951	1 039 675	**2 564 039**	**2 654 484**
Deposits from customers	-	-	6 200 873	5 198 872	7 108 054	5 482 659	**13 308 927**	**10 681 531**
Subordinated liabilities	-	-	-	-	-	70 588	**-**	**70 588**
	-	**-**	**8 210 515**	**6 941 546**	**7 798 005**	**6 592 922**	**16 008 520**	**13 534 468**

The movement in financial instruments belonging to Level 3 for the year ended December 31, 2015 is as follows:

In thousands of BGN

	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE FOR SALE INVESTMENTS
Opening balance (January 1, 2014)	**998**	**60 754**	**16 720**
Increases	**380**	**10 076**	**16 497**
Profit recognized in income statement	-	10 076	-
Profit recognized in equity	-	-	16 497
Transfer from other levels	380	-	-
Decreases	**(801)**	**(70 830)**	**(1 103)**
Sales	-	(68 751)	-
Redemption	(14)	(600)	(1 089)
Loses recognized in income statement	(203)	(4)	-
Transfers to other levels	(584)	-	-
Other decreases	-	(1 475)	(14)
Closing balance (December 31, 2015)	**577**	**-**	**32 114**

The tables below analyses the fair value of financial instruments by classification as of December 31, 2015 and December 31, 2014.

In thousands of BGN

DECEMBER 2015	FAIR VALUE THROUGH PROFIT OR LOSS	HELD-TO-MATURITY	LOANS AND RECEIVABLES	AVAILABLE FOR SALE	DERIVATIVES HELD FOR HEDGING	OTHER AMORTIZED COST	TOTAL CARRYING AMOUNT	FAIR VALUE
ASSETS								
Cash and balances with Central bank	-	-	-	-	-	4 585 398	**4 585 398**	**4 585 398**
Non-derivative financial assets held for trading	10 147	-	-	-	-	-	**10 147**	**10 147**
Derivatives held for trading	126 271	-	-	-	-	-	**126 271**	**126 271**
Derivatives held for hedging	-	-	-	-	13 455	-	**13 455**	**13 455**
Loans and advances to banks	-	-	1 226 482	-	-	-	**1 226 482**	**1 178 720**
Loans and advances to customers	-	-	10 322 202	-	-	-	**10 322 202**	**11 291 003**
Available for sale Investments	-	-	-	2 282 226	-	-	**2 282 226**	**2 282 226**
TOTAL ASSETS	**136 418**	**-**	**11 548 684**	**2 282 226**	**13 455**	**4 585 398**	**18 566 181**	**19 487 220**
LIABILITIES								
Financial liabilities held for trading	100 154	-	-	-	-	-	**100 154**	**100 154**
Derivatives used for hedging	-	-	-	-	35 400	-	**35 400**	**35 400**
Deposits from banks	-	-	-	-	-	2 610 251	**2 610 251**	**2 564 039**
Deposits from customers	-	-	-	-	-	13 295 739	**13 295 739**	**13 308 927**
TOTAL LIABILITIES	**100 154**	**-**	**-**	**-**	**35 400**	**15 905 990**	**16 041 544**	**16 008 520**

In thousands of BGN

DECEMBER 2014	FAIR VALUE THROUGH PROFIT OR LOSS	HELD-TO-MATURITY	LOANS AND RECEIVABLES	AVAILABLE FOR SALE	DERIVATIVES HELD FOR HEDGING	OTHER AMORTIZED COST	TOTAL CARRYING AMOUNT	FAIR VALUE
ASSETS								
Cash and balances with Central bank	-	-	-	-	-	1 092 229	**1 092 229**	**1 092 229**
Financial assets held for trading	5 607	-	-	-	-	-	**5 607**	**5 607**
Derivatives held for trading	124 528	-	-	-	-	-	**124 528**	**124 528**
Financial assets designated at fair value through profit or loss	60 754	-	-	-	-	-	**60 754**	**60 754**
Loans and advances to banks	-	-	1 627 489	-	-	-	**1 627 489**	**1 618 307**
Loans and advances to customers	-	-	11 112 403	-	-	-	**11 112 403**	**12 205 721**
Available for sale Investments	-	-	-	1 492 803	-	-	**1 492 803**	**1 492 803**
Held to maturity Investments	-	136 663	-	-	-	-	**136 663**	**136 723**
TOTAL ASSETS	**190 889**	**136 663**	**12 739 892**	**1 492 803**	**-**	**1 092 229**	**15 652 476**	**16 736 672**
LIABILITIES								
Financial liabilities held for trading	85 940	-	-	-	-	-	**85 940**	**85 940**
Derivatives used for hedging	-	-	-	-	41 925	-	**41 925**	**41 925**
Deposits from banks	-	-	-	-	-	2 635 100	**2 635 100**	**2 654 484**
Deposits from customers	-	-	-	-	-	10 666 785	**10 666 785**	**10 681 531**
Subordinated liabilities	-	-	-	-	-	70 596	**70 596**	**70 588**
TOTAL LIABILITIES	**85 940**	**-**	**-**	**-**	**41 925**	**13 372 481**	**13 500 346**	**13 534 468**

(b) Fair value determination of non-financial assets

Fair value determination of non-financial assets is usually applied on non-recurring basis when measuring recoverable amount of investment properties. The Bank has adopted the approach whereas recoverable amount for all investment properties is deemed to be their fair value (cost to sell considered immaterial). Fair value is assessed based on external valuation considering highest and best use of the asset. As of December 31, 2015 and December 31, 2014 all investment properties have undergone external fair valuation and whenever the assessed fair value was below carrying amount, impairment has been recognized (see also Note **30**).

(c) Impairment of financial instruments

In estimating the impairment on financial instruments carried at amortised cost, Management makes judgements about the present value of the net cash flow to be received. By doing that, counterparty's financial position as well as realizable value of the underlying collateral is considered.
Collectively assessed impairment losses cover credit losses inherent in portfolios of loans bearing similar economic characteristics when there is an objective evidence to suggest that they contain impaired loans. In such assessments, factors that are mostly considered include credit quality, portfolio size, concentration and economic factors. Practically collective impairment allowances are based on expected loss calculated for the respective portfolio, adjusted by average loss confirmation period in order to arrive at incurred loss as of the measurement date. As of December 31, 2015 and December 31, 2014 the average applied loss confirmation period is 6 months. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty impairment and the model assumptions and parameters used in determining collective impairment.

(d) Provisions

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

6. Segment reporting

Business segments pay and receive interest from the Asset-Liability Management Department (ALM) on arms' length basis, through given Fund Transfer Pricing rate (FTP) to reflect the funding costs per currencies/tenors. Allocation of capital is also carried out, in proportion to respective RWA. Due to the specifics of leasing business, the latter is presented as separate business segment. The Bank operates the following main business segments:

- Retail banking;
- Corporate and Investment Banking and private Banking;
- Leasing;
- Asset-Liability Management Dept. and other.

In thousands of BGN

DECEMBER 2015	RETAIL BANKING	CIB AND PRIVATE BANKING	ALM AND OTHER	LEASING	TOTAL
Net interest income	337 240	265 986	(47 048)	23 213	**579 391**
Dividend income	-	-	788	-	**788**
Net fee and commission income	118 635	73 246	1 854	5 017	**198 752**
Net gains (losses) from financial assets and liabilities held for trading	20 526	45 844	(4 928)	(3)	**61 439**
Net gains (losses) from other financial assets designated at fair value through profit or loss	-	10 072	-	-	**10 072**
Net income from investments	-	1 852	4 828	-	**6 680**
Other operating income/(expenses)	24	(547)	(4 824)	(1 020)	**(6 367)**
TOTAL OPERATING INCOME	**476 425**	**396 453**	**(49 330)**	**27 207**	850 755
Personnel expenses	(53 093)	(17 054)	(55 736)	(5 793)	**(131 676)**
General and administrative expenses	(58 181)	(10 217)	(88 580)	(3 335)	**(160 313)**
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	(16 733)	(4 327)	(23 893)	(293)	**(45 246)**
Total direct expenses	**(128 007)**	**(31 598)**	**(168 209)**	**(9 421)**	(337 235)
Allocation of indirect and overhead expenses	(53 029)	(30 534)	83 563	-	**-**
TOTAL OPERATING EXPENSES	**(181 036)**	**(62 132)**	**(84 646)**	**(9 421)**	(337 235)
Provisions for risk and charges	(23 756)	(19 179)	31 819	-	**(11 116)**
Net impairment loss on financial assets	(40 137)	(77 334)	6 860	(13 678)	**(124 289)**
Net income related to property, plant and equipment	-	-	236	215	**451**
PROFIT BEFORE INCOME TAX	**231 496**	**237 808**	**(95 061)**	**4 323**	378 566
Income tax expense	(23 151)	(23 781)	8 821	(264)	**(38 375)**
PROFIT FOR THE YEAR	**208 345**	**214 027**	**(86 240)**	**4 059**	340 191
ASSETS	3 520 941	12 260 205	2 270 179	827 320	18 878 645
LIABILITIES	7 211 002	6 512 759	1 684 653	800 441	16 208 855

In thousands of BGN

DECEMBER 2014	RETAIL BANKING	CIB AND PRIVATE BANKING	ALM AND OTHER	LEASING	TOTAL
Net interest income	282 820	242 152	(16 707)	21 630	**529 895**
Dividend income	-	-	1 246	-	**1 246**
Net fee and commission income	114 052	68 516	(289)	4 614	**186 893**
Net gains (losses) from financial assets and liabilities held for trading	17 180	43 197	(1 914)	24	**58 487**
Net gains (losses) from other financial assets designated at fair value through profit or loss	-	(192)	-	-	**(192)**
Net income from investments	-	2 321	232	-	**2 553**
Other operating income	287	(353)	2 965	709	**3 608**
TOTAL OPERATING INCOME	**414 339**	**355 641**	**(14 467)**	**26 977**	**782 490**
Personnel expenses	(49 376)	(16 834)	(51 366)	(5 726)	**(123 302)**
General and administrative expenses	(56 586)	(10 015)	(59 295)	(3 161)	**(129 057)**
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	(16 590)	(3 762)	(11 484)	(259)	**(32 095)**
Total direct expenses	**(122 552)**	**(30 611)**	**(122 145)**	**(9 146)**	**(284 454)**
Allocation of indirect and overhead expenses	(49 534)	(28 690)	78 224	-	**-**
TOTAL OPERATING EXPENSES	**(172 086)**	**(59 301)**	**(43 921)**	**(9 146)**	**(284 454)**
Provisions for risk and charges	(20 781)	(16 829)	38 239	-	**629**
Net impairment loss on financial assets	(50 333)	(111 846)	(4 508)	(15 721)	**(182 408)**
Net income related to property, plant and equipment	-	-	458	-	**458**
PROFIT BEFORE INCOME TAX	**171 139**	**167 665**	**(24 199)**	**2 110**	**316 715**
Income tax expense	(17 114)	(16 766)	1 911	(211)	**(32 180)**
PROFIT FOR THE YEAR	**154 025**	**150 899**	**(22 288)**	**1 899**	**284 535**
ASSETS	**3 392 197**	**9 527 505**	**2 386 199**	**678 205**	**15 984 106**
LIABILITIES	**5 782 471**	**5 593 341**	**1 600 725**	**655 021**	**13 631 558**

7. Net interest income

In thousands of BGN

	2015	2014
Interest income		
Financial assets held for trading	297	793
Derivatives held for trading	42	774
Financial assets designated at fair value through profit or loss	1 379	4 158
Loans and advances to banks	14 819	13 597
Loans and advances to customers	634 065	638 505
Available for sale investments	44 632	31 452
Held to maturity investments	322	6 814
	695 556	**696 093**
Interest expense		
Derivatives held for trading	(47)	(844)
Derivatives used for hedging	(9 018)	(7 133)
Deposits from banks	(36 354)	(39 877)
Deposits from customers	(70 557)	(113 269)
Subordinated debt	(189)	(5 075)
	(116 165)	**(166 198)**
Net interest income	**579 391**	**529 895**

For the financial years ended December 31, 2015 and December 31, 2014 the interest income recognized on impaired financial instruments (loans and advances to customers) is in the amount of BGN 30 840 thousand and BGN 30 795 thousand, respectively.

8. Net fee and commission income

In thousands of BGN

	2015	2014
Fee and commission income		
Collection and payment services	118 071	102 724
Lending business	20 485	31 241
Account services	9 464	9 774
Management, brokerage and securities trading	1 148	5 187
Documentary business	17 451	17 490
Package accounts	17 662	15 136
Other	35 447	22 300
	219 728	**203 852**
Fee and commission expense		
Collection and payment services	(17 385)	(15 290)
Management, brokerage and securities trading	(1 475)	(1 123)
Lending business	(213)	(288)
Other	(1 903)	(258)
	(20 976)	**(16 959)**
Net fee and commission income	**198 752**	**186 893**

9. Net gains on financial assets and liabilities held for trading and hedging derivatives

In thousands of BGN

	2015	2014
FX trading income, net	55 607	44 411
Net income from debt instruments	732	1 392
Net income from equity instruments	(1)	-
Net income from derivative instruments	5 306	12 684
Net income from hedging derivative instruments	(205)	-
Net gains (losses) on financial assets and liabilities held for trading and hedging derivatives	**61 439**	**58 487**

The total CVA (net of DVA) for the years ended December 31, 2015 and December 31, 2014, included in position net income from derivative instruments is in the amount of BGN (778) thousand and BGN 2 435 thousand, respectively.

10. Net gains/(losses) on other financial assets designated at fair value through profit or loss

Bank designates as financial assets at fair value through profit or loss only debt securities, which fair values, can be reliably measured. Net income recorded on financial instruments designated at fair value through profit or loss includes realized gains and losses on such instruments as well as unrealized ones due to fair value change. The amounts for the years ended December 31, 2015 and December 31, 2014 are BGN 10 072 thousand BGN (192) thousand, respectively.

11. Net income from investments

In thousands of BGN

	2015	2014
Realised gains on disposal of available for sale investments	6 483	2 396
Realised gains on disposal of unimpaired loans and advances	-	3
Effect of equity method consolidation on associates	197	154
Net income from investments	**6 680**	**2 553**

Realized gains on disposal of unimpaired loans and advances include the net profit out of sale of performing exposures. The realised gains (losses) on sale of impaired (defaulted) exposures are included under Net impairment loss on financial assets (see also note **18**).

12. Other operating income/(expenses), net

In thousands of BGN

	2015	2014
Other operating income		
Income from non-financial services	1 488	4 195
Rental income	631	895
Other income	2 688	2 538
	4 807	**7 628**
Other operating expenses		
Impairment of foreclosed properties	(8 509)	(484)
Depreciation charge for operational leasing	-	(1 332)
Other operating expenses	(2 665)	(2 204)
	(11 174)	**(4 020)**
Other operating income, net	**(6 367)**	**3 608**

In 2015 and 2014 Bank has assessed net realizable value of foreclosed properties and to the extent that it is lower than their carrying amount, impairment loss has been recognized.
The depreciation costs related to assets under operating lease, whenever this business represents core business (e.g. originating from leasing subsidiaries) are presented as other operating expenses.

13. Net income related to property, plant and equipment

Net income related to property, plant and equipment represents the net gain the Bank has realized upon disposal of long-term assets. For the years ended December 31, 2015 and December 31, 2014 the gains are in the amount of BGN 451 thousand and BGN 458 thousand respectively.

14. Personnel expenses

In thousands of BGN

	2015	2014
Wages and salaries	(108 696)	(103 406)
Social security charges	(13 899)	(12 832)
Pension and similar expenses	(563)	(522)
Temporary staff expenses	(1 831)	(1 659)
Share-based payments	(2 122)	(699)
Other	(4 565)	(4 184)
Total personnel expenses	**(131 676)**	**(123 302)**

As of December 31, 2015 the total number of employees, expressed in full time employee equivalent is 4 161 (December 31, 2014: 4 136)
Pension and similar expenses comprise of current services costs and interest costs related to defined benefits obligation of the Bank to its employees upon retirement. For more details about the pension scheme see note **40**.

As described in note **3 (o) (iii)** ultimate parent company UniCredit S.p.A has granted stock options and performance shares to top and senior managers of UniCredit Bulbank AD. Upon expiration of the vesting period of any of the granted instruments, UniCredit Bulbank AD is required to settle in cash to the parent amounts corresponding to the economic value of the respective instruments. In addition to that, employees of the Bank can voluntarily participate in Employee Share Ownership Plan (ESOP), where the advantages are that by buying UniCredit S.p.A ordinary shares employees can receive free ordinary shares, measured on the basis of the shares purchased by each participant during the "Enrolment period". The granting of free ordinary shares is subordinated to vesting conditions.
The table below analyses the costs and movement in the Bank's liability by type of instruments granted:

In thousands of BGN

	ECONOMIC VALUE AT DECEMBER 31, 2014	2015 COST (GAINS)	SETTLED IN 2015	ECONOMIC VALUE AT DECEMBER 31, 2015
Deferred Short Term Incentive (stock options)	126	(126)	-	-
Deferred Short Term Incentive (ordinary shares)	2 352	2 134	-	4 486
ESOP and shares for Talents	323	114	(41)	396
Total Options and Shares	**2 801**	**2 122**	**(41)**	**4 882**

15. General and administrative expenses

In thousands of BGN

	2015	2014
Deposit guarantee fund annual contribution	(65 946)	(37 586)
Advertising, marketing and communication	(11 652)	(11 212)
Credit information and searches	(3 257)	(3 389)
Information, communication and technology expenses	(32 434)	(31 489)
Consulting, audit and other professionals services	(2 481)	(2 445)
Real estate expenses	(11 546)	(11 437)
Rents	(13 165)	(13 491)
Travel expenses and car rentals	(2 652)	(2 607)
Insurance	(1 532)	(1 566)
Supply and miscellaneous services rendered by third parties	(11 191)	(9 806)
Other costs	(4 457)	(4 029)
Total general and administrative expenses	**(160 313)**	**(129 057)**

16. Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale

In thousands of BGN

	2015	2 014
Depreciation charge	(31 659)	(29 097)
Impairment	(13 587)	(2 998)
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	**(45 246)**	**(32 095)**

As part of the standard year-end closure procedures, Bank performs impairment assessment of its long-term assets. Impairment is recognized whenever recoverable amount of the assets is lower than their carrying amount. For the years ended December 31, 2015 and December 31, 2014 the impairment of long-term assets, is in the amount of BGN 13 587 thousand and BGN 2 998 thousand, respectively.

17. Provisions for risk and charges

Provisions are allocated whenever based on Management best estimates Bank has present obligation (legal or constructive) arising from past events for the settlement of which outflow of resources embodying economic benefits will be required. Whenever based on new circumstances and evidences it is not any more likely the outflow of resources to occur, the previously allocated provisions are reversed (for more details see also Note **40**).

In thousands of BGN

	2015	2014
Additions of provisions		
Legal cases provisions	(11 647)	(2 866)
Other provisions	(498)	(837)
Provisions on constructive obligations	(1 173)	
	(13 318)	**(3 703)**
Reversal of provisions		
Legal cases provisions	2 202	2 463
Other provisions	-	1 869
	2 202	**4 332**
Net provisions charge	**(11 116)**	**629**

18. Net Impairment loss on financial assets

In thousands of BGN

	2015	2014
Balance 1 January		
Loans and advances to customers	1 061 796	1 040 307
Increase		
Loans and advances to customers	257 254	274 862
Decrease		
Loans and advances to customers	(115 921)	(82 707)
Recoveries from loans previously written-off	(17 044)	(9 747)
	(132 965)	**(92 454)**
Net impairment losses	124 289	182 408
FX revaluation effect on imparment allowances	2 809	2 794
Other movements	961	1 295
Written-off		
Loans and advances to customers	(135 584)	(174 755)
Balance December 31		
Loans and advances to customers	**1 071 315**	**1 061 796**

19. Income tax expense

Taxation is payable at a statutory rate of 10 % on adjusted profits under the annual tax return prepared under the Bulgarian Corporate Income Tax Law. Deferred tax is calculated using a tax rate of 10 %, applicable for 2016.
The breakdown of tax charges in the income statement is as follows:

In thousands of BGN

	2015	2014
Current tax	(49 374)	(30 407)
Deferred tax income (expense) related to origination and reversal of temporary differences	11 363	(1 769)
Underprovided prior year income tax	(364)	(4)
Income tax expense	**(38 375)**	**(32 180)**

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

In thousands of BGN

	2015	2014
Accounting profit before tax	378 566	316 715
Corporate tax at applicable tax rate (10% for 2015 - 2014)	(37 857)	(31 672)
Tax effect of non taxable revenue	855	276
Tax effect of non tax deductible expenses	(1 153)	(733)
Deferred tax remeasurement	-	(184)
Underprovided prior year income tax	(220)	133
Income tax expense	**(38 375)**	**(32 180)**
Effective tax rate	**10,14%**	**10,16%**

20. Cash and balances with Central bank

In thousands of BGN

	31.12.2015	31.12.2014
Cash in hand and in ATM	195 643	240 661
Cash in transit	69 151	58 190
Current account with Central Bank	4 320 604	793 378
Total cash and balance with Central Bank	**4 585 398**	**1 092 229**

21. Non-derivative financial assets held for trading

In thousands of BGN

	31.12.2015	31.12.2014
Government bonds	10 147	5 607
Total financial assets held for trading	**10 147**	**5 607**

Financial assets held for trading comprise of bonds that the Bank holds for the purpose of short-term profit taking by, selling or repurchasing them in the near future.
In October 2008 Management has adopted amendments in IAS 39 "Financial instruments: Recognition and measurement" issued by IASB that same month. Considering the ongoing financial markets turmoil as an example of "rare circumstances", Management has changed its intention with regard to certain government bonds, previously classified as held for trading and reclassified them into held-to-maturity category.
The reclassification was performed retrospectively, as allowed by the amendments in IAS 39, with effective date July 1st, 2008. Maturity of the government bonds, with regards to which reclassification was performed, expired in January 2015, so as of December 31, 2015 there is no held-to-maturity category.

22. Derivatives held for trading

In thousands of BGN

	31.12.2015	31.12.2014
Interest rate swaps	66 404	74 900
Equity options	13 509	13 970
FX forward contracts	18 506	15 593
FX options	-	12
Other options	2	9
FX swaps	7 726	3 372
Commodity swaps	9 535	9 413
Commodity options	10 589	7 259
Total trading derivatives	**126 271**	**124 528**

Derivatives comprise of trading instruments that have positive market value as of December 31, 2015 and December 31, 2014. They are traded for Bank's own purposes, including off-setting some FX, interest rate or credit risks in banking and trading book as well as covering Bank customers' business positions.

23. Derivatives used for hedging

As described in Note **3 (j)** in 2009 Bank has adopted hedge accounting methodology aiming at managing the residual interest rate risk in banking book.
As of December 31, 2014 the Bank has designated only cash flow hedge relationships with hedging instruments being interest rate swaps and hedged items being highly probable forecasted interest cash flows derived from customers' and banks' business (attracted deposits).
Since 2015 the Bank has started to apply Fair Value Hedge accounting also. Hedging instruments are interest rate swaps and respectively hedged items are bonds classified as Available for sale financial assets.

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

In thousands of BGN

	31.12.2015	31.12.2014
Municipality bonds	-	607
Corporate bonds	-	60 147
Total financial assets designated at fair value through profit or loss	**-**	**60 754**

Financial assets designated at fair value through profit or loss are non-trading assets with determinable market price that form a portfolio whose performance is managed by the Bank on a fair value basis.
In 2015 corporate bonds designated at fair value through profit or loss have been repurchased by the issuer, and municipality bonds held in the same category matured. As a result the Bank has no investments in securities designated at fair value through profit and loss as of December 31, 2015.

25. Loans and advances to banks

In thousands of BGN

	31.12.2015	31.12.2014
Loans and advances to banks	1 131 776	1 355 233
Current accounts with banks	94 706	272 256
Total loans and advances to banks	**1 226 482**	**1 627 489**

As of December 31, 2015 loans and advances to banks include also receivables under repurchase agreements. For more details on the outstanding amounts of such agreements as well as the market value of collaterals see Note **44**. As of December 31, 2014 there are no receivables under repurchase agreements with banks.

26. Loans and advances to customers

In thousands of BGN

	31.12.2015	31.12.2014
Receivables under repurchase agreement	69 196	234 385
Companies	7 191 480	6 997 060
Individuals		
Housing loans	1 604 843	1 590 636
Consumer loans	1 212 947	1 142 345
Other loans	130 676	134 795
Central and local governments	334 303	1 304 281
Finance leases	850 072	770 697
	11 393 517	12 174 199
Less impairment allowances	(1 071 315)	(1 061 796)
Total loans and advances to customers	**10 322 202**	**11 112 403**

Receivables under repurchase agreement disclosed as of December 31, 2015 and December 31, 2014 represent short-term funding provided to a local financial institution, collateralized with Bulgarian government bonds. In addition certain loans granted to corporate clients and central government are pledged on funding received (deposits from banks and customers). For more information on pledged assets see Note **44**.

27. Available for sale investments

In thousands of BGN

	31.12.2015	31.12.2014
Government bonds	2 249 854	1 475 689
Municipality bonds	3 994	5 055
Equities	28 378	12 059
Total available for sale investments	**2 282 226**	**1 492 803**

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

Equities presented as available for sale investments comprise of minority participation of the Bank in companies where neither control nor significant influence is exercised. These investments are carried at fair value, when such can be reliably measured, otherwise at cost.

As of December 31, 2015 and December 31, 2014 all available for sale investments are assessed for impairment. As a result of this assessment, no impairment has been recognized for the years.

As of December 31, 2015 in its capacity of principal member, the Bank has one redeemable ordinary share of EUR 10 in Visa Europe Limited, to which its economic rights are attached. In 2016 Visa Inc. is going to exercise its call option on Visa Europe shares retained by its members thereby purchasing Visa Europe shares by paying an Upfront Amount composed by:

- Cash
- Preferred stock of Visa Inc.

The expected transaction allows revaluating the investment held in Visa Europe as it gives evidence of the share's fair value as of December 31, 2015. As per the Group guidelines the fair value to be attributed to Visa Europe shares shall include only the cash component of the upfront amount and not the value of the preferred stock due to some uncertainties which do not allow, as of the date of authorization of these consolidated financial statements, the measurement of a reliable fair value for these instruments.

Considering above-mentioned, Visa Europe share was reclassified from AFS at cost to AFS at FV and revalued as of December 31, 2015 to the amount of the expected cash consideration.

As of December 31, 2015 and December 31, 2014 available for sale investments in the amount of BGN 264 878 thousand and BGN 284 350 thousand, respectively, are pledged either on open repo-deals and other funding deals or under regulatory requirement to pledge government bonds as collateral for servicing State Budget accounts (see also Note **44**).

28. Held to maturity investments

As of December 31, 2015 there are no held to maturity investments.

As of December 31, 2014 held to maturity investments comprise only of first class government bonds with determinable payments that the Bank has the intention and ability to hold to maturity. All such investments are assessed for impairment and as a result of this assessment no impairment has been recognized as of December 31, 2014.

As of December 31, 2014 held to maturity investments in the amount of BGN 133 672 thousand were pledged either on open repo-deals and other funding deals or under regulatory requirement to pledge government bonds as collateral for servicing State Budget accounts (see also Note **44**).

29. Investments in subsidiaries and associates

As of December 31, 2015 and December 31, 2014 there is only one associated company, where the Bank exercises significant influence by holding 20% of the share capital of that company. This is Cash Service Company AD, presented at equity method. Summary of major financials of the associate as of December 31, 2015 and December 31, 2014 are as follows:

COMPANY	ACTIVITY	SHARE IN CAPITAL	CARRYING VALUE IN THOUSANDS OF BGN DEC 2015
Cash Service Company AD	Accepting, processing, safekeeping and delivering of valuable consignments with banknotes and coins to the banks	20,0%	2 732
		Total	**2 732**

In thousands of BGN

	2015	2014
Cash Service Company AD		
Total assets	14 546	14 235
Total liabilities	783	659
Revenue	7 448	7 103
Net profit for the year	987	768

30. Property, plant, equipment and investment properties

In thousands of BGN

	LANDS	BUILDINGS	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	INVESTMENT PROPERTY	TOTAL
Cost							
As of December 31, 2014	**5 628**	**148 894**	**7 558**	**76 660**	**53 595**	**61 658**	**353 993**
Additions	-	4 486	2 075	7 112	8 638	267	**22 578**
Transfers	-	(1 137)	337	(57)	(274)	2 434	**1 303**
Write offs	-	(1 254)	(289)	(10 431)	(6 752)	(15 449)	**(34 175)**
Disposals	-	(31)	-	(948)	(597)	(739)	**(2 315)**
As of December 31, 2015	**5 628**	**150 958**	**9 681**	**72 336**	**54 610**	**48 171**	**341 384**
Depreciation							
As of December 31, 2014	**-**	**64 271**	**4 859**	**61 506**	**39 059**	**1 081**	**170 776**
Depreciation charge	-	6 854	952	6 544	6 894	1 931	**23 175**
Impairment	-	-	-	-	-	13 587	**13 587**
Write offs	-	(1 254)	(289)	(10 431)	(6 752)	(15 449)	**(34 175)**
On disposals	-	(31)	-	(945)	(542)	(51)	**(1 569)**
Transfers	-	(400)	337	(51)	(92)	400	**194**
As of December 31, 2015	**-**	**69 440**	**5 859**	**56 623**	**38 567**	**1 499**	**171 988**
Net book value as of December 31, 2015	**5 628**	**81 518**	**3 822**	**15 713**	**16 043**	**46 672**	**169 396**
Net book value as of December 31, 2014	**5 628**	**84 623**	**2 699**	**15 154**	**14 536**	**60 577**	**183 217**

In thousands of BGN

	LANDS	BUILDINGS	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	INVESTMENT PROPERTY	TOTAL
Cost							
As of December 31, 2013	**5 628**	**145 436**	**6 698**	**75 099**	**56 819**	**5 802**	**295 482**
Additions	-	3 864	1 130	4 644	10 492	59 244	**79 374**
Transfers	-	(198)	1	30	(10 856)	198	**(10 825)**
Write offs	-	(208)	(271)	(1 863)	(1 968)	(3 170)	**(7 480)**
Disposals	-	-	-	(1 250)	(892)	(416)	**(2 558)**
As of December 31, 2014	**5 628**	**148 894**	**7 558**	**76 660**	**53 595**	**61 658**	**353 993**
Depreciation							
As of December 31, 2013	**-**	**57 852**	**4 405**	**57 184**	**37 598**	**1 571**	**158 610**
Depreciation charge	-	6 696	693	6 673	6 187	947	**21 196**
Depreciation charge for operational leasing	-	-	-	-	1 332	-	**1 332**
Impairment	-	4	-	754	318	1 757	**2 833**
Write offs	-	(208)	(239)	(1 861)	(1 969)	(3 170)	**(7 447)**
On disposals	-	-	-	(1 244)	(782)	(97)	**(2 123)**
Transfers	-	(73)	-	-	(3 625)	73	**(3 625)**
As of December 31, 2014	**-**	**64 271**	**4 859**	**61 506**	**39 059**	**1 081**	**170 776**
Net book value as of December 31, 2014	**5 628**	**84 623**	**2 699**	**15 154**	**14 536**	**60 577**	**183 217**
Net book value as of December 31, 2013	**5 628**	**87 584**	**2 293**	**17 915**	**19 221**	**4 231**	**136 872**

Items of property, plant, equipment and investment property are carried at cost less any accumulated depreciation and adjusted for impairment, if any.
As part of the year-end closing procedure, Bank has assessed all items of property, plant, equipment and investment properties for existence of any impairment indicators. For non-real estate items, impairment is usually recognized when those items are found to be obsoleted or their usage is planned to be discontinued. In such cases the recoverable amount on those items is reasonably assessed to be immaterial (close to zero), therefore the remaining carrying amount is fully impaired.
For investment properties Bank assesses that fair value of the assets closely approximates their recoverable amount (costs to sell are ignored as immaterial). As of December 31, 2015 and December 31, 2014 all investment properties have undergone external independent fair valuation and when the latter resulted in lower value than the carrying amount, impairment loss has been recognized (total impairment on investment properties recognized for the years ended December 31, 2015 and December 31, 2014 amount to BGN 13 587 thousand and BGN 1 757 thousand, respectively). The following table illustrates the fair value of investment properties as of December 31, 2015 and December 31, 2014. The fair values of investment properties as of December 31, 2015 and December 31, 2014 are ranked Level 3 as per fair value hierarchy.

In thousands of BGN

	CARRYING AMOUNT		FAIR VALUE	
	2015	2014	2015	2014
Investment properties				
Land	6 902	13 662	7 024	14 184
Buildings	39 770	46 915	40 967	48 150
Total investment properties	**46 672**	**60 577**	**47 991**	**62 334**

31. Intangible assets

In thousands of BGN

Cost	
As of December 31, 2014	**87 785**
Additions	8 938
Transfers	462
Write offs	(602)
Disposals	-
As of December 31,2015	**96 583**
Depreciation	
As of December 31, 2014	**62 949**
Depreciation charge	8 484
Transfers	345
Write offs	(600)
As of December 31,2015	71 178
Net book value as of December 31, 2015	**25 405**
Net book value as of December 31, 2014	**24 836**

In thousands of BGN

Cost	
As of December 31, 2013	**80 808**
Additions	**6 648**
Transfers	680
Write offs	(351)
As of December 31,2014	**87 785**
Depreciation	
As of December 31, 2013	55 234
Depreciation charge	7 901
Impairment due to obsolescence	**165**
Write offs	(351)
As of December 31,2014	**62 949**
Net book value as of December 31, 2014	**24 836**
Net book value as of December 31, 2013	**25 574**

32. Current tax

The current tax assets comprise of Bank's net receivable tax position with regard to corporate income tax for the respective years increased by overpaid prior years' tax that is not yet recovered by tax authorities. According to the statutory requirements, Bank pays during the year advance instalments for corporate income tax on the basis of forecasted tax profit for the current year. Should by the year-end advance instalments exceed the overall annual current tax liability, the overpaid amount cannot be automatically off-set with next year current tax liabilities, but have to be explicitly recovered by tax administration.
Based on that, as of December 31, 2015 the current tax assets, reported by the Bank, represent overprovided current tax for 2014, while current tax liabilities represent net payable current tax position for 2015.

33. Deferred tax

The origination breakdown of the deferred tax assets and liabilities as of December 31, 2015 and December 31, 2014 is as outlined below:

In thousands of BGN

	31.12.2015	31.12.2014
Property, plant, equipment, investment properties and intangible assets	4 234	7 149
Available for sale investments	872	872
Provisions	(3 863)	(2 860)
Actuarial gains (losses)	(196)	(164)
Cash flow hedge	-	-
Other liabilities	(6 668)	(5 276)
Tax losses carried forward	(821)	(1 201)
Net tax (assets) liabilities	**(6 442)**	**(1 480)**

The movements of deferred tax assets and liabilities on net basis throughout 2015 are as outlined below:

In thousands of BGN

	BALANCE 31.12.2014	RECOGNISED IN P&L	RECOGNISED IN EQUITY	BALANCE 31.12.2015
Property, plant and equipment	7 149	(2 915)	-	4 234
Available for sale investments	872	(5 481)	5 481	872
Provisions	(2 860)	(1 003)	-	(3 863)
Actuarial gains (losses)	(164)	-	(32)	(196)
Cash flow hedge	-	(952)	952	-
Other liabilities	(5 276)	(1 392)	-	(6 668)
Tax losses carried forward	(1 201)	380	-	(821)
Net tax (assets) liabilities	**(1 480)**	**(11 363)**	**6 401**	**(6 442)**

34. Non-current assets and disposal group classified as held for sale

The Bank presents as non-current assets and disposal group held for sale only properties that no longer will be used in the ordinary activity of the Bank nor will be utilized as investment properties. For all such assets Management has started intensively looking for a buyer and the selling negotiations are in advance stage as of the year-ends. As of December 31, 2015 and December 31, 2014 Bank has not classified any properties as non-current assets held for sale.

35. Other assets

In thousands of BGN

	31.12.2015	31.12.2014
Receivables and prepayments	31 621	34 346
Receivables from the State Budget	240	378
Materials, spare parts and consumables	7 358	3 421
Other assets	9 200	9 773
Foreclosed properties	59 953	63 294
Total other assets	**108 372**	**111 212**

36. Financial liabilities held for trading

In thousands of BGN

	31.12.2015	31.12.2014
Interest rate swaps	42 974	51 232
FX forward contracts	16 562	2 956
Equity options	14 275	13 909
Other options	2	9
FX options	-	12
FX swaps	5 805	1 536
Commodity swaps	9 692	9 133
Commodity options	10 844	7 153
Total trading liabilities	**100 154**	**85 940**

37. Deposits from banks

In thousands of BGN

	31.12.2015	31.12.2014
Current accounts and overnight deposits		
Local banks	174 142	148 003
Foreign banks	167 350	118 013
	341 492	**266 016**
Deposits		
Local banks	70 376	28 587
Foreign banks	2 180 090	2 328 328
	2 250 466	**2 356 915**
Other	**18 293**	**12 169**
Total deposits from banks	**2 610 251**	**2 635 100**

38. Deposits from customers

Deposits from customers comprise of outstanding balances on clients' current accounts, term deposits and saving accounts as well as respective accrued interest on them as of the reporting date.
As of December 31, 2015 and December 31, 2014 there are transfers in execution that have either not left the Bank's patrimony (outgoing payments), or clients' accounts have not been yet credited (incoming payments). These temporary balances are presented as deposits from customers under transfers in execution and process.

In thousands of BGN

	31.12.2015	31.12.2014
Current accounts		
Individuals	1 323 689	1 002 455
Corporate	4 204 287	3 113 741
Budget and State companies	215 183	290 635
	5 743 159	**4 406 831**
Term deposits		
Individuals	4 150 997	3 463 272
Corporate	2 002 731	1 659 502
Budget and State companies	58 061	57 847
	6 211 789	**5 180 621**
Saving accounts	**1 245 577**	**1 017 611**
Transfers in execution process	**75 459**	**40 408**
Other	**19 755**	**21 314**
Total deposits from customers	**13 295 739**	**10 666 785**

39. Subordinated liabilities

As of December 31, 2014 the subordinated liabilities with total amount of BGN 70 596 thousand and represent the outstanding debt (principal and accrued interest) on two loan facilities provided by UniCredit Bank Austria AG as outlined in the table below:

In thousands of BGN

START DATE	TERM TO MATURITY	AMOUNT OF THE ORIGINAL PRINCIPAL	OUTSTANDING AMOUNT AS OF DECEMBER 31, 2015	OUTSTANDING AMOUNT AS OF DECEMBER 31, 2014
February 3, 2005	10 years	25 426	-	33 229
August 2, 2005	10 years	29 337	-	37 367

Total	**54 763**	**-**	**70 596**

In 2015 all prior years' subordinated loans matured and were fully repaid.

40. Provisions

The movement in provisions for the years ended December 31, 2015 and December 31, 2014 is as follows:

In thousands of BGN

	LETTERS OF GUARANTEE	LEGAL CASES	RETIREMENT BENEFITS	CONSTRUCTIVE OBLIGATIONS	OTHER	TOTAL
	(a)	(b)	(c)	(d)	(e)	
Balance as of December 31, 2013	**13 033**	**23 046**	**4 942**	**1 047**	**2 875**	**44 943**
Allocations	-	2 866	522	-	837	**4 225**
Releases	-	(2 463)	-	-	(1 869)	**(4 332)**
Additions due to FX revaluation	5 577	2 010	-	-	-	**7 587**
Releases due to FX revaluation	(3 838)	(1 383)	-	-	-	**(5 221)**
Actuarial gains/losses recognized in OCI	-	-	795	-	-	**795**
Utilization	-	(3 986)	(444)	(326)	(1 301)	**(6 057)**
Balance as of December 31, 2014	**14 772**	**20 090**	**5 815**	**721**	**542**	**41 940**
Allocations	-	11 647	563	1 173	498	**13 881**
Releases	-	(2 202)	-	-	-	**(2 202)**
Additions due to FX revaluation	11 632	4 179	-	-	-	**15 811**
Releases due to FX revaluation	(9 963)	(3 579)	-	-	-	**(13 542)**
Actuarial gains/losses recognized in OCI	-	-	324	-	-	**324**
Utilization	-	(1 988)	(292)	(321)	(449)	**(3 050)**
Balance as of December 31, 2015	**16 441**	**28 147**	**6 410**	**1 573**	**591**	**53 162**

(a) Provisions on letters of guarantees

Provisions on letters of guarantees represent inherent credit risk losses embedded in undertaken by the Bank contingent liabilities, whereas based on performed risk assessment by the respective bodies of the Bank, it is more likely that the Bank would have to settle the obligation upon fulfilment of some uncertain events. As of December 31, 2015 Bank assessed its entire portfolio of issued letters of guarantee and quantified provisions in the amount of BGN 16 441 thousand (BGN 14 772 thousand as of December 31, 2014).

(b) Provisions on legal cases

Provisions on legal cases are recognized when based on legal expertise the Bank would most likely have to settle the obligation in the near future. As of December 31, 2015 Bank has assessed its position in legal cases against it, and provision in the amount of BGN 28 147 thousand has been recognized (BGN 20 090 as of December 31, 2014).

(c) Retirement benefit provision

Retirement benefit provision represents the present value of the bank's liability in accordance with Collective Labour Agreement as of the reporting date. Actuarial gains/losses adjust the value of the defined benefit liability with corresponding item recognized in the Statement of comprehensive income.

Major assumptions underlying in 2015 Defined benefit obligation are as follows:

- Discount rate – 3.00%;
- Salary increase – 5% p.a.;
- Retirement age: Men 63 years and 8 months, women 60 years and 8 months for 2015 and increase by 2 months each year thereafter until the age of 65 years both for men and women is reached.

The movement of the defined benefit obligation for the year ended December 31, 2015 and expected services cost, interest costs and amortization of actuarial gains/losses for the following year are outlined in the table below:

In thousands of BGN

Recognized defined benefit obligation as of December 31, 2014	**5 815**
Current service costs for 2015	402
Interest cost for 2015	161
Actuarial losses recognized in OCI in 2015	323
Benefits paid	(291)
Recognized defined benefit obligation as of December 31,2015	**6 410**
Interest rate beginning of the year	3.00%
Interest rate end of the year	2.60%
Future increase of salaries	5.00%

Expected 2016 service costs	430
Expected 2016 interest costs	155
Expected 2016 benefit payments	1 081

Current service cost and interest cost are presented under Personnel expenses (See note **14**).
The major factors impacting the present value of the defined benefit obligation are those of discount rate and future salary increase rate. Sensitivity analysis of those two is as follows:

In thousands of BGN

	2015	2014
Sensitivity - Discount rate +/- %	0.25%	0.25%
DBO Discount rate -	6 565	5 958
DBO Discount rate +	6 261	5 677
Sensitivity - Salary increase rate +/- %	0.25%	0.25%
DBO Salary increase rate -	6 264	5 679
DBO Salary increase rate +	6 561	5 955

(d) Provisions on constructive obligation

In the course of regular business, the Bank has to follow certain rules as defined by specific Banking legislation prevailing in Bulgaria. The respective amounts as of December 31, 2015 and December 31, 2014 are as follows:

In thousands of BGN

	31.12.2015	31.12.2014
Provisions in accordance with Instruction I-171 of BNB and Ministry of Internal Affairs	98	419
Provisions related to passportization of buildings	302	302
Provisions related to AQR	1 173	-
Total provisions on constructive obligation	**1 573**	**721**

As of December 31, 2015 and December 31, 2014 the Bank has recorded provisions on constructive obligations in accordance with Instructions I-171 of BNB and Ministry of Internal Affairs, related to security standards of the premises and safe-deposits boxes.
In accordance with the requirements set out in Law on Territory Planning, Energy Efficiency Act and some other related regulations the Bank had to perform until the end of 2014, energy efficiency assessment and technical passportization of all owned buildings with Gross Floor Area above 500 sq. m. In 2014 law amendments moved the deadline for the above mentioned assessment to December 31, 2015. The balances as of December 31, 2015 and December 31, 2014 represent unutilized provision amounts as of the reporting dates.
As per the stipulations of the Law on the Recovery and Resolution of Credit Institutions and Investment Firms (par. 9 of the Transitional and Final Provisions), in 2015 Bulgarian National Bank (BNB) started conducting a system-wide independent asset quality analysis of the banking system - Asset Quality Review (AQR) and Stress test for all the banks operating In Bulgaria. As required in the same Law, each bank is supposed to hire a highly qualified external consultant company that will perform the credit file review following the methodology and prescriptions of BNB. All the costs associated with the review shall be borne by the respective bank. As of December 31, 2015 the Bank has recorded related to this constructive obligation.

(e) Other provision

Other provisions in the amount of BGN 591 thousand (BGN 542 thousand in 2014) relates to coverage of claims related to credit cards business as well as other claims.

41. Other liabilities

In thousands of BGN

	31.12.2015	31.12.2014
Liabilities to the State budget	4 906	5 197
Liabilities to personnel	34 845	31 487
Liabilities for unused paid leave	5 850	5 775
Dividends	474	471
Incentive plan liabilities	5 368	3 285
Other liabilities	54 046	36 504
Total other liabilities	**105 489**	**82 719**

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

Liability to personnel includes accrued not paid liability to employees with regard to additional performance payments. The amounts represent Management best estimate for the goals achieved throughout 2015 and 2014 in accordance with the defined target settings and adopted incentive programs.
Liabilities for unused paid leave represent quantification of Bank's current liability due to employees for unutilized current and prior years leave.
As described in note **3 (o) (iii)** selected group of Top and Senior Managers are given UniCredit S.p.A stock options and performance shares as part of their remuneration packages. The economic value of the options and shares is presented as other liability, as upon expiring of the vesting period respective amounts have to be settled in cash. The breakdown of the liabilities by type of instruments is presented in note **14** above.

42. Equity

(a) Share capital

As of December 31, 2015 and December 31, 2014 share capital comprises of 285 776 674 ordinary shares with nominal value of BGN 1 each. All shares give equal voting rights to their holders.

(b) Statutory reserves

Statutory reserves represent allocated profits after taxation into Reserve Fund in accordance with requirements of the Bulgarian Commercial Act. The share-premium of newly issued ordinary shares is also allocated into statutory reserves.

(c) Retained earnings

Under Retained earnings the Bank shows the excess of all reserves, formed out of net profit in prior years and transformation of revaluation reserves over statutory reserves amount. In this position Bank also shows the difference between the purchase price paid for newly acquired subsidiaries in business combinations under common control and the consideration transferred at the date of first consolidation.

(d) Revaluation and other reserves

Revaluation reserves include those related to fair value changes on available for sale investments and derivatives designated as effective hedging instrument in cash flow hedge relationship as well as actuarial gains/losses on remeasurement of defined benefit obligation in accordance with IAS 19 "Employee Benefits".
Revaluation reserves related to available for sale investments and derivatives designated as effective hedging instruments in cash flow hedge relationship are subject to recycling through profit or loss upon certain conditions being met (e.g. derecognition, hedge revoke etc.).
For the years ended December 31, 2015 and December 31, 2014 only reserves related to available for sale investments have been recycled to profit or loss following their derecognition. The amounts are BGN (2 492) thousand and BGN 1 856 thousand, respectively, net of tax.

43. Contingent liabilities

In thousands of BGN

	31.12.2015	31.12.2014
Letters of credit and letters of guarantee	1 507 218	1 316 870
Credit commitments	1 662 149	1 285 375
Total contingent liabilities	**3 169 367**	**2 602 245**

(a) Letters of credit and letters of guarantee

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.
The contractual amounts of financial guarantees and letters of credit are set out in the above table. The amounts reflected in the table for commitments assume that amounts are fully advanced.
The amounts for guarantees and letters of credit represent the maximum accounting loss that would be recognized if counterparties failed completely to perform as contracted. These commitments and contingent liabilities are reported off-balance sheet and only fees and accruals for probable losses are recognized in the statement of financial position until the commitments are fulfilled or expire. Most of the contingent liabilities and commitments expire without being advanced in whole or in part.
As of December 31, 2015 and December 31, 2014 the Bank has made assessment in compliance with IAS 37 "Provisions, Contingent liabilities and Contingent assets". Due to abnormal credit risk related to certain clients' exposures, Bank's Management has evaluated the risk, where it is more probable that any issued Bank guarantee could lead to an outflow of resources from the Bank (see also Note **40**).

(b) Litigation

As of December 31, 2015 and December 31, 2014 there are some open litigation proceedings against the Bank. There is significant uncertainty with regard to the timing and the outcome of such proceedings. Since the ultimate outcome of the claims against the Bank cannot presently be determined with sufficient reliability, provisions have been accrued only on cases where sufficient degree of certainty exists that the Bank would have to settle the obligation. Litigation claims provided for in these financial statements as of December 31, 2015 are in the amount of BGN 28 147 thousand (BGN 20 090 thousand in 2014), (see also Note **40)**.

(c) Credit commitments

During the course of normal lending activity the Bank has negotiated with clients different types of credit facilities including credit lines, overdraft facilities and revolving loans. Contractually the Bank has committed itself for a certain amount which is at clients' disposal.
As of December 31, 2015 and December 31, 2014 the Bank presents unutilized credit facilities as part of its off-balance sheet positions.

44. Assets pledged as collateral

In thousands of BGN

	31.12.2015	31.12.2014
Securities pledged for budget holders' account service	972	5 808
Securities pledged on REPO deals	-	229 655
Securities pledged on other deals	263 906	182 559
Loans pledged for budget holders' account service	254 885	254 886
Loans pledged on other deals	11 555	15 346
	531 318	**688 254**
Pledged securities include		
Available for sale assets	264 878	284 350
Assets held to maturity	-	133 672
Loans and advances	266 440	270 232
	531 318	**688 254**

Securities and loans pledged on other deals include those contractually pledged on long-term financing provided to the Bank by local and foreign institutions.

Information on the collaterals received on open reverse repo deals as of December 31, 2015 and December 31, 2014 is as follows:

In thousands of BGN

	31.12.2015		31.12.2014	
	CARRYING AMOUNT	COLLATERAL VALUE	CARRYING AMOUNT	COLLATERAL VALUE
Receivables under repurchase agreements with banks	50 988	49 457	-	-
Receivables under repurchase agreements with customers	69 196	72 231	234 385	243 865
Total	**120 184**	**121 688**	**234 385**	**243 865**

45. Related parties

UniCredit Bulbank AD has a controlling related party relationship with its direct parent company UniCredit Bank Austria AG and its ultimate parent UniCredit S.p.A (jointly referred as "parent companies").
In addition the Bank has relatedness with its subsidiaries and associates (see also Note 29) as well as all other companies within UniCredit Group and key management personnel (jointly referred as other related parties).
The related parties' balances and transactions in terms of statement of financial position items as of December 31, 2015 and December 31, 2014 and Income statement items for the years ended thereafter are as follows:

In thousands of BGN

AS OF DECEMBER 31, 2015	PARENT COMPANIES	ASSOCIATES	OTHER RELATED PARTIES	TOTAL
Financial assets held for trading	-	-	45 834	**45 834**
Financial assets held for hedging	-	-	13 455	**13 455**
Current accounts and deposits placed	1 104 698	-	6 779	**1 111 477**
Extended loans	-	-	13 163	**13 163**
Other assets	2 865	-	3 182	**6 047**
Current accounts and deposits taken	1 682 082	501	26 334	**1 708 917**
Derivatives held for trading	2 623	-	43 515	**46 138**
Derivatives used for hedging	32 913	-	2 487	**35 400**
Other liabilities	6 275	-	3 486	**9 761**
Guarantees received from the Group	**41 276**	**-**	**40 799**	82 075

In thousands of BGN

AS OF DECEMBER 31, 2014	PARENT COMPANIES	ASSOCIATES	OTHER RELATED PARTIES	TOTAL
Financial assets held for trading	1	-	34 004	**34 005**
Current accounts and deposits placed	1 441 137	-	1 089	**1 442 226**
Extended loans	-	-	4 548	**4 548**
Other assets	2 427	-	2 286	**4 713**
Current accounts and deposits taken	1 855 525	653	14 802	**1 870 980**
Subordinated liabilities	70 596	-	-	**70 596**
Derivatives held for trading	2 670	-	52 158	**54 828**
Derivatives used for hedging	38 895	-	3 030	**41 925**
Other liabilities	4145	-	3113	**7258**
Guarantees received from the Group	**56 578**	**-**	**49 706**	**106 284**

In thousands of BGN

YEAR ENDED DECEMBER 31, 2015	PARENT COMPANIES	ASSOCIATES	OTHER RELATED PARTIES	TOTAL
Interest incomes	14 514	-	140	**14 654**
Interest expenses	(14 271)	(8)	(3 601)	**(17 880)**
Dividend income	-	(180)	-	**(180)**
Fee and commissions income	652	-	1 891	**2 543**
Fee and commissions expenses	(50)	-	(12)	**(62)**
Net gains (losses) on financial assets and liabilities held for trading	(1 162)	-	69 081	**67 919**
Other operating income	25	-	12	**37**
Administrative and personnel expenses	(1 784)	(1 038)	(8 546)	**(11 368)**
Total	**(2 076)**	**(1 226)**	**58 965**	**55 663**

In thousands of BGN

YEAR ENDED DECEMBER 31, 2014	PARENT COMPANIES	ASSOCIATES	OTHER RELATED PARTIES	TOTAL
Interest incomes	13 218	-	542	**13 760**
Interest expenses	(44 043)	(3)	(2 602)	**(46 648)**
Fee and commissions income	883	-	1 284	**2 167**
Fee and commissions expenses	(126)	-	(11)	**(137)**
Net gains (losses) on financial assets and liabilities held for trading	(4 397)	-	(5 687)	**(10 084)**
Other operating income	887	-	12	**899**
Administrative and personnel expenses	(2 090)	(945)	(8 819)	**(11 854)**
Total	**(35 668)**	**(948)**	**(15 281)**	**(51 897)**

As of December 31, 2015 the loans extended to key management personnel amount to BGN 1 932 thousand (BGN 1 934 thousand in 2014). For the year ended December 31, 2015 the compensation paid to key management personnel amounts to BGN 5 135 thousand (BGN 5 659 thousand in 2014).

46. Cash and cash equivalents

In thousands of BGN

	31.12.2015	31.12.2014
Cash in hand and in ATM	195 641	240 659
Cash in transit	69 151	58 190
Current account with the Central Bank	4 320 604	793 378
Current accounts with banks	94 706	272 256
Receivables under repurchase agreements	50 988	234 385
Placements with banks with original maturity less than 3 months	3 545	466 829
Total cash and cash equivalents	**4 734 635**	**2 065 697**

47. Leasing

The Bank is counterparty in numerous operating and finance lease agreements. After first consolidation of UniCredit Leasing EAD and HVB Leasing EOOD in December 2013, the finance lease agreements prevail, being those leasing companies' core activity.

In 2014 Bank has reassessed certain operating lease agreements originated in leasing subsidiaries, whereas the latter included an option at the discretion of the lessor to sell the leased assets. As the Management decides that all options available will always be exercised, all related operating lease agreements have been reclassified to finance ones. As a result of the reclassification, there are no more operation lease agreements covered within the core business activity of the leasing subsidiaries. Reported outstanding non-cancellable payments on operation lease agreements relate only to auxiliary Bank's stand-alone activity.

Summary of the amount of non-cancellable minimum lease payments where Bank acts both as a lessor and as a lessee are presented in the tables below:

(a) Financial lease contracts, where the Bank is a lessor

In thousands of BGN

RESIDUAL MATURITY	TOTAL FUTURE MINIMUM LEASE PAYMENT		NPV OF TOTAL FUTURE MINIMUM LEASE PAYMENT	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Up to one year	457 067	312 942	149 863	263 599
Between one and five years	455 962	492 924	525 530	304 032
Beyond five years	64 734	108 624	59 836	74 140
Total	**977 762**	**914 490**	**735 229**	**641 771**

(b) Operating lease contracts where the Bank acts as a lessee

In thousands of BGN

RESIDUAL MATURITY	TOTAL FUTURE MINIMUM LEASE PAYMENT	
	31.12.2015	31.12.2014
Up to one year	5 827	4 831
Between one and five years	9 528	4 626
Beyond five years	6 037	1 119
Total	**21 392**	**10 576**

(c) Operating lease contracts where the Bank acts as a lessor

In thousands of BGN

RESIDUAL MATURITY	TOTAL FUTURE MINIMUM LEASE PAYMENT	
	31.12.2015	31.12.2014
Up to one year	235	85
Total	**235**	**85**

48. Other regulatory disclosures

In accordance with the requirements of art. 70 para 6 of Law on Credit Institutions, Banks are required to make certain quantitative and qualitative disclosures related to major financials and other indicators separately for the business originating from Republic of Bulgaria and from other countries, where Bank has active subsidiaries and/or branches.

UniCredit Bulbank AD possesses a full-scope banking licence for performing commercial banking activities. For the years ended December 31, 2015 and December 31, 2014 UniCredit Bulbank AD has no subsidiaries or branches established outside Republic of Bulgaria. Summary of consolidated quantitate mandatory disclosures required by Law on Credit Institutions and their respective reference to other Notes in these consolidated financial statements or other mandatory reports are as follows:

In thousands of BGN

	2015	2014	REFERENCE TO OTHER NOTES AND REPORTS
Total operating income	850 755	782 490	Consolidated Income Statement and details in Notes 7,8,9,10,11 and 12
Profit before income tax	378 566	316 715	Consolidated Income Statement
Income tax expense	(38 375)	(32 180)	Consolidated Income Statement and details in Note 19
Return on average assets (%)	2,0%	1,9%	2015 Annual Report on Activity
Full time equivalent number of personnel as of December 31	4 161	4 136	Note 14

UniCredit Bulbank AD and its subsidiaries has never requested or been provided any state grants or subsidies.

Dude, you should really consider a house with a garden.

Let’s talk about the spaces where we live.

There’s nothing like staying at home for real comfort. But sometimes you really need to get out -- especially if you’re a dog.

Take Osvaldo: His owner is being a bit lazy, preferring to stay in a small apartment rather than dealing with the stress and paperwork of the real estate jungle. Poor Osvaldo.

But we have a complete solution to help. First of all, dear Osvaldo’s owner, wouldn’t it make you more confident to know what amount you can get from the bank before start house hunting?

Yes, our consultants know very well that this can make a difference. And with products like Voucher Mutuo, there’s no risk of choosing a house that you cannot afford.

What about the rest? Well, we are a convenient, trusted partner whether you sell or buy a house. In Italy, our Subito Casa program can establish the value of the house or handle all the paperwork – helping you get engineers, lawyers, you name it.

So, dear Osvaldo’s owner, feel free to start looking for your cosy new home, and leave the boring part up to us.

Bank Network

Aitos
27, Stancionna str.	0558/26 164; 22 115

Asenovgrad
8, Radi Ovcharov str.	0331/62 655

Balchik
34A Cherno more str	0579/71 120
3, Ivan Vazov str.	0579/74 061

Bansko
3, Pirin str.	0749/88 125

Berkovitsa
1, Yordan Radichkov sq.	0953/88 484
100, Nikolaevska str.	0953/88 686

Blagoevgrad
1, Macedonia sq.	073/867 028
5, St. Dimitur Solunski str.	073/834 074
17, Zelenopolsko shose str.	02/9 264 785
22, Ivan Shishman str.	073/828 634
57, Vasil Levski blvd	073/885 065
18, St. Kiril and Metodius blvd.	073/828 718

Bojuriste
85, Evropa blvd, Bojuriste	02/993 88 45

Botevgrad
24 Saransk sq.	0723/66 872

Burgas
22, Alexandrovska str.	056/877 262
68-70 Hristo Botev	056/806 811
Lukoil Neftohim	056/898 036
Burgas Airport	056/872 532
Burgas Port	056/840 277
94 block of Slaveikov District	056/581 218
30, Todor Aleksandrov blvd	056/589 913
22, Alexandrovska str.	056/877 262
4-6, P. Yavorov str.	056/874 133
Slaveikov district, block 46	056/896 681
Burgas, Meden rudnik, A, building 1	056/871 942
103, Stefan Stambolov blvd	056/689 830

Chepelare
1, Han Asparuh str.	03051/20 35

Chirpan
2, Yavorov str.	0416/90 100

Devnia
Devnia in the building of Solvei Sodi	0519/97 110

Dimitrovgrad
4B, Bulgaria blvd	0391/68 613

Dobrich
3, Bulgaria str	058/655 732
54, Okolovrusten put Dobrotica	058/600 650

Dulovo
21, Vasil Levski str.	0855/22 356

Dupnitza
3, Ivan Vazov str.	0701/59 914

Elena
1, Chr. Momchilov str.	06151/61 13

Elin Pelin
5, Nezavisimost square	0725/68 827

Etropole
22, M. Gavrailova str.	0720/67 222

Gabrovo
13, Radecki str.	066/814 206
8, dr. Jekov str.	0418/62 224

General Toshevo
5, Treti Mart str.	05731/21 37

Godech
2, Svoboda square	0729/22 322

Gorna Malina
Municipality G. Malina	07152/222

Gorna Orjahovitsa
1A, M. Todorv str.	0618/681 12
2, Partriarch Evtimii str.	0618/618 22

Gotse Delchev
11, Byalo More	0751/696 20

Harmanli
1, Vazrajdane sq.	0373/800 61

Haskovo
4, Han Kubrat str.	038/602 742
Haskovo Tehnopolis	032/905 891

Ihtiman
8, Polk. B. Drangov str.	0724/82 091

Karlovo
2, Vodopad str.	0335/90 525

Karnobat
14, Bulgaria blvd Karnobat	0559/28 821

Kavarna
37, Dobrotica str.	0570/81 110

Bank Network (continued)

Kazanlak

4 Rozova Dolina str.	0431/68 135
16, Paisii Hilendarski str.	0431/63 486

Knezha

5, Nikola Petkov str.	09132/67 50

Kostenets

2, Belmeken str	07142/22 52

Kostinbrod

7, Ohrid str	0721/68 125

Kozlodui

Kozlodui Nuclear Plant	0973/73 677
1 str. Kiril I Metodii	0973/80 004

Kurdjali

4, Belomorski blvd.	0361/61 077
51, Bulgaria blvd	0361/ 670 20

Kyustendil

39, Democracy str.	078/559 613
5, Gueshevo shosse str.	078/541 234

Levski

40, Al. Stambolijski str.	0650/83 167

Lom

14, Dunavska str.	0971/68 762

Lovech

10 Akad Ishirkov str.	068/689 943
2, Stephan Karadja str.	068 /668 330

Malko Tarnovo

2, Malkoturnovska Komuna str.	05952/31 49

Mezdra

8, Georgi Dimitrov str.	0910/92 078

Montana

72, Treti Mart blvd	096/391 957
216 Treti Mart blvd.	096/300 393
51 Treti Mart blvd.	096/383 168

Nessebar

38, Han Krum str	0554/21 920
10, Zedelvais	0554/44 081

Nova Zagora

49 Vasil Levski str.	0457/61260
60, M. Balkanski str.	0457/62 203

Novi Pazar

4, Rakovski str.	0537/25 852

Panagiurishte

1, G. Benkovski str.	0357/63 260

Parvomai

2 B, Hristo Botev str.	0336/62 053

Pavlikeni

20, Svoboda sq.	6010/51 180

Pazardjik

6, Bulgaria blvd	034/405 131
RDVR Pazard	034/440 993
Pazardjik KAT	034/441 290
3, Han Krum str.	034/444 886
13, Stefan Stambolov blvd.	034/445 380
5, Esperanto str.	034/405 718

Pernik

14, K. Pernishki sq.	076/688 980
21, St Kiril and Methodius blvd.	076/605 387
2, Chereshovo topche str.	076/688 716

Peshtera

16, Dimitar Gorov str.	0350/64 16

Petrich

48, Rokfeler str.	0745/69 528

Pirdop

Todor Vlaikov square, block 2	07181/82 15

Pleven

121 Vasil Levski str.	064/890 730
4, Georgi Kochev blvd.	064/831 065
1, Kosta Hadjipakev str.	064/880 232
13 Danail Popov str; block Volga	064/892 163
11, Metro str.	02/926 47 87

Plovdiv

4, Ivan Vazov blvd	032/601 620
8, Vasil Levski str.	032/905 860
1, Kostievska str.	032/905 840
41, Saedinenie str., Trakia	
51, Raiko Daskalov str.	032/656 044
133 Sankt Peterburg blvd.	032/680 250
82, Hristo Botev blvd	032/632 600
13, Kniaz Alexander Ist str.	032/905 816
135, Sankt Peterburg blvd.	032/905 895
15 A, Vasil Aprilov blvd.	032/905 837
66, Pestersko Shosse str.	032/905 841
24, Tsar Assen Str.	032/905 844
31, Ivan Vazov str.	032/905 933
32A Kuklensko shosse blvd	032/673 602, ext 103,107
1, Asenovgradsko Shosse str.	032/623 746
8, Karlovsko shosse str.	032/946 335

Bank Network (continued)

Polski Trumbesh

55, Turgovska str.	06141/67 16

Pomorie

40, Yavorov blvd	0596/262 62

Popovo

99, Bulgaria blvd	0608/409 51

Primorsko

1, Chavdar str.	0550/337 82

Radnevo

10A, G. Dimitrov	0417/810 11

Rakovski

1, Moskva str.	03151/50 12

Razgrad

21, Ivan Vazov str.	084/660 763
66,Aprilsko vastanie blvd. Razgrad	084/609 802
1, Momina Cheshma sq.	084/612 118

Razlog

1, Eksarh Iosif str.	0747/898 09

Russe

5, Sveta Troica square	082/818 258
Hristo Botev blvd.	082/241 492
75, Alexnadrovska str	082/825 776
60, Treti Mart blvd	082/611 068

Samokov

3, Prof V. Zahariev str.	0722/688 14

Sandanski

52, Macedonia str.	0746/348 52

Sapareva bania

2, Germaneya str.	0707/22 28

Sevlievo

21, Svoboda sq.	0675/345 86

Shabla

4, Petko Balgaranov str.	05743/50 11

Shumen

8, Slavianski blvd.	054/858 126
5, Simeon Veliki blvd.	054/830 056

Silistra

3, Dobrudzhai str.	086/878 342
33, 7mi septemvri blvd.	086/833 199

Slanchev Briag

Slanchev briag Complex	0554/280 23

Sliven

11 Hadji Dimitar blvd	044/613 127
19 General Stolipin str.	044/610 231
6 Stephan Karadja str.	044/630 035
23 Rakovski str.	044/610 861

Slivnitsa

2, Saedinenie square	0727/422 66

Smolyan

59, Kolio Shishmanov str.	0301/673 14

Sofia

7, Sveta Nedelya Square	02/923 24 88
1, Briuksel blvd	02/980 96 01
84, Veslec str.	02/810 59 21
18, Parva Bulgarska Armiya blvd	02/931 18 46
SFA 459, Botevgradsko shosse blvd	02/892 21 99
Mladost; 265 Okolovrusten put	02/877 04 73
2, Buzludja str.	02/895 10 19
2, Lomsko shosse	02/890 49 52
13, 202 str.	02/833 41 74
90, Al. Stambolijski blvd	02/810 26 22
14, Gueshevo str.	02/812 39 48; 812 39 49
100 Cherni Vruh blvd	02/969 00 25
90, Vitosha blvd	02/952 23 33
105, Gotse Delchev blvd	02/818 27 22
1, P.U. Todorov block 1	02/818 67 20
69, Bulgaria blvd	02/926 49 53
199A, Okolovrasten pat, Malinova dolina	02/965 81 98
8, Vitosha blvd	02/810 29 26
Hotel Trivia, Botunec	02/994 54 42
444 A, Slivnica blvd	02/827 91 72
2, Sofroniy Vrachanski, str.	02/937 70 71
Iliyanci	02/892 05 12
Nishava str. Block 12	02/818 87 60
Liulin 4, block 417	02/814 52 72
Tsaritsa Ioanna blvd.	02/825 89 46
182, Europa blvd.	02/926 47 84
22, Zlaten rog, str.	02/926 48 50
41, Tzar Boris III blvd	02/895 40 28; 895 40 27
134, Tzar Boris III blvd	02/926 48 47
38, Liubliana str.	02/926 48 67
1, Kukush str.	02 /802 42 11
1, Skopie blvd	02/803 35 82
127, Slivnica blvd	02/802 19 83
56, Georgi Sofiiski str.	02/815 49 71
1 Ivan Vazov str.	02/92 69 651
12, Al. Batenberg str.	02/93 57 841
3, Tsar Kaloyan str	02/890 23 37
8, Aksakov, str.	02/923 34 85
1, Madrid blvd	02/948 09 71
88, Yanko Sakuzov blvd.	02/861 30 63

2, Ivan Asen IInd str	02/942 30 24
65, Shipchenski prohod str.	02/817 29 24
52, Kosta Lulchev str.	02/971 34 95
133, Tsarigradsko Shosse - 7th km	02/817 80 29
Tsarigradsko Shosse - 7th-11th km	02/926 47 83
147, Tsarigradsko Shosse blvd	02/976 78 64
18, Dondukov str.	02/921 89 53
58, Alabin Str	02/939 78 17
9, Julio Kiuri str.	02/817 37 29
28, Hristo Smirnenski blvd	02/963 09 88
22 Serdika str.	02/926 48 73
140, Rakovski str.	02/815 70 24
40, Vasil Levski str.	02/950 46 50
9A Boris Stefanov str.	02/819 28 72
Simeonovo, 14A Momina salza str.	02/890 23 13
62, G.M. Dimitrov str.	02/816 90 71
32, Zlatuvruh str.	02/819 07 11
9, Shipchenski prohod blvd	02/892 45 61
16, Alexander Malinov blvd, 1st floor, MLADOST	02/817 49 21
Business park Sofia, 2nd building	02/817 3322; 23
1, Yanko Sakazov blvd	02/814 50 25

Sozopol

2, Parvi May Str.	0550/263 20

Stamboliiski

2, Osmi Mart str.	0339/624 87

Stara Zagora

126 Simeon Veliki blvd	042/696 326
Nikola Petkov str.	042/260 106
126 Simeon Veliki blvd	042/696 376
62, Tzar Simeon Veliki blvd	042/692 112
115, Tsar Simeon Veliki blvd.	042/615 129
Rudnik Troyanovo Sever	0417/824 02
157, Tzar Simeon str.	042/610 783
30, Hristian Voivoda str.	042/622 936

Sungurlare

15, Hristo Smirnenski str.	05571/52 50

Svilengrad

60, Bulgaria blvd	0379/707 28
4, Assen Iliew str.	0379/730 33
Customs Kap. Andreevo	0379/710 44

Svishtov

16, Tzar Osvoboditel str.	0631/611 27

Svoge

35, Tsar Simeon str.	0726/223 49

Targovishte

23, Vasil Levski str.	0601/612 20

Tervel

7, Sv. Sv Kiril I Metodii str.	05751/41 47

Troyan

1, Gen. Karzov str.	0670/688 85

Tzarevo

20, Kraimorska str.	0590/554 67

Varna

1, P. Karavelov str.	052/662 128
39 Maria Luiza str.	052/663 137; 136; 135
2, Gabrovo str.	052/689 803
2, Patleina str.	052/663 335
13, Treti Mart str.	05131/24 07
36-38 Vladislav Varnenchik str.	052/687 949
43, Kniaz Boris str.	052/664 026
112, Osmi Primorski polk	052/785 711
20, Drujba str.	052/663 691
61, Pirin str.	052/661 346
117, Republika blvd.	052/739 501
Vladislavovo, Zapadna obikolna str.	052/689 820

Veliko Tarnovo

13. Vasil Levskli Str	062/611 087
13. Vasil Levskli Str	062/611 037
4 Magistralna str.	062/611 088
78, Balgaria blvd.	062/611 018

Velingrad

99, Suedinenie sq.	0359/570 22

Vidin

3 Tzar Simeon Veliki str.	094/690 214
66 A, Tzar Simeon Veliki str.	094/600 683
Panoniya blvd.	094/602 032

Vratsa

2nd July blvd.	092/621 312
10, Lukashov str.	092/668 852
8, Lukashov str.	092/668 234

Yakoruda

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

Yambol

3, Gorg Papazov str.	046/685 122
173-175 Graf Ignatiev blvd.	046/641 153

Zlatitsa

1, Sofiisko shosse blovd	0728/660 38

Bank Network (continued)

Corporate offices

Sofia

3 Tsar Kaloyan Str.	02/890 23 46, 02/890 23 19
1 Ivan Vazov Str.	02/926 95 01; 926 93 87
7 Sveta Nedelya Sq.	02/923 27 88; 923 26 88

Varna

28 Slivnitsa Str.	052/678 013; 678 020

Stara Zagora

126 Tzar Simeon Veliki Blvd.	042/696 246; 696 268

Burgas

22 Alexandrovska Str.	056/877 218; 877 236

Russe

5 Sveta Troitsa Str.	082/818 265; 818 226

Veliko Tarnovo

13 Vassil Levski Str.	062/611 017; 611 056

Pleven

11 Tzar Simeon Str.	064/890 335; 890 332