UniCredit Bulbank

2008 Annual Report

UniCredit Bulbank AD
Bulgaria, Sofia 1000
7, Sveta Nedelia square
Tel: 02 / 923 21 11
www.unicreditbulbank.bg

UniCredit Bulbank

Our Commitment is Our Strength

2008 was a year that posed significant challenges to the global economy, to the financial services industry and to our business.

To date, our business model remains sound, and our outlook is positive for our future operations.

We remain positive because we know that we can count on our greatest strength. It is our solid and rigorous commitment - to our customers, to our people, to our investors, to the communities we serve, to our core values, to culture, to quality in everything we do, and to the sustainable success of our enterprise.

Every day we renew that commitment through the efforts and expertise of more than 174,000 people in 22 countries.

That is why this year's Annual Report features the photographs and words of UniCredit Group employees. No one could express our commitment more eloquently than the men and women who live it every day.

They speak to you from our branches and offices across Europe. Each message is different. Each expresses what commitment means to them, to their customers, and to their colleagues every single working day.

We feel that their words, their ideas truly capture the spirit of UniCredit Group - the spirit of commitment, our greatest strength.

2008 Annual Report

«A client started up an international business venture, but he was worried about how to manage all his banking activities from Italy. In just a couple of days, we had gotten in touch with our colleagues in Germany and Austria and we had set up what was needed. Professionalism and an international network are our values for business sustainability.»

Marco Scarrico
Italy

Contents

Financial highlights (Unconsolidated)

(Thousands of BGN, unless otherwise stated)

	2008	2007	Growth
Key figures			
Net profit	291,703	255,174	14.3%
Shareholders' equity (eop)	1,373,065	1,162,286	18.1%
Total assets (eop)	11,014,704	9,066,735	21.5%
Bank customer deposits (eop)	6,029,191	6,338,962	-4.9%
Bank customer deposits (av.)	6,184,077	5,896,568	4.9%
Bank customer loans (eop)	7,232,251	5,201,499	39.0%
Bank customer loans (av.)	6,216,875	4,883,431	27.3%
Earnings per share (in BGN)	1.22	1.07	14.3%

Income			
Net interest income	463,369	379,744	22.0%
Net fee and commission income	155,238	143,473	8.2%
Net trading income	-24,019	11,647	-306.2%
Net income from investment securities	-1,093	-3,451	-68.3%
Gross operating income	611,876	571,058	7.1%
Net operating Income	352,670	333,684	5.7%

Expenses			
Operating expenses	259,206	237,374	9.2%
Personnel costs	102,248	94,002	8.8%
Non-personnel costs	125,654	117,939	6.5%
Depreciation	31,304	25,433	23.1%
Impairment losses on financial assets and provisions	28,302	49,645	-43.0%
Income tax expense	32,665	28,865	13.2%

Ratio (%)			
Return on average assets (ROA)	2.9	3.1	-0.2pp
Return on average equity (ROE)	23.0	23.9	-0.9pp
Capital/Asset ratio (eop)	12.5	12.8	-0.4pp
Total capital ratio (eop)	13.2	12.9	0.3pp
Tier 1 capital ratio (eop)	10.3	10.6	-0.3pp
Risk weighted assets/Total assets ratio (eop)	82.8	80.0	2.8pp
Non-performing loans/Gross loans	2.7	2.1	0.6pp
Loan/Deposit ratio	120.0	82.1	37.9pp
Cost/Income ratio	42.4	41.6	0.8pp
Net Profit Margin	47.7	44.7	3.0pp

Resources (number) - (eop)			
Bank Operating outlets	260	260	0
Employees	3,869	3,769	100
Foreign exchange rate at period-end (BGN/USD)	*1.3873*	*1.3312*	*4.2%*
Average annual exchange rate over the period (USD/BGN)	*1.3372*	*1.4290*	*-6.4%*

Financial highlights (Consolidated)

(Thousands of BGN, unless otherwise stated)

	2008	2007	Growth
Key figures			
Net profit	292,944	251,457	16.5%
Shareholders' equity (eop)	1,378,289	1,166,342	18.2%
Total assets (eop)	11,034,209	9,080,914	21.5%
Customer deposits (eop)	6,024,506	6,339,433	-5.0%
Customer loans (eop)	7,238,633	5,202,029	39.2%
Earnings per share (in BGN)	1.22	1.05	16.5%

Income			
Net interest income	463,714	383,914	20.8%
Net fee and commission income	156,007	143,695	8.6%
Net trading income	-23,930	11,644	-305.5%
Net income from investment securities	-1,093	-3,451	-68.3%
Gross operating income	613,976	569,059	7.9%
Net operating Income	354,095	330,032	7.3%

Expenses			
Operating expenses	259,881	239,027	8.7%
Personnel costs	103,392	96,907	6.7%
Non-Personnel costs	124,502	116,041	7.3%
Depreciation	31,987	26,079	22.7%
Impairment losses on financial assets and provisions	28,436	49,274	-42.3%
Income tax expense	32,715	29,301	11.7%

Ratios (%)			
Return on average assets (ROA)	2.9	3.0	-0.1pp
Return on average equity (ROE)	23.0	23.4	-0.4pp
Loan/Deposit ratio	120.2	82.1	38.1pp
Cost/Income ratio	42.3	42.0	0.3pp
Net Profit Margin	47.7	44.2	3.5pp

Letter to Shareholders

> “UniCredit Bulbank was especially focused on assuring sustainable support for the loyal clients of the bank in the difficult times which lie ahead.”

Dear fellow Shareholders,

It is our great pleasure to present the 2008 annual results of UniCredit Bulbank and our plans for further development. 2008 was another strong year in which the Bank continued its growth. It was a year, during which the Bank concentrated on the consolidation of the existing business activities. In order to preserve its position as a market leader, the united efforts of the Bank were directed towards efficient allocation of its resources and effective use of its distinctive competences. In 2008 we managed to further enhance our operational efficiency and that was instrumental to the increased shareholder value, employee potential and customer satisfaction.

The new environment affected by the global financial and economic disturbances asked for quick update on the banks' strategies and policies in Bulgaria. UniCredit Bulbank was especially focused on assuring sustainable support for the loyal clients of the bank in the difficult times which lie ahead.

The Bank managed to balance its overall operations through tightening of the credit policy and putting higher emphasis on efficiency. As a result, in 2008 we obtained unconsolidated results of an undisputed market leader in assets (BGN 11,015 million), equity (BGN 1,373 million), revenue (BGN 612 million) and net profit (BGN 292 million).

In 2008 continued our branch renovation program in order to meet the corporate identity standards of the Group. A customer friendly environment and optimized business and service areas were established. Aiming to improve our market share and geographical presence, 15 new branches were opened (mainly in the most economic promising regions), reaching a total number of 260.

Two very important events took place during 2008, primarily directed to optimization of our human capital and clarification of our overall corporate identity. The first one of these was the Integrity Charter Day, perceived as the foundation of UniCredit Group's identity, thus providing guidelines for its employees' behaviour. The other initiative was the People Survey, which is recognized as a listening moment involving all UniCredit Group employees, aiming to shape the common future path of the entire structure. The conclusions made and the recommendations collected as a result of the Survey are considered critical to the development, retention and contentment of the Bank's employees and the satisfaction of its customers. That is, at UniCredit Bulbank we believe that the joint efforts of our employees, combined with a strong capital base, and led by a distinctive and solid corporate identity, are necessary conditions of successful business achievements.

In order to promote stronger customer-oriented culture, a comprehensive customer satisfaction measurement system was established which reported good results. These were later broadly publicised and affected the motivation system of both the head office and the front offices. Furthermore, the analysis of customer satisfaction (based on customer needs) produced much useful information for improving our processes, service model and marketing decisions. Special measures and training programs were implemented throughout 2008 with measurable positive outcomes.

Looking at the recent future, we consider that efficiency of every branch and every team in the Bank will be the top priority for 2009. We think that quality of service and competitive prices are crucial to our success in the current economic environment, shaped by economic disturbances, financial hardships and intensified competition. Therefore, we will approach the current conditions as a joint team and allocate our resources so as to emphasize on the quality of servicing clients and thus achieving our goals. In effect, we will take the challenges of the situation with a reasonable and prudent behaviour and aim at overcoming them not focusing on an issue or a product itself but on them as a whole, as a system.

We would like to thank our customers, partners and shareholders for their trust, loyalty and patience in a year of global financial and economic disturbances. We are also grateful to our managers and employees, whose dedicated efforts and competence lead to our sustainable business success. And finally, let us thank all Supervisory Board and Management Board members who managed the institution confidently and prudently through this period of change.

Levon Hampartzoumian
Chairman of the Management Board and CEO

Robert Zadrazil
Chairman of the Supervisory Board

06 February 2009
Sofia

Supervisory Board and Management Board[1]

Supervisory Board	
Chairman	Robert Zadrazil
Deputy Chairman	Alberto Devoto
Member	Dimitar Zhelev
Member	Elena Patrizia Goitini
Member	Heinz Meidlinger
Member	Marco Iannaccone
Member	Tomas Gross

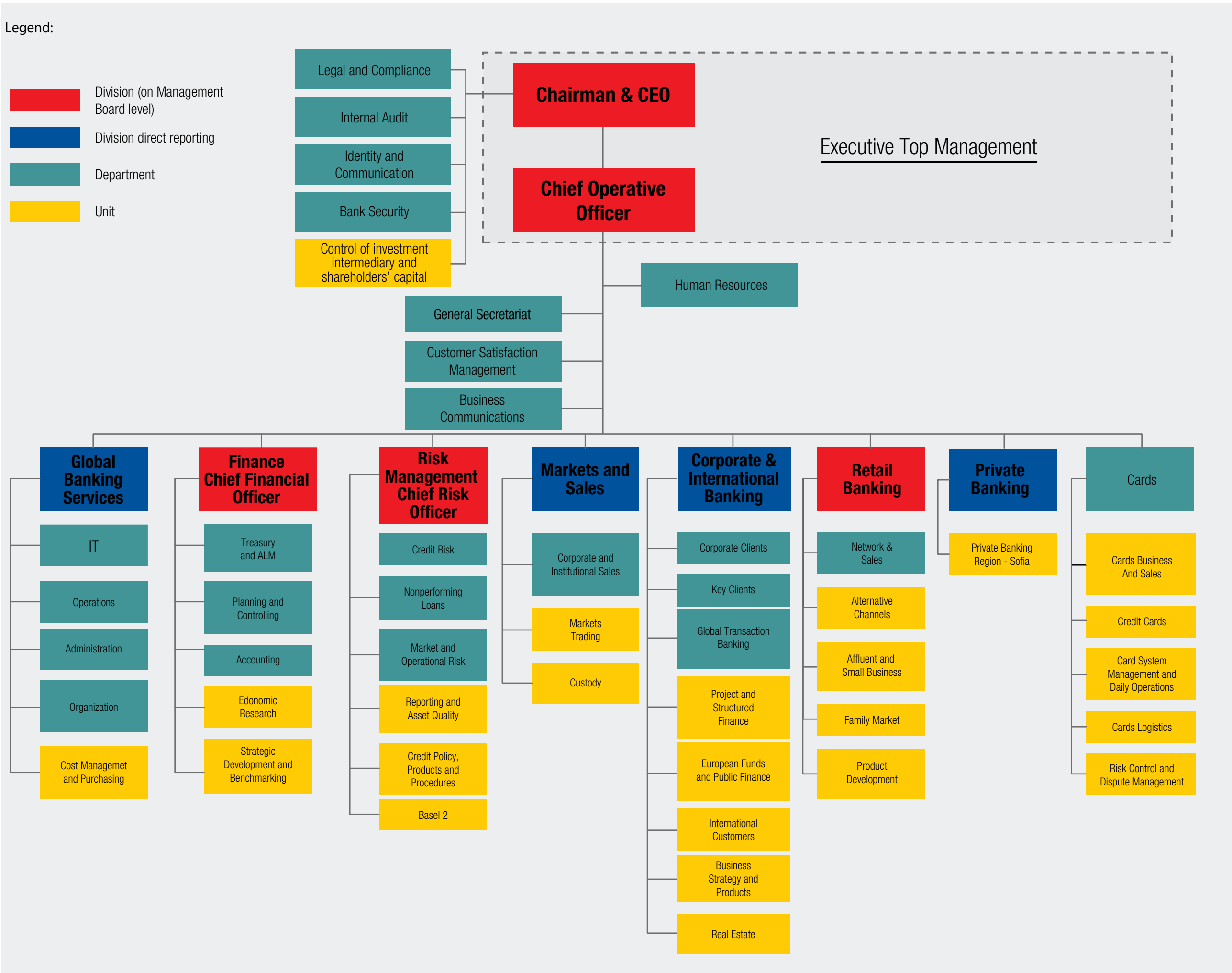
Management Board*	
Chairman and Chief Executive Officer	Levon Hampartzoumian
Deputy Chairman and Chief Operative Officer	Andrea Casini
Member, CFO	Emilia Palibachiyska
Member, Director Retail Banking	Lyubomir Punchev
Member, CRO	Monika Fuernsinn

On 20.01.2009 UniCredit Bulbank has filed with the Commercial registry of the Registry Agency the following changes, based on the decision of the Extraordinary General Meeting of the Shareholders of UniCredit Bulbank, held on 19 December 2008:

- Election of: Ms. Maria-Elisabeth Sochstl – Kugler, Mr. Claudio Cesario, Mr. Graciano Cameli as Members of SB.
- Release of: Mr. Tomas Gross, Ms. Elena Patrizia Goitini and Mr. Marco Iannaccone as Members of SB.

[1]As of 31 December 2008

Organisation Chart[1]



[1] As of 31 December 2008

Credit Rating and Awards

Counterparty Credit Rating (Standart & Poors)

Long-term	BBB[2]
Short-term	A-3
Outlook	Negative

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

Awards received by UniCredit Bulbank in 2008

UniCredit Bulbank's achievements were recongnized by many respected local and international media and organizations. Among the main awards and honors the Bank and its management received in 2008 were:

- "Best Bank in Bulgaria" and "Best Equity House in Bulgaria" – Euromoney magazine
- "Best Bank in Bulgaria" – Global Finance magazine
- "Best Bank in Bulgaria in Capital, Assets and Profit" – Finance Central Europe magazine
- "Best Bank in Bulgaria in market share" – Pari newspaper
- "Excellence in Custody Services in Bulgaria" – Global Custodian magazine
- "EUR STP Excellence Award" – Deutsche Bank
- "Best Banker in 2008" – by the Bulgarian Burov Foundation to Mr. L. Hampartzoumian, CEO and Chairman of the MB of UniCredit Bulbank
- "Commendatore of the Order of Italian Solidarity" – by the President of Italy, Mr. G. Napolitano to Mr. L. Hampartzoumian
- "Honorary Sign" – by the President of Bulgaria, Mr. G. Parvanov to Mr. A. Profumo, CEO of UniCredit Group

Ernst Jürgen Rohde
Germany

**«A good customer relationship is about more than just the volume of business.
I am not satisfied until my clients recognize me and my company as their preferred business partner.
This recognition I have to earn every day anew.»**

**«Based on my experience, I am convinced of the importance of long-lasting customer relationships.
The roots of my success are anchored in deep customer satisfaction, followed with a steadily growing confidence in myself, my personal competence and my ability to find the right solutions.»**

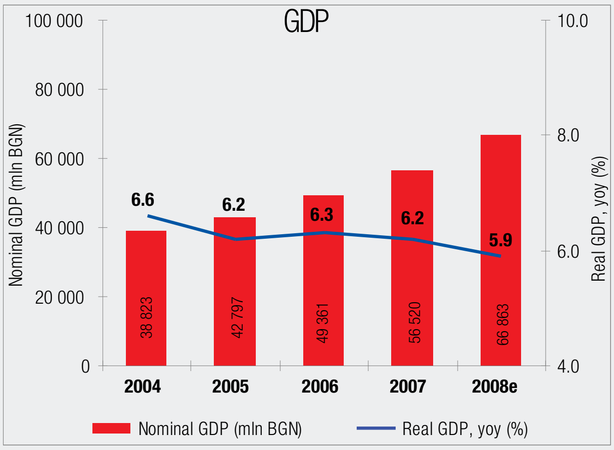
Sandra Stigger
Austria

«We are the people who determine our future.
There is no doubt that the atmosphere of our Group and beneficial relationships with our clients depend on us.
To achieve this, we should stand by our moral and professional convictions and also consider our people's opinions.
When we commit ourselves to that principle, then we will succeed at everything we do.»

Julia Shagova
Russian Federation

Bulgarian Economy

Overview of Economy



GDP grew by 7.1% in the first half of 2008 and slowed only marginally to 6.8% in the third quarter. Economic growth in Bulgaria has remained overreliant in just three economic sectors: real estate, construction and financial intermediation, which have contributed for more than half of the total growth since 2006. Nevertheless, there are a number of indications that the growth is on a course for a major slowdown, which in turn has led to a pronounced deterioration of the short-to-medium term growth outlook. The key drivers of growth deceleration, which started in the fourth quarter of 2008, were weaker foreign capital inflow coupled with lower export demand and subdued real income growth.

Consumer price inflation slowed down to 7.8% year-on-year in December, following a second consecutive month of a fall in the month-on-month price. The index marked a significant contraction since its peak in June when the twelve-month CPI climbed to 15.3% year-on-year. On an annual basis, however, the CPI dynamics accelerated to 12.3% in 2008 from 8.4% a year earlier. The services sector contributed the most to the price increases of last year while the food products sector moved to a steep disinflation path in the second half of the year.

Bulgarian Economy (Continued)

Selected economic indicators	2008	2007	2006	2005	2004	Growth 08/07
Avg. Basic Interest Rate (%)	5.12	3.92	2.68	2.04	2.61	1.2
Inflation at the end of the period (%)	7.8	12.5	6.5	6.5	4	-4.7
Average inflation (%)	12.4	8.4	7.3	5.0	6.2	4.0
Nominal GDP (EUR million)[e]	34,186	28,898	25,238	21,882	19,850	18.3%
Real GDP growth (%)[e]	5.9	6.2	6.3	6.2	6.6	-0.3
GDP per capita (EUR)[e]	4,497	3,782	3,268	2,835	2,558	18.9%
Trade balance, FOB (EUR millions)[e]	-9,230	-7,303	-5,562	-4,410	-2,954	26.4%
Net foreign direct investments (EUR millions)[e]	4,991	6,309	5,869	3,227	2,252	-20.9%
Gross foreign dept at the end of the period (EUR millions) *	36,929	28,854	20,629	15,507	12,659	28.0%
BNB FX reserves (EUR millions)	12,713	11,937	8,926	7,370	6,770	6.5%
Unemployment rate at the end of the period (%)	6.3	6.9	9.1	10.7	12.2	-0.6

Source: BNP , NSI ans UnitCredit Bulbank projections

[e] Unicredit Bulbank forecast *data as of Nov. 2008

In the first 11M of 2008 import growth (19%) outpaced export growth (16%) driving the trade gap upwards by 33% year-on-year. The other components of the CA reported a mixed performance. Services and current transfers balances demonstrated resilience, while income balance weakened significantly in reflection of the rising foreign debt servicing costs, amid of the global financial crisis. On the financing side, net FDI came in at EUR 4.8 billion, or roughly 17% below the level in the first 11M in 2007. Slowing FDI was partially balanced by an increase in the debt creating financing, which reported a massive 44% year-on-year increase. Sector data for both FDI and debt creating financing showed that more than 40% of the foreign capital inflows, channelled into the Bulgarian economy, were attributable to the activities of the local commercial banks.

Regardless of the worsening short-to-medium outlook for the Bulgarian economy, its long term potential was not harmed. In effect, Bulgaria remains the lowest cost provider in the EU. Due to favourable taxation and a flexible labour market, it is traditionally perceived as a gateway for the countries in the Western Balkans and the Black Sea region. All these factors have made Bulgaria a very interesting destination for delocalization of production activities, particularly for those western European companies that will have to restructure due to the global financial crisis.

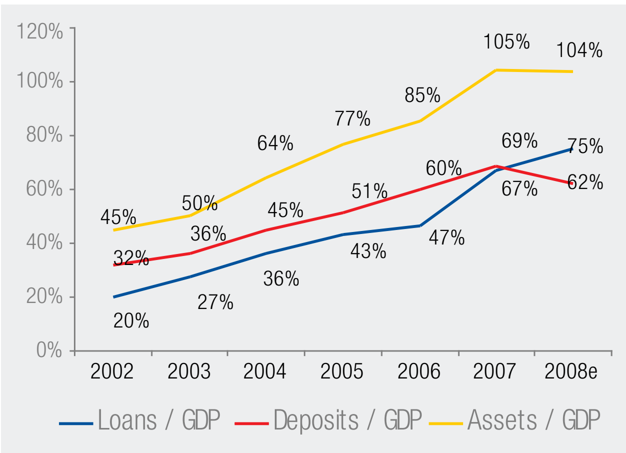
Bulgarian Economy (Continued)

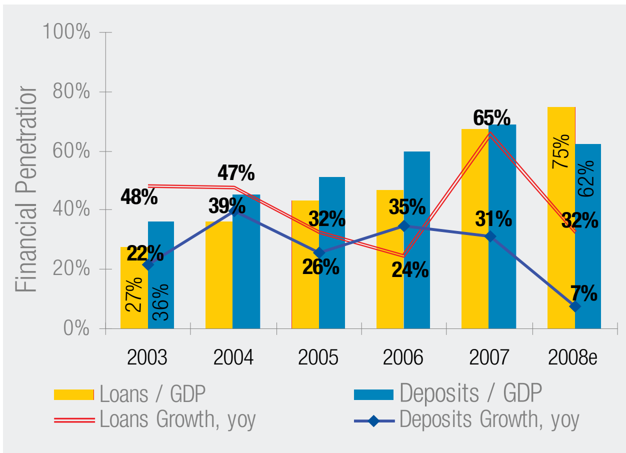
Overview of Banking Sector

The year 2008 could be split into two different periods. In the first nine months of the year credit growth remained strong, demonstrating its resilience to the impact of the global financial crisis. Nonetheless, the squeeze in foreign capital inflows, in combination with the rapidly worsening economic outlook, led to a pronounced slowdown of lending activity in the fourth quarter of 2008. Thus, the annual growth in outstanding loans to households and non-financial corporations moderated to 32.2% in Dec, from 54.1% in Jun, and 65.0% at the end of 2007. That process mostly reflected on the reduction in the supply of new credit and the tightening of the eligibility standards, applied to prospective customers on the lending side. On top of that, costs of credit increased and the worsening economic outlook urged companies and households to reconsider their spending priorities. Likewise, customer deposits lost momentum in the last three months of the year and reduced its annual growth rate to just 7.5% in December 2008.

As of date, it is too early to say when the necessary conditions for more sustainable credit growth will be back in place. The local banks need time to adjust their balance sheets so as to reduce their overreliance on short-term wholesale funding. The pace at which lending recovers also depends on the impact that a slowing economy is going to have on savings rates, and on the degree to which foreign investors will be ready to channel capital in emerging markets when the global financial crisis is over.

The ongoing turmoil on the global financial markets made the issue of access to financing an overriding priority. External financing became overly scarce and expensive. Rising risk aversion of international investors led to a further widening of the gap between domestic and Euro zone money market interest rates. All these exacerbated competition for locally attracted savings thus driving the cost of newly-contracted deposits from companies, and especially households, significantly upwards. Notwithstanding the detrimental impact of rising funding costs and slowing business volumes in the last three months of the year, consolidated profit reached its highest level since the start of the transition, reaching BGN 1,387 million. As a consequence, the sector continued to create value for its shareholders, although the cost of capital increased significantly in response to a very different perception of risk, associated with the emerging markets region following the crisis escalation.





Andre Nolting
Germany

«I think that we are always close to our customers. Even more so if the markets are difficult, as last year. We organized events for our customers to discuss the situation in the financial markets. We keep our promise always to be there - especially in times of need.»

UniCredit Bulbank Activity Review

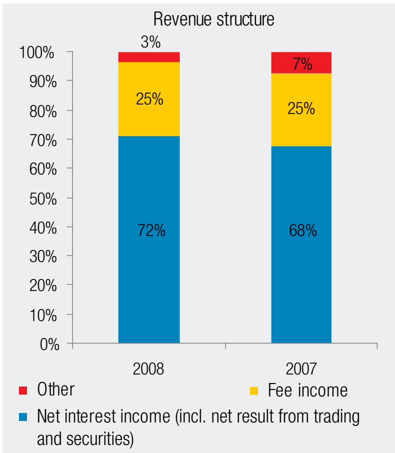
Financial Results

In 2008 Unicredit Bulbank's total gross operating income was BGN 611.9million (7.1% higher than the year before). Operating expenses increased by 9.2% to BGN 259.2million, however, which resulted in 5.7% growth of net operating income to BGN 352.7million. Nevertheless, net profit reported an annual growth of 14.3% and represented BGN 291.7million, mainly due to the lower impairment loss and provision levels in 2008.

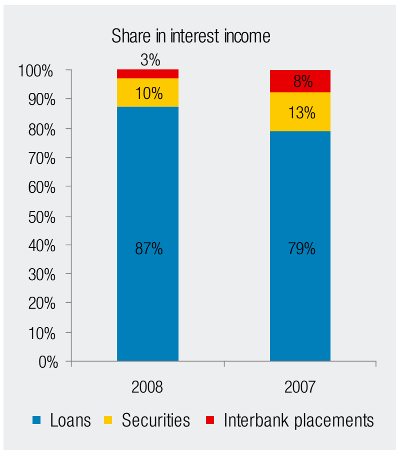
Thousands of BGN

Summary of Unconsolidated Operating Income Statement	2008	2007	Growth (%)	Growth(amount)
Net interest income	463,369	379,744	22.0	83,625
Net fees and commissions income	155,238	143,473	8.2	11,765
Net trading income	-24,019	11,647	-306.2	(35,666)
Net result from investment securities	-1,093	-3,451	-68.3	2,358
Other income	18,381	39,645	-53.6	(21,264)
GROSS OPERATING INCOME	**611,876**	**571,058**	**7.1**	**40,818**
Operating Expenses	(259,206)	(237,374)	9.2	(21,832)
NET OPERATING INCOME	**352,670**	**333,684**	**5.7**	**18,986**

UniCredit Bulbank's profitability and efficiency remained fairly stable regardless of the financial disturbances in the last quarter of 2008. Return on average assets was 2.9% and return on average equity was 23.0%. Earnings per share increased by 14.3% to BGN 1.22 and net profit margin improved by 3pp to 47.7%. Cost/income ratio was 42.4%, remaining below the average for the banking system.



Net interest income increased its role as the major earnings contributor, generating 72% of gross operating income as at the end of 2008. As a consequence, it reported an annual growth of 22% to BGN 463.4million and also changed its structure a bit. In particular, loans and advances to customers generated 46% more revenue in 2008 and increased their share in interest income to 87%. Due to the increased financial disturbances in the last quarter of 2008, securities and interbank placements both reported negative year-on-year growths and now account for 10% and 3% of interest income respectively.



Interest income was supported by the significant increase in lending volumes. Interest expense on customer deposits went up by 39% due to the overwhelming effect of increasing deposit prices over decreasing volume. Net interest margin increased slightly to 4.6%.

Net fees and commissions income, accounting for 25% of gross operating income, was up by 8.2% to BGN 155.2million. Growth was mainly attributable to the increase of 18% in lending business fees, 13% in currency trading fees and 11% in fees from collection and payment services.

UniCredit Bulbank Activity Review (Continued)

The rest of the gross operating income components: net trading income, net results from investment securities, and other operating income, taken altogether reported a negative growth amount of BGN 54.6million mainly due to the poor performance in FX trading, derivative instruments and available-for-sale securities. Nonetheless, they accounted for a small percentage of total operating income and hence could not affect the Bank's overall healthy profitability.

The 9.2% growth in operating costs was indicative of the sophisticated economic conditions. Personnel costs grew by 8.8%, reflecting the competitive labour-market environment in the banking sector. Non-personnel costs were up by 6.5% in 2008, mostly as a result of increased deposit insurance premiums, marketing and property-related expenses.

Net impairment losses on financial assets and provisions amounted to BGN 28.3million compared to BGN 49.6million in 2007. A tangible proportion of the impairment was offset by the receipt of BGN 10.2million from active collection and work-out activity as well as from the positive effects of BGN 2.9million in legal case resolutions and BGN 0.8million in constructive obligations. UniCredit Bulbank continued to pursue a strict, conservative and prudent risk assessment and provisioning policy, thus properly covering potential risks in the rapidly expanding lending market. The Bank's NPL ratio improved from 2.7% in 2007 to 2.1%. The released unutilized restructuring provisions, related to optimization of operational activity as a result of a legal merger of the three Bulgarian banks (Bulbank AD, HVB Bank Biochim AD and Hebrosbank AD) amounted to BGN 18million.

Income tax was BGN 32.7 million, up by 13.2% year-on-year.

UniCredit Bulbank Activity Review (Continued)

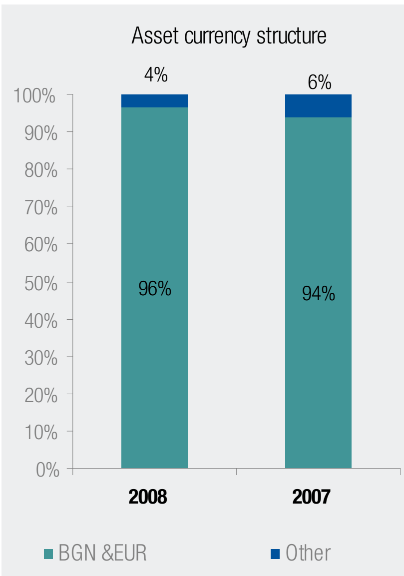
Assets and Liabilities

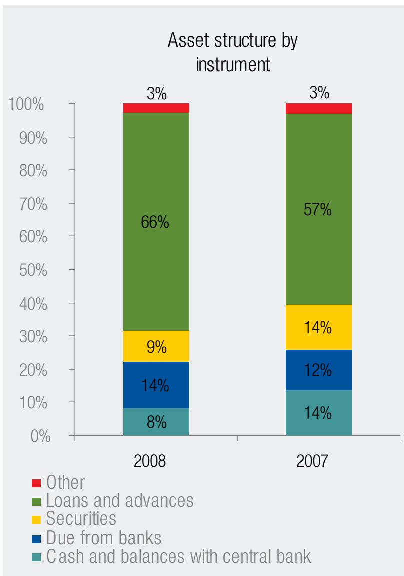
Total assets on unconsolidated basis reached BGN 11,015 million, up by 21.5% compared to the end of 2007.

Thousands of BGN

Summary Unconsolidated Balance Sheet	2008	2007	Growth (%)	Growth (amount)
Assets				
Cash and balances with Central Bank	905,929	1,250,846	(27.6)	(344,917)
Due from Banks	1,549,996	1,076,389	44.0	473,607
Securities	1,017,556	1,254,912	(18.9)	(237,356)
Loans and Advances to customers	7,232,251	5,201,499	39.0	2,030,752
Property and equipment	185,129	193,333	(4.2)	(8,204)
Other assets, net	123,843	89,756	38.0	34,087
Total assets	**11,014,704**	**9,066,735**	**21.5**	**1,947,969**
Liabilities and shareholders' equity				
Customer deposits	6,029,191	6,338,962	-4.9	(309,771)
Deposits from banks	3,218,594	1,296,285	148.3	1,922,309
Other liabilities	393,854	269,202	46.3	124,652
Total liabilities	**9,641,639**	**7,904,449**	**22.0**	**1,737,190**
Shareholders' equity	**1,373,065**	**1,162,286**	**18.1**	**210,779**
Total liabilities and shareholders' equity	**11,014,704**	**9,066,735**	**21.5**	**1,947,969**

The currency structure of assets changed slightly. EUR and BGN denominated assets increased their share from 94% to 96% of total balance sheet.





UniCredit Bulbank Activity Review (Continued)

The gradual shift from treasury components to those related to commercial banking also continued in 2008. The loan portfolio weight rose to 66% of total assets against 57% for the previous year, reaching BGN 7,232 million in net terms (up 39.0% year-on-year). Robust business growth was evidenced by a steady increase in both retail and corporate business areas. The underlying gross loan volumes advanced by 38.4%, with corporate loans rising 42.7%, residential mortgages 50.6% and consumer loans 7.8%.

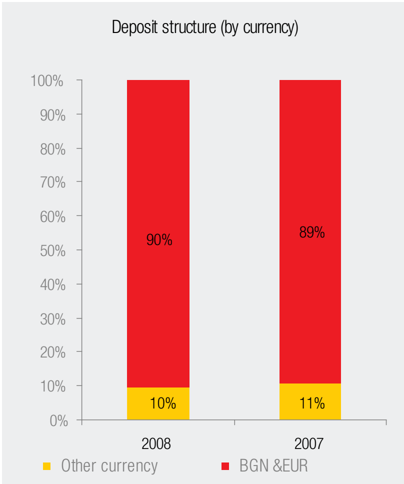
Securities portfolio declined by 18.9% to BGN 1,018 million and its share of total assets decreased from 14% to 9%. Inter-bank placements were up by 44.0% at the end of 2008, and their share of total assets increased from 12% to 14%. Cash and balances with BNB decreased by 27.6% to BGN 906 million, as a result of the changes in the minimum required reserves in 2008. Property and equipment declined by 4.2% to BGN 185 million.
The Bank continued to finance its operations predominantly through customer deposits and internal funds. Customer deposits went down by 4.9%, reaching BGN 6,029 million.

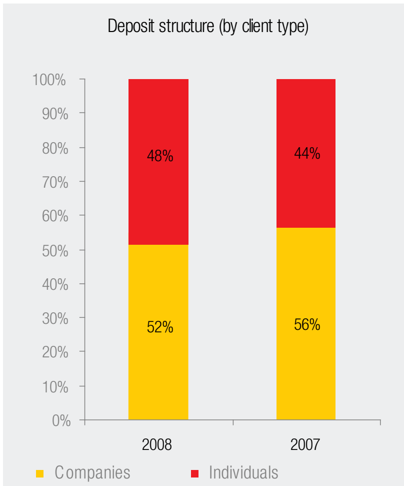
Unconsolidated shareholders' equity amounted to BGN 1,373 million, up by 18.1% for the year (BGN 1,162 million in 2007). The equity ratio decreased to 12.5%, down from 12.8% in 2007. Total capital adequacy ratio was 13.2% (12.9% in 2007), and Tier 1 ratio was 10.3%, down from 10.6% in 2007. Risk-weighted assets to total assets ratio was up by 2.8 percentage points to 82.8%, reflecting the growth of loan portfolio. These afforded a complete compliance with BNB Regulation 8 on Capital Adequacy.

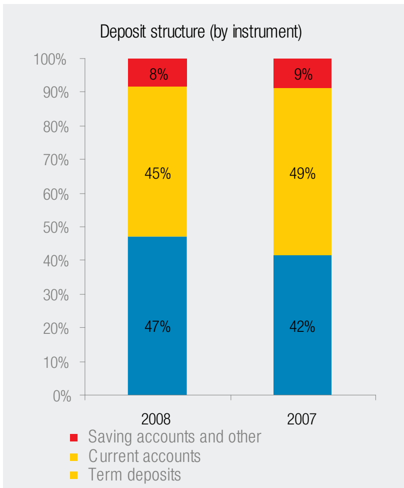
Customer Deposits

In 2008, customer deposits reached BGN 6,029 million. 90% of all deposits are denominated in Euro and BGN.

Deposits of individuals increased to BGN 2,923 million at the end of 2008, 48% of total. Company deposits amounted to BGN 3,106 million or 52% of total. Customers continued to shift funds away from current accounts to time deposits, affecting the net margin. The term deposit weight increased to 51% of total deposits against 42% for 2007, reaching 2,853 million (up 7.8% year-on-year).



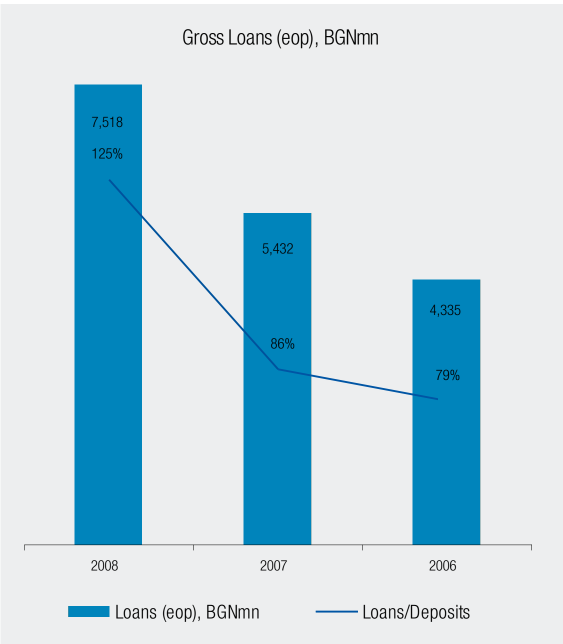


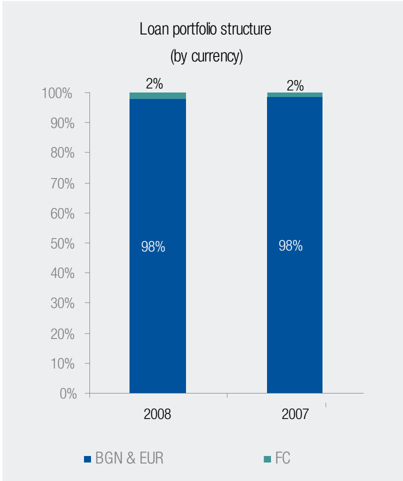


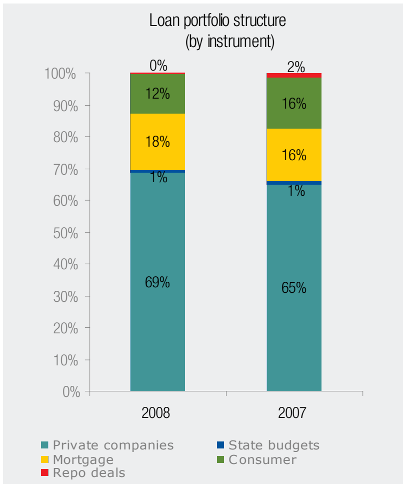
Bank Loan Portfolio

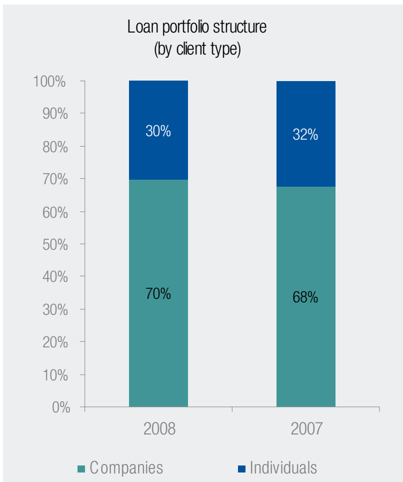
In 2008, the loan portfolio of the Bank grew by 38.4% to BGN 7,518 million on a gross basis, up from BGN 5,432 million a year earlier. The average annual loan portfolio was BGN 6,217 million in 2008, up 27.3% compared to 2007. The loan-to-deposit ratio increased by 39pp on an annual basis to 124.8% (compared to 120.3% for the banking sector). The share of loans in currencies other than EUR and BGN increased from 1.6 to 2.2%.

Loans to companies grew by 42.7% to BGN 5,240 million, and increased to 70% (68% in 2007) of the total portfolio. Loans to individuals grew by 29.4% to BGN 2,278 million, accounting for 30% of total portfolio, driven by the strong growth in mortgages, which reached a share of 18% (up from 16% in 2007) of total portfolio. Given the booming property market and the strong demand in the first nine months of 2008, mortgage lending was again central to the commercial efforts. A strong growth of 50.6% (up to BGN 1.3 billion) was achieved. Despite the high demand, consumer loans had a lower priority for risk considerations. They were nonetheless up by 7.8% to BGN 938 million.









UniCredit Bulbank Activity Review (Continued)

The industry structure changed slightly during the year. The share of manufacturing declined by 2.5 percentage points while that of construction increased by 2.8 percentage points. The main areas of concentration as of year-end 2008 were other retail and other industry sectors, manufacturing, and commerce, accounting together for 70% of the total.

Thousands of BGN

Industry structure	2008		2007	
	Amount	Share	Amount	Share
Sovereign	59,733	1%	59,131	1%
Manufacturing	1,439,630	19%	1,174,099	22%
Commerce	1,577,385	21%	1,131,645	21%
Construction	574,398	8%	264,121	5%
Agriculture and forestry	157,578	2%	107,941	2%
Transport and communication	331,610	4%	150,488	3%
Services	822,011	11%	486,577	9%
Financial services	277,461	4%	134,737	2%
Other industry sectors and retail	2,277,731	30%	1,923,823	35%
Total loan portfolio	**7,517,537**	**100%**	**5,432,562**	**100%**

UniCredit Bulbank Activity Review (Continued)

Consolidated Financial Results

The following list of companies reflects their respective participation in equity and consolidation method:

Company	Participation in equity	Consolidation method
UniCredit Factoring EAD	100.0%	Full consolidation
Hypovereins Immobilien EOOD	100.0%	Full consolidation
UniCredit Consumer Financing AD	49.9%	Equity method
UniCredit Leasing AD	49.0%	Equity method
Bulbank Leasing AD	49.0%	Equity method
Cash Service Company AD	25.0%	Equity method
Pirelli Real Estate Bulgaria AD	25.0%	Equity method

UniCredit Bulbank reported a consolidated net profit in 2008 of BGN 292.9 million, up by 16.5% year-on-year. Consolidated earnings per share improved to BGN 1.22.

The Group's net operating income growth was almost entirely due to net interest income and net fees and commissions, which rose by 20.8% and 8.6% respectively. The total net non-interest income was down mainly due to the poor performance of Markets and Investment Banking: the financial markets' crisis caused a sharp contraction of 305.5% in the Group's net trading income. Nonetheless, the net trading income accounted for less than 4% of total operating income and hence could not affect the Group's overall profitability.

Due to a balanced combination of efficiency increases, on the one hand, and development initiatives on the other, the operating expenses of UniCredit Bulbank Group increased by 8.7% and reached BGN 259.9 million. The staff costs grew by 6.7% to BGN 103.4 million.

Total assets were up 21.5% on a consolidated basis and were BGN 11,034 million at the end of the year. Group's return on average assets amounted to 2.9% in 2008; return on average equity was 23.0%.

Risk Management

The first three quarters of 2008 were characterized by an impressive loan growth, which far outweighed the ambiguous performance since the beginning of October. While increasing the loan volumes against a strong competition, it was important to keep the quality of exposures at a certain level. The level of Non Performing Loans improved to 2.1% in 2008 (2.7% in 2007). 95.0% of the total loan portfolio were standard loans, 2.8% watch and 0.3 % substandard loans (definition as per BNB Regulation 9).

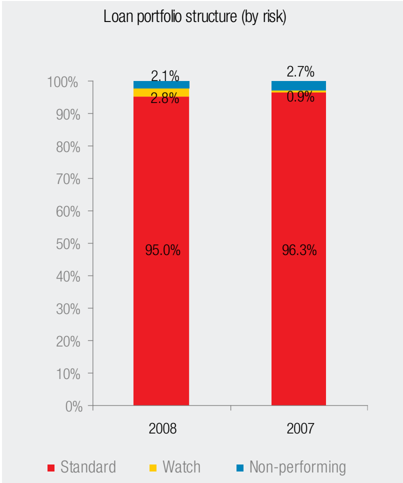
After the first signals of the crisis' impact on the Bulgarian economic environment, the lending rules were tightened and the focus was directed towards existing clients. All of the bigger exposures were screened in order to (1) determine to what extent they were affected by the crisis and (2) develop the necessary prevention action plans. The monitoring process was fine tuned in 2008 and regular meetings of the monitoring committees in both corporate and retail segments were held.

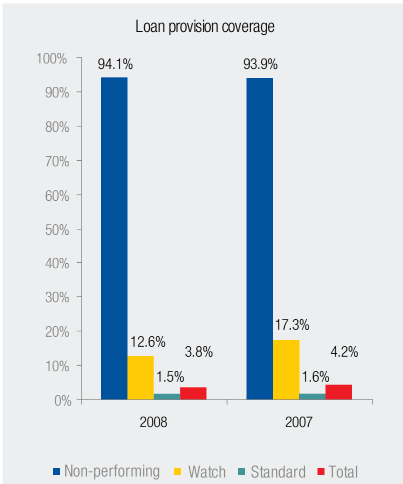
Loan quality remained excellent. The overall amount of write-offs was BGN 5.4 million. Total provision coverage as of 31.12.2008 was 3.8%. Watch loans coverage was 12.6% and NPL coverage reached 94.1%.

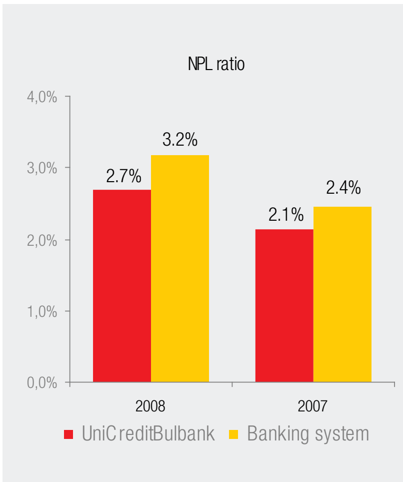
Throughout 2008 the Market Risk department focused on the interest rate and credit spread risks of the securities portfolio as well as the liquidity on an overall banking level. The discipline of trading units was tightened in order to reduce the risk levels to a minimum. In addition, counterparty credit risk of treasury transactions and settlement limits was monitored on a daily basis. A new reporting line to the National Bank of Italy was established so as to keep all big exposures to the international financial institution under control.

The Operational Risk department initiated a variety of problem-solving projects and working groups. Some of these included post-merger data cleaning, dormant accounts management, and business community management. Their primary purpose was to preliminarily assess and mitigate the potential risks relating to new products and procedures.

In June 2008, the Bulgarian National Bank granted permission to UniCredit Bulbank to report the capital requirement for operational risk, based on the Standardized Approach methodology (i.e., a more sophisticated method for capital reporting in comparison to the Basic Indicator approach). This approval attested that the Bank's operational risk system is conceptually sound and implemented with integrity. In effect, it is closely built into the risk management process of the Bank and its output is a fundamental part of the process of monitoring and controlling the exposure to risk.



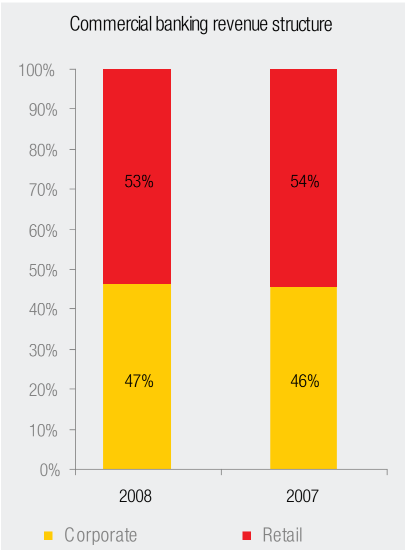


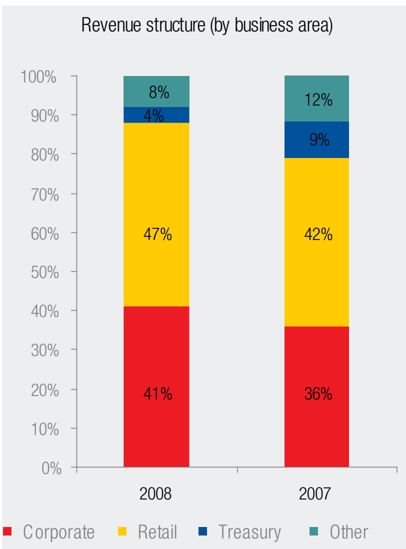


UniCredit Bulbank Activity Review (Continued)

Business Areas Development

Gross Operating Income grew uniformly across corporate and retail banking (+20.6 and +19% year-on-year respectively). Commercial banking (retail and corporate) reinforced its position as the main revenue growth driver. It generated revenues of BGN 539.4 million in 2008, up 19.8% year-on-year. These represented 88% of total gross operating income of the Bank (compared to 79% a year earlier). Such a growth was achieved through a strong focus on loans and deposits, improvement of the product offered and development of the over 1.2 million clients across all segments.





Corporate banking

The post-merger period was crucial for the Corporate and International Banking Division as the joint efforts for consolidation of the existing business activities proved to be highly successful from both market-share and profitability points of view.

Clearly, the overall market environment was the key challenge of 2008. While Bulgaria remained on the relative outskirts of the world financial crisis, the first signs were most visible namely in the Corporate and International Banking Division. Against the background of tightening credit the Bank was able to not only retain, but also increase its business with the vast majority of its corporate clients. Corporate loans (excluding small business) grew by 39.6%, reaching 4,558 million.

The clear negative impact of the exogenous factors did not prevent the Corporate Division to maintain its solid pace of expansion – revenues grew by 20.6% up to 251.3 million. The net interest revenues from loans and deposits expanded by 17.8% and 13.5% respectively, thus retaining the growth dynamics sustainable and balanced.

The above-stated successful performance was further underscored by many achievements in the specialized areas of UniCredit Bulbank's corporate banking.

• UCBulbank continued to leverage on a comprehensive and unique product shelf in the area of cash management and trade finance by developing a new service, named "UniCoRecT", to suit the growing needs of large corporate customers for collection and reconciliation of receivables. Although this is the newest item in the product line, it is anticipated to have a significant number of projects by the end of H1 2009, thus enhancing the deposit base and revenue generation.

• UniCredit Bulbank remained leader on the Public Finance market, maintaining a market share of about 30%. One of the major achievements was the Bank's right to be the service institution of the Fund for Local Authorities and Governments – FLAG.

• Cooperation Agreement with the State Agriculture Fund regarding the Rural Development Programme, Special Guarantee Mechanism for the projects under SAPARD, CIP LG facility with the EIF for SME etc., were some of the activities initiated under EU funds.

Going into 2009, the challenges of the worsening macroeconomic situation require from top management to put a great emphasis on the short- to mid-term strategy of the Corporate and International Banking Division. In this respect the Bank is at a solid level of preparedness to provide comprehensive solutions that support the existing businesses, while at the same time, does not markedly increase any risk exposure. Hence, we highly focus on the maintenance of the customer base in 2009. Due to the increased macroeconomic volatility, the former will be achieved by accentuation on services and products which can support the smooth operation of our clients through continuous help in hedging large variety of their financial risks.

Retail banking

In 2008 the primary focus was on setting the commercial machine on the right track. The network was optimized in terms of market share and geographical presence and the focus was directed towards increasing clients, sales and customer satisfaction.

In 2008 retail banking revenues grew by 19%, reaching BNG 288.1 million. Retail (individuals and small business) deposit volumes reached BGN 3,712 million as of 31.12.2008. Retail loans grew by 36.6% to BGN 2,951million.

The small business loans portfolio increased by 52.4% reaching BNG 779 million through its differentiated and focused approach as well as its dedicated service model to provide fast and outstanding service to SME customers. In addition, 2008 was a year of special focus on this particular segment since it is recognized as being the backbone of the economy and as such of critical importance to the Bank's future.

In order to respond to the increasing competition related to attracting fresh sources of funds, especially in the last part of the year, the retail banking division introduced the following deposit products:

• Growing Interest Deposit – a time deposit with a term of three months, in which against the sums placed-in, the depositor gets an interest that increases each month within the three-month period. It has a minimum sum of BGN 2,000 or EUR/USD 1,000 and four successive stages, each with duration of three months. In addition, the customer can withdraw from the principal on the maturity of each quarter without any sanctions.

• ROKADA Deposit – a time deposit with a validity of term of six to twelve months, in which the depositor receives the interest for the entire term of the deposit in advance. The minimum balance for the deposit is EUR/BGN 5,000. Opening such a deposit, the customer may receive the new and the most secure debit card V Pay, free of issuance, maintenance, and transaction fees at ATM's and POS terminals of UniCredit Group in Bulgaria and abroad.

• Nine Weeks and a Half Deposit – a time deposit with special and exclusive annual interest accrued for a duration of 66 days. It requires a minimum sum of EUR/BGN 2,000. Some promotional annual interest rates (7.5% and 5.5% for EUR and BGN deposits respectively) were also offered for a specified period of time.

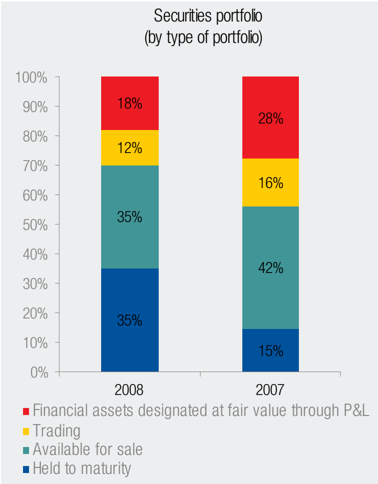
Despite the harsh market situation in investment products in 2008, UCB finished the period with positive net sales in the Pioneer funds. Specifically, the total Pioneer funds and unit-linked life insurance sales through the retail banking channels reached EUR 9 million at the end of the year. The AUM of retail clients at the end of 2008 amounted to EUR 22 million.

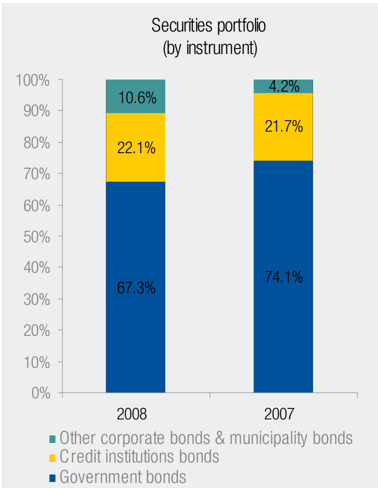
As of 31.12.2008 the number of debit cards was over 767 thousands and the number of credit cards was over 44 thousands. The optimised ATM network consisted of 553 ATMs and the number of POS terminals increased by 43.2% to 4,525 units.

Money market and capital market operations

In 2008 UniCredit Bulbank continued its active participation in the capital markets despite the extreme market conditions worldwide. The significant increase in credit spreads (incl. Bulgaria credit spreads), the major liquidity problems of the banking system and the drastic interest rate easing policy of the FED and the ECB were among the main factors that affected the Bank's portfolio throughout the year. Regardless of the world economic conditions, the Bank remained a major source of liquidity on the domestic market. As to the foreign exchange market, UniCredit Bulbank continued to be recognized as a first class partner.

The Bank was the local broker with the widest foreign market coverage. The value of services offered was additionally improved through the distribution of equity research, covering major Bulgarian public companies.





UniCredit Bulbank managed to outperform its competitors and ranked number one in terms of volume and number of issues with over BGN 215.5 million. That sum was raised in three capital market deals - two capital increases and one exchangeable bond issue. That was the first-to-date exchangeable bond issue in Bulgaria and amounted to EUR 65 million. It came to show UniCredit Bulbank's innovation ability in terms of new products, flexibility regarding the adequate response to the changing market conditions, and ingenious use of UniCredit Group's know-how.

In 2008, UniCredit Bulbank kept on using a large selection of diversified mid-term and long-term funding sources. Various intermediated loans from several supranational and international institutions (EIB, EBRD, KfW), most of them supplemented by EU grants, were allocated to final beneficiaries, supporting investment lending in areas like SMEs, energy efficiency and municipal development.

Over the course of the year, UniCredit Bulbank maintained an active but prudent investment policy. The investment portfolio was structured with the goal to invest surplus liquidity, earning sufficient return on an acceptable risk basis. More than 50% of the investment portfolio was invested in Bulgarian government bonds, whose average duration was 2.6 years.

Branch network

As to the branch network development, the Bank focused its efforts on a concentrated renovation, aiming at achieving a sound and unique corporate design, customer-friendly environment and optimized business and service areas. By year end, half of the network was modernised so as to meet the changing business demands and models. Fifteen new branches were additionally opened, reaching in this manner a total number of 260 and thus keeping the market share of the Bank at the comfortable 10% level.

Another approach to market presence optimization was initiated through taking advantage of the proximity of similar locations, especially in Sofia, where the customer base is more concentrated. In this manner, three brand new business branches appeared in the Sofia centre and another three were specifically tailored in order to serve individuals only. Moreover, five existing branches, closely situated to one another, were optimized so as to achieve a better focus on current and future clients of the Bank. Similar actions were carried out in the branches of other regional centres and bigger towns. Hence, the Bank's clients may benefit from these innovations and customizations, whose basic purpose is to increase their satisfaction in the recent future.

Along with the refurbishment, UCB also initiated optimisation programs for its overall real estate portfolio, branch network and Head Office areas. After the merger of the previous year, considerable improvements in bank and non-bank occupied areas were already made. In addition, the new program supported further substantial improvements, whose results are expected to appear in the upcoming three years.

Human Resources

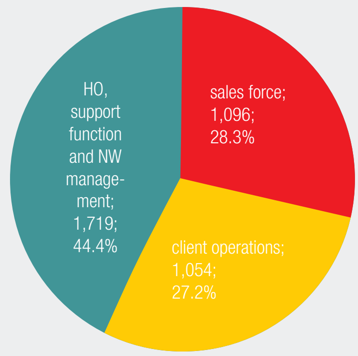
Year 2008 proved to be challenging in terms of human capital management. After the legal merger of the three banks and the restructuring of all units in 2007, 2008 was dedicated to the development of policies and implementation of various tools for improvement in the area of human resource management.

Through a set of measures targeting career development, compensation review and motivation of employees, the high rates of voluntary turnover, observed in 2007, were significantly decreased (down to 11.2% on an annual basis) in 2008. During 2008 a total of 760 new employees (around 19% of the total FTE) were hired in order to support the business growth, the branch expansion, and the natural turnover. As a result, the overall number of active staff (FTE) was 3,869 in the end of the year, which constituted a growth of 100 (FTE). As a tool for attracting young talents, more than 340 students participated in the program, 34% of which were offered a permanent job. The willingness for constant enhancement of leadership and managerial skills was supported by UniManagement – UniCredit Group's training centre for Leadership Development and external partners. In effect, more that 100 managers took part in different managerial trainings.

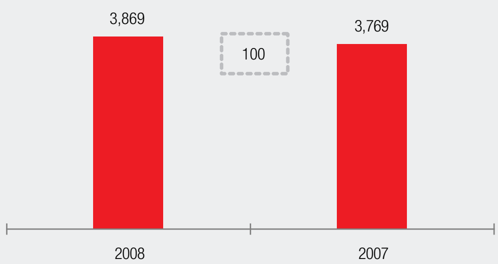
Special attention was paid to key people and talent management. The Executive Development and Talent Management Programs on UniCredit Group level were largely spread and 78 key people from the Bank participated. Another five successfully graduated "UniQuest", the Group's program for young employees showing high potential. Moreover, another employee joined the third edition of the program.

The local HR Segmentation and Talent Management program enabled the identification, development and supervision of internal bank talents thus ensuring a competitive advantage of UniCredit Bulbank in the local market. The Assessment Centre of the Bank actively supported the career planning process especially regarding recruitment and development purposes. The number of participants in the performance management system (management by objectives) was further enhanced and covered more than 1,800 employees as at the end of 2008, which represented 47% of total employees. A new target, called Customer Satisfaction, was introduced to the larger part of participants. In that aspect, about 20 incentive campaigns were implemented, aiming at enhancing the achievement of the Bank's commercial goals.

Structure of staff Dec'08



Number of bank staff (FTEs)



Global banking services

After the successful merger of Bulbank, HVB Bank Biochim and Hebros Bank in 2007, the focus in 2008 was directed towards simplification and streamlining of the processes and procedures, reorganisation and deployment of the new operating models, and improvement and optimisation of the facilities in the Bank's network. A large number of initiatives were started and huge efforts made, under strict cost management, in all areas of GBS (Operations, IT, Organisation, Facilities and Administration, Procurement & Cost Management). These resulted in increased operational efficiency and enhanced internal as well as external customer satisfaction. Major positive effects were achieved in 2008 and supplementary benefits are expected to emerge in 2009.

One of the main initiatives that began in Q2 of 2008 was related to the centralisation of the domestic payments processing. In effect, it is envisaged to Go-Live in Q2 2009. The new solution would enable UCB to centrally manage and process all paper-based domestic payments and hence significantly increase efficiency. In parallel, the processing of all foreign exchange payments was fully centralised and further improvement in achieving straight-trough processing was made.

IT went through a complete structural change and thus ensured the set up of a modern agile IT organization, capable of servicing various new business initiatives and keeping the performance of existing services stable. The whole IT branch network support was successfully outsourced, providing for sustained service levels and significant improvement in total cost ownership.

As a whole, UniCredit Bulbank was better prepared and more agile in 2008 than ever. That helped the Bank meet the challenges of the fast-moving and competitive market environment though the creation of tangible value for its customers, shareholders and employees.

Corporate social responsibility

In 2008 UniCredit Bulbank led a consistent corporate social responsibility (CSR) campaign, which is based on its Integrity Charter, the foundation of UniCredit Group's identity. The sponsorship and donations portfolio was varied and diversified as can be expected from a truly European bank. Special emphasis was put on developing youth, furthering education, supporting talented artists and promoting projects with national significance in the arts, sports and environmental fields. As a member of the UN Global Compact, UniCredit Bulbank led its CSR policy through embracing, supporting and enacting the core values of social and environmental responsibility. Some of the major contributions that UniCredit Bulbank initiated as a major employer, lender and investor during 2008 included:

• Green projects – these included the restoration of two main 30 km touristic paths in the mountain of Vitosha next to the capital of Sofia. The Vitosha project of UniCredit Bulbank was part of a long-term green program, which started in the spring of 2008. Only in the past year the Bank invested over BGN 100,000.

• Gift-matching program and other charity initiatives - organized in partnership with the Unidea Foundation of UniCredit Group, the program provided the employees with an opportunity to personally contribute to voluntary and charity causes. Their contributions were later doubled by UCB and tripled by Unidea. Moreover, the special support of one of the biggest foster homes in Bulgaria, the one in the town of Roman, was once again prolonged.

• Arts and Culture - these sponsorships were developed so as to encourage and promote the understanding of different cultures across the world. For that reason, they broadly covered variousexhibitions, concerts, and operas. Trough supporting culturally innovative organizations, projects and people UniCredit Bulbank aimed at encouraging individuals to enjoy new experiences, share knowledge and appreciate various lifestyles, societies and arts from across the globe.

• Sports - together with the Bulgarian Sailing Federation, UniCredit Bulbank organized for a third consecutive year the UniCredit Bulbank National Sailing Cup in 2008. Furthermore, sports and arts were combined in the organization of the EURO 2008 children's drawing exhibition, which took place in the headquarters of UniCredit Bulbank during the European football championship in 2008. Also, the UniCredit National Ski Competition for all UniCredit employees in Bulgaria took place.

«After 26 years working for the Group, I thought I had seen everything. Then came 2008, which was the most professionally challenging year ever. I have seen the dynamism of the Group and its workforce. I know we can rise to the challenge. I know our commitment. I know our strength. I know the best is yet to come.»

Tony Hall
United Kingdom

Unconsolidated Financial Statements

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF UNICREDIT BULBANK AD

12 February 2009

Introduction

We have audited the accompanying unconsolidated financial statements of UniCredit Bulbank AD ("the Bank"), which comprise the unconsolidated balance sheet as at 31 December 2008, and the unconsolidated income statement, the unconsolidated changes in equity and the unconsolidated cash flows for the year then ended, and a summery of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the unconsolidated financial statements give a true and fair view of the unconsolidated financial position of UniCredit Bulbank AD as at 31 December 2008, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by European Commission.

Report on Other Legal and Regulatory Requirements

Annual report of the activities of the Bank according to article 33 of the Accountancy Act

As required under the Accountancy Act, we also report that the unconsolidated historical financial information prepared by Management and presented in the annual report of the activities of the Bank, as required under article 33 of the Accountancy Act, is consistent, in all material aspects with the financial information disclosed in the unconsolidated financial statements of the Bank as of and for the year ended 31 December 2008. Management is responsible for the preparation of the annual report of the activities of the Bank which was approved by the Management Board of the Bank on 11 February 2009.

София
Рег. №045
„КПМГ България" ООД

Krassimir Hadjidinev
Registered auditor
Authorised representative

Margarita Goleva
Registered auditor

0202 Маргарита Голева

KPMG Bulgaria OOD
37 Fridtjof Nansen Str.
1142 Sofia
Bulgaria

Income Statement

In thousands of BGN

	Notes	2008	2007
Interest income		654,633	497,741
Interest expense		(191,264)	(117,997)
Net interest income	7	**463,369**	**379,744**
Dividend income		**139**	**643**
Fee and commission income		164,891	152,199
Fee and commission expense		(9,653)	(8,726)
Net fee and commission income	8	**155,238**	**143,473**
Net gains (losses) on financial assets and liabilities held for trading	9	(24,019)	11,647
Net gains (losses) on other financial assets designated at fair value through profit or loss	10	184	(16,767)
Net income from investments	11	(1,277)	13,316
Net income on disposal of subsidiaries, associates and property, plant and equipment	12	12,965	36,514
Other operating income, net	13	5,277	2,488
TOTAL OPERATING INCOME		**611,876**	**571,058**
Personnel expenses	14	(102,248)	(94,002)
General and administrative expenses	15	(125,654)	(117,939)
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets and investment properties	29,30	(31,304)	(25,433)
Provisions for risk and charges	16	3,634	(3,841)
Restructuring costs	17	17,986	5,200
Net impairment loss on financial assets	18	(49,922)	(51,004)
PROFIT BEFORE INCOME TAX		**324,368**	**284,039**
Income tax expense	19	(32,665)	(28,865)
PROFIT FOR THE PERIOD		**291,703**	**255,174**

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

Emilia Palibachiyska
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KPMG Bulgaria OOD

Krassimir Hadjidinev
Authorised representative

Margarita Goleva
Registered auditor

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

1

Balance Sheet

In thousands of BGN

	Notes	2008	2007
ASSETS			
Cash and balances with Central Bank	20	905,929	1,250,846
Financial assets held for trading	21	122,594	203,464
Derivatives held for trading	22	38,303	13,323
Financial assets designated at fair value through profit or loss	23	184,567	347,812
Loans and advances to banks	24	1,549,996	1,076,389
Loans and advances to customers	25	7,232,251	5,201,499
Available for sale investments	26	357,454	524,663
Held to maturity investments	27	356,002	182,483
Investments in subsidiaries and associates	28	14,932	10,192
Property, plant, equipment and investment properties	29	185,129	193,333
Intangible assets	30	38,122	38,145
Deferred tax assets	31	9,631	10,680
Non-current assets and disposal group classified as held for sale	32	3,136	-
Other assets	33	16,658	13,906
TOTAL ASSETS		**11,014,704**	**9,066,735**
LIABILITIES			
Financial liabilities held for trading	34	60,111	15,762
Deposits from banks	35	3,218,594	1,296,285
Deposits from customers	36	6,029,191	6,338,962
Subordinated liabilities	37	209,368	105,209
Provisions	38	56,774	78,593
Current tax liabilities	39	759	7,300
Deferred tax liabilities	31	15,272	13,321
Other liabilities	40	51,570	49,017
TOTAL LIABILITIES		**9,641,639**	**7,904,449**
EQUITY			
Share capital		239,256	239,256
Revaluation reserves		61,932	78,842
Retained earnings		780,174	589,014
Profit for the period		291,703	255,174
TOTAL EQUITY	41	**1,373,065**	**1,162,286**
TOTAL LIABILITIES AND EQUITY		**11,014,704**	**9,066,735**

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2

Unconsolidated Financial Statements

(Continued)

Statement of Changes in Shareholders' equity

In thousands of BGN

	Share capital	Statutory reserve	Retained earnings	Property revaluation reserve	Available for sale investments revaluation reserve	Total
Balance as of 1 January 2007	**239,256**	**51,155**	**587,917**	**92,133**	**1,521**	**971,982**
Fair value changes of available for sale investments	-	-	-	-	(13,088)	**(13,088)**
Deferred tax related to available for sale investment revaluation reserve	-	-	-	-	1,309	**1,309**
Transfer of revaluation reserve on non-current assets disposed of	-	-	3,033	(3,033)	-	**-**
Net profit for the year	-	-	255,174	-	-	**255,174**
Dividend distribution	-	-	(52,642)	-	-	**(52,642)**
Other distribution	-	-	(449)	-	-	**(449)**
Balance as of 31 December 2007	**239,256**	**51,155**	**793,033**	**89,100**	**(10,258)**	**1,162,286**
Balance as of 1 January 2008	**239,256**	**51,155**	**793,033**	**89,100**	**(10,258)**	**1,162,286**
Fair value changes of available for sale investments	-	-	-	-	(17,571)	**(17,571)**
Deferred tax related to available for sale investment revaluation reserve	-	-	-	-	1,757	**1,757**
Transfer of revaluation reserve on non-current assets disposed of	-	-	1,096	(1,096)	-	**-**
Net profit for the year	-	-	291,703	-	-	**291,703**
Dividend distribution	-	-	(64,599)	-	-	**(64,599)**
Other distribution	-	-	(511)	-	-	**(511)**
Balance as of 31 December 2008	**239,256**	**51,155**	**1,020,722**	**88,004**	**(26,072)**	**1,373,065**

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3

Cash Flow Statement

In thousands of BGN

	Notes	2008	2007
Net profit		**291,703**	**255,174**
Current and deferred tax income, recognised in income statement		(2,475)	(5,581)
Current and deferred tax expenses, recognised in income statement		35,140	34,446
Adjustments for non-cash items			
Depreciation and amortisation	29,30	29,911	22,947
Impairment	38,29,30	61,560	65,777
Provisions, net		(21,620)	(40)
Unrealized fair value gains (losses) through profit or loss, net		5,311	6,625
Net (gains) losses on sale of investments		(12,881)	(34,544)
Increase of accruals		22,144	32,846
Cash flows from operating profits before changes in operating		**408,793**	**377,650**
Operating activities			
Changes in operating assets			
Decrease (increase) in loans and advances to banks		30,170	(13,391)
Increase in loans and advances to customers		(2,090,919)	(1,099,515)
Decrease in available for sale investments		149,638	96,489
Decrease in financial assets held for trading		14,975	17,623
Decrease (increase) in financial assets designated at fair value trough profit or loss		159,565	(105,409)
Increase in other assets		(2,752)	(2,910)
Changes in operating liabilities			
Increase in deposits from banks		1,922,309	520,305
Increase (decrease) in deposits from customers		(301,680)	874,374
Provisions utilization		(199)	(15,321)
Decrease in other liabilities		(54,040)	(55,784)
Net cash flow from operating activities		**235,860**	**594,111**
Investing activities			
Cash payments to acquire property, plant and equipment		(20,473)	(13,722)
Cash receipt from sale of property, plant and equipment		10,949	2,175
Cash payments to acquire intangible assets		(11,916)	(24,597)
Cash receipt from sale of intangible assets		17	-
Cash payments for the investment in associates		(4,740)	(3,040)
Cash receipt from disposal of subsidiaries and associates		-	35,691
Cash receipts from the sale of held to maturity investments		(89,886)	82,728
Net cash flow from investing activities		**(116,049)**	**79,235**
Cash flow from financial activities			
Dividends paid		(64,599)	(52,642)
Cash proceeds from the issuance of subordinated liabilities		97,792	-
Other cash payments related to financing activities		5,856	(449)
Net cash flows from financial activities		**39,049**	**(53,091)**
Effect of exchange rate changes on cash and cash equivalents		**1,527**	**4,661**
Net increase in cash and cash equivalents		**160,387**	**624,916**
Cash and cash equivalents at the beginning of period	45	**2,214,060**	**1,589,144**
Cash and cash equivalents at the end of period	45	**2,374,447**	**2,214,060**

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4

Notes to Unconsolidated Financial Statements

1. Reporting entity

UniCredit Bulbank AD (the Bank) is a universal Bulgarian bank established upon triple legal merger of Bulbank AD, HVB Bank Biochim AD and Hebros Bank AD legally completed on April 27th, 2007 with retroactive effect commencing January 1st, 2007. UniCredit Bulbank AD possessed a full-scope banking licence for performing commercial banking activities. It is domiciled in the Republic of Bulgaria, with registered address Sofia, 7 "Sveta Nedelya" sq. The Bank is primarily involved in corporate and retail banking and in providing asset management services.

2. Basic of preparation

(a) Statement of compliance

These unconsolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting standards Board (IASB) and adopted by European Commission.

These financial statements have been prepared on unconsolidated basis as required by Bulgarian Accountancy Act. These unconsolidated financial statements should be read in conjunction with the consolidated financial statements which were approved by the Management Board of the Bank on February 11th, 2009.

Whenever deemed necessary for comparison reasons, certain positions in prior year financial statements have been reclassified.

The financial statements are approved by the Management Board of UniCredit Bulbank AD on February 11th, 2009.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgement

YThe preparation of financial statements requires 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

The accounting policies set below have been applied consistently to all periods presented in these financial statements, except as described in note **3 (h) (ii) b)**.

(a) Interest income

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

Interest income and expense presented in the Income Statement include:

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

(b) Fee and commission income

Fee and commission income arises on financial services provided and is recognized upon rendering the corresponding service.

Fees 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 includes those gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading as well as trading income in dealing with foreign currencies and exchange differences from daily revaluation of the open foreign currency position of the Bank.

(d) Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currency at the official Bulgarian National Bank foreign exchange rate ruling at the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated at the closing foreign exchange rate being the official rate of the Bulgarian National Bank. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the foreign exchange rates ruling at the dates that the values were determined. As of each balance sheet date, all foreign currencies denominated monetary assets and liabilities are revaluated on net basis using Bulgarian National Bank closing exchange rates. Any gain/loss is recognized in the 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 so as to produce 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 trade date at which the Bank commits to purchase or sell the asset. 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 balance sheet.

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 in a net receivable position (positive fair value) and purchased options are reported separately as derivatives held for trading. All derivatives in a net payable position (negative fair value) 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 balance sheet.

Change in accounting policy
In October 2008 the IASB issued Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures). The amendment to IAS 39 permits in "rare circumstances" an entity to transfer from held for trading to held to maturity category, a non-derivative financial asset that is quoted on active market for

which entity has the intention and ability to hold until maturity. The deterioration of the world's financial markets that has occurred during the third quarter of 2008 is a possible example of "rare circumstances" cited in the IFRS amendments and therefore justifies amendments application.
The amendment to IFRS 7 introduces additional disclosure requirements if an entity has reclassified financial assets in accordance with the amendment to IAS 39. The amendments are effective retrospectively from 1 July 2008.
Pursuant to these amendments, the Bank reclassified certain non-derivative financial assets out of held for trading into held to maturity investments. For details on the impact of these reclassifications, see also note **21**.

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 balance sheet.

(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 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 equity until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in equity 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. 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 through owning more than half of the voting power of such entities or through virtue of an agreement with other investors to exercise more than half of the voting rights.
Investments in associates comprise of equity participations in entities where the Bank does not exercises control but have significant influence in governing the investees' activities through owing more than 20% of the voting power of such entities.
In the unconsolidated financial statements Bank has adopted the policy of carrying all investments in subsidiaries and associates at cost in accordance with IAS 27 "Consolidated and Separate Financial Statements".

(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 liability meets some additional requirements set by Bulgarian National Bank (see note **37**).
Deposits from banks, customers and subordinated liabilities are carried at amortised cost using effective interest rate method.

(iii) Reclassification
Bank does not reclassify financial instruments in or out of any classification category after initial recognition except as described in **3 (g) (ii) 2**).

(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 balance sheet, 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 balance sheet. 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

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

(vii) Offsetting

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

(viii) Repurchase agreements

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

(i) Impairment

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

- for financial assets – by the end of each month for the purposes of preparing interim financial statements reported to the Bulgarian National Bank and Management;
- for non-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. Interest on the impaired asset continues to be recognised through the unwinding of the discount. 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 balance sheet date. The expected cash flows for portfolios of similar assets are estimated based on previous experience, late payments of interest, principals or penalties. Increases in the allowance account are recognized in 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.

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 through equity

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

Where an asset remeasured to fair value directly through equity is impaired, and a write down of the asset was previously recognized directly in equity, the write-down is transferred to profit or loss and recognized as part of the impairment loss. Where an asset measured to fair value directly through equity is impaired, and an increase in the fair value of the asset was previously recognized in equity, the increase in fair value of the asset recognized in equity is reversed to the extent the asset is impaired.

Any additional impairment loss is recognized in profit or loss.

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.

(j) Property, plant and equipment and investment property

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

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

Plant and equipment are carried at historical cost less any 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. The Bank holds some investment property as a consequence of the ongoing rationalisation of its retail branch network. Other property has been acquired through the enforcement of security over loans and advances. Investment property is measured at cost less any accumulated depreciation.

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	6-7
Vehicles	25	4

(k) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any impairment losses. As of December 31, 2008 the entire class of intangible assets includes only investments in software and related licenses.

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

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

Bank represents as non-current assets held for sale, investments in property which 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.

(m) Provisions

A provision is recognized in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. As of December 31, 2008 Management has reviewed Bank's legal and constructive obligation and to the extent they meet the requirement for recognition, provision is recorded, respectively.

(n) Employees' benefits

(i) Short-term employee's benefits

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

(ii) Defined benefit obligation

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

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

UniCredit Group Medium and Long-Term incentive plans compose of Stock Options and Performance share granted by the ultimate parent UniCredito Italiano. They are allocated to selected group of top and senior managers of UniCredit Bulbank AD.
Whenever the vesting period of the Stock options or Performance shares is ended, UniCredit Bulbank is required to settle the monetary amount, corresponding to the economic value of the respective instruments.

The valuation of Stock Options and Performance Shares is as outlined below.

- **Stock Options valuation**

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

-Reaching Market Share Value equals to an exercise price;

-Probability beneficiaries' early exit after the end of the vesting period.

- **Performance shares**

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

As of December 31, 2008 and December 31, 2007 the UniCredit Bulbank presents the corresponding part of the economic value of the Stock Options and Performance shares as payroll costs under personnel expenses in the Income Statement and the related obligation for payment as other liability.

(o) Share capital and reserves

(i) Share capital

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

(ii) Reserves

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

(p) Taxation

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

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated on the basis of the tax rates that are expected to apply for the periods when the asset is realized or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to the Income Statement, except to the extent that it relates to items previously charged or credited directly to equity.

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

(q) Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format for segment reporting is based on business segments.

(r) New IFRS and interpretations (IFRIC), endorsed by the European Commission but not yet effective as at the balance sheet date

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been adopted in preparing these financial statements:

- Amendment to IFRS 2 Share-based Payment – vesting and termination conditions (effective 1 January 2009). The amendments to the Standard clarify the definition of vesting conditions and introduce the concept of non-vesting conditions. Non-vesting conditions are to be reflected in grant-date fair value and failure to meet non-vesting conditions will generally result in treatment as a cancellation. The amendments to IFRS 2 will be effective for financial statements for 2009 and will be adopted retrospectively. Management considers that the amendments to the Standard will not have any impact on the Company as the Company does not have any share-based compensation plans.

- IFRS 8 Operating Segments (effective 1 January 2009). The Standard introduces the "management approach" to segment reporting and requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the Group's Chief Operating Decision Maker in deciding how to allocate resources and in assessing performance. The Standard will have no effect on the profit or loss or equity and the management expects the new Standard not to alter significantly the presentation and disclosure of its operating segments in the financial statements.

- Revised IAS 1 Presentation of Financial Statements (effective from 1 January 2009). The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income (effectively combining the income statement and all non-owner changes in equity in a single statement), or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Company is currently evaluating whether to present a single statement of comprehensive income, or two separate statements.

- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Company's 2009 financial statements and will constitute a change in accounting policy for the Company. In accordance with the transitional provisions the Company will apply the revised IAS 23 to qualifying assets for which capitalization of borrowing costs commences on or after the effective date.

- IFRIC 13 Customer Loyalty Programs addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programs for their customers. It relates to customer loyalty programs under which the customer can redeem credits for awards such as free or discounted goods or services. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations. IFRIC 13, which becomes mandatory for the Company's 2009 financial statements, is not expected to have significant impact on the financial statements.

Management believes that it is appropriate to disclose that the following revised standards, new interpretations and amendments to current standards, which are included under the accounting IFRS framework as approved by the International Accounting Standards Board (IASB), but are not yet endorsed for adoption by the European commission, and therefore are not taken into account in preparing these financial statements:

- 35 Improvements to 24 IFRSs and IASs (2008)
- Revised IFRS 3 Business Combinations (2008)
- Revised IFRS 1 First-time adoption of IFRS
- Amendments to IFRS 1 and IAS 27 related to Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate
- Amendments to IAS 32 and IAS 1 related to Puttable financial instruments and obligations arising on liquidation
- Amendments to IAS 39 related to Eligible hedged items; effective date and transition
- IFRIC 12 Service Concession Arrangements
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-cash Assets to Owners.

As at the date of preparation of these financial statements, Management have not completed the process of evaluating the impact that will result from adopting these revised standards, new interpretations and amendments to current standards in future, once they are endorsed by the European commission for adoption by the European Union.

4. Financial Risk Management

(a) General Framework

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

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

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

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

As part of the internal management, UniCredit Bulbank has, approved by the Management, Financial Instruments Management Policy, where all deals and exposures in financial instruments, excluding originating loans, are defined.
Credit risk in the Bank is specifically monitored through Provisioning and Restructuring Committee (PRC). It is a specialized body responsible for credit risk assessment, classification of credit risk exposures and impairment losses estimation. Assessment of the credit risk is in accordance with the Group standards and for regulatory purposes in accordance with BNB Regulation 9.

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

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

(b) Market Risks

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 International Markets Rule Book, reviewed at least annually.

Market risk management in UniCredit Bulbank encompasses all activities in connection with Markets and Investment Banking operations and management of the balance sheet structure. Risk positions are aggregated at least daily, analyzed by the independent Market risk management unit and compared with the risk limits set by the Management Board 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 & Investment Banking and ALM operations.

UniCredit Bulbank applies uniform Group risk management procedures. These procedures make available the major risk parameters for the various trading operations at least once a day. Besides Value at Risk, other factors of equal importance are stress-oriented volume and position limits. Additional element is the loss-warning level limit, providing early indication of any accumulation of position losses.

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

During 2008, VaR (1 day holding period, confidence interval of 99 %) moved in a range between EUR 1.6 million and EUR 15.6 million, averaging EUR 4 million, with the credit spread being main driver of total risk in both, trading and banking books.

VaR of UniCredit Bulbank by risk category in EUR million

Risk category	Minimum	Maximum	Average	Year-End
Interest rate risk	0.8	7.3	1.7	2.2
Credit spread	0.7	14.6	3.5	8.2
Exchange risk	0.0	0.7	0.2	0.3
VaR overall[1]	**1.6**	**15.6**	**4.0**	**8.1**

[1] Amount is different from a simple sum up of separate VaRs due to the correlation between the three risks when performing overall VaR

Reliability and accuracy of the risk model is monitored by daily back-testing, comparing the VaR amounts with actually observed fluctuations in market parameters and in the total value of books. Results of the back-testing have so far continued to confirm the accuracy and reliability of the model.

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

As at 31 December 2008, the overall interest rate risk position of UniCredit Bulbank AD (trading and banking book) was composed as follows (value of 1 basis point shift, amounts in EUR):

Currency	0-3M	3M-1Y	1Y-3Y	3Y-10Y	Above 10Y	Total
BGN	241	4,122	(14,667)	(17,186)	(7)	(27,497)
CHF	(301)	37	(81)	(294)	-	(639)
EUR	7,075	3,183	(11,653)	45	(20)	(1,370)
GBP	35	87	2	-	-	124
JPY	(3)	-	-	-	-	(3)
NOK	1	-	-	-	-	1
USD	1,009	1,385	(6,775)	(30,948)	-	(35,329)
Total sensitivity[1]	**8,665**	**8,814**	**33,178**	**48,473**	**27**	**64,963**

[1] Total sensitivity for each maturity band is sum of the absolute sensitivity for each currency in maturity band.

Value-at-risk calculations are complemented by various stress scenarios to identify the 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 dramatic deterioration in market liquidity. In 2008, total return performance of markets and ALM operations were broadly in line with the results of regularly performed market risk stress analyses.

UniCredit Bulbank AD is also exposed to exchange risk through transactions in foreign currencies. Net FX open positions in trading and banking book are monitored on daily basis and are limited by volume overnight limits. During 2008, the Bank maintained long EURBGN position of EUR 140 million on average, with insignificant open position in other crosses.

As of December 31, 2008 the FX balance sheet of UniCredit Bulbank is as outlined in the table below:

In thousands of BGN

	EUR and BGN	Other currencies	Total
ASSETS			
Cash and balances with Central bank	893,507	12,422	905,929
Financial assets held for trading	122,594	-	122,594
Derivatives held for trading	34,933	3,370	38,303
Financial assets designated at fair value through profit or loss	172,527	12,040	184,567
Loans and advances to banks	1,540,268	9,728	1,549,996
Loans and advances to customers	7,072,735	159,516	7,232,251
Available for sale Investments	354,182	3,272	357,454
Held to maturity Investments	154,976	201,026	356,002
Investments in subsidiaries and associates	14,932	-	14,932
Property, plant, equipment and investment properties	185,129	-	185,129
Intangible assets	38,122	-	38,122
Deferred tax assets	9,631	-	9,631
Non-current assets and disposal group classified as held for sale	3,136	-	3,136
Other assets	16,602	56	16,658
TOTAL ASSETS	**10,613,274**	**401,430**	**11,014,704**
LIABILITIES			
Financial liabilities held for trading	57,031	3,080	60,111
Deposits from banks	3,178,285	40,309	3,218,594
Deposits from customers	5,426,477	602,714	6,029,191
Subordinated liabilities	209,368		209,368
Provisions	33,862	22,912	56,774
Current tax liabilities	759	-	759
Deferred tax liabilities	15,272	-	15,272
Other liabilities	50,367	1,203	51,570
TOTAL LIABILITIES	**8,971,421**	**670,218**	**9,641,639**
EQUITY	1,373,065	-	1,373,065
Net off-balance sheet spot and forward position	(291,534)	267,793	(23,741)
Net position	**(22,746)**	**(995)**	**(23,741)**

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

In thousands of BGN

	EUR and BGN	Other currencies	Total
ASSETS			
Cash and balances with Central bank	1,236,637	14,209	1,250,846
Financial assets held for trading	163,864	39,600	203,464
Derivatives held for trading	10,640	2,683	13,323
Financial assets designated at fair value through profit or loss	246,771	101,041	347,812
Loans and advances to banks	899,308	177,081	1,076,389
Loans and advances to customers	5,118,703	82,796	5,201,499
Available for sale Investments	507,987	16,676	524,663
Held to maturity Investments	56,819	125,664	182,483
Investments in subsidiaries and associates	10,192	-	10,192
Property, plant, equipment and investment properties	193,333	-	193,333
Intangible assets	38,145	-	38,145
Deferred tax assets	10,680	-	10,680
Other assets	11,731	2,175	13,906
TOTAL ASSETS	**8,504,810**	**561,925**	**9,066,735**
LIABILITIES			
Financial liabilities held for trading	12,096	3,666	15,762
Deposits from banks	1,232,095	64,190	1,296,285
Deposits from customers	5,646,138	692,824	6,338,962
Subordinated liabilities	105,209	-	105,209
Provisions	44,640	33,953	78,593
Current tax liabilities	7,300		7,300
Deferred tax liabilities	13,321	-	13,321
Other liabilities	46,787	2,230	49,017
TOTAL LIABILITIES	**7,107,586**	**796,863**	**7,904,449**
EQUITY	1,162,286		1,162,286
Net off-balance sheet spot and forward position	(212,489)	210,825	(1,664)
Net position	**22,449**	**(24,113)**	**(1,664)**

(c) Liquidity risk

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

The collective Bank's body for liquidity management is ALCO (Assets and Liabilities Committee). Bank has an approved Liquidity Management Policy. The liquidity is operationally managed through Markets and Sales Division and the structural liquidity through Assets and Liabilities Division. According to the Liquidity Policy, Assets and Liabilities Division monitors on a daily basis short term liquidity arising form Treasury activities with a time horizon up to one month. The structural liquidity is monitored on a weekly basis prepared under three scenarios – going concern, liquidity crisis and original maturity scenario. For the purposes of liquidity management, depending on the primary funds, short term limits are applied. The following tables provides an analysis of the financial assets and liabilities of the Bank into relevant maturity bands based on the remaining contractual periods to repayment for items with fixed maturity and historical pattern and Managements' expectations for items with no fixed maturity.

Maturity table as at 31 December 2008

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Maturity not defined	Total
ASSETS							
Cash and balances with Central bank	905,929	-	-	-	-	-	**905,929**
Financial assets held for trading	122,594	-	-	-	-	-	**122,594**
Derivatives held for trading	38,303	-	-	-	-	-	**38,303**
Financial assets designated at fair value through profit or loss	184,567	-	-	-	-	-	**184,567**
Loans and advances to banks	1,507,833	-	42,126	37	-	-	**1,549,996**
Loans and advances to customers	885,239	536,031	1,935,679	1,065,846	2,809,456	-	**7,232,251**
Available for sale Investments	354,393	-	-	-	-	3,061	**357,454**
Held to maturity Investments	-	6,085	12,541	202,704	134,672	-	**356,002**
Investments in subsidiaries and associates	-	-	-	-	-	14,932	**14,932**
Property, plant, equipment and investment properties	-	-	-	-	-	185,129	**185,129**
Intangible assets	-	-	-	-	-	38,122	**38,122**
Deferred tax assets	-	-	-	9,631	-	-	**9,631**
Other assets	16,658	-	-	-	-	-	**16,658**
Non-current assets included in disposal group classified as held for sale	-	3,136	-	-	-	-	3,136
TOTAL ASSETS	**4,015,516**	**542,116**	**1,990,346**	**1,278,218**	**2,944,128**	**241,244**	**11,014,704**
LIABILITIES							
Financial liabilities held for trading	60,111	-	-	-	-	-	**60,111**
Deposits from banks	2,158,206	-	496,458	319,234	244,696	-	**3,218,594**
Deposits from customers	2,451,392	673,392	488,993	2,415,154	260	-	**6,029,191**
Subordinated liabilities	-	-	-	-	209,368	-	**209,368**
Provisions	-	-	24,542	32,232	-	-	**56,774**
Current tax liabilities	-	-	759	-	-	-	**759**
Deferred tax liabilities	-	-	-	15,272	-	-	**15,272**
Other liabilities	16,702	5,809	22,325	6,734	-	-	**51,570**
TOTAL LIABILITIES	**4,686,411**	**679,201**	**1,033,077**	**2,788,626**	**454,324**	**-**	**9,641,639**
Net liquidity gap	**(670,895)**	**(137,085)**	**957,269**	**(1,510,408)**	**2,489,804**	**241,244**	**1,373,065**
Cumulative	**(670,895)**	**(807,980)**	**149,289**	**(1,361,119)**	**1,128,685**	**1,369,929**	**-**

Maturity table as at 31 December 2007

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Maturity not defined	Total
ASSETS							
Cash and balances with Central bank	1,250,846	-	-	-	-	-	**1,250,846**
Financial assets held for trading	203,464	-	-	-	-	-	**203,464**
Derivatives held for trading	13,323	-	-	-	-	-	**13,323**
Financial assets designated at fair value through profit or loss	347,812	-	-	-	-	-	**347,812**
Loans and advances to banks	1,013,848	-	61,920	-	-	621	**1,076,389**
Loans and advances to customers	652,642	455,700	1,408,892	1,215,690	1,468,575	-	**5,201,499**
Available for sale Investments	17,983	11,875	28,308	351,635	111,352	3,510	**524,663**
Held to maturity Investments	7,974	4,043	46,271	99,919	24,276	-	**182,483**
Investments in subsidiaries and associates	-	-	-	-	-	10,192	**10,192**
Property, plant, equipment and investment properties	-	-	-	-	-	193,333	**193,333**
Intangible assets	-	-	-	-	-	38,145	**38,145**
Deferred tax assets	-	-	-	10,680	-	-	**10,680**
Other assets	13,906	-	-	-	-	-	**13,906**
TOTAL ASSETS	**3,521,798**	**471,618**	**1,545,391**	**1,677,924**	**1,604,203**	**245,801**	**9,066,735**
LIABILITIES							
Financial liabilities held for trading	15,762	-	-	-	-	-	**15,762**
Deposits from banks	940,577	2,240	-	278,244	75,224	-	**1,296,285**
Deposits from customers	2,510,894	376,178	431,786	3,020,104	-	-	**6,338,962**
Subordinated liabilities	-	-	-		105,209	-	**105,209**
Provisions	-	-	35,207	43,386	-	-	**78,593**
Current tax liabilities			7300				**7,300**
Deferred tax liabilities	-	-	-	13,321	-	-	**13,321**
Other liabilities	12,540	12,540	19,937	4,000	-	-	**49,017**
TOTAL LIABILITIES	**3,479,773**	**390,958**	**494,230**	**3,359,055**	**180,433**	**-**	**7,904,449**
Net liquidity gap	**42,025**	**80,660**	**1,051,161**	**(1,681,131)**	**1,423,770**	**245,801**	**1,162,286**
Cumulative	**42,025**	**122,685**	**1,173,846**	**(507,285)**	**916,485**	**1,162,286**	

The expected cash outflow from the financial liabilities for the periods after December 31, 2008, including estimation of the contractual interest in the respective time bands is as outlined below:

	Gross in (out) flow	Up to 1 month	From1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Non derivative instruments						
Deposits from banks	(3,298,513)	(2,130,695)	-	(504,459)	(356,295)	(307,064)
Deposits from customers	(5,953,641)	(2,986,339)	(1,118,486)	(1,087,176)	(402,173)	(359,467)
Subordinated debt	(304,952)	-	-	-	-	(304,952)
Total non-derivative instruments	**(9,557,106)**	**(5,117,034)**	**(1,118,486)**	**(1,591,635)**	**(758,468)**	**(971,483)**
Derivatives						
Outflow	(2,327,358)	(2,133,737)	(81,249)	(29,191)	(64,155)	(19,026)
Inflow	2,315,728	2,109,542	83,523	33,323	70,303	19,037
Total derivatives	**(11,630)**	**(24,195)**	**2,274**	**4,132**	**6,148**	**11**
Unutilized credit lines	(1,464,190)	(246,646)	-	(14,630)	(1,202,914)	-
Total financial liabilities	**(11,032,926)**	**(5,387,875)**	**(1,116,212)**	**(1,602,133)**	**(1,955,234)**	**(971,472)**

(d) Credit risk

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

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

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

(i) Credit risk in the trading book

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

Regulatory trading book includes financial assets held for trading purposes and derivative assets.

The analysis based on client credit quality and rating (where available) as of December 31, 2008 is as shown in the next table:

In thousands of BGN

	2008
Goverment bonds	
Rated BBB	15,325
Rated BBB+	377
Bonds of credit institutions	
Rated AAA	40,970
Rated BB	40,848
Unrated	15,910
Corporate bonds	
Unrated	9,164
Equities	-
Derivative assets	
Banks and financial institution counterparties	16,555
Corporate counterparties	21,748
Total trading assets	**160,897**

(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. As a rule collaterals are registered on behalf of the Bank prior to the effective disbursal of the loans.

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

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

PRC regularly assess whether there is objective evidence that a loan or a group of loans is impaired. A loan or group of loans is impaired and impairment losses are incurred if:

- there is objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset and up to the balance sheet date ("a loss event");
- the loss event had an impact on the estimated future cash flows of the financial asset or the group of financial assets; and
- a reliable estimate of the loss amount can be made.

The Bank establishes an allowance for loan losses that represents the estimate of impairment losses in the loan portfolio. The components of this allowance are the individually and the collectively assessed loss allowance. The Bank first assess whether objective evidence of impairment exists individually for loans that are significant. Then collectively impairment assessment is performed for those loans that are not individually significant and loans which are significant but for which there is no objective evidence of impairment under the individual assessment.

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

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

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

As of December 31, 2008 and December 31, 2007 the Bank has fulfilled all statutory lending limits.

The breakdown of impairment allowances for the years ended December 31, 2008 and December 31, 2007 is as follows:

In thousands of BGN

	Carrying amount before impairment		Impairment allowance		Carrying amount	
	2008	2007	2008	2007	2008	2007
Individually impaired						
Watch	214,049	50,977	27,041	8,935	187,008	42,042
Irregular	24,290	23,310	15,714	15,556	8,576	7,754
Non-performing	135,375	123,396	134,666	122,610	709	786
	373,714	**197,683**	**177,421**	**147,101**	**196,293**	**50,582**
Collectively impaired	**4,814,666**	**3,337,688**	**107,865**	**83,432**	**4,706,801**	**3,254,256**
Past due but not impaired	**-**	**-**	**-**	**-**	**-**	**-**
Watch	173	616	-	-	173	616
Irregular	13	264	-	-	13	264
Non-performing	160	234	-	-	160	234
	346	**1,114**	**-**	**-**	**346**	**1,114**
Past due comprises	-	-	-	-	-	-
from 31 to 60 days	*188*	*721*	-	-	*188*	*721*
from 61 to 90 days	*22*	*173*	-	-	*22*	*173*
over 91 days	*136*	*220*	-	-	*136*	*220*
	346	*1,114*	-	-	*346*	*1,114*
			-			
Neither past due nor impaired	**2,328,811**	**1,895,547**		-	**2,328,811**	**1,895,547**
Total	**7,517,537**	**5,432,032**	**285,286**	**230,533**	**7,232,251**	**5,201,499**

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

	Loans and advances to customers	
	2008	**2007**
Against individually impaired		
Cash collateral	443	891
Property	496,045	309,007
Debt securities	12,925	11,302
Other collateral	337,566	269,816
Against collectively impaired		
Cash collateral	983	616
Property	8,396,134	6,059,599
Debt securities	30,462	18,182
Other collateral	7,026,930	3,898,650
Against past due but not impaired		
Cash collateral	1,228	2,048
Property	832	1,928
Debt securities	-	-
Other collateral	3,535	806
Against neither past due nor impaired		
Cash collateral	46,223	54,043
Property	3,034,630	1,891,974
Debt securities	274,267	326,733
Other collateral	6,835,101	3,196,284
Total	**26,497,304**	**16,041,879**

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

In thousands of BGN

	Loans and advances to customers		Loans and advances to banks		Investment securities	
	2008	2007	2008	2007	2008	2007
Concentration by sectors						
Sovereign	59,733	59,131	–	–	641,847	581,359
Manufacturing	1,439,630	1,174,099	–	–	–	–
Commerce	1,577,385	1,131,645	–	–	–	–
Construction	574,398	264,121	–	–	–	–
Agriculture and forestry	157,578	107,941	-	-	-	-
Transport and communication	331,610	150,488	–	–	–	–
Services	822,011	486,577	–	–	–	–
Financial services	277,461	134,737	1,549,996	1,076,389	86,541	135,979
Other industry sectors and retail	2,277,731	1,923,823	–	–	–	–
	7,517,537	**5,432,562**	**1,549,996**	**1,076,389**	**728,388**	**717,338**
Impairment allowances	(285,286)	(230,533)	–	–	–	–
Total	**7,232,251**	**5,202,029**	**1,549,996**	**1,076,389**	**728,388**	**717,338**
Concentration by geographic location						
Europe	7,514,500	5,432,546	1,542,697	1,069,769	692,916	687,876
North America	5	2	6,533	6,528	8,368	28,076
Asia	2,867	14	567	92	27,104	1,386
Africa	113	-	-	-	-	-
South America	23	-	-	-	-	-
Australia	29	-	199	-	-	-
	7,517,537	**5,432,562**	**1,549,996**	**1,076,389**	**728,388**	**717,338**
Impairment allowances	(285,286)	(230,533)	-	-	-	-
Total	**7,232,251**	**5,202,029**	**1,549,996**	**1,076,389**	**728,388**	**717,338**

(e) Operational Risk

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

The Bank has a system for operational risk management with clearly defined responsibilities including second level of control over the accounting operations; the policies and procedures implemented at bank level regulate and control the requirements for accounting operations reconciliation.
The Operational risk unit in the bank, reporting to the Chief Risk Officer, is an independent unit in charge of regular operational risk monitoring and control. The unit's activity is regulated in the approved by the Management Board "Operational risk control rulebook", in compliance with UniCredit Group and the national regulatory framework (Regulation 8 on the Capital Adequacy of Credit Institutions). The Management Board is responsible for operational risk oversight with the support of the Operational Risk Committee, which has deliberative and suggestion functions on the decisions related to improvement of internal communication for finding proper risk mitigation solutions through information exchange among different units.

The operational risk information, such as loss data collection, KRIs and scenarios is collected in the UniCredit Group database; a Group built decentralized risk management application. While the main task of the Operational risk unit is to define the methods used and to perform risk measurement and analysis, the risk managers in different areas working on decentralized basis are responsible for taking measures to reduce and prevent risks.

The Operational risk unit is also responsible for carrying out the following activities: verifying that operational loss data is regularly collected in the UniCredit Group database; monitoring and analyzing the bank's operational risks exposure; validating the risk limits are respected and reporting breaches to the Management Board; cooperating with analysis of the operational risk impact in new product introduction, which could lead to significant changes in business or the bank's organizational structure; other activities in compliance with the requirements of Basel II and Regulation 8 of the Bulgarian National Bank.

In June 2008, the Bulgarian National Bank granted approval to UniCredit Bulbank to report the capital requirement for Operational Risk based on Standardized Approach methodology, a more sophisticated method for capital reporting in comparison to the Basic Indicator Approach. Major difference from the methodological point of view is that the gross income is no more averaged from the last three years, but segregated by business segments with different weights. This approval attests that the bank's operational risk system is conceptually sound and implemented with integrity; it is closely built into the risk management process of the bank and its output is fundamental part of the process of monitoring and controlling the exposure to risks.

(f) Basel II disclosure

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

Under the regulatory framework, Bank allocates capital for covering three major types of risk, namely credit risk, market risk and operational risk. For the year 2007 UniCredit Bulbank applied allowing standardized approach for credit and market risks and the basic indicator approach for operational risk. In 2008 Bank has been given permission by Bulgarian National Bank to apply standardized approach also for operational risk.
Statutory limits exposed to Banks require Bank to maintain total capital adequacy ratio not less than 12% and Tier I ratio not less than 6%. As a response to the ongoing world financial crisis Bulgarian National Bank strongly recommended all the Banks in Bulgaria to reached minimum Tier I ratio of 10% latest by June 2009. UniCredit Bulbank AD is in full compliance with this requirement even as of December 31, 2008.

(i)Capital base (own funds)

Capital base (own funds) eligible for regulatory purposes include Tier I and Tier II capital as defined by Bulgarian National Bank.

As of December 31, 2008 and December 31, 2007 the unconsolidated Capital base of UniCredit Bulbank AD comprises as follows:

In thousands of BGN

	2008	2007
Share capital	239,256	239,256
Statutory reserve	51,155	51,155
Retained earnings	727,075	533,469
Total capital and reserves	**1,017,486**	**823,880**
Deductions		
Unrealized loss on available-for-sale instruments	(29,216)	(12,622)
Intangible assets	(38,122)	(38,145)
Total deductions	**(67,338)**	**(50,767)**
Total Tier I capital	**950,148**	**773,113**
Revaluation reserve on real estate occupied by the Bank	80,975	81,581
Subordinated long-term debt	191,671	93,879
Total Tier II capital	**272,646**	**175,460**
Additional deductions from Tier I and Tier II capital	**(17,823)**	**(13,135)**
Total Capital base (Own funds)	**1,204,971**	**935,438**

The additional deductions from the Capital base relates to Bank's participation in unconsolidated entities which represent 10% or more than 10% of the registered capital of such entities. For regulatory purposes the deduction is split equally between Tier I and Tier II capital.
Subordinated long-term debt represents five loans provided by UniCredit Bank Austria AG for initial principal amount of EUR 98 million (see also Note **37**).

(ii) Capital requirements

As of December 31, 2008 and December 31, 2007 the capital requirements for credit, market and operational risks are as follows:

In thousands of BGN

	2008	2007
Capital requirements for credit risk		
Exposures to:		
Central Governments and Central Banks	11,342	8,570
Regional Governments and local authorities	2,791	1,837
Administrative bodies and non-commercial undertakings	191	46
Institutions	14,193	20,993
Corporates	228,102	203,939
Retail	74,803	62,550
Exposures secured on real estate property	283,756	173,727
High risk exposures	20	68
Short-term exposures to institutions and corporates	20,388	15,349
Other exposures	16,778	16,929
Total capital requirements for credit risk	**652,364**	**504,008**
Capital requirements for market risk	**8,994**	**14,969**
Capital requirements for operational risk	**68,608**	**61,300**
Total capital requirements for credit, market and operational risk	**729,966**	**580,277**
Additional capital requirements subject to National discretions from the Regulator	**364,983**	**290,139**
Total regulatory capital requirements	**1,094,949**	**870,416**
Capital Base (Own funds)	1,204,971	935,438
there of Tier I	941,237	766,546
Free equity (Own funds)	110,022	65,022
Total capital adequacy ratio	**13.21%**	**12.90%**
Tier I ratio	**10.32%**	**10.57%**

Capital requirements for credit risk cover credit risk and dilution risk in the banking book, counterparty risk in the overall business and settlement risk in the trading book.
Capital requirements for market risk cover market risk in the trading book, foreign-exchange and commodity risks in the overall business.
Operational risk is calculated on applying standardized approach as described in note **4 (e)**
The additional capital requirements, presented above, are subject to National discretion of Bulgarian National Bank. They are calculated as 50% of the total capital requirements for credit risk, market risk and operational risk.

5. Use of estimates and judgement

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

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

(a) Fair value determination of financial instruments
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. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums 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 price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.
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 changes based on specific events and general conditions in the financial markets. For the purposes of monitoring and determining the fair value of financial instruments Bank uses different risk management systems approved on UniCredit Bank Austria Group level.

The expected cash outflow from the financial liabilities for the periods after December 31, 2008, including estimation of the contractual interest in the respective time bands is as outlined below:

	Quoted market price in active markets	Valuation techniques-observable inputs	Total
31 December 2008			
Financial assets held for trading	66,632	55,962	122,594
Derivatives held for trading	-	38,303	38,303
Financial assets designa-ted at fair value through profit or loss	27,427	157,140	184,567
Available for sale Investments	354,393	3,061	357,454
	448,452	**254,466**	**702,918**
Financial liabilities held for trading	**-**	(60,111)	(60,111)
	-	**(60,111)**	**(60,111)**
Total	**448,452**	**194,355**	**642,807**

Based on Management assessment and market observation the fair value of financial instruments carried at amortised costs (apart from those classified as held to maturity where quoted market prices are available) is considered not materially deviating from their carrying amount, mainly due to the fact that most of them bear floating interest rate linked to commonly accepted reference rates (EURIBOR, LIBOR etc.) or they are short-term instruments that could easily be repriced upon maturity.

The table below analyses the fair value of financial instruments by classification as of December 31, 2008 and December 31, 2007

December 2008	Fair value through profit or loss	Held to maturity	Loans and receivables	Available for sale	Other amortized cost	Total carrying amount	Fair value
ASSETS							
Cash and balances with Central bank	-	-	-	-	905,929	**905,929**	**905,929**
Financial assets held for trading	122,594	-	-	-	-	**122,594**	**122,594**
Derivatives held for trading	38,303	-	-	-	-	**38,303**	**38,303**
Financial assets designated at fair value through profit or loss	184,567	-	-	-	-	**184,567**	**184,567**
Loans and advances to banks	-	-	1,549,996	-	-	**1,549,996**	**1,549,996**
Loans and advances to customers	-	-	7,232,251	-	-	**7,232,251**	**7,232,251**
Available for sale Investments	-	-	-	357,454	-	**357,454**	**357,454**
Held to maturity Investments	-	356,002	-	-	-	**356,002**	**335,151**
TOTAL ASSETS	**345,464**	**356,002**	**8,782,247**	**357,454**	**905,929**	**10,747,096**	**10,726,245**
LIABILITIES							
Financial liabilities held for trading	60,111	-	-	-	-	**60,111**	**60,111**
Deposits from banks	-	-	-	-	3,218,594	**3,218,594**	**3,218,594**
Deposits from customers	-	-	-	-	6,029,191	**6,029,191**	**6,029,191**
Subordinated liabilities	**-**	**-**	**-**	**-**	209,368	**209,368**	**209,368**
TOTAL LIABILITIES	**60,111**	**-**	**-**	**-**	**9,457,153**	**9,517,264**	**9,517,264**

December 2007	Fair value through profit or loss	Held to maturity	Loans and receivables	Available for sale	Other amortized cost	Total carrying amount	Fair value
ASSETS							
Cash and balances with Central bank	-	-	-	-	1,250,846	**1,250,846**	**1,250,846**
Financial assets held for trading	203,464	-	-	-	-	**203,464**	**203,464**
Derivatives held for trading	13,323	-	-	-	-	**13,323**	**13,323**
Financial assets designated at fair value through profit or loss	347,812	-	-	-	-	**347,812**	**347,812**
Loans and advances to banks	-	-	1,076,389	-	-	**1,076,389**	**1,076,389**
Loans and advances to customers	-	-	5,201,499	-	-	**5,201,499**	**5,201,499**
Available for sale Investments	-	-	-	524,663	-	**524,663**	**524,663**
Held to maturity Investments	-	182,483	-	-	-	**182,483**	**182,468**
TOTAL ASSETS	**564,599**	**182,483**	**6,277,888**	**524,663**	**1,250,846**	**8,800,479**	**8,800,464**
LIABILITIES							
Financial liabilities held for trading	15,762	-	-	-	-	**15,762**	**15,762**
Deposits from banks	-	-	-	-	1,296,285	**1,296,285**	**1,296,285**
Deposits from customers	-	-	-	-	6,338,962	**6,338,962**	**6,338,962**
Subordinated liabilities	**-**	**-**	**-**	**-**	105,209	**105,209**	**105,209**
TOTAL LIABILITIES	**15,762**	**-**	**-**	**-**	**7,740,456**	**7,756,218**	**7,756,218**

(b) Impairment of financial instruments

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

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

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

c) Provisions

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

6. Segment reporting

Segment information is presented with regards to Bank's business segments. The primary format of the business segments is based on Bank's management and internal reporting structure.
Business segments pay and receive interest from the Assets and Liability Management unit (ALM) on arms' length basis through given Fund Transfer Pricing rate (FTP) to reflect the allocation of capital and funding costs.

The Bank operates the following main business segments:
- Markets and Investment Banking;
- Corporate Banking;
- Retail Banking;
- Assets and Liability Management unit.

	Corporate Banking	Retail Banking	Markets and Investment Banking	ALM	Other	Total
Net interest income	187,989	200,769	20,636	25,401	28,574	463,369
Dividend income	-	-	-	139	-	139
Net fee and commission income	63,326	87,347	5,729	704	(1,868)	155,238
Net gains (losses) from financial assets and liabilities held for trading	-	-	(21,129)	(7,798)	4,908	(24,019)
Net gains (losses) from other financial assets designated at fair value through profit or loss	-	-	4,697	(4,513)	-	184
Net income from investments	-	-	-	(1,277)	-	(1,277)
Net gains (losses) on disposal of subsidiaries, associates and property, plant and equipment	-	-	-	-	12,965	12,965
Other operating income	-	-	-	-	5,277	5,277
TOTAL OPERATING INCOME	**251,315**	**288,116**	**9,933**	**12,656**	**49,856**	**611,876**
Personnel expenses	(7,069)	(42,802)	(860)	(554)	(50,963)	(102,248)
General and administrative expenses	(15,022)	(94,399)	(766)	(533)	(14,934)	(125,654)
Amortisation, depreciation and impairment losses in tangible and intangible assets	(1,226)	(17,276)	(91)	(52)	(12,659)	(31,304)
Total direct expenses	**(23,317)**	**(154,477)**	**(1,717)**	**(1,139)**	**(78,556)**	**(259,206)**
Allocation of indirect and overhead expenses	(31,747)	(53,731)	(2,463)	(417)	88,358	-
TOTAL OPERATING EXPENSES	**(55,064)**	**(208,208)**	**(4,180)**	**(1,556)**	**9,802**	**(259,206)**
Provisions for risk and charges	-	-	-	-	3,634	3,634
Restructuring costs	-	-	-	-	17,986	17,986
Net impairment loss on financial assets	(24,530)	(36,027)	-	-	10,635	(49,922)
PROFIT BEFORE TAX INCOME	**171,721**	**43,881**	**5,753**	**11,100**	**91,913**	**324,368**
Income tax expense					(32,665)	(32,665)
PROFIT FOR THE PERIOD					**291,703**	**291,703**
ASSETS	**4,493,106**	**2,771,091**	**2,643,019**	**609,854**	**497,634**	**11,014,704**
					-	
LIABILITIES	**2,214,705**	**3,712,035**	**2,650,683**	**777,279**	**286,937**	**9,641,639**

7.Net interest income

In thousands of BGN

	2008	2007
Interest income		
Financial assets held for trading	10,500	10,987
Derivatives held for trading	2,119	2,185
Financial assets designated at fair value through profit or loss	20,208	16,715
Loans and advances to banks	19,786	38,407
Loans and advances to customers	572,472	392,830
Available for sale investments	19,199	27,542
Held to maturity investments	10,349	9,075
	654,633	**497,741**
Interest expense		
Deposits from banks	(65,060)	(27,070)
Deposits from customers	(119,250)	(85,756)
Subordinated liabilities	(6,954)	(5,171)
	(191,264)	**(117,997)**
Net interest income	**463,369**	**379,744**

For the financial years ended December 31, 2008 and December 31, 2007 the interest income recognized on individually impaired financial instruments (loans and advances to customers) is in the amount of BGN 23,203 thousand and BGN 18,292 thousand, respectively.

8. Net fee and commission income

In thousands of BGN

	2008	2007
Fee and commission income		
Collection and payment services	69,108	62,505
Lending business	21,368	18,147
Account services	11,850	12,822
Currency trading	30,624	27,135
Management, brokerage and securities trading	14,895	14,101
Documentary business	8,467	7,212
Package accounts	5,659	4,797
Other	2,920	5,480
	164,891	**152,199**
Fee and commission expense		
Collection and payment services	(6,576)	(4,942)
Management, brokerage and securities trading	(2,337)	(2,751)
Lending business	(360)	-
Other	(380)	(1,033)
	(9,653)	**(8,726)**
Net fee and commission income	**155,238**	**143,473**

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

In thousands of BGN

	2008	2007
FX trading income, net	(11,377)	16,541
Net income from debt instruments	1,643	(8,382)
Net income from equity instruments	6	6,762
Net income from derivative instruments	(14,291)	(3,274)
Net trading income	**(24,019)**	**11,647**

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 marketable debt securities which fair value can be reliably measured. Net income recorded on financial instruments designated at fair through profit or loss includes realized gains and losses on such instruments as well as unrealized due to fair value change. The amounts for the years ended December 31, 2008 and December 31, 2007 are BGN 184 thousand and BGN (16,767) thousand, respectively

11. Net income from investments

In thousands of BGN

	2008	2007
Realised gains on disposal of available for sale investments	1,037	14,000
Realised losses on disposal of available for sale investments	(2,206)	(682)
Realised losses on disposal of held to maturity investments	(108)	(2)
Net income from investments	**(1,277)**	**13,316**

Under net income from investments, the Bank represents realized gains (loss) arising form disposal of available for sale and held to maturity investments.

Due to uncertain creditworthiness of certain bond issuers domiciled in the USA after development of the world financial crisis and for credit risk protection, in the second half of 2008 UniCredit Bulbank AD disposed immaterial amount of its held to maturity investments prior to their maturity. The sale was preliminary reconciled for IFRS eligibility on UniCredit Group level, and as a result of it Bank recognized loss in the amount of BGN 108 thousand.

12. Net income on disposal of subsidiaries, associates and property plant and equipment

In thousands of BGN

	2008	2007
Net income on disposal of subsidiaries and associates	8,091	34,544
Net income on disposal of property, plant and equipment	4,874	1,970
Net income on disposal of subsidiaries, associates and property, plant and equipment	**12,965**	**36,514**

Net income from disposal of subsidiaries and associates comprise of the gain out of the sale net of any amounts retained by the buyers, subject to release upon fulfillment of certain escrow clauses.

Upon restructuring if its activity UniCredit Bulbank AD disposed in 2007 the entire controlling interest in local Optima Financial Services EOOD and 51% of the interest in local UniCredit Leasing EAD. The entire realized net income in 2008 in the amount of BGN 8,091 thousand comprise of release of deferred income (escrow amounts) related to these sales. As of December 31, 2008 the outstanding deferred amount, that is about to be realized in the upcoming years, subject to fulfillment of certain obligations, is in the amount of BGN 3,586 thousand.

13. Other operating income, net

In thousands of BGN

	2008	2007
Other operating income		
Income from non-financial services	1,068	931
Rental income from investment property	349	328
Other income	4,131	1,895
	5,548	**3,154**
Other operating expenses		
Other operating expenses	(271)	(666)
	(271)	**(666)**
Other operating income, net	**5,277**	**2,488**

14. Personnel expenses

In thousands of BGN

	2008	2007
Wages and salaries	(84,729)	(77,279)
Social security charges	(12,417)	(11,483)
Pension and similar expenses	(460)	(1,319)
Temporary staff expenses	(3,701)	(3,561)
Share-based payments	(339)	(179)
Other	(602)	(181)
Total personnel expenses	**(102,248)**	**(94,002)**

As of December 31, 2008 the total number of employees, expressed in full time employee equivalent is 3,869 (December 31, 2007: 3,769)
Pension and similar expenses comprise of current services costs, interest costs and actuarial costs related to defined benefits obligation of the Bank to its employees upon retirement. For more details about the pension scheme see note **38**.

As described in note **3 (n) (iii)** ultimate parent company UniCredit Italiano 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 thousands of BGN

	Available quantity at December 31, 2008	Estimated quantity of vested amount	Economic value at December 31, 2007	2008 Cost	Settled in 2008	Economic value at December 31, 2008
Stock Options 09 2004	-	-	57	13	(70)	0
Stock Options 11 2005	103,700	100,149	138	21	-	159
Stock Options 06 2006	85,700	80,950	96	31	-	127
Stock Options 06 2007	100,238	91,151	36	52	-	88
Stock Options 06 2008	238,336	208,645	-	33	-	33
Total Stock options	**527,974**	**480,895**	**327**	**150**	**(70)**	**407**
Performance Shares 11 2005	45,000	22,500	-	189	-	189
Performance Shares 06 2006	36,900	30,627	-	-	-	-
Performance Shares 06 2007	32,040	26,593	-	-	-	-
Performance Shares 06 2008	66,566	55,250	-	-	-	-
Total Performance share	**180,506**	**134,970**	**-**	**189**	**-**	**189**
Total Options and Shares	**708,480**	**615,864**	**327**	**339**	**(70)**	**596**

Detailed information about the granting dates, vesting period starting and ending dates of the stock options and performance share is presented in the table below:

Instrument granted	Granting date	Vesting period start date	Vesting period end date
Stock Options 09 2004	22-Jul-04	31-Aug-04	31-Aug-08
Stock Options 11 2005	18-Nov-05	30-Nov-05	30-Nov-09
Stock Options 06 2006	13-Jun-06	30-Jun-06	30-Jun-10
Stock Options 06 2007	12-Jun-07	30-Jun-07	30-Jun-11
Stock Options 06 2008	25-Jun-08	30-Jun-08	30-Jun-12
Performance Shares 11 2005	18-Nov-05	31-Dec-07	31-Dec-08
Performance Shares 06 2006	13-Jun-06	31-Dec-08	31-Dec-09
Performance Shares 06 2007	12-Jun-07	31-Dec-09	31-Dec-10
Performance Shares 06 2008	25-Jun-08	31-Dec-10	31-Dec-11

15. General and administrative expenses

In thousands of BGN

	2008	2007
Deposit guarantee fund annual contribution	(24,402)	(20,776)
Advertising, marketing and communication	(9,828)	(8,014)
Credit information and searches	(2,077)	(296)
Information, communication and technology expenses	(29,708)	(30,909)
Consulting, audit and other professionals services	(973)	(1,624)
Real estate expenses	(20,638)	(20,562)
Rents	(12,258)	(10,811)
Travel expenses and car rentals	(3,503)	(3,569)
Insurance	(767)	(973)
Supply and miscellaneous services rendered by third parties	(15,277)	(13,156)
Other costs	(6,223)	(7,249)
Total general and administrative expenses	**(125,654)**	**(117,939)**

16. 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 anymore likely the outflow of resources to occur the previously allocated provisions are reversed (for more details see also Note 38).

of resources to occur the previously allocated provisions are reversed (for more details see also Note **38**).

	2008	2007
Additions of provisions		
Provisions on letters of guarantee	(11,829)	(3,857)
Legal cases provisions	(7,449)	(6,812)
Provisions on constructive obligations	(2,801)	(2,543)
Other provisions	(1,235)	(168)
	(23,314)	**(13,380)**
Reversal of provisions		
Provisions on letters of guarantee	11,731	2,473
Legal cases provisions	10,362	4,836
Provisions on constructive obligations	4,802	2,230
Other provisions	53	-
	26,948	**9,539**
Net provisions charge	**3,634**	**(3,841)**

17. Restructuring costs

For the period June 2006 – June 2008 UniCredit Bulbank AD was successfully implementing restructuring program related to optimization of the operational activity as a result of a legal merger of the three Bulgarian Banks (Bulbank AD, HVB Bank Biochim AD and Hebrosbank AD). The program was completed in June 2008. As some of the performed activities absorbed less resources (costs) than initially estimated the total unutilized restructuring provisions in the amount of BGN 17,986 thousand were released.

18. Net Impairment loss on financial assets

In thousands of BGN

	2008	2007
Balance 1 January		
Loans and advances to customers	230,533	169,555
Increase		
Loans and advances to customers	149,919	147,745
Decrease		
Loans and advances to customers	(89,752)	(84,454)
Recoveries from non-performing loans previously written-off	(10,245)	(12,287)
	(99,997)	(96,741)
Net impairment losses	49,922	51,004
Written-off		
Loans and advances to customers	(5,414)	(2,313)
Balance December 31		
Loans and advances to customers	**285,286**	**230,533**

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 2009.

In thousands of BGN

	2008	2007
Current tax	(27,734)	(30,256)
Deferred tax income (expense) related to origination and reversal of temporary differences	(4,757)	1,622
Underprovided prior year income tax	(174)	(231)
Income tax expense	**(32,665)**	**(28,865)**

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

In thousands of BGN

	2008	2007
Accounting profit before tax	324,368	284,039
Corporate tax at applicable tax rate (10% for 2008 and 10% for 2007)	(32,437)	(28,404)
Tax effect of non taxable revenue	32	64
Tax effect of non tax deductible expenses	(217)	(80)
Tax effect of reversal of temporary differences	131	(214)
Underprovided prior year income tax	(174)	(231)
Income tax expense	**(32,665)**	**(28,865)**
Effective tax rate	**10.07%**	**10.16%**

20. Cash and balances with Central Bank

In thousands of BGN

	2008	2007
Cash in hand	182,008	204,499
Current account with Central Bank	723,921	1,046,347
Total cash and balance with Central Bank	**905,929**	**1,250,846**

As a result of the unprecedented market turmoil on the world financial markets in the fourth quarter of 2008 Bulgarian National Bank (BNB) took decision to lower the minimum required reserves rate from 12% to 10%. In addition to that BNB accepted further reduced rate on attracted funds from abroad. All these measures allow Banks to reorganize its liquid assets and redirect free resources from non-interest bearing liquid assets to interest bearing ones. This is the main reason UniCredit Bulbank AD represents reduced amounts of cash and balances with the Central Bank by the end of 2008 compared with the end of 2007 (see also note **24**)

21. Financial assets held for trading

In thousands of BGN

	2008	2007
Government bonds	15,702	140,548
Bonds of credit institutions	97,728	51,602
Corporate bonds	9,164	11,313
Equites	-	1
Total financial assets held for trading	**122,594**	**203,464**

Financial assets held for trading comprise of bonds and equities that Bank holds for the purpose of short-term profit taking by selling or repurchasing them in the near future.
As of December 31, 2008 and December 31, 2007 financial assets held for trading in the amount of BGN 54,175 thousand and BGN 135,534 thousand, respectively, are pledged either on open repo-deals or under regulatory requirement to pledge government bonds as collateral for servicing State Budget accounts (see also Note 43).

Change in accounting policy

As described in note **3 (h) (ii) b**) 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 a possible example of "rare circumstances" (same also confirmed in the motives of IASB provoking standard amendments), Management has assessed and changed its intention with regard to certain government bonds, previously classified as held for trading, thus reclassifying them into held to maturity category. The reclassification was performed retroactively, as allowed by the amendments, with effective date July 1st, 2008. Additional information on the reclassification is presented in the table below.

In thousands of BGN

Type of instrument	Currency	Fair value as of June 30, 2008 (reclassification date)	Effective interest rate at the date of reclassification	Fair value as of December 31, 2008	Carrying amount as of December 31, 2008	Fair value gain (loss) recognized in 2008 before reclassification	Fair value gain (loss) that should have been recognized in 2008 had the assets not been reclassified
BG Gov. Bonds	USD	33,721	5.71%	32,717	37,509	(1,058)	(6,172)
	EUR	43,720	5.82%	41,623	43,478	(1,688)	(3,786)
		77,441		**74,340**	**80,987**	**(2,746)**	**(9,958)**

* Fair values and unrealized gain (loss) effects in the table above are based on clean market prices of the respective bonds.

22. Derivatives held for trading

In thousands of BGN

	2008	2007
Interest rate swaps	25,121	6,917
Equity options	9,341	3,811
FX forward contracts	3,302	1,105
FX options	32	899
Other options	490	274
Credit default swaps	-	228
FX swaps	17	89
Total trading derivatives	**38,303**	**13,323**

Derivatives comprise of trading instruments that have positive market value as of December 31, 2008 and December 31, 2007. 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's customers' business positions.

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

In thousands of BGN

	2008	2007
Government bonds	27,428	208,497
Bonds of credit institutions	58,485	124,734
Municipality bonds	2,849	3,026
Corporate bonds	95,805	11,555
Total financial assets designated at fair value through profit or loss	**184,567**	**347,812**

Financial assets designated at fair value through profit or loss are non-trading assets with determinable market price that form a portfolio which performance is managed by the Bank on a fair value basis.

As of December 31, 2008 and December 31, 2007 assets designated at fair value through profit or loss in the amount of BGN 20,330 thousand and BGN 155,018 thousand, respectively, are pledged either on open repo-deals or under regulatory requirement to pledge government bonds as collateral for servicing State Budget accounts (see also Note **43**).

24. Loans and advances to banks

In thousands of BGN

	2008	2007
Loans and advances to banks	1,515,360	1,033,638
Current accounts with banks	34,599	42,118
Restricted accounts in foreign currency	37	633
Total loans and advances to banks	**1,549,996**	**1,076,389**

25. Loans and advances to customers

In thousands of BGN

	2008	2007
Receivables under repurchase agreement	14,715	83,305
Private companies	5,165,358	3,529,880
Individuals		
Housing loans	1,339,927	889,516
Consumer loans	937,804	870,200
Central and local governments	59,733	59,131
	7,517,537	5,432,032
Less impairment allowances	(285,286)	(230,533)
Total loans and advances to customers	**7,232,251**	**5,201,499**

26. Available for sale investments

In thousands of BGN

	2008	2007
Government bonds	312,408	476,521
Bonds of credit institutions	41,985	43,248
Corporate bonds	-	1,384
Equities	3,061	3,510
Total available for sale investments	**357,454**	**524,663**

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

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

As of December 31, 2008 and December 31, 2007 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, 2008 and December 31, 2007 available for sale investments in the amount of BGN 307,132 thousand and BGN 416,394 thousand, respectively, are pledged either on open repo-deals or under regulatory requirement to pledge government bonds as collateral for servicing State Budget accounts (see also Note **43**).

27. Held to maturity investments

In thousands of BGN

	2008	2007
Government bonds	329,438	104,838
Bonds of credit institutions	26,564	52,189
Corporate bonds	-	25,456
Total held to maturity investments	**356,002**	**182,483**

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

In 2008 based on internal risk assessment Management approved increase of Bank's holdings in Government bonds with clearly stated intention to hold them until maturity. The increase was effectively done through reclassification of bonds previously classified as held for trading (see also note **21**) and through new investments.

28. Investments in subsidiaries and associates

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

For the purposes of supporting the business activities of UniCredit Factoring AD and UniCredit Consumer Financing AD, the Bank approved increase of the reserves of the two companies by providing additional funds from the shareholders. The Bank's part of that increase was effectively paid in 2008 and as a result of that the cost of participation in UniCredit Factoring increased by BGN 2,000 thousand and the cost of participation of UniCredit Consumer Financing AD increased by BGN 2,740 thousand.

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

The breakdown by entities as of December 31, 2008 is as outlined below:

Company	Activity	Share in capital	Carrying value in thousands of BGN
Unicredit Factoring AD	Factoring activities	100.0%	3,000
Hypovereins Immobilien EOOD	Transport services and real estate lending activities	100.0%	654
Unicredit Consumer Financing AD	Consumer lending and other similar activities in line with the applicable law and regulations	49.9%	6,882
Unicredit Leasing EAD	Leasing activities	49.0%	983
Bulbank Leasing EAD	Leasing activities	49.0%	788
Cash Service Company AD	Accepting, processing, safekeeping and delivering of valuable consignments with banknotes and coins to the banks	25.0%	2,500
Pirelli Real Estate AD	Management of Real Estate Portfolios	25.0%	125
		Total	**14,932**

29. Property, plant, equipment and investment properties

In thousands of BGN

	Lands	Buildings	Furniture	Electronic equipment	Other	Investment property	Total
Cost or revalued amount							
As of December 31, 2007	**8,534**	**163,477**	**7,259**	**66,180**	**42,867**	**1,155**	**289,472**
Additions	-	45	732	4,076	15,620	-	20,473
Transfers	-	5,024	50	10,435	(15,509)	-	-
Transfers to non-current assets included in disposal group classified as held for sale	(169)	(3,641)	-	-	-	(227)	(4,037)
Write offs	-	(1,023)	(4,347)	(9,174)	(4,431)		(18,975)
Disposals	(1,585)	(3,019)	(8)	(2,170)	(3,107)	-	(9,889)
As of December 31, 2008	**6,780**	**160,863**	**3,686**	**69,347**	**35,440**	**928**	**277,044**
Depreciation							
As of December 31, 2007	-	23,696	6,322	47,133	18,936	52	96,139
Depreciation charge	-	7,090	201	9,081	2,634	46	19,052
Impairment charge	-	1	14	144	216	-	375
Write offs	-	(1,022)	(4,347)	(9,071)	(4,475)	-	(18,915)
On transfers to non-current assets included in disposal group classified as held for sale	-	(883)	-	-	-	(18)	(901)
On disposals	-	(496)	(8)	(2,147)	(1,184)	-	(3,835)
As of December 31, 2008	**-**	**28,386**	**2,182**	**45,140**	**16,127**	**80**	**91,915**
Net book value as of December 31, 2008	**6,780**	**132,477**	**1,504**	**24,207**	**19,313**	**848**	**185,129**
Net book value as of December 31, 2007	**8,534**	**139,781**	**937**	**19,047**	**23,931**	**1,103**	**193,333**

In 2008 Management of the Bank took a decision that certain investments in property will no longer be used in the ordinary activity nor will be rented and utilized as investment properties. It is expected the carrying amount of these assets to be recovered through a sale transaction. As of December 31, 2008 Management has started the process of effectively seeking a buyer and expects the sale to be completed in a near term. As of December 31, 2008 all these assets are transferred and presented as non-current assets held for sale (see also note 32).
In 2008 Bank has started branch network optimization project which covers renovation activities in certain Bank's locations. The project will continue in 2009 and based on already agreed construction contracts and Management estimation of investments required, the capital commitments of the Bank with regard to this project as of December 31, 2008 amount at approximately BGN 8,194 thousand.

In 2008 all items of property, plant and equipment have been assessed for impairment. As a result of this assessment certain assets have been found totally worn out and obsolete and they have been fully impaired.

30. Intangible assets

By the end of 2008 Management has assessed entire class of intangible assets for impairment indicators. As a result of this assessment certain items of software have been found impaired due to ongoing implementation of new ones. On these items carrying amount has been reduced to their expected recoverable amount and for the difference impairment loss has been recognized

In thousands of BGN

Cost	
As of December 31, 2007	**82,201**
Additions	11,916
Write offs	(1,813)
Disposals	(16)
As of December 31,2008	**92,288**
Depreciation	
As of December 31, 2007	**44,056**
Depreciation charge	10,859
Impairment charge	1,018
Write offs	(1,767)
As of December 31,2008	**54,166**
Net book value as of December 31, 2008	**38,122**
Net book value as of December 31, 2007	**38,145**

31. Deferred tax

The origination breakdown of the deferred tax assets and liabilities as of December 31, 2008 and December 31, 2007 is as outlined below:

In thousands of BGN

	Assets		Liabilities		Net	
	2008	2007	2008	2007	2008	2007
Property, plant and intangible assets	(58)	(93)	12,413	12,231	12,355	12,138
Available for sale investments	(2,897)	(1,140)	2,859	1,090	(38)	(50)
Provisions	(3,035)	(3,118)	-	-	(3,035)	(3,118)
Restructuring provisions	-	(1,807)	-	-	-	(1,807)
Other liabilities	(3,641)	(4,522)	-	-	(3,641)	(4,522)
Net tax (assets)/liabilities	**(9,631)**	**(10,680)**	**15,272**	**13,321**	**5,641**	**2,641**

The movements of deferred tax assets and liabilities throughout 2008 are as outlined below:

In thousands of BGN

	Balance 2007	Recognised in P&L	Recognised in equity	Balance 2008
Property, plant, equipment	12,138	217	-	12,355
Available for sale investments	(50)	1,769	(1,757)	(38)
Provisions	(3,118)	83	-	(3,035)
Restructuring provisions	(1,807)	1,807	-	-
Other liabilities	(4,522)	881	-	(3,641)
Net tax (assets)/liabilities	**2,641**	**4,757**	**(1,757)**	**5,641**

32. Non-current assets and disposal groups classified as held for sale

As described on note **29** by the end of 2008 Management has approved list of 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 looking for a buyer and expects the sale to be performed in the near term. As of December 31, 208 these assets are presented in the balance sheet at the lower of their carrying amount and fair value less cost to sell.

The breakdown of assets classified as held for sale and their carrying amount as of December 31, 2008 is as follows

In thousands of BGN

	2008
Land	169
Buildings	2,967
Total non-current assets held for sale	**3,136**

33. Other assets

In thousands of BGN

	2008	2007
Receivables and prepayments	9,814	11,276
Receivables from the State Budget	10	2
Materials, spare parts and consumables	1,412	652
Other assets	5,422	1,976
Total other assets	**16,658**	**13,906**

34. Financial liabilities held for trading

In thousands of BGN

	2008	2007
Interest rate swaps	22,332	7,292
FX forward contracts	28,034	4,524
Equity options	9,368	3,611
Other options	328	214
FX options	32	32
FX swaps	17	89
Total trading liabilities	**60,111**	**15,762**

35. Deposits from banks

In thousands of BGN

	2008	2007
Current accounts and overnight deposits		
Local banks	85,342	2,255
Foreign banks	1,489,872	13,087
	1,575,214	**15,342**
Deposits		
Local banks	89,039	298,767
Foreign banks	1,395,537	958,363
	1,484,576	**1,257,130**
Liabilities under repurchase agreements	154,991	16,787
Other	3,813	7,026
Total deposits from banks	**3,218,594**	**1,296,285**

36. Deposits from customersg

In thousands of BGN

	2008	2007
Current accounts and overnight deposits		
Individuals	575,399	651,706
Corporate	1,893,713	2,208,735
Budget and State companies	239,977	275,642
	2,709,089	**3,136,083**
Term deposits		
Individuals	1,934,277	1,617,357
Corporate	697,871	618,297
Budget and State companies	220,480	409,573
	2,852,628	**2,645,227**
Saving accounts	413,630	498,629
Transfers in execution process	52,697	56,972
Other	1,147	2,051
Total deposits from customers	**6,029,191**	**6,338,962**

Deposits from customers comprise of outstanding balances on clients' current accounts, term deposits and saving accounts as well as respective accrued interest in them as of the reporting date. As of December 31, 2008 and December 31, 2007 there are transfers in execution that have not left the Bank's patrimony effectively. These temporary balances are presented as deposits from customers under transfers in execution and process.

37. Subordinated liabilities

As of December 31, 2008, and December 31, 2007 the total amount of BGN 209,368 thousand and BGN 105,209 thousand, represents respectively the outstanding debt (principal and accrued interest) on five loan facilities provided by UniCredit Bank Austria AG as outlined in the table below.

In thousands of BG

Start date	Term to maturity	Amount of the original principal	Outstanding amount as of December 31, 2008
November 26, 2004	10 years	19,558	23,561
December 20, 2004	10 years	19,558	23,577
February 3, 2005	10 years	25,426	30,111
August 2, 2005	10 years	29,337	34,105
November 19, 2008	10 years	97,792	98,014
Total		**191,671**	**209,368**

All of them meet the requirements of Bulgarian National Bank for Tier II inclusion for which Bank has received written approval. No principal repayments are allowed prior to final maturity of the loans unless explicitly approved by Bulgarian National Bank. Under the clauses of subordinated agreements UniCredit Bank Austria has agreed that all the subordinated indebtedness is unsecured and that any repayment of these liabilities in case of insolvency, liquidation or dissolution of the Borrower (UniCredit Bulbank AD) shall be admitted after all other Borrowers' creditors have been reimbursed and satisfied.

38. Provisions

Balances of provisions as of December 31, 2008 and December 31, 2007 are as follows:

In thousands of BGN

	Letters of guarantee	Legal cases	Retirement benefits	Constructive obligations	Restructuring	Other	Total
	(a)	(b)	(c)	(d)	(e)	(f)	
Balance as of December 31, 2007	**24,194**	**25,858**	**2,654**	**7,652**	**18,067**	**168**	**78,593**
Allocations	-	1,532	460	2,801	-	1,235	6,028
Releases	(20)	(4,358)	-	(4,802)	(17,986)	(53)	(27,219)
Additions due to FX revaluation	11,829	5,917	-	-	-	-	17,746
Releases due FX revaluation	(11,711)	(6,004)	-	-	-	-	(17,715)
Utilization	-	(117)	(296)	(41)	(81)	(124)	(659)
Balance as of December 31, 2008	**24,292**	**22,828**	**2,818**	**5,610**	**-**	**1,226**	**56,774**

(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 fulfillment of some uncertain events.

As of December 31, 2008 Bank assessed its entire portfolio of issued letters of guarantee and quantified provisions in the amount of BGN 24,292 thousand.

(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, 2008 Bank has assessed its position in legal cases against it and provision in the amount of BGN 22,828 thousand has been recognized.

(c) Retirement benefit provision

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

- Upon retirement – 2 monthly salaries, plus 0.4, monthly salaries per completed service year, with a maximum of 6 monthly salaries;
- Upon disability – 2.4 monthly salaries (if more than 5 years of service);
- Upon death – 4 monthly salaries.As of December 31, 2008 the defined benefit obligation is calculated as present value of accumulated rights at evaluation date including future compensation and benefits increases.

Major assumptions underlying in 2008 Defined benefit obligation are as follows:

- Discount rate – 8.2%;
- Salary increase – 5% p.a.;
- Retirement age:
  - -Men – 63;
  - -Women:
    - in 2008 – 59.5;
    - from 2009 – 60.

The movement of the defined benefit obligation for year ended 2008 and expected services cost and interest costs for the following year are outlined in the table below:

In thousands of BGN

Defined benefit obligation as of December 31, 2007	**2,654**
Current service costs for 2008	246
Interest cost for 2008	154
Actuary (gains) loss	60
Benefits paid	(296)
Defined benefit obligation as of December 31, 2008	**2,818**
Interest rate Beginning of the Year	6.1%
Interest rate End of the Year	8.2%
Future increase of salaries	5.0%
Expected 2009 service costs	255
Expected 2009 interest costs	220
Expected 2009 benefit payments	387

Current service and interest costs for 2008 are presented under Personnel expenses (See note **14**).

(d) Provisions on constructive obligation

In the course of regular business Bank has to follow certain rules as defined by specific Banking legislation prevailing in Bulgaria.

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

In thousands of BGN

	2008	2007
Provisions in accordance with BNB Regulation 18	-	2,300
Provisions in accordance with Instruction I-171 of BNB and Ministry of Internal Affairs	5,610	2,809
Provisions related to IT migration	-	2,543
Total provisions on constructive obligation	**5,610**	**7,652**

In conjunction with BNB and Ministry of Internal Affairs regulations, Bank has to bear certain costs related to clearance of cash in circulation. Due to reorganization of cash activities in 2008, these costs will no longer be born by the Bank therefore the unutilized provisions have been released as of December 31, 2008.

The legal triple merger in 2007 was accompanied by sophisticated IT migration where all the data of the three merging banks was transferred into a new IT platform. The business continuity was provided to the highest possible level with maximum data quality. However, due to the magnitude of the performed transformation, it was possible Bank to have to meet in the near future obligations related to not timely discovered data discrepancies originating from the post migration period. As of December 31, 2007 Management has assessed the potential of such obligations and has conservatively estimated that the possible cap of them amounts to BGN 2,543 thousand, for which amount provisions have been allocated.
After the expiration of one year monitoring period, Management assessed that it is highly unlikely IT migration data discrepancies to lead to negative outflow for the Bank after 2008, therefore the unutilized provisions as of December 31, 2008 was released.

By the end of 2008 Management has assessed the needed costs for full compliance with Instructions I-171 of BNB and Ministry of Internal Affairs, related to security standards of the premised where safe-deposits boxes are provided. Based on that assessment detailed calculation was prepared and the outstanding amount of Bank's obligation as of December 31, 2008 amounts to BGN 5,610 thousand.

(e) Restructuring provisions

Restructuring provision relates to implementation of the detailed integration plan adopted by the Bank in 2006. As of June 30, 2008 the restructuring plan was completed and the unutilized amounts as of that day were released.

(f) Other provision

Other provisions in the amount of BGN 1,226 thousand relates to coverage of claims related to credit cards business as well as tax claims.

39. Current tax liabilities

The current tax liabilities represents Bank's obligation as of the end of each of the presented reporting periods on corporate income tax calculated on the basis of the prevailing in Bulgaria tax regime, reduced by the prepaid tax throughout the year based on the same statutory requirements.

As of December 31, 2008 and December 31, 2007 Bank's net liability on corporate income tax is in the amount of BGN 759 thousand and BGN 7,300 thousand, respectively.

40. Other liabilities

In thousands of BGN

	2008	2007
Liabilities to the State budget	4,763	3,074
Liabilities to personnel	21,084	18,859
Liabilities for unused paid leave	6,139	4,752
Dividends	237	179
Incentive plan liabilities	596	327
Other liabilities	18,751	21,826
Total other liabilities	**51,570**	**49,017**

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 2008 performance payments. The amounts represent Management best estimate for the goals achieved throughout 2008 in accordance with the defined target settings.

Liabilities for unused paid leave represent quantification of Bank's current liability due to employees for unutilized current and prior years leave. The amount is equal to the compensation Bank has to pay should the labor contracts with the employees had been terminated as of December 31, 2008 and December 31, 2007, respectively.

As described in note **3 (n) (iii**) selected group of Top and Senior Managers are given UniCredito Italiano stock options and performance shares as part of their remuneration packages. The economic value of the options and shares is presented as other liability as upon expiring of the vesting period respective amounts have to be settled in cash. The breakdown of the liabilities by type of instruments is presented in note **14** above.

41. Equity

a) Share capital

Share capital comprises of 239,255,524 ordinary shares with nominal value of BGN 1 each. All shares give equal voting rights to their holders. As of December 31, 2008 92.1% of the shares are held by UniCredit Bank Austria AG.

b) Statutory reserves

Statutory reserves represent allocated profits after taxation into Reserve Fund in accordance with requirements of the Bulgarian Commercial Act

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

c) Retained earnings

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

d) Revaluation reserves

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

42. Contingent liabilities

In thousands of BGN

	2008	2007
Letters of credit and letters of guarantee	731,489	636,173
Credit commitments	1,442,245	1,635,642
Total contingent liabilities	**2,173,734**	**2,271,815**

a) Memorandum items

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.
The contractual amounts of financial guarantees and letters of credit are set out in the above table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognized at the balance sheet date if counterparties failed completely to perform as contracted.

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

As of December 31, 2008 and December 31, 2007 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 38).

b) Litigation
As of December 31, 2008 there are open litigation proceedings against the Bank. There is significant uncertainty as to the timing and outcome of such proceedings. Since the ultimate outcome of the claims against the Bank cannot presently be determined with sufficient reliability, provisions have been accrued only on cases where sufficient degree of certainty exists. Total of litigation claims provided for in the financial statements as of December 31, 2008 is in the amount of BGN 22,828 thousand.

c) Credit commitments
During the course of normal lending activity the Bank has negotiated with clients different types of credit facilities including credit lines, overdraft facilities and revolving loans. Contractually the Bank has committed itself for a certain amount which is at clients' disposal. As of December 31, 2008 and December 31, 2007 the Bank presents committed but unutilized credit facilities as part of its off-balance sheet positions.

43. Assets pledged as collateral

In thousands of BGN

	2008	2007
Securities pledged for budget holders' account service	458,769	719,392
Securities pledged on REPO deals	164,430	17,379
Securities pledged on other deals	57,191	-
Blocked deposit for credit cards issuance	37	621
	680,427	**737,392**
Pledged securities include		
Assets held for trading	54,175	135,534
Assets designated at fair value through profit or loss	20,330	155,018
Available for sale assets	307,132	416,394
Assets held to maturity	298,753	29,825
	680,390	**736,771**

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

44. Related parties

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

The related parties' transactions in terms of balance sheet items as of December 31, 2008 and Income Statement items for the year ended thereafter are as follows:

In thousands of BGN

	Assets	Liabilities
Financial assets held for trading	4,474	
Available for sale investments	2,720	
Current accounts and deposits placed	1,442,381	
Extended loans	87,327	
Long term assets	-	
Other assets	3,031	
Financial liabilities held for trading		33,526
Current accounts and deposits taken		2,920,363
Subordinated loans		209,368
Other liabilities		903
Total	**1,539,933**	**3,164,160**
Guarantees received by the Group	**156,168**	

In thousands of BGN

	Income (Expense)
Interest incomes	9,438
Interest expenses	(57,457)
Fee and commissions income	2,402
Fee and commissions expenses	(2,250)
Net trading income (expenses)	(9,299)
Administrative and personnel expenses	(8,163)
	(65,329)

As of December 31, 2008 the loans extended to key management personnel amount to BGN 14,534 thousand. For the twelve months ended December 31, 2008 the payroll costs of key management personnel included in position administrative expenses amount to BGN 1,746 thousand.

45. Cash and cash equivalents

In thousands of BGN

	2008	2007
Cash in hand	182,008	204,499
Current account with the Central Bank	723,921	1,046,346
Current accounts with banks	34,599	42,118
Receivables under repurchase agreements	-	1,369
Placements with banks with original maturity less than 3 months	1,433,919	919,728
Total cash and cash equivalents	**2,374,447**	**2,214,060**

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

46. Leasing

Bank has concluded numerous operating and finance lease agreements to support its daily activity.
Under financial lease contracts Bank acts only as a lessee for acquiring cars and equipment.
Under operational lease contracts Bank acts both as a lessor and lessee in renting office buildings.

(a) Financial lease contracts where the Bank cats as a lessee

Residual maturity	Total future minimum lease payment		NPV of total future minimum lease payment	
	2008	2007	2008	2007
Concentration by sectors				
Up to one year	746	862	679	762
Between one and five years	504	1,381	468	1,289
Total	**1,250**	**2,243**	**1,147**	**2,051**

b) Operational lease contracts where the Bank cats as a lessee

In thousands of BGN

Residual maturity	Total future minimum lease paymen	
	2008	2007
Up to one year	12,500	10,486
Between one and five years	26,819	19,537
Beyond five years	8,923	2,010
Total	**48,242**	**32,033**

(c) Operational lease contracts where the Bank cats as a lessor

In thousands of BGN

Residual maturity	Total future minimum lease paymen	
	2008	2007
Up to one year	189	186
Between one and five years	119	207
Total	**308**	**393**

47. Group entities

The direct parent company of UniCredit Bulbank AD is UniCredit Bank Austria AG. As of December 31, 2008 and December 31, 2007 the ultimate parent company is UniCredito Italiano S.p.A.

48. Applicable accounting standards for 2008

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

Urska Kolar Stuklek
Slovenia

**«Any offering or proposal I prepare for customers or colleagues is always checked by my conscience.
I ask myself, "Have I considered all options? Is this the best solution?"
I can only commit to my customers and colleagues if the proposal would satisfy me were I standing in their shoes.»**

Consolidated Financial Statements

Independent Auditors Report

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF UNICREDIT BULBANK AD

12 February 2009

Introduction

We have audited the accompanying consolidated financial statements of UniCredit Bulbank AD and its subsidiaries("the Bank"), which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated changes in equity and the consolidated cash flows for the year then ended, and a summery of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of UniCredit Bulbank AD as at 31 December 2008, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by European Commission.

Report on Other Legal and Regulatory Requirements

Annual report of the activities of the Bank according to article 33 of the Accountancy Act

As required under the Accountancy Act, we also report that the consolidated historical financial information prepared by Management and presented in the annual report of the activities of the Bank, as required under article 33 of the Accountancy Act, is consistent, in all material aspects with the financial information disclosed in the consolidated financial statements of the Bank as of and for the year ended 31 December 2008. Management is responsible for the preparation of the annual report of the activities of the Bank which was approved by the Management Board of the Bank on 11 February 2009.

София
Рег. №045

Krassimir Hadjidinev
Registered auditor
Authorised representative

0202 Маргарита Голева

Margarita Goleva
Registered auditor

KPMG Bulgaria OOD
37 Fridtjof Nansen Str.
1142 Sofia
Bulgaria

Income Statement

In thousands of BGN

	Notes	2008	2007
Interest income		655,553	506,081
Interest expense		(191,839)	(122,167)
Net interest income	7	**463,714**	**383,914**
Dividend income		**139**	**643**
Fee and commission income		165,721	152,402
Fee and commission expense		(9,714)	(8,707)
Net fee and commission income	8	**156,007**	**143,695**
Net gains (losses) on financial assets and liabilities held for trading	9	(23,930)	11,644
Net gains (losses) on other financial assets designated at fair value through profit or loss	10	184	(16,767)
Net income from investments	11	(1,277)	13,316
Net income on disposal of subsidiaries, associates and property, plant and equipment	12	13,847	28,805
Other operating income, net	13	5,292	3,809
TOTAL OPERATING INCOME		**613,976**	**569,059**
Personnel expenses	14	(103,392)	(96,907)
General and administrative expenses	15	(124,502)	(116,041)
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets and investment properties	29,30	(31,987)	(26,079)
Provisions for risk and charges	16	3,634	(3,841)
Restructuring costs		17,986	5,200
Net impairment loss on financial assets	18	(50,056)	(50,633)
PROFIT BEFORE INCOME TAX		**325,659**	**280,758**
Income tax expense	19	(32,715)	(29,301)
PROFIT FOR THE PERIOD		**292,944**	**251,457**

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

Emilia Palibachiyska
Member of the Management Board and Chief Financial Officer

KPMG Bulgaria OOD

Krassimir Hadjidinev
Authorised representative

Margarita Goleva
Registered auditor

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

1

Balance Sheet

In thousands of BGN

	Notes	2008	2007
ASSETS			
Cash and balances with Central Bank	20	905,931	1,250,847
Financial assets held for trading	21	122,594	203,464
Derivatives held for trading	22	38,303	13,323
Financial assets designated at fair value through profit or loss	23	184,567	347,812
Loans and advances to banks	24	1,549,996	1,076,389
Loans and advances to customers	25	7,238,633	5,202,029
Available for sale investments	26	357,454	524,663
Held to maturity investments	27	356,002	182,483
Investments in associates	28	17,720	14,169
Property, plant, equipment and investment properties	29	195,275	202,711
Intangible assets	30	38,175	38,215
Deferred tax assets	31	9,651	10,737
Non-current assets and disposal group classified as held for sale	32	3,136	-
Other assets	33	16,772	14,072
TOTAL ASSETS		**11,034,209**	**9,080,914**
LIABILITIES			
Financial liabilities held for trading	34	60,111	15,762
Deposits from banks	35	3,227,729	1,305,836
Deposits from customers	36	6,024,506	6,339,433
Subordinated liabilities	37	209,368	105,209
Provisions	38	56,774	78,593
Current tax liabilities	39	774	7,300
Deferred tax liabilities	31	15,272	13,324
Other liabilities	40	61,386	49,115
TOTAL LIABILITIES		**9,655,920**	**7,914,572**
EQUITY			
Share capital		239,256	239,256
Revaluation reserves		61,932	78,842
Retained earnings		784,157	596,787
Profit for the period		292,944	251,457
TOTAL EQUITY	41	**1,378,289**	**1,166,342**
TOTAL LIABILITIES AND EQUITY		**11,034,209**	**9,080,914**

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2

Statement of Changes in Equity

In thousands of BGN

	Share capital	Statutory reserve	Retained earnings	Property revaluation reserve	Available for sale investments revaluation reserve	Total
Balance as of 1 January 2007	**239,256**	**51,155**	**595,690**	**92,133**	**1,521**	**979,755**
Fair value changes of available for sale investments	-	-	-	-	(13,088)	**(13,088)**
Deferred tax related to available for sale investment revaluation reserve	-	-	-	-	1,309	**1,309**
Transfer of revaluation reserve on non-current assets disposed of	-	-	3,033	(3,033)	-	-
Net profit for the year	-	-	251,457	-	-	**251,457**
Dividend distribution	-	-	(52,642)	-	-	**(52,642)**
Other distribution	-	-	(449)	-	-	**(449)**
Balance as of 31 December 2007	**239,256**	**51,155**	**797,089**	**89,100**	**(10,258)**	**1,166,342**
Balance as of 1 January 2008	**239,256**	**51,155**	**797,089**	**89,100**	**(10,258)**	**1,166,342**
Fair value changes of available for sale investments	-	-	-	-	(17,571)	**(17,571)**
Deferred tax related to available for sale investment revaluation reserve	-	-	-	-	1,757	**1,757**
Transfer of revaluation reserve on non-current assets disposed of	-	-	1,096	(1,096)	-	-
Net profit for the year	-	-	292,944	-	-	**292,944**
Dividend distribution	-	-	(64,599)	-	-	**(64,599)**
Other distribution	-	-	(584)	-	-	**(584)**
Balance as of 31 December 2008	**239,256**	**51,155**	**1,025,946**	**88,004**	**(26,072)**	**1,378,289**

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3

Cash Flow Statement

In thousands of BGN

CASH FLOW STATEMENT	Notes	2008	2007
Net profit		**292,944**	**251,457**
Current and deferred tax income, recognised in income statement		(2,475)	(1,380)
Current and deferred tax expenses, recognised in income statement		35,190	30,681
Adjustments for non-cash items			
Depreciation and amortisation	29,30	30,594	23,593
Impairment	38,29,	61,560	66,148
Provisions, net		(21,620)	(40)
Unrealised fair value gains (losses) through profit or loss, net		5,311	6,625
Net (gains)/losses on sale of investments		(12,855)	(27,892)
Increase in other accruals		22,144	32,846
Cash flows from profits before changes in operating assets and liabilities		**410,793**	**382,038**
Operating activities			
Change in operating assets			
Decrease (increase) in loans and advances to banks		30,172	(13,399)
Increase in loans and advances to customers		(2,096,771)	(1,102,710)
Decrease in available for sale investments		149,638	94,024
Decrease in financial instruments held for trading		14,975	17,623
Decrease (increase) in financial instruments at fair value trough profit or loss		159,565	(105,409)
Increase in other assets		(2,701)	(3,898)
Change in operating liabilities:			
Increase (decrease) in deposits from banks		1,921,892	517,865
Increase (decrease) in amounts owed to customers		(306,836)	875,704
Provisions utilization		(199)	(15,321)
Increase (decrease) in other liabilities		(44,323)	(50,952)
Net cash flow from operating activities		**236,205**	**595,565**
Cash flow from investing activities			
Cash payments to acquire property, plant and equipment		(21,921)	(15,112)
Cash receipt from sale of property, plant and equipment		10,949	2,175
Cash payments to acquire intangible assets		(11,928)	(24,668)
Cash receipt from sale of intangible assets		17	-
Cash payments for the investment in associates		(3,551)	(3,040)
Cash receipt from disposal of subsidiaries and associates		-	35,691
Cash receipts from the sale of maturity investments		(89,886)	82,728
Net cash flow from investing activities		**(116,320)**	**77,774**
Cash flow from financial activities			
Dividends paid		(64,599)	(52,642)
Cash proceeds from the issuance of subordinated liabilities		97,792	-
Other cash payments related to financing activities		5,783	(449)
Net cash flows from financial activities		**38,976**	**(53,091)**
Effect of exchange rate changes on cash and cash equivalents		**1,527**	**4,661**
Net increase in cash and cash equivalents		**160,388**	**624,909**
Cash and cash equivalents at the beginning of period	45	**2,214,061**	**1,589,152**
Cash and cash equivalents at the end of period	45	**2,374,449**	**2,214,061**

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

4

Notes to Consolidated Financial Statements

1. Reporting entity

UniCredit Bulbank AD (the Bank) is a universal Bulgarian bank established upon triple legal merger of Bulbank AD, HVB Bank Biochim AD and Hebros Bank AD legally completed on April 27th, 2007 with retroactive effect commencing January 1st, 2007. These consolidated financial statements comprise of UniCredit Bulbank AD and its subsidiaries and associates (hereafter together referred as the Bank).
UniCredit Bulbank AD possessed a full-scope banking licence for performing commercial banking activities. It is domiciled in the Republic of Bulgaria, with registered address Sofia, 7 "Sveta Nedelya" sq. The Bank is primarily involved in corporate and retail banking and in providing asset management services.

2. Basis of preparation

(a) Statement of compliance
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting standards Board (IASB) and adopted by European Commission.
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.
The financial statements are approved by the Management Board of UniCredit Bulbank AD on February 11th, 2009.

(b) Basis of measurement
These unconsolidated financial statements have been prepared on historical cost basis except for:
- derivative financial instrume esignated at fair value through profit or loss measured at fair value, where such can be reliably determined;
- available for sale financial instruments measured at fair value, where such can be reliably determined;
- investments in property measured at revalued amount based on independent appraiser's valuation.

(c) Functional and presentation currency
These consolidated financial statements are presented in Bulgarian Lev (BGN) rounded to the nearest thousand. Bulgarian Lev is the functional and reporting currency of UniCredit Bulbank AD and all its subsidiaries and associates.

(d) Use of estimates and judgement
The preparation of financial statements requires 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

The accounting policies set below have been applied consistently to all periods presented in these financial statements, except as described in note **3 (i) (ii) b**).

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

Intra-group balances, and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment
There has been no change in UniCredit Bulbank AD shares in the registered capital of its subsidiaries and associates in 2008 and 2007 therefore there is also no change in applicable consolidation method, which for the two consecutive years is as follows:

Company	Participation in equity	Consolidation method
UniCredit Factoring EAD	100.0%	Full consolidation
Hypovereins Immobilien EOOD	100.0%	Full consolidation
UniCredit Consumer Financing AD	49.9%	Equity method
UniCredit Leasing AD	49.0%	Equity method
Bulbank Leasing AD	49.0%	Equity method
Cash Service Company AD	25.0%	Equity method
Pirelli Real Estate Bulgaria AD	25.0%	Equity method

(b) Interest income

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

Interest income and expense presented in the Income Statement include:

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

(c) Fee and commission income

Fee and commission income arises on financial services provided and is recognized upon rendering the corresponding service. Fees 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 includes gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading as well as trading income in dealing with foreign currencies and exchange differences from daily revaluation of the open foreign currency position of the Bank.

(e) Foreign currency transactions

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

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 in a net receivable position (positive fair value) and purchased options are reported separately as derivatives held for trading. All derivatives in a net payable position (negative fair value) 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 balance sheet.

Change in accounting policy
In October 2008 the IASB issued Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures). The amendment to IAS 39 permits in “rare circumstances” an entity to transfer from held for trading to held to maturity category, a non-derivative financial asset that is quoted on active market for which entity has the intention and ability to hold until maturity. The deterioration of the world’s financial markets that has occurred during the third quarter of 2008 is a possible example of “rare circumstances” cited in the IFRS amendments and therefore justifies amendments application.

The amendment to IFRS 7 introduces additional disclosure requirements if an entity has reclassified financial assets in accordance with the amendment to IAS 39. The amendments are effective retrospectively from 1 July 2008.
Pursuant to these amendments, the Bank reclassified certain non-derivative financial assets out of held for trading into held to maturity investments. For details on the impact of these reclassifications, see also note **21**.

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 balance sheet.

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 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 equity until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in equity 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. Held to maturity investments are carried at amortised cost using the effective interest method.

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

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 liability meets some additional requirements set by Bulgarian National Bank (see note **37**).
Deposits from banks, customers and subordinated liabilities are carried at amortised cost using effective interest rate method.

(iii) Reclassification
Bank does not reclassify financial instruments in or out of any classification category after initial recognition except as described in **3 (i) (ii) b**).

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

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

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

(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 financial assets – by the end of each month for the purposes of preparing interim financial statements reported to the Bulgarian National Bank and Management;
- for non-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. Interest on the impaired asset continues to be recognised through the unwinding of the discount. 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 balance sheet date. The expected cash flows for portfolios of similar assets are estimated based on previous experience, late payments of interest, principals or penalties. Increases in the allowance account are recognized in 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.
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 through equity
Financial assets remeasured to fair value directly through equity are those classified as available for sale financial investments.
Where an asset remeasured to fair value directly through equity is impaired, and a write down of the asset was previously recognized directly in equity, the write-down is transferred to profit or loss and recognized as part of the impairment loss. Where an asset measured to fair value directly through equity is impaired, and an increase in the fair value of the asset was previously recognized in equity, the increase in fair value of the asset recognized in equity is reversed to the extent the asset is impaired. Any additional impairment loss is recognized in profit or loss.

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.

(k) Property, plant and equipment and investment property
The Bank has adopted a policy to carry its items of property at revalued amount under the allowed alternative approach in IAS 16 "Property, Plant and Equipment".
Items of property are stated at fair value determined periodically by an independent registered appraiser. When the property is revalued,

any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset. When the carrying amount of assets is increased as a result of revaluation, the increase is credited directly to equity as revaluation surplus. When the carrying amount of assets is decreased as a result of revaluation, the decrease is recognized in equity to the extent that it reverses previously recognized surpluses and the remaining part is recognized as expense in profit or loss.

Plant and equipment are carried at historical cost less any 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. The Bank holds some investment property as a consequence of the ongoing rationalisation of its retail branch network. Other property has been acquired through the enforcement of security over loans and advances. Investment property is measured at cost less any accumulated depreciation.
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:

In thousands of BGN

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

(l) Intangible assets
Intangible assets are stated at cost less accumulated amortisation and any impairment losses. As of December 31, 2008 the entire class of intangible assets includes only investments in software and related licenses.
Amortisation is calculated on a straight-line basis over the expected useful life of the asset. The average estimated useful life of intangible assets controlled by the Bank is estimated to 5 years, which is an equivalent of approximately 20% annual amortization rate.

(m) Non-current assets and disposal groups classified as held for sale
Bank represents as non-current assets held for sale, investments in property which 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 in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. As of December 31, 2008 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 the Bank has to settle should the employment contract is terminated as of the balance sheet date. Short-term employees' benefits are presented as other liabilities and disclosed separately in the Notes.

(ii) Defined benefit obligation
Defined benefit obligations are those agreed in the Collective Labor

Agreement. The present value of the obligation as of the balance sheet date is determined by independent appraisers on the basis of actuary techniques. The current service costs, interest costs and actuary gains (losses) related to the defined benefit obligation for the current financial year are presented under Personnel expenses. The amount of the present value of the defined benefit obligation is presented separately and disclosed in Provisions.

(iii) UniCredit Group Medium and Long-Term incentive plans
UniCredit Group Medium and Long-Term incentive plans compose of Stock Options and Performance share granted by the ultimate parent UniCredito Italiano. They are allocated to selected group of top and senior managers of UniCredit Bulbank AD.
Whenever the vesting period of the Stock options or Performance shares is ended, UniCredit Bulbank is required to settle the monetary amount, corresponding to the economic value of the respective instruments.

The valuation of Stock Options and Performance Shares is as outlined below.

- **Stock Options valuation**

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

- **Performance shares**

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

As of December 31, 2008 and December 31, 2007 the UniCredit Bulbank presents the corresponding part of the economic value of the Stock Options and Performance shares as payroll costs under personnel expenses in the Income Statement and the related obligation for payment as other liability.

(p) Share capital and reserves

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

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

(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 equity, in which case it is recognised in equity. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balance sheet date, and any adjustment of tax payable for previous years.
Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated on the basis of the tax rates that are expected to apply for the periods when the asset is realized or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to the Income Statement, except to the extent that it relates to items previously charged or credited directly to equity.
A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(r) Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format for segment reporting is based on business segments.

(s) New IFRS and interpretations (IFRIC), endorsed by the European Commission but not yet effective as at the balance sheet date

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been adopted in preparing these financial statements:

- Amendment to IFRS 2 Share-based Payment – vesting and termination conditions (effective 1 January 2009). The amendments to the Standard clarify the definition of vesting conditions and introduce the concept of non-vesting conditions. Non-vesting conditions are to be reflected in grant-date fair value and failure to meet non-vesting conditions will generally result in treatment as a cancellation. The amendments to IFRS 2 will be effective for financial statements for 2009 and will be adopted retrospectively. Management considers that the amendments to the Standard will not have any impact on the Company as the Company does not have any share-based compensation plans.

- IFRS 8 Operating Segments (effective 1 January 2009). The Standard introduces the "management approach" to segment reporting and requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the Group's Chief Operating Decision Maker in deciding how to allocate resources and in assessing performance. The Standard will have no effect on the profit or loss or equity and the management expects the new Standard not to alter significantly the presentation and disclosure of its operating segments in the financial statements.

- Revised IAS 1 Presentation of Financial Statements (effective from 1 January 2009). The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income (effectively combining the income statement and all non-owner changes in equity in a single statement), or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Company is currently evaluating whether to present a single statement of comprehensive income, or two separate statements.

- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Company's 2009 financial statements and will constitute a change in accounting policy for the Company. In accordance with the transitional provisions the Company will apply the revised IAS 23 to qualifying assets for which capitalization of borrowing costs commences on or after the effective date.

- IFRIC 13 Customer Loyalty Programs addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programs for their customers. It relates to customer loyalty programs under which the customer can redeem credits for awards such as free or discounted goods or services. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations. IFRIC 13, which becomes mandatory for the Company's 2009 financial statements, is not expected to have significant impact on the financial statements.

Management believes that it is appropriate to disclose that the following revised standards, new interpretations and amendments to current standards, which are included under the accounting IFRS framework as approved by the International Accounting Standards Board (IASB), but are not yet endorsed for adoption by the European commission, and therefore are not taken into account in preparing these financial statements:

- 35 Improvements to 24 IFRSs and IASs (2008)
- Revised IFRS 3 Business Combinations (2008)
- Revised IFRS 1 First-time adoption of IFRS
- Amendments to IFRS 1 and IAS 27 related to Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate
- Amendments to IAS 32 and IAS 1 related to Puttable financial instruments and obligations arising on liquidation

- Amendments to IAS 39 related to Eligible hedged items; effective date and transition
- IFRIC 12 Service Concession Arrangements
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-cash Assets to Owners.

As at the date of preparation of these financial statements, Management have not completed the process of evaluating the impact that will result from adopting these revised standards, new interpretations and amendments to current standards in future, once they are endorsed by the European commission for adoption by the European Union.

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 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 and operational risk and structural liquidity management.

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

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

Management of the Bank has approved certain limits aiming to mitigate the risk impact on the Bank's result. These limits are within the overall risk limits of the banking group. The limits 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.

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

(b) Market risk

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 International Markets Rule Book, reviewed at least annually.

Market risk management in UniCredit Bulbank encompasses all activities in connection with Markets and Investment Banking operations and management of the balance sheet structure. Risk positions are aggregated at least daily, analyzed by the independent Market risk management unit and compared with the risk limits set by the Management Board 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 & Investment Banking and ALM operations.

UniCredit Bulbank applies uniform Group risk management procedures. These procedures make available the major risk parameters for the various trading operations at least once a day. Besides Value at Risk, other factors of equal importance are stress-oriented volume and position limits. Additional element is the loss-warning level limit, providing early indication of any accumulation of position losses.

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

During 2008, VaR (1 day holding period, confidence interval of 99 %) moved in a range between EUR 1.6 million and EUR 15.6 million, averaging EUR 4 million, with the credit spread being main driver of total risk in both, trading and banking books.

Risk category	Minimum	Maximum	Average	Year-end
Interest rate risk	0.8	7.3	1.7	2.2
Credit spread	0.7	14.6	3.5	8.2
Exchange risk	0.0	0.7	0.2	0.3
VaR overall[1]	**1.6**	**15.6**	**4.0**	**8.1**

[1] Amount is different from a simple sum up of separate VaRs due to the correlation between the three risks when performing overall VaR

Reliability and accuracy of the risk model is monitored by daily back-testing, comparing the VaR amounts with actually observed fluctuations in market parameters and in the total value of books. Results of the back-testing have so far continued to confirm the accuracy and reliability of the model.

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

As at 31 December 2008, the overall interest rate risk position of UniCredit Bulbank AD (trading and banking book) was composed as follows (value of 1 basis point shift, amounts in EUR):

CCY	0-3M	3M-1Y	1Y-3Y	3Y-10Y	Above 10Y	Total
BGN	241	4,122	(14,667)	(17,186)	(7)	(27,497)
CHF	(301)	37	(81)	(294)	-	(639)
EUR	7,075	3,183	(11,653)	45	(20)	(1,370)
GBP	35	87	2	-	-	124
JPY	(3)	-	-	-	-	(3)
NOK	1	-	-	-	-	1
USD	1,009	1,385	(6,775)	(30,948)	-	(35,329)
Total sensitivity[1]	**8,665**	**8,814**	**33,178**	**48,473**	**27**	**64,963**

[1] Total sensitivity for each maturity band is sum of the absolute sensitivity for each currency in maturity band.

Value-at-risk calculations are complemented by various stress scenarios to identify the 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 dramatic deterioration in market liquidity. In 2008, total return performance of markets and ALM operations were broadly in line with the results of regularly performed market risk stress analyses. UniCredit Bulbank AD is also exposed to exchange risk through transactions in foreign currencies. Net FX open positions in trading and banking book are monitored on daily basis and are limited by volume overnight limits. During 2008, the Bank maintained long EURBGN position of EUR 140 million on average, with insignificant open position in other crosses.

As of December 31, 2008 the FX consolidated balance sheet of UniCredit Bulbank AD is as outlined in the table below

In thousands of BGN

	EUR and BGN	Other currencies	Total
ASSETS			
Cash and balances with Central bank	893,509	12,422	**905,931**
Financial assets held for trading	122,594	-	**122,594**
Derivatives held for trading	34,933	3,370	**38,303**
Financial assets designated at fair value through profit or loss	172,527	12,040	**184,567**
Loans and advances to banks	1,540,268	9,728	**1,549,996**
Loans and advances to customers	7,079,490	159,143	**7,238,633**
Available for sale Investments	354,182	3,272	**357,454**
Held to maturity Investments	154,976	201,026	**356,002**
Investments in associates	17,720	-	**17,720**
Property and equipment	195,275	-	**195,275**
Intangible assets	38,175	-	**38,175**
Deferred tax assets	9,651	-	**9,651**
Non-current assets and disposal group classified as held for sale	3,136	-	**3,136**
Other assets	16,716	56	**16,772**
TOTAL ASSETS	**10,633,152**	**401,057**	**11,034,209**
LIABILITIES			
Financial liabilities held for trading	57,031	3,080	**60,111**
Deposits from banks	3,187,416	40,313	**3,227,729**
Deposits from customers	5,421,338	603,168	**6,024,506**
Subordinated liabilities	209,368	-	**209,368**
Provisions	33,862	22,912	**56,774**
Current tax liabilities	774		**774**
Deferred tax liabilities	15,272	-	**15,272**
Other liabilities	60,183	1,203	**61,386**
TOTAL LIABILITIES	**8,985,244**	**670,676**	**9,655,920**
Shareholders' equity	**1,378,289**	**-**	**1,378,289**
Net off-balance sheet spot position	**(291,534)**	**267,793**	**(23,741)**
Net position	**(21,915)**	**(1,826)**	**(23,741)**

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

In thousands of BGN

	EUR and BGN	Other currencies	Total
ASSETS			
Cash and balances with Central bank	1,236,638	14,209	**1,250,847**
Financial assets held for trading	163,864	39,600	**203,464**
Derivatives held for trading	10,640	2,683	**13,323**
Financial assets designated at fair value through profit or loss	246,771	101,041	**347,812**
Loans and advances to banks	899,308	177,081	**1,076,389**
Loans and advances to customers	5,119,233	82,796	**5,202,029**
Available for sale Investments	507,987	16,676	**524,663**
Held to maturity Investments	56,819	125,664	**182,483**
Investments in associates	14,169	-	**14,169**
Property and equipment	202,711	-	**202,711**
Intangible assets	38,215	-	**38,215**
Deferred tax assets	10,737	-	**10,737**
Other assets	11,897	2,175	**14,072**
TOTAL ASSETS	**8,518,989**	**561,925**	**9,080,914**
LIABILITIES			
Financial liabilities held for trading	12,096	3,666	**15,762**
Deposits from banks	1,241,646	64,190	**1,305,836**
Deposits from customers	5,646,609	692,824	**6,339,433**
Subordinated liabilities	105,209	-	**105,209**
Provisions	44,640	33,953	**78,593**
Current tax liabilities	7,300	-	**7,300**
Deferred tax liabilities	13,324	-	**13,324**
Other liabilities	46,885	2,230	**49,115**
TOTAL LIABILITIES	**7,117,709**	**796,863**	**7,914,572**
Shareholders' equity	**1,166,342**	**-**	**1,166,342**
Net off-balance sheet spot position	**(212,489)**	**210,825**	**(1,664)**
Net position	**22,449**	**(24,113)**	**(1,664)**

(c) Liquidity risk

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

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

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

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

Maturity table as at 31 December 2007	Up to 1 month	From1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Maturity not defined	Total
ASSETS							
Cash and balances with Central bank	905,931	-	-	-	-	-	905,931
Financial assets held for trading	122,594	-	-	-	-	-	122,594
Derivatives held for trading	38,303	-	-	-	-	-	38,303
Financial assets designated at fair value through profit or loss	184,567	-	-	-	-	-	184,567
Loans and advances to banks	1,507,833	-	42,126	37	-	-	1,549,996
Loans and advances to customers	917,119	557,874	1,888,338	1,065,846	2,809,456	-	7,238,633
Available for sale Investments	354,393	-	-	-	-	3,061	357,454
Held to maturity Investments	-	6,085	12,541	202,704	134,672	-	356,002
Investments in associates	-	-	-	-	-	17,720	17,720
Property and equipment	-	-	-	-	-	195,275	195,275
Intangible assets	-	-	-	-	-	38,175	38,175
Deferred tax assets	-	-	-	9,651	-	-	9,651
Other assets	16,772	-	-	-	-	-	16,772
Non-current assets included in disposal group classified as held for sale	-	3,136	-	-	-	-	3,136
TOTAL ASSETS	**4,047,512**	**563,959**	**1,943,005**	**1,278,238**	**2,944,128**	**254,231**	**11,034,209**
LIABILITIES							
Financial liabilities held for trading	60,111	-	-	-	-	-	60,111
Deposits from banks	2,158,207	-	496,458	319,234	253,830	-	3,227,729
Deposits from customers	2,441,676	675,011	492,405	2,415,154	260	-	6,024,506
Subordinated liabilities	-	-	-	-	209,368	-	209,368
Provisions	-	-	24,542	32,232	-	-	56,774
Current tax liabilities	-	-	774	-	-	-	774
Deferred tax liabilities	-	-	-	15,272	-	-	15,272
Other liabilities	16,702	15,640	22,310	6,734	-	-	61,386
TOTAL LIABILITIES	**4,676,696**	**690,651**	**1,036,489**	**2,788,626**	**463,458**	**-**	**9,655,920**
Net liquidity gap	**(629,184)**	**(126,692)**	**906,516**	**(1,510,388)**	**2,480,670**	**254,231**	**1,378,289**
Cumulative	**(629,184)**	**(755,876)**	**150,640**	**(1,359,748)**	**1,120,922**	**1,375,153**	

Maturity table as at 31 December 2008	Up to 1 month	From1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Maturity not defined	Total
ASSETS							
Cash and balances with Central bank	1,250,847	-	-	-	-	-	1,250,847
Financial assets held for trading	203,464	-	-	-	-	-	203,464
Derivatives held for trading	13,323	-	-	-	-	-	13,323
Financial assets designated at fair value through profit or loss	347,812	-	-	-	-	-	347,812
Loans and advances to banks	1,013,848	-	61,920	-	-	621	1,076,389
Loans and advances to customers	664,692	456,549	1,396,671	1,215,542	1,468,575	-	5,202,029
Available for sale Investments	17,983	11,875	28,308	351,635	111,352	3,510	524,663
Held to maturity Investments	7,974	4,043	46,271	99,919	24,276	-	182,483
Investments in associates	-	-	-	-	-	14,169	14,169
Property and equipment	-	-	-	-	-	202,711	202,711
Intangible assets	-	-	-	-	-	38,215	38,215
Deferred tax assets	-	-	-	10,737	-	-	10,737
Other assets	14,072	-	-	-	-	-	14,072
TOTAL ASSETS	**3,534,015**	**472,467**	**1,533,170**	**1,677,833**	**1,604,203**	**259,226**	**9,080,914**
LIABILITIES							
Financial liabilities held for trading	15,762	-	-	-	-	-	15,762
Deposits from banks	940,584	2,240	-	278,244	84,768	-	1,305,836
Deposits from customers	2,511,365	376,178	431,786	3,020,104	-	-	6,339,433
Subordinated liabilities	-	-	-		105,209	-	105,209
Provisions	-	-	35,207	43,386	-	-	78,593
Current tax liabilities			7,300				7,300
Deferred tax liabilities	-	-	-	13,324	-	-	13,324
Other liabilities	12,637	19,840	12,638	4,000	-	-	49,115
TOTAL LIABILITIES	**3,480,348**	**398,258**	**486,931**	**3,359,058**	**189,977**	**-**	**7,904,449**
Net liquidity gap	**53,667**	**74,209**	**1,046,239**	**(1,681,225)**	**1,414,226**	**259,226**	**1,162,286**
Cumulative	**53,667**	**127,876**	**1,174,115**	**(507,110)**	**907,116**	**1,166,342**	

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

In thousands of BGN

	Gross in (out) flow	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Non derivative instruments						
Deposits from banks	(3,312,273)	(2,130,904)	-	(505,078)	(360,146)	(316,145)
Deposits from customers	(5,948,956)	(2,981,654)	(1,118,486)	(1,087,176)	(402,173)	(359,467)
Subordinated debt	(304,952)	-	-	-	-	(304,952)
Total non-derivative instruments	**(9,566,181)**	**(5,112,558)**	**(1,118,486)**	**(1,592,254)**	**(762,319)**	**(980,564)**
Derivatives						
Outflow	(2,327,358)	(2,133,737)	(81,249)	(29,191)	(64,155)	(19,026)
Inflow	2,315,728	2,109,542	83,523	33,323	70,303	19,037
Total derivatives	**(11,630)**	**(24,195)**	**2,274**	**4,132**	**6,148**	**11**
Unutilized credit lines	**(1,464,190)**	**(246,646)**	**-**	**(14,630)**	**(1,202,914)**	**-**
Total financial liabilities	**(11,042,001)**	**(5,383,399)**	**(1,116,212)**	**(1,602,752)**	**(1,959,085)**	**(980,553)**

(d) Credit risks

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

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

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

(i) Credit risk in the trading book

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

Regulatory trading book includes financial assets held for trading purposes and derivative assets.

The analysis based on client credit quality and rating (where available) as of December 31, 2008 is as shown in the next table:

In thousands of BGN

	2008
Government bonds	
Rated BBB	15,325
Rated BBB+	377
Bonds of credit institutions	
Rated AAA	40,970
Rated BB	40,848
Unrated	15,910
Corporate bonds	
Unrated	9,164
Equites	-
Derivative assets	
Banks and financial institution counterparties	16,555
Corporate counterparties	21,748
Total trading assets	**160,897**

(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. As a rule collaterals are registered on behalf of the Bank prior to the effective disbursal of the loans.

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

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

PRC regularly assess whether there is objective evidence that a loan or a group of loans is impaired. A loan or group of loans is impaired and impairment losses are incurred if:

- there is objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset and up to the balance sheet date ("a loss event");
- the loss event had an impact on the estimated future cash flows of the financial asset or the group of financial assets; and
- a reliable estimate of the loss amount can be made.

The Bank establishes an allowance for loan losses that represents the estimate of impairment losses in the loan portfolio. The components of this allowance are the individually and the collectively assessed loss allowance. The Bank first assess whether objective evidence of impairment exists individually for loans that are significant. Then collectively impairment assessment is performed for those loans that are not individually significant and loans which are significant but for which there is no objective evidence of impairment under the individual assessment.

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

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

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

As of December 31, 2008 and December 31, 2007 the Bank has fulfilled all statutory lending limits.

The table below analyses the breakdown of impairment allowances as of December 31, 2008 and December 31, 2007.

In thousands of BGN

	Carrying amount before impairment		Impairment allowance		Carrying amount	
	2008	2007	2008	2007	2008	2007
Individually impaired						
Watch	214,049	50,977	27,041	8,935	187,008	42,042
Irregular	24,290	23,310	15,714	15,556	8,576	7,754
Non-performing	135,375	123,396	134,666	122,610	709	786
	373,714	**197,683**	**177,421**	**147,101**	**196,293**	**50,582**
Collectively impaired	**4,868,728**	**3,337,688**	**107,999**	**83,432**	**4,760,729**	**3,254,256**
Past due but not impaired						
Watch	173	616	-	-	173	616
Irregular	13	264	-	-	13	264
Non-performing	160	234	-	-	160	234
	346	**1,114**	**-**	**-**	**346**	**1,114**
Past due comprises						
from 31 to 60 days	188	721	-	-	188	721
from 61 to 90 days	22	173	-	-	22	173
over 91 days	136	220	-	-	136	220
	346	1,114	-	-	346	1,114
Neither past due nor impaired	**2,281,265**	**1,896,077**	**-**	**-**	**2,281,265**	**1,896,077**
Total	**7,524,053**	**5,432,562**	**285,420**	**230,533**	**7,238,633**	**5,202,029**

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

In thousands of BGN

	Loans and advances to customers	
	2008	2007
Against individually impaired		
Cash collateral	443	891
Property	496,045	309,007
Debt securities	12,925	11,302
Other collateral	337,566	269,816
Against collectively impaired		
Cash collateral	983	616
Property	8,457,705	6,059,599
Debt securities	30,462	18,182
Other collateral	7,026,930	3,898,650
Against past due but not impaired		
Cash collateral	1,228	2,048
Property	832	1,928
Debt securities	-	-
Other collateral	3,535	806
Against neither past due nor impaired		
Cash collateral	46,223	54,043
Property	3,034,630	1,891,974
Debt securities	274,267	326,733
Other collateral	6,835,101	3,196,284
Total	**26,558,875**	**16,041,879**

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

In thousands of BGN

	Loans and advances to customers		Loans and advances to banks		Investment securities	
	2008	2007	2008	2007	2008	2007
Concentration by sectors						
Sovereign	59,733	59,131	-	-	641,847	581,359
Manufacturing	1,472,239	1,174,099	-	-	-	-
Commerce	1,577,385	1,131,645	-	-	-	-
Construction	589,526	264,121	-	-	-	-
Agriculture and forestry	158,010	107,941	-	-	-	-
Transport and communication	331,812	150,488	-	-	-	-
Services	822,011	486,577	-	-	-	-
Financial services	229,915	134,737	1,549,996	1,076,389	89,329	139,956
Other industry sectors and retail	2,283,422	1,923,823	-	-	-	-
	7,524,053	**5,432,562**	**1,549,996**	**1,076,389**	**731,176**	**721,315**
Impairment allowances	(285,420)	(230,533)	-	-	-	-
Total	**7,238,633**	**5,202,029**	**1,549,996**	**1,076,389**	**731,176**	**721,315**
Concentration by geographic location						
Europe	7,521,016	5,432,546	1,542,697	1,069,769	695,704	691,853
North America	5	2	6,533	6,528	8,368	28,076
Asia	2,867	14	567	92	27,104	1,386
Africa	113	-	-	-	-	-
South America	23	-	-	-	-	-
Australia	29	-	199	-	-	-
	7,524,053	**5,432,562**	**1,549,996**	**1,076,389**	**731,176**	**721,315**
Impairment allowances	(285,420)	(230,533)	-	-	-	-
Total	**7,238,633**	**5,202,029**	**1,549,996**	**1,076,389**	**731,176**	**721,315**

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

The Bank has a system for operational risk management with clearly defined responsibilities including second level of control over the accounting operations; the policies and procedures implemented at bank level regulate and control the requirements for accounting operations reconciliation.
The Operational risk unit in the bank, reporting to the Chief Risk Officer, is an independent unit in charge of regular operational risk monitoring and control. The unit's activity is regulated in the approved by the Management Board "Operational risk control rulebook", in compliance with UniCredit Group and the national regulatory framework (Regulation 8 on the Capital Adequacy of Credit Institutions). The Management Board is responsible for operational risk oversight with the support of the Operational Risk Committee, which has deliberative and suggestion functions on the decisions related to improvement of internal communication for finding proper risk mitigation solutions through information exchange among different units.

The operational risk information, such as loss data collection, KRIs and scenarios is collected in the UniCredit Group database; a Group built decentralized risk management application. While the main task of the Operational risk unit is to define the methods used and to perform risk measurement and analysis, the risk managers in different areas working on decentralized basis are responsible for taking measures to reduce and prevent risks.

The Operational risk unit is also responsible for carrying out the following activities: verifying that operational loss data is regularly collected in the UniCredit Group database; monitoring and analyzing the bank's operational risks exposure; validating the risk limits are respected and reporting breaches to the Management Board; cooperating with analysis of the operational risk impact in new product introduction, which could lead to significant changes in business or the bank's organizational structure; other activities in compliance with the requirements of Basel II and Regulation 8 of the Bulgarian National Bank.

In June 2008, the Bulgarian National Bank granted approval to UniCredit Bulbank to report the capital requirement for Operational Risk based on Standardized Approach methodology, a more sophisticated method for capital reporting in comparison to the Basic Indicator Approach. Major difference from the methodological point of view is that the gross income is no more averaged from the last three years, but segregated by business segments with different weights. This approval attests that the bank's operational risk system is conceptually sound and implemented with integrity; it is closely built into the risk management process of the bank and its output is fundamental part of the process of monitoring and controlling the exposure to risks.

(f) Basel II disclosure
Since January 1st, 2007 Bulgarian banks apply BASEL II requirements for measurement of the capital adequacy.

Under the regulatory framework, Bank allocates capital for covering three major types of risk, namely credit risk, market risk and operational risk. For the year 2007 UniCredit Bulbank applied allowing standardized approach for credit and market risks and the basic indicator approach for operational risk. In 2008 Bank has been given permission by Bulgarian National Bank to apply standardized approach also for operational risk.
Statutory limits exposed to Banks require Bank to maintain total capital adequacy ratio not less than 12% and Tier I ratio not less than 6%. As a response to the ongoing world financial crisis Bulgarian National Bank strongly recommended all the Banks in Bulgaria to reached minimum Tier I ratio of 10% latest by June 2009. UniCredit Bulbank AD is in full compliance with this requirement even as of December 31, 2008.

Under this Basel II disclosure, Bank represents regulatory requirements for consolidated reporting. These requirements may differ form IFRS basis for consolidation as it covers only financial institutions, being subsidiary or associate of a credit institution therefore consolidated Basel II figures does not include full consolidation of Hypovereins Immobilien EOOD and equity method of consolidation of Pirelli Real Estate AD, being both non-financial institutions. However Bank dully deduct the participation in those entities from its capital base (own funds).

(i) Capital base (own funds)

Capital base (own funds) eligible for regulatory purposes include Tier I and Tier II capital as defined by Bulgarian National Bank.

In thousands of BGN

	2008	2007
Share capital	239,256	239,256
Statutory reserve	51,155	51,155
Retained earnings	729,636	541,438
Total capital and reserves	**1,020,047**	**831,849**
Deductions		
Unrealized loss on available-for-sale instruments	(29,216)	(12,622)
Intangible assets	(38,167)	(38,215)
Total deductions	**(67,383)**	**(50,837)**
Total Tier I capital	**952,664**	**781,012**
Revaluation reserve on real estate occupied by the Bank	80,975	81,581
Subordinated long-term debt	191,671	93,879
Total Tier II capital	**272,646**	**175,460**
Additional deductions from Tier I and Tier II capital	**(21,391)**	**(17,695)**
Total Capital base (own funds)	**1,203,919**	**938,777**

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

Subordinated long-term debt represents five loans provided by UniCredit Bank Austria AG for initial principal amount of EUR 98 million (see also Note **37**).

(ii) Capital requirements

As of December 31, 2008 and December 31, 2007 the capital requirements for credit, market and operational risks are as follows:

In thousands of BGN

	2008	2007
Capital requirements for credit risk		
Exposures to:		
Central Governments and Central Banks	11,342	8,570
Regional Governments and local authorities	2,791	1,837
Administrative bodies and non-commercial undertaking	191	46
Institutions	14,193	20,993
Corporates	228,577	203,677
Retail	74,803	62,550
Exposures secured on real estate property	283,756	173,727
High risk exposures	20	68
Short-term exposures to institutions and corporates	20,388	15,349
Other exposures	16,792	16,950
Total capital requirements for credit risk	**652,853**	**503,767**
Capital requirements for market risk	**8,994**	**14,969**
Capital requirements for operational risk	**70,363**	**62,404**
Total capital requirements for credit, market and operational risk	**732,210**	**581,140**
Additional capital requirements subject to National discretions from the Regulator	**366,104**	**290,570**
Total regulatory capital requirements	**1,098,314**	**871,710**
Capital base (Own funds)	1,203,919	938,777
there of Tier I	941,969	772,165
Free equity (Own funds)	105,605	67,068
Total capital adequacy ratio	**13.15%**	**12.92%**
Tier I ratio	**10.29%**	**10.63%**

Capital requirements for credit risk cover credit risk and dilution risk in the banking book, counterparty risk in the overall business and settlement risk in the trading book.
Capital requirements for market risk cover market risk in the trading book, foreign-exchange and commodity risks in the overall business.
Operational risk is calculated on applying standardized approach as described in note **4 (e)**
The additional capital requirements, presented above, are subject to National discretion of Bulgarian National Bank. They are calculated as 50% of the total capital requirements for credit risk, market risk and operational risk.

5. Use of estimates and judgement

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

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

(a) Fair value determination of financial instruments

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. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums 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 price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

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 changes based on specific events and general conditions in the financial markets. For the purposes of monitoring and determining the fair value of financial instruments Bank uses different risk management systems approved on UniCredit Bank Austria Group level.

The table below analyses financial instruments carried at fair value by valuation method applied by the Bank as of December 31, 2008.

In thousands of BGN

	Quoted market price in active markets	Valuation techniques-observable inputs	Total
31 December 2008			
Financial assets held for trading	66,632	55,962	122,594
Derivatives held for trading	-	38,303	38,303
Financial assets designated at fair value through profit or loss	27,427	157,140	184,567
Available for sale Investments	354,393	3,061	357,454
	448,452	**254,466**	**702,918**
Financial liabilities held for trading	-	(60,111)	(60,111)
	-	**(60,111)**	**(60,111)**
Total	**448,452**	**194,355**	**642,807**

Based on Management assessment and market observation the fair value of financial instruments carried at amortised costs (apart from those classified as held to maturity where quoted market prices are available) is considered not materially deviating from their carrying amount, mainly due to the fact that most of them bear floating interest rate linked to commonly accepted reference rates (EURIBOR, LIBOR etc.) or they are short-term instruments that could easily be repriced upon maturity.

The table below analyses the fair value of financial instruments by classification as of December 31, 2008 and December 31, 2007

In thousands of BGN

December 2008	Fair value through profit or loss	Held to maturity	Loans and receivables	Available for sale	Other amortized cost	Total carrying amount	Fair value
ASSETS							
Cash and balances with Central bank	-	-	**-**	**-**	905,931	**905,931**	**905,931**
Financial assets held for trading	122,594	-	-	-	-	**122,594**	**122,594**
Derivatives held for trading	38,303	-	-	-	-	**38,303**	**38,303**
Financial assets designated at fair value through profit or loss	184,567	-	-	-	-	**184,567**	**184,567**
Loans and advances to banks	-	-	1,549,996	-	-	**1,549,996**	**1,549,996**
Loans and advances to customers	-	-	7,238,633	-	-	**7,238,633**	**7,238,633**
Available for sale Investments	-	-	-	357,454	-	**357,454**	**357,454**
Held to maturity Investments	-	356,002	-	-	-	**356,002**	**335,151**
Total	**345,464**	**356,002**	**8,788,629**	**357,454**	**905,931**	**10,753,480**	**10,732,629**
LIABILITIES							
Financial liabilities held for trading	60,111	-	**-**	**-**	**-**	**60,111**	**60,111**
Deposits from banks	-	-	**-**	**-**	**3,227,729**	**3,227,729**	**3,227,729**
Deposits from customers	-	-	**-**	**-**	**6,024,506**	**6,024,506**	**6,024,506**
Subordinated liabilities	-	-	-	-	**209,368**	**209,368**	**209,368**
Total	**60,111**	**-**	**-**	**-**	**9,461,603**	**9,521,714**	**9,521,714**

The table below analyses the fair value of financial instruments by classification as of December 31, 2008 and December 31, 2007

In thousands of BGN

December 2007	Fair value through profit or loss	Held to maturity	Loans and receivables	Available for sale	Other amortized cost	Total carrying amount	Fair value
ASSETS							
Cash and balances with Central bank	-	-	-	-	1,250,847	1,250,847	1,250,847
Financial assets held for trading	203,464	-	-	-	-	203,464	203,464
Derivatives held for trading	13,323	-	-	-	-	13,323	13,323
Financial assets designated at fair value through profit or loss	347,812	-	-	-	-	347,812	347,812
Loans and advances to banks	-	-	1,076,389	-	-	1,076,389	1,076,389
Loans and advances to customers	-	-	5,202,029	-	-	5,202,029	5,202,029
Available for sale Investments	-	-	-	524,663	-	524,663	524,663
Held to maturity Investments	-	182,483	-	-	-	182,483	182,468
Total	**564,599**	**182,483**	**6,278,418**	**524,663**	**1,250,847**	**8,801,010**	**8,800,995**
LIABILITIES							
Financial liabilities held for trading	15,762	-	-	-	-	15,762	15,762
Deposits from banks	-	-	-	-	1,305,836	1,305,836	1,305,836
Deposits from customers	-	-	-	-	6,339,433	6,339,433	6,339,433
Subordinated liabilities	-	-	-	-	105,209	105,209	105,209
Total	**15,762**	**-**	**-**	**-**	**7,750,478**	**7,766,240**	**7,766,240**

(b) Impairment of financial instruments

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

Collectively assessed impairment loses cover credit losses inherent in portfolios of loans bearing similar economic characteristics when there is an objective evidence to suggest that they contain impaired loans. In such assessments factors that are mostly considered include credit quality, portfolio size, concentration and economic factors.
The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty impairment and the model assumptions and parameters used in determining collective impairment.

(c) Provisions

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

6. Segment reporting

Segment information is presented with regards to Bank's business segments. The primary format of the business segments is based on Bank's management and internal reporting structure.
Business segments pay and receive interest from the Assets and Liability Management unit (ALM) on arms' length basis through given Fund Transfer Pricing rate (FTP) to reflect the allocation of capital and funding costs. Fund Transfer Pricing rate (FTP) to reflect the allocation of capital and funding costs.

The Bank operates the following main business segments:

- Markets and Investment Banking;
- Corporate Banking;
- Retail Banking;
- Assets and Liability Management unit.

In thousands of BGN

	Corporate Banking	Retail Banking	Markets and investment Banking	ALM	Other	Total
Net interest income	188,920	200,769	20,636	25,401	27,988	463,714
Dividend income	-	-	-	139	-	139
Net fee and commission income	64,098	87,349	5,728	704	(1,872)	156,007
Net gains (losses) from financial assets and liabilities held for trading	89	-	(21,129)	(7,798)	4,908	(23,930)
Net gains (losses) from other financial assets designated at fair value through profit or loss	-	-	4,697	(4,513)	-	184
Net income from investments	-	-	-	(1,277)	-	(1,277)
Net gains (losses) on disposal of subsidiaries, associates and property, plant and equipment	-	-	-	-	13,847	13,847
Other operating income	-	-	-	-	5,292	5,292
TOTAL OPERATING INCOME	**253,107**	**288,118**	**9,932**	**12,656**	**50,163**	**613,976**
Personnel expenses	(8,060)	(42,802)	(860)	(554)	(51,116)	(103,392)
General and administrative expenses	(15,438)	(94,399)	(766)	(532)	(13,367)	(124,502)
Amortisation, depreciation and impairment losses in tangible and intangible assets	(1,308)	(17,276)	(91)	(53)	(13,259)	(31,987)
Total direct expenses	**(24,806)**	**(154,477)**	**(1,717)**	**(1,139)**	**(77,742)**	**(259,881)**
Allocation of indirect and overhead expenses	**(31,747)**	**(53,731)**	**(2,463)**	**(417)**	**88,358**	**-**
TOTAL OPERATING EXPENSES	**(56,553)**	**(208,208)**	**(4,180)**	**(1,556)**	**10,616**	**(259,881)**
Provisions for risk and charges	-	-	-	-	3,634	3,634
Restructuring costs	-	-	-	-	17,986	17,986
Net impairment loss on financial assets	(24,664)	(36,027)	-	-	10,635	(50,056)
PROFIT BEFORE TAX INCOME	**171,890**	**43,883**	**5,752**	**11,100**	**93,034**	**325,659**
Income taxes expense	-	-	-	-	-	(32,715)
PROFIT FOR THE PERIOD	**-**	**-**	**-**	**-**	**-**	**292,944**
ASSETS	**4,499,488**	**2,771,091**	**2,643,019**	**609,854**	**510,756**	**11,034,209**
LIABILITIES	**2,218,393**	**3,712,035**	**2,650,683**	**777,279**	**297,530**	**9,655,920**

7. Net interest income

In thousands of BGN

	2008	2007
Interest income		
Financial assets held for trading	10,500	10,987
Derivatives held for trading	2,119	2,185
Financial assets designated at fair value through profit or loss	20,208	16,715
Loans and advances to banks	19,786	38,407
Loans and advances to customers	573,392	401,170
Available for sale investments	19,199	27,542
Held to maturity investments	10,349	9,075
	655,553	**506,081**
Interest expense		
Deposits from banks	(65,635)	(31,240)
Deposits from customers	(119,250)	(85,756)
Subordinated debt	(6,954)	(5,171)
	(191,839)	**(122,167)**
Net interest income	**463,714**	**383,914**

For the financial years ended December 31, 2008 and December 31, 2007 the interest income recognized on individually impaired financial instruments (loans and advances to customers) is in the amount of BGN 23,203 thousand and BGN 18,292 thousand, respectively.

8. Net fee and commission income

In thousands of BGN

	2008	2007
Fee and commission income		
Collection and payment services	69,108	62,505
Lending business	21,368	18,147
Account services	11,850	13,025
Currency trading	30,624	27,135
Management, brokerage and securities trading	14,895	14,101
Documentary business	8,467	7,212
Package accounts	5,659	4,797
Other	3,750	5,480
	165,721	**152,402**
Fee and commission expense		
Collection and payment services	(6,637)	(4,942)
Management, brokerage and securities trading	(2,337)	(2,751)
Lending business	(360)	-
Other	(380)	(1,014)
	(9,714)	**(8,707)**
Net fee and commission income	**156,007**	**143,695**

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

In thousands of BGN

	2008	2007
FX trading income, net	(11,288)	16,538
Net income from debt instruments	1,643	(8,382)
Net income from equity instruments	6	6,762
Net income from derivative instruments	(14,291)	(3,274)
Net trading income	**(23,930)**	**11,644**

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

Bank designates as financial instruments at fair value through profit or loss only marketable debt securities which fair value can be reliably measured. Net income recorded on financial instruments designated at fair through profit or loss includes realized gains and losses on such instruments as well as unrealized due to fair value change. The amounts for the years ended December 31, 2008 and December 31, 2007 are BGN 184 thousand and BGN (16,767) thousand, respectively.

11. Net income from investments

In thousands of BGN

	2008	2007
Realised gains on disposal of available for sale investments	1,037	14,000
Realised losses on disposal of available for sale investments	(2,206)	(682)
Realised losses on disposal of held to maturity investments	(108)	(2)
Net income from investments	**(1,277)**	**13,316**

Under net income from investments, the Bank represents realized gains (loss) arising form disposal of available for sale and held to maturity investments.

Due to uncertain creditworthiness of certain bond issuers domiciled in the USA after development of the world financial crisis and for credit risk protection, in the second half of 2008 UniCredit Bulbank AD disposed immaterial amount of its held to maturity investments prior to their maturity. The sale was preliminary reconciled for IFRS eligibility on UniCredit Group level, and as a result of it Bank recognized loss in the amount of BGN 108 thousand.

12. Net income on disposal of subsidiaries, associates and property plant and equipment

In thousands of BGN

	2008	2007
Net income on disposal of subsidiaries and associates	8,091	27,892
Effect of equity method consolidation on associates	882	(1,057)
Net income on disposal of property, plant and equipment	4,874	1,970
Net income on disposal of subsidiaries, associates and property, plant and equipment	**13,847**	**28,805**

Net income from disposal of subsidiaries and associates comprise of the gain out of the sale net of any amounts retained by the buyers, subject to release upon fulfillment of certain escrow clauses.

Upon restructuring if its activity UniCredit Bulbank AD disposed in 2007 the entire controlling interest in local Optima Financial Services EOOD and 51% of the interest in local UniCredit Leasing EAD. The entire realized net income in 2008 in the amount of BGN 8,091 thousand comprise of release of deferred income (escrow amounts) related to these sales. As of December 31, 2008 the outstanding deferred amount, that is about to be realized in the upcoming years, subject to fulfillment of certain obligations, is in the amount of BGN 3,586 thousand.

13. Other operating income, net

In thousands of BGN

	2008	2007
Other operating income		
Income from non-financial services	1,068	2,252
Rental income from investment property	349	328
Other income	4,146	1,895
	5,563	**4,475**
Other operating expenses		
Other operating expenses	(271)	(666)
	(271)	**(666)**
Other operating income, net	**5,292**	**3,809**

14. Personnel expenses

In thousands of BGN

	2008	2007
Wages and salaries	(85,744)	(79,644)
Social security charges	(12,546)	(11,976)
Pension and similar expenses	(460)	(1,319)
Temporary staff expenses	(3,701)	(3,561)
Share-based payments	(339)	(179)
Other	(602)	(228)
Total personnel expenses	**(103,392)**	**(96,907)**

As of December 31, 2008 the total number of employees, expressed in full time employee equivalent is 3,903 (December 31, 2007: 3,794)

Pension and similar expenses comprise of current services costs, interest costs and actuarial costs related to defined benefits obligation of the Bank to its employees upon retirement. For more details about the pension scheme see note **38**.

As described in note **3 (n) (iii)** ultimate parent company UniCredit Italiano 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.

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

In thousands of BGN

	Available quantity at December 31, 2008	Estimated quantity of vested amount	Economic value at December 31, 2007	2008 Cost	Settled in 2008	Economic value at December 31, 2008
Stock Options 09 2004	-	-	57	13	(70)	-
Stock Options 11 2005	103,700	100,149	138	21	-	159
Stock Options 06 2006	85,700	80,950	96	31	-	127
Stock Options 06 2007	100,238	91,151	36	52	-	88
Stock Options 06 2008	238,336	208,645	-	33	-	33
Total Stock options	**527,974**	**480,895**	**327**	**150**	**(70)**	**407**
Performance Shares 11 2005	45,000	22,500	-	189	-	189
Performance Shares 06 2006	36,900	30,627	-	-	-	-
Performance Shares 06 2007	32,040	26,593	-	-	-	-
Performance Shares 06 2008	66,566	55,250	-	-	-	-
Total Performance share	**180,506**	**134,970**	**-**	**189**	**-**	**189**
Total Options and Shares	**708,480**	**615,864**	**327**	**339**	**(70)**	**596**

Detailed information about the granting dates, vesting period starting and ending dates of the stock options and performance share is presented in the table below:

Instrument granted	Granting date	Vesting period start date	Vesting period end date
Stock Options 09 2004	22-Jul-04	31-Aug-04	31-Aug-08
Stock Options 11 2005	18-Nov-05	30-Nov-05	30-Nov-09
Stock Options 06 2006	13-Jun-06	30-Jun-06	30-Jun-10
Stock Options 06 2007	12-Jun-07	30-Jun-07	30-Jun-11
Stock Options 06 2008	25-Jun-08	30-Jun-08	30-Jun-12
Performance Shares 11 2005	18-Nov-05	31-Dec-07	31-Dec-08
Performance Shares 06 2006	13-Jun-06	31-Dec-08	31-Dec-09
Performance Shares 06 2007	12-Jun-07	31-Dec-09	31-Dec-10
Performance Shares 06 2008	25-Jun-08	31-Dec-10	31-Dec-11

15. General and administrative expenses

In thousands of BGN

	2008	2007
Deposit guarantee fund annual contribution	(24,402)	(20,776)
Advertising, marketing and communication	(9,846)	(8,044)
Credit information and searches	(2,112)	(296)
Information, communication and technology expenses	(29,766)	(30,942)
Consulting, audit and other professionals services	(985)	(1,631)
Real estate expenses	(20,708)	(17,496)
Rents	(11,316)	(10,811)
Travel expenses and car rentals	(2,822)	(3,301)
Insurance	(847)	(1,042)
Supply and miscellaneous services rendered by third parties	(15,303)	(14,215)
Other costs	(6,395)	(7,487)
Total general and administrative expenses	**(124,502)**	**(116,041)**

16. 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 anymore likely the outflow of resources to occur the previously allocated provisions are reversed (for more details see also Note **38**).

In thousands of BGN

	2008	2007
Additions of provisions		
Provisions on letters of guarantee	(11,829)	(3,857)
Legal cases provisions	(7,449)	(6,812)
Provisions on constructive obligations	(2,801)	(2,543)
Other provisions	(1,235)	(168)
	(23,314)	**(13,380)**
Reversal of provisions		
Provisions on letters of guarantee	11,731	2,473
Legal cases provisions	10,362	4,836
Provisions on constructive obligations	4,802	2,230
Other provisions	53	-
	26,948	**9,539**
Net provisions charge	**3,634**	**(3,841)**

17. Restructuring costs

For the period June 2006 – June 2008 UniCredit Bulbank AD was successfully implementing restructuring program related to optimization of the operational activity as a result of a legal merger of the three Bulgarian Banks (Bulbank AD, HVB Bank Biochim AD and Hebrosbank AD). The program was completed in June 2008. As some of the performed activities absorbed less resources (costs) than initially estimated the total unutilized restructuring provisions in the amount of BGN 17,986 thousand were released.

18. Net Impairment loss on financial assets

In thousands of BGN

	2008	2007
Balance 1 January		
Loans and advances to customers	230,533	171,445
	230,533	**171,445**
Increase		
Loans and advances to customers	150,053	147,745
	150,053	**147,745**
Decrease		
Loans and advances to customers	(89,752)	(84,825)
Recoveries from non-performing loans previously written-off	(10,245)	(12,287)
	(99,997)	**(97,112)**
Net impairment losses	**50,056**	**50,633**
Written-off		
Loans and advances to customers	(5,414)	(2,313)
	(5,414)	**(2,313)**
Other changes	**-**	**(1,519)**
Balance 31 December		
Loans and advances to customers	285,420	230,533
Impairment losses	**285,420**	**230,533**

Under other changes position in 2007 Bank represents deconsolidation effect related to disposal of controlling interest in Bulbank Leasing EAD.

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 2009.

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

In thousands of BGN

	2008	2007
Current tax	(27,750)	(30,681)
Deferred tax income (expense) related to origination and reversal of temporary differences	(4,791)	1,611
Underprovided prior year income tax	(174)	(231)
Income tax expense	**(32,715)**	**(29,301)**

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

In thousands of BGN

	2008	2007
Accounting profit before tax	325,659	280,758
Corporate tax at applicable tax rate (10% for 2008 and 10% for 2007)	(32,566)	(28,076)
Tax effect of non taxable revenue	111	(782)
Tax effect of non tax deductible expenses	(217)	
Tax effect of reversal of temporary differences	131	(212)
Underprovided prior year income tax	(174)	(231)
Income tax expense	**(32,715)**	**(29,301)**
Effective tax rate	**10.05%**	**10.44%**

20. Cash and balances with Central Bank

In thousands of BGN

	2008	2007
Cash in hand	182,010	204,500
Current account with Central Bank	723,921	1,046,347
Total cash and balance with Central Bank	**905,931**	**1,250,847**

As a result of the unprecedented market turmoil on the world financial markets in the fourth quarter of 2008 Bulgarian National Bank (BNB) took decision to lower the minimum required reserves rate from 12% to 10%. In addition to that BNB accepted further reduced rate on attracted funds from abroad. All these measures allow Banks to reorganize its liquid assets and redirect free resources from non-interest bearing liquid assets to interest bearing ones. This is the main reason UniCredit Bulbank AD represents reduced amounts of cash and balances with the Central Bank by the end of 2008 compared with the end of 2007 (see also note **24**)

21. Financial assets held for trading

In thousands of BGN

	2008	2007
Government bonds	15,702	140,548
Bonds of credit institutions	97,728	51,602
Corporate bonds	9,164	11,313
Equites	-	1
Total financial assets held for trading	**122,594**	**203,464**

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

As of December 31, 2008 and December 31, 2007 financial assets held for trading in the amount of BGN 54,175 thousand and BGN 135,534 thousand, respectively, are pledged either on open repo-deals or under regulatory requirement to pledge government bonds as collateral for servicing State Budget accounts (see also Note **43**).

Change in accounting policy

As described in note **3 (i) (ii) (b**) 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 a possible example of “rare circumstances” (same also confirmed in the motives of IASB provoking standard amendments), Management has assessed and changed its intention with regard to certain government bonds, previously classified as held for trading, thus reclassifying them into held to maturity category. The reclassification was performed retroactively, as allowed by the amendments, with effective date July 1st, 2008. Additional information on the reclassification is presented in the table below.

Type of instrument	Currency	Fair value as of June 30, 2008 (reclassification date)	Effective interest rate at the date of reclassification	Fair value as of December 31, 2008	Carrying amount as of December 31, 2008	Fair value gain (loss) recognized in 2008 before reclassification	Fair value gain (loss) that should have been recognized in 2008 had the assets not been reclassified
BG Gov. Bonds	USD	33,721	5.71%	32,717	37,509	(1,058)	**(6,172)**
	EUR	43,720	5.82%	41,623	43,478	(1,688)	(3,786)
		77,441		**74,340**	**80,987**	**(2,746)**	**(9,958)**

* Fair values and unrealized gain (loss) effects in the table above are based on clean market prices of the respective bonds.

22. Derivatives held for trading

In thousands of BGN

	2008	2007
Interest rate swaps	25,121	6,917
Equity options	9,341	3,811
FX forward contracts	3,302	1,105
FX options	32	899
Other options	490	274
Credit default swaps	-	228
FX swaps	17	89
Total trading derivatives	**38,303**	**13,323**

Derivatives comprise of trading instruments that have positive market value as of December 31, 2008 and December 31, 2007. 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's customers' business positions.

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

In thousands of BGN

	2008	2007
Government bonds	27,428	208,497
Bonds of credit institutions	58,485	124,734
Municipality bonds	2,849	3,026
Corporate bonds	95,805	11,555
Total financial assets designated at fair value through profit or loss	**184,567**	**347,812**

Financial assets designated at fair value through profit or loss are non-trading assets with determinable market price that form a portfolio which performance is managed by the Bank on a fair value basis.

As of December 31, 2008 and December 31, 2007 assets designated at fair value through profit or loss in the amount of BGN 20,330 thousand and BGN 155,018 thousand, respectively, are pledged either on open repo-deals or under regulatory requirement to pledge government bonds as collateral for servicing State Budget accounts (see also Note **43**).

24. Loans and advances to banks

In thousands of BGN

	2008	2007
Loans and advances to banks	1,515,360	1,033,638
Current accounts with banks	34,599	42,118
Restricted accounts in foreign currency	37	633
Total loans and advances to banks	**1,549,996**	**1,076,389**

25. Loans and advances to customers

In thousands of BGN

	2008	2007
Receivables under repurchase agreement	14,715	83,305
Private companies	5,171,874	3,530,410
Individuals		
Housing loans	1,339,927	889,516
Consumer loans	937,804	870,200
Central and local governments	59,733	59,131
	7,524,053	5,432,562
Less impairment allowances	(285,420)	(230,533)
Total loans and advances to customers	**7,238,633**	**5,202,029**

26. Available for sale investments

In thousands of BGN

	2008	2007
Government bonds	312,408	476,521
Bonds of credit institutions	41,985	43,248
Corporate bonds	-	1,384
Equities	3,061	3,510
Total available for sale investments	**357,454**	**524,663**

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

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

As of December 31, 2008 and December 31, 2007 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, 2008 and December 31, 2007 available for sale investments in the amount of BGN 307,132 thousand and BGN 416,394 thousand, respectively, are pledged either on open repo-deals or under regulatory requirement to pledge government bonds as collateral for servicing State Budget accounts (see also Note **43**).

27. Held to maturity investments

In thousands of BGN

	2008	2007
Government bonds	329,438	104,838
Bonds of credit institutions	26,564	52,189
Corporate bonds	-	25,456
Total held to maturity investments	**356,002**	**182,483**

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

In 2008 based on internal risk assessment Management approved increase of Bank's holdings in Government bonds with clearly stated intention to hold them until maturity. The increase was effectively done through reclassification of bonds previously classified as held for trading (see also note **21**) and through new investments.

28. Investments in associates

In thousands of BGN

Company	Activity	Share in capital	Carrying value in BGN thousand
Unicredit Consumer Financing AD	Consumer lending and other similar activities in line with the applicable law and regulations	49.9%	3,650
Unicredit Leasing EAD	Leasing activities	49.0%	4,447
Bulbank Leasing EAD	Leasing activities	49.0%	7,315
Cash Service Company AD	Accepting, processing, safekeeping and delivering of valuable consignments with banknotes and coins to the banks	25.0%	2,308
Pirelli Real Estate AD	Management of Real Estate Portfolios	25.0%	-
		Total	**17,720**

As described in Note 3, investments in associates comprise of equity participations in entities where Bank exercises significant influence by holding more than 20% of the voting rights.

For the purposes of supporting the business activities of UniCredit Consumer Financing AD, the Bank approved increase of the reserves of the company by providing additional funds from the shareholders. The Bank's part of that increase was effectively paid in 2008 and as a result of that the cost of participation in UniCredit Consumer Financing AD increased by BGN 2,740 thousand.

All investments associates are accounted for in these financial statements at equity method showing Bank's interest in the net assets of the companies as of the end of each presented reporting period.

29. Property, plant, equipment and investment properties

In thousands of BGN

	Lands	Buildings	Furniture	Electronic equipment	Other	Investment property	Total
Cost or revalued amount As of December 31, 2007	9,584	171,200	7,470	66,215	43,927	1,155	**299,551**
Additions	-	45	732	4,104	17,040	-	**21,921**
Transfers	-	5,024	50	10,435	(15,509)	-	**-**
Transfers to non-current assets included in disposal group classified as held for sale	(169)	(3,641)	-	-	-	(227)	**(4,037)**
Write offs	-	(1,023)	(4,347)	(9,174)	(4,472)		**(19,016)**
Disposals	(1,585)	(3,019)	(8)	(2,170)	(3,104)	-	**(9,886)**
As of December 31, 2008	**7,830**	**168,586**	**3,897**	**69,410**	**37,882**	**928**	**288,533**
Depreciation As of December 31, 2007	-	24,155	6,417	47,144	19,072	52	**96,840**
Depreciation charge	-	7,245	233	9,103	3,079	46	**19,706**
Impairment charge	-	1	14	144	216		**375**
Write offs	-	(1,022)	(4,347)	(9,071)	(4,487)	-	**(18,927)**
On transfers to non-current assets included in disposal group classified as held for sale	-	(883)	-	-	-	(18)	**(901)**
On disposals	-	(496)	(8)	(2,147)	(1,184)		**(3,835)**
As of December 31, 2008	**-**	**29,000**	**2,309**	**45,173**	**16,696**	**80**	**93,258**
Net book value as of December 31, 2008	**7,830**	**139,586**	**1,588**	**24,237**	**21,186**	**848**	**195,275**
Net book value as of December 31, 2007	**9,584**	**147,045**	**1,053**	**19,071**	**24,855**	**1,103**	**202,711**

In 2008 Management of the Bank took a decision that certain investments in property will no longer be used in the ordinary activity nor will be rented and utilized as investment properties. It is expected the carrying amount of these assets to be recovered through a sale transaction. As of December 31, 2008 Management has started the process of effectively seeking a buyer and expects the sale to be completed in a near term. As of December 31, 2008 all these assets are transferred and presented as non-current assets held for sale (see also note **32**).

In 2008 Bank has started branch network optimization project which covers renovation activities in certain Bank's locations. The project will continue in 2009 and based on already agreed construction contracts and Management estimation of investments required, the capital commitments of the Bank with regard to this project as of December 31, 2008 amount at approximately BGN 8,194 thousand.

In 2008 all items of property, plant and equipment have been assessed for impairment. As a result of this assessment certain assets have been found totally worn out and obsolete and they have been fully impaired.

30. Intangible assets

By the end of 2008 Management has assessed entire class of intangible assets for impairment indicators. As a result of this assessment certain items of software have been found impaired due to ongoing implementation of new ones. On these items carrying amount has been reduced to their expected recoverable amount and for the difference impairment loss has been recognized.

In thousands of BGN

	2008
Cost	
As of December 31, 2007	**82,287**
Additions	11,928
Write offs	(1,813)
Disposals	(16)
As of December 31,2008	**92,386**
Depreciation	
As of December 31, 2007	**44,072**
Depreciation charge	10,888
Impairment charge	1,018
Write offs	(1,767)
On disposals	-
As of December 31,2008	**54,211**
Net book value as of December 31, 2008	**38,175**
Net book value as of December 31, 2007	**38,215**

31. Deferred tax

The origination breakdown of the deferred tax assets and liabilities as of December 31, 2008 and December 31, 2007 is as outlined below:

In thousands of BGN

	Assets		Liabilities		Net	
	2008	2007	2008	2007	2008	2007
Property, plant and intangible assets	(58)	(93)	12,413	12,234	12,355	12,141
Available for sale investments	(2,897)	(1,140)	2,859	1,090	(38)	(50)
Provisions	(3,035)	(3,118)	-	-	(3,035)	(3,118)
Restructuring provisions	-	(1,807)	-	-	-	(1,807)
Other liabilities	(3,661)	(4,526)	-	-	(3,661)	(4,526)
Losses carried forward	-	(53)	-	-	-	(53)
Net tax (assets)/liabilities	**(9,651)**	**(10,737)**	**15,272**	**13,324**	**5,621**	**2,587**

The movements of deferred tax assets and liabilities throughout 2008 are as outlined below:

In thousands of BGN

	Balance 2007	Recognised in P&L	Recognised in equity	Balance 2008
Property, plant and intangible assets	12,141	214	-	12,355
Available for sale investments	(50)	1,769	(1,757)	(38)
Provisions	(3,118)	83	-	(3,035)
Restructuring provisions	(1,807)	1,807	-	-
Other liabilities	(4,526)	865	-	(3,661)
Losses carried forward	(53)	53	-	-
Net tax (assets)/liabilities	**2,587**	**4,791**	**(1,757)**	**5,621**

32. Non-current assets and disposal groups classified as held for sale

As described on note 29 by the end of 2008 Management has approved list of 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 looking for a buyer and expects the sale to be performed in the near term. As of December 31, 208 these assets are presented in the balance sheet at the lower of their carrying amount and fair value less cost to sell.

The breakdown of assets classified as held for sale and their carrying amount as of December 31, 2008 is as follows:

In thousands of BGN

	2008
Land	169
Buildings	2,967
Total non-current assets held for sale	**3,136**

33. Other assets

In thousands of BGN

	2008	2007
Receivables and prepayments	9,825	11,276
Receivables from the State Budget	10	2
Materials, spare parts and consumables	1,432	652
Other assets	5,505	2,142
Total other assets	**16,772**	**14,072**

34. Financial liabilities held for trading

In thousands of BGN

	2008	2007
Interest rate swaps	22,332	7,292
FX forward contracts	28,034	4,524
Equity options	9,368	3,611
Other options	328	214
FX options	32	32
FX swaps	17	89
Total trading liabilities	**60,111**	**15,762**

35. Deposits from banks

In thousands of BGN

	2008	2007
Current accounts and overnight deposits		
Local banks	85,342	2,255
Foreign banks	1,489,872	13,087
	1,575,214	**15,342**
Placements		
Local banks	89,039	298,767
Foreign banks	1,404,672	967,914
	1,493,711	**1,266,681**
Liabilities under repurchase agreements	154,991	16,787
Other	3,813	7,026
Total deposits from banks	**3,227,729**	**1,305,836**

36. Deposits from customers

In thousands of BGN

	2008	2007
Current accounts and overnight deposits		
Individuals	575,399	651,706
Corporate	1,887,409	2,208,735
Budget and State companies	239,977	275,642
	2,702,785	**3,136,083**
Term deposits		
Individuals	1,934,277	1,617,357
Corporate	697,871	618,297
Budget and State companies	220,480	409,573
	2,852,628	**2,645,227**
Saving accounts	413,630	498,629
Transfers in execution process	52,697	57,443
Other	2,766	2,051
Total deposits from customers	**6,024,506**	**6,339,433**

Deposits from customers comprise of outstanding balances on clients' current accounts, term deposits and saving accounts as well as respective accrued interest in them as of the reporting date. As of December 31, 2008 and December 31, 2007 there are transfers in execution that have not left the Bank's patrimony effectively. These temporary balances are presented as deposits from customers under transfers in execution and process.

37. Subordinated liabilities

As of December 31, 2008, and December 31, 2007 the total amount of BGN 209,368 thousand and BGN 105,209 thousand, represents respectively the outstanding debt (principal and accrued interest) on five 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, 2008
November 26, 2004	10 years	19,558	23,561
December 20, 2004	10 years	19,558	23,577
February 3, 2005	10 years	25,426	30,111
August 2, 2005	10 years	29,337	34,105
November 19, 2008	10 years	97,792	98,014
Total		**191,671**	**209,368**

All of them meet the requirements of Bulgarian National Bank for Tier II inclusion for which Bank has received written approval. No principal repayments are allowed prior to final maturity of the loans unless explicitly approved by Bulgarian National Bank.

Under the clauses of subordinated agreements UniCredit Bank Austria has agreed that all the subordinated indebtedness is unsecured and that any repayment of these liabilities in case of insolvency, liquidation or dissolution of the Borrower (UniCredit Bulbank AD) shall be admitted after all other Borrowers' creditors have been reimbursed and satisfied.

38. Provisions

Balances of provisions as of December 31, 2008 and December 31, 2007 are as follows:

In thousands of BGN

	Letters of guarantee (a)	Legal cases (b)	Retirement benefits (c)	Constructive obligations (d)	Restructuring (e)	Other (f)	Total
Balance as of December 31, 2007	**24,194**	**25,858**	**2,654**	**7,652**	**18,067**	**168**	**78,593**
Allocations	-	1,532	460	2,801	-	1,235	6,028
Releases	(20)	(4,358)	-	(4,802)	(17,986)	(53)	(27,219)
Additions due to FX revaluation	11,829	5,917	-	-	-	-	17,746
Releases due to FX revaluation	(11,711)	(6,004)	-	-	-	-	(17,715)
Utilization	-	(117)	(296)	(41)	(81)	(124)	(659)
Balance as of December 31, 2008	**24,292**	**22,828**	**2,818**	**5,610**	**-**	**1,226**	**56,774**

(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 fulfillment of some uncertain events.

As of December 31, 2008 Bank assessed its entire portfolio of issued letters of guarantee and quantified provisions in the amount of BGN 24,292 thousand.

(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, 2008 Bank has assessed its position in legal cases against it and provision in the amount of BGN 22,828 thousand has been recognized.

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

As of December 31, 2008 the defined benefit obligation is calculated as present value of accumulated rights at evaluation date including future compensation and benefits increases.

Major assumptions underlying in 2008 Defined benefit obligation are as follows:
- Discount rate – 8.2%;
- Salary increase – 5% p.a.;
- Retirement age:
    - Men – 63;
    - Women:
        - in 2008 – 59.5;
        - from 2009 – 60.

The movement of the defined benefit obligation for year ended 2008 and expected services cost and interest costs for the following year are outlined in the table below:

In thousands of BGN

Defined benefit obligation as of December 31, 2007	**2,654**
Current service costs for 2008	246
Interest cost for 2008	154
Actuary (gains) loss	60
Benefits paid	(296)
Defined benefit obligation as of December 31, 2008	**2,818**
Interest rate Beginning of the Year	6.1%
Interest rate End of the Year	8.2%
Future increase of salaries	5.0%
Expected 2009 service costs	255
Expected 2009 interest costs	220
Expected 2009 benefit payments	387

Current service and interest costs for 2008 are presented under Personnel expenses (See note **14**).

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

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

In thousands of BGN

	2008	2007
Provisions in accordance with BNB Regulation 18	-	2,300
Provisions in accordance with Instruction I-171 of BNB and Ministry of Internal Affairs	5,610	2,809
Provisions related to IT migration	-	2,543
Total provisions on constructive obligation	**5,610**	**7,652**

In conjunction with BNB and Ministry of Internal Affairs regulations, Bank has to bear certain costs related to clearance of cash in circulation. Due to reorganization of cash activities in 2008, these costs will no longer be born by the Bank therefore the unutilized provisions have been released as of December 31, 2008.

The legal triple merger in 2007 was accompanied by sophisticated IT migration where all the data of the three merging banks was transferred into a new IT platform. The business continuity was provided to the highest possible level with maximum data quality.

However, due to the magnitude of the performed transformation, it was possible Bank to have to meet in the near future obligations related to not timely discovered data discrepancies originating from the post migration period. As of December 31, 2007 Management has assessed the potential of such obligations and has conservatively estimated that the possible cap of them amounts to BGN 2,543 thousand, for which amount provisions have been allocated. After the expiration of one year monitoring period, Management assessed that it is highly unlikely IT migration data discrepancies to lead to negative outflow for the Bank after 2008, therefore the unutilized provisions as of December 31, 2008 was released.

By the end of 2008 Management has assessed the needed costs for full compliance with Instructions I-171 of BNB and Ministry of Internal Affairs, related to security standards of the premised where safe-deposits boxes are provided. Based on that assessment detailed calculation was prepared and the outstanding amount of Bank's obligation as of December 31, 2008 amounts to BGN 5,610 thousand.

(e) Restructuring provisions

Restructuring provision relates to implementation of the detailed integration plan adopted by the Bank in 2006. As of June 30, 2008 the restructuring plan was completed and the unutilized amounts as of that day were released.

(f) Other provision

Other provisions in the amount of BGN 1,226 thousand relates to coverage of claims related to credit cards business as well as tax claims.

39. Current tax liabilities

The current tax liabilities represents Bank's obligation as of the end of each of the presented reporting periods on corporate income tax calculated on the basis of the prevailing in Bulgaria tax regime, reduced by the prepaid tax throughout the year based on the same statutory requirements.

As of December 31, 2008 and December 31, 2007 Bank's net liability on corporate income tax is in the amount of BGN 774 thousand and BGN 7,300 thousand, respectively.

40. Other liabilities

In thousands of BGN

	2008	2007
Liabilities to the State budget	6,415	3,072
Liabilities to personnel	21,189	18,859
Liabilities for unused paid leave	6,180	4,752
Dividends	237	179
Incentive plan liabilities	596	327
Other liabilities	26,769	21,926
Total other liabilities	**61,386**	**49,115**

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 2008 performance payments. The amounts represent Management best estimate for the goals achieved throughout 2008 in accordance with the defined target settings.

Liabilities for unused paid leave represent quantification of Bank's current liability due to employees for unutilized current and prior years leave. The amount is equal to the compensation Bank has to pay should the labor contracts with the employees had been terminated as of December 31, 2008 and December 31, 2007, respectively.

As described in note **3 (o) (iii)** selected group of Top and Senior Managers are given UniCredito Italiano stock options and performance shares as part of their remuneration packages. The economic value of the options and shares is presented as other liability as upon expiring of the vesting period respective amounts have to be settled in cash. The breakdown of the liabilities by type of instruments is presented in note **14** above.

41. Equity

a) Share capital

Share capital comprises of 239,255,524 ordinary shares with nominal value of BGN 1 each. All shares give equal voting rights to their holders. As of December 31, 2008 92.1% of the shares are held by UniCredit Bank Austria AG.

b) Statutory reserves

Statutory reserves represent allocated profits after taxation into Reserve Fund in accordance with requirements of the Bulgarian Commercial Act

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

c) Retained earnings

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

d) Revaluation reserves

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

42. Contingent liabilities

In thousands of BGN

	2008	2007
Letters of credit and letters of guarantee	731,489	636,173
Credit commitments	1,442,245	1,635,642
Total contingent liabilities	**2,173,734**	**2,271,815**

a) Memorandum items

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.
The contractual amounts of financial guarantees and letters of credit are set out in the above table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognized at the balance sheet date if counterparties failed completely to perform as contracted.
These commitments and contingent liabilities have off balance-sheet credit risk and only fees and accruals for probable losses are recognized in the balance sheet until the commitments are fulfilled or expire. Most of the contingent liabilities and commitments will expire without being advanced in whole or in part.

As of December 31, 2008 and December 31, 2007 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 **38**).

b) Litigation

As of December 31, 2008 there are open litigation proceedings against the Bank. There is significant uncertainty as to the timing and outcome of such proceedings. Since the ultimate outcome of the claims against the Bank cannot presently be determined with sufficient reliability, provisions have been accrued only on cases where sufficient degree of certainty exists. Total of litigation claims provided for in the financial statements as of December 31, 2008 is in the amount of BGN 22,828 thousand.

c) Credit commitments

During the course of normal lending activity the Bank has negotiated with clients different types of credit facilities including credit lines, overdraft facilities and revolving loans. Contractually the Bank has committed itself for a certain amount which is at clients' disposal. As of December 31, 2008 and December 31, 2007 the Bank presents committed but unutilized credit facilities as part of its off-balance sheet positions.

43. Assets pledged as collateral

In thousands of BGN

	2008	2007
Securities pledged for budget holders' account service	458,769	719,392
Securities pledged on REPO deals	164,430	17,379
Securities pledged on other deals	57,191	-
Blocked deposit for credit cards issuance	37	621
	680,427	**737,392**
Pledged securities include		
Trading assets	54,175	135,534
Assets designated at fair value through profit or loss	20,330	155,018
Available for sale assets	307,132	416,394
Assets held to maturity	298,753	29,825
	680,390	**736,771**

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

44. Related parties

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

The related parties' transactions in terms of balance sheet items as of December 31, 2008 and Income Statement items for the year ended thereafter are as follows

In thousands of BGN

	Assets	Liabilities
Financial assets held for trading	4,474	
Available for sale investments	2,720	
Current accounts and deposits placed	1,442,381	
Extended loans	30,490	
Other assets	3,031	
Financial liabilities held for trading		33,526
Current accounts and deposits taken		2,872,235
Subordinated loans		209,368
Other liabilities		903
	1,483,096	**3,116,032**
Guarantees received by the Group	**156,168**	

In thousands of BGN

	Income (Expense)
Interest incomes	8,003
Interest expenses	(56,597)
Fee and commissions income	2,389
Fee and commissions expenses	(2,237)
Net trading income (expenses)	(9,299)
Administrative expenses	(3,749)
	(61,490)

As of December 31, 2008 the loans extended to key management personnel amount to BGN 14,959 thousand. For the twelve months ended December 31, 2008 the payroll costs of key management personnel included in position administrative expenses amount to BGN 1,957 thousand.

45. Cash and cash equivalents

In thousands of BGN

	2008	2007
Cash in hand	182,010	204,500
Current account with the Central Bank	723,921	1,046,346
Current accounts with banks	34,599	42,118
Receivables under repurchase agreements	-	1,369
Placements with banks with original maturity less than 3 months	1,433,919	919,728
Total cash and cash equivalents	**2,374,449**	**2,214,061**

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

46. Leasing

Bank has concluded numerous operating and finance lease agreements to support its daily activity.
Under financial lease contracts Bank acts only as a lessee for acquiring cars and equipment.
Under operational lease contracts Bank acts both as a lessor and lessee in renting office buildings.

(a) Financial lease contracts where the Bank cats as a lessee

In thousands of BGN

Residual maturity	Total future minimum lease payment		NPV of total future minimum lease payment	
	2008	2007	2008	2007
Up to one year	1,368	862	1,184	762
Between one and five years	1,797	1,381	1,582	1,289
Total	**3,165**	**2,243**	**2,766**	**2,051**

(b) Operational lease contracts where the Bank cats as a lessee

In thousands of BGN

Residual maturity	Total future minimum lease payment	
	2008	2007
Up to one year	12,500	9,193
Between one and five years	26,819	19,429
Beyond five years	8,923	2,010
Total	**48,242**	**30,632**

(c) Operational lease contracts where the Bank cats as a lessor

In thousands of BGN

Residual maturity	Total future minimum lease payment	
	2008	2007
Up to one year	189	186
Between one and five years	119	207
Total	**308**	**393**

47. Group entities

The direct parent company of UniCredit Bulbank AD is UniCredit Bank Austria AG. As of December 31, 2008 and December 31, 2007 the ultimate parent company is UniCredito Italiano S.p.A.

48. Applicable accounting standards for 2008

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

Bank Network

Sofia

7, Sveta Nedelya Square	02 / 923 27 81
1, Christofor Columb blvd.	980 96 01
84, Veslec str.	810 59 21
18, Parva Bulgarska Armiya blvd.	931 18 46
16, Iliensko Shose	936 09 86
2, Buzludja str.	953 03 09
8, Aksakov, str.	923 34 85
12, Anton Naidenov, str.	968 19 97
3, Kaloyan str.	926 83 00
2, Lomsko shosse	936 04 39
7, Sveta Nedelya Square	923 21 86
143, Al. Stambolijski blvd.	810 26 22
54, Cherni Vruh blvd.	969 00 25
147, Tsarigradsko Shosse blvd.	976 78 64
16, Alexander Malinov blvd., 1st floor, MLADOST	817 49 21
1, Tzar Samuil str.	917 30 40
27, Tvardishki prohod	818 27 22
Business park Sofia, 2nd building	817 33 22
1, Yanko Sakazov blvd.	988 71 31
1, Ivan Vazov str.	926 92 06
133, G.S. Rakovski str.	988 37 33
1, P.U. Todorov, block 1	818 67 20
3, Akad St. Mladenov blvd.	965 81 98
6, Vitosha blvd.	810 29 26
Hotel Trivia, Botunec	994 54 42
57A, Cherni Vruh blvd.	81 640 76
444 A, Slivnica blvd.	827 91 72
14, Todor Alexandrov blvd.	937 70 71
Iliyanci	892 05 12
Nishava str., block 12	818 87 60
12, Al. Batenberg str.	935 78 41
Liulin 5, block 549 B	814 52 72
2, Ivan Asen IInd str.	942 30 24
1, Madrid blvd.	948 09 71
88, Yanko Sakazov blvd.	946 11 28
63, Shipchenski prohod str.	817 29 24
133, Tsarigradsko Shosse - 7th km	817 80 29
18, Dondukov str.	921 89 53
SFA Tsarigradsko shosse blvd.	960 11 99
SFA Liulin 10, Dobrinova Skala blvd.	925 09 81
SFA 459, Botevgradsko shosse blvd.	892 21 99
58, Alabin str.	939 78 27
9, Julio Kiuri str.	817 37 29
22, Zlaten rog, str.	926 48 50
40, Vasil Levski str.	950 46 50
75, Vitosha blvd.	926 48 95
28, Hristo Smirnenski blvd.	963 09 88
22, Serdika str.	926 48 73
17, Hristo Botev blvd.	926 48 62
41, Tzar Boris III blvd.	926 48 45
134, Tzar Boris III blvd.	926 48 47
46, Liubliana str.	926 48 67
102, Bulgaria blvd.	808 28 15
640, Slivnica blvd.	812 82 52
140, Rakovski str.	815 70 24
1, Kukush str.	802 42 11
1, Skopie blvd.	803 35 83
127, Slivnica blvd.	802 19 83
29, Atanas Dondukov str.	807 03 15
9A, Boris Stefanov str.	819 28 72
62, G.M. Dimitrov str.	816 90 71

Bojuriste

85, Evropa blvd., Bojuriste	02 / 993 30 15

Botevgrad

24, Saransk sq.	0723 / 668 72

Dragoman

26, Zahari Stoyanov str.	07172 / 20 37
3, N. Vapcarov str.	20 66

Kalotina

Border Police kalotina	07174 / 22 52

Elin Pelin

5, Nezavisimost square	0725 / 688 27

Bank Network (Continued)

Gorna Malina
Municipality G. Malina	07152 / 222

Etropole
22, M. Gavrailova str.	0720 / 72 22

Godech
2, Svoboda square	0729 / 23 06

Ihtiman
8, Polk. B. Drangov str.	0724 / 820 91

Kostenets
2, Belmeken str.	07142 / 25 52

Kostinbrod
13, Ohrid str.	0721 / 681 25

Pirdop
Todor Vlaikov square, block 2	07181 / 57 83

Zlatitsa
1, Sofiisko shosse blvd.	0728 / 660 38

Samokov
3, Prof V. Zahariev str.	0722 / 688 14

Borovets
Borovets	0750 / 322 04

Slivnitsa
2, Saedinenie square	0727 / 422 66

Svoge
21, Tsar Simeon str.	0726 / 23 49

Koprivstica
20th April square	07184 / 22 33

Varna
1, P. Karavelov str.	052 / 66 21 24
39, Maria Luiza str.	60 00 25
2, Gabrovo str.	68 98 03
2, Patleina str.	66 33 35
36-38, Vladislav Varnenchik str.	68 79 49
43, Kniaz Boris str.	66 40 22
93, Osmi Primorski polk	88 98 17
Business park building 1	73 01 27
74-76, Kniaz Boris I	65 44 05
61, Pirin str.	66 13 46

Albena
Albena Complex	0579 / 62 69 10

Balchik
34A, Cherno more str.	0579 / 763 06
3, Ivan Vazov str.	711 22

Devnia
Devnia in the building of Solvei Sodi	0519 / 971 10

Dobrich
3, Bulgaria str.	058 / 65 57 32
7, Nezavisimost str.	65 14 28
4, Petko Balgaranov str.	

General Toshevo
5, Treti Mart str.	05731 / 21 37

Kavarna
25, Dobrotica str.	0570 / 861 08

Novi Pazar
4, Rakovski str.	0537 / 235 80

Shumen
64, Slavianski blvd.	054 / 80 05 99
8, Slavianski blvd.	85 81 33

Bank Network (Continued)

Silistra

4, Rakovski str.	086 / 87 83 42

Dulovo

21, Vasil Levski str.	0855 / 223 56

Targovishte

1, Vasil Levski str.	0601 / 612 20

Tervel

10, Sv. Sv Kiril I Metodii str.	05751/ 41 47

Zlatni Piasatzi

Zlatni Piasaci Complex	052 / 35 58 43

Plovdiv

4, Ivan Vazov blvd.	032 / 60 16 15
32A Kuklensko shosse blvd.	67 36 02
3, Osvobojdenie blvd.	68 19 14
1, Asenovgradsko Shosse str.	62 37 46
8, Karlovsko shosse str.	94 63 35
4, Vasil Levski str.	94 54 66
1A, Raiko Daskalov str.	64 69 53
1, Bankova str.	65 60 72
82, Hristo Botev blvd.	63 26 00
13, Kniaz Alexander Ist str.	90 58 12
15A, Vasil Aprilove blvd.	90 58 37
66, Pestersko shosse str.	90 58 41
24, Tsar Assen str.	90 58 44
167 A, 6ti septemvri blvd.	90 58 40
31, Ivan Vazov str.	90 58 31
37, Tzar Osvoboditel blvd. (Maritza)	90 28 67
2, Betoven str.	90 58 72

Asenovgrad

8, Radi Ovcharov str.	0331 / 626 55

Chepelare

1, Han Asparuh str.	03051 / 20 35

Pamporovo

hotel Ekaterina Dafovska

Karlovo

2, Vodopad str.	0335 / 905 25
4, Dimitur Subev str.	931 71

Panagiurishte

1, G. Benkovski str.	0357 / 632 60

Parvomai

1, Hristo Botev str.	0336 / 20 53

Pazardjik

6, Bulgaria blvd.	034 / 40 51 31
5, Esperanto str.	40 57 18
Pazardjik RDVR	44 09 93
Pazardjik KAT	44 12 90
3, Han krum str.	44 48 86

Peshtera

16, Dimitar Gorov str.	0350 / 64 16

Rakovski

23, Moskva str.	03151 / 50 11

Smolyan

59, Kolio Shishmanov str.	0301 / 673 14

Stamboliiski

3, Osmi Mart str.	0339 / 624 87

Velingrad

99, Suedinenie square	0359 / 570 22

Burgas

22, Alexandrovska str.	056 / 87 72 62
68-70, Hristo Botev	80 68 11
Lukoil Neftohim	89 80 36

Bank Network (Continued)

126, Stefan Stambolov	81 64 24
Burgas Airport	87 25 32
Burgas Airport	87 72 37
4-6, P. Yavorov str.	87 41 33
Slaveikov complex, Hemus Mark Factory	88 00 32
22, Alexandrovska str.	87 71 04
Slaveikov district, block 46	89 66 81

Aitos

27, Stancionna str.	0558 / 261 64

Karnobat

14, Bulgaria blvd., Karnobat	0559 / 288 21

Malko Tarnovo

2, Malkoturnovska Komuna str.	05952 / 22 14

Nessebar

19, Messembria	0554 / 219 20
10, Zedelvais	440 81

Primorsko

9, Cherno More str.	0550 / 320 51

Slanchev Briag

Slanchev briag Complex	0554 / 225 54

Sozopol

2, Parvi May str.	0550 / 263 20

Sungurlare

15, Hristo Smirnenski str.	05571 / 24 93

Tzarevo

20, Kraimorska str.	0590 / 520 45

Yambol

56, Targovska str.	046 / 68 51 13
3, Gorg Papazov str.	67 71 62
19, Targovska str.	66 16 41

Pomorie

40, Yavorov blvd.	0596 / 262 62

Stara Zagora

126, Simeon Veliki blvd.	042 / 69 63 26
62, Tzar Simeon Veliki blvd.	69 21 16
115, Tsar Simeon Veliki blvd.	61 51 29
Rudnik Troyanovo Sever	0417 / 824 02
126, Simeon Veliki str.	69 62 53
157, Tzar Simeon str.	61 07 83

Chirpan

2, Yavorov str.	0416 / 25 94

Dimitrovgrad

4B, Bulgaria blvd.	0391 / 646 72
3, D. Blagoev blvd.	614 55

Galabovo

8, dr. Jekov str.	0418 / 622 24

Harmanli

1, Vazrajdane square	0373 / 826 88

Haskovo

4, Han Kubrat str.	038 / 60 77 21
12-14, Stefan Karadja str.	60 27 24
Haskovo RDVR	66 24 39
Haskovo KAT	66 24 47

Kardjali

51, Bulgaria blvd.	0361 / 670 20

Kazanlak

4, Rozova Dolina str.	0431 / 681 35
16, Paisii Hilendarski str.	634 86

Nova Zagora

49 Vasil Levski str.	0457 / 639 06
60, M. Balkanski str.	622 03

Bank Network (Continued)

Radnevo

10A, G. Dimitrov	0417 / 810 11

Sliven

11, Hadji Dimitar blvd.	044 / 61 31 27
23, Rakovski str.	62 24 46
19, Gen Stolipin	61 02 31

Svilengrad

60, Bulgaria blvd.	0379 / 707 28

Blagoevgrad

1, Macedonia square	073 / 86 70 28
22, Ivan Shishman str.	82 86 34
18, St. Kiril and Metodius blvd.	82 87 18
57, Vasil Levski blvd.	88 50 65

Bansko

3, Pirin str.	0749 / 881 25
54, Tsar Simeon str.	883 87

Yakoruda

40, Kiril and Metodius str.	07442 / 23 88

Dupnitza

1, Hristo Botev str.	0701 / 599 14

Gotse Delchev

11, Byalo More	0751 / 696 20

Satovcha

Satovcha Municipality	0751 / 601 26

Kyustendil

39, Democracy str.	078 / 55 96 13

Pernik

14, K. Pernishki square	076 / 60 32 01
2, Chereshovo topche str.	60 46 90

Petrich

48, Rokfeler str.	0745 / 695 28
12B, Goce Delchev str.	692 72
11, Tsar Boris III	695 18

Razlog

1, Eksarh Iosif str.	0747 / 800 27

Rila

3, Avrekii Popstoyanov	07054 / 21 78

Sandanski

52, Macedonia str.	0746 / 348 52

Sapareva bania

2, Germaneya str.	0707 / 22 28

Simitli

2, Vasil Levski str.	0748 / 729 56

Pleven

1, Kosta Hadjipakev str.	064 / 88 02 26
11, Tzar Simeon str.	89 03 14
13, Danail Popov str., block Volga	89 21 63
121, Vasil Levski str.	84 01 88

Belene

1, Dechev Ferdinand str.	0658 / 347 52

Berkovitsa

1, Slaveikov blvd.	0953 / 884 84
100, Nikolaevska str.	886 86

Knezha

71, Marin Boev str.	09132 / 30 24

Kozlodui

Kozlodui Nuclear Plant	0973 / 736 77
Kozlodui bl. 79 Tunnel	800 04

Bank Network (Continued)

Levski
32, Al. Stambolijski str.	0650 / 831 67

Lom
14, Dunavska str.	0971 / 667 20

Lovech
22A, D. Pushkov str.	068 / 68 99 41
24, Turgovska str.	60 17 58
2, Stephan Karadja str.	66 83 30

Mezdra
1, Georgi Dimitrov str.	0910 / 920 78

Montana
72, Treti Mart blvd.	096 / 39 19 50
51, Treti Mart blvd.	38 31 68

Troyan
1, Gen. Karzov str.	0670 / 688 85
Velchevski Complex	625 76

Vidin
3, Tzar Simeon Veliki str.	094 / 69 02 14
68A, Tzar Simeon Veliki str.	60 58 02
North Industrial Zone	60 20 22
102A, Wharehouse base VITREID	60 12 98

Vratsa
10, Lukashov str.	092 / 66 88 52
6, St. Kyaluchev	66 82 34

Russe
5, Sveta Troica square	082 / 81 82 58
75, Alexnadrovska str.	82 27 71
55, Alexandrovska str.	81 83 50

Elena
1, Chr. Momchilov str.	06151 / 21 13

Gabrovo
13, Radecki str.	066 / 81 42 24
6, Parvi Mai 1876 str.	81 90 30
14, Stancionna str.	80 74 32

Gorna Orjahovitsa
1A, M. Todorv str.	0618 / 601 59
2, Partriarch Evtimii str.	618 22

Pavlikeni
20, Svoboda square	0610 / 526 87

Polski Trumbesh
55, Turgovska str.	06141 / 27 16

Razgrad
21, Ivan Vazov str.	084 / 66 07 63
1, Momina Cheshma square	66 21 09

Sevlievo
21, Svoboda square	0675 / 345 86

Svishtov
16, Tzar Osvoboditel str.	0631 / 611 27
10, Dunav str.	
	600 62

Veliko Tarnovo
13, Vasil Levskli str.	062 / 61 10 23
4, Rafail Mihailov str.	61 48 20
2B, Marno Pole str.	61 02 32

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