UniCredit Bulbank

Listen, understand, respond.

2013 Annual Report

This report expresses UniCredit's approach to banking by telling everyday stories about our interactions with Customers, innovations in products and adaptability in services.

These brief but meaningful stories come directly from our colleagues. They are examples of the tangible benefits and concrete solutions offered by UniCredit, demonstrating how we make a difference in people's lives.

Our clear goal to improve everyday circumstances is rooted in our complete commitment to outcomes that ensure Customer satisfaction.

At UniCredit, listening to our Clients and engaging with them to offer simple, direct results lies at the heart of our commercial banking operations. It is part of our determined effort to contribute to the economic and social well-being of our Customers as well as the communities where we work.

We will continue with this commitment to all of you, every day.

2013 Consolidated Reports and Accounts

15 years of UniCredit

1999

Group UniCredito Italiano establishment
Merger of Credito Italiano, Rolo Banca 1473, Cariverona, Cassa di Risparmio di Torino, Cassamarca, Cassa di Risparmio di Trento e Rovereto, Cassa di Risparmio di Trieste.

Beginning of international growth.
The expansion process in Central and Eastern Europe starts with the acquisition of the Polish Bank Pekao.

2000

Geographical growth and diversification
Development in emerging markets. Acquisition of Bulbank (Bulgaria) and Pol'nobanca - then Unibanka - (Slovakia).

Acquisition of the US fund manager Pioneer Investment of Boston and establishment of Pioneeer Global Asset Management.

2005

Merger with the German HVB Group and establishment of a single large European bank
UniCredit merged with the German HVB Group, which was created in 1998 from two Bavarian banks (Bayerische Vereinsbank and Bayerische Hypotheken-und Wechsel-Bank), so establishing a single, large European bank.

Acquisition of Yapi Kredi by Koç (Turkey).

2007

Merger with Capitalia. Strengthening the presence of the Group in Italy and abroad
UniCredit strengthen its position in the Italian market thanks to the integration with the Capitalia group – established in 2002 from the merger of Banca di Roma Group, the Bibop-Carire Group, Banco di Sicilia, MCC and Fineco.

The Group also strengthen its presence in CEE with the acquisition of Ukrsotsbank in Ukraine.

2010

A new service model: "Together for our customers"
Together with customer is the organic business evolution program designed to better focus on customers' needs and enhance proximity to territories through a set of interventional measures to combine the specialization of our businesses with the simplification of the Group structure.

2012

The new UniCredit
A rock solid commercial bank leader in Europe which combines operational efficiency and customer satisfaction by investing both in the traditional and digital communication.

2014

UniCredit Tower, the new Headquarter
UniCredit Tower represents a model of:
- sustainability, with more than a 40% reduction in CO_2 emissions;
- modernity, as it's ranked among the world's 10 most beautiful skyscrapers (source: Emporis Building Data Company);
- efficiency, resulted in a reduction in occupied office space, saving almost 25 million euros annually, with better efficiency.

Accelerate

Response times and problem solving.

Sometimes our Customers may encounter some difficulty, either at a branch or when banking online. These difficulties require quick solutions. To help our Customers quickly, we offer them a questionnaire after every banking transaction.
If they tell us they are not satisfied with the quality of a product or service, their branch manager contacts them directly **within 48 hours, with a solution**. In a six-month period, **15 percent of our Customers** filled out the questionnaires, with **87 percent saying they were satisfied** with our resolution of their issue.

Customer Sactisfation Unit - UniCredit Bank - RUSSIA

50 years of UniCredit Bulbank

1964	Bulbank, 100% state owned, was founded as then Bulgarian Foreign Trade Bank (BFTB) with head office in Sofia, paid-up capital of BGN 40 million and statutory specialization in foreign trade payments and finance. Initially the Bank's premises were in the building of BNB.
1991	BFTB was the first Bulgarian bank to move to SWIFT whereby it significantly strengthened its operational performance and enhanced the reliability of its transactions.
1992	The Bank moved to its current Headquarter – an exemplary building on 7, Sveta Nedelia Sq., furnished with all required facilities that allow for considerably improved banking services quality.
1993	The Bank started building domestic branch-network by opening branches in Plovdiv and Kardjali. Hebros Bank , who later became part of UniCredit Bulbank, was founded by merger of eight commercial banks in Bulgaria;
1994	The Annual General Meeting of Shareholders passed a resolution for changing the name of BFTB to Bulbank (Bulgarian Foreign Trade Bank) AD. An interesting fact was that since its foundation, the Bank has been known among its foreign partners as Bulbank because of its telegraph and telex address. Bulbank's branch network expanded through the opening of the regional Bourgas Commercial Bank and Stara Zagora Commercial Bank.
1998	Procedure for the privatisation of Bulbank was opened. Bulbank diversified its electronic international card payment system by co-branding with Visa International and Europay International and continued the expansion of its branch network in the country.
2000	Bulbank's privatization was completed on October 2 and the bank became a member of UniCredit Group;
2001	Bulbank embarked on a process of deep redesign of its business model seeking to become more open to its customers and to improve its efficiency and financial performance. Accordingly with the set objectives and tasks, a new organizational structure was introduced. The Bank penetrated the retail banking sector.
2002	Bank Biochim's privatization was completed and the institution become member of HVB Group; a merger with newly created HVB Bank Bulgaria follows; HVB Bank Bulgaria becomes HVB Bank Biochim; at the beginning of 2005 Hebros bank joins the group;
2004	Bulbank celebrated 40th anniversary as the biggest Bulgarian bank and undisputable market leader;
2005	UniCredit Group announced merger with HVB Group; Bulbank completes implementation of unified information system
2006	The process of merger between Bulbank, HVB Bank Biochim and Hebros Bank starts The company for consumer financing UniCredit Clarima Bulgaria is established The specialized company UniCredit Factoring Bulgaria is established The General meetings of shareholders of Bulbank, HVB Bank Biochim and Hebrosbank take decisions to merge the three institutions in 2007
2007	On April 27, 2007 the integration of the three UniCredit banks in Bulgaria is completed and UniCredit Bulbank is firmly positioned as the number one bank in Bulgaria.
2012	UniCredit Bulbank opens first Branch of the Future in Bulgaria, part of the long-term goal for providing the state-of-the-art easy to deal with client experience through all bank channels
2014	Celebrating 50 years anniversary, UniCredit Bulbank is the Indisputable market leader: number one in assets, loans, deposits, shareholders' capital and profit. It provides the full range of financial services in Bulgaria also through the leading in their field subsidiaries UniCredit Factoring, UniCredit Leasing, UniCredit Consumer Financing, as well as mutual funds through Pioneer Investments Bulgaria.

Contents

Financial Highlights (Unconsolidated)

Income Statement Figures

(Thousands of BGN, unless otherwise stated)

	YEAR 2013	YEAR 2012	CHANGE
Net interest income	417 139	406 167	2.7%
Net fee and commission income	165 099	154 221	7.1%
Net income from trading, investments and dividends	44 522	74 080	-39.9%
Other operating income, net	12 235	4 905	149.4%
Operating income	638 995	639 373	-0.1%
Operating expenses	-251 954	-252 947	-0.4%
Gross operating profit	387 041	386 426	0.2%
Impairment losses on financial assets and provisions	-217 962	-154 682	40.9%
Provisions for risk and charges	-9 691	5 931	-263.4%
Income from PPE	922	1 215	-24.1%
Profit before tax	160 310	238 890	-32.9%
Net profit	143 639	214 297	-33.0%

Volume Figures

	YEAR 2013	YEAR 2012	CHANGE
Total assets (eop)	12 670 172	12 593 635	0.6%
Net customer loans (eop)	8 637 803	8 546 838	1.1%
Customer deposits (eop)	8 705 491	8 227 899	5.8%
Shareholders' equity (eop)	2 104 329	2 071 515	1.6%
RWA (eop)	9 427 963	9 969 200	-5.4%

Key Performance Indicators (%)

	YEAR 2013	YEAR 2012	CHANGE
Return on average assets (ROA)	1.1	1.8	-0.6pp
Return on average equity (ROE)	6.9	10.7	-3.8pp
Cost/Income ratio	39.4	39.6	-0.1pp
Net profit margin	22.5	33.5	-11.0pp
Capital/Asset ratio (eop)	16.6	16.4	0.2pp
Total capital ratio (eop)	20.0	18.4	1.6pp
Tier 1 capital ratio (eop)	19.7	17.6	2.0pp
Risk weighted assets/Total assets ratio (eop)	74.4	79.2	-4.7pp
Non-performing loans/Gross loans	17.0	15.6	1.4pp
Net Loan/Deposit ratio	99.2	103.9	-4.7pp

Resources (number) - (eop)

	YEAR 2013	YEAR 2012	CHANGE
Employees	3 553	3 752	-199
Brranches	199	206	-7

Financial Highlights (Consolidated)

Income Statement Figures

(Thousands of BGN, unless otherwise stated)

	YEAR		CHANGE
	2013	2012	
Net interest income	467 697	408 425	14.5%
Net fee and commission income	177 917	156 954	13.4%
Net income from trading, investments and dividends	44 800	74 454	-39.8%
Other operating income, net	12 952	4 577	183.0%
Operating income	703 366	644 410	9.1%
Operating expenses	-270 624	-254 885	6.2%
Gross operating profit	432 742	389 525	11.1%
Impairment losses on financial assets	-227 963	-154 172	47.9%
Provisions for risk and charges	-9 691	5 931	-263.4%
Income from PPE	1 056	1 358	-22.2%
Profit before tax	196 144	242 642	-19.2%
Net profit	175 909	217 683	-19.2%

Volume Figures

	YEAR		CHANGE
	2013	2012	
Total assets (eop)	13 537 385	23 669 431	6.9%
Net customer loans (eop)	9 529 902	8 613 880	10.6%
Customer deposits (eop)	8 526 893	8 224 740	3.7%
Shareholders' equity (eop)	2 173 269	2 093 329	3.8%
RWA (eop)	10 247 238	10 052 175	1.9%

Key Performance Indicators

	YEAR		CHANGE
	2013	2012	
Return on average assets (ROA)	1.3	1.8	-0.4pp
Return on average equity (ROE)	8.3	10.7	-2.4pp
Cost/Income ratio	38.5	39.6	-1.1pp
Net profit margin	25.0	33.8	-8.8pp
Capital/Asset ratio (eop)	16.1	16.5	-0.5pp
Total capital abequacy ratio (eop)	18.1	18.3	-0.2pp
Tier 1 capital ratio (eop)	18.1	17.6	0.5pp
Risk weighted assets/Total assets ratio (eop)	75.7	79.3	-3.6pp
Non-performing loans/Gross loans	17.7	15.5	2.2pp
Net Loan/Deposit ratio	111.8	104.7	7.0pp

Resources (number) - (eop)

	YEAR		CHANGE
	2013	2012	
Employees	4 139	3 793	346
Branches	208	206	2

CEO's Letter to the Shareholders

Levon Hampartzoumian
Chairman of the Management Board and CEO

> "The focal points in 2013 were transparent partnership with customers, strong attention to overall process, products and services."

Dear Shareholders,

Dear Shareholders,

In 2013, the Bulgarian economy went through another very dynamic and challenging year. Domestic demand still remained subdued and the main contributor to the slight growth in GDP of 0.5% was increased exports. Given the slow progress of economic recovery, the environment in the Bulgarian banking market remained difficult. Revenues decreased, while administrative expenses remained flat. At the same time risk costs still remained a high level. On the positive side, the rebalancing of the funding model of the Bulgarian commercial banks continued and they reduced the reliance on external borrowing to sustainable levels. The challenging environment triggered the process of market restructurings and several banking consolidations took place.

During this period, we worked hard towards the implementation of our mission to be "a rock-solid" commercial bank, focused on supporting the real economy. The result is the strengthening of the market leadership position of UniCredit Bulbank and affirming of our number one ranking not only in terms of size, indicated by total assets, but also in customer related business – both loans and deposits. Thanks to our outstanding reputation, efficient service model and comprehensive product portfolio, the Bank's market share in gross customer loans increased to 16.6%, supported by the growth in both corporate and retail loans. Our top position on the customers' deposit market was preserved, with a 14% market share, capitalizing on the stable savings inflow in the economy and further diversifying the Bank's deposit products through incorporation of investment and insurance features. In addition, we consolidated our strong liquidity position and the net loans-to-deposits ratio was improved to 99%, from 104% a year earlier. The total capital adequacy ratio reached 20%, well above the BNB required minimum of 12%, which makes us one of the best capitalized banks.

Furthermore, UniCredit Bulbank clearly differentiated itself as the most profitable and efficient bank on the market. The Bank reported a steady growth in the sustainable income components (net interest income increased by 2.7% and fee and commission income increased by 7.1% yoy), while the total operating income remained flat at BGN 639m. Operating expenses decreased by 0.4% compared to their level one year before, thus enhancing the structural efficiency of the Bank's operations. Operating performance proved resistant to external shocks and was strong enough to absorb the market-driven elevation in credit losses. In order to increase the coverage of non-performing exposures to a sound ratio of 51.7%, the impairment losses on financial assets grew by 40.9% to BGN 218m. As a result, the net profit of UniCredit Bulbank declined by 33% yoy to BGN 143.6 m. Still, UniCredit Bulbank contributed a sizable 27.3% to the net profit of the overall banking system, which is almost twice the Bank's assets market share of 14.8%, indicating its very strong profitability generation profile.

The focal points in 2013 were transparent partnership with customers, strong attention to overall process, products and services. All of these became the main pillars that supported the sustainable growth of the Bank. In order to be a real partner to our clients, several innovative programs and initiatives were launched in 2013 such as: the first do-it-yourself program "Modula"; the new "Business Leader Practice" program, dedicated to freelancers; the "Academic league" offer, developed especially for professors and students. In the area of cards, the main innovations were related to the introduction of contactless debit and credit cards and contactless POS. UniCredit Bulbank was the first bank in Southern and Eastern Europe nominated to implement the "Cash M" service for sending money through ATMs. In line with market demands, the Bank continuously enhanced its investment and insurance products, giving the clients opportunity to diversify their own savings. An important initiative that led to better product penetration was boosting closer cooperation with the Bank's product factories, including consumer financing, leasing, factoring and insurance brokerage.
One of our important tasks is to speak the language of our clients. Based on this principle, a modern web based service entitled "Your Financial Advisor" was launched, which helped the customers and non-customers of the Bank to find and apply online for the appropriate financial solution more easily.

As a strategically important subsidiary of UniCredit Group, UniCredit Bulbank was chosen as a pilot country for several business initiatives under the "CEE 2020" group strategic project. The target is to achieve a profound business model transformation and to boost profit generation through simplification of our operating mode, enhancement of our service model on a value based logic, productivity enhancement and increased penetration of the most attractive sub-segments.

Over the last year, we have continued to listen carefully to our main stakeholders through various surveys. The reputational survey proved that UniCredit Bulbank's reputation continued to be strong and we are improving the positive gap vs. competitors. The results of the Customer satisfaction survey showed that the Bank preserved its leading market position in both the Retail and Corporate segments, with a strong competitive advantage. What is more, for the first time we were nominated the Best-Class among peers in the Retail segment.

In accordance with our corporate social responsibility strategy we supported the development of local communities through numerous sponsorships, donations, charity initiatives and volunteer work. In 2013 the Bank supported over 120 NGOs, institutions, organizations, universities, schools and individuals. The Bank organized numerous exhibitions in its gallery for contemporary art, called UniCredit Studio, with a focus on presenting young artists. Four Bulgarian universities became partners of UniCredit & Universities Foundation, which grants scholarships to talented students in Europe. UniCredit Bulbank is also an active member of business organizations and associations. In 2013 UniCredit became the Official Bank of the UEFA Champions League. For its successful Corporate Social Responsibility program UniCredit Bulbank received several awards in 2013.

Thanks to the strong brand of UniCredit, the good image of a stable and reliable organization and the extensive participation in different career events, UniCredit Bulbank continued to be considered as the best employer in the Bulgarian banking sector and an excellent place for career development. In 2013 the Bank continued investing in continuous learning initiatives, management pool development initiatives, training activities and internship programs.

In 2014 we celebrate the 50th anniversary of the establishment of the bank whose successor today is UniCredit Bulbank. During its first 50 years of existence UniCredit Bulbank has established its position as a major participant in the economic history of the Republic of Bulgaria as bank number one in terms of assets, deposits and loans. We will celebrate our first 50 years thinking about the next 50 years and for real benefits which a modern, innovative, secure and stable bank, part of the international group UniCredit, gives and will continue to provide to Bulgaria and Bulgarian citizens.

Levon Hampartzoumian

Chairman of the Management Board and CEO

Supervisory Board and Management Board[1]

Supervisory Board (SB)

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

Management Board (MB)

Levon Hampartzoumian	**Chairman and Chief Executive Officer**
Andrea Casini	**Deputy Chairman and Chief Operative Officer**
Emilia Palibachiyska Michele Amadei Alexander Krustev Tsvetanka Mincheva Ivaylo Glavchovski	**Members**

On 03.12.2013 both Ms. Tsvetanka Mincheva and Mr. Ivaylo Glavchovski became members of the Management Board.

[1]As of December 31st, 2013

Art. 247, par. 2, pt. 4 from the Commercial Law (01.01.2013 - 31.12.2013)

Members of the Supervisory Board

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

Alberto Devoto
- UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA AS – member of SB up to 30.11.2013

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

Dimitar Zhelev
- STADIS AD - member of the Board of Directors (BD) and executive director, majority control through BULLS AD
- DZH AD – member of BD and executive director, 50% ownership
- ALLIANZ BULGARIA HOLDING AD – member of BD and executive director
- BULLS AD - member of BD and executive director, 51% ownership
- SHIPREPAIR YARD ODESSOS, VARNA – member of BD
- INDUSTRIAL HOLDING BULGARIA – 49.5% ownership through both BULLS AD and DZH AD
- ALLIANZ BANK BULGARIA AD – member of SB
- ZAD ALLIANZ BULGARIA LIFE – member of BD

Simone Marcucci
- UNICREDIT BANK HUNGARY ZRT. – deputy chairman of SB and member of Audit Committee
- UNICREDIT BANK SLOVAKIA A.S. - member of SB up to 30.11.2013
- UNICREDIT BANK SERBIA JSC – member of SB
- RN BANK RUSSIA – member of the SB from 29.08.2013 on
- BARN B.V., NETHERLANDS – member of the BD from 12.04.2013 on

Mauro Maschio
- UNICREDIT BANK HUNGARY ZRT. – member of SB
- UNICREDIT BANK CZECH AND SLOVAKIA REPUBLIC A.S. - member of SB
- BANK AUSTRIA AG – Procurator
- RN BANK RUSSIA – member of the SB from 29.08.2013 on
- BARN B.V., NETHERLANDS – member of the BD from 12.04.2013 on

Friederike Kotz
- UNICREDIT BANK HUNGARY ZRT. – member of SB and president of Audit Committee up to 30.11.2013
- AS UNICREDIT BANK, LATVIA - member of SB and member of Audit Committee up to 17.12.2013
- UNICREDIT BANK A.D. BANJA LUKA – member of SB
- SIA UNICREDIT LEASING – Member of the SB in the period from 01.07.2013 to 12.12.2013

Members of the Management Board

Levon Hampartzoumian
- UNICREDIT CONSUMER FINANCING AD – member of SB
- BORIKA-BANKSERVICE AD – member of BD
- BULBANK LEASING EAD – member of SB
- UNICREDIT LEASING AD - member of SB

Andrea Casini
- UNICREDIT CONSUMER FINANCING AD – member of SB
- BULBANK LEASING EAD - member of SB
- UNICREDIT LEASING AD - member of SB
- INDACO EOOD – 100% ownership of BGN 5 000 capital

Emilia Palibachiyska
- UNICREDIT CONSUMER FINANCING AD – member of SB
- BULBANK LEASING EAD - member of SB
- UNICREDIT LEASING AD - member of SB

Michele Amadei
- UNICREDIT FACTORING EAD – member of BD
- BULBANK LEASING EAD – member of SB
- UNICREDIT LEASING AD - member of SB

Ivaylo Glavchovski
- CASH SERVICE COMPANY AD – member of the BD

Pasquale Giamboi

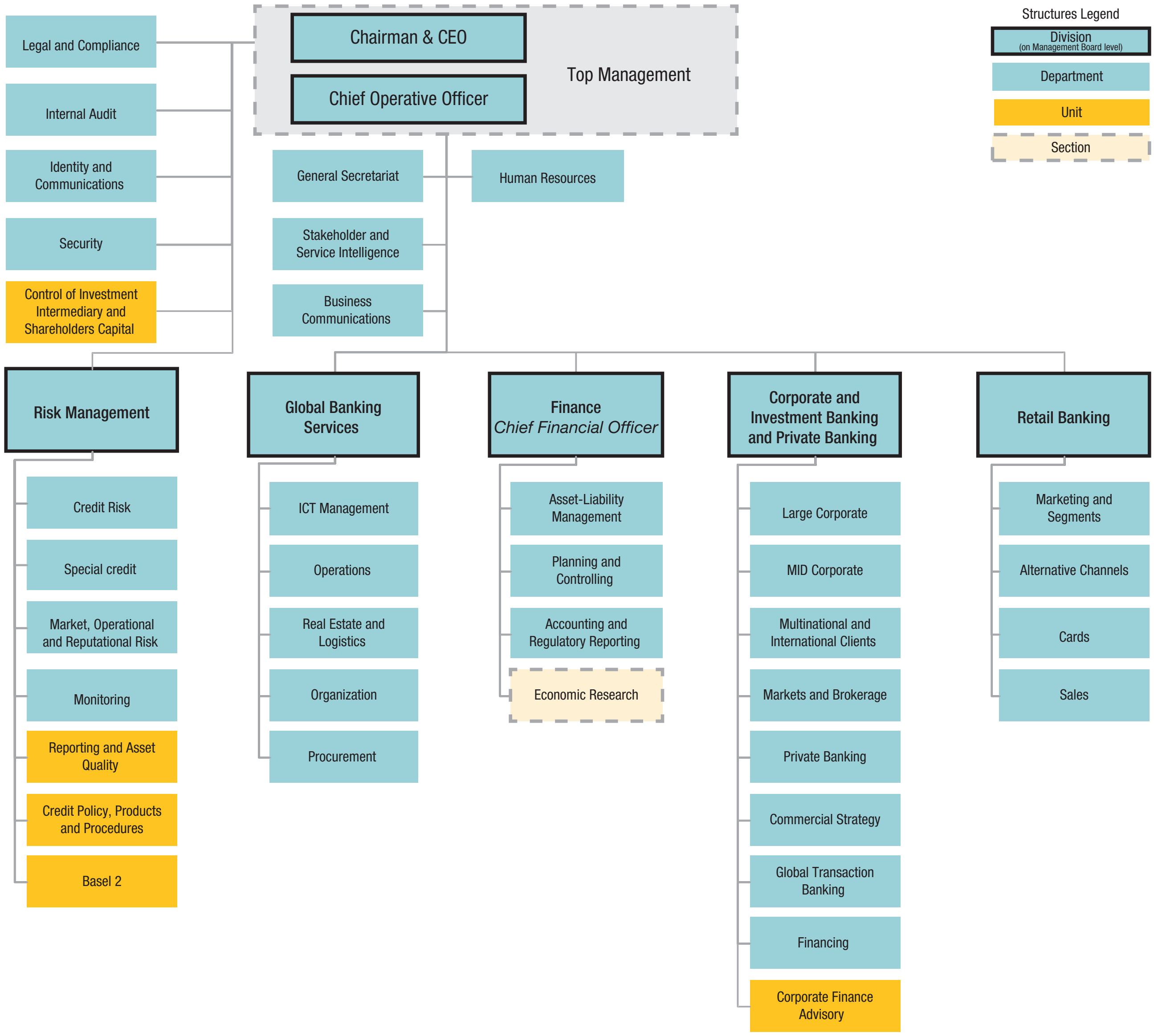
Released from UniCredit Bulbank's SB on 04.11.2013, written in the Commercial Registry on 04.11.2013

- UNICREDIT CONSUMER FINANCING AD – member of MB

2013 AWARDS

- Bank of the year - Bank of the Year Association
- Best bank in Bulgaria – EMEA Finance's Europe Banking Awards
- Best Bank in Bulgaria - Global Finance magazine
- Best Trade Finance Bank in Bulgaria - Global Finance magazine
- Best Custodian Bank in Bulgaria - Global Custodian magazine
- Bank of the year - Operational Risk & Regulation magazine
- Top prize for E-banking and mobile banking – Forbes magazine, Bulgarian edition
- Number One in Bulgaria in SeeNews Top 100 banks
- UniCredit Bulbank is the only Bulgarian bank in TOP 50 of the banks in Central Europe in Deloitte annual ranking
- Best HR strategy for leadership development in the organization – Bulgarian Association for People Management
- A primary dealer of securities that has purchased the largest number of securities in the primary market in 2013 and a primary dealer of securities that has purchased the largest number of securities in the primary market 2013 for its own account – Bulgarian Ministry of Finance
- Employer of Choice - Bulgarian Human Resources Management and Development Association
- CSR award for the largest contribution by volunteering of employees – Bulgarian Donors' Forum
- The most successful partnership for the joint project "Trust in the Family" of UniCredit Foundation, UniCredit Bulbank and Lale foundation – Bulgarian Donors' Forum
- Andrea Casini - Order of Merit by the Sovereign Order of Malta

Organisation Chart[1]



[1]As of December 31, 2013

Credit Rating

COUNTERPARTY CREDIT RATING (STANDARD & POOR'S)[2]

Long-term	BBB
Short-term	A-2
Outlook	Negative

[2]Equal to and capped by the S&P sovereign credit rating of Bulgaria (BBB/Negative/A-2).

Highlights

UniCredit operates in 17 Countries with more than 147,000 employees and over 8,800 branches.

UniCredit benefits from a strong European identity, extensive international presence and broad customer base.

Its strategic position in Western and Eastern Europe gives the Group one of the region's highest market shares.

1. Data as at December 31, 2013. FTE = "Full Time Equivalent": number of employees counted for the rate of presence. Figures include all employees of subsidiaries consolidated proportionately, such as Koç Financial Services Group employees.

2. Data as at December 31, 2013. Figures include all branches of subsidiaries consolidated proportionately, such as Koç Financial Services Group branches.

* Data as at December 31, 2013.

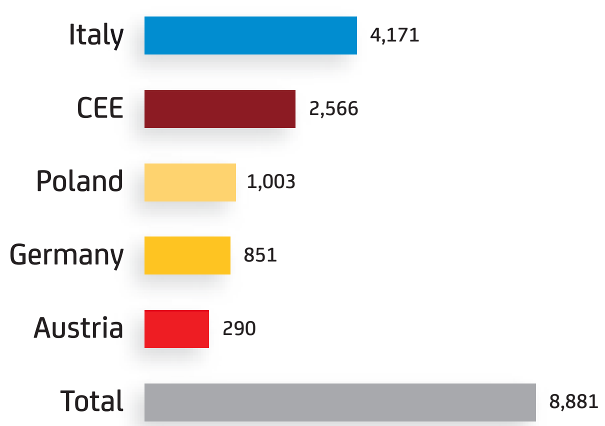
EMPLOYEES[1]

over 147,000

BRANCHES[2]

over 8,800

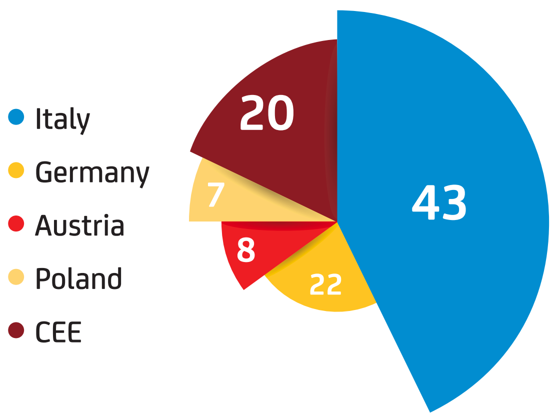
Branches by Country[2]



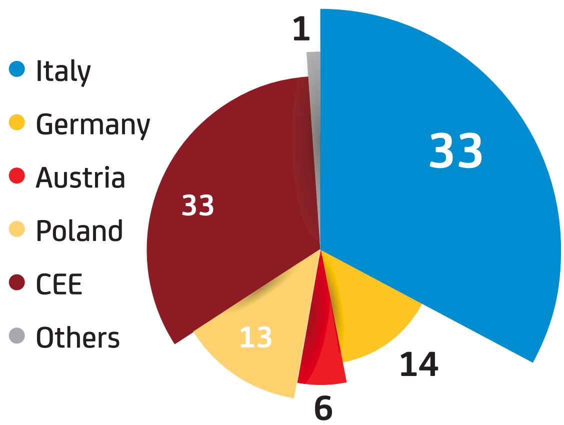
Where we operate*

AUSTRIA	ITALY
AZERBAIJAN	POLAND
BOSNIA AND HERZEGOVINA	ROMANIA
BULGARIA	RUSSIA
CROATIA	SERBIA
CZECH REPUBLIC	SLOVAKIA
GERMANY	SLOVENIA
HUNGARY	TURKEY
	UKRAINE

Revenues by Region* (%)



Employees by Country[1] (%)



Focus

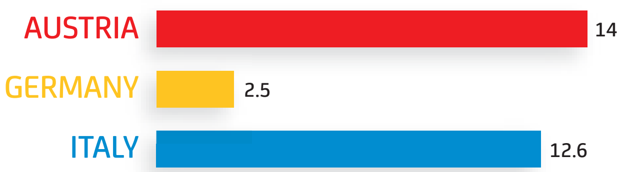
AUSTRIA, ITALY AND GERMANY

UniCredit occupies a strategic position in Italy, Germany and Austria. With about 4,171 branches in Italy, 851 in Germany and 290 in Austria, UniCredit comprises one of the largest banking networks in the heart of Europe. Accounting for more than one-third of the GDP of the European Union, these three countries benefit from their close ties to the growing economies of Central and Eastern Europe.

Following the introduction of the ECB's Outright Monetary Transactions (OMT) program in the summer of 2012, markets' normalization process is enduring, with a gradual restoration of investors' risk appetite. At the beginning of 2014, the growth recovery across the OECD area is gaining good momentum, while global trade is picking up quite nicely. We expect eurozone growth accelerate to an annual average of about 1.5% in 2014, from -0.4% in 2013. Germany is projected to be the engine of growth in 2014, on the wake of brighter export prospects, the unloading of pent-up demand in investment in machinery and equipment, and some strengthening of private consumption; the tight intra-European trade links will secure that the positive effect will be felt in the eurozone periphery as well as Central Eastern Europe. In Italy, the recovery is underway, although the pace of GDP growth is likely to remain subdued at 0.7% in 2014. The main growth drivers will be a steady recovery in exports and a moderate pick-up in capital expenditures, amid still tight credit conditions, while private consumption is likely to be the weak spot. Finally, while the recovery of export markets is kick-starting the domestic economy, domestic demand, mainly investment, will ultimately constitute the main pillar of economic growth in Austria in 2014.

In the medium-to-longer term, the OMT has helped to create a more favorable environment for politicians to implement structural reforms, while repairing the transmission mechanism of monetary policy remains the ECB's most daunting challenge. Pushing ahead with the structural reforms remains essential to achieving a sufficient degree of macroeconomic and fiscal convergence across the eurozone, while efforts continue to shape a credible pan-European architecture. This process is vital to making the eurozone stronger and more competitive moving forward. In Italy, the sustainability of the recovery will largely depend on the effective implementation of reforms to restore long-term competitiveness and reduce public debt. Taking into account the reforms that have already been implemented in Italy, we expect real economic growth to continue at an average annual rate of roughly 1% in Italy and 1.8%-1.9% in Austria and Germany from 2015 to 2018.

Market share[1] (%)



1. Market share in terms of total Customer Loans as at December 31, 2013.
Source: UniCredit, National Central Banks.

CENTRAL AND EASTERN EUROPE

UniCredit is a market leader in Central and Eastern Europe, it has a broad network of roughly 3,600 branches.*

Its regional footprint is diverse, and include a direct presence in 14 countries. It is ranked in the top five in 10 of these counties*. In fact the CEE now accounts for 28 percent of the Group 's revenues.**
Across the newer EU states, economic performance is expected to continue improve. A recovery was already visible over much of 2013. In part this improvement captures a stronger external environment, supporting industry and exports as EMU continues to use much of the region as a competitive production base.
Over 2014 this recovery should extend more visibly into domestic demand. Following a multi year period of fiscal consolidation, the drag to growth on this front should be much more muted going forward while some countries will enjoy a positive impulse. Public debt ratios remain considerably below the average for advanced economies. In many cases labour markets have stabilized.

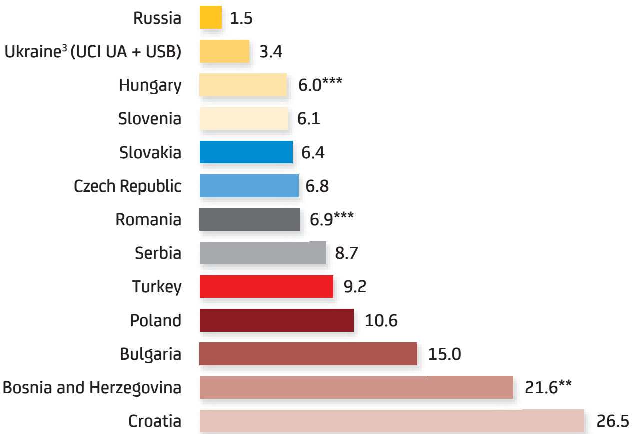
Monetary policy is also exceptionally accommodative across the region while rate hikes are likely to materialize only gradually. Progress on banking union should also bring positive spillovers to the newer EU states while in many countries we see credit proving more supportive of domestic demand. In many of the newer EU states we expect GDP growth of above 2% this year.

Within Turkey and Russia the near term challenges are greater. Following a multi year period of strong growth, momentum will slow this year in Turkey. Political uncertainty plays a role. A slowdown in foreign capital inflows, prompted in part by Fed tapering, is also having an impact. In contrast, stronger industry and export performance brings benefits, as is the case in the newer EU states.

Russia continues to adjust to stable rather than consistently increasing energy prices. This adjustment is aided by increased currency flexibility, a large stock of foreign reserves and improvements in the inflation-targeting regime. Within this environment, real GDP growth over the coming 1-2 years will be more muted than in the past but remain positive.

From a medium- to long - term perspective, we believe that the majority of Central and Eastern Europe economies will continue to see an increase in living standards as growth is supported by competitive labor costs, flexible labor markets and a gradual recovery in foreign direct investment.

Market share[2] (%)



* as at 30 September, 2013.
** as at 30 June, 2013.
*** as at 31st December 2012.
2. Market Share in terms of Total Assets as 30 September 2013.
Market share in Azerbaijan not available.
3. Pro-forma (Ukrsotsbank + UniCredit Bank Ukraine).
Source: UniCredit Research, UniCredit CEE Strategic Analysis.

Our Approach

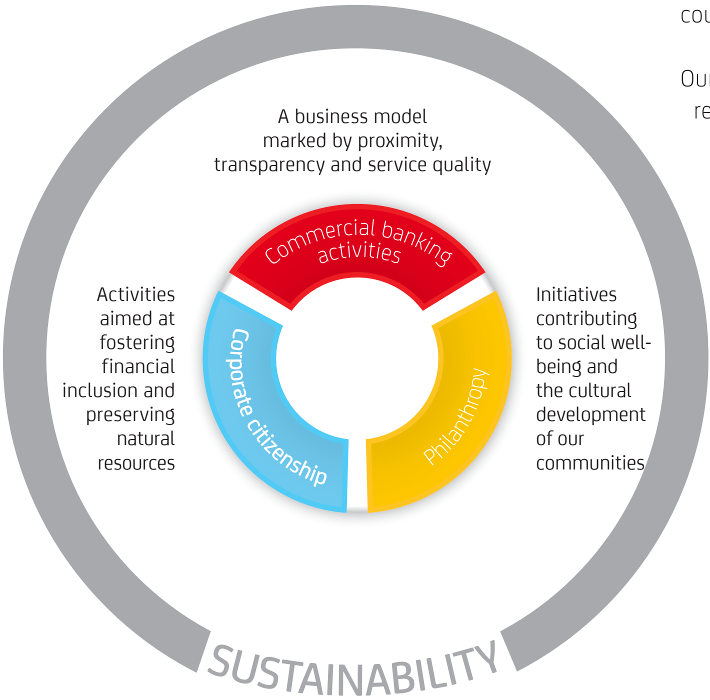
The current economic situation poses a new challenge for the banking sector. It must remake itself into a driver of the real economy - and must be able to meet the needs of society, maintaining sustainable operations.

How are we tackling this challenge at UniCredit? By applying a long-term, multi-stakeholder approach to every area of our activity:

- commercial banking - by improving our business model and competencies in order to work more closely with customers and meet their needs more effectively;
- corporate citizenship - by using our expertise to nurture the economic participation of all people and conserve natural resources;
- philanthropic initiatives - by supporting programs that go beyond a bank's traditional scope and respond to basic social needs, especially in times of crisis.

Indeed, to succeed in the current climate, a bank must address economic, social and environmental issues both in its strategic outlook and in its day-to-day work.

Such an approach depends on a cultural shift - one that is now the basis for our service model - and it also relies on proper risk management. With this in mind, we are improving cooperation between our business units and the departments in charge of risk management. This enables us to develop solutions that are in line with the objectives and needs of our Group and our customers.



The management of risk is the cornerstone of our business, and a deep knowledge of our customers is essential if we are to understand and control risk as effectively as possible.

In order to build even closer relationships with our customers and respond more quickly to their needs, we have simplified many procedures and delegated more decision-making powers to our national operations.

At the same time, we continue to increase efficiency in our operations. Throughout our Group we are adopting technological innovations that are opening up new ways to interact with customers. We are determined to leverage the opportunities presented by multi-channel communications to form stronger and more productive relationships with our clients.

Embracing innovation is one of UniCredit's key objectives. It is why we seek to develop a fully integrated multi-channel banking system that combines traditional and digital communications. The physical branch remains at the heart of this model, particularly in times that call for personal relationships and direct interaction. However, the branch banking experience will be increasingly complemented by the new channels in which we are investing.

It is an approach that stems from paying close attention to our stakeholders' genuine expectations. After all, dialogue with them is our guiding principle for generating lasting value and for successfully supporting the development of the countries in which we operate.

Our extensive physical presence and strong local representation formed the fundamental character of UniCredit. Fifteen years ago, we laid the groundwork for our geographic expansion and operational diversification. It was a sound decision – and it has made our Group a leading financial institution, respected throughout Europe.

Respond

With a smile and a desire to help.

"One of my Customers had just gotten married and was about to set off on her honeymoon when she called me in a panic: her credit card had been cloned. I immediately arranged for her to be sent a new card, but several days passed and the card did not turn up. I was worried, but I didn't let on to the Customer. I kept looking into it and found out that the courier had sent the card to the wrong address. I tracked down the courier and made sure the card was delivered to the right address in time. I called the Customer, **who was delighted that she could now enjoy** her honeymoon!"

Rita Pattuelli - Private Banking Bologna Centro - UniCredit SpA

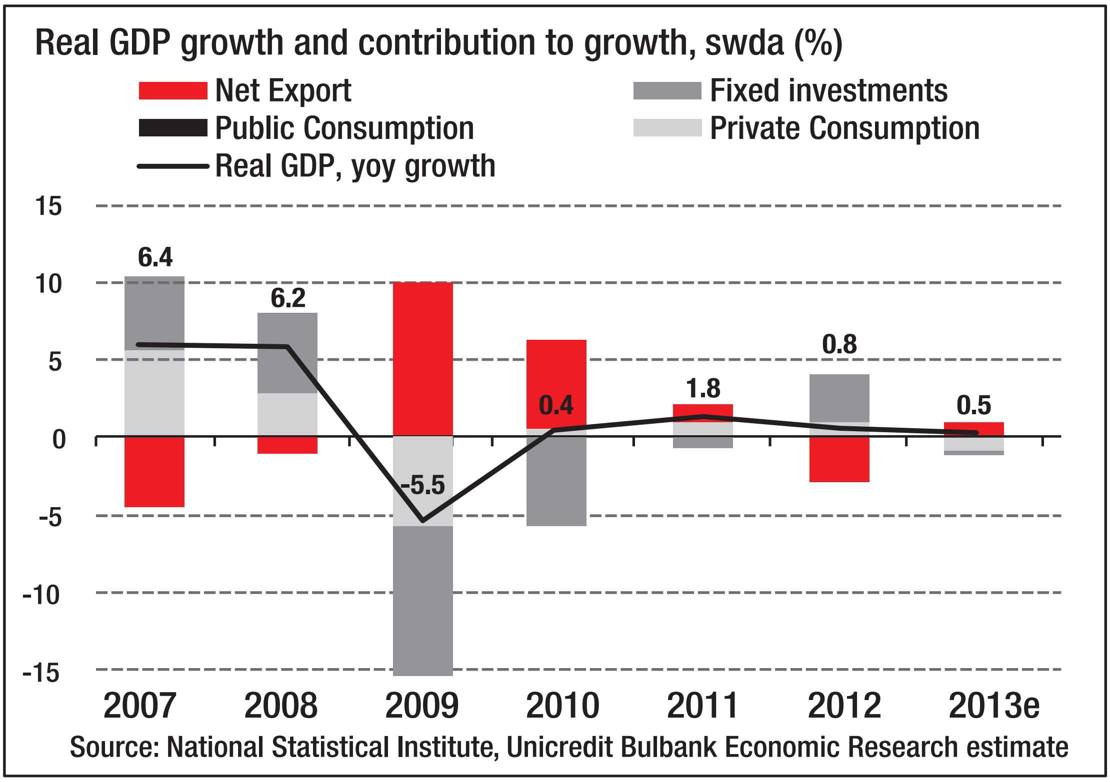
Collaborate

More efficiency, better results.

A long-standing Client of UniCredit, had been owned since 2008 by a US private equity fund. The Company consistently recorded good results and after four years, the equity fund began to consider the best options for maximizing its investment. The transaction was quite complex, involving many teams in UniCredit who worked in unison, like an orchestra, to achieve the same objective, that of satisfying all the clients involved.
Our intervention enabled all of the potential buyers to be well supported and the deal was concluded in a very short time, allowing the Company to **continue its growth** path under a new shareholder, also a key Client of UniCredit. The US equity fund managed to achieve **a very successful investment**. One deal, more satisfied Clients.
Working together for the same objective produces excellent results.

CIB Financial Sponsor Solutions - ITALY

Bulgarian economy in 2013



The Bulgarian economy experienced another very dynamic year in 2013[1]. A combination of domestic and external developments pushed the headline GDP to its lowest year-over-year (yoy) point over the last three consecutive years[2]. On the external front, Bulgaria's key trading partners from the Eurozone went through a pronounced deceleration of economic activity in the 1H2013. However, as the euro region began its recovery in mid-2013, Bulgarian merchandise export volumes accelerated to real 8.8% estimated for the whole year.

The slowdown of GDP growth to 0.5% from 0.8% in 2012 was mostly due to domestic demand developments. Individual consumption subtracted 0.7pp from the headline GDP number, against the backdrop of persistent economic uncertainty, continued upticks in the unemployment rate [3] (to a most recent peak of 13.1% in December 2013, compared to a 2012 average of 12.3%), visible deflationary dynamics in 2H2013 (with consumer prices ending 2013 at an all-time low of -1.6% yoy) and retail credit growth slowing down to a meager 0.5% in 2013. Fixed Capital Formation subtracted 0.05pp from GDP growth and investments remain 42% below its pre-crises peak. On the positive side, increased government consumption added 0.3pp.

Positive contribution by net exports was again the key growth driver of the economy. As Eurozone economies began to recover, the scope for exports to support GDP recovery increased and delivered 0.9pp positive contribution. The positive trade developments, together with improved EU funds utilization shifted also current account to a surplus estimated at 2.6% of GDP – the first meaningful positive outcome in the modern economic history of Bulgaria.

This marked improvement in the external position of the economy serves as a much-needed cushion in the event of future shocks. These healthy current account dynamics have also led to a pronounced improvement in the debt sustainability indicators. They have now moved further away from the alarming levels in 2008 and particularly in 2009 at the peak of the global crisis, in effect easing the deleveraging pressures on local companies.

Yet, as the economy regains its strength only very gradually labor market is likely to need even more time before we see a meaningful improvement in the unemployment rate (with the 2013 average at 13%) and thus – a visible positive contribution to growth coming from the household sector. This process is likely to be hindered even further as deflationary dynamics in the economy now transfer to price expectations of managers and consumers. Imported food and energy-related deflation, administrative price cuts of utilities, and negative core price dynamics as Bulgarian economy continues to operate significantly below its full potential, were behind the consumer price deceleration to -1.6% yoy in December and producer prices, coming in at -3.7% in November.

The Ministry of Finance benefited from ample liquidity in the banking sector and tapped the domestic debt market for 2.5 times the net amount seen in 2012. Despite the significant uptick in net issuance (to a total of BGN 1.345bn or 1.8% of GDP, largely due to the increased budget deficit target for 2013 to 2% of GDP from 1.3% initially), the average financing cost of the government via domestic bond supply went down to 2.59% from 3.54% in 2012.

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1 Data cut-off as of 24.01.2014
2 All GDP numbers have been calculated using the latest UniCredit Bulbank forecast on the basis of preliminary data for 3Q2013
3 As measured by Eurostat

MACROECONOMIC INDICATORS	2013	2012	2011	2010	2009	CHANGE 2013/2012
Nominal GDP[1] (BGN million)	78 752	77 582	75 308	70 511	68 322	1.5%
GDP per capita[1] (BGN)	10 872	10 649	10 278	9 395	9 033	2.1%
Real GDP growth[1], swda (%)	0.5	0.8	1.4	0.4	-5.5	-0.3pp
Basic Interest Rate, avg (%)	0.02	0.10	0.20	0.18	2.00	-0.08pp
Inflation, eop (%)	-1.6	4.2	2.8	4.5	0.6	-5.8pp
Inflation, avg (%)	0.9	3.0	4.2	2.4	2.8	-2.0pp
Unemployment rate, SA, eop (%)	13.1	12.6	11.7	11.2	8.4	0.3pp
Official exchange rate, eop (BGN/USD)	1.42	1.48	1.51	1.47	1.36	-4.4%
Official exchange rate, avg (BGN/USD)	1.47	1.52	1.41	1.48	1.41	-3.2%
Current account balance[2] (BGN millions)	2 208	-1019	65	-1 042	-6 095	-688.7%
Current account balance[2] / GDP[1] (%)	2.8	-1.3	0.1	-1.5	-8.9	3.3pp
Net foreign direct investments[2] (BGN millions)	2 207	2 365	2 372	1 911	4 900	-23.0%
Net foreign direct investments[2] / GDP[1] (%)	2.8	3.0	3.1	2.7	7.2	-0.9pp
Gross foreign debt[2], eop (BGN millions)	73 188	73 524	70 856	72.417	73 963	-1.2%
Gross foreign debt[2] / GDP (%)	93.0	94.8	94.1	102.7	108.3	-2.5pp
Gross internal public debt, eop (BGN millions)	6 290	4 981	4 808	3 934	3 009	26.3%
BNB FX reserves (BGN millions)	28 215	30 418	26 108	25 380	25 267	-7.2%
Budget balance / GDP[1] (%)	-1.8-	-0.5	-2.1	-3.9	-0.8	-1.4pp
Acting commercial banks at the end of the period	30	31	31	30	30	-1

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

[1] UniCredit Bulbank forecast for 2013

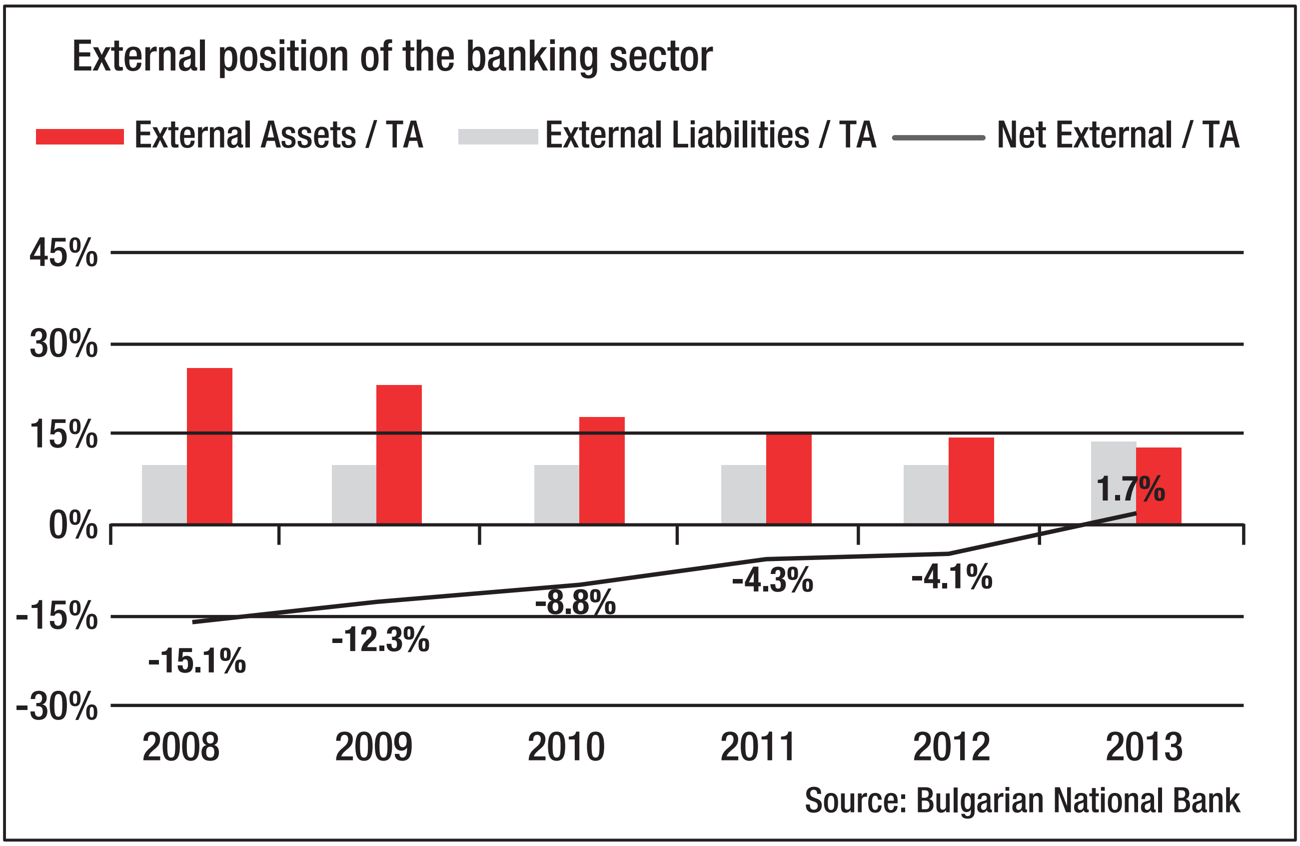
[2] Data as of November 2013

Banking Sector Overview

Operating conditions for Bulgarian banks remained difficult for the whole 2013 and are unlikely to improve significantly in the course of 2014, given that economic recovery progresses only very slowly and there are little indications that ongoing deflationary pressure will soon come to an end. Lending developments in the retail segment caused the growth of total credit to the real economy to slow down to just 1.1% yoy in 2013. Efficiency suffered another setback last year after the cost-to-income ratio worsened to 53.5% (from 52.0% in end-2012) due to the combination of weaker operating income (-2.8% yoy) and nearly flat (0.1% yoy) administrative expenses dynamics. Given all that, profit before taxes was 2.6% up yoy which prevented return on equity to exceed cost of equity for a fifth consecutive year.

There have been however some noticeable positive developments. Rebalancing of the funding model of the banks operating in the CEE region was a trend from which Bulgarian banks have not remained isolated. Net external position of the sector has seen a marked improvement (net external assets shifted from a negative number equivalent to 4.1% of total assets in 2012 to a positive print of 1.7% twelve months later). The banks reduced their reliance on external borrowing to much more sustainable levels, following five consecutive years of external deleveraging. Loan-to-deposit ratio fell below the 100% benchmark (to 94.0% in end-2013 from 101.0% in end-2012) for a first time since mid-2007. Progress on this key front mostly captured the solid gross savings ratio, which remained well above the 20% benchmark for a fifth year. Against this backdrop, resident deposits growth accelerated to 8.7% in 2013 from 7.6% a year ago.

Additional part of the losses associated with the housing market burst and the 2009 recession were absorbed after BGN 1.080bn of new loan loss provisions were set aside. Capital position on a consolidated level has likewise strengthened, since the banks added more than BGN 585m of after-tax profit from their activities in 2013 to the equity. Interest rates on loans continued trending downward which positively affected the cost and availability of credit to households and corporates from the real economy, although the real interest rates actually increased in response to ongoing deflationary pressure. More precisely, the annual average interest rate on total outstanding loans posted a 35bp drop in 2013, which looks



somewhat better when compared with the average decline seen in the preceding three years (24bp). At the same time, the annual average interest rate on customer deposits[1] reported a tad smaller drop of 31bp, pushing the loans-to-deposits spread down by 4bp in 2013. And above all, pick up in the NPLs slowed down significantly and at the end of 2013 NPL-to-total gross loans ratio (16.9%) was more or less at par with its level one year earlier (16.6%).

BANKING SYSTEM KEY FIGURES	2013	2012	2011	2010	2009	CHANGE 2013/2012
Income Statement (BGN million)						
Operating income	3 709	3 816	3 914	3 932	3 792	-2.8%
incl. Net interest income	2 541	2 625	2 869	2 917	2 847	-3.2%
incl. Net non-interest income	1 169	1 190	1 045	1 015	945	-1.8%
Operating costs	1 986	1 983	1 958	1 918	1 907	0.1%
Operating profit	1 723	1 832	1 956	2 014	1 885	-5.9%
Provisions (net)	1 080	1 212	1 306	1 328	1 028	-10.9%
Pre-tax profit	653	636	664	694	870	2.6%
Net profit	585	567	586	617	780	3.2%
Balance Sheet (BGN million)						
Total assets	85 747	82 416	76 811	73 726	70 868	4.0%
Loans to customers	58 489	57 841	56 044	53 854	52 449	1.1%
thereof: Non-performing loans	9 870	9 614	8 365	6 409	3 184	2.7%
Deposits from customers	62 230	57 256	52 808	46 928	43 285	8.7%
Shareholders' equity	11 164	10 850	10 448	10 032	9 457	2.9%
Main Ratios (%)						
ROE (after tax)	5.3	5.3	5.7	6.3	9.0	0.0pp
ROA (after tax)	0.7	0.7	0.8	0.9	1.1	0.0pp
Cost / Income ratio	16.9	16.6	14.9	11.9	6.4	0.3pp
NPL ratio	53.5	52.0	50.0	48.8	50.3	1.6pp

Source: Bulgarian National Bank

We expect to see more signs of improvement next year, although operating environment is likely to remain challenging looking forward. Demand for new loans will normalize slowly, as Bulgaria is likely to need more time to reduce uncertainty to levels which would prove more supportive for acceleration of domestic recovery, including individual consumption and corporate's investments in particular.

[1] Customer deposits include deposits attracted from households, corporates, government and municipalities.

Market Positioning

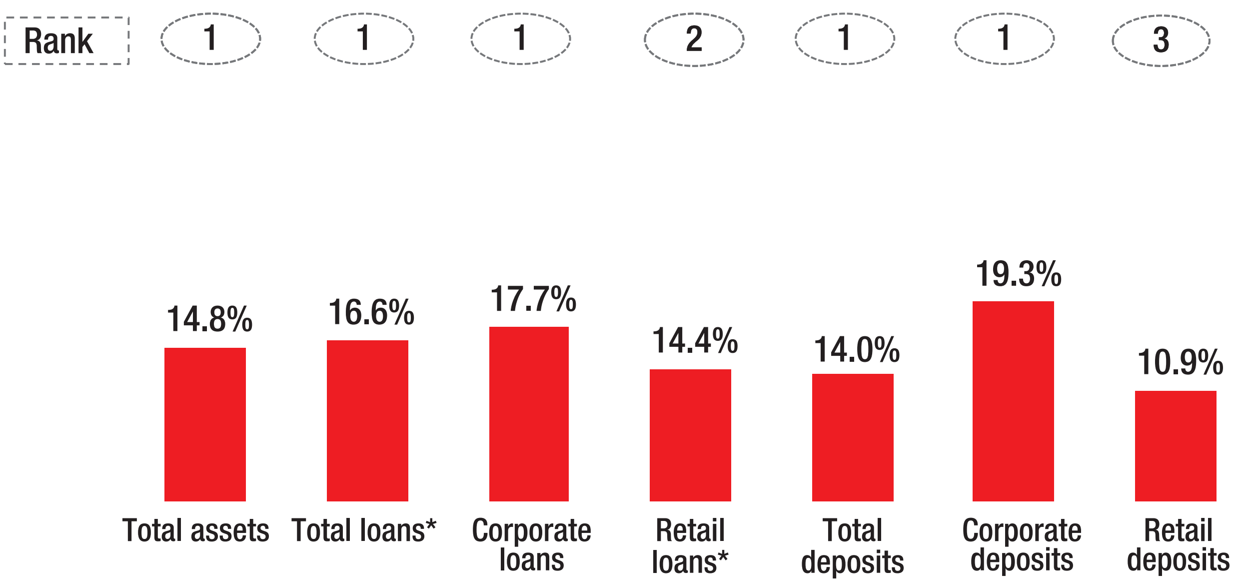
UniCredit Bulbank served a client portfolio of more than one million customers and possessed a branch network of 199 units at the end of 2013, comfortably leading the Bulgarian banking market during a period of ongoing restructuring and renewed consolidation. In terms of market standing, the Bank topped the rankings in total assets, gross customer loans and customer deposits. Given the above, UniCredit Bulbank is recognized by its parent company, UniCredit Bank Austria AG, as a major bank in CEE and enjoys its full financial and operational support on the business strategy.

In December 2013, the Bank's total assets market share stood at 14.8% vs.15.4% a year ago, as UniCredit Bulbank cut its market share in bank placements yoy, despite the growth in their volumes. This trend is influenced by the substantial rise in the total interbank placements on the market (39.8% yoy).

Given the low economic activity in 2013, UniCredit Bulbank approached the loan market selectively, supplying new financing only to the economically valid, risk-balanced projects. Due to its solid reputation, efficient service model and comprehensive product portfolio, the Bank's market share in gross customer loans increased to 16.6%, supported by both corporate loans and consumer loans, the latter of which were generated mainly through the Bank's subsidiary specialized in consumer financing. Corporate loans market share grew to 17.7%. In corporate area UniCredit Bulbank focused its commercial efforts on the development of tailor-made client offers, active portfolio management and organizational speed-up. Retail loans market share, when considering the UniCredit Consumer Financing's banking business contribution, also increased (up to 14.4% at year-end) and their growth drivers are in line with the market's trend of higher consumer loans and slightly lower mortgages.

UniCredit Bulbank preserved its leadership position on the deposit market in 2013, capitalizing on the stable savings inflow in the economy and further diversifying its deposit products through incorporation of investment and insurance features. The Bank's market share in customer deposits was 14.0% at year-end, leveraging on its low risk profile and wide range of loyal customers. UniCredit Bulbank led the market in corporate deposits market share (19.3%), while taking the third position in retail deposits market share (10.9%).

Market Shares



*Total Loans and Retail Loans, incl. UCFin consumer loans portfiolio, generated through UniCredit Bulbank and banking channel

Source: Regulatory financial statements of UniCredit Bulbank and BNB

UniCredit Bulbank Activity Review

Unconsolidated Financial Results

In 2013, UniCredit Bulbank consistently continued its business strategy focused on strengthening the core customer franchise that pre-determines the Bank's leading positions on the market. In spite of observed decrease in the market revenue, UniCredit Bulbank reports a steady growth in the sustainable income components (net interest income and fee and commission income). It offset the decrease in trading and investments' income and **total operating income** remained flat yoy at BGN 639.0m. **Operating expenses** (BGN 252.0m) decreased by 0.4% compared to their level one year before and contributed to slight increase in the **gross operating profit** by 0.2%, despite the observed decrease by 5.9% yoy for the market. Thus the operating performance proved resistant to the external shocks and was strong enough to absorb the market-driven elevation in credit losses. In order to increase the coverage of the non-performing corporate exposures, the **impairment losses on financial assets** grow by 40.9% to BGN 218.0m and drove the net profit down with 33.0% yoy to BGN 143.6 m.

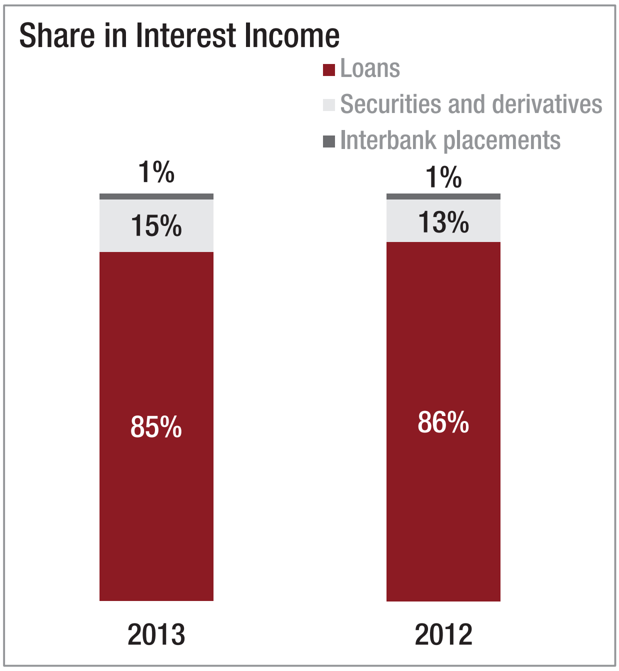
Thousands of BGN

OPERATING INCOME COMPONENTS	YEAR		CHANGE	
	2013	2012 (restarted)	%	AMOUNT
Net interest income	417 139	406 167	2.7	10 972
Net fee and commission income	165 099	154 221	7.1	10 878
Net trading income	41 181	60 400	-31.8	-19 219
Net result from investment securities and dividend	3 341	13 680	-75.6	-10 339
Other operating income, net	12 235	4 905	149.4	7 330
OPERATING INCOME	**638 995**	**639 373**	**-0.1**	**-378**
Operating expenses	-251 954	-252 947	-0.4	993
GROSS OPERATING PROFIT	**387 041**	**386 426**	**0.2**	**615**
Impairment losses on financial assets	-217 962	-154 682	40.9	-63 280
Provisions for risk and charges	-9 691	5 931	-263.4	-15 622
Income from property, plant and equipment	922	1 215	-24.1	-293
Income tax expense	-16 671	-24 593	-32.2	7 922
NET PROFIT	**143 639**	**214 297**	**-33.0**	**-70 658**

The strong operating performance of the Bank was confirmed by the improved cost/income ratio from 39.6% in 2012 to 39.4% at the end of 2013, reaffirming its stable market position despite the weak signs of recovery for the economy. Although the profitability KPIs decreased compared to the prior year, they remained much better than the average ones for the banking system. Return on average assets was 1.1% (1.8% in 2012) vs. 0.6% for the market. Return on average equity was 6.9% (10.7% in 2012) vs. 4.8% for the market. Net profit margin was down by 11.0pp to 22.5% vs market average at 14.2%.

UniCredit Bulbank successfully extracted positive market incentives stemming from the declining trend in the interest rates on customer deposits. The deposits re-pricing actions along with the increased loan volumes contributed to the sound growth of **net interest income** by 2.7% yoy to BGN 417.1m in comparison to the 3.5% decrease of market. Achieving a 65% share in total operating income in 2013, interest revenue is undoubtedly pointed as key revenue source for the period. Despite the completion-driven pressure on customer loans interest rates, the net interest margin remained at its level a year before - 3.3%. Lending interest remained the main pillar of the interest income although decreasing by 1.2% yoy to an 85% share from total interest income in 2013. Interest income from securities marked an increase in its share from 13% in 2012 to close to 15% in 2013 as a result of favorable investment opportunities. Interest income from interbank placements preserved its 1% share. In terms of interest expense – the higher share (65.0%) belongs to customer deposits, which were the main funding source for the bank.

Thanks to the launch of several innovative products like the flexible package product "Modula", contactless cards, investment products



Unconsolidated Financial Results (continued)

for individual customers as well as the stronger collaboration with the bank's product factories for consumer financing, factoring and leasing, the **net fee and commission income** remained the main growth driver of revenues and its share went up by 1.7pp to 26%.

Net fee and commission income amounted to BGN 165.1m increasing by 7.1% mainly in cards and payments services (up by 16.1% yoy), documentary business (up by 11.0% yoy) and package accounts (up by 14.6% yoy).

REVENUE STRUCTURE	YEAR	
	2013	2012
Net interest income	65%	64%
Net fee and commission income	26%	24%
Net result from trading and securities and other income	9%	12%

The rest of the operating income components: net trading income, net result from investment securities, dividend income and other operating income taken altogether decreased with BGN 22.2m, reaching BGN 56.8m. **Net trading income** marked an annual decrease by 31.8% to BGN 41.2m due to the one-off effect from booking the fair value adjustment on derivatives under the IFRS13 first adoption rules as well as because of the lower revenues from interest-rate swaps with customers caused by the decreased market potential. The **dividend income** registered a decrease to BGN 1.2 m (BGN 10.2m in 2012). **Other operating income** amounting to BGN 12.2m (up by 149.4% yoy) included BGN 10.1m recognized income from the Bank's receivables under an intergovernmental agreements.

Operating expenses decreased by 0.4% yoy further enhancing the structural efficiency in Bank's operations. Personnel costs reported an annual decrease of 1.6% reaching BGN 100.2m leveraging on performed staff optimization activities. On the other hand, the retention of key personnel with valuable expertise remained a fundamental focus of Bank's staff policy which translated in various employee initiatives executed throughout the year. **Non-personnel costs** went up by 3.7% to BGN 120.8m. Excluding the regulatory defined contribution to the Deposit Insurance Fund at the amount of BGN 34.5m (12.6% growth yoy), the non-personnel expense increased by 0.5% to BGN 86.3m. The main drivers of the remaining costs increase are the expenses for the strategic business projects like Multichannel Development, Branch of the Future implementation and business initiatives under the CEE 2020 program aiming at boosting the value creation potential of the bank.

Expenses for depreciation and impairment on non-current assets decreased by 10.5% to BGN 30.9m, mostly because of end of the useful life of some software and hardware assets.

In 2013 the challenging operating environment in Bulgaria imposed the increase in **impairment losses on financial assets**, which grew by 40.9%, reaching BGN 218.0m, compared to BGN 154.7m in 2012. As a result, the Bank's provision coverage ratio increased with 123bp yoy to 9.3% vs. 8.1% in 2012.

Income tax was at BGN 16.7m, down by 32.2% yoy, due to lower profit before taxation.

Operating Profit by Business Segment

In 2013 Gross Operating profit was at BGN 387.0m, making an increase by 0.2% yoy. The respective contribution by each business area reflected both its strategy and customer base.

Millions of BGN

	NET INTEREST INCOME	NET NONINTEREST INCOME	OPERATING INCOME	OPERATING COSTS	GROSS OPERATING PROFIT YEAR 2013	GROSS OPERATING PROFIT YEAR 2012 (restarted)	CHANGE %
Retail Banking	215.7	115.8	331.5	-180.9	150.6	134.3	12.1
Corporate and Investment Banking and Private Banking	241.2	103.8	345.0	-66.1	278.9	267.3	4.3
ALM and Other	-39.7	2.2	-37.5	-5.0	-42.4	-15.2	-179.9
Total Bank	**417.1**	**221.9**	**639.0**	**-252.0**	**387.0**	**386.4**	**0.2**

Retail Division's operating profit marked a significant annual increase of 12.1% backed by solid revenue generation (+4.2% yoy). Net fees and commission income reported a positive trend increasing by 7.1% yoy mainly in card business fees, products packages and account maintenance fees. Net interest income increased by 2.4% annually with significant contribution of the lending activities.

Corporate and Investment Banking and Private Banking Division reported a growth of 4.3% yoy in its operating profit figure, supported by 3.3% growth in revenues. The Division undertook various strategic activities as boost of cross-sales with product factories, documentary business speed-up and electronic banking development. Net interest income was up by 8.1% yoy supported by growth in volumes. Non-interest income was down by 6.5% yoy due to lower result from interest rate swaps with customers.

Asset and Liability Management and Other Division's operating profit remained negative at BGN 42.4m, due to lower banking book results related to the decreasing trend in interbank reference rates and the one-off CVA charge (IFRS required adjustment of the fair value of derivatives).

Unconsolidated Assets and Liabilities

UniCredit Bulbank preserved its leadership position on the market in terms of **total assets** which amounted to BGN 12 670m. It increased by BGN 77m yoy with the significant contribution of customer related business. **Net loans and advances to customers** added BGN 91m and ended up at BGN 8 638m. **Loans due from banks** went up by 7.5% yoy to BGN 1 842m and brought to the positive net interbank position. **Securities** followed the upward trend increasing by 6.0% to BGN 1 102m, which in the end translated into improved revenue generation capacity. On the other hand, **cash and balances with Central Bank** shrank down by 19.6% yoy to BGN 729m, because of the optimized short-term liquidity management.

Thousands of BGN

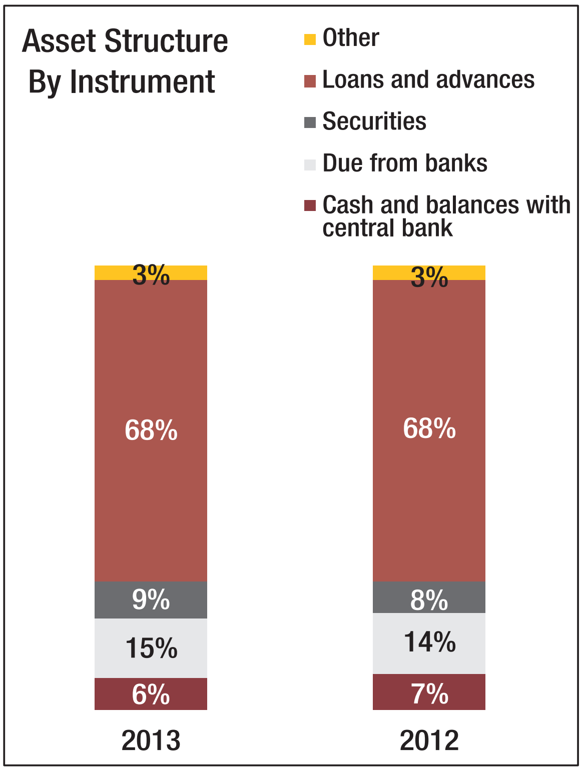
BALANCE SHEET STRUCTURE	YEAR		CHANGE	
	2013	2012 (restarted)	%	AMOUNT
ASSETS				
Cash and balances with Central Bank	728 729	906 397	-19.6	-177 668
Due from banks	1 841 958	1 713 901	7.5	128 057
Securities	1 102 077	1 040 089	6.0	61 988
Loans and advances to customers	8 637 803	8 546 838	1.1	90 965
Property and equipment	129 729	141 224	-8.1	-11 495
Other assets, net	229 876	245 186	-6.2	-15 310
TOTAL ASSETS	**12 670 172**	**12 593 635**	**0.6**	**76 537**
LIABILITIES AND EQUITY				
Customer deposits	8 705 491	8 227 899	5.8	477 592
Deposits from banks	1 464 959	1 835 550	-20.2	-370 591
Other liabilities	395 393	458 671	-13.8	-63 278
TOTAL LIABILITIES	**10 565 843**	**10 522 120**	**0.4**	**43 723**
SHAREHOLDERS' EQUITY	**2 104 329**	**2 071 515**	**1.6**	**32 814**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**12 670 172**	**12 593 635**	**0.6**	**76 537**

The highest share in the asset structure for the current period is marked from the net loans and advances to customers (68%), which is a clear indicator for the predominant position of the customer business in the Bank's portfolio and its commitment to supporting the customers' in developing their business. The small decrease in cash and balances with Central Bank is compensated by higher share of both loans and advances to banks and securities which was in line with the Bank's policy for optimization in liquidity management.

The securities portfolio comprised almost entirely of government bonds at BGN 1 022m (up by 10.8% yoy) constituting 92.7% of the total, whereas the corporate and municipal securities amounted to BGN 80m (7.3% of total) and went down by 2.1% yoy.

Capitalizing on the good market liquidity and its strong market position, UniCredit Bulbank's **customer deposits** amounted to BGN 8 705m which scores a firm 5.8% annual increase. Corporate deposits presented more than half of the total volume marking a 4.3% increase yoy (BGN 4 445m), reaffirming the Bank's predominant corporate profile. Deposits from households and individuals increased by 7.4% yoy to BGN 4 260m.

Deposits from banks further decreased by 20.2% yoy ending at BGN 1 465m reflecting the improved liquidity from customer business. The other components of the liabilities went down by 13.8% yoy to BGN 395m.



Unconsolidated Assets and Liabilities (continued)

Thus the balance sheet structure has been further strengthened and the share of customer deposits in total liabilities increased by 4.2pp to 82%. The successful restructuring resulted in improvement of Net loans-to-deposits ratio which marked a positive change of 4.7pp reaching 99.2% in 2013 from 103.9% in 2012.

Sufficiently meeting BNB's minimum capital adequacy requirement of 12%, UniCredit Bulbank distributed half of its 2012 net profit as a dividend payment to its shareholders. The other half has been capitalized resulting in an increase in Shareholders' equity by 1.6% to BGN 2 104m.

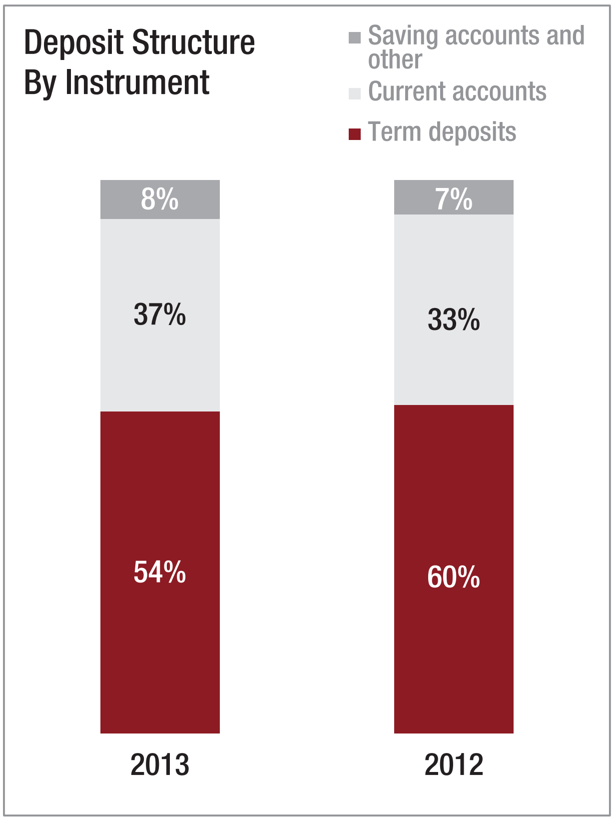
Total capital adequacy ratio was 20.0% (18.4% in 2012), while Tier 1 ratio reported 19.7% (17.6% in 2012). Both of the ratios outperformed the average measures for the banking industry, (16.9% for total capital adequacy and 16.0% - Tier 1 ratio), as well as BNB imposed minimum thresholds.

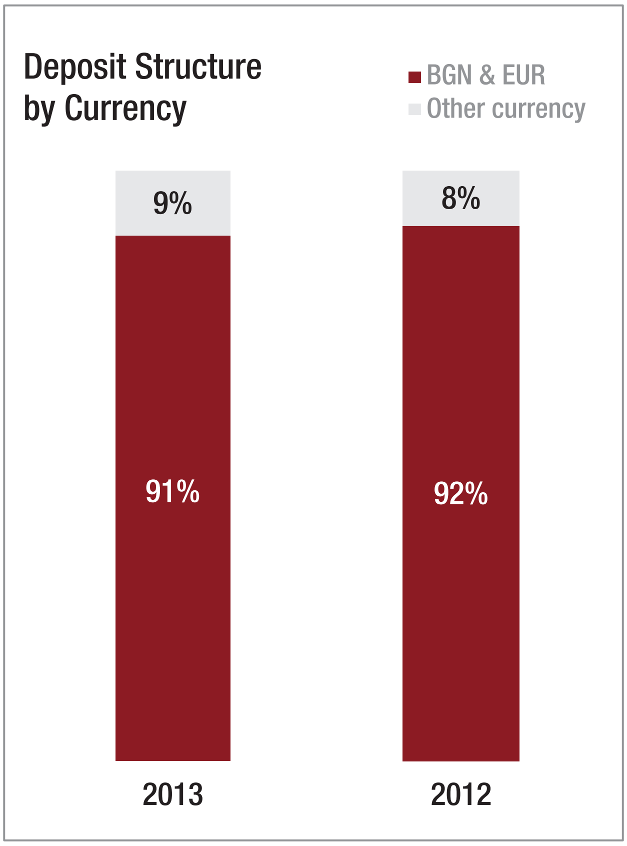
Unconsolidated Assets and Liabilities (continued)

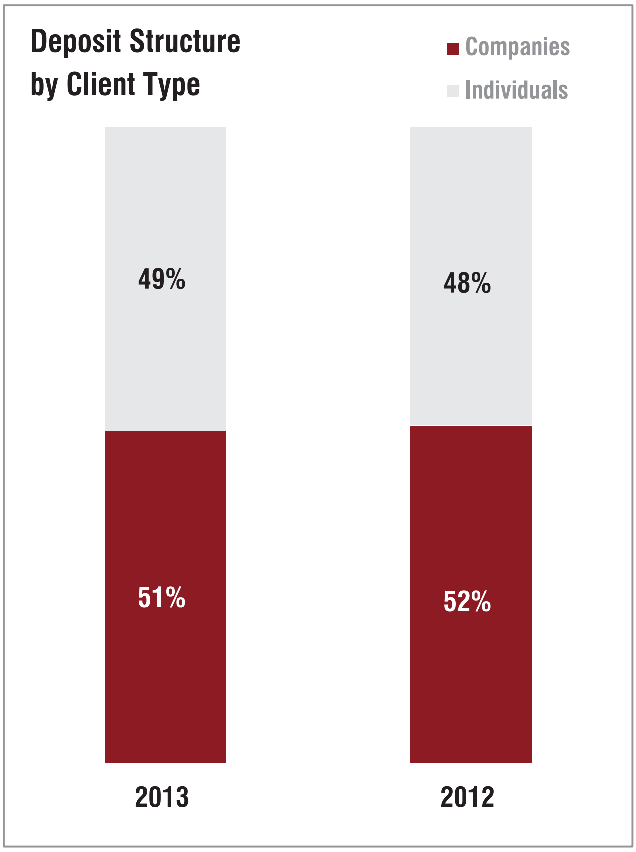
Customer Deposits

Leveraging on the Bank's strong market position and outstanding reputation, in 2013 UniCredit Bulbank's deposit base grew by 5.8% yoy to BGN 8 705m at relatively low cost. It preserved UniCredit Bulbank's top position on the market in customer deposits with 14.0% market share. At the same time the market scored an 8.7% annual increase. The deposit structure in terms of currency remained almost unchanged at year end and the share of EUR and BGN denominated deposits reported 91% of the total funds. With regard to the product structure, the share of current accounts reached 37% at the expense of term deposits.

Deposits of individuals marked a yoy growth of 7.4% to BGN 4 260m accounting for a 49% share from total deposits. Company deposits reduced insignificantly their share to 51% of total deposits ending 2013 at BGN 4 445m. Besides through offering tailor-made savings/investment solutions for its customers, UniCredit Bulbank further deepened its market penetration in both Retail and Corporate areas through flexible inter-segment initiatives, involving exchanging customer information and segment-specific know-how. The product portfolio has been enlarged with new attractive offers of saving products like Pension funds, 10-year Saving Plan, Modula, Business Leader Practice and Structured Term Deposits combined with investment schemes.





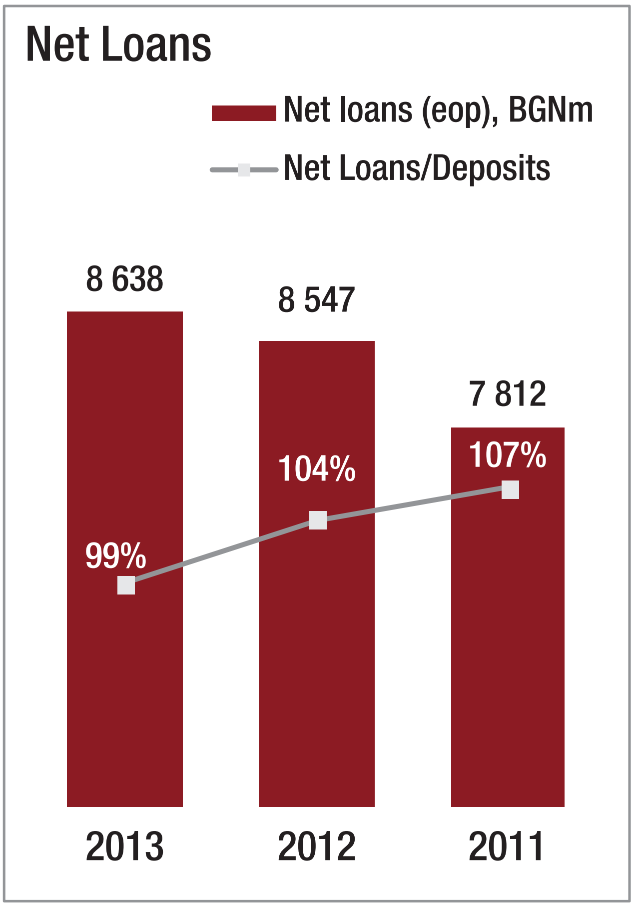


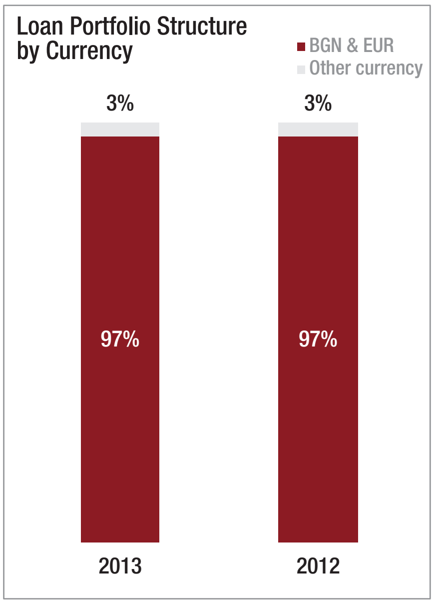
Unconsolidated Assets and Liabilities (continued)

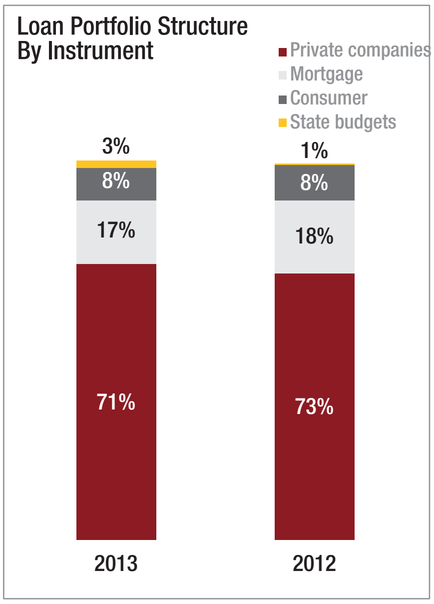
Customer Loans

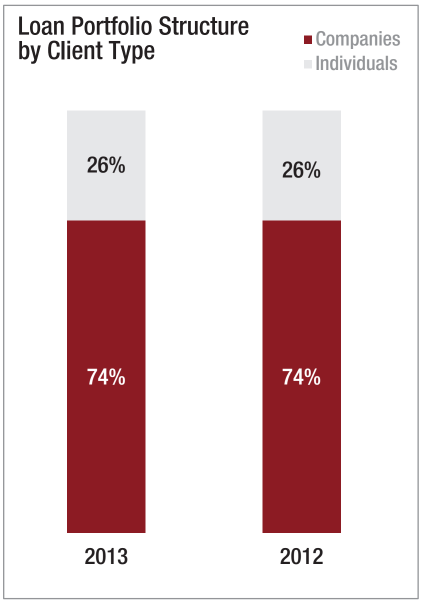
UniCredit Bulbank implemented successfully its commercial initiatives for customer acquisition and retention and managed to increase its customer loan portfolio, despite the challenging economic environment and weak domestic demand. Net customer loans grew by 1.1% from BGN 8 547m in 2012 to BGN 8 638m in 2013. Gross customer loans increased by 2.4% yoy to BGN 9 527m and outpaced again the market growth (1.1% yoy), supported by the excellent market positioning of the UniCredit Bulbank and backed by the achieved superior customer satisfaction level in all business segments. UniCredit Bulbank remained an active player in the Bulgarian lending market contributing about 35% (BGN 227m.) from the total net increase in the loans in the Bulgarian banking system (BGN 648m), thus being the significant factor in the positive market trend. As a result, the market share of UniCredit Bulbank in gross loans further increased to 16.3% (16.0% in 2012).

Loans to companies (including government loans) reported a 3.3% annual increase ending at BGN 7 092m. It represented a 74% share of the total loans volume. Constantly seeking asset quality improvement and risk optimization, the bank continued investing in economically effective and innovative business projects supporting the real economy growth. Loans to individuals remained at BGN 2 436m retaining their 26% share from total volume. Mortgage loans reflected the stagnation on the real estate market scoring insignificantly negative trend close to nil in 2013. Their share in total loans decreased to 17% yoy from 18% in 2012.









Unconsolidated Assets and Liabilities (continued)

Consumer loans were up by 0.3% to BGN 784 representing again 8% share from total bank loans. If adding the consumer loans produced via the specialized consumer financing subsidiary, their growth approaches 12.2%, higher than the market's average annual growth of 2.8%.

In line with the trend of the previous year the currency structure of the loan portfolio remained unchanged with a 97% share for loans in EUR and BGN.

In 2013 the industry distribution remained stable. The share of both manufacturing and commerce showed an annual decrease to 21% and 19% respectively, whereas services industry increased its share to 4% (3% in 2012) and the share of agriculture and forestry went up to 3% (2% in 2012). The largest areas of concentration were retail financing (26%), manufacturing (21%), commerce (19%) and construction and real estate (18%).

Thousands of BGN

INDUSTRY STRUCTURE	2013		2012	
	AMOUNT	SHARE	AMOUNT	SHARE
Manufacturing	1 974 560	21%	2 030 038	22%
Commerce	1 848 318	19%	1 941 503	21%
Construction and real estate	1 690 299	18%	1 662 072	18%
Services	342 580	4%	313 055	3%
Transport and communication	260 757	3%	252 408	3%
Agriculture and forestry	300 881	3%	225 671	2%
Financial services	196 716	2%	223 349	2%
Tourism	164 456	2%	153 892	2%
Sovereign	313 270	3%	64 925	1%
Retail				
Housing loans	1 652 031	17%	1 653 414	18%
Consumer loans	783 630	8%	781 115	8%
TOTAL LOAN PORTFOLIO	**9 527 498**	**100%**	**9 301 442**	**100%**

Consolidated Financial Results

The following table represents the list of our subsidiaries, their consolidation method and respective participation in equity as of 31 December 2013:

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

The trends in the consolidated financial results are defined mainly by those of UniCredit Bulbank AD (as already described in previous section of the report) as well as by the consolidation of UniCredit Consumer Financing effectively since 1 January 2013.

The **consolidated net profit** of UniCredit Group for 2013 was at BGN 175.9m decreasing by 19.2% yoy. The decrease is mainly driven by the additional provisions for impairment losses on financial assets in the bank stand-alone financial statements. On the other side, the net profit figure was positively impacted by significant increase of both net interest and fees and commissions income. In addition to the positive contribution of the growing revenues of the bank, the growth in **consolidated revenues** (9.1% yoy) was supported by robust growth in the income from consumer lending channeled through UniCredit Consumer Financing. The above market's average growth in both net interest income and fees and commission income pushed gross operating profit up by 11.1% yoy, despite the increase in operating costs.

Group's **consolidated operating expenses** increased by 6.2% yoy to BGN 270.6m which is mainly caused by the full consolidation of UniCredit Consumer Financing, in 2013. On comparable basis including UniCredit Consumer Financing expenses in 2012 figures, operating expenses remained flat with a nil growth yoy which expressed the strict cost containment measures implemented in 2013.

Consolidated Impairment losses on financial assets increased by 47.9% yoy to BGN 228m mainly due to provisions coverage of corporate loan portfolio which was imposed by the difficult market conditions.

Total **consolidated assets** reported a 6.9% annual increase and totaled at BGN 13 537m.

Risk Management

Credit Risk

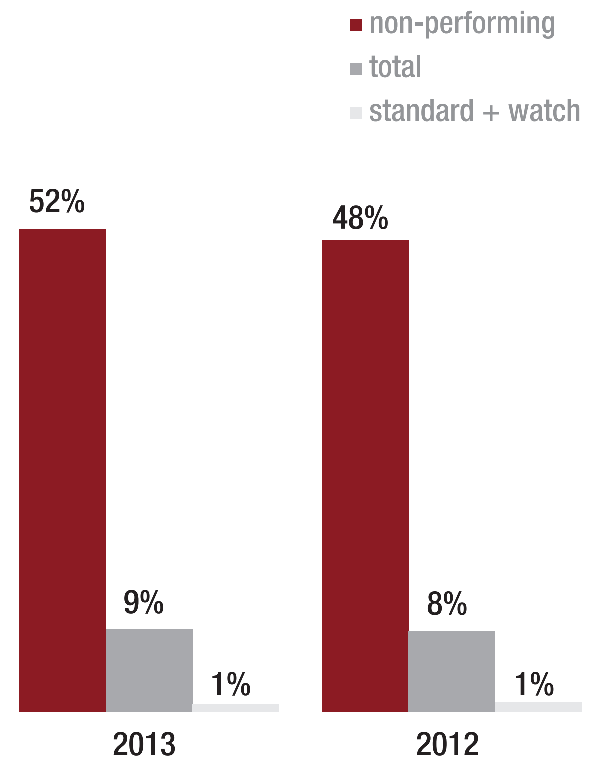
In 2013 the Bank performed its credit activities in compliance with the governing rules and policies and in respect of the defined risk appetite framework. The overall increase in gross loans marked 2.4% yoy, thereof performing loans increased by 0.7% yoy to BGN 7 906m and growth of non-performing loans was 11.8% yoy to BGN 1 621m. As of December 31, 2013 the Bank reported NPL ratio of 17.0% (up by 142bp yoy). The loan loss provision coverage of non-performing exposures increased significantly by 3.9pp to 51.7% at the end of 2013 compared to 47.8% at the end of 2012. As a result, the net impairment loss on financial assets for the year reached the amount of BGN 218m, which reflected on the growth of cost of risk ratio, based on average net loans, by 66bp yoy to 2.5% (1.9% in 2012).

The credit underwriting activity in 2013 was performed in accordance with the adopted local Credit Risk Policies for each of the customer segments, based on UniCredit Group Credit Risk and Industry Strategies as well as Economy's Sectors Outlooks. In the origination of new loans, the Bank conformed to the prescribed financing principles for probability of defaults (PD), transaction's structural features, covenants and conditions and provision of collateral. In its approval process for individuals and SMEs the Bank enlarged the use of implemented behavior scoring. The same approach was introduced for corporate customers in order to facilitate the post approval monitoring process.

Considering the on-going stagnation in the country, the monitoring activity was mainly directed towards extending the range of applied warning signals. In addition to that, the endeavors both in corporate and retail monitoring were focused on improvement of the quality of the collaterals' database.

In 2013 a new Monitoring Group Policy for Corporate and Individual Clients (based on the Golden Standards) was implemented in UniCredit Bulbank. The process for approval of Risk Mitigation Strategy for Watch-list corporate customers was described in detail and significant amendment was made in terms of collateral agreements examination. In accordance with the new group requirements and targeting to increase the informative and preventive role of the monitoring, the list of existing warning signals for detection of endangered customers was supplemented with some new risk-related events. The process of fine-tuning of the warning signals and re-calibration of the respective thresholds started in 2013 based on the accumulated history records.

Loan Provision Coverage



Risk Management (continued)

The internal procedure for the corporate customer's examination was put in practice in the beginning of 2013 to define more precise description of the annual review process by indicating the specific steps and deadlines. An escalation process was established in case the examination was not delivered according to the schedule, including the respective reports. The process was re-enforced through development of automated notification system via e-mail, which directly reflects into efficiency improvement and reduction of the overdue review ratio. In respect of retail monitoring, the new Retail Monitoring Rules were adopted in 2013, in compliance with the Golden Standards. The process defined new anomalies for triggering client classification (direct and indirect). Also new client risk segmentation was introduced – on the basis of the estimated expected loss (EL) and amount of the credit exposure on client level.

In 2013 continued the process of reviewing the statutory validity of collaterals and data cleaning in the core banking system. The outcome of the monitoring activities done in 2013 is considerable improvement of the data quality of collaterals through refinement of the reporting, strengthening of the monitoring function and expanding its range.

Since 2011 UniCredit Bulbank is authorized to use the Internal Rating Base (IRB) Approach under Basel 2 for the calculation of minimum credit risk capital requirements (respectively RWA) and the Advanced Measurement Approach (AMA) for the calculation of operational risk requirements. The Bank applies Foundation IRB Approach, related to exposures of banking institutions and corporate clients and Standardized Approach to exposures of retail clients, public sector entities, multilateral development banks and municipalities. Activities in 2014 will be focused on implementation of Advanced IRB Approach to corporate and retail clients' exposures, which is expected to take effect in 2015.

In the background of the Basel III revised capital framework, adopted in 2013 and its implementation and monitoring, the Bank is undertaking the necessary activity on a credit valuation adjustment for counterparty credit risk, reliable calculation and monitoring of Basel III liquidity ratios, etc. Bank has redesigned its local reporting tools in order to meet the new Capital Requirements Directive IV (Basel III) regulatory requirements, starting from January 1, 2014. During 2013 the Bank also participated in several test rounds, required by Bulgarian National Bank and focused to assess the readiness and impact of the new regulation on the banking system. The conclusion from the test results is that the Bank will face no difficulties in meeting all new regulatory requirements in 2014.

The central part of the internal assessment of capital adequacy is the quantitation of the Bank's economic capital, used to evaluate the Banks' risk taking capacity which is an important risk appetite metric. Throughout 2014 considerable effort will be directed to enhancing the stress testing framework by moving to more granular and detailed process.

Risk Management (continued)

Market and Counterparty Risk

In the area of market risk appetite and strategy, the risk management function supported regular reassessment of market and liquidity risk limits. Market risk policies and processes were regularly adapted to ensure group-compliant risk measurement and control of trading activities, counterparty risk assessment, asset and liability management and liquidity oversight. In view of Basel III rules, market risk management function launched risk-mitigation initiatives, covering market risks, counterparty credit risks, as well as liquidity risks.

Regarding risk measurement and limit control, the Market risk management function continued to supply management with daily risk measurements and limit compliance reporting. These consisted of VaR metric complemented by stress-oriented FX, interest rate and credit spread sensitivity measures, loss-warning level limits and operative liquidity triggers.

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

Activities of Market risk management function in 2014 will be focused on implementation of new front-system for Markets/Treasury and ALM and of new risk-architecture encompassing market, liquidity and counterparty credit risks measurement and monitoring. Major step ahead in counterparty risk management is the continuing upgrade of the systems for pricing and simulation of CVA risks in OTC business. Refinement of liquidity models as per Basel III rules will be another area for development, coupled with initiatives promoting liquidity-light products.

Operational risk

The main activities of the Operational Risk unit in 2013 were focused on the further development of the operational risk management, with emphasis on preventative and mitigation actions to reduce future losses. During the past year, a new function was introduced within the scope of the Operational Risk unit, the Reputational Risk. The function is in the final stage of its setup phase; the general set of principles and rules for monitoring the Reputational Risk exposure are being adopted in compliance with the UniCredit Group guidelines.

The Group internal assessments found the operational risk management and control system sound and well developed with focus on pro-activeness, proposal and implementation of mitigation actions with the active involvement all relevant units in the Bank. The risk culture had been constantly spread out within the Bank, supported by the fact that all employees have passed the operational risk training.

The main challenge in 2014 will be the maintenance and further improvement of the high level of operational risk management, focusing on operational risk awareness among all bank employees, including the personnel of the consolidated legal entities. A significant part of the efforts will be devoted towards the successful implementation of the new AMA model at UniCredit Bulbank AD and its approval by the Bulgarian National Bank.

Corporate, Investment and Private Banking

General Overview

In 2013 Corporate, Investment and Private Banking (CIB&PB) strengthened its market share leadership and renowned market reputation. The strategic success factors were cross sales, innovative products and constant business initiatives. The joint initiatives of Retail division and CIB&PB division further contributed to product excellence and service quality, thus raising the overall client satisfaction level.

Revenues of CIB&PB were 3.3% higher yoy, predominantly driven by net interest income (+8.1% yoy), that accounted for 70% of total revenues. Net fees and commissions result was 6.8% higher. Operating expenses were kept under control, decreasing by 1.0% yoy, while gross operating profit was 4.3% higher yoy. The segment that contributed the most to the total revenue and grew by 10.2% yoy was Mid Corporate with a share of 44%. The large Bulgarian companies and financial institutions segment performed also well marking a revenue growth of 5.5% yoy.

The average deposit base reached BGN 4.1bn in 2013 with a growth of 8.0% yoy. A strategic action involved the focus on current accounts and structured term deposit sales, which benefited to the improved deposits' spread yoy. With regard to the distribution per segments, the largest share of deposit volumes came from key clients, financial institutions and international companies.

The average loan base reached BGN 6.0bn in 2013 with a growth of 6.8% yoy. The front-runners in terms of loan volumes were Mid Corporate, Key Corporate (Large) and Real Estate Clients. Mid segment focused on client refinancing and in terms of product - on working capital loans, which generated most of its net interest income. Key, International and Real Estate segments had higher shares of investment loans. CIB&PB division managed to improve the corporate loans market share up to 18% at year-end mainly through high quality advices and fast answers to its clients in order to match their needs and support their growth.

Market-imposed worsening of the loan portfolio quality required an active portfolio management. A dedicated role was created - Active Portfolio Manager, who focused on prevention of exposure deterioration, strategy implementation and monitoring of the outcome. Furthermore, a special initiative for non-performing loans asset sales was developed by consolidating the cooperation between business and risk.

Putting the customer at the core of its operations, CIB&PB's focal points in 2013 were products and services, overall process and operational speed-up. This incorporated differentiated strategies by segments targeting getting closer to the customer at a faster pace. In addition, it concentrated on ensuring sustainable profitability, while minimizing deposit cost and boosting cross-sales of product factories and subsidiaries. Some initiatives that generated revenues, improved market positions and above all established closer and longer term relationships with the clients in 2013 included: cross-sale with UniCredit Factoring, documentary business speed-up, electronic cash management fine-tuning and tailor-made products with Retail Banking, CTS client activation through current customer penetration, etc.

Service Model

Adhering to its well-developed dual-natured service model, CIB&PB further leveraged on the cooperation between segment and product coverage units. This model enables the product specialists to offer tailor-made solutions and professional expertise while serving as sales points for specialized services. Processes related to the salesforce tasks were streamlined in order to reduce the administrative work and to free capacity for sales activities.

Additional synergies were extracted from the cooperation between CIB&PB and the subsidiary entities of UniCredit Bulbank. For instance UniCredit Factoring enlarged its product mix and minimized risk yet preserving its revenues. With its 100% acquisition of UniCredit Leasing, UniCredit Bulbank will further increase the cross-selling, while at the same time mitigating the risks related to the insurance of the collaterals by using the services of UniCredit Insurance Broker.

Over the year the existing CRM (Customer relationship management) system was upgraded and some external databases were integrated within the Bank's IT systems in order to improve the internal segmentation process and the ability to generate additional clients' target lists.

European Funds

With regard to EU structural programs CIB&PB expanded its range of financial engineering instruments, special guarantee schemes and credit facilities for financing SMEs (e.g. JEREMIE program financing up to BGN 200m). The competitiveness of the Bulgarian economy was supported through the UniCredit Group policy for green economy development. Measures were taken to improve the energy efficiency of enterprises under the Operational Program "Development of the Competitiveness of the Bulgarian Economy 2007-2013" by reducing production costs, boosting output and modernizing technologies. Preferential investment conditions to SMEs in the agricultural and food sector were also delivered through the National Guarantee Fund under the Rural Development Program co-sponsored with the State Fund Agriculture. A guarantee scheme for project financing under the Operational Program for development of the Fisheries Sector was implemented in partnership with the National Guarantee Fund. At the start of the next program period CIB&PB is prepared to provide new financial engineering instruments not only to SMEs, but also to larger enterprises.

Corporate, Investment and Private Banking (continued)

Markets and Brokerage

In 2013 the Bulgarian financial system remained stable and liquid. In this environment UniCredit Bulbank continued to keep its leading market role in the field of government securities trading, money market and foreign exchange trading. At the end of the year the bank was recognized by the Ministry of Finance as a dealer that acquired the most of both government bonds and securities for proprietary account on the primary market. In 2013 UniCredit Bulbank preserved its balanced risk-reward approach to trading activities, building on its strong liquidity position. In December UniCredit Bulbank participated as a co-lead manager at successful private placement of the assignable "Schuldschein" government loan of the Republic of Bulgaria.

For another consecutive year UniCredit Bulbank retained its leading position in offering high level of brokerage services for equity, fixed income and exchange-traded derivatives, in servicing customers in the field of foreign currency exchange and different asset classes hedging products (incl. commodity hedge). In 2014 the positive FX revenue trend is expected to continue.

Financing

The Bank has developed a particular expertise in providing structured finance solutions to real estate development companies and projects. Quality assistance and innovative financing solutions have been provided to the clients to optimize the capital structure of their projects (both existing and the new) to ensure sufficient liquidity and establish a sound financial profile, consistent with the corporate aims and values while ensuring best possible terms and conditions. Project Finance strengthened its market position by demonstrating its expertise in structuring complex, tailor-made deals. Intensive monitoring and restructuring on the existing clients, due to implemented regressive regulatory changes, was crucial for stabilizing revenue and sustainability of the projects. The team focused on diversifying its portfolio by gaining knowledge and know-how in selected industries with prospects for growth.

Corporate Finance and Advisory

Overall, the strategy for 2013 was built on the existing pipeline, tapping further into the CIB client base. A healthy pipeline with less client concentration included two M&A mandates closed and cashed in 2013, while four active M&A mandates are expected to be closed in 2014. Nevertheless, general market conditions were not favorable, especially for capital markets projects, so some initiatives were put hold.

The creation of corporate finance solutions team aims to support business in evaluating and structuring various loan cases and increasing cross-selling. Value was added through 40 cases being reviewed of which about one quarter was actually approved for financing and refinancing.

Global Transaction Banking

The wide range of GTB products had a significant role in creating sustainable and risk-free revenue flow. As a leading player in Bulgaria, UniCredit Bulbank was chosen by reputable international companies as a preferred business partner for their operations on the market.

The bank leveraged on its expertise in the area of Trade Finance which made it possible to reconfirm and widen the leading position with a market share of 47% in the export letters of credit and 33% in the import letters of credit at year-end. Cash collection and reconciliation, and payments remained the focus in 2013, while new functionalities related to card acquiring were introduced. The bank continued developing its global security services and information system so as to increase the quality of the custodial services provided.

As recognition of its GTB excellence, UniCredit Bulbank received several awards in 2013 such as "Top Rated Custodian Bank" by Global Custodian magazine, "Best Bank for Payments and Collections in CEE 2013" by Global Finance magazine, "Best Cash Management Bank for CEE" by Euromoney magazine, "Best Trade Finance Provider in Bulgaria" by Global Finance magazine.

Private Banking

Private segment performance in 2013 was pre-determined by the unfavorable business environment. As such the main goal remained to increase the level of client satisfaction and keep client financial assets held with UniCredit Bulbank. Private banking achieved a stable result in customer satisfaction (i.e. 98 points according to TRI*M Index).

Private banking decreased the deposit volume in 2013 by 4.2%. The effect of high cost conditions on the local deposit market was partially compensated by commercial efforts in offering structured term deposits (STDs), as well as the acquisition of new clients and new business volumes. In terms of deposit volume currency distribution there was a significant change from the previous year-increase in the portion of deposit volume in EUR and USD and decrease in the portion of deposit volume in BGN.

In line with the expectations for stagnation in the economy the clients' attitude towards loans during the year was conservative and it resulted in a decrease of loan volume by 4.6% compared to the previous year. The loan portfolio was composed mostly of mortgage loans (82%).

Following the strategy to shift client assets from deposits to fee generating products, the main focus fell on the structured products. The idea was to further differentiate the product offer on the domestic market and thus to gain competitive advantage over the main competitors. In effect more than EUR 10m of customer assets were attracted as structured term deposits. In addition Private banking introduced an exclusive card product (Master Card World Elite Debit Card).

Corporate, Investment and Private Banking (continued)

Private banking strives to maintain a stable and positive relationship with the clients. The main goal is to become a reliable business partner by providing high quality services and by gaining the clients' trust. In 2013 the main change in the service model was the increased intensity of client interactions and improved product offer.

Outlook for 2014

CIB&PB starts 2014 as a renowned market leader with 19% share in volumes and stable revenue inflow. One of the major initiatives of CIB&BP in the coming year is targeting low probability of default clients through refinancing and debt optimization. Further re-engineering of some of the processes and the organizational structure is ongoing. The aim is to constantly improve the business model and to outstrip the market environment changes by acting as entrepreneurs and by capturing the existing and creating new business opportunities.

Product penetration through close cooperation with product factories is also undergoing, including Leasing, Factoring, Insurance Broker, GTB, CTS, etc. The consolidation process of the leasing subsidiary is expected to bring additional revenues. EU funds know-how is expected to result in accelerated allocation. One of the key initiatives aims to foster the coverage toward the international clients. The Multinational and International clients Department is going to be renamed into "International Center". The change implies a dedicated service model to fully exploit the potential of the international customers while leveraging on Group networking and local competences.

Retail Banking

General Overview

In 2013 the retail banking continued to perform better than the market, increasing revenue generation and reaching more than 55% share of the bank performance. Revenue growth of 7.9% yoy (incl. UniCredit Consumer Financing) was supported by the main strategic pillars - consumer financing product specialization, strong performance in small business lending and innovation in service and multichannel offer.

The customer relationship remains in the center of the service model to support sustainable growth. Active customers grew with 6.5 % yoy and the average product holdings per customer grew with more than 3%. The customers' recognition was also evident in the customer satisfaction surveys, according to which the Bank currently occupies first position in Retail banking.

The deposit volumes of retail individuals and small business clients reached BGN 4.5bn, growing by 8.5% yoy, of which deposits of individuals increased with 9.9%. The main growth contributor of attracted funds was the term deposits of individuals, leveraging on the strong relationship with the customers and without investing into aggressive pricing policy.

The amount of gross retail loans reached BGN 3.6bn, growing with 4.9% yoy (incl. UniCredit Consumer Financing loan portfolio). Newly extended loan volume was BGN 950m. The main part of lending was to consumer lending (40%) and small business (38%). In 2013 the specialized company for consumer financing was fully consolidated with the Bank, giving strong competitive advantage, possibilities for new customer acquisition, simplified and fast process as well as effective risk management. In small business lending the Bank's focus was placed on differentiated product offer to different sectors (e.g. agricultural); personalized partnership approach; very quick and simplified process for micro lending to diversify risk and increase penetration; participation in local and European programs for small and micro business financing.

Despite the unstable economic environment in the country the Bank continue to increase its market share in lending. The market share in mortgages increased with +33bp in 2013 and in consumer lending with +116bp.

In 2013 UniCredit Bulbank has retained strong positions with respect to territorial structure of point of sales and clients base. Retail Division serviced around 1m clients in 190 branches and additional 58 points of presence in retailers, trade centers and bank partners.

UniCredit Bulbank was nominated to be the pilot Bank of UniCredit Group CEE project "Branch of the Future" and dedicated all resources to make the future become reality in 2013 by opening the first pilot branch in the Group. It was build following the "customer journey" experience and introduces a number of further improvements in customer service and processes.

The optimisation of the share of commercial vs. operative staff, enlarged service time, prolonged working hours and processes improvement provided for growth in efficiency.

New Products and Innovations

In 2013 Retail Division increased the efforts to base the Bank's products offering on the customers' personal needs and behavior, thus meeting their demands for a customized approach. In the offer for private individual the focus was put on innovation and simplification of the products and daily operations, as well as on new developments.

The first do-it-yourself program "Modula" was launched in 2013. This is a new flexible product for self-configuring a set of products and services according to clients' specific needs that also aided the Bank to build stronger and long-term relations with the clients and to increase customer satisfaction.

In line with the macroeconomic indicators and the market demands, the Retail Division continuously enhanced the investment and insurance products, giving the opportunity to clients to diversify their own savings in different instruments such as bank deposits, assets under management, pension funds, life insurances.

The range of investment products was enriched with new saving products - "Pension funds" (an alternative for the clients to improve their standard of living by saving the additional income for their retirement) and "10-year Saving Plan" (a possibility for long-term savings, accessible for all clients segments).

In 2013 a new simplified process for investment loans of SME (Micro and Small Entities) was set up. The Bank confirmed its commitment to provide investment loan in a certain amount and under certain conditions issuing a credit certificate. The introduction of this product aimed to achieve greater flexibility and efficiency in the selection of the asset, object of the investment.

The new program "Business Leader Practice", dedicated to the freelancers, offered a set of banking products and services at preferential price.

The activities, focused on SME products and process simplification were started in 2013 and already gave significant results, such as three times decrease of the paper documentation, required for registration of the clients and time reduction for an account, card or on-line opening.

Customer Segment Activity

In 2013 the development of personalized offers to different high value clusters of customers (students, professors and medicals) continued. The "Academic league" offer was elaborated specially for professors and students and was directly presented at the major universities in the country.

In the small business segment the usage of core products such as package programs, debit cards, credit cards and online banking increased. In 2013 the "Factoring for SME clients" was introduced as pilot initiative in one branch and in 2014 this product will be available for all business customers.

Another innovative approach towards the business clients was the opportunity for advertisement of their goods and services in specially

Retail Banking (continued)

designed places in nine branches of the network. This was a unique initiative for the Bulgarian banking system that confirmed the UniCredit Bulbank's desire to be a real partner to its clients.

The new business model implemented in the beginning of 2013 proved to be successful - customer satisfaction in the segment grew making UniCredit Bulbank the leader in the Bulgarian market.

Customer Relationship Management

By the third quarter of 2013 the full implementation of the operational CRM for SME customers took place. The Retail Division managed to improve the campaign management process, focusing on better structuring and alignment of the marketing activities between the segments, channels and products. The analytical capabilities have been strengthened with in-debt usage of the statistical instruments and detailed analysis of the campaign results. Provided the constructive feedback from the users, additional features and functionalities in the operation CRM for individuals have been implemented.

Cards

In 2013 card business performance was indicative for the Bank's leadership position on the market and for the successfully executed strategy, which brought the high value-added solutions to customers. It was reaffirmed by the International Card Organizations – i.e. according to the Visa report, by the end of 2013 UniCredit Bulbank's prime position in terms of overall number of issued cards, number of transactions and turnover remained undisputed.

In terms of POS network the Bank has developed further the card payments infrastructure with 30% increase of installed POS terminals, exceeding 14,000 POS devices. The continuous growth of the Bank's POS network was also underpinned by expansion of the merchants' locations, which were offering attractive discounts for the female customers of the Bank (Donna program). Compared to 2012 68% growth in the merchant's location network was reached.

The cardholder activity stimulation was reinforced by publication of a calendar with initiatives, joint campaigns with Visa and MasterCard and continuous focus on the V PAY Lukoil and Donna products, which allowed UniCredit Bulbank to be ranked higher than the other banks on the local market in terms of issued V PAY debit cards. By being inherently flexible in the card payments business, the Bank has further initiated higher level of security improvements.

UniCredit Bulbank confirmed its leadership on the market by introducing contactless cards (debit and credit) at the same time for both brands Visa and MasterCard, as well as contactless POS terminals. In this regard the Bank commenced the issuance of the new card product - Debit MasterCard Contactless, which had to replace the existing Maestro and MasterCard Standard Debit products.

Channels

At the end of 2013 nearly 69% of the transactions and 8% of the sales in the retail business were carried through alternative distribution channels, due to the increased focus on innovation and new channels development. The number of internet and mobile banking users continued to grow with total 46 % yoy.

During 2013 the number of second generation ATMs with deposit function reached 30 and several others fully fledged self-service zones were opened to allow the customers to use self-service in the most overloaded locations of the Bank. The 12% annual growth of the total number of withdrawals was determined by the continuous investment and development of the Bank's ATM network. In addition, UniCredit Bulbank was the first bank in Southern and Eastern Europe nominated to implement the "Cash M" service for sending money through ATMs, which was the first step in enriching the product range offered by the most frequently used channel.

To answer to the changing customers' behavior special attention was paid to internet as a powerful channel. In 2013 a modern web based service "Your Financial Advisor" was launched, which helped the customers and non-customers of the Bank easily to find and to apply online for the appropriate financial solution.

Outlook for 2014

IIn 2014 the main priorities of Retail Division will remain the sustainable business growth and high level of customer satisfaction, based on improved service model, efficiency through innovation in product offers as well as simplification of processes.

Retail Banking is planning to adapt the service model and network coverage to the changing customer needs and behavior. Following the successful initiatives in 2013, Retail Division will continue to leverage on the branch of the future pilot project, the CRM approach and specialized business model in order to acquire more customers and business. These efforts will be supported by strong attention to process and products simplification as well as transparent partnership with the customers.

Asset and Liability Management

Customer deposits remained the main funding source for the Bank, growing twice more than loans in 2013 and contributing to a further decrease of the loan/deposit ratio compared to 2012, continuing the trend from the previous years. UniCredit Bulbank will maintain its focus on retail and corporate deposits also in 2014, taking advantage of its excellent reputation, international franchising, variety of products and service quality.

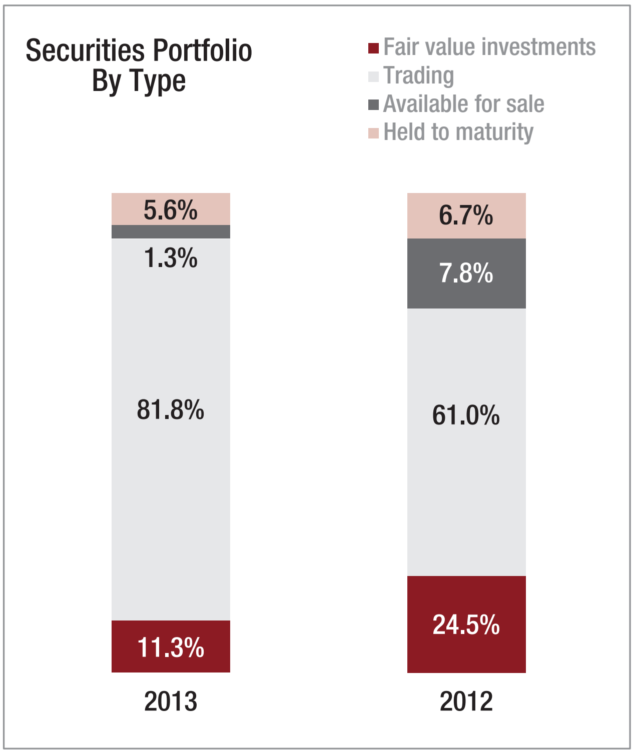
In 2013, UniCredit Bulbank continued to maintain diversified mid-term and long-term wholesale funding sources.

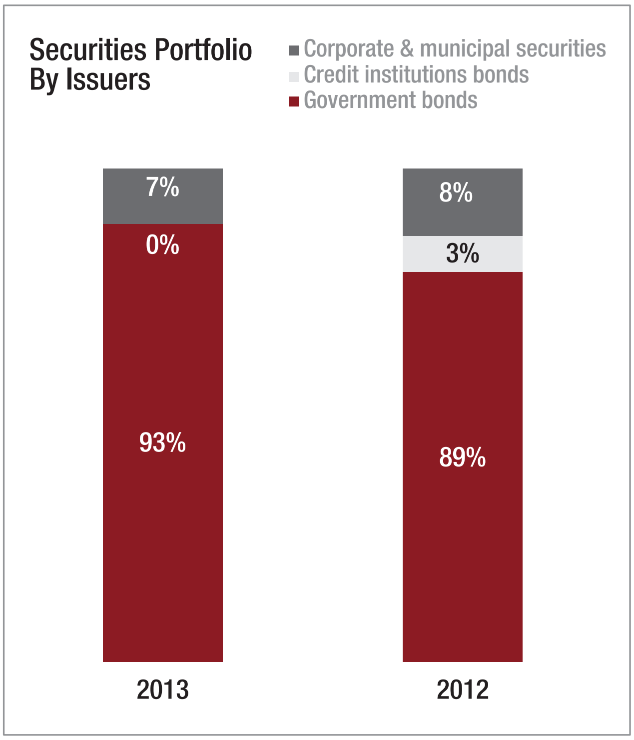
On the part of the purpose-tied financing, funds under the existing EBRD Energy Efficiency & Green Economy Program (incl. EU grants) were further allocated to final beneficiaries, supporting SMEs in improvement of their efficiency and productivity through application of environmentally friendly technologies. Additional funding lines – from EIB and EIF – targeting SMEs were negotiated, utilized and allocated, ensuring beneficial pricing conditions to the bank's customers. Active utilization of supranational funding was also planned for 2014, with a new CEB SME facility already executed and another EIB Global Loan in pipeline.

The general-purpose interbank funding was maintained optimal in terms of pricing, tenor and seniority, with the intra-group funding keeping the dominant share. The aim – successfully achieved – was to decrease overall cost of funding for the bank, while at the same time ensuring compliance with various liquidity limits and liquidity stress tests (already including Austrian Supervisory Guidance and preliminary calculations of Basel 3 ratios) and capital adequacy requirements. The surplus liquidity of the Bank was maintained at very comfortable levels, abundant liquidity buffers being kept against the backdrop of the still tense European financial environment. Adequate amount of intra-group funding was planned for 2014, too, so that gradually increasing opportunities for a sound lending growth can be taken advantage of, without deviating from the prudent liquidity management policy pursued so far.

Given the excellent liquidity position of the Bank, no bonds were issued in 2013 or planned for 2014.

In 2013, UniCredit Bulbank continued to pursue an active but conservative investment policy compliant with strict internal limits and rules. The investment portfolio was structured with the goal to invest surplus liquidity, earning sufficient return on an acceptable risk basis. The securities portfolio also served as liquidity buffer, partially used as collateral for funds attracted from state budget entities and banking institutions. The Bank kept its assets structure, almost entirely replacing its holdings of matured BG Eurobond by long-term domestic government bonds, in line with the preliminary approved investment policy. As the newly acquired bonds were only issued by the Bulgarian government, their respective share (incl. domestic and global bonds) in the investment portfolio was stabilized and even increased, reaching 93% as of the end of 2013. The average rating of the investment portfolio was "BBB" (as per S&P) and the average modified duration – 3.49 years.





Human Resources

In 2013 the focus of the HR activity continued to be on efficiency, high quality of processes and services and preservation of the level of engagement and satisfaction of employees, in order to support the achievement of the Bank's strategic goals. HR Department of the Bank continued managing the HR activities of the subsidiaries of UniCredit Group in Bulgaria to ensure synergies as well as the better HR services to all employees.

The number of employees decreased to 3 553 (3 752 in 2012) as a result of the optimization across all the Bank's structures. The HR costs remained under control, keeping the conservative approach, but also being at level that ensures competitive remuneration in comparison with the market. The individual productivity increased by 5.4% yoy. The staff voluntary turnover remained at low levels – 4.32%.

The Bank continued to be considered a good place to work, supported by the good image as stable and reliable Employer, the vast participation in different career events and by the strong brand of UniCredit. This resulted in big number of job application, which supported the ability of the HR Department to provide high-quality candidates for open positions. In 2013, 295 new employees were hired. The Bank extended its presence in the professional and social media in order to be easily approached and to be able to address specific segments of the labour market. New selection methods, like video recruitment platform, were adopted.

The Internship program became very popular among the students, additionally promoted by the participation of the Bank in many different events like career days and job fairs, students clubs and competitions, meetings, presentations, cooperation with universities' career centers and students' organizations. Remarkable is the number of interns, who participated in the 2013 program (almost 500 people), of which almost 100 people have been hired for permanent jobs.

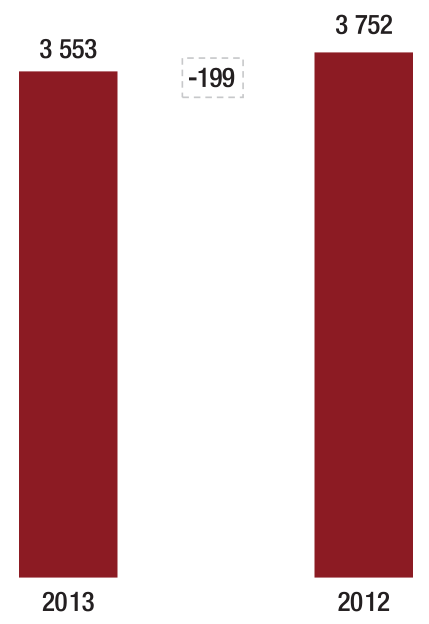
In 2013 the HR department kept on investing in continuous learning initiatives, which not only enhanced our employees' know-how but also directly fostered their motivation. As in the last years the UniCredit Bulbank continued focusing on the pool of people who were expected to be a development engine of the organization into the future – the participants in the Executive Development Plan (EDP) and the Talent Management Review (TMR).

With the support of alternative financial resources (i.e. EU funding) the HR department sought impactful events and trainings closely aligned with the business objectives. One of the main drivers of the development activities was the enhancement of the intra-divisional experience of people, through dedicated local initiatives (e.g. Generation-L 2.0).

Through leveraging on the Bank's and Group's resources the professional and managerial skills of the employees were further upgraded. The EDP and the TMR programs' participants were invited to tailor-made initiatives like the UniManagement learning offer, specific local development programs and training sessions, part of the Group Gender Balance project.

In order to enhance the learning culture in the organization, the HR department provided all employees with at least one training activity (i.e. e-learning, classroom or on-the-job training). The number of total training hours remained almost unchanged (above 138 000), comprising events fostering the customer experience and collaboration within and between the different structures in the bank, several compliance and access rights electronic courses, both Retail and CIB learning programs, and key communication competencies development.

Number of Bank Staff (FTEs)



Global Banking Services

2013 was another demanding year in a row for GBS area, in view of growing regulatory and control activities demand, while keeping the high implementation speed of business initiatives with the same level of resources. All the efforts were focused on maintaining operational discipline and concentrated on optimization of expenses, enhancing all back-end services and applications to enable seamless and timely execution of all business initiatives.

In IT a few vital infrastructure projects were executed with precise planning and synchronization in order to ensure normal business operations. All activities were under the Disaster Recovery Program of the bank, and all of them happened without single unplanned business service interruption - Backup Datacenter Relocation project, Storage upgrade and virtualization project, Firewall improvement project, Private Cloud project, Upgrade of monitoring and configuration software. During the year all business critical services are kept on a very high level – 99.9% availability.

In 2013 the main focus of Organization Department activities was on overall analysis and improvement of project portfolio methodology and follow-up execution, business processes efficiency and Lean SIX Sigma approaches for simplification and optimization of critical processes. More than 50 initiatives were undertaken, comprising a very complex and dynamic project portfolio with various types of local and group initiatives – business, subsidiaries consolidation, regulatory and pure operational. Utility Payments and Consolidation projects with subsidiaries involved series of complex activities including technical merger as well. In areas of Cards business and Multichannel management major projects undertaken were Contactless cards implementation, Loyalty program feasibility study, Deposit services on ATMs and new Mobile banking. In addition the CEE 2020 strategic program has started successfully with four local pilot projects. It will be the main focus in 2014 with ultimate goal to guarantee the further improvement of the internal and external processes and customer satisfaction.

Activities under the Organizational models and process efficiency are currently focused on implementation of Lean SIX Sigma methods through improved decision making process based on detailed analysis and listening to the voice of the customer. Seven initiatives were successfully finalized and another 14 have started, targeting real process improvement, cost reduction and risk mitigation.

In Operations Department the excellence of transactions execution was achieved in parallel to the constant optimization of headcount and operational risk (13% more payments, 8% more new loan deals, 15% POS terminals installations). In Loan administration and Payments paperless processes were fully implemented. Strategic set of project and initiatives supported by department expertise and engagement are EuroMib project, Securities system implementation, Utility payments and UniCredit Consumer Financing consolidation, implementation of all regulative changes related to SWIFT standards updates, SEPA rulebooks, MORO and FATCA, Sanction filtering and AML.

The Procurement Department continued with the implementation of the identified cost savings initiatives also in year 2013 by renegotiating the telephony and telecommunication services, optimizing the pricing related to ATM & POS servicing and achieving much better pricing and contractual conditions as outcome from the held tenders. The Procurement Department worked closely with the internal units of the Bank in order to improve the internal processes of the finalized tenders, where the main goal was to simplify the underlying procedures.

During 2013 in Real Estate and Logistics area the Group pilot Branch of the future project has been realized in one of the Sofia branches and the design solutions were applied in the reconstruction of few other branches. Realization of Data Center Moving Project aimed to assure the Bank significant reduction of operational and reputational risk from eventual problems as well as protection from IT equipment corruption. A centralized integrated system for registration of incoming and outgoing correspondence has been implemented, which ensured the operational monitoring of the documentation, comprehensive reporting and analysis for archiving.

A program for passportization and evaluation of the energy efficiency of the Bank's buildings was prepared, in order to bring their documentation in accordance with the regulations and to implement the measures for reducing the energy cost.

Heading to 2014 GBS team goals would be to further develop underlying ICT landscape and applications portfolio in order to support main business initiatives appropriately. Efforts for improving the processes and project portfolio, while wisely managing the demand, will be focus area in 2014. Special emphasis shall be placed upon end-to-end key processes review and optimization, following Lean Six Sigma practices aiming at optimized end-customer experience.

Customer Satisfaction Management

In line with the focus on customer satisfaction on Group level, Stakeholder & Service Intelligence department manages set of listening activities focused on measurement of the perception of UniCredit Bulbank, its products, services and image among external and internal customers, community members and employees.

External Customers and Prospects

One of the key initiatives raising the most attention among the business structures is the Customer satisfaction survey (CSS). It provides the business with valuable analysis and most actionable outcome material.

In Retail segment, UniCredit Bulbank preserves its leading market position (80 TRI*M points) with remarkable gap to market of +12 TRI*M points. For the first time UniCredit Bulbank is Best-In-Class among peers. The positive gap to market remained stable in Mass and Affluent segments and increased in Small Business segment (+3 points yoy to a total of 11 points), showing huge advantage over the market in several areas - Customer Care, Image, Information.

In order to sustain the focus on the most valuable Retail clients - Affluent and Small Business segment, for a third consecutive year special program (BEST) which measured the satisfaction on portfolio level for each RM was executed.

With positive annual trend of +2 TRI*M points yoy in Corporate banking UniCredit Bulbank reinforces its position as clear market leader with strong competitive advantage (+8 TRI*M points vs. market). The participants in the surveys – both own and competitor's customers not only confirmed for a second consecutive year the main drivers behind the outstanding yoy performance such as advisory expertise and know-how and corporate lending capabilities but also distinguished the reaction to customer requests as another strong competitive area.

In Private banking, the TRI*M score shows stable trend at 98 TRI*M points (9 points higher than average CEE PB TRI*M level).

Internal Clients

To measure the satisfaction between the different structures in the Bank along the value chain, the Internal Customer Satisfaction Survey was conducted for a fifth consecutive year. The overall Bank's level of satisfaction increased by 1 point compared to 2012, indicating the further improvement in the quality of interaction among Bank's structures.

Complaints Management

Consistent complaint management policies with focus on reoccurrence and system malfunctions, as well as post-complaint studies remained the key advantages of UniCredit Bulbank in 2013. Customer Complaint Management team cooperates with all internal units in order to not only solve the problems in timely manner, but also to provide suggestions and support in order to prevent potential new occurrences. Regarding communication with regulatory bodies, the team strictly complies with the required response deadlines.

Internal Service Quality

The Mystery Shopping Survey, focused on monitoring the application of the service standards set by the UC Group, was performed for a seventh consecutive year. In 2013 the overall bank result, measured through more than 1 600 mystery shopping visits countrywide, reached 90% (85% in 2012). At the same time branch managers, commercial managers and operational activity managers are able to constantly monitor online the performance of their branch in terms of Mystery Shopping.

Reputation Management

Following Group guidelines for a fourth consecutive year, the Bank conducts a image and reputation survey among different stakeholder groups – customers, non-customers, opinion leaders. The results, measured among 2 300 respondents prove that the Bank's reputation is strong, stable vs 2012 and improving the positive gap vs competitors. It is particularly strong as a general perception of the Bank, but less positive in terms of trust in line with trend for the whole banking system. UniCredit Bulbank reputation among customers is high in all segments, thanks also to a decrease in competitors' reputation. At the same time reputation among non-customers is decreasing for the whole market, but UniCredit Bulbank maintains its positive competitive gap.

Instant Feedback

Several instant feedback surveys were implemented in 2013 in order to listen to customers' opinion immediately after their interaction with the bank.

Such a survey was Branch of the Future instant feedback measurement showing a definitely positive differential in customers' satisfaction and experience within the bank's branch.

Other instant feedback surveys were aimed at measuring satisfaction among customers who have used the service of the Call Centre and Corporate Branches. Both surveys showed a very high result of satisfaction with the provided service.

Corporate Social Responsibility and Sustainable Development

UniCredit Bulbank pursues an active policy for corporate social responsibility and supports the development of local communities through numerous sponsorships, donations, charity initiatives and volunteering. The bank aims to encourage selected valuable projects with a significant positive impact in the field of education, sports, art and business. The focus is on fostering excellence, entrepreneurship and innovation. In 2013 the bank supported over 120 NGOs, institutions, organizations, universities, schools and individuals.

In 2013 UniCredit Foundation became one of the organizers of the competition for the best program for social entrepreneurship, initiated by the Bulgarian Center for Not-for-profit Law (BCNL) and aims to gather and distinguish the best business cases prepared by the participants. UniCredit Foundation provides a grant of 70 000 euro. In addition, experts from the bank join as trainers at the initial training stages of the competition.

In 2013, the second edition of the 1000 Balkan Charity Challenge Marathon, organized by Bulgarian Charities Aid Foundation, UniCredit Bulbank and Begach Sports Club took place. The main goal is fund-raising in support of charity causes in Bulgaria and Romania, such as care for disabled children and elderly people, elderly people living alone, education, talent development and support for the poor. UniCredit Foundation was committed to double the donations from Bulgaria.

In 2013 the Bank organized numerous exhibitions in its gallery for contemporary art UniCredit Studio with a focus on presenting young artists. Bulgaria was selected among over 20 other European countries to host the first UniCredit Studio. Some of main exhibitions in 2013 were: Incognito – black and white art photographs of world famous celebrities, with author photographer Antonin Kratochvil; Machina - Secrets from the Box - the author was Ognyana Serafimova, who won the prize in 2012; UniCredit Bulbank's CEO Levon Hampartzoumian handed the 2013 award to the visual artist Velizar Dimchev and he will make the exhibition in 2014; For her - exhibition of 40 impressive photographs by the young talents Daniela Emanuilova and Teodora Lilyan in the first ladies' branch - the Donna Branch; The Art of Tornatore - an exhibition showing work and film photos from the internationally celebrated movie "The Best Offer" of the Oscar winning director Giuseppe Tornatore.; Coffee: the Italian Way – an exhibition by the photographers Elena Maslarova and Ivan Maslarov showing the colorful and romantic moments captured during their memorable journey through Italy; The Sword of Seuthes III - a joint project of Italy and Bulgaria, an exhibition of the restored sword of the Thracian king of the IV century B.C.

In the past year four Bulgarian universities (Sofia University "Sv.Sv. Kliment Ohridski", the University of National and World Economy, the Higher School of Insurance and Finance and the Academy of Economics "Dimitar A. Tsenov") became the partners of UniCredit & Universities Foundation. The foundation grants over EUR 200 thousand for scholarships to talented students in Europe in three main areas – support for studies, for research and for organization of scientific seminars.

UniCredit Bulbank is an active supporter of the organization, whose mission is to facilitate equal access for every child in Bulgaria to quality education by adapting the model of the Teach for All Network, which is applying successfully in 14 other countries. The CEO of the bank participated in the annual Inspirational Leaders Charity Auction to support the mission of the foundation. In 2013 the auction gathered approximately BGN 40 thousand.

In 2013 the Bank sponsored a group of students from the American University in Bulgaria and supported them in the organization of TEDxAUBG. TEDx is a program of local, self-organized events that bring people together to share a TED-like experience.

UniCredit Bulbank is an active member of business organizations and associations. Various business seminars, conferences and initiatives were sponsored or co-organized. Additionally, the Bank, in cooperation with the Italian Embassy and several Italian commercial entities, participated in organization of numerous cultural and business events to promote the business and cultural relations between the two countries. Other projects, like the Charity Vienna Ball in Sofia, were held under the auspices of the Austrian Embassy.

Following an extension of the rights package in 2012, UniCredit became the Official Bank of the UEFA Champions League in 2013. In the past year UniCredit Bulbank organized a unique experience for the Bulgarian audience, where under the UEFA Champions League Trophy Tour the most desired football trophy was shown in 4 Bulgarian cities and more than 16 000 people were able to view and take a picture with the Trophy. The European tour started in Berlin and visited several countries, choosing Bulgaria as its Grand Finale Stop.

For a third consecutive year UniCredit Bulbank was the main sponsor of the UniCredit PGA Professional Championship of Europe. This competition has put Bulgaria on the European golf map by bringing in the country annually more than 60 top professional golfers to participate in the competition after winning the local PGA championships in 30 countries worldwide.

For its successful CSR program UniCredit Bulbank has received several awards in 2013, among which an award for the largest contribution by voluntary work of employees – Bulgarian Donors' Forum for the volunteer initiatives Christmas Charity Bazaar and Easter Charity Bazaar and the grand award for the most successful partnership for the joint project under the title "Trust in the Family" – Bulgarian Donors Forum.

Major Subsidiaries and Associates

UniCredit Consumer Financing

2013 was an extremely dynamic and successful year for UniCredit Consumer Financing AD mainly due to the strong growth in banking channel. The volume of consumer loans produced with the Bank doubled (+107% vs. 2012). Some joint commercial initiatives were launched together with UniCredit Bulbank in order to acquire new clients, increase market share and cross-selling of both loans and other banking products. The POS distribution model remained stable through large (67%) and small (33%) dealers. Customer value management (CVM) showed a stable performance, reached its mature development. New acquisition channels have been explored such as external call-centers and Internet.

In 2013 UniCredit Consumer Financing reports a net profit after taxes of BGN 31.3m (+47.4% yoy). Total revenues were strong (+39% vs. 2012) driven mainly by banking personal loan production. The revenues structure pursued its trend with higher income coming from personal loans generated through the Banking channel (61%), reflecting the portfolio change. Despite new volume growth (+9%), the non-banking business reduces its share in total revenues (from 50% to 39%) due to the shorter duration of POS loans. The overall cost structure of UniCredit Consumer Financing AD is 16.1 million BGN, growing at a slower pace than revenues. Due to POS business model HR still represents almost 60% of the costs, followed by IT with 14%. In 2013 total net operating income is at the amount of BGN 34.8m, well above the last year's performance (+20.4% yoy). As of December 2013 the funding structure consists of 72% in from Vienna, 17% in BGN from UniCredit Bulbank and 11% in EUR from Milan.

The high quality of the overall loan portfolio is coming from a strong underwriting process as well as from the outstanding collection performance. UniCredit Consumer Financing performing loans portfolio is strong and stable and represents above 89% of total outstanding. The supplementary reserves for risk made in previous years were further increased in order to be on the safe side considering ongoing uncertainty of the Bulgarian macroeconomic situation and the fast growing portfolios. Those achievements led the Group's decision to keep a Risk Center of Excellence in Bulgaria, serving as reporting and modeling agent for Consumer Finance in the Group.

The expectation for 2014 is that the competition among banking and non-banking financial institutions will remain fierce, so UniCredit Consumer Financing will focus its efforts to keep its leading position on the market, being innovative and will bring recurrent and sustainable profit. Cost optimizations and strong risk management are also on the agenda to guaranteeing a competitive product offer and a long- term sustainable growth. UniCredit Consumer Financing is also working on implementation of a new IT system to enlarge the products offer and to be more integrated with UniCredit Bulbank.

UniCredit Leasing

Given the still stagnant market, consolidated total revenues of UniCredit Leasing decreased by 9.8% yoy to BGN 27.9m. The decline of net profit to BGN 2.1m was mainly due to lower income from placements and penalty fees. The latter was driven by the active risk management, which resulted in asset quality improvement. Loan loss impairment and provisions amounting to BGN 16.4m remained almost flat yoy. As at the end of 2013, the net investment in finance lease at BGN 546.9m was down by 1.7% yoy.

In 2013 a continuously positive trend of improvement in asset quality was on track. Defaulted loans were lower by 18% yoy, reaching total volume of BGN 242m in December 2013. At the same time, performing loans increased by 10% yoy, reaching BGN 435m. Favored by the strong recovery actions performed throughout 2013, the company managed to significantly improve the coverage ratio of total defaulted loans to 56% in 2013 vs. 45% in the previous year. Coverage ratio on total portfolio reached 20% in 2013.

In 2013 a serious turn around in terms of performance and efficiency was achieved. New business volume surged by 79% up to BGN 249m. The number of leasing contracts grew by 58% up to 2 541. At the same time staff and administrative expenses were reduced by 11% and 19% yoy, respectively.

New business model is going to be implemented in the beginning of 2014, which places additional focus on asset category specialization and tailor-made solutions to our clients. It will boost customer satisfaction and revenue generation capacity. In transportation category a new bonus scheme is to be launched, relying on new and existing partnerships, while operational leasing development is also envisaged. In specialized equipment the focus will be put on the agricultural sector, subsidized products, campaigns and vendor initiatives. In industrial equipment the complex financing structures and sophisticated customer groups will be further analyzed, thus better matching the more demanding needs of the users of such equipment. Joint bank and leasing financing offers will target large corporate clients with multi-purpose needs.

In 2014 the trend of improvement will be kept through further integration within the UniCredit Bulbank structure aiming at an administrative optimization and synergy. A major initiative for transformation of non-bank and vendors' clients to bank clients is already ongoing with the objective to provide additional business generation opportunity for selling bank products. UniCredit Insurance Broker, a vital product factory of UniCredit Leasing, is also engaged in key projects, related to joint insurance initiatives.

UniCredit Factoring

In 2013 UniCredit Factoring's net profit amounted to BGN 3.0m, showing a 12% increase yoy, resulting from the generated new business volumes, development of the existing clients' portfolio, asset quality management and optimized funding. The net revenues

Major Subsidiaries and Associates

made 15% yoy increase, reaching BGN 5.7m. The workflow and organization of the sales department was further modified in order to improve the market access and the rates of new business generation. Factoring volumes grew by 172% yoy in domestic without recourse, 16% - in export and 8% - in import.

Credit risk management remained a fundamental priority for the company during the last year because of the unstable economic environment. As in previous years, the objective was not to allow worsening of the portfolio quality and to better leverage on the nature of the factoring service. For that purpose the activity of the company was focused on economic sectors with more stable outlook and well-thought product mix. The successful implementation of the above-mentioned resulted in 3% lower non-performing exposures yoy, comprising 0.48% of the total portfolio in 2013.

Optimized business processes resulted in higher customer satisfaction. Thus, Factor Chain International voted UniCredit Factoring in Top 20 out of 130 companies for Best Export and Import Factoring Services in 2013, making the entity the best rated factoring company in Bulgaria.

In 2014 the company will continue sustainably to provide to the clients the most innovative, timely and reliable asset-structured financing, receivables management and credit cover solutions. The company is also planning to invest further in increasing the popularity of the factoring concept on the Bulgarian market and make the reach towards the factoring services and their benefits easier, faster and transparent. Priority will be given to decreasing the transactional costs, thus allowing the company to offer more sophisticated factoring solutions to its clients in line with its strategy of higher customization, automation and flexibility.

Hypovereins Immobilien

Hypovereins Immobilien is a non-financial company specialized in providing transport and car fleet management services to UniCredit Bulbank AD (the sole owner of the capital). As of December 31, 2013 Company operates total 170 motor vehicles and total FTE counts to 5.5 FTE. The Company represents net profit at the amount of BGN 262 thousand, which is around 14% decrease compared to 2012 result. The main reason for the decrease is the decline in revenue by 17.9% yoy driven by reduced mileage and number of cars provided to the Bank. In 2014 the Company will continue to keep its focus on cost optimization without impacting the quality of the provided services.

Choose

The best ways to bank.

Customers want everything a modern bank can offer, without actually having to go to a branch. To meet this need, we have become the first bank in Germany to integrate the benefits of in-branch and online banking. The online branch offers our Customers a personal relationship manager, long opening hours and the consulting expertise of a classical branch office.

Customers may choose from different modes of access: by phone or via online video link. Documents may be presented and processed live on screen while using the highest safety standards in place.

The online branch provides personal, competent consultancy irrespective of place and time.

HVB Online Branch - HypoVereinsbank - GERMANY

Independent Auditors' Report

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
UniCredit Bulbank AD

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of UniCredit Bulbank AD ("the Bank"), which comprise the separate statement of financial position as of December 31, 2013, and the separate income statement, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

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

Auditor's Responsibility

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

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

Independet Auditors' Report (continued)

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with IFRS, as adopted by the European Union.

Other matter

The separate financial statements of the Bank for the year ended December 31, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on February 19, 2013.

Report on Other Legal and Regulatory Requirements - Annual separate report on the activities of the Bank, according to article 33 of the Accountancy Act

Pursuant to the requirements of the Bulgarian Accountancy Act, article 38, paragraph 4 we have read the accompanying Annual separate report on the activities of the Bank prepared by the Bank's management. The Annual separate report on the activities of the Bank is not a part of the separate financial statements. The historical financial information presented in the Annual separate report on the activities of the Bank prepared by the management is consistent, in all material aspects with the financial information disclosed in the separate financial statements of the Bank as of December 31, 2013, prepared in accordance with IFRS, as adopted by the European Union. Management is responsible for the preparation of the Annual separate report on the activities of the Bank, dated February 17, 2014.

Deloitte Audit

Deloitte Audit OOD

Sylvia Peneva
Statutory Manager
Registered Auditor

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

Sofia
February 18, 2014

Separate Income Statement

	Notes	2013	2012 (restated)
			In thousands of BGN
Interest income		639,081	638,019
Interest expense		(221,942)	(231,852)
Net interest income	7	**417,139**	**406,167**
Dividend income		**1,205**	**10,248**
Fee and commission income		174,581	162,378
Fee and commission expense		(9,482)	(8,157)
Net fee and commission income	8	**165,099**	**154,221**
Net gains on financial assets and liabilities held for trading and hedging derivatives	9	41,181	60,400
Net gains on other financial assets designated at fair value through profit or loss	10	310	2,698
Net income from investments	11	1,826	734
Other operating income, net	12	12,235	4,905
TOTAL OPERATING INCOME		**638,995**	**639,373**
Net income related to property, plant and equipment	13	922	1,215
Personnel expenses	14	(100,246)	(101,909)
General and administrative expenses	15	(120,801)	(116,492)
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	16	(30,907)	(34,546)
Provisions for risk and charges	17	(9,691)	5,931
Net impairment loss on financial assets	18	(217,962)	(154,682)
PROFIT BEFORE INCOME TAX		**160,310**	**238,890**
Income tax expense	19	(16,671)	(24,593)
PROFIT FOR THE YEAR		**143,639**	**214,297**

These separate financial statements have been approved by the Management Board of UniCredit Bulbank AD on February 17, 2014

Levon Hampartzoumian
Chairman of the Management Board and Chief Executive Officer

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

Emilia Palibachiyska
Member of the Management Board and Chief Financial Officer

Deloitte Audit OOD

Sylvia Peneva
Registered auditor

София
Рег. №033
"Делойт Одит" ООД

The accompanying notes 1 to 47 are an integral part of these financial statements

Separate Statement of Comprehensive Income

In thousands of BGN

	Notes	2013	2012 (restated)
Profit for the year		**143,639**	**214,297**
Other comprehensive income - items that will not be reclassified subsequently to profit or loss			
Actuarial gains (losses)	42	3	(698)
Income tax relating to items of other comprehensive income that will not be reclassified subsequently to profit or loss		-	70
		3	**(628)**
Other comprehensive income - items that may be reclassified subsequently to profit or loss			
Available for sale investments		1,664	36,943
Cash flow hedge		2,884	(1,127)
Income tax relating to items of other comprehensive income that may be reclassified subsequently to profit or loss		(454)	(3,581)
		4,094	**32,235**
Total other comprehensive income net of tax for the year		**4,097**	**31,607**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**147,736**	**245,904**

These separate financial statements have been approved by the Management Board of UniCredit Bulbank AD on February 17, 2014

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Sylvia Peneva
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Separate Financial Statements (continued)

Separate Statement of Financial Position

In thousands of BGN

	Notes	31.12.2013	31.12.2012 (restated)	01.01.2012 (restated)
ASSETS				
Cash and balances with Central Bank	20	728,729	906,397	686,703
Non-derivative financial assets held for trading	21	13,872	80,697	129,174
Derivatives held for trading	22	81,915	124,265	112,024
Derivatives held for hedging	23	326	-	-
Financial assets designated at fair value through profit or loss	24	61,549	69,626	79,682
Loans and advances to banks	25	1,841,958	1,713,901	1,893,753
Loans and advances to customers	26	8,637,803	8,546,838	7,812,435
Available for sale investments	27	901,585	834,769	383,947
Held to maturity investments	28	125,071	254,997	273,247
Investments in subsidiaries and associates	29	49,004	27,499	27,499
Property, plant, equipment and investment properties	30	129,729	141,224	151,260
Intangible assets	31	24,591	27,707	31,734
Current tax assets	32	6,602	1,918	-
Deferred tax assets	33	8,996	7,882	6,979
Non-current assets and disposal group classified as held for sale	34	-	-	797
Other assets	35	58,442	55,915	47,445
TOTAL ASSETS		**12,670,172**	**12,593,635**	**11,836,679**
LIABILITIES				
Financial liabilities held for trading	36	61,494	121,667	88,386
Derivatives used for hedging	23	4,079	7,669	6,027
Deposits from banks	37	1,464,959	1,835,550	2,164,333
Deposits from customers	38	8,705,491	8,227,899	7,293,666
Subordinated liabilities	39	220,005	218,643	216,710
Provisions	40	39,967	32,261	39,066
Current tax liabilities	32	-	-	6,218
Deferred tax liabilities	33	11,622	11,901	11,584
Other liabilities	41	58,226	66,530	66,778
TOTAL LIABILITIES		**10,565,843**	**10,522,120**	**9,892,768**
EQUITY				
Share capital		285,777	285,777	285,777
Revaluation and other reserves		19,396	15,299	(16,308)
Retained earnings		1,655,517	1,556,142	1,674,442
Profit for the year		143,639	214,297	-
TOTAL EQUITY	42	**2,104,329**	**2,071,515**	**1,943,911**
TOTAL LIABILITIES AND EQUITY		**12,670,172**	**12,593,635**	**11,836,679**

These separate financial statements have been approved by the Management Board of UniCredit Bulbank AD on February 17, 2014

Levon Hampartzoumian
Chairman of the Management Board and Chief Executive Officer

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

Emilia Palibachiyska
Member of the Management Board and Chief Financial Officer

Deloitte Audit OOD

Sylvia Peneva
Registered auditor

София
Рег. №033
"Делойт Одит" ООД

The accompanying notes 1 to 47 are an integral part of these financial statements

Separate Statement of Changes in Equity

In thousands of BGN

	Share capital	Statutory reserve	Retained earnings	Property revaluation reserve	Available for sale investments reserve	Cash flow hedges reserves	IAS 19 reserve	Total
Balance as of January 1, 2012	**285,777**	**342,378**	**1,258,969**	**133,381**	**(12,165)**	**(4,004)**	**-**	**2,004,336**
Restatement due to change in accounting policy on property valuation	-	-	73,095	(133,381)	-	-	-	**(60,286)**
Restatement due to changes in IAS 19	-	-	-	-	-	-	(139)	**(139)**
Balance as of January 1, 2012 (restated)	**285,777**	**342,378**	**1,332,064**	**-**	**(12,165)**	**(4,004)**	**(139)**	**1,943,911**
Profit for the year	-	-	214,297	-	-	-	-	**214,297**
Actuarial gains (losses)	-	-	-	-	-	-	(698)	**(698)**
Change of revaluation reserve on available for sale investments	-	-	-	-	36,943	-	-	**36,943**
Change of revaluation reserve on cash flow hedges	-	-	-	-	-	(1,127)	-	**(1,127)**
Income tax related to components of other comprehensive income	-	-	-	-	(3,694)	113	70	**(3,511)**
Total other comprehensive income for the year net of tax	**-**	**-**	**-**	**-**	**33,249**	**(1,014)**	**(628)**	**31,607**
Total comprehensive income for the year net of tax	**-**	**-**	**214,297**	**-**	**33,249**	**(1,014)**	**(628)**	**245,904**
Dividends paid	-	-	(118,270)	-	-	-	-	**(118,270)**
Other distribution	-	-	(30)	-	-	-	-	**(30)**
Balance as of December 31, 2012 (restated)	**285,777**	**342,378**	**1,428,061**	**-**	**21,084**	**(5,018)**	**(767)**	**2,071,515**

Separate Statement of Changes in Equity (Continued)

	Share capital	Statutory reserve	Retained earnings	Property revaluation reserve	Available for sale investments reserve	Cash flow hedges reserves	IAS 19 reserve	Total
Balance as of January 1, 2013	**285,777**	**342,378**	**1,353,720**	**132,826**	**21,084**	**(5,018)**	**-**	**2,130,767**
Restatement due to change in accounting policy on property valuation	-	-	74,341	(132,826)	-	-	-	**(58,485)**
Restatement due to changes in IAS 19	-	-	-	-	-	-	(767)	**(767)**
Balance as of January 1, 2013 (restated)	**285,777**	**342,378**	**1,428,061**	**-**	**21,084**	**(5,018)**	**(767)**	**2,071,515**
Profit for the year	-	-	143,639	-	-	-	-	**143,639**
Actuarial gains (losses)	-	-	-	-	-	-	3	**3**
Change of revaluation reserve on available for sale investments	-	-	-	-	1,664	-	-	**1,664**
Change of revaluation reserve on cash flow hedges	-	-	-	-	-	2,884	-	**2,884**
Income tax related to components of other comprehensive income	-	-	-	-	(166)	(288)		**(454)**
Total other comprehensive income for the year net of tax	**-**	**-**	**-**	**-**	**1,498**	**2,596**	**3**	**4,097**
Total comprehensive income for the year net of tax	**-**	**-**	**143,639**	**-**	**1,498**	**2,596**	**3**	**147,736**
Business combinations under common control	-	-	(8,643)	-	-	-	-	**(8,643)**
Dividends paid	-	-	(106,248)	-	-	-	-	**(106,248)**
Other distribution	-	-	(31)	-	-	-	-	**(31)**
Balance as of December 31, 2013	**285,777**	**342,378**	**1,456,778**	**-**	**22,582**	**(2,422)**	**(764)**	**2,104,329**

These separate financial statements have been approved by the Management Board of UniCredit Bulbank AD on February 17, 2014

Levon Hampartzoumian
Chairman of the Management Board and Chief Executive Officer

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

Emilia Palibachiyska
Member of the Management Board and Chief Financial Officer

Deloitte Audit OOD

София
Рег. №033
"Делойт Одит" ООД

Sylvia Peneva
Registered auditor

The accompanying notes 1 to 47 are an integral part of these financial statements

Separate Statement of Cash Flows

	Notes	2013	2012 (restated)
		In thousands of BGN	
Net profit		**143,639**	**214,297**
Current and deferred tax income, recognised in income statement		(1,847)	(6,437)
Current and deferred tax expenses, recognised in income statement		18,518	31,030
Adjustments for non-cash items			
Depreciation and amortisation	16	28,627	33,447
Impairment of financial assets	18	227,885	170,151
Impairment of property plant, equipment and investment properties	16	2,280	1,099
Provisions, net	40	9,692	(5,446)
Unrealised fair value losses (gains) through profit or loss, net		(16,897)	23,809
Unrealised fair value (gains) on FX revaluation		(14,539)	(1,030)
Net income from sale of property, plant, equipment and liquidation of associates		(975)	(1,257)
Net interest income		(417,139)	(406,167)
Dividend income		(1,205)	(10,248)
Increase in other accruals		14,820	9,505
Cash flows from profits before changes in operating assets and liabilities		**(7,141)**	**52,763**
Operating activities			
Change in operating assets			
(Increase)/Decrease in loans and advances to banks		(346,705)	965,177
(Increase) in loans and advances to customers		(333,608)	(910,252)
(Increase) in available for sale investments		(268,855)	(213,718)
Decrease in financial instruments held for trading and hedging derivatives		66,202	48,418
Decrease in financial instruments at fair value through profit or loss		7,482	6,388
(Increase) in other assets		(16,372)	(840)
Change in operating liabilities			
(Decrease) in deposits from banks		(367,532)	(326,825)
Increase in deposits from customers		514,436	940,904
Provisions utilization		(1,691)	(1,703)
(Decrease) in other liabilities		(3,946)	(23,487)
Interest received		643,117	635,769
Interest paid		(228,069)	(226,998)
Dividends received on available for sale investments		1,205	1,101
Taxes paid		(25,012)	(30,610)
Net cash flow from operating activities		**(366,487)**	**916,077**

Separate Statement of Cash Flows (Continued)

	Notes	2013	2012 (restated)
		In thousands of BGN	
Cash flow from investing activities			
Cash payments to acquire tangible assets		(12,524)	(13,632)
Cash receipt from sale of tangible assets		2,262	2,596
Cash payments to acquire intangible assets		(5,067)	(7,607)
Cash receipt from sale of intangible assets		1	172
Cash payment for acquisition of investments in subsidiaries		(30,066)	-
Cash receipts from liquidation of associates		7	42
Dividends received from associates		-	9,147
Cash receipts from redemption of held to maturity investments		117,017	15,464
Net cash flow from investing activities		**71,628**	**6,182**
Cash flow from financial activities			
Dividends paid		(106,248)	(118,270)
Other cash payments related to financing activities		(31)	(30)
Net cash flows from financial activities		**(106,279)**	**(118,300)**
Effect of exchange rate changes on cash and cash equivalents		**3,371**	**416**
Net increase in cash and cash equivalents		**(397,767)**	**804,375**
Cash and cash equivalents at the beginning of period	46	**2,377,794**	**1,573,419**
Cash and cash equivalents at the end of period	46	**1,980,027**	**2,377,794**

These separate financial statements have been approved by the Management Board of UniCredit Bulbank AD on February 17, 2014

Levon Hampartzoumian
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Facilitate

Finding solutions to make everything easier.

"Due to an internal bug, one of my Customers received funds to pay staff salaries two days late.
I did everything I could to find a solution. I asked my colleagues for help, and together we came up with a response: we compensated for the two lost days in their wages the next month. The Customer called to thank me for solving the issue quickly.
We showed that our **bank is easy to deal with**."

Peter Tschöp - Financial Institutions Group - CIB Global Division
UniCredit Bank Austria

Notes to The Separate Financial Statements

1. Reporting entity

UniCredit Bulbank AD (the Bank) is a universal Bulgarian bank established upon a triple legal merger, performed on April 27th, 2007 between Bulbank AD, HVB Bank Biochim AD and Hebros Bank AD.

UniCredit Bulbank AD possesses a full-scope banking licence for performing commercial banking activities. It is domiciled in the Republic of Bulgaria with registered address city of Sofia, 7 "Sveta Nedelya" sq. The Bank is primarily involved in corporate and retail banking and in providing asset management services.

The Bank operates through its network comprising of 199 branches and offices.

2. Basis of preparation

(a) Statement of compliance

These separate 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 separate financial statements have been prepared on unconsolidated basis as required by Bulgarian Accountancy Act. They should be read in conjunction with the consolidated financial statements which were approved by the Management Board of the Bank on February 17, 2014. Whenever deemed necessary for comparison reasons, certain positions in prior year financial statements have been reclassified.

These financial statements are approved by the Management Board of UniCredit Bulbank AD on February 17, 2014.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgement

The preparation of financial statements requires the Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in notes **4** and **5**.

3. Significant accounting policy

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

Change in accounting policy

1. Voluntary change of accounting policy

In the annual financial statements of the Bank for the years ended up until December 31, 2012, the Bank has disclosed and presented investments in properties under revaluation model in accordance with IAS 16 "Property, Plant and Equipment". Those properties are mainly involved in the ordinary banking business and they account about 95% of the previously recognized revaluation reserve (out of which about 53% relates to Head Office buildings in Sofia). Management assessed that further continuation of application of revaluation model adds no additional value to the financial statements and in this regard cost model seems the more appropriate one, considering also that the cost model is the benchmark approach as per IAS 16 which is followed by the UniCredit Group. As a result in 2013 Management approved change in accounting policy, thus changing the model for subsequent measurement of properties from revaluation model to cost model. Prior period financial statements have been restated in accordance with IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors" as if the cost model has always been applied. For the purposes of restatement, the valuation of properties as of December 31, 2003 (the year of first time adoption of IFRS for statutory purposes) has been accepted as deemed cost.

2. Change in accounting policy upon initial application of revised IAS 19 "Employee Benefits"

In the annual financial statements of the Bank for the years ended up to December 31, 2012, Bank has applied "corridor" method of accounting for actuarial gains/losses out of defined benefit plans. Upon first application of revised IAS 19 "Employee Benefits", starting from January 1, 2013, the "corridor" method is no longer allowed. All actuarial gain/losses should adjust the defined benefit obligation with off-setting item presented in Statement of other comprehensive income. Considering the above, Bank has restated prior period financial statements as if the requirements of revised standard have always been applied.

The actual restatement amounts impacting separate statement of financial position and separate income statements are as follows:

In thousands of BGN

SEPARATE STATEMENT OF FINANCIAL POSITION	REPORTED 01.01.2012	RESTATEMENT DUE TO CHANGE IN THE ACCOUNTING POLICY ON PROPERTY VALUATION	RESTATEMENT IAS 19	RESTATED AMOUNT 01.01.2012
Revaluation and other reserves	117,212	(133,381)	(139)	(16,308)
Retained earnings	1,601,347	73,095	-	1,674,442
Property, plant, equipment and investment properties	218,244	(66,984)	-	151,260
Deferred tax assets	6,964	-	15	6,979
Deferred tax liabilities	18,282	(6,698)	-	11,584
Provisions	38,912	-	154	39,066

In thousands of BGN

SEPARATE STATEMENT OF FINANCIAL POSITION	REPORTED 31.12.2012	RESTATEMENT DUE TO CHANGE IN THE ACCOUNTING POLICY ON PROPERTY VALUATION	RESTATEMENT IAS 19	RESTATED AMOUNT 31.12.2012
Revaluation and other reserves	148,892	(132,826)	(767)	15,299
Retained earnings	1,483,602	72,540	-	1,556,142
Property, plant, equipment and investment properties	206,206	(64,982)	-	141,224
Deferred tax assets	7,797	-	85	7,882
Deferred tax liabilities	18,398	(6,497)	-	11,901
Provisions	31,409	-	852	32,261
Profit for the year	212,496	1,801	-	214,297

In thousands of BGN

SEPARATE INCOME STATEMENT	REPORTED FOR 2012	RESTATEMENT DUE TO CHANGE IN THE ACCOUNTING POLICY ON PROPERTY VALUATION	RESTATEMENT IAS 19	RESTATED AMOUNT FOR 2012
Net income related to property, plant and equipment	1,006	209	-	1,215
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	(36,339)	1,793	-	(34,546)
Income tax expense	(24,392)	(201)	-	(24,593)
Deferred tax assets	7,797	-	85	7,882
Deferred tax liabilities	18,398	(6,497)	-	11,901
Provisions	31,409	-	852	32,261
Profit for the year	212,496	1,801	-	214,297

(a) Interest income and expense

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

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

(b) Fee and commission income and expenses

Fee and commission income and expense arise on financial services provided/received and are recognized upon rendering/receiving of the corresponding service.

Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate thus presented as interest income or expense.

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

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

(d) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency at the official Bulgarian National Bank foreign exchange rate effective at the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated at the closing foreign exchange rate being the official rate of the Bulgarian National Bank. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate effective at the date of the transaction.

As of each reporting date, all foreign currency denominated monetary assets and liabilities are revaluated on net basis using Bulgarian National Bank closing exchange rates. Any gain/loss is recognized in the profit or loss.

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

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

(f) Dividend income

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

(g) Lease payments made

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term and so producing a constant periodic rate of interest on the remaining balance of the liability.

(h) Financial instruments

(i) Recognition

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognised on the settlement date. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition cost.

(ii) Classification

a) Cash and balances with the Central Bank

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

b) Financial assets and derivatives held for trading

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

Financial assets and derivatives held for trading are carried at fair value in the statement of financial position.

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

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

Financial assets, designated at fair value through profit or loss are carried at fair value in the statement of financial position.

d) Loans and advances to banks and customers

Loans and advances to banks and customers are instruments where the Bank provides money to a debtor other than those created with the intention of short-term profit taking or selling in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method.

e) Available for sale investments

Available for sale investments are non-derivative investments that are designated as available for sale or are not classified in another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available for sale investments are carried at fair value.

Fair value changes are recognised directly in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are recognised in profit or loss.

f) Held to maturity investments

Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity and which are not designated as at fair value through profit or loss or as available for sale and do not meet the definition of loans and receivables.

A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available for sale, and would prevent the Bank from classifying investment securities as held to maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

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

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

g) Investments in subsidiaries and associates

Investments in subsidiaries comprise of equity participations in entities where the Bank exercises control 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 separate financial statements Bank has adopted the policy of carrying all investments in subsidiaries and associates at cost.

h) Deposits from banks, customers and subordinated liabilities

Deposits from banks, customers and subordinated liabilities are financial instruments related to attracted funds by the Bank, payable on demand or upon certain maturity and bearing agreed interest rate.

Subordinated liability meets some additional requirements set by Bulgarian National Bank (see note **39**).

Deposits from banks, customers and subordinated liabilities are carried at amortised cost using the effective interest rate method.

(iii) Reclassification

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

(iv) Derecognition

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

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

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

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

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

(v) Amortised cost measurement

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

(vi) Fair value measurement principles

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

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

(vii) Offsetting

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

(viii) Repurchase agreements

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

(i) Impairment

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

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

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

(i) Assets carried at amortised cost

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

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

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

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

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

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

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

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

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

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

(j) Derivatives used for hedging

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

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

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

Fair value hedge

When a derivative is designated as hedging instrument in a hedge of fair value of recognized asset or liability that could affect profit or loss, changes in the fair value of the derivative are recognized immediately in profit or loss together with the changes in the fair value of the hedged item attributable to the hedged risk.

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

Cash flow hedge

Bank designates derivatives as hedging instruments in hedge of the variability in cash flows attributable to particular type of risk associated with highly probable forecast transaction that could ultimately affect profit or loss. While the derivative is carried at fair value in the statement of financial position, the effective portion of the changes of the fair value is recognized in other comprehensive income under cash flow hedge reserve and the ineffective part is recognized immediately in profit or loss.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked then the hedge accounting is discontinued prospectively.

As Bank's hedging strategy covers forecast cash flows as hedged items, the cumulative amount, recognized in other comprehensive income from the period when the hedge was effective, is recycled in profit or loss when the forecast transactions occur. In case the forecast transaction is no longer expected to occur, the whole balance outstanding in other comprehensive income is reclassified in profit or loss.

(k) Property, plant, equipment and investment property

As disclosed in Note **3** above, in 2013 Bank has changed its accounting policy for presenting investments in properties from "revaluation" model to "cost" model.

All items of property, plant and equipment are carried at cost less accumulated depreciation or impairment losses.

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or use for administrative purposes. Investment property is measured at cost less any accumulated depreciation.

Properties acquired upon foreclosure procedure, which are neither intended to be used in the banking business nor kept as investment properties, but intended to be sold or constructed for the purposes to be sold, are presented in other assets in accordance with IAS 2 "Inventories" (see also Note **35**)

The gains or losses on disposal of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognized net in profit or loss.

Depreciation on all items of property, plant and equipment and investment property is provided on a straight-line basis at rates designed to write down the cost or valuation of fixed assets over their expected useful lives. Assets are not depreciated until they are brought into use and transferred from construction in progress into the relevant asset category.

The applicable annual depreciation rates based on expected useful life on major assets categories are as follows:

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

(l) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any impairment losses. As of December 31, 2013 and December 31, 2012 intangible assets includes primarily investments in software and related licenses.

Amortisation is calculated on a straight-line basis over the expected useful life of the asset. The average useful life of intangible assets controlled by the Bank is estimated to 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 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, 2013 Management has reviewed Bank's legal and constructive obligation and to the extent they meet the requirement for recognition, provision is recorded, respectively.

(o) Employees' benefits

(i) Short-term employee's benefits

Short-term employees' benefits comprise of amounts due to personnel on the basis of unused paid leave accounted for each and single employee as of the reporting date as well as expected additional bonus payments for achieved results during the current financial year.

The amount of the unused paid-leave obligation includes the overall undiscounted amount of the obligation that the Bank has to settle should the employment contract is terminated as of the reporting date. Short-term employees' benefits are presented as other liabilities and disclosed separately in the Notes.

(ii) Defined benefit obligation

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

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

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

UniCredit Group Short and Long-Term incentive plans comprise of deferred cash payments (cash settled) as well as stock options and performance share (equity settled) granted by the ultimate parent UniCredit S.p.A. They are allocated to selected group of top and senior managers of the Bank.

Whenever the vesting period of the stock options or performance shares ends, UniCredit Bulbank is required to settle the monetary amount, corresponding to the economic value of the respective instruments. Thereafter the parent effectively grants the instruments to the respective managers.

As of December 31, 2013 and December 31, 2012 UniCredit Bulbank presents the corresponding part of the economic value of the stock options and performance shares and respective accruals on the deferred cash payments as payroll costs under personnel expenses in the Income statement and the related obligation as other liability.

(p) Share capital and reserves

(i) Share capital

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

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

In May 2011 shareholders of UniCredit Bulbank AD approved a capital increase in the amount of BGN 158,744 thousand through issuing 21,865,500 new shares with issuing price BGN 7.26 and face value BGN 1, each. The capital increase was dully completed and registered and as of December 31, 2011 the share capital of the Bank amounts to BGN 285,777 thousand. No changes in the share capital were performed in 2013 and 2012.

(ii) Reserves

Reserves consist of statutory reserves and retained earnings held within the Bank as well as reserves on available for sale investments, cash flow hedges and reserve resulted from defined benefit obligation actuarial gains and losses. As of December 31, 2013 and December 31, 2012 the reserves includes also the premium of previously issued shares corresponding to the difference between the issuing price and the face value.

(q) Taxation

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

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

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

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

(r) Segment reporting

As of January 1, 2009 the Bank has adopted IFRS 8 “Operating Segments” which requires the Bank to present operating segments based on the information that is internally provided to the Management. This adoption did not represent a change in accounting policy as the business segments that have been previously determined and presented by the Bank in accordance with IAS 14 “Segment Reporting” are also the primary operating segments which are regularly reported to the Management of the Bank.

(s) New IFRS, amendments to existing IFRS and interpretations (IFRIC) adopted for the first time in the financial statements as of at the reporting date

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

- IFRS 13 "Fair Value Measurement", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- Amendments to IFRS 1 "First-time Adoption of IFRS" – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- Amendments to IFRS 1 "First-time Adoption of IFRS" – Government Loans, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013);
- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- Amendments to IAS 1 "Presentation of financial statements" – Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012);
- Amendments to IAS 12 "Income Taxes" – Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- Amendments to IAS 19 "Employee Benefits" – Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013);
- Amendments to various standards "Improvements to IFRSs (cycle 2009-2011)" resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (amendments are to be applied for annual periods beginning on or after 1 January 2013),
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

The adoption of these new IFRS, amendments to existing IFRS and interpretations (IFRIC) has not led to any changes in the Bank's accounting policies except for the amendments of IAS 19 "Employee Benefits" (see Note **3** and Note **40**)

(t) New IFRS and interpretations (IFRIC) adopted by the EU but not yet effective as at the reporting date

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

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- IFRS 11 "Joint Arrangements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- IFRS 12 "Disclosures of Interests in Other Entities", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 (revised in 2011) "Separate Financial Statements" – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 32 "Financial instruments: presentation" – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 36 "Impairment of assets" - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

(u) Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at the date of publication of these separate financial statements (the effective dates stated below is for IFRS in full):

- IFRS 9 "Financial Instruments" and subsequent amendments (effective date was not yet determined);
- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014);

- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014);
- Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014);
- IFRIC 21 "Levies" (effective for annual periods beginning on or after 1 January 2014).

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

- IFRS 9 Financial Instruments uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the bank's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the financial statements, if applied as at the balance sheet date.

4. Financial risk management

(a) General framework

UniCredit Bulbank AD is exposed to the following risks from financial instruments:

- market risk;
- liquidity risk;
- credit risk;
- operational and reputational risk.

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

Different types of risks are managed by specialized departments and bodies within the Bank's structure. The applicable policies entirely correspond to the requirements of Risk Management Group Standards as well as all respective requirements set by Bulgarian banking legislation. Bank manages risk positions on aggregate basis, focusing in reaching optimal risk/return ratio.

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

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

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

The operational risk governance system of UniCredit Bulbank AD is set to identify, manage and mitigate the operational risk exposure, defining a system of clearly outlined responsibilities and controls. Senior management is responsible for the effective oversight over operational risk exposure and approves all material aspects of the framework. Fundamental element of the operational risk system is the existence of an Operational Risk Committee. Starting from Q2 2011 UniCredit Bulbank AD applies the Advanced Measurement Approach (AMA) for its capital calculation of operational risk, making it the first bank in Bulgaria certified to use AMA.

(b) Market risks

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

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

UniCredit Bulbank AD applies uniform Group risk management procedures. These procedures make available the major risk parameters for various trading operations at least once a day. Besides Value at Risk, other factors of equal importance are stress-oriented sensitivity and position limits. Additional 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 Group's internal model IMOD. It is based on historical simulation with a 500-day market data time window for scenario generation and covers all major risk categories: interest rate risk and equity risk (both general and specific), currency risk and commodity position risk. Internal model also includes quantification of Stressed VaR and Incremental risk charge values. The simulation results, supplemented with distribution metrics and limit utilization are reported on a daily basis to the Management. In addition to the risk model results, income data from market risk activities are also determined and communicated on a daily basis. Reporting covers the components reflected in IFRS-based profit and the mark to market of all investment positions regardless of their recognition in the IFRS-based financial statements ("total return").

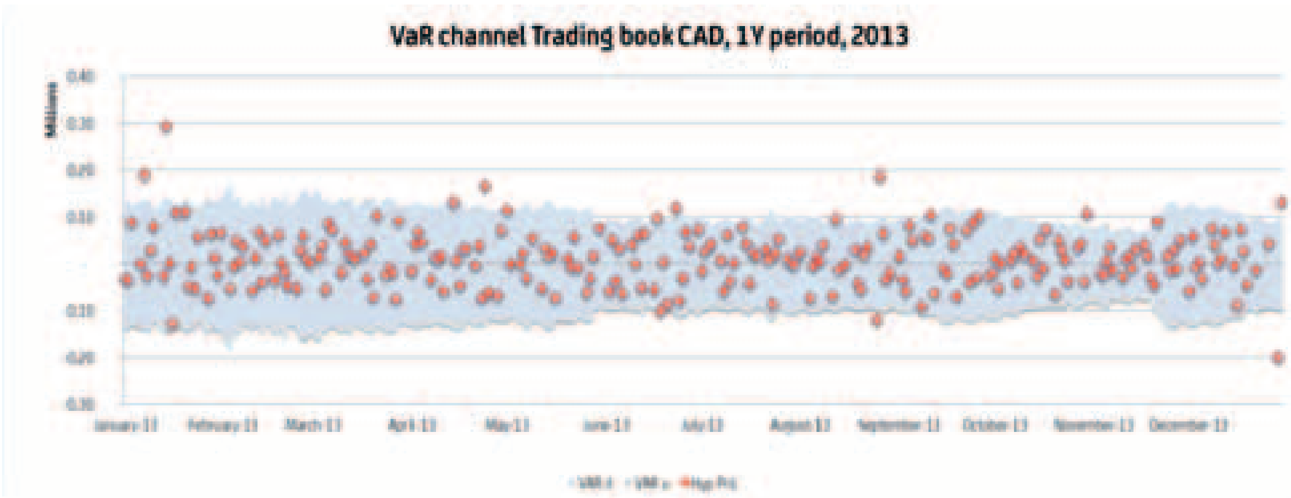
During 2013, VaR (1 day holding period, confidence interval of 99 %) moved in a range between EUR 2.75 million and EUR 4.32 million, averaging EUR 2.88 million, with credit spreads and interest rates being main drivers of total risk in both, trading and banking books.

VaR of UniCredit Bulbank AD by risk category in EUR million for 2013 is as follows:

RISK CATEGORY	MINIMUM	MAXIMUM	AVERAGE	YEAR-END
Interest rate risk	0.30	2.15	0.44	0.58
Credit spread	2.73	3.38	2.82	2.92
Exchange rate risk	0.01	0.02	0.01	0.01
Vega risk	0.00	0.00	0.00	0.00
VaR overall	**2.75**	**4.32**	**2.88**	**2.92**

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

Back-testing results for 2013 confirm the reliability of used internal model. There were 3 negative back-testing excesses during 2013.



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

The following sensitivities' table provides summary of the interest rate risk exposure of UniCredit Bulbank AD (trading and banking book) as of December 31, 2012 (change in value due to 1 basis point shift, amounts in EUR):

IR Basis Point Shift

CCY	0-3M	3M-1Y	1Y-3Y	3Y-10Y	10Y-	Sum
AUD	0					0
BGN	9,200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CAD	0					0
CHF	[illegible]	427	[illegible]	1	3	336
DKK	0					0
EUR	12,717	23,011	[illegible]	[illegible]	[illegible]	111
GBP	[illegible]	261	30			48
JPY	0					0
NOK	0					0
PLN	0					0
RON	0					0
RUB	0					0
TRY	0					0
USD	1,199	[illegible]	[illegible]	[illegible]		[illegible]
TOTAL	23,597	35,547	17,036	36,300	11,761	31,132

Measured by the total basis-point value, the credit spread sensitivity measure for UniCredit Bulbank AD as of December 31, 2013 totalled EUR 157,067. Treasury-near instruments continue to account for the largest part of the credit spread positions while the current exposure to financials and corporates is relatively lower.

SP Basis Point Shift

Issuer/Risk factor	0-3M	3M-1Y	1Y-3Y	3Y-10Y	10Y-	Long	Short	Sum
MARKIT_CONSUMER_GOODS_BB_CDS	[illegible]	[illegible]				[illegible]		[illegible]
MARKIT_CONSUMER_GOODS_B_CDS	0	[illegible]	[illegible]			[illegible]		[illegible]
MARKIT_FINANCIAL_B_CDS	[illegible]	[illegible]	[illegible]			[illegible]		[illegible]
MARKIT_GOVERNMENT_BB_CDS	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]		[illegible]
TREAS_BG_CDS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
TREAS_IT	0	[illegible]	[illegible]			[illegible]		[illegible]
Sum	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	[illegible]
Total	264	22,426	43,513	90,854	8	157,067	0	157,067

Internal model results are complemented by various stress scenarios to identify potential effects of stressful market conditions on the Bank's earnings. The assumptions under such stress scenarios include extreme movements in prices or rates and deterioration in market liquidity. Stress results for major asset classes and portfolios (credit, rates and FX) and estimated impact on liquidity position up to 60 days are reported at least monthly to ALCO. In 2013 the Bank's Management continued prudent risk management practice with primary focus on client-driven business.

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

As of December 31, 2013 the FX balances of UniCredit Bulbank AD are as outlined in the table below:

In thousands of BGN

	EUR AND BGN	OTHER CURRENCIES	TOTAL
ASSETS			
Cash and balances with Central Bank	716,423	12,306	**728,729**
Non-derivative financial assets held for trading	13,872	-	**13,872**
Derivatives held for trading	67,385	14,530	**81,915**
Derivatives held for hedging	326	-	**326**
Financial assets designated at fair value through profit or loss	61,549	-	**61,549**
Loans and advances to banks	1,611,957	230,001	**1,841,958**
Loans and advances to customers	8,384,086	253,717	**8,637,803**
Available for sale investments	737,299	164,286	**901,585**
Held to maturity investments	1,532	123,539	**125,071**
Investments in subsidiaries and associates	49,004	-	**49,004**
Property, plant, equipment and investment properties	129,729	-	**129,729**
Intangible assets	24,591	-	**24,591**
Current tax assets	6,602	-	**6,602**
Deferred tax assets	8,996	-	**8,996**
Other assets	58,255	187	**58,442**
TOTAL ASSETS	**11,871,606**	**798,566**	**12,670,172**
LIABILITIES			
Financial liabilities held for trading	47,849	13,645	**61,494**
Derivatives used for hedging	2,327	1,752	**4,079**
Deposits from banks	1,393,263	71,696	**1,464,959**
Deposits from customers	7,909,323	796,168	**8,705,491**
Subordinated liabilities	220,005	-	**220,005**
Provisions	22,230	17,737	**39,967**
Current tax liabilities	-	-	**-**
Deferred tax liabilities	11,622	-	**11,622**
Other liabilities	56,325	1,901	**58,226**
TOTAL LIABILITIES	**9,662,944**	**902,899**	**10,565,843**
EQUITY	**2,104,329**	**-**	**2,104,329**
Net off-balance sheet spot and forward position	**(105,099)**	**104,874**	**(225)**
Net position	**(766)**	**541**	**(225)**

As of December 31, 2012 the FX balances of UniCredit Bulbank are as outlined in the table below:

In thousands of BGN

	EUR AND BGN	OTHER CURRENCIES	TOTAL
ASSETS			
Cash and balances with Central Bank	896,657	9,740	**906,397**
Non-derivative financial assets held for trading	80,657	40	**80,697**
Derivatives held for trading	110,940	13,325	**124,265**
Financial assets designated at fair value through profit or loss	65,832	3,794	**69,626**
Loans and advances to banks	1,693,184	20,717	**1,713,901**
Loans and advances to customers	8,287,191	259,647	**8,546,838**
Available for sale investments	529,567	105,202	**634,769**
Held to maturity investments	106,431	148,566	**254,997**
Investments in subsidiaries and associates	27,499	-	**27,499**
Property, plant, equipment and investment properties	141,224	-	**141,224**
Intangible assets	27,707	-	**27,707**
Current tax assets	1,918	-	**1,918**
Deferred tax assets	7,882	-	**7,882**
Other assets	55,714	201	**55,915**
TOTAL ASSETS	**12,032,403**	**561,232**	**12,593,635**
LIABILITIES			
Financial liabilities held for trading	109,710	11,957	**121,667**
Derivatives used for hedging	4,669	3,000	**7,669**
Deposits from banks	1,807,420	28,130	**1,835,550**
Deposits from customers	7,530,093	697,806	**8,227,899**
Subordinated liabilities	218,643	-	**218,643**
Provisions	13,722	18,539	**32,261**
Current tax liabilities	-	-	**-**
Deferred tax liabilities	11,901	-	**11,901**
Other liabilities	64,999	1,531	**66,530**
TOTAL LIABILITIES	**9,761,157**	**760,963**	**10,522,120**
EQUITY	**2,071,515**	**-**	**2,071,515**
Net off-balance sheet spot and forward position	**(213,740)**	**199,815**	**(13,925)**
Net position	**(14,009)**	**84**	**(13,925)**

(c) Liquidity risk

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

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

Integral part of liquidity management process is monitoring the results of regular stress tests. Market risks control function performs liquidity stress tests on regular basis, using standardised Group-wide scenarios and specific local set. These scenarios describe the effects of market-driven or name-driven crisis signals, with assumptions about behaviour of non-financial customers. The liquidity outflows expected to occur are compared with available collateral (essentially, securities eligible as collateral at the central bank) to examine banks' risk-taking capacity over two months horizon. The extreme scenario combining market- and name-driven crisis was covered without exceptions during 2013, meaning that assuming extreme stress conditions the Bank is expected to cope with liquidity shock using own resources.

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

In thousands of BGN

MATURITY TABLE AS AT 31 DECEMBER 2013	UP TO 1 YEAR	OVER 1 YEAR	TOTAL
ASSETS			
Non-derivative financial assets held for trading	13,872	-	**13,872**
Financial assets designated at fair value through profit or loss	-	61,549	**61,549**
Loans and advances to banks	1,649,931	192,027	**1,841,958**
Loans and advances to customers	2,906,976	5,730,827	**8,637,803**
Available for sale investments	148,515	753,070	**901,585**
Held to maturity investments	1,532	123,539	**125,071**
Other assets	34,620	23,822	**58,442**
TOTAL FINANCIAL ASSETS	**4,755,446**	**6,884,834**	**11,640,280**

In thousands of BGN

MATURITY TABLE AS AT 31 DECEMBER 2013	UP TO 1 YEAR	OVER 1 YEAR	TOTAL
ASSETS			
Non-derivative financial assets held for trading	80,697	-	**80,697**
Financial assets designated at fair value through profit or loss	-	69,626	**69,626**
Loans and advances to banks	1,713,901		**1,713,901**
Loans and advances to customers	3,261,844	5,284,994	**8,546,838**
Available for sale investments	37,332	597,437	**634,769**
Held to maturity investments	121,367	133,630	**254,997**
Other assets	35,001	20,914	**55,915**
TOTAL FINANCIAL ASSETS	**5,250,142**	**6,106,601**	**11,356,743**

In thousands of BGN

MATURITY TABLE AS AT 31 DECEMBER 2013	CARRYING AMOUNT	GROSS IN (OUT) FLOW	UP TO 1 MONTH	FROM1 TO 3 MONTHS	FROM 3 MONTHS TO 1 YEAR	OVER 1 YEAR
Non derivative instruments						
Deposits from banks	**1,464,959**	**(1,533,409)**	(203,649)	(15,415)	(76,190)	(1,238,155)
Deposits from customers	**8,705,491**	**(8,800,061)**	(5,576,174)	(1,195,249)	(1,773,534)	(255,104)
Subordinated liabilities	**220,005**	**(240,946)**	-	-	(52,851)	(188,095)
Unutilized credit lines	**-**	**(1,339,779)**	(20,097)	-	(247,859)	(1,071,823)
Total non-derivative instruments	**10,390,455**	**(11,914,195)**	**(5,799,920)**	**(1,210,664)**	**(2,150,434)**	**(2,753,177)**
Trading derivatives, net	**20,421**					
Outflow	**-**	**(2,271,009)**	(1,137,062)	(346,441)	(468,928)	(318,578)
Inflow	**-**	**2,296,619**	1,140,283	344,755	473,236	338,345
Derivatives used for hedging, net	**(3,753)**					
Outflow	**-**	**(72,737)**	(908)	(1,611)	(5,324)	(64,894)
Inflow	**-**	**71,821**	63	199	732	70,827
Total derivatives	**16,668**	**24,694**	**2,376**	**(3,098)**	**(284)**	**25,700**
Total financial liabilities	**10,407,123**	**(11,889,501)**	**(5,797,544)**	**(1,213,762)**	**(2,150,718)**	**(2,727,477)**

MATURITY TABLE AS AT 31 DECEMBER 2012	CARRYING AMOUNT	GROSS IN (OUT) FLOW	UP TO 1 MONTH	FROM1 TO 3 MONTHS	FROM 3 MONTHS TO 1 YEAR	OVER 1 YEAR
Non derivative instruments						
Deposits from banks	**1,835,550**	**(1,927,297)**	(170,395)	(13,849)	(79,906)	(1,663,147)
Deposits from customers	**8,227,899**	**(8,292,839)**	(2,456,225)	(1,587,219)	(2,749,156)	(1,500,239)
Subordinated liabilities	**218,643**	**(242,064)**	-	-	-	(242,064)
Issued financial guarantee contracts	**13,626**	**(13,626)**	-	-	-	(13,626)
Unutilized credit lines	**-**	**(1,245,507)**	(18,683)	-	(230,419)	(996,406)
Total non-derivative instruments	**10,295,718**	**(11,721,333)**	**(2,645,303)**	**(1,601,068)**	**(3,059,481)**	**(4,415,482)**
Trading derivatives, net	**2,598**					
Outflow	**-**	**(2,658,172)**	(1,369,465)	(366,675)	(569,174)	(352,858)
Inflow	**-**	**2,664,528**	1,358,471	367,342	570,968	367,747
Derivatives used for hedging, net	**(7,669)**					
Outflow	**-**	**(9,785)**	(2,546)	(253)	(1,356)	(5,630)
Inflow	**-**	**2,086**	373	37	207	1,469
Total derivatives	**(5,071)**	**(1,343)**	**(13,167)**	**451**	**645**	**10,728**
Total financial liabilities	**10,290,647**	**(11,722,676)**	**(2,658,470)**	**(1,600,617)**	**(3,058,836)**	**(4,404,754)**

(d) Credit risks

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

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

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

(i) Credit risk in the trading book

For the purposes of portfolio management and risk limitation in the derivatives and security financing business with banks and customers, UniCredit Bulbank uses the group internal counterparty risk model based on Monte Carlo simulations by estimating the potential future exposure at portfolio level for each counterpart. Calculations are based on market volatilities, correlations between specific risk factors, future cash flows and stress considerations, taking into account netting and collateral agreements, if applicable. Subject to simulations are all major types of transactions, e. g. foreign exchange and interest rate derivatives, equity / bond-related instruments, credit derivatives and commodity derivatives.

Treasury credit lines utilisation for derivatives and security financing business is available on-line in the central treasury system operated on group-wide basis.

Additionally, UniCredit Bulbank limits the credit risk arising from its derivatives and repo-based business through strict use of master agreements, ongoing monitoring of documentation standards by legal experts, and application of break clauses and collateral agreements.

Regulatory trading book includes financial assets held for trading purposes and derivatives, not held in conjunction with banking book positions.

The analysis based on client credit quality and rating (where available) as of December 31, 2013 and December 31, 2012 is as shown in the next table:

In thousands of BGN

	31.12.2013	31.12.2012
Government bonds		
Rated BBB	13,001	50,242
Bonds of credit institutions		
Rated AAA	-	29,841
Corporate bonds		
Unrated	872	614
	-	
Derivatives (net)		
Banks and financial institution counterparties	(34,566)	(94,802)
Corporate counterparties	54,986	97,400
Total trading assets and liabilities	**34,293**	**83,295**

(ii) Credit risk in the banking book

Credit risk, inherent in the banking book, is managed as the creditworthiness of Bank's clients is assessed for the whole life of the loan, from the date of initial loan application till the date of final repayment. Issued Letters of Guarantees, Letters of Credit and all other irrevocable credit commitments fell also within the scope of Bank's credit risk monitoring. As a credit risk mitigation policy, Bank accepts different types of collaterals depending on the product and client.

Competences for evaluation and classification of risk exposures, assessment and quantification of impairment allowances and provisions for credit risk are exclusively within the responsibility of Provisioning and Restructuring Committee (PRC) established in the Bank.

The Bank applies the principle of individual and collective assessment of credit risk exposures depending on existence or non-existence of objective impairment indicators and considering the adopted individually significant materiality threshold.

Objective impairment indicators are those "loss events" that have occurred after initial recognition of the exposure and which have an impact on the exposure estimated future cash flows. In order to provide consistency in the risk measurement, the Bank assumes existence of objective impairment indicators in case of occurrence of a default event as per the approved "Methodology paper on Default according to Basel II".

Exposures with objective evidence for impairment (defaulted exposures) generally trigger specific impairment allowances (calculation amount based on individual assessment or portfolio model-based). For all exposures that are not defaulted, impairment assessment is done on a portfolio basis combining exposures with similar credit characteristics. The Bank adopts Expected Loss (EL) concept for assessing impairment on portfolio basis, considering expected default probability within one year horizon, adjusted by Loss Confirmation Period (LCP) in order to translate it into incurred loss as defined by IFRS (IBNR concept).

Risk assessment is done at least once per month. Credit risk methodology adopted by the Bank is explicitly defined in the Policy for evaluation of risk exposures. The process of evaluation of contingent liabilities and allocation of provisions as per the requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" is performed specifically whenever provision allocation indicator exists, as per the current Policy, and mandatory by the year-end for the purposes of drawing annual financial statements of the Bank.

Credit risk monitoring is also focused on fulfilment of statutory lending limits set in Law on Credit Institutions. Exposure to one customer or group of related customers exceeding 10% of 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 customer or group of related customers must not exceed 25% of the capital base of the Bank. The table below shows the ratio of the biggest exposure to a group of customers and the top five biggest groups of customers as of December 31, 2013 and December 31, 2012.

In thousands of BGN

	CREDIT RISK EXPOSURE BEFORE RISK TRANSFER		CREDIT RISK EXPOSURE AFTER RISK TRANSFER		% OF OWN FUNDS	
	2013	2012	2013	2012	2013	2012
Biggest credit risk exposure to customers' group	480,503	314,258	442,913	265,362	23.5%	14.1%
Credit risk exposure to top five biggest customers' groups	1,037,893	876,633	946,466	799,631	50.2%	42.5%

The table below analyses the breakdown of impairment allowances as of December 31, 2013 and December 31, 2012 on loans and advances to customers:

In thousands of BGN

	CARRYING AMOUNT BEFORE IMPAIRMENT		IMPAIRMENT ALLOWANCE		CARRYING AMOUNT	
	2013	2012	2013	2012	2013	2012
Impaired	**1,424,134**	**1,216,733**	**838,117**	**693,991**	**586,017**	**522,742**
individually assessed	759,076	516,945	358,585	254,034	400,491	262,911
portfolio based	665,058	699,788	479,532	439,957	185,526	259,831
Collectively impaired	**6,795,826**	**6,846,587**	**51,578**	**60,613**	**6,744,248**	**6,785,974**
Past due but not impaired	**197,097**	**233,702**	**-**	**-**	**197,097**	**233,702**
individually assessed	135,714	159,310	-	-	135,714	159,310
portfolio based	61,383	74,392	-	-	61,383	74,392
Past due comprises						
up to 90 days	21,397	42,010	-	-	21,397	42,010
from 91 to 180 days	6,420	12,168	-	-	6,420	12,168
over 181 days	169,280	179,524	-	-	169,280	179,524
	197,097	233,702	-	-	197,097	233,702
Neither past due nor impaired	**1,110,441**	**1,004,420**	**-**	**-**	**1,110,441**	**1,004,420**
Total	**9,527,498**	**9,301,442**	**889,695**	**754,604**	**8,637,803**	**8,546,838**

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

In thousands of BGN

	LOANS AND ADVANCES TO CUSTOMERS	
	31.12.2013	31.12.2012
Impaired defaulted exposures		
Cash collateral	237	395
Property	1,311,587	1,034,050
Other collateral	2,573,937	2,635,478
Collectively impaired performing exposures (IBNR)		
Cash collateral	53,754	22,108
Property	7,240,872	6,989,031
Debt securities	-	119
Other collateral	16,925,587	18,821,462
Past due but not impaired defaulted exposures		
Cash collateral	798	327
Property	475,658	550,931
Other collateral	407,145	553,438
Neither past due nor impaired performing exposures		
Cash collateral	83,754	80,169
Property	1,986,664	2,140,023
Debt securities	9,638	10,000
Other collateral	577,306	662,374
Total	**31,646,937**	**33,499,905**

The concentration of risk exposures in different sectors of the economy as well as geographical spread out is as outlined in table below as of December 31, 2013 and December 31, 2013.

In thousands of BGN

	LOANS AND ADVANCES TO CUSTOMERS		LOANS AND ADVANCES TO BANKS		INVESTMENT SECURITIES	
	2013	2012	2013	2012	2013	2012
Concentration by sectors						
Sovereign	313,270	64,925	-	-	1,014,662	874,758
Manufacturing	1,974,560	2,030,038	-	-	-	-
Commerce	1,848,318	1,941,503	-	-	-	-
Construction and real estate	1,690,299	1,662,072	-	-	97	97
Agriculture and forestry	300,881	225,671	-	-	-	-
Transport and communication	260,757	252,408	-	-	655	655
Tourism	164,456	153,892	-	-	-	
Services	342,580	313,055	-	-	-	-
Financial services	196,716	223,349	1,841,958	1,713,901	60,246	41,755
Retail (individuals)						
Housing loans	1,652,031	1,653,414	-	-	-	-
Consumer loans	783,630	781,115	-	-	-	-
	9,527,498	**9,301,442**	**1,841,958**	**1,713,901**	**1,075,660**	**917,265**
Impairment allowances	(889,695)	(754,604)	-	-	-	-
Total	**8,637,803**	**8,546,838**	**1,841,958**	**1,713,901**	**1,075,660**	**917,265**
Concentration by geographic location						
Europe	9,466,671	9,262,823	1,836,387	1,704,275	1,075,660	914,287
North America	25,952	129	5,298	8,533	-	2,978
Asia	311	532	133	986	-	-
Africa	34,458	37,859	-	-	-	-
South America	16	7	-	-	-	-
Australia	90	92	140	107	-	-
	9,527,498	**9,301,442**	**1,841,958**	**1,713,901**	**1,075,660**	**917,265**
Impairment allowances	(889,695)	(754,604)	-	-	-	-
Total	**8,637,803**	**8,546,838**	**1,841,958**	**1,713,901**	**1,075,660**	**917,265**

(e) Operational Risk

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

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

For the past five years, the established Operational Risk Committee (recently renamed to Operational and Reputational Risk Committee with the introduction of a Reputational Risk function in the Bank) greatly enhanced the regular exchange of information and promotion of the operational risk awareness within the Bank. Meetings are held quarterly and are attended by the Bank's senior management. The Operational and Reputational Risk Committee acts also as a Permanent Workgroup, where current operational risk issues and developments are reported, and serves as a platform for discussion of unresolved issues for the purpose of finding risk mitigation solutions.

In 2013 a new function was introduced within the scope of the responsibility of the Operational and Reputational Risk Unit, the Reputational Risk. Reputational risk is defined as the current or prospective risk to earnings and capital arising from adverse perception of the image of the financial institution on the part of customers, counterparties, shareholders/investors, regulators or employees (stakeholders). The function is in the final stage of the setup phase; the general set of principles and rules for monitoring the Reputational Risk exposure are being adopted in compliance with the UniCredit Group guidelines.

The activities in 2013 were concentrated on the further development of the operational risk management with focus on preventative and mitigation actions to reduce future losses and increase the extent of involvement of the Operational and Reputational Risk Unit in the approval process for relevant projects and products. Moreover, the risk culture within the Bank was further enhanced through an innovative online training. The latest reports show that all employees have passed the operational risk training, which illustrates outstanding operational risk awareness at Bank level.

Overall, the organisation of operational and reputational risk management at UniCredit Bulbank AD is well established, at a high level of quality, as stated in the annual self-validation report. This was confirmed by the control verifications of UniCredit Group Internal Validation, Group and Bank's Internal Audit inspections. Based on these independent assessments, the operational risk management and control system was found sound and well developed with focus on proactiveness, proposal and implementation of mitigation actions with the active involvement of the operational and reputational risk function, and all relevant units in the Bank. This fact was further supported by the "Bank of the year 2013" award to UniCredit Group by the "Operational and Regulation Risk" magazine, the most renowned and prestigious in its field worldwide. It's the first time the Group gets this prestigious award for operational risk management excellence.

(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.

In 2011 UniCredit Bulbank AD became the first Bulgarian bank authorized to use:

- Foundation Internal Rating Based (Foundation IRB or F-IRB) Approach under Basel II for the calculation of credit risk capital requirements for corporate clients and credit institutions and
- Advanced Measurement Approach (AMA) for the calculation of operational risk capital requirements

Credit Risk Weighted Assets and capital requirements calculated under the F-IRB Approach are risk sensitive as they depend directly on the borrowers' creditworthiness illustrated by their Probabilities of Default. In order to allow for smooth transition in the calculation of the capital requirements for credit risk and operational risk, Bulgarian National Bank sets a floor limit of the latter being not less than 80% of the same requirements calculated under Basel II standardised approach (STA).

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 maintain minimum Tier I ratio of 10%.

Securitization

In 2011 Bank has signed First Loss Guarantee Agreement (FLPG) with European Investment Fund, covering newly disbursed SME loans. In 2012 upon agreement for the regulatory treatment with Bulgarian National Bank, the above mentioned transaction is presented as synthetic securitization under STA for the purposes of allocating capital for credit risk under Basel II. Summary of FLPG as of December 31, 2013 is presented in the table below:

NAME	EIF JEREMIE	
Type of securitisation:	First Loss Portfolio Guarantee	
Originator:	UniCredit Bulbank	
Issuer:	European Investment Fund	
Target transaction :	Capital Relief and risk transfer	
Type of asset:	Highly diversified and granular pool of newly granted SME loans	
Quality of Assets as of December 31, 2013	Performing loans	
Agreed maximum portfolio volume:	EUR 50,000 thousand	
Nominal Value of reference portfolio :	BGN 75,848 thousand	
Issued guarantees by third parties:	First loss cash coverage by EIF	
Amount and Condition of tranching:		
Type of tranche	Senior	Junior
Reference Position as of December 31, 2013	BGN 42,111 thousand	BGN 18,568 thousand

(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, 2013 and December 31, 2012 the unconsolidated Capital base of UniCredit Bulbank AD comprises as follows:

In thousands of BGN

	31.12.2013	31.12.2012 (RESTATED)
Share capital	285,777	285,777
Statutory reserve	342,378	342,378
Retained earnings	1,312,866	1,212,905
Total capital and reserves	**1,941,021**	**1,841,060**
Deductions		
Unrealized loss on available-for-sale instruments	(694)	(155)
Intangible assets	(24,591)	(27,707)
Total deductions	**(25,285)**	**(27,862)**
Total Tier I capital	**1,915,736**	**1,813,198**
Subordinated liabilities	89,186	127,520
Total Tier II capital	**89,186**	**127,520**
Additional deductions from Tier I and Tier II capital	**(120,022)**	**(108,215)**
Total Capital base (Own funds)	**1,884,900**	**1,832,503**

For comparative reasons, due to change in accounting policy with regards to property valuation, the Bank has recalculated prior year own funds as if this policy has been effective as of December 31, 2012.

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 as well as the excess of regulatory provisions on loans over recognized impairment allowances under IFRS (for exposures treated under standardized approach) and short fall (excess of regulatory Expected Loss over IFRS impairment allowances) for exposures treated under F-IRB. For regulatory purposes the deduction is split equally between Tier I and Tier II capital.

(ii) Capital requirements

As of December 31, 2013 and December 31, 2012 the capital requirements for credit, market and operational risks are as follows:

In thousands of BGN

	31.12.2013	31.12.2012 (RESTATED)
Capital requirements for credit risk		
Exposures under standardized approach	202,694	214,086
Exposures under FIRB	453,175	494,605
Total capital requirements for credit risk	**655,869**	**708,691**
Capital requirements for market risk	**7,985**	**10,672**
Total capital requirements for operational risk	**78,173**	**69,077**
Total capital requirements for credit, market and operational risk	**754,237**	**797,536**
Additional capital requirements subject to National discretions from the Regulator	**377,118**	**398,768**
Total regulatory capital requirements	**1,131,355**	**1,196,304**
Capital Base (Own funds)	1,884,900	1,832,503
there off Tier I	1,855,725	1,759,091
Free equity (Own funds)	753,545	636,199
Total capital adequacy ratio	**19.99%**	**18.38%**
Tier I ratio	**19.68%**	**17.65%**

For comparative reasons, due to change in accounting policy with regards to property valuation, the Bank has recalculated prior year own funds as if this policy has been effective as of December 31, 2012.

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 AMA 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 judgements

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

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

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

(a) Fair value determination of financial instruments

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

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

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

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

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

Upon first adoption of IFRS 13 "Fair Value Measurement", in 2013 Bank paid specific attention on assessing and revising its valuation techniques, especially with regards to valuation of OTC derivatives and other Level 2 and Level 3 financial instruments, otherwise carried at amortized cost (loans and deposits to/from customers and banks). In doing such revision Bank has adopted UniCredit Group valuation techniques and methodologies.

OTC derivatives

CVA (Credit Value Adjustment) represents adjustment made on the valuation of OTC derivative transaction in order to properly reflect the credit risk of the derivative counter-party. It can also be referred as emanation of market value of counter-party credit risk. According to the UniCredit Group adopted methodology, CVA is calculated on bilateral basis for financial institutions and large corporate clients with available single name CDS or observable similar counterparties' asset swap spreads and CDS sector/rating index and unilateral for other corporate or retail clients based on internal risk parameters (PD and LGD). In bilateral computations DVA (Debt Value Adjustment) representing market value of Bank's own credit risk towards counterparty, is also considered (for the actual amounts of CVA/DVA adjustments for 2013 see also Note 9).

Loans and advances to banks and customers

The embodied fair valuation technique represents DCF method, where the applicable discount factor is the sum of risk free rate, expected loss and unexpected loss. The latter is valid for performing loans (those where default events are not encountered). For defaulted loans, as the allocation of impairment requires deeper analysis of the expected cash flows, in accordance with Group methodology, Management can reasonably assume that the fair value is equal to the carrying amount and all such instruments are mapped to Level 3 fair value hierarchy.

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

In this regard, according to the UniCredit Group methodology, also adopted by the Bank, whenever risk-free FV deviates by more than 5% from risk-adjusted FV, then the unobservable input has material impact on the final fair value determination, therefore the fair value of the respective instrument is mapped to Level 3. If the deviation is within the 5% threshold, the instrument is mapped to Level 2 fair value hierarchy.

Deposits from banks and customers

The embodied fair valuation technique represents DCF method, where the applicable discount factor is the sum of risk free rate and own credit spread (liquidity spreads). Since own credit spread does not have material impact on fair valuation, the fair values of all deposits form banks and customers are presented within Level 2 fair value hierarchy.

The table below analyses financial instruments by valuation method applied by the Bank as of December 31, 2013 and December 31, 2012.

In thousands of BGN

INSTRUMENT CATEGORY	LEVEL 1		LEVEL 2		LEVEL 3		TOTAL	
	2013	2012	2013	2012	2013	2012	2013	2012
Non derivative financial assets held for trading	-	-	13,001	80,083	871	614	**13,872**	**80,697**
Derivatives held for trading	-	-	81,865	124,265	50	-	**81,915**	**124,265**
Derivatives used for hedging	-	-	326	-	-	-	**326**	**-**
Financial assets designated at fair value through profit or loss	-	-	-	6,875	61,549	62,751	**61,549**	**69,626**
Available for sale Investments	194,285	3,232	689,569	613,041	17,731	18,496	**901,585**	**634,769**
Held to maturity investments	128,965	18,270	1,538	247,342	-	-	**130,503**	**265,612**
Loans and advances to banks	-	-	1,843,091	1,713,788	-	-	**1,843,091**	**1,713,788**
Loans and advances to customers	-	-	6,526,073	7,790,539	2,533,426	756,444	**9,059,499**	**8,546,983**
	323,250	**21,502**	**9,155,463**	**10,575,933**	**2,613,627**	**838,305**	**12,092,340**	**11,435,740**
Financial liabilities held for trading	-	-	61,494	121,667	-	-	**61,494**	**121,667**
Derivatives used for hedging	-	-	4,079	7,669	-	-	**4,079**	**7,669**
Deposits from banks	-	-	1,413,521	1,838,727	-	-	**1,413,521**	**1,838,727**
Deposits from customers	-	-	8,727,933	8,272,616	-	-	**8,727,933**	**8,272,616**
Subordinated liabilities	-	-	212,847	218,643	-	-	**212,847**	**218,643**
	-	**-**	**10,419,874**	**10,459,322**	**-**	**-**	**10,419,874**	**10,459,322**

The movement in financial instruments belonging to Level 3 for the year ended December 31, 2013 is as follows:

In thousands of BGN

	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE FOR SALE INVESTMENTS
Opening balance (January 1, 2013)	**614**	**62,751**	**18,496**
Increases	**469**	**1,553**	**-**
Profit recognized in income statement	328	1,553	-
Transfer from other levels	141	-	-
Decreases	**(162)**	**(2,755)**	**(765)**
Sales	-	-	-
Redemption	(73)	(2,081)	(600)
Loses recognized in income statement	(89)	(674)	(10)
Loses recognized in equity	-	-	(72)
Other decreases	-	-	(83)
Closing balance (December 31, 2013)	**921**	**61,549**	**17,731**

The tables below analyses the fair value of financial instruments by classification as of December 31, 2013 and December 31, 2012.

In thousands of BGN

DECEMBER 2013	FAIR VALUE THROUGH PROFIT OR LOSS	HELD-TO-MATURITY	LOANS AND RECEIVABLES	AVAILABLE FOR SALE	CFH DERIV.	OTHER AMORTIZED COST	TOTAL CARRYING AMOUNT	FAIR VALUE
ASSETS								
Cash and balances with Central bank		-	-	-	-	728,729	**728,729**	**728,729**
Non-derivative financial assets held for trading	13,872	-	-	-	-	-	**13,872**	**13,872**
Derivatives held for trading	81,915	-	-	-	-	-	**81,915**	**81,915**
Derivatives held for hedging	-	-	-		326		**326**	**326**
Financial assets designated at fair value through profit or loss	61,549	-	-	-	-	-	**61,549**	**61,549**
Loans and advances to banks	-	-	1,841,958	-	-	-	**1,841,958**	**1,843,091**
Loans and advances to customers	-	-	8,637,803	-	-	-	**8,637,803**	**9,059,499**
Available for sale Investments	-	-	-	901,585	-	-	**901,585**	**901,585**
Held to maturity Investments	-	125,071	-	-	-	-	**125,071**	**130,503**
TOTAL ASSETS	**157,336**	**125,071**	**10,479,761**	**901,585**	**326**	**728,729**	**12,392,808**	**12,821,069**
LIABILITIES								
Financial liabilities held for trading	61,494	-	-	-	-	-	**61,494**	**61,494**
Derivatives used for hedging	-	-	-	-	4,079	-	**4,079**	**4,079**
Deposits from banks	-	-	-	-	-	1,464,959	**1,464,959**	**1,413,521**
Deposits from customers	-	-	-	-	-	8,705,491	**8,705,491**	**8,727,933**
Subordinated liabilities	-	-	-	-	-	220,005	**220,005**	**212,847**
TOTAL LIABILITIES	**61,494**	**-**	**-**	**-**	**4,079**	**10,390,455**	**10,456,028**	**10,419,874**

In thousands of BGN

DECEMBER 2012	FAIR VALUE THROUGH PROFIT OR LOSS	HELD-TO-MATURITY	LOANS AND RECEIVABLES	AVAILABLE FOR SALE	CFH DERIVATIVES	OTHER AMORTIZED COST	TOTAL CARRYING AMOUNT	FAIR VALUE
ASSETS								
Cash and balances with Central bank	-	-	-	-	-	906,397	**906,397**	**906,397**
Non-derivative financial assets held for trading	80,697	-	-	-	-	-	**80,697**	**80,697**
Derivatives held for trading	124,265	-	-	-	-	-	**124,265**	**124,265**
Financial assets designated at fair value through profit or loss	69,626	-	-	-	-	-	**69,626**	**69,626**
Loans and advances to banks	-	-	1,713,901	-	-	-	**1,713,901**	**1,713,788**
Loans and advances to customers	-	-	8,546,838	-	-	-	**8,546,838**	**8,546,983**
Available for sale Investments	-	-	-	634,769		-	**634,769**	**634,769**
Held to maturity Investments	-	254,997	-	-	-	-	**254,997**	**265,612**
TOTAL ASSETS	**274,588**	**254,997**	**10,260,739**	**634,769**	**-**	**906,397**	**12,331,490**	**12,342,137**
LIABILITIES								
Financial liabilities held for trading	121,667	-	-	-	-	-	**121,667**	**121,667**
Derivatives used for hedging	-	-	-	-	7,669	-	**7,669**	**7,669**
Deposits from banks	-	-	-	-	-	1,835,550	**1,835,550**	**1,838,727**
Deposits from customers	-	-	-	-	-	8,227,899	**8,227,899**	**8,272,616**
Subordinated liabilities	-	-	-	-	-	218,643	**218,643**	**218,643**
TOTAL LIABILITIES	**121,667**	**-**	**-**	**-**	**7,669**	**10,282,092**	**10,411,428**	**10,459,322**

(b) Fair value determination of non-financial assets

Fair value determination of non-financial assets is usually applied on non-recurring basis when measuring recoverable amount of investment properties. Bank has adopted the approach whereas recoverable amount for all investment properties is deemed to be their fair value (cost to sell considered immaterial). Fair value is assessed based on external valuation considering highest and best use of the asset. As of December 31, 2013 all investment properties have undergone external fair valuation and whenever the assessed fair value was below carrying amount, impairment has been recognized (see also Note **30**)

(c) Impairment of financial instruments

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

Collectively assessed impairment losses cover credit losses inherent in portfolios of loans bearing similar economic characteristics when there is an objective evidence to suggest that they contain impaired loans. In such assessments, factors that are mostly considered include credit quality, portfolio size, concentration and economic factors. Practically collective impairment allowances are based on expected loss calculated for the respective portfolio, adjusted by average loss confirmation period in order to arrive at incurred loss as of the measurement date. As of December 31, 2013 and December 31, 2012 the average applied loss confirmation period is 6 months.

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

(d) Provisions

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

6. Segment reporting

Business segments pay and receive interest from the Asset-Liability Management Department (ALM) on arms' length basis, through given Fund Transfer Pricing rate (FTP) to reflect the funding costs per currencies/tenors. Allocation of capital is also carried out, in proportion to respective RWA.

The Bank operates the following main business segments:

- Retail banking;
- Corporate and Investment Banking and private Banking;
- Asset-Liability Management Dept. and other.

In thousands of BGN

DECEMBER 2013	RETAIL BANKING	CIB AND PRIVATE BANKING	ALM AND OTHER	TOTAL
Net interest income	215,670	241,165	(39,696)	**417,139**
Dividend income	-	-	1,205	**1,205**
Net fee and commission income	100,603	64,581	(85)	**165,099**
Net gains (losses) from financial assets and liabilities held for trading	14,874	37,438	(11,131)	**41,181**
Net gains (losses) from other financial assets designated at fair value through profit or loss	-	310	-	**310**
Net income from investments	-	1,819	7	**1,826**
Other operating income	350	(353)	12,238	**12,235**
TOTAL OPERATING INCOME	**331,497**	**344,960**	**(37,462)**	**638,995**
Personnel expenses	(42,507)	(14,617)	(43,122)	**(100,246)**
General and administrative expenses	(77,603)	(24,767)	(18,431)	**(120,801)**
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	(16,394)	(3,238)	(11,275)	**(30,907)**
Total direct expenses	**(136,504)**	**(42,622)**	**(72,828)**	**(251,954)**
Allocation of indirect and overhead expenses	(44,418)	(23,434)	67,852	**-**
TOTAL OPERATING EXPENSES	**(180,922)**	**(66,056)**	**(4,976)**	**(251,954)**
Provisions for risk and charges	-	-	(9,691)	**(9,691)**
Net impairment loss on financial assets	(38,792)	(179,177)	7	**(217,962)**
Net income related to property, plant and equipment	-	-	922	**922**
PROFIT BEFORE INCOME TAX	**111,783**	**99,727**	**(51,200)**	**160,310**
Income tax expense	-	-	(16,671)	**(16,671)**
PROFIT FOR THE YEAR	**111,783**	**99,727**	**(67,871)**	**143,639**
ASSETS	**2,993,196**	**7,340,189**	**2,336,787**	**12,670,172**
LIABILITIES	**4,454,527**	**4,308,196**	**1,803,120**	**10,565,843**

In thousands of BGN

DECEMBER 2012 (RESTATED)	RETAIL BANKING	CIB AND PRIVATE BANKING	ALM AND OTHER	TOTAL
Net interest income	210,573	223,020	(27,426)	**406,167**
Dividend income			10,248	**10,248**
Net fee and commission income	93,950	60,448	(177)	**154,221**
Net gains (losses) from financial assets and liabilities held for trading	13,591	47,727	(918)	**60,400**
Net gains (losses) from other financial assets designated at fair value through profit or loss	-	2,698	-	**2,698**
Net income from investments	-	692	42	**734**
Other operating income	95	(599)	5,409	**4,905**
TOTAL OPERATING INCOME	**318,209**	**333,986**	**(12,822)**	**639,373**
Personnel expenses	(43,138)	(14,679)	(44,092)	**(101,909)**
General and administrative expenses	(74,797)	(23,756)	(17,939)	**(116,492)**
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	(18,967)	(3,634)	(11,945)	**(34,546)**
Total direct expenses	**(136,902)**	**(42,069)**	**(73,976)**	**(252,947)**
Allocation of indirect and overhead expenses	(46,996)	(24,640)	71,636	**-**
TOTAL OPERATING EXPENSES	**(183,898)**	**(66,709)**	**(2,340)**	**(252,947)**
Provisions for risk and charges	-	-	5,931	**5,931**
Net impairment loss on financial assets	(30,826)	(123,918)	62	**(154,682)**
Net income related to property, plant and equipment	-	-	1,215	**1,215**
PROFIT BEFORE INCOME TAX	**103,485**	**143,359**	**(7,954)**	**238,890**
Income tax expense	-	-	(24,593)	**(24,593)**
PROFIT FOR THE YEAR	**103,485**	**143,359**	**(32,547)**	**214,297**
ASSETS	**2,959,540**	**8,326,168**	**1,307,927**	**12,593,635**
LIABILITIES	**4,106,931**	**4,172,054**	**2,243,135**	**10,522,120**

7. Net interest income

In thousands of BGN

	2013	2012
Interest income		
Financial assets held for trading	1,503	4,675
Derivatives held for trading	54,870	40,366
Financial assets designated at fair value through profit or loss	4,286	4,727
Loans and advances to banks	5,362	7,952
Loans and advances to customers	540,931	547,327
Available for sale investments	24,569	18,920
Held to maturity investments	7,560	14,052
	639,081	**638,019**
Interest expense		
Derivatives held for trading	(47,673)	(36,036)
Derivatives used for hedging	(2,513)	(2,619)
Deposits from banks	(22,608)	(32,701)
Deposits from customers	(144,250)	(154,758)
Subordinated debt	(4,898)	(5,738)
	(221,942)	**(231,852)**
Net interest income	**417,139**	**406,167**

For the financial years ended December 31, 2013 and December 31, 2012 the interest income recognized on impaired financial instruments (loans and advances to customers) is in the amount of BGN 25,693 thousand and BGN 28,859 thousand, respectively.

8. Net fee and commission income

In thousands of BGN

	2013	2012
Fee and commission income		
Collection and payment services	91,495	78,542
Lending business	21,417	23,726
Account services	10,642	17,681
Management, brokerage and securities trading	6,756	3,430
Documentary business	16,612	14,968
Package accounts	12,381	10,803
Other	15,278	13,228
	174,581	**162,378**
Fee and commission expense		
Collection and payment services	(8,139)	(6,746)
Management, brokerage and securities trading	(1,036)	(815)
Lending business	(110)	(185)
Other	(197)	(411)
	(9,482)	**(8,157)**
Net fee and commission income	**165,099**	**154,221**

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

In thousands of BGN

	2013	2012
FX trading income, net	38,741	39,172
Net income from debt instruments	1,297	2,843
Net income from equity instruments	-	422
Net income from derivative instruments	1,140	17,963
Net income from hedging derivative instruments	3	-
Net gains on financial assets and liabilities held for trading and hedging derivatives	**41,181**	**60,400**

The total CVA (net of DVA) for the year ended December 31, 2013, included in position net income from derivative instruments is in the amount of BGN (6,355) thousand.

10. Net gains 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 value through profit or loss includes realized gains and losses on such instruments as well as unrealized ones due to fair value change. The amounts for the years ended December 31, 2013 and December 31, 2012 are BGN 310 thousand and BGN 2,698 thousand, respectively.

11. Net income from investments

In thousands of BGN

	2013	2012
Realised gains on disposal of available for sale investments	1,819	692
Income from liquidation of associates	7	42
Net income from investments	**1,826**	**734**

Income from liquidation of associates represents recovery from previously written down investment in an associate upon its liquidation.

12. Other operating income, net

In thousands of BGN

	2013	2012
Other operating income		
Income from intergovernmental agreements	10,146	-
Income from non-financial services	2,213	1,506
Rental income from investment property	495	481
Other income	1,398	3,251
	14,252	**5,238**
Other operating expenses		
Other operating expenses	(2,017)	(333)
	(2,017)	**(333)**
Other operating income, net	**12,235**	**4,905**

In 2013 the Bank has recognized income related to letters of credit acquired by the Bank in previous periods, the final settlement of which is covered by intergovernmental agreements.

13. Net income related to property, plant and equipment

Net income related to property, plant and equipment represents the net gain the Bank has realized upon disposal of long-term assets. For the years ended December 31, 2013 and December 31, 2012 the gains are in the amount of BGN 922 thousand and BGN 1,215 thousand respectively.

14. Personnel expenses

In thousands of BGN

	2013	2012
Wages and salaries	(83,580)	(83,341)
Social security charges	(10,553)	(11,844)
Pension and similar expenses	(516)	(485)
Temporary staff expenses	(1,276)	(1,288)
Share-based payments	(988)	(1,046)
Other	(3,333)	(3,905)
Total personnel expenses	**(100,246)**	**(101,909)**

As of December 31, 2013 the total number of employees, expressed in full time employee equivalent is 3,553 (December 31, 2012: 3,752)

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

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

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

In thousands of BGN

	ECONOMIC VALUE AT DECEMBER 31, 2012	2013 COST (GAINS)	SETTLED IN 2013	ECONOMIC VALUE AT DECEMBER 31, 2013
Stock Options 03 2011	234	(234)	-	-
Deferred Short Term Incentive (stock options)	32	49	-	81
Total Stock Options	**266**	**(185)**	**-**	**81**
Performance Shares 03 2011	344	(344)	-	-
Total Performance Shares	**344**	**(344)**	**-**	**-**
Deferred Short Term Incentive (ordinary shares)	829	1,375	-	2,204
Total Deferred Short Term Incentive (shares)	**829**	**1,375**	**-**	**2,204**
ESOP and shares for Talents	**243**	**142**	**-**	**385**
Total Options and Shares	**1,682**	**988**	**-**	**2,670**

15. General and administrative expenses

In thousands of BGN

	2013	2012
Deposit guarantee fund annual contribution	(34,453)	(30,589)
Advertising, marketing and communication	(7,918)	(7,139)
Credit information and searches	(2,134)	(2,048)
Information, communication and technology expenses	(33,478)	(31,228)
Consulting, audit and other professionals services	(2,131)	(3,036)
Real estate expenses	(12,127)	(12,148)
Rents	(12,636)	(13,121)
Travel expenses and car rentals	(3,261)	(3,249)
Insurance	(1,161)	(1,212)
Supply and miscellaneous services rendered by third parties	(9,567)	(8,698)
Other costs	(1,935)	(4,024)
Total general and administrative expenses	**(120,801)**	**(116,492)**

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

In thousands of BGN

	2013	2012 (RESTATED)
Depreciation charge	(28,627)	(33,447)
Impairment	**(2,280)**	(1,099)
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	**(30,907)**	**(34,546)**

As part of the standard year-end closure procedures, Bank performs impairment assessment of its long-term assets. Impairment is recognized whenever recoverable amount of the assets is lower than their carrying amount. For the years ended December 31, 2013 and December 31, 2012 the impairment of long-terms assets, is in the amount of BGN 2,280 thousand and BGN 1,099 thousand, respectively.

17. Provisions for risk and charges

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

In thousands of BGN

	2013	2012
Additions of provisions		
Legal cases provisions	(9,726)	(1,949)
Other provisions	(25)	(761)
Provisions on constructive obligations	(459)	-
	(10,210)	**(2,710)**
Reversal of provisions		
Provisions on letters of guarantee	-	306
Legal cases provisions	519	7,170
Provisions on constructive obligations	-	1,165
	519	**8,641**
Net provisions charge	**(9,691)**	**5,931**

18. Net Impairment loss on financial assets

In thousands of BGN

	2013	2012
Balance 1 January		
Loans and advances to customers	**754,604**	**677,844**
Increase		
Loans and advances to customers	296,161	250,180
Decrease		
Loans and advances to customers	(68,276)	(80,029)
Recoveries from loans previously written-off	(9,923)	(15,469)
	(78,199)	**(95,498)**
Net impairment losses	**217,962**	**154,682**
FX revaluation effect on impairment allowances	(968)	(399)
Other movements	562	-
Written-off		
Loans and advances to customers	(92,388)	(92,992)
Balance December 31		
Loans and advances to customers	**889,695**	**754,604**

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 2014.

The breakdown of tax charges in the income statement is as follows:

In thousands of BGN

	2013	2012 (RESTATED)
Current tax	(18,411)	(27,596)
Deferred tax income (expense) related to origination and reversal of temporary differences	1,847	4,097
Underprovided prior year income tax	(107)	(1,094)
Income tax expense	**(16,671)**	**(24,593)**

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

In thousands of BGN

	2013	2012 (RESTATED)
Accounting profit before tax	160,310	238,890
Corporate tax at applicable tax rate (10% for 2013 and 2012)	(16,031)	(23,890)
Tax effect of non-taxable revenue	120	1,025
Tax effect of non-tax deductible expenses	(786)	(795)
Overprovided (underprovided) prior year income tax	26	(933)
Income tax expense	**(16,671)**	**(24,593)**
Effective tax rate	**10.40%**	**10.29%**

20. Cash and balances with Central bank

In thousands of BGN

	31.12.2013	31.12.2012
Cash in hand and in ATM	181,428	161,981
Cash in transit	52,359	42,935
Current account with Central Bank	494,942	701,481
Total cash and balance with Central Bank	**728,729**	**906,397**

21. Non-derivative financial assets held for trading

In thousands of BGN

	31.12.2013	31.12.2012
Government bonds	13,001	50,242
Bonds of credit institutions	-	29,841
Corporate bonds	871	614
Total non-derivative financial assets held for trading	**13,872**	**80,697**

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

In October 2008 Management has adopted amendments in IAS 39 “Financial instruments: Recognition and measurement” issued by IASB that same month. Considering the ongoing financial markets turmoil as a possible example of “rare circumstances”, Management has changed its intention with regard to certain government bonds, previously classified as held for trading and reclassified them into held to maturity category.

The reclassification was performed retrospectively, as allowed by the amendments, with effective date July 1st, 2008. Additional information on the reclassification is presented in the table below.

In thousands of BGN

	2013	CUMULATIVELY SINCE RECLASSIFICATION (JULY 2008 - DECEMBER 2013)
Fair value changes		
Fair value gain (loss) that should have been recognized had the assets not been reclassified	(3,861)	2,575
Net interest income		
Net interest income recognized for the period after reclassification	2,139	22,730
Net interest income after reclassification that should have been recognized had the assets not been reclassified	3,014	29,772

22. Derivatives held for trading

In thousands of BGN

	31.12.2013	31.12.2012
Interest rate swaps	53,441	97,217
Equity options	5107	1,139
FX forward contracts	6,842	11,071
FX options	4	5
Other options	864	9
FX swaps	7,475	8,193
Commodity swaps	5,402	6,631
Commodity options	2,780	-
Total trading derivatives	**81,915**	**124,265**

Derivatives comprise of trading instruments that have positive market value as of December 31, 2013 and December 31, 2012. 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. Derivatives used for hedging

As described in Note **3 (j)** in 2009 Bank has adopted hedge accounting methodology aiming at managing the residual interest rate risk in banking book. As of December 31, 2013 and December 31, 2012 Bank has designated only cash flow hedge relationships with hedging instruments being interest rate swaps and hedged items being highly probable forecasted interest cash flows derived from customers’ and banks’ business (attracted deposits).

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

In thousands of BGN

	31.12.2013	31.12.2012
Government bonds	-	6,875
Municipality bonds	1,191	1,719
Corporate bonds	60,358	61,032
Total financial assets designated at fair value through profit or loss	**61,549**	**69,626**

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, 2012 assets designated at fair value through profit or loss in the amount of BGN 80 thousand are pledged either on open repo-deals and other funding deals or under regulatory requirement to pledge government bonds as collateral for servicing State Budget accounts (see also Note **44**).

25. Loans and advances to banks

In thousands of BGN

	31.12.2013	31.12.2012
Loans and advances to banks	1,802,769	948,923
Current accounts with banks	39,189	764,978
Total loans and advances to banks	**1,841,958**	**1,713,901**

Loans and advances to banks include also receivables under repurchase agreements. The outstanding amounts of such agreements as well as the market value of collaterals as of December 31, 2013 and December 31, 2012 are as follows:

In thousands of BGN

	31.12.2013		31.12.2012	
	Carrying value	**Collateral value**	**Carrying value**	**Collateral value**
Loans and advances to banks				
Receivables under repurchase agreements	84,071	82,477	27,150	27,250
Total	**84,071**	**82,477**	**27,150**	**27,250**

26. Loans and advances to customers

In thousands of BGN

	31.12.2013	31.12.2012
Companies	6,792,226	6,816,923
Individuals		
Housing loans	1,652,031	1,653,414
Consumer loans	783,630	781,115
Central and local governments	299,611	49,990
	9,527,498	**9,301,442**
Less impairment allowances	(889,695)	(754,604)
Total loans and advances to customers	**8,637,803**	**8,546,838**

27. Available for sale investments

In thousands of BGN

	31.12.2013	31.12.2012
Government bonds	883,554	613,041
Municipality bonds	6,037	6,722
Bonds of credit institutions	-	2,932
Equities	11,994	12,074
Total available for sale investments	**901,585**	**634,769**

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 carried at fair value, when such can be reliably measured, otherwise at cost. As of December 31, 2013 and December 31, 2012 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, 2013 and December 31, 2012 available for sale investments in the amount of BGN 381,121 thousand and BGN 286,760 thousand, respectively, are pledged either on open repo-deals and other funding deals or under regulatory requirement to pledge government bonds as collateral for servicing State Budget accounts (see also Note **44**).

28. Held to maturity investments

In thousands of BGN

	31.12.2013	31.12.2012
Government bonds	125,071	252,019
Bonds of credit institutions	-	2,978
Total held to maturity investments	**125,071**	**254,997**

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. All such investments are assessed for impairment and as a result of this assessment no impairment has been recognized as of December 31, 2013 and December 31, 2012.

As of December 31, 2013 and December 31, 2012 held to maturity investments in the amount of BGN 123,114 thousand and BGN 41,428 thousand, respectively, are pledged either on open repo-deals and other funding deals or under regulatory requirement to pledge government bonds as collateral for servicing State Budget accounts (see also Note **44**).

29. Investments in subsidiaries and associates

In thousands of BGN

COMPANY	ACTIVITY	SHARE IN CAPITAL DECEMBER 2013	SHARE IN CAPITAL DECEMBER 2012	CARRYING VALUE IN THOUSANDS OF BGN DEC 2013	CARRYING VALUE IN THOUSANDS OF BGN DEC 2012
UniCredit Factoring EAD	Factoring activities	100%	100%	3,000	3,000
Hypovereins Immobilien EOOD	Transport services	100%	100%	655	655
UniCredit Consumer Financing EAD	Consumer lending and other similar activities in line with the applicable law and regulations	100%	49.9%	39,238	19,574
UniCredit Leasing EAD	Leasing activities	100%	24.4%	3,408	1,770
HVB Leasing EOOD*	Leasing activities	100%	2.4%	203	80
Cash Service Company AD	Accepting, processing, safekeeping and delivering of valuable consignments with banknotes and coins to the banks	20%	20%	2,500	2,500
		Total		**49,004**	**27,579**

Included within available for sale investments as of December 31, 2012

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

Acquisitions performed in 2013

Following UniCredit Group decision for strategic reorganization activities, several acquisitions have been performed in 2013.

In January 2013, UniCredit Bulbank AD finalized the deal for acquiring the remaining 50.1% from the capital of UniCredit Consumer Financing AD from UniCredit S.p.A thus the Bank became sole owner of the capital of the company. The acquisition was effectively completed on the first working day of January 2013, therefore control is presumed on full 2013 year basis. Upon deal completion the company was renamed to UniCredit Consumer Financing EAD.

In December 2013, UniCredit Bulbank AD acquired the remaining 75.6% from the capital of UniCredit Leasing AD and 97.6% from the capital of HVB Leasing OOD, both from UniCredit Leasing S.p.A. The deals were effectively completed in mid of December and the control over the two companies is considered effective as of year-end (December 31, 2013). Upon deal completion Bank became sole owner of the capital of both companies and they were renamed, respectively to UniCredit Leasing EAD and HVB Leasing EOOD. In parallel to gaining control over the above mentioned two leasing companies, Bank also became indirect sole owner of their subsidiaries, namely Bulbank Leasing EAD, UniCredit Auto Leasing EOD and UniCredit Insurance Broker EOOD being fully owned by UniCredit Leasing EAD, as well as HVB Auto Leasing EOOD and BA Creditanstalt Bulus EOOD, being fully owned by HVB Leasing EOOD.

All acquisitions performed in 2013 represent business combinations under common control as the ultimate parent before and after the deals remains unchanged – UniCredit S.p.A. In accordance with UniCredit Group accounting policy, such combinations are performed on arm's length principle and purchase price is based on explicit external valuations. As such combinations have no effect on ultimate parent's consolidation level, the values of the newly acquired shares are presented in these financial statements at the values they have been recorded in the separate financial statements of the seller and the difference in the amount of BGN (8,643) thousand, between these values and the purchase prices paid is presented in retained earnings (see the table below).

In thousands of BGN

Book values of newly acquired shares in subsidiaries in the separate financial statement of the transferee at the date of transfer	
UniCredit Consumer Financing EAD	19,664
UniCredit Leasing EAD	1,637
HVB Leasing EOOD	124
	21,425
Total purchase price paid for new acquisitions	(30,068)
	(30,068)
Business combination under common control reserve	**(8,643)**

All investments in subsidiaries and associates are accounted for in the separate financial statements of UniCredit Bulbank AD at cost. In addition Bank also prepares Consolidated Financial Statements where all entities in which the Bank has directly or indirectly 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.

30. Property, plant, equipment and investment properties

In thousands of BGN

	LANDS	BUILDINGS	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	INVESTMENT PROPERTY	TOTAL
Cost							
As of December 31, 2012 (restated)	**5,739**	**146,067**	**5,204**	**76,500**	**41,473**	**8,694**	**283,677**
Additions	-	2,032	540	4,331	5,621	-	**12,524**
Transfers	(111)	(2,060)	13	74	(87)	2,171	**-**
Write offs	-	(603)	(284)	(2,813)	(2,280)	(3,757)	**(9,737)**
Disposals	-	-	(6)	(5,344)	(485)	(1,306)	**(7,141)**
As of December 31, 2013	**5,628**	**145,436**	**5,467**	**72,748**	**44,242**	**5,802**	**279,323**
Depreciation							
As of December 31, 2012 (restated)	**-**	**51,910**	**2,911**	**55,761**	**29,138**	**2,733**	**142,453**
Depreciation charge	-	7,206	686	7,388	5,091	344	**20,715**
Impairment	-	14	3	39	48	1,905	**2,009**
Write offs	-	(603)	(284)	(2,813)	(2,280)	(3,757)	**(9,737)**
On disposals	-	0	(4)	(5,031)	(482)	(329)	**(5,846)**
Transfers	-	(675)	6	29	(35)	675	**-**
As of December 31, 2013	**-**	**57,852**	**3,318**	**55,373**	**31,480**	**1,571**	**149,594**
Net book value as of December 31, 2013	**5,628**	**87,584**	**2,149**	**17,375**	**12,762**	**4,231**	**129,729**
Net book value as of December 31, 2012 (restated)	**5,739**	**94,157**	**2,293**	**20,739**	**12,335**	**5,961**	**141,224**

In thousands of BGN

	LANDS	BUILDINGS	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	INVESTMENT PROPERTY	TOTAL
Cost							
As of December 31, 2011	**6,400**	**188,814**	**4,739**	**82,956**	**38,303**	**10,145**	**331,357**
Restatement due to change in accounting policy on property valuation	(550)	(43,071)	-	-	-	(1,943)	(45,564)
As of December 31, 2011 (restated)	**5,850**	**145,743**	**4,739**	**82,956**	**38,303**	**8,202**	**285,793**
Additions	-	2,570	575	5,638	4,849	-	**13,632**
Transfers*	(68)	(1,633)	-	-	-	1,848	**147**
Write offs	-	(613)	(110)	(8,791)	(1,214)	-	**(10,728)**
Disposals	(43)	-	-	(3,303)	(465)	(1,356)	**(5,167)**
As of December 31, 2012 (restated)	**5,739**	**146,067**	**5,204**	**76,500**	**41,473**	**8,694**	**283,677**
Depreciation							
As of December 31, 2011	**-**	**24,472**	**2,412**	**57,953**	**26,372**	**1,904**	**113,113**
Restatement due to change in accounting policy on property valuation	-	21,091	-	-	-	329	**21,420**
As of December 31, 2011 (restated)	**-**	**45,563**	**2,412**	**57,953**	**26,372**	**2,233**	**134,533**
Depreciation charge	-	7,802	608	9,262	4,380	111	**22,163**
Impairment	-	357	1	541	22	-	**921**
Write offs	-	(1,423)	(110)	(8,830)	(1,173)	-	**(11,536)**
On disposals	-	-	-	(3,165)	(463)	-	**(3,628)**
Transfers	-	(389)	-	-	-	389	**-**
As of December 31, 2012 (restated)	**-**	**51,910**	**2,911**	**55,761**	**29,138**	**2,733**	**142,453**
Net book value as of December 31, 2012 (restated)	**5,739**	**94,157**	**2,293**	**20,739**	**12,335**	**5,961**	**141,224**
Net book value as of December 31, 2011 (restated)	**5,850**	**100,180**	**2,327**	**25,003**	**11,931**	**5,969**	**151,260**

* The transfers in the amount of BGN 147 thousand represent properties previously classified as non-current assets held for sale for which disposal in near term is no longer certain.

As disclosed in Note 3 above, in 2013 Management approved voluntarily change in accounting policy for valuation of items of property from "revaluation" model to "cost" model. Changes have been applied retrospectively in accordance with IAS 8 as if this policy has always been in place.

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

For investment property Bank assesses that fair value of the assets closely approximates their recoverable amount (costs to sell are ignored as immaterial). As of December 31, 2013 all investment properties have undergone external independent fair valuation and when the latter resulted in lower value than the carrying amount, impairment has been recognized (total impairment on investment properties recognized for the year ended December 31, 2013 amounts to BGN 1,905 thousand). The following table illustrates the fair value of investment properties as of December 31, 2013 and December 31, 2012. The fair value of is investment properties as of December 31, 2013 and December 31, 2012 is ranked Level 2 as per fair value hierarchy.

In thousands of BGN

	CARRYING AMOUNT		FAIR VALUE	
	2013	2012 (RESTATED)	2013	2012
Investment properties				
Land	354	540	988	583
Buildings	3,877	5,421	4,881	7,982
Total investment properties	**4,231**	**5,961**	**5,869**	**8,565**

31. Intangible assets

In thousands of BGN

Cost	
As of December 31, 2012	**74,520**
Additions	5,067
Write offs	(583)
As of December 31, 2013	**79,004**
Depreciation	
As of December 31, 2012	**46,813**
Depreciation charge	7,912
Impairment	271
Write offs	(583)
As of December 31,2013	**54,413**
Net book value as of December 31, 2013	**24,591**
Net book value as of December 31, 2012	**27,707**

In thousands of BGN

Cost	
As of December 31, 2011	**69,542**
Additions	7,607
Write offs	(2,438)
Disposals	(191)
As of December 31,2012	**74,520**
Depreciation	
As of December 31, 2011	**37,808**
Depreciation charge	11,284
Impairment	178
Write offs	(2,438)
On disposals	(19)
As of December 31,2012	**46,813**
Net book value as of December 31, 2012	**27,707**
Net book value as of December 31, 2011	**31,734**

32. Current tax

The current tax assets comprise of Bank's net tax position with regard to corporate income tax as of December 31, 2013 and December 31, 2012. According to the statutory requirements, Bank pays during the year advance instalments for corporate income tax on the basis of its tax profit for the prior year. Based on that as of December 31, 2013 and December 31, 2012 Bank has net prepaid position in the amount of BGN 6,602 thousand BGN 1,918 thousand, respectively. Both amounts are presented as current tax assets.

33. Deferred tax

The origination breakdown of the deferred tax assets and liabilities as of December 31, 2013 and December 31, 2012 is as outlined below:

In thousands of BGN

	ASSETS		LIABILITIES		NET	
	2013	2012 (RESTATED)	2013	2012 (RESTATED)	2013	2012 (RESTATED)
Property, plant, equipment, investment properties and intangible assets	(44)	(30)	7,818	8,094	7,774	8,064
Available for sale investments	(2,663)	(2,377)	3,535	3,249	872	872
Provisions	(2,292)	(1,520)	-	-	(2,292)	(1,520)
Actuarial gains (losses)	(85)	(85)	-	-	(85)	(85)
Cash flow hedge	(269)	(558)	269	558	-	-
Other liabilities	(3,643)	(3,312)	-	-	(3,643)	(3,312)
Net tax (assets) liabilities	**(8,996)**	**(7,882)**	**11,622**	**11,901**	**2,626**	**4,019**

The movements of deferred tax assets and liabilities on net basis throughout 2013 are as outlined below:

In thousands of BGN

	BALANCE 31.12.2012 (RESTATED)	RECOGNISED IN P&L	RECOGNISED IN EQUITY	BALANCE 31.12.2013
Property, plant, equipment, investment properties and intangible assets	8,064	(290)	-	7,774
Available for sale investments	872	(166)	166	872
Provisions	(1,520)	(772)	-	(2,292)
Actuarial gains (losses)	(85)	-	-	(85)
Cash flow hedge	-	(288)	288	-
Other liabilities	(3,312)	(331)	-	(3,643)
Net tax (assets) liabilities	**4,019**	**(1,847)**	**454**	**2,626**

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

Bank presents as non-current assets and disposal group held for sale only properties that no longer will be used in the ordinary activity of the Bank nor will be utilized as investment properties. For all such assets Management has started intensively looking for a buyer and the selling negotiations are in advance stage as of the year-ends. The assets in the amount of BGN 797 thousand as of December 31, 2011, have been fully disposed in 2012 with exception of one property for which the disposal in near term became uncertain. That property has been reclassified back to property, plant, equipment and investment properties (see also Note **30**).

35. Other assets

In thousands of BGN

	31.12. 2013	31.12.2012
Receivables and prepayments	29,034	28,722
Receivables from the State Budget	-	18
Materials, spare parts and consumables	778	1,210
Other assets	4,851	5,051
Foreclosed properties	23,779	20,914
Total other assets	**58,442**	**55,915**

36. Financial liabilities held for trading

In thousands of BGN

	31.12.2013	31.12.2012
Interest rate swaps	35,405	84,425
FX forward contracts	7,565	25,792
Equity options	5,438	1,137
Other options	73	9
FX options	5	5
FX swaps	5,469	5,154
Commodity swaps	4,670	5,145
Commodity options	2,869	-
Total trading liabilities	**61,494**	**121,667**

37. Deposits from banks

In thousands of BGN

	31.12.2013	31.12.2012
Current accounts and overnight deposits		
Local banks	89,541	55,779
Foreign banks	48,096	15,742
	137,637	**71,521**
Deposits		
Local banks	137,297	119,252
Foreign banks	1,173,887	1,626,261
	1,311,184	**1,745,513**
Other	**16,138**	**18,516**
Total deposits from banks	**1,464,959**	**1,835,550**

38. Deposits from customers

In thousands of BGN

	31.12.2013	31.12/2012
Current accounts		
Individuals	749,642	658,854
Corporate	2,217,725	1,827,671
Budget and State companies	288,491	235,877
	3,255,858	**2,722,402**
Term deposits		
Individuals	2,898,209	2,819,484
Corporate	1,778,912	2,056,437
Budget and State companies	52,250	65,902
	4,729,371	**4,941,823**
Saving accounts	**612,564**	**488,426**
Transfers in execution process	**107,698**	**75,248**
Total deposits from customers	**8,705,491**	**8,227,899**

Deposits from customers comprise of outstanding balances on clients' current accounts, term deposits and saving accounts as well as respective accrued interest on them as of the reporting date.

As of December 31, 2013 and December 31, 2012 there are transfers in execution that have either not left the Bank's patrimony (outgoing payments), or clients' accounts have not been yet credited (incoming payments). These temporary balances are presented as deposits from customers under transfers in execution and process.

39. Subordinated liabilities

As of December 31, 2013 the subordinated liabilities with total amount of BGN 220,005 thousand represents 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, 2013	OUTSTANDING AMOUNT AS OF DECEMBER 31, 2012
November 26, 2004	10 years	19,558	26,070	25,733
December 20, 2004	10 years	19,558	26,102	25,765
February 3, 2005	10 years	25,426	32,881	32,543
August 2, 2005	10 years	29,337	37,020	36,686
November 19, 2008	10 years	97,792	97,932	97,916
Total		**191,671**	**220,005**	**218,643**

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.

40. Provisions

Balances of provisions as of December 31, 2013 and December 31, 2012 are as follows:

In thousands of BGN

	LETTERS OF GUARANTEE	LEGAL CASES	RETIREMENT BENEFITS	CONSTRUCTIVE OBLIGATIONS	OTHER	TOTAL
	(a)	(b)	(c)	(d)	(e)	
Balance as of December 31, 2012 (restated)	**13,626**	**12,429**	**4,685**	**756**	**765**	**32,261**
Allocations	-	9,726	516	459	25	10,726
Releases	-	(519)	-	-	-	(519)
Additions due to FX revaluation	5,592	2,016	-	-	-	7,608
Releases due to FX revaluation	(6,185)	(2,230)	-	-	-	(8,415)
Actuarial gains/losses recognized in OCI	-	-	(3)	-	-	(3)
Utilization	-	(1,033)	(256)	(168)	(234)	(1,691)
Balance as of December 31, 2013	**13,033**	**20,389**	**4,942**	**1,047**	**556**	**39,967**

(a) Provisions on letters of guarantees

Provisions on letters of guarantees represent inherent credit risk losses embedded in undertaken by the Bank contingent liabilities, whereas based on performed risk assessment by the respective bodies of the Bank, it is more likely that the Bank would have to settle the obligation upon fulfilment of some uncertain events.

As of December 31, 2013 Bank assessed its entire portfolio of issued letters of guarantee and quantified provisions in the amount of BGN 13,033 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, 2013 Bank has assessed its position in legal cases against it, and provision in the amount of BGN 20,389 thousand has been recognized.

(c) Retirement benefit provision

Retirement benefit provision represents the present value of the bank's liability in accordance with Collective Labour Agreement as of the reporting date. Actuarial gains/losses adjust the value of the defined benefit liability with corresponding item recognized in the Statement of comprehensive income.

Major assumptions underlying in 2013 Defined benefit obligation are as follows:

- Discount rate – 3.40%;
- Salary increase – 5% p.a.;
- Retirement age: Men 63 and 8 months, women 60 and 8 months for 2013 and increase by 4 months each year until we get 65 for men and 63 for women (increase starts from 2015 as for 2014 the retirement age is frozen to the level of 2013)

The movement of the defined benefit obligation for year ended 2012 and expected services cost, interest costs and amortization of actuarial gains/losses for the following year are outlined in the table below:

In thousands of BGN

Recognized defined benefit obligation as of December 31, 2012 (restated)	**4,685**
Current service costs for 2013	363
Interest cost for 2013	153
Actuarial gains recognized in OCI	(3)
Benefits paid	(256)
Recognized defined benefit obligation as of December 31, 2013	**4,942**
Interest rate beginning of the year	3.40%
Interest rate end of the year	3.60%
Future increase of salaries	5.0%
Expected 2014 service costs	356
Expected 2014 interest costs	166
Expected 2014 benefit payments	757

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

The major factors impacting the present value of defined benefit obligation are those of discount rate and future salary increase rate. Sensitivity analysis of those two shows that by increasing/decreasing the discount rate by 0.25%, the present value of the defined benefit obligation would be respectively BGN 4,827 thousand and BGN 5,063 thousand. By increasing/decreasing the expected salary increase rate by 0.25%, the present value of the defined benefit obligation would be respectively BGN 5,061 thousand and BGN 4,828 thousand.

(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 respective amounts as of December 31, 2013 and December 31, 2012 are as follows:

In thousands of BGN

	31.12. 2013	31.12.2012
Provisions in accordance with Instruction I-171 of BNB and Ministry of Internal Affairs	588	756
Provisions related to passportization of buildings	459	-
Total provisions on constructive obligation	**1,047**	**756**

As of December 31, 2013 and December 31, 2012 the provisions on constructive obligations in accordance with Instructions I-171 of BNB and Ministry of Internal Affairs, related to security standards of the premises and safe-deposits boxes, are provided.

In accordance with the requirements set out in Law on Territory Planning, Energy Efficiency Act and some other related regulations Bank has to perform until the end of 2014, energy efficiency assessment and technical passportization of all owned buildings with Gross Floor Area above 500 sq. m. Management of the Bank has assessed that 73 properties should undergo technical passportization and estimated that the direct cost related to its successful completion amount to BGN 459 thousand. The latter represents constructive obligation of the Bank based on already effective, as of date of preparation of this financial statements, legal requirements, therefore provision in the amount of BGN 459 thousand has been provided as of December 31, 2013.

(e) Other provision

Other provisions in the amount of BGN 556 thousand (BGN 765 thousand in 2012) relates to coverage of claims related to credit cards business as well as other claims.

41. Other liabilities

In thousands of BGN

	31.12.2013	31.12.2012
Liabilities to the State budget	4,301	3,912
Liabilities to personnel	23,745	21,930
Liabilities for unused paid leave	5,486	5,839
Dividends	460	461
Incentive plan liabilities	2,670	1,682
Other liabilities	21,564	32,706
Total other liabilities	**58,226**	**66,530**

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

Liability to personnel includes accrued not paid liability to employees with regard to additional performance payments. The amounts represent Management best estimate for the goals achieved throughout 2013 and 2012 in accordance with the defined target settings and adopted incentive programs.

Liabilities for unused paid leave represent quantification of Bank's current liability due to employees for unutilized current and prior years leave.

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

42. Equity

a) Share capital

As of December 31, 2013 and December 31, 2012 share capital comprises of 285,776,674 ordinary shares with nominal value of BGN 1 each. All shares give equal voting rights to their holders.

b) Statutory reserves

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

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. In this position Bank also shows the difference between the purchase price paid for newly acquired subsidiaries in business combinations under common control and their book value as recorded in the separate financial statements of the transferor as of the date of transfer. In 2013 following the acquisitions in UniCredit Consumer Financing EAD, UniCredit Leasing EAD and HVB Leasing EOOD, that difference is in the amount of BGN (8,643) thousand.

d) Revaluation reserves

Revaluation reserves include those related to fair value changes on available for sale investments and derivatives designated as effective hedging instrument in cash flow hedge relationship as well as actuarial gains/losses on remeasurement of defined benefit obligation in accordance with IAS 19 "Employee Benefits".

Revaluation reserves related to available for sale investments and derivatives designated as effective hedging instruments in cash flow hedge relationship are subject to recycling through profit or loss upon certain conditions being met (e.g. derecognition, hedge revoke etc.).

For the years ended December 31, 2013 and December 31, 2012 only reserves related to available for sale investments have been recycled to profit or loss following their derecognition. The amounts are BGN (323) thousand and BGN (169) thousand, respectively, net of tax.

43. Contingent liabilities

In thousands of BGN

	31.12.2013	31.12.2012
Letters of credit and letters of guarantee	1,551,887	1,134,916
Credit commitments	1,339,779	1,245,507
Total contingent liabilities	**2,891,666**	**2,380,423**

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. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts for guarantees and letters of credit represent the maximum accounting loss that would be recognized if counterparties failed completely to perform as contracted.

These commitments and contingent liabilities are reported off-balance sheet and only fees and accruals for probable losses are recognized in the statement of financial position until the commitments are fulfilled or expire. Most of the contingent liabilities and commitments expire without being advanced in whole or in part.

As of December 31, 2013 and December 31, 2012 the Bank has made assessment in compliance with IAS 37 “Provisions, Contingent liabilities and Contingent assets”. Due to abnormal credit risk related to certain clients’ exposures, Bank’s Management has evaluated the risk, where it is more probable that any issued Bank guarantee could lead to an outflow of resources from the Bank (see also Note **40**).

b) Litigation

As of December 31, 2013 and December 31, 2012 there are open litigation proceedings against the Bank. There is significant uncertainty with regard to the timing and the outcome of such proceedings. Since the ultimate outcome of the claims against the Bank cannot presently be determined with sufficient reliability, provisions have been accrued only on cases where sufficient degree of certainty exists. Litigation claims provided for in these financial statements as of December 31, 2013 are in the amount of BGN 20,389 thousand (BGN 12,429 thousand in 2012), (see also Note **40**).

c) Credit commitments

During the course of normal lending activity the Bank has negotiated with clients different types of credit facilities including credit lines, overdraft facilities and revolving loans. Contractually the Bank has committed itself for a certain amount which is at clients’ disposal.

As of December 31, 2013 and December 31, 2012 the Bank presents unutilized credit facilities as part of its off-balance sheet positions.

44. Assets pledged as collateral

In thousands of BGN

	31.12.2013	31.12.2012
Securities pledged for budget holders' account service	314,819	287,858
Securities pledged on REPO deals	3,979	-
Securities pledged on other deals	185,437	40,410
Blocked deposit on other deals	1,447	-
	505,682	**328,268**
Pledged securities include		
Assets designated at fair value through profit or loss	-	80
Available for sale assets	381,121	286,760
Assets held to maturity	123,114	41,428
Loans and advances	1,447	-
	505,682	**328,268**

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

45. Related parties

UniCredit Bulbank AD has a controlling related party relationship with its direct parent company UniCredit Bank Austria AG and its ultimate parent UniCredit S.p.A (jointly referred as parent companies). In addition the Bank has relatedness with its subsidiaries and associates (see also Note **29**) as well as all other companies within UniCredit Group and key management personnel (jointly referred as other related parties).

The related parties' transactions in terms of statement of financial position items as of December 31, 2013 and December 31, 2012 and Income statement items for the years ended thereafter are as follows:

In thousands of BGN

AS OF DECEMBER 31, 2013	PARENT COMPANIES	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES	TOTAL
Financial assets held for trading				11,675	**11,675**
Current accounts and deposits placed	1,667,452	-	-	683	**1,668,135**
Extended loans	-	86,539	-	15,268	**101,807**
Other assets	1,635	6,517	-	2,174	**10,326**
Financial liabilities held for trading	-	-	-	46,143	**46,143**
Derivatives used for hedging	59	-	-	4,020	**4,079**
Current accounts and deposits taken	638,801	-	-	7,894	**646,695**
Subordinated liabilities	220,005	-	-	-	**220,005**
Other liabilities	1,270	28	-	513	**1,811**
Guarantees received by the Group	**35,238**	**-**	**-**	**35,640**	**70,878**

In thousands of BGN

AS OF DECEMBER 31, 2012	PARENT COMPANIES	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES	TOTAL
Financial assets held for trading	-	-	-	13,128	**13,128**
Available for sale investments	2,932	-	-	-	**2,932**
Current accounts and deposits placed	1,437,756	-	-	3,182	**1,440,938**
Extended loans	-	33,556	45,244	58,777	**137,577**
Other assets	2,689	1	-	1,730	**4,420**
Financial liabilities held for trading	-	-	-	111,097	**111,097**
Derivatives used for hedging	-	-	-	7,669	**7,669**
Current accounts and deposits taken	1,345,321	13,094	216,842	100,987	**1,676,244**
Subordinated liabilities	218,643	-	-	-	**218,643**
Other liabilities	1,682	-	-	162	**1,844**
Guarantees received by the Group	**40,671**	**-**	**-**	**27,658**	**68,329**

In thousands of BGN

YEAR ENDED DECEMBER 31, 2013	PARENT COMPANIES	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES	TOTAL INCOME (EXPENSE)
Interest incomes	4,548	3,525	-	529	**8,602**
Interest expenses	(23,201)	(2,507)	-	(31,307)	**(57,015)**
Fee and commissions income	836	6,546	-	999	**8,381**
Fee and commissions expenses	(89)	(1)	-	(14)	**(104)**
Net gains (losses) on financial assets and liabilities held for trading	2,499	-	-	-	**2,499**
Other operating income	10	294	-	13	**317**
Administrative and personnel expenses	(737)	(1,396)	(889)	(6,810)	**(9,832)**
Total	**(16,134)**	**6,461**	**(889)**	**(36,590)**	**(47,152)**

In thousands of BGN

YEAR ENDED DECEMBER 31, 2012	PARENT COMPANIES	SUBSIDIARIES	ASSOCIATES	OTHER RELATED PARTIES	TOTAL INCOME (EXPENSE)
Interest incomes	6,845	446	4,837	582	**12,710**
Dividend income	-	-	9,147	-	**9,147**
Interest expenses	(30,011)	(234)	(5,288)	(30,579)	**(66,112)**
Fee and commissions income	745	46	3,381	1,011	**5,183**
Fee and commissions expenses	(315)	-	(1)	(17)	**(333)**
Net gains (losses) on financial assets and liabilities held for trading	(2,229)	-	-	-	**(2,229)**
Other operating income	135	22	-	1	**158**
Administrative and personnel expenses	(272)	(1,603)	(779)	(7,377)	**(10,031)**
Total	**(25,102)**	**(1,323)**	**11,297**	**(36,379)**	**(51,507)**

As of December 31, 2013 the loans extended to key management personnel amount to BGN 680 thousand (BGN 784 thousand in 2012). For the twelve months ended December 31, 2013 the compensation paid to key management personnel amounts to BGN 3,685 thousand (BGN 3,585 thousand in 2012).

46. Cash and cash equivalents

In thousands of BGN

	31.12.2013	31.12.2012
Cash in hand and in ATM	181,428	161,981
Cash in transit	52,359	42,935
Current account with the Central Bank	494,942	701,481
Current accounts with banks	39,189	764,978
Receivables under repurchase agreements	84,071	27,150
Placements with banks with original maturity less than 3 months	1,128,038	679,269
Total cash and cash equivalents	**1,980,027**	**2,377,794**

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.

47. Leasing

Bank has concluded numerous operating lease agreements to support its daily activity.

Under operating lease contracts Bank acts both as a lessor and lessee in renting office buildings and cars. Summary of non-cancellable minimum lease payments as of December 31, 2013 and December 31, 2012 are presented in the tables below.

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

In thousands of BGN

RESIDUAL MATURITY	TOTAL FUTURE MINIMUM LEASE PAYMENT	
	31.12.2013	31.12.2012
Up to one year	5,493	5,672
Between one and five years	6,475	5,208
Beyond five years	1,119	3,239
Total	**13,087**	**14,119**

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

In thousands of BGN

RESIDUAL MATURITY	TOTAL FUTURE MINIMUM LEASE PAYMENT	
	31.12.2013	31.12.2012
Up to one year	110	74
Total	**110**	**74**

Innovate

Processes and time savings that serve people's goals.

Thanks to us, farmers can now get funds more rapidly. The Ministry of Agriculture has developed a faster method to make state incentive payments, based on a proposal from our bank.
The method is related to an existing program that allows Customers who meet certain requirements to obtain a **fast-track loan**. When the loan is approved, they can access their funds on the same day. This **innovative solution** is **meeting the needs of 87 percent** of farmers.

Legal Support for the Area Corporate Banking
UniCredit Bank Banja Luka - BOSNIA AND HERZEGOVINA

Resolve

Anytime, anywhere.

"On her way back from holiday, one of my Customers had a problem with her car, forcing her to call for assistance.
The problem was serious, and the daily limit on her debit card did not permit our Customer and her husband to pay for the repairs.
She called me on the verge of panic, and I went straight to work to **solve the problem as quickly as possible**. They were able to pay their bill and set off again with peace of mind.
When they got home, I received a phone call from my Customer to thank me and let me know that after their **positive experience** with UniCredit, her husband **was becoming a Customer**."

Silvia Rieder - Commercial Bank
Pressbaum Branch 2099 - UniCredit Bank Austria

Independent Auditors' Report

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
UniCredit Bulbank AD

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of UniCredit Bulbank AD ("the Bank"), which comprise the consolidated statement of financial position as of December 31, 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

Independet Auditors' Report (continued)

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with IFRS, as adopted by the European Union.

Other matter

The consolidated financial statements of the Bank for the year ended December 31, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on February 19, 2013.

Report on Other Legal and Regulatory Requirements - Annual consolidated report on the activities of the Bank, according to article 33 of the Accountancy Act

Pursuant to the requirements of the Bulgarian Accountancy Act, article 38, paragraph 4 we have read the accompanying Annual consolidated report on the activities of the Bank prepared by the Bank's management. The Annual consolidated report on the activities of the Bank is not a part of the consolidated financial statements. The historical financial information presented in the Annual consolidated report on the activities of the Bank prepared by the management is consistent, in all material aspects with the financial information disclosed in the consolidated financial statements of the Bank as of December 31, 2013, prepared in accordance with IFRS, as adopted by the European Union. Management is responsible for the preparation of the Annual consolidated report on the activities of the Bank, dated February 17, 2014.

Deloitte Audit

Deloitte Audit OOD

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

Sylvia Peneva
Statutory Manager
Registered Auditor

Sofia
February 18, 2014

Consolidated Income Statement

In thousands of BGN

	Notes	2013	2012 (restated)
Interest income		696,907	641,618
Interest expense		(229,210)	(233,193)
Net interest income	7	**467,697**	**408,425**
Dividend income		**1,205**	**1,101**
Fee and commission income		187,862	165,552
Fee and commission expense		(9,945)	(8,598)
Net fee and commission income	8	**177,917**	**156,954**
Net gains on financial assets and liabilities held for trading	9	41,175	60,406
Net gains on other financial assets designated at fair value through profit or loss	10	310	2,698
Net income from investments	11	2,110	10,249
Other operating income, net	12	12,952	4,577
TOTAL OPERATING INCOME		**703,366**	**644,410**
Net income related to property, plant and equipment	13	1,056	1,358
Personnel expenses	14	(111,705)	(103,550)
General and administrative expenses	15	(127,162)	(116,138)
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	16	(31,757)	(35,197)
Provisions for risk and charges	17	(9,691)	5,931
Net impairment loss on financial assets	18	(227,963)	(154,172)
PROFIT BEFORE INCOME TAX		**196,144**	**242,642**
Income tax expense	19	(20,235)	(24,959)
PROFIT FOR THE YEAR		**175,909**	**217,683**

These consolidated financial statements have been approved by the Management Board of UniCredit Bulbank AD on February 17, 2014

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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

Deloitte Audit OOD

Sylvia Peneva
Registered auditor

София
Рег. №033
"Делойт Одит" ООД

The accompanying notes 1 to 47 are an integral part of these financial statements

Consolidated Statement of Comprehensive Income

In thousands of BGN

	Notes	2013	2012 (restated)
Profit for the year		**175,909**	**217,683**
Other comprehensive income - items that will not be reclassified subsequently to profit or loss			
Actuarial gains (losses)	42	(5)	(698)
Income tax relating to items of other comprehensive income that will not be reclassified subsequently to profit or loss		-	70
		(5)	**(628)**
Other comprehensive income - items that may be reclassified subsequently to profit or loss			
Available for sale investments		1,664	36,943
Cash flow hedge		2,884	(1,127)
Income tax relating to items of other comprehensive income that may be reclassified subsequently to profit or loss		(454)	(3,581)
		4,094	**32,235**
Total other comprehensive income net of tax for the year		**4,089**	**31,607**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**179,998**	**249,290**

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Consolidated Statement of Financial Position

In thousands of BGN

	Notes	31.12.2013	31.12.2012 (restated)	01.01.2012 (restated)
ASSETS				
Cash and balances with Central Bank	20	728,730	906,398	886,704
Non-derivative financial assets held for trading	21	13,872	80,697	129,174
Derivatives held for trading	22	81,915	124,265	112,024
Derivatives held for hedging	23	326	-	-
Financial assets designated at fair value through profit or loss	24	61,549	69,828	79,682
Loans and advances to banks	25	1,841,961	1,713,903	1,893,784
Loans and advances to customers	26	9,529,902	8,613,880	7,873,628
Available for sale investments	27	901,585	634,769	383,947
Held to maturity investments	28	125,071	254,997	273,247
Investments in associates	29	2,562	33,327	32,967
Property, plant, equipment and investment properties	30	136,872	143,641	153,657
Intangible assets	31	25,574	27,915	31,762
Current tax assets	32	6,702	1,918	1
Deferred tax assets	33	11,254	7,927	7,010
Non-current assets and disposal group classified as held for sale	34	-	-	797
Other assets	35	69,510	56,168	47,659
TOTAL ASSETS		**13,537,385**	**12,669,431**	**11,906,043**
LIABILITIES				
Financial liabilities held for trading	36	61,494	121,667	88,386
Derivatives used for hedging	23	4,079	7,869	6,027
Deposits from banks	37	2,425,197	1,891,858	2,221,082
Deposits from customers	38	8,526,893	8,224,740	7,287,104
Subordinated liabilities	39	220,005	218,643	216,710
Provisions	40	44,943	32,261	39,066
Current tax liabilities	32	458	62	6,339
Deferred tax liabilities	33	11,720	11,952	11,609
Other liabilities	41	69,327	67,250	67,373
TOTAL LIABILITIES		**11,364,116**	**10,576,102**	**9,943,696**
EQUITY				
Share capital		285,777	285,777	285,777
Revaluation and other reserves		19,388	15,299	(16,308)
Retained earnings		1,692,195	1,574,570	1,692,878
Profit for the year		175,909	217,683	-
TOTAL EQUITY	42	**2,173,269**	**2,093,329**	**1,962,347**
TOTAL LIABILITIES AND EQUITY		**13,537,385**	**12,669,431**	**11,906,043**

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Consolidated Statement of Changes in Equity

In thousands of BGN

	Share capital	Statutory reserve	Retained earnings	Property revaluation reserve	Available for sale investments reserve	Cash flow hedges reserves	IAS 19 reserve	Total
Balance as of January 1, 2012	**285,777**	**342,378**	**1,277,405**	**133,381**	**(12,165)**	**(4,004)**	-	**2,022,772**
Restatement due to change in accounting policy on property valuation	-	-	73,095	(133,381)	-	-	-	**(60,286)**
Restatement due to changes in IAS 19	-	-	-	-	-	-	(139)	**(139)**
Balance as of January 1, 2012 (restated)	**285,777**	**342,378**	**1,350,500**	-	**(12,165)**	**(4,004)**	**(139)**	**1,962,347**
Profit for the year	-	-	217,683	-	-	-	-	**217,683**
Actuarial gains (losses)	-	-	-	-	-	-	(698)	**(698)**
Change of revaluation reserve on available for sale investments	-	-	-	-	36,943	-	-	**36,943**
Change of revaluation reserve on cash flow hedges	-	-	-	-	-	(1,127)	-	**(1,127)**
Income tax related to components of other comprehensive income	-	-	-	-	(3,694)	113	70	**(3,511)**
Total other comprehensive income for the year net of tax	-	-	-	-	**33,249**	**(1,014)**	**(628)**	**31,607**
Total comprehensive income for the year net of tax	-	-	**217,683**	-	**33,249**	**(1,014)**	**(628)**	**249,290**
Dividends paid	-	-	(118,270)	-	-	-	-	**(118,270)**
Other distribution	-	-	(38)	-	-	-	-	**(38)**
Balance as of December 31, 2012 (restated)	**285,777**	**342,378**	**1,449,875**	-	**21,084**	**(5,018)**	**(767)**	**2,093,329**

Statement of Changes in Equity (Continued)

In thousands of BGN

	Share capital	Statutory reserve	Retained earnings	Property revaluation reserve	Available for sale investments reserve	Cash flow hedges reserves	IAS 19 reserve	Total
Balance as of January 1, 2013	**285,777**	**342,378**	**1,375,534**	**132,826**	**21,084**	**(5,018)**	**-**	**2,152,581**
Restatement due to change in accounting policy on property valuation	-	-	74,341	(132,826)	-	-	-	**(58,485)**
Restatement due to changes in IAS 19	-	-	-	-	-	-	(767)	**(767)**
Balance as of January 1, 2013 (restated)	**285,777**	**342,378**	**1,449,875**	**-**	**21,084**	**(5,018)**	**(767)**	**2,093,329**
Profit for the year	-	-	175,909	-	-	-	-	**175,909**
Actuarial gains (losses)	-	-	-	-	-	-	(5)	**(5)**
Change of revaluation reserve on available for sale investments	-	-	-	-	1,664	-	-	**1,664**
Change of revaluation reserve on cash flow hedges	-	-	-	-	-	2,884	-	**2,884**
Income tax related to components of other comprehensive income	-	-	-	-	(166)	(288)	-	**(454)**
Total other comprehensive income for the year net of tax	**-**	**-**	**-**	**-**	**1,498**	**2,596**	**(5)**	**4,089**
Total comprehensive income for the year net of tax	**-**	**-**	**175,909**	**-**	**1,498**	**2,596**	**(5)**	**179,998**
Business combinations under common control	-	-	6,221	-	-	-	-	**6,221**
Dividends paid	-	-	(106,248)	-	-	-	-	**(106,248)**
Other distribution	-	-	(31)	-	-	-	-	**(31)**
Balance as of December 31, 2013	**285,777**	**342,378**	**1,525,726**	**-**	**22,582**	**(2,422)**	**(772)**	**2,173,269**

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Consolidated Statement of Cash Flows

	Notes	2013	2012 (restated)
		In thousands of BGN	
Net profit		**175,909**	**217,683**
Current and deferred tax income, recognised in income statement		(2,145)	(6,451)
Current and deferred tax expenses, recognised in income statement		22,380	31,410
Adjustments for non-cash items			
Depreciation and amortisation	16	29,466	34,063
Impairment of financial assets	18	237,659	169,641
Impairment of property plant, equipment and investment properties	16	2,291	1,134
Provisions, net	40	9,692	(5,446)
Unrealised fair value losses (gains) through profit or loss, net		(16,897)	23,809
Unrealised fair value (gains) on FX revaluation		(14,539)	(1,030)
Net income from associates under equity method		(284)	(9,724)
Net income from sale of property, plant, equipment and liquidation of associates		(1,100)	(1,191)
Net interest income		(467,697)	(408,425)
Dividend income		(1,205)	(1,101)
Increase in other accruals		17,529	9,879
Cash flows from profits before changes in operating assets and liabilities		**(8,941)**	**54,251**
Operating activities			
Change in operating assets			
(Increase)/Decrease in loans and advances to banks		(346,700)	965,146
(Increase) in loans and advances to customers		(471,170)	(915,591)
(Increase) in available for sale investments		(268,855)	(213,718)
Decrease in financial instruments held for trading and hedging derivatives		66,202	48,418
Decrease in financial instruments at fair value through profit or loss		7,482	6,388
(Increase) in other assets		(19,817)	(879)
Change in operating liabilities:			
(Decrease) in deposits from banks		(238,275)	(327,266)
Increase in deposits from customers		483,516	944,307
Provisions utilization		(1,691)	(1,703)
(Decrease) in other liabilities		(5,589)	(23,855)
Interest received		700,943	639,368
Interest paid		(235,337)	(228,339)
Dividends received		1,205	1,101
Taxes paid		(28,396)	(30,903)
Net cash flow from operating activities		**(365,423)**	**916,725**

Consolidated Statement of Cash Flows (Continued)

In thousands of BGN

	Notes	2013	2012 (restated)
Cash flow from investing activities			
Cash payments to acquire tangible assets		(13,745)	(14,379)
Cash receipt from sale of tangible assets		2,473	2,826
Cash payments to acquire intangible assets		(5,120)	(7,798)
Cash receipt from sale of tangible assets		1	172
Cash receipts from liquidation of associates		7	42
Cash payment for acquisition of investments in subsidiaries		(30,068)	-
Cash receipts from the sale of held to maturity investments		117,017	15,464
Dividends received from associates		-	9,147
Net cash flow from investing activities		**70,565**	**5,474**
Cash flow from financial activities			
Dividends paid		(106,248)	(118,270)
Other cash payments related to financing activities		(31)	(30)
Net cash flows from financial activities		**(106,279)**	**(118,300)**
Effect of exchange rate changes on cash and cash equivalents		**3,371**	**416**
Net increase in cash and cash equivalents		**(397,766)**	**804,315**
Cash and cash equivalents at the beginning of period	46	**2,377,797**	**1,573,482**
Cash and cash equivalents at the end of period	46	**1,980,031**	**2,377,797**

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Understand

Customer needs and quick responses.

"I received a call from a new Customer who told me his company's employees were having trouble withdrawing money from ATM machines. I wanted to solve the problem as quickly as possible, so I went that evening to check in person. I found that the ATM was only allowing Customers to insert cards one way.
I helped a Customer who was having trouble withdrawing cash.
But I knew that our ATMs were supposed to allow Customers to insert cards in either direction, so I immediately called the ATM company to resolve the issue.
By quickly responding to a client's problem, everyone was helped."

Sergey Chekhonadskikh - ZAO UniCredit Bank Ekaterinburg - RUSSIA

Notes to Consolidated Financial Statements

1. Reporting entity

UniCredit Bulbank AD (the Bank) is a universal Bulgarian bank established upon a triple legal merger, performed on April 27th, 2007 between Bulbank AD, HVB Bank Biochim AD and Hebros Bank AD. These consolidated financial statements comprise of UniCredit Bulbank AD and its subsidiaries and associates (hereafter together referred as UniCredit Bulbank AD or the Bank).

UniCredit Bulbank AD possesses a full-scope banking licence for performing commercial banking activities. It is domiciled in the Republic of Bulgaria with registered address city of Sofia, 7 "Sveta Nedelya" sq. The Bank is primarily involved in corporate and retail banking and in providing asset management services.

The Bank operates through its network comprising of 208 branches and offices.

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. They were approved by the Management Board of the Bank on February 17, 2014. Whenever deemed necessary for comparison reasons, certain positions in prior year financial statements have been reclassified.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgement

The preparation of financial statements requires the Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in notes **4** and **5**.

3. Significant accounting policy

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

Change in accounting policy

1. Voluntary change of accounting policy

In the annual financial statements of the Bank for the years ended up until December 31, 2012, the Bank has disclosed and presented investments in properties under revaluation model in accordance with IAS 16 "Property, Plant and Equipment". Those properties are mainly involved in the ordinary banking business and they account about 95% of the previously recognized revaluation reserve (out of which about 53% relates to Head Office buildings in Sofia). Management assessed that further continuation of application of revaluation model adds no additional value to the financial statements and in this regard cost model seems the more appropriate one, considering also that the cost model is the benchmark approach as per IAS 16 which is followed by the UniCredit Group. As a result in 2013 Management approved change in accounting policy, thus changing the model for subsequent measurement of properties from revaluation model to cost model. Prior period financial statements have been restated in accordance with IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors" as if the cost model has always been applied. For the purposes of restatement, the valuation of properties as of December 31, 2003 (the year of first time adoption of IFRS for statutory purposes) has been accepted as deemed cost.

2. Change in accounting policy upon initial application of revised IAS 19 "Employee Benefits"

In the annual financial statements of the Bank for the years ended up to December 31, 2012, Bank has applied "corridor" method of accounting for actuarial gains/losses out of defined benefit plans. Upon first application of revised IAS 19 "Employee Benefits", starting from January 1, 2013, the "corridor" method is no longer allowed. All actuarial gain/losses should adjust the defined benefit obligation with off-setting item presented in the statement of other comprehensive income. Considering the above, Bank has restated prior period financial statements as if the requirements of revised standard have always been applied.

The actual restatement amounts impacting consolidated statement of financial position and consolidated income statements are as follows:

In thousands of BGN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	REPORTED 01.01.2012	RESTATEMENT DUE TO CHANGE IN THE ACCOUNTING POLICY ON PROPERTY VALUATION	RESTATEMENT IAS 19	RESTATED AMOUNT 01.01.2012
Revaluation and other reserves	117,212	(133,381)	(139)	(16,308)
Retained earnings	1,619,783	73,095	-	1,692,878
Property, plant, equipment and investment properties	220,641	(66,984)	-	153,657
Deferred tax assets	6,995	-	15	7,010
Deferred tax liabilities	18,307	(6,698)	-	11,609
Provisions	38,912	-	154	39,066

In thousands of BGN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	REPORTED 31.12.2012	RESTATEMENT DUE TO CHANGE IN THE ACCOUNTING POLICY ON PROPERTY VALUATION	RESTATEMENT IAS 19	RESTATED AMOUNT 31.12.2012
Revaluation and other reserves	148,892	(132,826)	(767)	15,299
Retained earnings	1,502,030	72,540	-	1,574,570
Property, plant, equipment and investment properties	208,623	(64,982)	-	143,641
Deferred tax assets	7,842	-	85	7,927
Deferred tax liabilities	18,449	(6,497)	-	11,952
Provisions	31,409	-	852	32,261
Profit for the year	215,882	1,801	-	217,683

In thousands of BGN

CONSOLIDATED INCOME STATEMENT	REPORTED FOR 2012	RESTATEMENT DUE TO CHANGE IN THE ACCOUNTING POLICY ON PROPERTY VALUATION	RESTATEMENT IAS 19	RESTATED AMOUNT FOR 2012
Net income related to property, plant and equipment	1,149	209	-	1,358
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	(36,990)	1,793	-	(35,197)
Income tax expense	(24,758)	(201)	-	(24,959)

(a) Basis of consolidation

These financial statements are prepared on consolidated basis 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.

Following UniCredit Group decision for strategic reorganization, several business combinations under common control were performed throughout 2013.

In January 2013, UniCredit Bulbank AD finalized the deal for acquiring the remaining 50.1% from the capital of UniCredit Consumer Financing AD from UniCredit S.p.A thus the Bank became sole owner of the capital of the company. The acquisition was effectively completed on the first working day of January 2013, therefore control is presumed on full 2013 year basis. Upon deal completion the company was renamed to UniCredit Consumer Financing EAD.

In December 2013, UniCredit Bulbank AD acquired the remaining 75.6% from the capital of UniCredit Leasing AD and 97.6% from the capital of HVB Leasing OOD, both from UniCredit Leasing S.p.A. The deals were effectively completed in mid of December and the control over the two companies is considered effective as of year-end (December 31, 2013). Upon deal completion Bank became sole owner of the capital of both companies and they were renamed, respectively to UniCredit Leasing EAD and HVB Leasing EOOD. In parallel to gaining control over the above mentioned two leasing companies, Bank also became indirect sole owner of their subsidiaries, namely Bulbank Leasing EAD, UniCredit Auto Leasing EOD and UniCredit Insurance Broker EOOD being fully owned by UniCredit Leasing EAD, as well as HVB Auto Leasing EOOD and BA Creditanstalt Bulus EOOD, being fully owned by HVB Leasing EOOD.

All acquisitions performed in 2013 represent business combinations under common control as the ultimate parent before and after the deals remains unchanged – UniCredit S.p.A. In accordance with UniCredit Group accounting policy, such combinations are performed on arm's length principle and purchase price is based on explicit external valuations.

As of December 31, 2013 the consolidated financial statements cover the following entities:

COMPANY	PARTICIPATION IN EQUITY	DIRECT/ INDIRECT PARTICIPATION	CONSOLIDATION METHOD
UniCredit Factoring EAD	100.0%	Direct	Full consolidation
Hypovereins Immobilien EOOD	100.0%	Direct	Full consolidation
UniCredit Consumer Financing EAD	100.0%	Direct	Full consolidation
UniCredit Leasing EAD	100.0%	Direct	Full consolidation
HVB Leasing EOOD	100.0%	Direct	Full consolidation
Bulbank Leasing EAD	100.0%	Indirect	Full consolidation
UniCredit Auto Leasing EOOD	100.0%	Indirect	Full consolidation
UniCredit Insurance Broker EOOD	100.0%	Indirect	Full consolidation
HVB Auto Leasing EOOD	100.0%	Indirect	Full consolidation
BA Creditanstalt Bulus EOOD	100.0%	Indirect	Full consolidation
Cash Service Company AD	20.0%	Direct	Equity method

In thousands of BGN

		BUSINESS COMBINATIONS UNDER COMMON CONTROL EFFECTS
Pre-business combinations under common control adjustments		
Book value of pre-business combination equity participations		(31,121)
Fair value of pre-business combinations equity participations		28,901
Difference recognized in retained earnings		**(2,220)**
Business combinations under common control adjustments		
Total net assets obtained in business combinations under common control		67,410
Total fair value of the consideration transferred		(58,969)
there off:		
fair value of pre-acquisitions participations	*(28,901)*	
cash paid on newly acquired participations	*(30,068)*	
Difference recognized in retained earnings	**(58,969)**	**8,441**
Total business combinations under common control effects recognized in retained earnings		**6,221**

Performed in 2013 acquisitions represent business combinations under common control and they have no effect on ultimate parent's consolidated level. According to UniCredit Group accounting policy for such transactions, they are accounted for based on book values of the assets and liabilities of the companies as of the date of transfer of control with the excess of their net assets values (net equity) over total consideration transferred recognized in retained earnings. In addition as the Bank had participations in those companies prior to the new acquisitions, impairment test has been performed and as a result no impairment losses have been recognized, thus in accordance with Group policy the difference between the fair value of the existing participations in affected companies, prior to the business combination under common control, and their book value was recognized in retained earnings. The major assets acquired and liabilities assumed out of the business combinations under common control as of the date of transferring the control (before consolidation adjustments) are as follows:

In thousands of BGN

MAJOR CLASSES OF ASSETS ACQUIRED AND LIABILITIES ASSUMED AS OF THE DATE OF TRANSFER OF CONTROL	
ASSETS	
Cash and cash equivalents	160,163
Loans to customers	781,325
Other sundry assets	18,304
TOTAL ASSETS	**959,792**
LIABILITIES	
Deposits from banks	858,729
Deposits from customers	15,641
Other sundry liabilities	18,012
TOTAL LIABILITIES	**892,382**
Net asset value	**67,410**

In thousands of BGN

	INCOME STATEMENT ITEMS OF THE ACQUIRES SINCE THE ACQUISITION DATES INCLUDED IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2013	INCOME STATEMENT ITEMS ON CONSOLIDATED LEVEL FOR YEAR ENDED DECEMBER 31, 2013 AS THOUGH THE ACQUISITION DATES FOR ALL BUSINESS COMBINATIONS THAT OCCURRED DURING THE YEAR HAD BEEN AS OF THE BEGINNING OF THE ANNUAL REPORTING PERIOD
Revenue	58,503	730,865
Net profit for the year	28,690	177,702

(b) Interest income and expense

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

Interest income and expense presented in the Income statement include:

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

(c) Fee and commission income and expenses

Fee and commission income and expense arise on financial services provided/received and are recognized upon rendering/receiving of the corresponding service.

Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate thus presented as interest income or expense.

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

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

(e) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency at the official Bulgarian National Bank foreign exchange rate effective at the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated at the closing foreign exchange rate being the official rate of the Bulgarian National Bank. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate effective at the date of the transaction.

As of each reporting date, all foreign currency denominated monetary assets and liabilities are revaluated on net basis using Bulgarian National Bank closing exchange rates. Any gain/loss is recognized in the profit or loss.

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

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

(g) Dividend income

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

(h) Lease payments made

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term and so producing a constant periodic rate of interest on the remaining balance of the liability.

(i) Financial instruments

(i) Recognition

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognised on the settlement date. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition cost.

(ii) Classification

a) Cash and balances with the Central Bank

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

b) Financial assets and derivatives held for trading

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

Financial assets and derivatives held for trading are carried at fair value in the statement of financial position.

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

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

Financial assets, designated at fair value through profit or loss are carried at fair value in the statement of financial position.

d) Loans and advances to banks and customers

Loans and advances to banks and customers are instruments where the Bank provides money to a debtor other than those created with the intention of short-term profit taking or selling in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method.

e) Available for sale investments

Available for sale investments are non-derivative investments that are designated as available for sale or are not classified in another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available for sale investments are carried at fair value.

Fair value changes are recognised directly in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are recognised in profit or loss.

f) Held to maturity investments

Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity and which are not designated as at fair value through profit or loss or as available for sale and do not meet the definition of loans and receivables.

A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available for sale, and would prevent the Bank from classifying investment securities as held to maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

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

reasonably anticipated (such as material creditworthiness deterioration of the issuer).

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

g) Investments in subsidiaries and associates

Investments in subsidiaries comprise of equity participations in entities where the Bank exercises control 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 these consolidated financial statements Bank has adopted the policy of carrying all investments in associates at equity method. All investments in subsidiaries are fully consolidated.

h) Deposits from banks, customers and subordinated liabilities

Deposits from banks, customers and subordinated liabilities are financial instruments related to attracted funds by the Bank, payable on demand or upon certain maturity and bearing agreed interest rate.

Subordinated liability meets some additional requirements set by Bulgarian National Bank (see note **39**).

Deposits from banks, customers and subordinated liabilities are carried at amortised cost using the effective interest rate method.

(iii) Reclassification

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

(iv) Derecognition

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

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

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

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

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

(v) Amortised cost measurement

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

(vi) Fair value measurement principles

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

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

(vii) Offsetting

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

(viii) Repurchase agreements

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

(j) Impairment

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

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

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

(i) Assets carried at amortised cost

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

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

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

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

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

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

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

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

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

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

(k) Derivatives used for hedging

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

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

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

Fair value hedge

When a derivative is designated as hedging instrument in a hedge of fair value of recognized asset or liability that could affect profit or loss, changes in the fair value of the derivative are recognized immediately in profit or loss together with the changes in the fair value of the hedged item attributable to the hedged risk.

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

Cash flow hedge

Bank designates derivatives as hedging instruments in hedge of the variability in cash flows attributable to particular type of risk associated with highly probable forecast transaction that could ultimately affect profit or loss. While the derivative is carried at fair value in the statement of financial position, the effective portion of the changes of the fair value is recognized in other comprehensive income under cash flow hedge reserve and the ineffective part is recognized immediately in profit or loss.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked then the hedge accounting is discontinued prospectively.

As Bank's hedging strategy covers forecast cash flows as hedged items, the cumulative amount, recognized in other comprehensive income from the period when the hedge was effective, is recycled in profit or loss when the forecast transactions occur. In case the forecast transaction is no longer expected to occur, the whole balance outstanding in other comprehensive income is reclassified in profit or loss.

(l) Property, plant, equipment and investment property

As disclosed in Note **3** above, in 2013 Bank has changed its accounting policy for presenting investments in properties from "revaluation" model to "cost" model.

All items of property, plant and equipment are carried at cost less accumulated depreciation or impairment losses.

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or use for administrative purposes. Investment property is measured at cost less any accumulated depreciation.

Properties acquired upon foreclosure procedure, which are neither intended to be used in the banking business nor kept as investment properties, but intended to be sold or constructed for the purposes to be sold, are presented in other assets in accordance with IAS 2 "Inventories" (see also Note 35)

The gains or losses on disposal of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognized net in profit or loss.

Depreciation on all items of property, plant and equipment and investment property is provided on a straight-line basis at rates designed to write down the cost or valuation of fixed assets over their expected useful lives. Assets are not depreciated until they are brought into use and transferred from construction in progress into the relevant asset category.

The applicable annual depreciation rates based on expected useful life on major assets categories are as follows:

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

(m) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any impairment losses. As of December 31, 2013 and December 31, 2012 intangible assets includes primarily investments in software and related licenses.

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

(n) 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.

(o) Provisions

A provision is recognized when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. As of December 31, 2013 Management has reviewed Bank's legal and constructive obligation and to the extent they meet the requirement for recognition, provision is recorded, respectively.

(p) Employees' benefits

(i) Short-term employee's benefits

Short-term employees' benefits comprise of amounts due to personnel on the basis of unused paid leave accounted for each and single employee as of the reporting date as well as expected additional bonus payments for achieved results during the current financial year.

The amount of the unused paid-leave obligation includes the overall undiscounted amount of the obligation that the Bank has to settle should the employment contract is terminated as of the reporting date. Short-term employees' benefits are presented as other liabilities and disclosed separately in the Notes.

(ii) Defined benefit obligation

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

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

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

UniCredit Group Short and Long-Term incentive plans comprise of deferred cash payments (cash settled) as well as stock options and performance share (equity settled) granted by the ultimate parent UniCredit S.p.A. They are allocated to selected group of top and senior managers of the Bank.

Whenever the vesting period of the stock options or performance shares ends, UniCredit Bulbank is required to settle the monetary amount, corresponding to the economic value of the respective instruments. Thereafter the parent effectively grants the instruments to the respective managers.

As of December 31, 2013 and December 31, 2012 UniCredit Bulbank presents the corresponding part of the economic value of the stock options and performance shares and respective accruals on the deferred cash payments as payroll costs under personnel expenses in the Income statement and the related obligation as other liability.

(q) Share capital and reserves

(i) Share capital

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

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

In May 2011 shareholders of UniCredit Bulbank AD approved a capital increase in the amount of BGN 158,744 thousand through issuing 21,865,500 new shares with issuing price BGN 7.26 and face value BGN 1, each. The capital increase was dully completed and registered and as of December 31, 2011 the share capital of the Bank amounts to BGN 285,777 thousand. No changes in the share capital were performed in 2013 and 2012.

(ii) Reserves

Reserves consist of statutory reserves and retained earnings held within the Bank as well as reserves on available for sale investments, cash flow hedges and reserve resulted from defined benefit obligation actuarial gains and losses. As of December 31, 2013 and December 31, 2012 the reserves includes also the premium of previously issued shares corresponding to the difference between the issuing price and the face value.

(r) Taxation

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

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

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

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

(s) Segment reporting

As of January 1, 2009 the Bank has adopted IFRS 8 "Operating Segments" which requires the Bank to present operating segments based on the information that is internally provided to the Management. This adoption did not represent a change in accounting policy as the business segments that have been previously determined and presented by the Bank in accordance with IAS 14 "Segment Reporting" are also the primary operating segments which are regularly reported to the Management of the Bank.

(t) New IFRS and interpretations (IFRIC) not yet adopted as at the reporting date

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

- IFRS 13 "Fair Value Measurement", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- Amendments to IFRS 1 "First-time Adoption of IFRS" – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- Amendments to IFRS 1 "First-time Adoption of IFRS" – Government Loans, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013);
- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- Amendments to IAS 1 "Presentation of financial statements" – Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012);
- Amendments to IAS 12 "Income Taxes" – Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- Amendments to IAS 19 "Employee Benefits" – Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013);
- Amendments to various standards "Improvements to IFRSs (cycle 2009-2011)" resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (amendments are to be applied for annual periods beginning on or after 1 January 2013),
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

The adoption of these new IFRS, amendments to existing IFRS and interpretations (IFRIC) has not led to any changes in the Bank's accounting policies except for the amendments of IAS 19 "Employee Benefits" (see Note **3** and Note **40**)

(u) New IFRS and interpretations (IFRIC) adopted by the EU but not yet effective as at the reporting date

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

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- IFRS 11 "Joint Arrangements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- IFRS 12 "Disclosures of Interests in Other Entities", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- IAS 27 (revised in 2011) "Separate Financial Statements", adopted

by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 (revised in 2011) "Separate Financial Statements" – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 32 "Financial instruments: presentation" – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 36 "Impairment of assets" - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"
- – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

(v) Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at the date of publication of these consolidated financial statements (the effective dates stated below is for IFRS in full):

- IFRS 9 "Financial Instruments" and subsequent amendments (effective date was not yet determined);
- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014);
- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014);
- Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014);
- IFRIC 21 "Levies" (effective for annual periods beginning on or after 1 January 2014).

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

- IFRS 9 Financial Instruments uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the bank's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the financial statements, if applied as at the balance sheet date.

4. Financial risk management

(a) General framework

UniCredit Bulbank AD is exposed to the following risks from financial instruments:

- market risk;
- liquidity risk;
- credit risk;
- operational and reputational risk.

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

Different types of risks are managed by specialized departments and bodies within the Bank's structure. The applicable policies entirely correspond to the requirements of Risk Management Group Standards as well as all respective requirements set by Bulgarian banking legislation. Bank manages risk positions on aggregate basis, focusing in reaching optimal risk/return ratio.

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

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

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

The operational risk governance system of UniCredit Bulbank AD is set to identify, manage and mitigate the operational risk exposure, defining a system of clearly outlined responsibilities and controls. Senior management is responsible for the effective oversight over operational risk exposure and approves all material aspects of the framework. Fundamental element of the operational risk system is the existence of an Operational Risk Committee. Starting from Q2 2011 UniCredit Bulbank AD applies the Advanced Measurement Approach (AMA) for its capital calculation of operational risk on stand-alone basis, making it the first bank in Bulgaria certified to use AMA. In these consolidated financial statements total operational risk requirements are presented as the sum of AMA amount calculated for the Bank stand-alone plus the respective additions from consolidated entities, calculated under standardized approach.

(b) Market risks

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

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

UniCredit Bulbank AD applies uniform Group risk management procedures. These procedures make available the major risk parameters for various trading operations at least once a day.

Besides Value at Risk, other factors of equal importance are stress-oriented sensitivity and position limits. Additional 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 Group's internal model IMOD. It is based on historical simulation with a 500-day market data time window for scenario generation and covers all major risk categories: interest rate risk and equity risk (both general and specific), currency risk and commodity position risk. Internal model also includes quantification of Stressed VaR and Incremental risk charge values. The simulation results, supplemented with distribution metrics and limit utilization are reported on a daily basis to the Management. In addition to the risk model results, income data from market risk activities are also determined and communicated on a daily basis. Reporting covers the components reflected in IFRS-based profit and the mark to market of all investment positions regardless of their recognition in the IFRS-based financial statements ("total return").

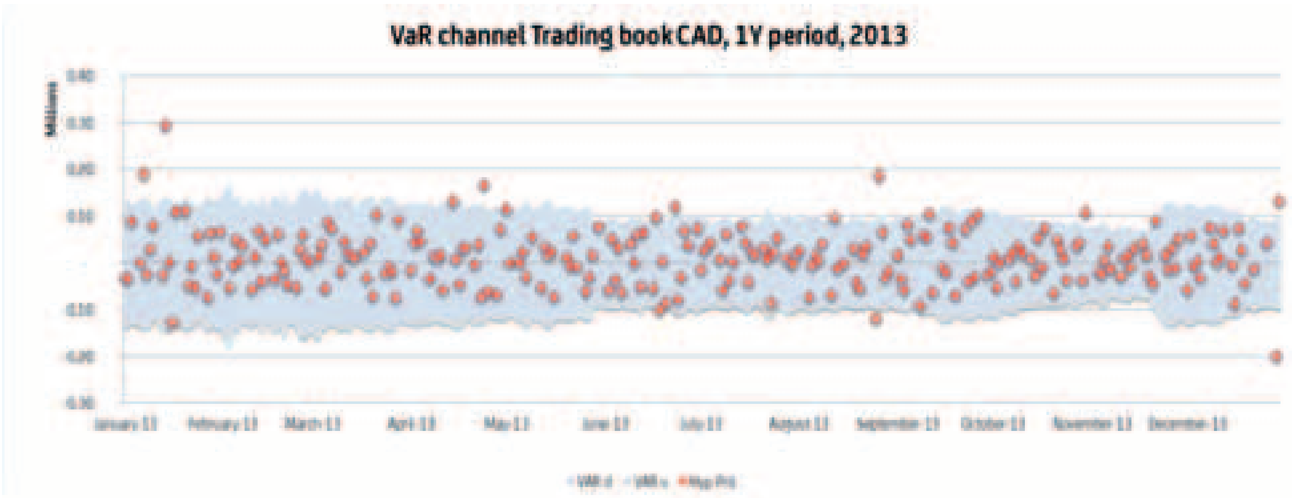
During 2013, VaR (1 day holding period, confidence interval of 99 %) moved in a range between EUR 2.64 million and EUR 4.35 million, averaging EUR 3.37 million, with credit spreads and interest rates being main drivers of total risk in both, trading and banking books.

VaR of UniCredit Bulbank AD by risk category in EUR million for 2013 on consolidated basis is as follows:

RISK CATEGORY	MINIMUM	MAXIMUM	AVERAGE	YEAR-END
Interest rate risk	0.29	2.81	1.20	1.75
Credit spread	2.68	3.57	3.17	2.92
Exchange rate risk	0.01	0.02	0.01	0.01
Vega risk	0.00	0.00	0.00	0.00
VaR overall[1]	**2.64**	**4.35**	**3.37**	**2.71**

Reliability and accuracy of the internal model is monitored via daily back-testing, comparing the simulated results with actually observed fluctuations in market parameters and in the total value of books. Back-testing results for 2013 confirm the reliability of used internal model. There were 3 negative back-testing excesses during 2013.

[1] Including diversification effects between risk factors



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

The sensitivities' table below provides summary of interest rate risk exposure of UniCredit Bulbank AD on consolidated basis (trading and banking book) as of December 31, 2013 (change in value due to 1 basis point shift, amounts in EUR):

IR Basis Point Shift

CCY	0-3M	3M-1Y	1Y-3Y	3Y-10Y	10Y-	Sum
AUD	0					0
BGN	3,316	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CAD	0					0
CHF	[illegible]	827	[illegible]	1	3	336
DKK	0					0
EUR	12,736	23,779	[illegible]	[illegible]	[illegible]	3,019
GBP	[illegible]	281	30			48
JPY	0					0
NOK	0					0
PLN	0					0
RON	0					0
RUB	0					0
TRY	0					0
USD	1,169	[illegible]	[illegible]	[illegible]		[illegible]
TOTAL	23,733	37,704	23,426	78,819	12,004	66,593

Measured by the total basis-point value, the credit spread sensitivity measure for UniCredit Bulbank AD as of December 31, 2013 totalled EUR 157,067. Treasury-near instruments continue to account for the largest part of the credit spread positions while the current exposure to financials and corporates is relatively lower.

SP Basis Point Shift

Issuer/Risk factor	0-3M	3M-1Y	1Y-3Y	3Y-10Y	10Y-	Long	Short	Sum
MARKIT_CONSUMER_GOODS_BB_CDS	[illegible]	[illegible]				[illegible]		[illegible]
MARKIT_CONSUMER_GOODS_B_CDS	0	[illegible]	[illegible]			[illegible]		[illegible]
MARKIT_FINANCIAL_B_CDS	[illegible]	[illegible]	[illegible]			[illegible]		[illegible]
MARKIT_GOVERNMENT_BB_CDS	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]		[illegible]
TREAS_BG_CDS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
TREAS_IT	0	[illegible]	[illegible]			[illegible]		[illegible]
Sum	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	[illegible]
Total	264	22,428	43,513	90,854	6	157,067	0	157,067

Internal model results are complemented by various stress scenarios to identify potential effects of stressful market conditions on the Bank's earnings. The assumptions under such stress scenarios include extreme movements in prices or rates and deterioration in market liquidity. Stress results for major asset classes and portfolios (credit, rates and FX) and estimated impact on liquidity position up to 60 days are reported at least monthly to ALCO. In 2013 the Bank's Management continued prudent risk management practice with primary focus on client-driven business.

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

As of December 31, 2013 the FX balances of UniCredit Bulbank AD are as outlined in the table below:

In thousands of BGN

	EUR AND BGN	OTHER CURRENCIES	TOTAL
ASSETS			
Cash and balances with Central Bank	716,424	12,306	**728,730**
Non-derivative financial assets held for trading	13,872	-	**13,872**
Derivatives held for trading	67,385	14,530	**81,915**
Derivatives held for hedging	326	-	**326**
Financial assets designated at fair value through profit or loss	61,549	-	**61,549**
Loans and advances to banks	1,611,960	230,001	**1,841,961**
Loans and advances to customers	9,262,519	267,383	**9,529,902**
Available for sale investments	737,299	164,286	**901,585**
Held to maturity investments	1,532	123,539	**125,071**
Investments in associates	2,562	-	**2,562**
Property, plant, equipment and investment properties	136,872	-	**136,872**
Intangible assets	25,574	-	**25,574**
Current tax assets	6,702	-	**6,702**
Deferred tax assets	11,254	-	**11,254**
Other assets	69,323	187	**69,510**
TOTAL ASSETS	**12,725,153**	**812,232**	**13,537,385**
LIABILITIES			
Financial liabilities held for trading	47,849	13,645	**61,494**
Derivatives used for hedging	2,327	1,752	**4,079**
Deposits from banks	2,338,848	86,349	**2,425,197**
Deposits from customers	7,730,549	796,344	**8,526,893**
Subordinated liabilities	220,005	-	**220,005**
Provisions	27,206	17,737	**44,943**
Current tax liabilities	458	-	**458**
Deferred tax liabilities	11,720	-	**11,720**
Other liabilities	67,424	1,903	**69,327**
TOTAL LIABILITIES	**10,446,386**	**917,730**	**11,364,116**
EQUITY	**2,173,269**	**-**	**2,173,269**
Net off-balance sheet spot and forward position	**(105,099)**	**104,874**	**(225)**
Net position	**399**	**(624)**	**(225)**

As of December 31, 2012 the FX balances of UniCredit Bulbank are as outlined in the table below:

In thousands of BGN

	EUR AND BGN	OTHER CURRENCIES	TOTAL
ASSETS			
Cash and balances with Central Bank	896,658	9,740	**906,398**
Non-derivative financial assets held for trading	80,657	40	**80,697**
Derivatives held for trading	110,940	13,325	**124,265**
Financial assets designated at fair value through profit or loss	65,832	3,794	**69,626**
Loans and advances to banks	1,693,186	20,717	**1,713,903**
Loans and advances to customers	8,351,975	261,905	**8,613,880**
Available for sale investments	529,567	105,202	**634,769**
Held to maturity investments	106,431	148,566	**254,997**
Investments in associates	33,327	-	**33,327**
Property, plant, equipment and investment properties	143,641	-	**143,641**
Intangible assets	27,915	-	**27,915**
Current tax assets	1,918	-	**1,918**
Deferred tax assets	7,927	-	**7,927**
Other assets	55,967	201	**56,168**
TOTAL ASSETS	**12,105,941**	**563,490**	**12,669,431**
LIABILITIES			
Financial liabilities held for trading	109,710	11,957	**121,667**
Derivatives used for hedging	4,669	3,000	**7,669**
Deposits from banks	1,863,728	28,130	**1,891,858**
Deposits from customers	7,524,680	700,060	**8,224,740**
Subordinated liabilities	218,643	-	**218,643**
Provisions	13,722	18,539	**32,261**
Current tax liabilities	62	-	**62**
Deferred tax liabilities	11,952	-	**11,952**
Other liabilities	65,717	1,533	**67,250**
TOTAL LIABILITIES	**9,812,883**	**763,219**	**10,576,102**
EQUITY	**2,093,329**	**-**	**2,093,329**
Net off-balance sheet spot and forward position	**(213,740)**	**199,815**	**(13,925)**
Net position	**(14,011)**	**86**	**(13,925)**

(c) Liquidity risk

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

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

Integral part of liquidity management process is monitoring the results of regular stress tests. Market risks control function performs liquidity stress tests on regular basis, using standardised Group-wide scenarios and specific local set. These scenarios describe the effects of market-driven or name-driven crisis signals, with assumptions about behaviour of non-financial customers. The liquidity outflows expected to occur are compared with available collateral (essentially, securities eligible as collateral at the central bank) to examine banks' risk-taking capacity over two months horizon. The extreme scenario combining market- and name-driven crisis was covered without exceptions during 2013, meaning that assuming extreme stress conditions the Bank is expected to cope with liquidity shock using own resources.

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

In thousands of BGN

MATURITY TABLE AS AT 31 DECEMBER 2013	UP TO 1 YEAR	OVER 1 YEAR	TOTAL
ASSETS			
Non-derivative financial assets held for trading	13,872	-	13,872
Financial assets designated at fair value through profit or loss	-	61,549	61,549
Loans and advances to banks	1,649,934	192,027	1,841,961
Loans and advances to customers	3,250,508	6,279,394	9,529,902
Available for sale investments	148,515	753,070	901,585
Held to maturity investments	1,532	123,539	125,071
Other assets	43,311	26,199	69,510
TOTAL FINANCIAL ASSETS	**5,107,672**	**7,435,778**	**12,543,450**

In thousands of BGN

MATURITY TABLE AS AT 31 DECEMBER 2012	UP TO 1 YEAR	OVER 1 YEAR	TOTAL
ASSETS			
Non-derivative financial assets held for trading	80,697	-	80,697
Financial assets designated at fair value through profit or loss	-	69,626	69,626
Loans and advances to banks	1,713,903	-	1,713,903
Loans and advances to customers	3,328,886	5,284,994	8,613,880
Available for sale investments	37,332	597,437	634,769
Held to maturity investments	121,367	133,630	254,997
Other assets	35,254	20,914	56,168
TOTAL FINANCIAL ASSETS	**5,317,439**	**6,106,601**	**11,424,040**

In thousands of BGN

MATURITY TABLE AS AT 31 DECEMBER 2013	CARRYING AMOUNT	GROSS IN (OUT) FLOW	UP TO 1 MONTH	FROM 1 TO 3 MONTHS	FROM 3 MONTHS TO 1 YEAR	OVER 1 YEAR
Non derivative instruments						
Deposits from banks	**2,425,197**	**(2,540,813)**	(204,185)	(16,225)	(365,769)	(1,954,634)
Deposits from customers	**8,526,893**	**(8,620,723)**	(5,404,393)	(1,192,700)	(1,768,526)	(255,104)
Subordinated liabilities	**220,005**	**(240,946)**	-	-	(52,851)	(188,095)
Unutilized credit lines	**-**	**(1,265,900)**	(18,989)	-	(234,192)	(1,012,719)
Total non-derivative instruments	**11,172,095**	**(12,668,382)**	**(5,627,567)**	**(1,208,925)**	**(2,421,338)**	**(3,410,552)**
Trading derivatives, net	**20,421**					
Outflow		**(2,271,009)**	(1,137,062)	(346,441)	(468,928)	(318,578)
Inflow		**2,296,619**	1,140,283	344,755	473,236	338,345
Derivatives used for hedging, net	**(3,753)**					
Outflow		**(72,737)**	(908)	(1,611)	(5,324)	(64,894)
Inflow		**71,821**	63	199	732	70,827
Total derivatives	**16,668**	**24,694**	**2,376**	**(3,098)**	**(284)**	**25,700**
Total financial liabilities	**11,188,763**	**(12,643,688)**	**(5,625,191)**	**(1,212,023)**	**(2,421,622)**	**(3,384,852)**

In thousands of BGN

MATURITY TABLE AS AT 31 DECEMBER 2012	CARRYING AMOUNT	GROSS IN (OUT) FLOW	UP TO 1 MONTH	FROM1 TO 3 MONTHS	FROM 3 MONTHS TO 1 YEAR	OVER 1 YEAR
Non derivative instruments						
Deposits from banks	1,891,858	(1,984,575)	(170,514)	(13,949)	(129,455)	(1,670,657)
Deposits from customers	8,224,740	(8,280,900)	(2,455,553)	(1,578,984)	(2,745,248)	(1,501,115)
Subordinated liabilities	218,643	(242,064)	-	-	-	(242,064)
Issued financial guarantee contracts	13,626	(13,626)	-	-	-	(13,626)
Unutilized credit lines	-	(1,228,916)	(18,434)	-	(227,349)	(983,133)
Total non-derivative instruments	**10,348,867**	**(11,750,081)**	**(2,644,501)**	**(1,592,933)**	**(3,102,052)**	**(4,410,595)**
Trading derivatives, net	**2,598**					
Outflow	-	(2,658,172)	(1,369,465)	(366,675)	(569,174)	(352,858)
Inflow	-	2,664,528	1,358,471	367,342	570,968	367,747
Derivatives used for hedging, net	**(7,669)**	**-**	**-**	**-**	**-**	**-**
Outflow	-	(9,785)	(2,546)	(253)	(1,356)	(5,630)
Inflow	-	2,086	373	37	207	1,469
Total derivatives	**(5,071)**	**(1,343)**	**(13,167)**	**451**	**645**	**10,728**
Total financial liabilities	**10,343,796**	**(11,751,424)**	**(2,657,668)**	**(1,592,482)**	**(3,101,407)**	**(4,399,867)**

(d) Credit risks

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

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

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

(i) Credit risk in the trading book

For the purposes of portfolio management and risk limitation in the derivatives and security financing business with banks and customers, UniCredit Bulbank uses the group internal counterparty risk model based on Monte Carlo simulations by estimating the potential future exposure at portfolio level for each counterpart. Calculations are based on market volatilities, correlations between specific risk factors, future cash flows and stress considerations, taking into account netting and collateral agreements, if applicable. Subject to simulations are all major types of transactions, e. g. foreign exchange and interest rate derivatives, equity / bond-related instruments, credit derivatives and commodity derivatives.

Treasury credit lines utilisation for derivatives and security financing business is available on-line in the central treasury system operated on group-wide basis.

Additionally, UniCredit Bulbank limits the credit risk arising from its derivatives and repo-based business through strict use of master agreements, ongoing monitoring of documentation standards by legal experts, and application of break clauses and collateral agreements.

Regulatory trading book includes financial assets held for trading purposes and derivatives, not held in conjunction with banking book positions.

The analysis based on client credit quality and rating (where available) as of December 31, 2013 and December 31, 2012 is as shown in the next table:

In thousands of BGN

	31.12.2013	31.12.2012
Government bonds		
Rated BBB	13,001	50,242
Bonds of credit institutions		
Rated AAA	-	29,841
Corporate bonds		
Unrated	872	614
Derivatives (net)		
Banks and financial institution counterparties	(34,566)	(94,802)
Corporate counterparties	54,986	97,400
Total trading assets and liabilities	**34,293**	**83,295**

(ii) Credit risk in the banking book

Credit risk, inherent in the banking book, is managed as the creditworthiness of Bank's clients is assessed for the whole life of the loan, from the date of initial loan application till the date of final repayment. Issued Letters of Guarantees, Letters of Credit and all other irrevocable credit commitments fell also within the scope of Bank's credit risk monitoring. As a credit risk mitigation policy, Bank accepts different types of collaterals depending on the product and client.

Competences for evaluation and classification of risk exposures, assessment and quantification of impairment allowances and provisions for credit risk are exclusively within the responsibility of Provisioning and Restructuring Committee (PRC) established in the Bank.

The Bank applies the principle of individual and collective assessment of credit risk exposures depending on existence or non-existence of objective impairment indicators and considering the adopted individually significant materiality threshold.

Objective impairment indicators are those "loss events" that have occurred after initial recognition of the exposure and which have an impact on the exposure estimated future cash flows. In order to provide consistency in the risk measurement, the Bank assumes existence of objective impairment indicators in case of occurrence of a default event as per the approved "Methodology paper on Default according to Basel II".

Exposures with objective evidence for impairment (defaulted exposures) generally trigger specific impairment allowances (calculation amount based on individual assessment or portfolio model-based). For all exposures that are not defaulted, impairment assessment is done on a portfolio basis combining exposures with similar credit characteristics. The Bank adopts Expected Loss (EL) concept for assessing impairment on portfolio basis, considering expected default probability within one year horizon, adjusted by Loss Confirmation Period (LCP) in order to translate it into incurred loss as defined by IFRS (IBNR concept).

Risk assessment is done at least once per month. Credit risk methodology adopted by the Bank is explicitly defined in the Policy for evaluation of risk exposures. The process of evaluation of contingent liabilities and allocation of provisions as per the requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" is performed specifically whenever provision allocation indicator exists, as per the current Policy, and mandatory by the year-end for the purposes of drawing annual financial statements of the Bank.

Credit risk monitoring is also focused on fulfilment of statutory lending limits set in Law on Credit Institutions. Exposure to one customer or group of related customers exceeding 10% of 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 customer or group of related customers must not exceed 25% of the capital base of the Bank. The table below shows the ratio of the biggest exposure to a group of customers and the top five biggest groups of customers as of December 31, 2013 and December 31, 2012.

In thousands of BGN

	CREDIT RISK EXPOSURE BEFORE RISK TRANSFER		CREDIT RISK EXPOSURE AFTER RISK TRANSFER		% OF OWN FUNDS	
	2013	2012	2013	2012	2013	2012
Biggest credit risk exposure to customers' group	480,503	314,258	442,912	265,362	23.9%	14.0%
Credit risk exposure to top five biggest customers' groups	1,046,998	876,633	955,571	799,631	51.6%	42.4%

The table below analyses the breakdown of impairment allowances as of December 31, 2013 and December 31, 2012 on loans and advances to customers:

In thousands of BGN

	CARRYING AMOUNT BEFORE IMPAIRMENT		IMPAIRMENT ALLOWANCE		CARRYING AMOUNT	
	2013	2012	2013	2012	2013	2012
Impaired	1,667,039	1,217,248	975,726	694,447	691,313	522,801
individually assessed	*821,133*	*517,454*	*377,742*	*254,484*	*443,391*	*262,970*
portfolio based	*845,906*	*699,794*	*597,984*	*439,963*	*247,922*	*259,831*
Collectively impaired	7,666,419	6,948,003	64,581	61,490	7,601,838	6,886,513
Past due but not impaired	203,122	233,702	-	-	203,122	233,702
individually assessed	*141,143*	*159,310*	-	-	*141,143*	*159,310*
portfolio based	*61,979*	*74,392*	-	-	*61,979*	*74,392*
Past due comprises						
up to 90 days	*24,005*	*42,010*	-	-	*24,005*	*42,010*
from 91 to 180 days	*6,459*	*12,168*	-	-	*6,459*	*12,168*
over 181 days	*172,658*	*179,524*	-	-	*172,658*	*179,524*
	203,122	*233,702*	-	-	*203,122*	*233,702*
Neither past due nor impaired	1,033,629	970,864	-	-	1,033,629	970,864
Total	**10,570,209**	**9,369,817**	**1,040,307**	**755,937**	**9,529,902**	**8,613,880**

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

In thousands of BGN

	LOANS AND ADVANCES TO CUSTOMERS	
	31.12.2013	31.12.2012
Impaired defaulted exposures		
Cash collateral	237	395
Property	1,311,587	1,034,050
Other collateral	2,750,969	2,635,478
Collectively impaired performing exposures (IBNR)		
Cash collateral	53,754	22,108
Property	7,240,872	6,989,031
Debt securities	-	119
Other collateral	17,473,809	18,821,462
Past due but not impaired defaulted exposures		
Cash collateral	798	327
Property	475,658	550,931
Other collateral	411,877	553,438
Neither past due nor impaired performing exposures		
Cash collateral	83,754	80,169
Property	1,986,664	2,140,023
Debt securities	9,638	10,000
Other collateral	605,620	662,374
Total	**32,405,237**	**33,499,905**

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

In thousands of BGN

	LOANS AND ADVANCES TO CUSTOMERS		INVESTMENT SECURITIES		INVESTMENT SECURITIES	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Concentration by sectors						
Sovereign	313,666	64,925	-	-	1,014,662	874,758
Manufacturing	2,157,730	2,054,696	-	-	-	-
Commerce	2,049,742	1,989,269	-	-	-	-
Construction and real estate	1,780,435	1,662,572	-	-	97	97
Agriculture and forestry	348,289	229,101	-	-	-	-
Transport and communication	425,539	255,728	-	-	-	-
Tourism	169,811	176,149	-	-	-	-
Services	399,232	313,055	-	-	-	-
Financial services	112,519	189,793	1,841,961	1,713,903	14,459	48,238
Retail (individuals)						
Housing loans	1,652,031	1,653,414	-	-	-	-
Consumer loans	1,161,215	781,115	-	-	-	-
	10,570,209	**9,369,817**	**1,841,961**	**1,713,903**	**1,029,218**	**923,093**
Impairment allowances	(1,040,307)	(755,937)	-	-	-	-
Total	**9,529,902**	**8,613,880**	**1,841,961**	**1,713,903**	**1,029,218**	**923,093**
Concentration by geographic location						
Europe	10,509,382	9,331,198	1,836,390	1,704,277	1,029,218	920,115
North America	25,952	129	5,298	8,533	-	2,978
Asia	311	532	133	986	-	-
Africa	34,458	37,859	-	-	-	-
South America	16	7	-	-	-	-
Australia	90	92	140	107	-	-
	10,570,209	**9,369,817**	**1,841,961**	**1,713,903**	**1,029,218**	**923,093**
Impairment allowances	(1,040,307)	(755,937)	-	-	-	-
Total	9,529,902	**8,613,880**	1,841,961	**1,713,903**	1,029,218	**923,093**

(e) Operational Risk

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

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

For the past five years, the established Operational Risk Committee (recently renamed to Operational and Reputational Risk Committee with the introduction of a Reputational Risk function in the Bank) greatly enhanced the regular exchange of information and promotion of the operational risk awareness within the Bank. Meetings are held quarterly and are attended by the Bank's senior management. The Operational and Reputational Risk Committee acts also as a Permanent Workgroup, where current operational risk issues and developments are reported, and serves as a platform for discussion of unresolved issues for the purpose of finding risk mitigation solutions.

In 2013 a new function was introduced within the scope of the responsibility of the Operational and Reputational Risk Unit, the Reputational Risk. Reputational risk is defined as the current or prospective risk to earnings and capital arising from adverse perception of the image of the financial institution on the part of customers, counterparties, shareholders/investors, regulators or employees (stakeholders). The function is in the final stage of the setup phase; the general set of principles and rules for monitoring the Reputational Risk exposure are being adopted in compliance with the UniCredit Group guidelines.

The activities in 2013 were concentrated on the further development of the operational risk management with focus on preventative and mitigation actions to reduce future losses and increase the extent of involvement of the Operational and Reputational Risk Unit in the approval process for relevant projects and products. Moreover, the risk culture within the Bank was further enhanced through an innovative online training. The latest reports show that all employees have passed the operational risk training, which illustrates outstanding operational risk awareness at Bank level.

Overall, the organisation of operational and reputational risk management at UniCredit Bulbank AD is well established, at a high level of quality, as stated in the annual self-validation report. This was confirmed by the control verifications of UniCredit Group Internal Validation, Group and Bank's Internal Audit inspections. Based on these independent assessments, the operational risk management and control system was found sound and well developed with focus on proactiveness, proposal and implementation of mitigation actions with the active involvement of the operational and reputational risk function, and all relevant units in the Bank. This fact was further supported by the "Bank of the year 2013" award to UniCredit Group by the "Operational and Regulation Risk" magazine, the most renowned and prestigious in its field worldwide. It's the first time the Group gets this prestigious award for operational risk management excellence.

(f) Basel II disclosure

Under this Basel II disclosure, Bank represents regulatory requirements for consolidated reporting. These requirements may differ from 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, being it a non-financial institution. However Bank dully deduct the participation in that entity from its capital base (own funds).

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.

In 2011 UniCredit Bulbank AD became the first Bulgarian bank authorized to use:

- Foundation Internal Rating Based (Foundation IRB or F-IRB) Approach under Basel II for the calculation of credit risk capital requirements for corporate customers and credit institutions (on stand-alone basis) and
- Advanced Measurement Approach (AMA) for the calculation of operational risk capital requirements for bank stand-alone and standardized approach for consolidated subsidiaries.

Credit Risk Weighted Assets and capital requirements calculated under the F-IRB Approach are risk sensitive as they depend directly on the borrowers' creditworthiness illustrated by their Probabilities of Default. In these consolidated financial statements Credit Risk Weighted assets originating from consolidated subsidiaries are presented under standardized approach.

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 maintain minimum Tier I ratio of 10%.

Securitization

In 2011 Bank has signed First Loss Guarantee Agreement (FLPG) with European Investment Fund, covering newly disbursed SME loans. In 2012 upon agreement for the regulatory treatment with Bulgarian National Bank, the above mentioned transaction is presented as synthetic securitization under STA for the purposes of allocating capital for credit risk under Basel II. Summary of FLPG is as of December 31, 2013 is presented in the table below:

NAME		EIF JEREMIE
Type of securitisation:		First Loss Portfolio Guarantee
Originator:		UniCredit Bulbank
Issuer:		European Investment Fund
Target transaction :		Capital Relief and risk transfer
Type of asset:		Highly diversified and granular pool of newly granted SME loans
Quality of Assets as of December 31, 2013		Performing loans
Agreed maximum portfolio volume:		EUR 50,000 thousand
Nominal Value of reference portfolio :		BGN 75,848 thousand
Issued guarantees by third parties:		First loss cash coverage by EIF
Amount and Condition of tranching:		**Junior**
Type of tranche	**Senior**	Junior
Reference Position as of December 31, 2013	**BGN 42,111 thousand**	BGN 18,568 thousand

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, 2013 and December 31, 2012 the consolidated Capital base of UniCredit Bulbank AD comprises as follows:

In thousands of BGN

	31.12.2013	31.12.2102 (RESTATED)
Share capital	285,777	285,777
Statutory reserve	342,378	342,378
Retained earnings	1,343,598	1,225,694
Total capital and reserves	**1,971,753**	**1,853,849**
Deductions		
Unrealized loss on available-for-sale instruments	(694)	(155)
Intangible assets	(25,574)	(27,914)
Total deductions	**(26,268)**	**(28,069)**
Total Tier I capital	**1,945,485**	**1,825,780**
Subordinated liabilities	89,186	127,520
Total Tier II capital	**89,186**	**127,520**
Additional deductions from Tier I and Tier II capital	**(183,754)**	**(114,693)**
Total Capital base (Own funds)	**1,850,917**	**1,838,607**

For comparative reasons, due to change in accounting policy with regards to property valuation, the Bank has recalculated prior year own funds as if this policy has been effective as of December 31, 2012.

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 as well as the excess of regulatory provisions on loans over recognized impairment allowances under IFRS (for exposures treated under standardized approach) and short fall (excess of regulatory Expected Loss over IFRS impairment allowances) for exposures treated under F-IRB. For regulatory purposes the deduction is split equally between Tier I and Tier II capital.

(ii) Capital requirements

As of December 31, 2013 and December 31, 2012 the capital requirements for credit, market and operational risks are as follows:

In thousands of BGN

	31.12.2013	31.12.2102 (RESTATED)
Capital requirements for credit risk		
Exposures under standardized approach	257,553	222,161
Exposures under FIRB	453,112	493,168
Total capital requirements for credit risk	**710,665**	**715,329**
Capital requirements for market risk	**7,985**	**10,672**
Total capital requirements for operational risk	**101,129**	**78,173**
Total capital requirements for credit, market and operational risk	**819,779**	**804,174**
Additional capital requirements subject to National discretions from the Regulator	**409,889**	**402,087**
Total regulatory capital requirements	**1,229,668**	**1,206,261**
Capital Base (Own funds)	1,850,917	1,838,607
there off Tier I	1,850,917	1,768,434
Free equity (Own funds)	621,249	632,346
Total capital adequacy ratio	**18.06%**	**18.29%**
Tier I ratio	**18.06%**	**17.59%**

For comparative reasons, due to change in accounting policy with regards to property valuation, the Bank has recalculated prior year own funds as if this policy has been effective as of December 31, 2012.

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 AMA 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 judgements

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

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

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

(a) Fair value determination of financial instruments

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

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

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

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

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

Upon first adoption of IFRS 13 "Fair Value Measurement", in 2013 Bank paid specific attention on assessing and revising its valuation techniques, especially with regards to valuation of OTC derivatives and other Level 2 and Level 3 financial instruments, otherwise carried at amortized cost (loans and deposits to/from customers and banks). In doing such revision Bank has adopted UniCredit Group valuation techniques and methodologies.

OTC derivatives

CVA (Credit Value Adjustment) represents adjustment made on the valuation of OTC derivative transaction in order to properly reflect the credit risk of the derivative counter-party. It can also be referred as emanation of market value of counter-party credit risk. According to the UniCredit Group adopted methodology, CVA is calculated on bilateral basis for financial institutions and large corporate clients with available single name CDS or observable similar counterparties' asset swap spreads and CDS sector/rating index and unilateral for other corporate or retail clients based on internal risk parameters (PD and LGD). In bilateral computations DVA (Debt Value Adjustment) representing market value of Bank's own credit risk towards counterparty, is also considered (for the actual amounts of CVA/DVA adjustments for 2013 see also Note 9).

Loans and advances to banks and customers

The embodied fair valuation technique represents DCF method, where the applicable discount factor is the sum of risk free rate, expected loss and unexpected loss. The latter is valid for performing loans (those where default events are not encountered). For defaulted loans, as the allocation of impairment requires deeper analysis of the expected cash flows, in accordance with Group methodology, Management can reasonably assume that the fair value is equal to the carrying amount and all such instruments are mapped to Level 3 fair value hierarchy.

As all loans are not traded on active markets, attention should be paid to proper mapping them into the FV hierarchy as per IFRS 7. In this regard, according to the UniCredit Group methodology, also adopted by the Bank, whenever risk-free FV deviates by more than 5% from risk-adjusted FV, then the unobservable input has material impact on the final fair value determination, therefore the fair value of the respective instrument is mapped to Level 3. If the deviation is within the 5% threshold, the instrument is mapped to Level 2 fair value hierarchy.

Deposits from banks and customers

The embodied fair valuation technique represents DCF method, where the applicable discount factor is the sum of risk free rate and own credit spread (liquidity spreads). Since own credit spread does not have material impact on fair valuation, the fair values of all deposits form banks and customers are presented within Level 2 fair value hierarchy.

The table below analyses financial instruments carried at fair value by valuation method applied by the Bank as of December 31, 2013 and December 31, 2012.

In thousands of BGN

INSTRUMENT CATEGORY	LEVEL 1		LEVEL 2		LEVEL 3		TOTAL	
	2013	2012	2013	2012	2013	2012	2013	2012
Non-derivative financial assets held for trading	-	-	13,001	80,083	871	614	13,872	80,697
Derivatives held for trading	-	-	81,865	124,265	50	-	81,915	124,265
Derivatives used for hedging	-	-	326	-	-	-	326	-
Financial assets designated at fair value through profit or loss	-	-	-	6,875	61,549	62,751	61,549	69,626
Available for sale Investments	194,285	3,232	689,569	613,041	17,731	18,496	901,585	634,769
Held to maturity investments	128,965	18,270	1,538	247,342	-	-	130,503	265,612
Loans and advances to banks	-	-	1,843,094	1,713,790	-	-	1,843,094	1,713,790
Loans and advances to customers	-	-	7,319,204	7,857,522	2,644,745	756,503	9,963,949	8,614,025
	323,250	**21,502**	**9,948,597**	**10,642,918**	**2,724,946**	**838,364**	**12,996,793**	**11,502,784**
Financial liabilities held for trading	-	-	61,494	121,667	-	-	61,494	121,667
Derivatives used for hedging	-	-	4,079	7,669	-	-	4,079	7,669
Deposits from banks	-	-	2,347,513	1,895,035	-	-	2,347,513	1,895,035
Deposits from customers	-	-	8,572,785	8,269,457	-	-	8,572,785	8,269,457
Subordinated liabilities	-	-	212,847	218,643	-	-	212,847	218,643
	-	**-**	**11,198,718**	**10,512,471**	**-**	**-**	**11,198,718**	**10,512,471**

The movement in financial instruments carried at fair value belonging to Level 3 for the year ended December 31, 2013 is as follows:

In thousands of BGN

	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE FOR SALE INVESTMENTS
Opening balance (January 1, 2012)	**614**	**62,751**	**18,496**
Increases	**469**	**1,553**	**-**
Profit recognized in income statement	328	1,553	-
Transfer from other levels	141	-	-
Decreases	**(162)**	**(2,755)**	**(765)**
Sales	-	-	-
Redemption	(73)	(2,081)	(600)
Loses recognized in income statement	(89)	(674)	(10)
Loses recognized in equity	-	-	(72)
Closing balance (December 31, 2013)	**921**	**61,549**	**17,731**

The tables below analyses the fair value of financial instruments by classification as of December 31, 2013 and December 31, 2012.

In thousands of BGN

DECEMBER 2013	FAIR VALUE THROUGH PROFIT OR LOSS	HELD-TO-MATURITY	LOANS AND RECEIVABLES	AVAILABLE FOR SALE	CFH DERIVATIVES	OTHER AMORTIZED COST	TOTAL CARRYING AMOUNT	FAIR VALUE
ASSETS								
Cash and balances with Central bank	-	-	-	-	-	728,730	728,730	728,730
Non-derivative financial assets held for trading	13,872	-	-	-	-	-	13,872	13,872
Derivatives held for trading	81,915	-	-	-	-	-	81,915	81,915
Derivatives held for hedging	-	-	-	-	326	-	326	326
Financial assets designated at fair value through profit or loss	61,549	-	-	-	-	-	61,549	61,549
Loans and advances to banks	-	-	1,841,961	-	-	-	1,841,961	1,843,094
Loans and advances to customers	-	-	9,529,902	-	-	-	9,529,902	9,963,949
Available for sale Investments	-	-	-	901,585	-	-	901,585	901,585
Held to maturity Investments	-	125,071	-	-	-	-	125,071	130,503
TOTAL ASSETS	**157,336**	**125,071**	**11,371,863**	**901,585**	**-**	**728,730**	**13,284,911**	**13,725,523**
LIABILITIES								
Financial liabilities held for trading	61,494	-	-	-	-	-	61,494	61,494
Derivatives used for hedging	-	-	-	-	4,079	-	4,079	4,079
Deposits from banks	-	-	-	-	-	2,425,197	2,425,197	2,347,513
Deposits from customers	-	-	-	-	-	8,526,893	8,526,893	8,572,785
Subordinated liabilities	-	-	-	-	-	220,005	220,005	212,847
TOTAL LIABILITIES	**61,494**	**-**	**-**	**-**	**4,079**	**11,172,095**	**11,237,668**	**11,198,718**

In thousands of BGN

DECEMBER 2012	FAIR VALUE THROUGH PROFIT OR LOSS	HELD-TO-MATURITY	LOANS AND RECEIVABLES	AVAILABLE FOR SALE	CFH DERIV.	OTHER AMORTIZED COST	TOTAL CARRYING AMOUNT	FAIR VALUE
ASSETS								
Cash and balances with Central bank	-	-	-	-	-	906,398	906,398	906,398
Non-derivative financial assets held for trading	80,697	-	-	-	-	-	80,697	80,697
Derivatives held for trading	124,265	-	-	-	-	-	124,265	124,265
Financial assets designated at fair value through profit or loss	69,626	-	-	-	-	-	69,626	69,626
Loans and advances to banks	-	-	1,713,903	-	-	-	1,713,903	1,713,790
Loans and advances to customers	-	-	8,613,880	-	-	-	8,613,880	8,614,025
Available for sale Investments	-	-	-	634,769	-	-	634,769	634,769
Held to maturity Investments	-	254,997	-	-	-	-	254,997	265,612
TOTAL ASSETS	**274,588**	**254,997**	**10,327,783**	**634,769**	**-**	**906,398**	**12,398,535**	**12,409,182**
LIABILITIES								
Financial liabilities held for trading	121,667	-	-	-	-	-	121,667	121,667
Derivatives used for hedging	-	-	-	-	7,669	-	7,669	7,669
Deposits from banks	-	-	-	-	-	1,891,855	1,891,855	1,895,035
Deposits from customers	-	-	-	-	-	8,224,740	8,224,740	8,269,457
Subordinated liabilities	-	-	-	-	-	218,643	218,643	218,643
TOTAL LIABILITIES	**121,667**	**-**	**-**	**-**	**7,669**	**10,335,238**	**10,464,574**	**10,512,471**

(b) Impairment of financial instruments

Fair value determination of non-financial assets is usually applied on non-recurring basis when measuring recoverable amount of investment properties. Bank has adopted the approach whereas recoverable amount for all investment properties is deemed to be their fair value (cost to sell considered immaterial). Fair value is assessed based on external valuation considering highest and best use of the asset. As of December 31, 2013 all investment properties have undergone external fair valuation and whenever the assessed fair value was below carrying amount, impairment has been recognized (see also Note **30**)

(c) Impairment of financial instruments

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

Collectively assessed impairment losses cover credit losses inherent in portfolios of loans bearing similar economic characteristics when there is an objective evidence to suggest that they contain impaired loans. In such assessments, factors that are mostly considered include credit quality, portfolio size, concentration and economic factors. Practically collective impairment allowances are based on expected loss calculated for the respective portfolio, adjusted by average loss confirmation period in order to arrive at incurred loss as of the measurement date. As of December 31, 2013 and December 31, 2012 the average applied loss confirmation period is 6 months.

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

(d) Provisions

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

6. Segment reporting

Business segments pay and receive interest from the Asset-Liability Management Department (ALM) on arms' length basis, through given Fund Transfer Pricing rate (FTP) to reflect the funding costs per currencies/tenors. Allocation of capital is also carried out, in proportion to respective RWA.

The Bank operates the following main business segments:

- Retail banking;
- Corporate and Investment Banking and private Banking;
- Asset-Liability Management Dept. and other.

In thousands of BGN

YEAR ENDED DECEMBER 31, 2013	RETAIL BANKING	CIB AND PRIVATE BANKING	ALM AND OTHER	TOTAL
Net interest income	263,221	244,153	(39,677)	467,697
Dividend income	-	-	1,205	1,205
Net fee and commission income	110,721	67,284	(88)	177,917
Net gains (losses) from financial assets and liabilities held for trading	14,862	37,443	(11,130)	41,175
Net gains (losses) from other financial assets designated at fair value through profit or loss	-	310	-	310
Net income from investments	-	1,819	291	2,110
Other operating income	408	(382)	12,926	12,952
TOTAL OPERATING INCOME	**389,212**	**350,627**	**(36,473)**	**703,366**
Personnel expenses	(47,621)	(15,284)	(48,800)	(111,705)
General and administrative expenses	(80,957)	(24,988)	(21,217)	(127,162)
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	(16,557)	(3,271)	(11,929)	(31,757)
TOTAL DIRECT EXPENSES	**(145,135)**	**(43,543)**	**(81,946)**	**(270,624)**
Allocation of indirect and overhead expenses	(51,500)	(24,807)	76,307	-
TOTAL OPERATING EXPENSES	**(196,635)**	**(68,350)**	**(5,639)**	**(270,624)**
Provisions for risk and charges	-	-	(9,691)	(9,691)
Net impairment loss on financial assets	(48,914)	(179,055)	6	(227,963)
Net income related to property, plant and equipment	-	-	1,056	1,056
PROFIT BEFORE INCOME TAX	**143,663**	**103,222**	**(50,741)**	**196,144**
Income tax expense	-	-	(20,235)	(20,235)
PROFIT FOR THE YEAR	**143,663**	**103,222**	**(70,976)**	**175,909**
ASSETS	**3,334,098**	**7,429,808**	**2,773,479**	**13,537,385**
LIABILITIES	**4,454,527**	**4,317,336**	**2,592,253**	**11,364,116**

In thousands of BGN

YEAR ENDED DECEMBER 31, 2012 (RESTATED)	RETAIL BANKING	CIB AND PRIVATE BANKING	ALM AND OTHER	TOTAL
Net interest income	210,573	225,221	(27,369)	408,425
Dividend income	-	-	1,101	1,101
Net fee and commission income	93,950	63,183	(179)	156,954
Net gains (losses) from financial assets and liabilities held for trading	13,591	47,733	(918)	60,406
Net gains (losses) from other financial assets designated at fair value through profit or loss	-	2,698	-	2,698
Net income from investments	-	692	9,557	10,249
Other operating income	95	(845)	5,327	4,577
TOTAL OPERATING INCOME	**318,209**	**338,682**	**(12,481)**	**644,410**
Personnel expenses	(43,138)	(15,218)	(45,194)	(103,550)
General and administrative expenses	(74,797)	(23,941)	(17,400)	(116,138)
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	(18,967)	(3,651)	(12,579)	(35,197)
TOTAL DIRECT EXPENSES	**(136,902)**	**(42,810)**	**(75,173)**	**(254,885)**
Allocation of indirect and overhead expenses	(46,996)	(25,925)	72,921	-
TOTAL OPERATING EXPENSES	**(183,898)**	**(68,735)**	**(2,252)**	**(254,885)**
Provisions for risk and charges	-	-	5,931	5,931
Net impairment loss on financial assets	(30,826)	(123,408)	62	(154,172)
Net income related to property, plant and equipment	-	-	1,358	1,358
PROFIT BEFORE INCOME TAX	**103,485**	**146,539**	**(7,382)**	**242,642**
Income tax expense	-	-	(24,959)	(24,959)
PROFIT FOR THE YEAR	**103,485**	**146,539**	**(32,341)**	**217,683**
ASSETS	**2,959,540**	**8,393,257**	**1,316,634**	**12,669,431**
LIABILITIES	**4,106,931**	**4,180,917**	**2,288,254**	**10,576,102**

7. Net interest income

In thousands of BGN

	2013	2012
Interest income		
Financial assets held for trading	1,503	4,675
Derivatives held for trading	54,870	40,366
Financial assets designated at fair value through profit or loss	4,286	4,727
Loans and advances to banks	5,362	8,186
Loans and advances to customers	598,757	550,692
Available for sale investments	24,569	18,920
Held to maturity investments	7,560	14,052
	696,907	**641,618**
Interest expense		
Derivatives held for trading	(47,673)	(36,036)
Derivatives used for hedging	(2,513)	(2,619)
Deposits from banks	(30,217)	(34,276)
Deposits from customers	(143,909)	(154,524)
Subordinated debt	(4,898)	(5,738)
	(229,210)	**(233,193)**
Net interest income	**467,697**	**408,425**

For the financial years ended December 31, 2013 and December 31, 2012 the interest income recognized on impaired financial instruments (loans and advances to customers) is in the amount of BGN 25,913 thousand and BGN 28,859 thousand, respectively.

8. Net fee and commission income

In thousands of BGN

	2013	2012
Fee and commission income		
Collection and payment services	91,366	78,496
Lending business	40,601	26,946
Account services	10,642	17,681
Management, brokerage and securities trading	953	3,430
Documentary business	16,612	14,968
Package accounts	12,381	10,803
Other	15,307	13,228
	187,862	**165,552**
Fee and commission expense		
Collection and payment services	(8,602)	(7,187)
Management, brokerage and securities trading	(1,036)	(815)
Lending business	(110)	(185)
Other	(197)	(411)
	(9,945)	**(8,598)**
Net fee and commission income	**177,917**	**156,954**

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

In thousands of BGN

	2013	2012
FX trading income, net	38,735	39,178
Net income from debt instruments	1,297	2,843
Net income from equity instruments	-	422
Net income from derivative instruments	1,140	17,963
Net income from hedging derivative instruments	3	-
Net gains on financial assets and liabilities held for trading and hedging derivatives	**41,175**	**60,406**

The total CVA (net of DVA) for the year ended December 31, 2013, included in position net income from derivative instruments is in the amount of BGN (6,355) thousand.

10. Net gains 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 value through profit or loss includes realized gains and losses on such instruments as well as unrealized ones due to fair value change. The amounts for the years ended December 31, 2013 and December 31, 2012 are BGN 310 thousand and BGN 2,698 thousand, respectively.

11. Net income from investments

In thousands of BGN

	2013	2012
Realised gains on disposal of available for sale investments	1,819	692
Income from liquidation of associates	7	42
Effect of equity method consolidation on associates	284	9,515
Net income from investments	**2,110**	**10,249**

Income from liquidation of associates represents recovery from previously written down investment in an associate upon its liquidation.

12. Other operating income, net

In thousands of BGN

	2013	2012
Other operating income		
Income from intergovernmental agreements	10,146	-
Income from non-financial services	3,069	1,506
Rental income from investment property	359	374
Other income	1,439	3,276
	15,013	**5,156**
Other operating expenses		
Other operating expenses	(2,061)	(579)
	(2,061)	**(579)**
Other operating income, net	**12,952**	**4,577**

In 2013 the Bank has recognized income related to letters of credit acquired by the Bank in previous periods, the final settlement of which is covered by intergovernmental agreements.

13. Net income related to property, plant and equipment

Net income related to property, plant and equipment represents the net gain the Bank has realized upon disposal of long-term assets. For the years ended December 31, 2013 and December 31, 2012 the gains are in the amount of BGN 1,056 thousand and BGN 1,358 thousand respectively.

14. Personnel expenses

In thousands of BGN

	2013	2012
Wages and salaries	(91,957)	(84,833)
Social security charges	(11,661)	(11,981)
Pension and similar expenses	(516)	(485)
Temporary staff expenses	(2,121)	(1,288)
Share-based payments	(1,140)	(1,046)
Other	(4,310)	(3,917)
Total personnel expenses	**(111,705)**	**(103,550)**

As of December 31, 2013 the total number of employees, expressed in full time employee equivalent is 4,139 (December 31, 2012: 3,793)

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

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

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

In thousands of BGN

	ECONOMIC VALUE AT DECEMBER 31, 2012	2013 COST (GAINS)	SETTLED IN 2013	ECONOMIC VALUE AT DECEMBER 31, 2013
Stock Options 03 2011	258	(258)	-	-
Deferred Short Term Incentive (stock options)	32	49	-	81
Total Stock Options	**290**	**(209)**	**-**	**81**
Performance Shares 03 2011	378	(378)		-
Total Performance Shares	**378**	**(378)**	**-**	**-**
Deferred Short Term Incentive (ordinary shares)	829	1,553	-	2,382
Total Deferred Short Term Incentive (shares)	**829**	**1,553**	**-**	**2,382**
ESOP and shares for Talents	**297**	**174**	**-**	**471**
Total Options and Shares	**1,794**	**1,140**	**-**	**2,934**

The opening balances include the economic value of equity instruments previously granted to managers of UniCredit Consumer Financing (total amount of BGN 112 thousand as of December 31, 2012).

15. General and administrative expenses

In thousands of BGN

	2013	2012
Deposit guarantee fund annual contribution	(34,453)	(30,589)
Advertising, marketing and communication	(9,050)	(7,139)
Credit information and searches	(3,571)	(2,184)
Information, communication and technology expenses	(36,016)	(31,288)
Consulting, audit and other professionals services	(2,209)	(3,053)
Real estate expenses	(12,308)	(12,155)
Rents	(12,815)	(13,135)
Travel expenses and car rentals	(2,352)	(2,246)
Insurance	(1,540)	(1,422)
Supply and miscellaneous services rendered by third parties	(10,547)	(8,698)
Other costs	(2,301)	(4,229)
Total general and administrative expenses	**(127,162)**	**(116,138)**

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

In thousands of BGN

	2013	2012 (RESTATED)
Depreciation charge	(29,466)	(34,063)
Impairment	(2,291)	(1,134)
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	**(31,757)**	**(35,197)**

As part of the standard year-end closure procedures, Bank performs impairment assessment of its long-term assets. Impairment is recognized whenever recoverable amount of the assets is lower than their carrying amount. For the years ended December 31, 2013 and December 31, 2012 the impairment of long-terms assets, is in the amount of BGN 2,291 thousand and BGN 1,134 thousand, respectively.

17. Provisions for risk and charges

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

In thousands of BGN

	2013	2012
Additions of provisions		
Legal cases provisions	(9,726)	(1,949)
Other provisions	(25)	-
Provisions on constructive obligations	(459)	(761)
	(10,210)	**(2,710)**
Reversal of provisions		
Provisions on letters of guarantee	-	306
Legal cases provisions	519	7,170
Provisions on constructive obligations	-	1,165
	519	**8,641**
Net provisions charge	**(9,691)**	**5,931**

18. Net Impairment loss on financial assets

In thousands of BGN

	2013	2012
Balance 1 January		
Loans and advances to customers	755,937	679,687
Increase		
Loans and advances to customers	309,342	253,502
Decrease		
Loans and advances to customers	(71,683)	(83,861)
Recoveries from loans previously written-off	(9,696)	(15,469)
	(81,379)	**(99,330)**
Net impairment losses	227,963	154,172
FX revaluation effect on impairment allowances	(968)	(399)
Other movements	562	-
Balances from first consolidation	145,047	-
Written-off		
Loans and advances to customers	(97,930)	(92,992)
Balance December 31 Loans and advances to customers	**1,040,307**	**755,937**

Balances upon first consolidation include the stock of allocated impairment allowances of newly acquired subsidiaries upon their first consolidation.

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 2014.

The breakdown of tax charges in the income statement is as follows:

In thousands of BGN

	2013	2012 (RESTATED)
Current tax	(22,273)	(27,950)
Deferred tax income (expense) related to origination and reversal of temporary differences	2,145	4,085
Underprovided prior year income tax	(107)	(1,094)
Income tax expense	**(20,235)**	**(24,959)**

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

In thousands of BGN

	2013	2012 (RESTATED)
Accounting profit before tax	196,144	242,642
Corporate tax at applicable tax rate (10% for 2013 and 2012)	(19,614)	(24,264)
Tax effect of non-taxable revenue	272	1,062
Tax effect of non-tax deductible expenses	(919)	(824)
Underprovided prior year income tax	26	(933)
Income tax expense	**(20,235)**	**(24,959)**
Effective tax rate	**10.32%**	**10.29%**

20. Cash and balances with Central bank

In thousands of BGN

	31.12.2013	31.12.2012
Cash in hand and in ATM	181,429	161,982
Cash in transit	52,359	42,935
Current account with Central Bank	494,942	701,481
Total cash and balance with Central Bank	**728,730**	**906,398**

21. Non-derivative financial assets held for trading

In thousands of BGN

	31.12.2013	31.12.2012
Government bonds	13,001	50,242
Bonds of credit institutions	-	29,841
Corporate bonds	871	614
Total non-derivative financial assets held for trading	**13,872**	**80,697**

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

In October 2008 Management has adopted amendments in IAS 39 “Financial instruments: Recognition and measurement” issued by IASB that same month. Considering the ongoing financial markets turmoil as a possible example of “rare circumstances”, Management has changed its intention with regard to certain government bonds, previously classified as held for trading and reclassified them into held to maturity category.

The reclassification was performed retrospectively, as allowed by the amendments, with effective date July 1st, 2008. Additional information on the reclassification is presented in the table below.

In thousands of BGN

	2013	CUMULATIVELY SINCE RECLASSIFICATION (JULY 2008 - DECEMBER 2012)
Fair value changes		
Fair value gain (loss) that should have been recognized had the assets not been reclassified	(3,861)	2,575
Net interest income		
Net interest income recognized for the period after reclassification	2,139	22,730
Net interest income after reclassification that should have been recognized had the assets not been reclassified	3,014	29,772

22. Derivatives held for trading

In thousands of BGN

	31.12.2013	31.12.2012
Interest rate swaps	53,441	97,217
Equity options	5,107	1,139
FX forward contracts	6,842	11,071
FX options	4	5
Other options	864	9
FX swaps	7,475	8,193
Commodity swaps	5,402	6,631
Commodity options	2,780	-
Total trading derivatives	**81,915**	**124,265**

Derivatives comprise of trading instruments that have positive market value as of December 31, 2013 and December 31, 2012. 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. Derivatives used for hedging

As described in Note **3 (k)** in 2009 Bank has adopted hedge accounting methodology aiming at managing the residual interest rate risk in banking book. As of December 31, 2013 and December 31, 2012 Bank has designated only cash flow hedge relationships with hedging instruments being interest rate swaps and hedged items being highly probable forecasted interest cash flows derived from customers' and banks' business (attracted deposits).

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

In thousands of BGN

	31.12.2013	31.12.2012
Government bonds	-	6,875
Municipality bonds	1,191	1,719
Corporate bonds	60,358	61,032
Total financial assets designated at fair value through profit or loss	**61,549**	**69,626**

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, 2012 assets designated at fair value through profit or loss in the amount of BGN 80 thousand are pledged either on open repo-deals and other funding deals or under regulatory requirement to pledge government bonds as collateral for servicing State Budget accounts (see also Note **44**).

25. Loans and advances to banks

In thousands of BGN

	31.12.2013	31.12.2012
Loans and advances to banks	1,802,772	948,923
Current accounts with banks	39,189	764,980
Total loans and advances to banks	**1,841,961**	**1,713,903**

Loans and advances to banks include also receivables under repurchase agreements. The outstanding amounts of such agreements as well as the market value of collaterals as of December 31, 2013 and December 31, 2012 are as follows:

In thousands of BGN

	2013		2012	
	Carrying value	**Collateral value**	**Carrying value**	**Collateral value**
Loans and advances to banks				
Receivables under repurchase agreements	84,071	82,477	27,150	27,250
Total	**84,071**	**82,477**	**27,150**	**27,250**

26. Loans and advances to customers

In thousands of BGN

	31.12.2013	31.12.2012
Companies	6,798,881	6,885,298
Individuals		
Housing loans	1,652,031	1,653,414
Consumer loans	1,136,833	781,115
Central and local governments	299,611	49,990
Finance leases	**682,853**	**-**
	10,570,209	**9,369,817**
Less impairment allowances	(1,040,307)	(755,937)
Total loans and advances to customers	**9,529,902**	**8,613,880**

27. Available for sale investments

In thousands of BGN

	31.12.2013	31.12.2012
Government bonds	883,554	613,041
Municipality bonds	6,037	6,722
Bonds of credit institutions	-	2,932
Equities	11,994	12,074
Total available for sale investments	**901,585**	**634,769**

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 carried at fair value, when such can be reliably measured, otherwise at cost. As of December 31, 2013 and December 31, 2012 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, 2013 and December 31, 2012 available for sale investments in the amount of BGN 381,121 thousand and BGN 286,760 thousand, respectively, are pledged either on open repo-deals and other funding deals or under regulatory requirement to pledge government bonds as collateral for servicing State Budget accounts (see also Note **44**).

28. Held to maturity investments

In thousands of BGN

	31.12.2013	31.12.2012
Government bonds	125,071	252,019
Bonds of credit institutions	-	2,978
Total held to maturity investments	**125,071**	**254,997**

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. All such investments are assessed for impairment and as a result of this assessment no impairment has been recognized as of December 31, 2013 and December 31, 2012.

As of December 31, 2013 and December 31, 2012 held to maturity investments in the amount of BGN 123,114 thousand and BGN 41,428 thousand, respectively, are pledged either on open repo-deals and other funding deals or under regulatory requirement to pledge government bonds as collateral for servicing State Budget accounts (see also Note **44**).

29. Investments in associates

As of December 31, 2013 there is only one associated company, where the Bank exercises significant influence by holding 20% of the share capital of the company. This is Cash Service Company AD presented at equity method. Summary of major financials as of December 31, 2013 and December 31, 2012 are as follows:

	2013	2012
Cash Service Company AD		
Total assets	13,241	12,918
Total liabilities	428	552
Revenue	6,300	5,822
Net profit for the year	489	264
UniCredit Consumer Financing EAD*		
Total assets		253,117
Total liabilities		196,315
Revenue		45,282
Net profit for the year		21,259
UniCredit Leasing EAD*		
Total assets		694,006
Total liabilities		676,967
Revenue		28,371
Net profit for the year		2,039

* Fully consolidated as of December 31, 2013

30. Property, plant, equipment and investment properties

In thousands of BGN

	LANDS	BUILDINGS	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	INVESTMENT PROPERTY	TOTAL
Cost							
As of December 31, 2012 (restated)	**5,739**	**146,067**	**5,311**	**76,655**	**46,190**	**8,694**	**288,656**
Balances upon first consolidation of UniCredit Consumer Financing EAD	-	-	236	865	476	-	1,577
Additions	-	2,032	566	4,482	6,665	-	13,745
Transfers	(111)	(2,060)	13	74	(87)	2,171	-
Write offs	-	(603)	(289)	(2,892)	(2,330)	(3,757)	(9,871)
Disposals	-	-	(6)	(5,344)	(1,341)	(1,306)	(7,997)
Balances upon first consolidation of UniCredit Leasing EAD and HVB Leasing EOOD	-	-	867	1,259	7,246	-	9,372
As of December 31, 2013	**5,628**	**145,436**	**6,698**	**75,099**	**56,819**	**5,802**	**295,482**
Depreciation							
As of December 31, 2012 (restated)	**-**	**51,910**	**2,985**	**55,892**	**31,495**	**2,733**	**145,015**
Balances upon first consolidation of UniCredit Consumer Financing EAD	-	-	135	726	185	-	1,046
Depreciation charge	-	7,206	724	7,456	5,749	344	21,479
Impairment	-	14	4	39	58	1,905	2,020
Write offs	-	(603)	(289)	(2,892)	(2,318)	(3,757)	(9,859)
On disposals	-	0	(4)	(5,031)	(1,261)	(329)	(6,625)
Transfers	-	(675)	6	29	(35)	675	-
Balances upon first consolidation of UniCredit Leasing EAD and HVB Leasing EOOD	-	-	844	965	3,725	-	5,534
As of December 31, 2013	**-**	**57,852**	**4,405**	**57,184**	**37,598**	**1,571**	**158,610**
Net book value as of December 31, 2013	**5,628**	**87,584**	**2,293**	**17,915**	**19,221**	**4,231**	**136,872**
Net book value as of December 31, 2012 (restated)	**5,739**	**94,157**	**2,326**	**20,763**	**14,695**	**5,961**	**143,641**

In thousands of BGN

	LANDS	BUILDINGS	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	INVESTMENT PROPERTY	TOTAL
Cost							
As of December 31, 2011	**6,400**	**188,814**	**4,797**	**83,088**	**43,062**	**10,145**	**336,306**
Restatement due to change in accounting policy on property valuation	(550)	(43,071)	-	-	-	(1,943)	(45,564)
As of December 31, 2011 (restated)	**5,850**	**145,743**	**4,797**	**83,088**	**43,062**	**8,202**	**290,742**
Additions	-	2,570	627	5,661	5,521	-	14,379
Transfers	(68)	(1,633)	-	-	-	1,848	147
Write offs	-	(613)	(110)	(8,791)	(1,396)		(10,910)
Disposals	(43)	-	(3)	(3,303)	(997)	(1,356)	(5,702)
As of December 31, 2012 (restated)	**5,739**	**146,067**	**5,311**	**76,655**	**46,190**	**8,694**	**288,656**
Depreciation							
As of December 31, 2011	**-**	**24,472**	**2,470**	**58,062**	**28,757**	**1,904**	**115,665**
Restatement due to change in accounting policy on property valuation	-	21,091	-	-	-	329	21,420
As of December 31, 2011 (restated)	-	45,563	2,470	58,062	28,757	2,233	137,085
Depreciation charge	-	7,802	624	9,284	4,947	111	22,768
Impairment	-	357	1	541	57	-	956
Write offs	-	(1,423)	(110)	(8,830)	(1,340)	-	(11,703)
On disposals	-	-	-	(3,165)	(926)	-	(4,091)
Transfers	-	(389)	-	-	-	389	-
As of December 31, 2012 (restated)	**-**	**51,910**	**2,985**	**55,892**	**31,495**	**2,733**	**145,015**
Net book value as of December 31, 2012 (restated)	**5,739**	**94,157**	**2,326**	**20,763**	**14,695**	**5,961**	**143,641**
Net book value as of December 31, 2011 (restated)	**5,850**	**100,180**	**2,327**	**25,026**	**14,305**	**5,969**	**153,657**

* The transfers in the amount of BGN 147 thousand represent properties previously classified as non-current assets held for sale for which disposal in near term is no longer certain.

As disclosed in **Note 3** above, in 2013 Management approved voluntarily change in accounting policy for valuation of items of property from "revaluation" model to "cost" model. Changes have been applied retrospectively in accordance with IAS 8 as if this policy has always been in place.

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

For investment property Bank assesses that fair value of the assets closely approximates their recoverable amount (costs to sell are ignored as immaterial). As of December 31, 2013 all investment properties have undergone external independent fair valuation and when the latter resulted in lower value than the carrying amount, impairment has been recognized (total impairment on investment properties recognized for the year ended December 31, 2013 amounts to BGN 1,905 thousand). The following table illustrates the fair value of investment properties as of December 31, 2013 and December 31, 2012. The fair value of all investment properties as of December 31, 2013 and December 31, 2012 is ranked Level 2 as per fair value hierarchy.

In thousands of BGN

	CARRYING AMOUNT		FAIR VALUE	
	2013	2012 (RESTATED)	2013	2012
Investment properties				
Land	354	540	988	583
Buildings	3,877	5,421	4,881	7,982
Total investment properties	**4,231**	**5,961**	**5,869**	**8,565**

31. Intangible assets

In thousands of BGN

Cost	
As of December 31, 2012	**74,821**
Balances upon first consolidation UniCredit Consumer Financing EAD	456
Additions	5,120
Write offs	(583)
Balances upon first consolidation UniCredit Leasing EAD and HVB Leasing EOOD	994
As of December 31, 2013	**80,808**
Depreciation	
As of December 31, 2012	**46,906**
Balances upon first consolidation UniCredit Consumer Financing EAD	196
Depreciation charge	7,987
Impairment due to obsolescence	271
Write offs	(583)
Balances upon first consolidation UniCredit Leasing EAD and HVB Leasing EOOD	457
As of December 31, 2013	**55,234**
Net book value as of December 31, 2013	**25,574**
Net book value as of December 31, 2012	**27,915**

In thousands of BGN

Cost	
As of December 31, 2011	**69,652**
Additions	7,798
Write offs	(2,438)
Disposals	(191)
As of December 31, 2012	**74,821**
Depreciation	
As of December 31, 2011	**37,890**
Depreciation charge	11,295
Impairment due to obsolescence	178
Write offs	(2,438)
On disposals	(19)
As of December 31,2012	**46,906**
Net book value as of December 31, 2012	**27,915**
Net book value as of December 31, 2011	**31,762**

32. Current tax

The current tax assets comprise of Bank's net tax position with regard to corporate income tax as of December 31, 2013 and December 31, 2012. According to the statutory requirements, the Bank stand alone and its subsidiaries pay during the year advance instalments for corporate income tax on the basis of its tax profit for the prior year. Corporate income tax in Bulgaria is charged in single entity basis. Based on that as of December 31, 2013 Bank reports current tax assets in the amount of BGN 6,702 thousand and current tax liabilities in the amount of BGN 458 thousands. The corresponding amounts as of December 31, 2012 are BGN 1,918 thousand and BGN 62 thousand, respectively.

33. Deferred tax

The origination breakdown of the deferred tax assets and liabilities as of December 31, 2013 and December 31, 2012 is as outlined below:

In thousands of BGN

	ASSETS		LIABILITIES		NET	
	2013	2012 (RESTATED)	2013	2012 (RESTATED)	2013	2012 (RESTATED)
Property, plant and intangible assets	(44)	(30)	7,916	8,145	7,872	8,115
Available for sale investments	(2,663)	(2,377)	3,535	3,249	872	872
Provisions	(2,535)	(1,520)	-	-	(2,535)	(1,520)
Actuarial gains (losses)	(85)	(85)	-	-	(85)	(85)
Cash flow hedge	(269)	(558)	269	558	-	-
Other liabilities	(4,533)	(3,357)	-	-	(4,533)	(3,357)
Tax losses carried forward	(1,125)	-	-	-	(1,125)	-
Net tax (assets) liabilities	**(11,254)**	**(7,927)**	**11,720**	**11,952**	**466**	**4,025**

The movements of deferred tax assets and liabilities on net basis throughout 2013 are as outlined below:

In thousands of BGN

	BALANCE 31.12.2012 (RESTATED)	RECOGNISED IN P&L	RECOGNISED IN EQUITY	BALANCES FROM FIRST CONSOLIDATION	BALANCE 31.12.2013
Property, plant and equipment	8,115	(285)	-	42	7,872
Available for sale investments	872	(166)	166	-	872
Provisions	(1,520)	(772)	-	(243)	(2,535)
Actuarial gains (losses)	(85)	-	-	-	(85)
Cash flow hedge	-	(288)	288	-	-
Other liabilities	(3,357)	(634)	-	(542)	(4,533)
Tax losses carried forward	-	-	-	(1,125)	(1,125)
Net tax (assets) liabilities	**4,025**	**(2,145)**	**454**	**(1,868)**	**466**

Balances from first consolidation include the amounts of respective deferred tax assets or liabilities of newly acquired subsidiaries as of the date of first consolidation.

Deferred tax assets on losses carried forward represents Management assessment of previously recognized tax losses in one of the newly acquired subsidiaries that would be possible to be covered (reversed) by taxable profits in the following years. The maximum amount of tax losses that qualify for reversal in the following years amounts to BGN 31,642 thousand (tax losses realized for the period 2009-2013).

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

Bank presents as non-current assets and disposal group held for sale only properties that no longer will be used in the ordinary activity of the Bank nor will be utilized as investment properties. For all such assets Management has started intensively looking for a buyer and the selling negotiations are in advance stage as of the year-ends. The assets in the amount of BGN 797 thousand as of December 31, 2011, have been fully disposed in 2012 with exception of one property for which the disposal in near term became uncertain. That property has been reclassified back to property, plant, equipment and investment properties (see also Note **30**).

35. Other assets

In thousands of BGN

	31.12.2013	31.12.2012
Receivables and prepayments	31,332	28,873
Receivables from the State Budget	66	31
Materials, spare parts and consumables	4,250	1,235
Other assets	10,083	5,115
Foreclosed properties	23,779	20,914
Total other assets	**69,510**	**56,168**

36. Financial liabilities held for trading

In thousands of BGN

	31.12.2013	31.12.2012
Interest rate swaps	35,405	84,425
FX forward contracts	7,565	25,792
Equity options	5,438	1,137
Other options	73	9
FX options	5	5
FX swaps	5,469	5,154
Commodity swaps	4,670	5,145
Commodity options	2,869	-
Total trading liabilities	**61,494**	**121,667**

37. Deposits from banks

In thousands of BGN

	31.12.2013	31.12.2012
Current accounts and overnight deposits		
Local banks	89,541	55,779
Foreign banks	48,096	15,742
	137,637	**71,521**
Deposits		
Local banks	137,297	119,252
Foreign banks	2,134,125	1,682,569
	2,271,422	**1,801,821**
Other	**16,138**	**18,516**
Total deposits from banks	**2,425,197**	**1,891,858**

38. Deposits from customers

In thousands of BGN

	31.12.2013	31.12.2012
Current accounts		
Individuals	749,642	659,734
Corporate	2,203,329	1,998,412
Budget and State companies	288,491	220,530
	3,241,462	**2,878,676**
Term deposits		
Individuals	2,898,209	2,818,606
Corporate	1,589,892	1,907,694
Budget and State companies	52,250	55,021
	4,540,351	**4,781,321**
Saving accounts	**612,564**	**488,424**
Transfers in execution process	**107,698**	**75,247**
Other	**24,818**	**1,072**
Total deposits from customers	**8,526,893**	**8,224,740**

Deposits from customers comprise of outstanding balances on clients' current accounts, term deposits and saving accounts as well as respective accrued interest on them as of the reporting date.

As of December 31, 2013 and December 31, 2012 there are transfers in execution that have either not left the Bank's patrimony (outgoing payments), or clients' accounts have not been yet credited (incoming payments). These temporary balances are presented as deposits from customers under transfers in execution and process.

39. Subordinated liabilities

As of December 31, 2013 the subordinated liabilities with total amount of BGN 220,005 thousand represents 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, 2013	OUTSTANDING AMOUNT AS OF DECEMBER 31, 2012
November 26, 2004	10 years	19,558	26,070	25,733
December 20, 2004	10 years	19,558	26,102	25,765
February 3, 2005	10 years	25,426	32,881	32,543
August 2, 2005	10 years	29,337	37,020	36,686
November 19, 2008	10 years	97,792	97,932	97,916
Total		**191,671**	**220,005**	**218,643**

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.

40. Provisions

Balances of provisions as of December 31, 2013 and December 31, 2012 are as follows:

In thousands of BGN

	LETTERS OF GUARANTEE	LEGAL CASES	RETIREMENT BENEFITS	CONSTRUCTIVE OBLIGATIONS	OTHER	TOTAL
	(a)	(b)	(c)	(d)	(e)	
Balance as of December 31, 2012 (restated)	**13,626**	**12,429**	**4,685**	**756**	**765**	**32,261**
Allocations	-	9,726	516	459	25	10,726
Releases	-	(519)	-	-	-	(519)
Additions due to FX revaluation	5,592	2,016	-	-	-	7,608
Releases due to FX revaluation	(6,185)	(2,230)	-	-	-	(8,415)
Actuarial gains/losses recognized in OCI	-	-	(3)	-	-	(3)
Balances from first consolidation	-	2,657	-	-	2,319	4,976
Utilization	-	(1,033)	(256)	(168)	(234)	(1,691)
Balance as of December 31, 2013	**13,033**	**23,046**	**4,942**	**1,047**	**2,875**	**44,943**

Under balances from first consolidation, Bank presents the amount of provisions in the newly acquired subsidiaries at the date of first consolidation.

(a) Provisions on letters of guarantees

Provisions on letters of guarantees represent inherent credit risk losses embedded in undertaken by the Bank contingent liabilities, whereas based on performed risk assessment by the respective bodies of the Bank, it is more likely that the Bank would have to settle the obligation upon fulfilment of some uncertain events.

As of December 31, 2013 Bank assessed its entire portfolio of issued letters of guarantee and quantified provisions in the amount of BGN 13,033 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, 2013 Bank has assessed its position in legal cases against it, and provision in the amount of BGN 23,046 thousand has been recognized.

(c) Retirement benefit provision

Retirement benefit provision represents the present value of the bank's liability in accordance with Collective Labour Agreement as of the reporting date. Actuarial gains/losses adjust the value of the defined benefit liability with corresponding item recognized in the Statement of comprehensive income.

Major assumptions underlying in 2013 Defined benefit obligation are as follows:

- Discount rate – 3.40%;
- Salary increase – 5% p.a.;
- Retirement age: Men 63 and 8 months, women 60 and 8 months for 2013 and increase by 4 months each year until we get 65 for men and 63 for women (increase starts from 2015 as for 2014 the retirement age is frozen to the level of 2013)

The movement of the defined benefit obligation for year ended 2012 and expected services cost, interest costs and amortization of actuarial gains/losses for the following year are outlined in the table below:

In thousands of BGN

Recognized defined benefit obligation as of December 31, 2012 (restated)	**4,685**
Current service costs for 2013	363
Interest cost for 2013	153
Actuarial gains recognized in OCI	(3)
Benefits paid	(256)
Recognized defined benefit obligation as of December 31, 2013	**4,942**
Interest rate beginning of the year	3.40%
Interest rate end of the year	3.60%
Future increase of salaries	5.0%
Expected 2014 service costs	356
Expected 2014 interest costs	166
Expected 2014 benefit payments	757

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

The major factors impacting the present value of defined benefit obligation are those of discount rate and future salary increase rate. Sensitivity analysis of those two shows that by increasing/decreasing the discount rate by 0.25%, the present value of the defined benefit obligation would be respectively BGN 4,827 thousand and BGN 5,063 thousand. By increasing/decreasing the expected salary increase rate by 0.25%, the present value of the defined benefit obligation would be respectively BGN 5,061 thousand and BGN 4,828 thousand.

(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 respective amounts as of December 31, 2013 and December 31, 2012 are as follows:

In thousands of BGN

	31.12.2013	31.12.2012
Provisions in accordance with Instruction I-171 of BNB and Ministry of Internal Affairs	588	756
Provisions related to passportization of buildings	459	-
Total provisions on constructive obligation	**1,047**	**756**

As of December 31, 2013 and December 31, 2012 the provisions on constructive obligations in accordance with Instructions I-171 of BNB and Ministry of Internal Affairs, related to security standards of the premises and safe-deposits boxes, are provided.

In accordance with the requirements set out in Law on Territory Planning, Energy Efficiency Act and some other related regulations Bank has to perform until the end of 2014, energy efficiency assessment and technical passportization of all owned buildings with Gross Floor Area above 500 sq. m. Management of the Bank has assessed that 73 properties should undergo technical passportization and estimated that the direct cost related to its successful completion amount to BGN 459 thousand. The latter represents constructive obligation of the Bank based on already effective, as of date of preparation of this financial statements, legal requirements, therefore provision in the amount of BGN 459 thousand has been provided as of December 31, 2013.

(e) Other provision

Other provisions in the amount of BGN 765 thousand (BGN 499 thousand in 2011) relates to coverage of claims related to credit cards business as well as other claims.

41. Other liabilities

In thousands of BGN

	31.12.2013	31.12.2012
Liabilities to the State budget	4,659	3,976
Liabilities to personnel	25,768	22,198
Liabilities for unused paid leave	5,646	5,873
Dividends	460	461
Incentive plan liabilities	2,934	1,846
Other liabilities	29,860	32,896
Total other liabilities	**69,327**	**67,250**

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

Liability to personnel includes accrued not paid liability to employees with regard to additional performance payments. The amounts represent Management best estimate for the goals achieved throughout 2013 and 2012 in accordance with the defined target settings and adopted incentive programs.

Liabilities for unused paid leave represent quantification of Bank's current liability due to employees for unutilized current and prior years leave.

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

42. Equity

a) Share capital

As of December 31, 2013 and December 31, 2012 share capital comprises of 285,776,674 ordinary shares with nominal value of BGN 1 each. All shares give equal voting rights to their holders.

b) Statutory reserves

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

c) Retained earnings

Under Retained earnings Bank shows the excess of all reserves, formed out of net profit in prior years and transformation of revaluation reserves over statutory reserves amount. In this position Bank also shows the difference between the net assets value of the newly acquired subsidiaries in business combinations under common control and the consideration transferred at the date of first consolidation.

d) Revaluation reserves

Revaluation and other reserves include those related to fair value changes on available for sale investments and derivatives designated as effective hedging instrument in cash flow hedge relationship as well as actuarial gains/losses on remeasurement of defined benefit obligation in accordance with IAS 19 "Employee Benefits".

Revaluation reserves related to available for sale investments and derivatives designated as effective hedging instruments in cash flow hedge relationship are subject to recycling through profit or loss upon certain conditions being met (e.g. derecognition, hedge revoke etc.).

For the years ended December 31, 2013 and December 31, 2012 only reserves related to available for sale investments have been recycled to profit or loss following their derecognition. The amounts are BGN (323) thousand and BGN (169) thousand, respectively, net of tax.

43. Contingent liabilities

In thousands of BGN

	31.12.2013	31.12.2012
Letters of credit and letters of guarantee	1,550,531	901,858
Credit commitments	1,265,900	1,228,916
Total contingent liabilities	**2,816,431**	**2,130,774**

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. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts for guarantees and letters of credit represent the maximum accounting loss that would be recognized if counterparties failed completely to perform as contracted.

These commitments and contingent liabilities are reported off-balance sheet and only fees and accruals for probable losses are recognized in the statement of financial position until the commitments are fulfilled or expire. Most of the contingent liabilities and commitments expire without being advanced in whole or in part.

As of December 31, 2013 and December 31, 2012 the Bank has made assessment in compliance with IAS 37 "Provisions, Contingent liabilities and Contingent assets". Due to abnormal credit risk related to certain clients' exposures, Bank's Management has evaluated the risk, where it is more probable that any issued Bank guarantee could lead to an outflow of resources from the Bank (see also Note **40**).

b) Litigation

As of December 31, 2013 and December 31, 2012 there are open litigation proceedings against the Bank. There is significant uncertainty with regard to the timing and the outcome of such proceedings. Since the ultimate outcome of the claims against the Bank cannot presently be determined with sufficient reliability, provisions have been accrued only on cases where sufficient degree of certainty exists. Litigation claims provided for in these financial statements as of December 31, 2013 are in the amount of BGN 23,046 thousand (BGN 12,429 thousand in 2012), (see also Note **40**).

c) Credit commitments

During the course of normal lending activity the Bank has negotiated with clients different types of credit facilities including credit lines, overdraft facilities and revolving loans. Contractually the Bank has committed itself for a certain amount which is at clients' disposal.

As of December 31, 2013 and December 31, 2012 the Bank presents unutilized credit facilities as part of its off-balance sheet positions.

44. Assets pledged as collateral

In thousands of BGN

	31.12.2013	31.12.2012
Securities pledged for budget holders' account service	314,819	287,858
Securities pledged on REPO deals	3,979	-
Securities pledged on other deals	185,437	40,410
Blocked deposit on other deals	1,447	-
	505,682	**328,268**
Pledged assets include		
Assets designated at fair value through profit or loss	-	80
Available for sale assets	381,121	286,760
Assets held to maturity	123,114	41,428
Loans and advances	1,447	-
	505,682	**328,268**

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

45. Related parties

UniCredit Bulbank AD has a controlling related party relationship with its direct parent company UniCredit Bank Austria AG and its ultimate parent UniCredit S.p.A (jointly referred as parent companies). In addition the Bank has relatedness with its associates (see also Note 29) as well as all other companies within UniCredit Group and key management personnel (jointly referred as other related parties).

The related parties' transactions in terms of statement of financial position items as of December 31, 2013 and December 31, 2012 and Income statement items for the years ended thereafter are as follows:

In thousands of BGN

DECEMBER 31, 2013	PARENT COMPANIES	ASSOCIATES	OTHER RELATED PARTIES	TOTAL
Financial assets held for trading			11,675	11,675
Current accounts and deposits placed	1,667,452	-	683	1,668,135
Extended loans		-	16,777	16,777
Other assets	1,978	-	2,174	4,152
Derivatives used for hedging	59	-	4,020	4,079
Current accounts and deposits taken	1,340,767	-	9,592	1,350,359
Subordinated liabilities	220,005	-	-	220,005
Other liabilities	1,685	-	744	2,429
Guarantees received by the Group	**35,238**		**35,640**	**70,878**

In thousands of BGN

DECEMBER 31, 2012	PARENT COMPANIES	ASSOCIATES	OTHER RELATED PARTIES	TOTAL
Financial assets held for trading	-	-	13,128	13,128
Available for sale investments	2,932	-	-	2,932
Current accounts and deposits placed	1,437,756	-	3,184	1,440,940
Extended loans	-	45,244	59,171	104,415
Other assets	2,689	-	1,730	4,419
Financial liabilities held for trading	-	-	111,097	111,097
Derivatives used for hedging	-	-	7,669	7,669
Current accounts and deposits taken	1,401,629	215,549	101,469	1,718,647
Subordinated liabilities	218,643	-	-	218,643
Other liabilities	1,682	-	162	1,844
Guarantees received by the Group	**40,671**	**-**	**27,658**	**68,329**

In thousands of BGN

YEAR ENDED DECEMBER 31, 2013	PARENT COMPANIES	ASSOCIATES	OTHER RELATED PARTIES	TOTAL
Interest incomes	4,548	-	529	5,077
Interest expenses	(30,811)	-	(31,307)	(62,118)
Fee and commissions income	836	-	999	1,835
Fee and commissions expenses	(92)	-	(15)	(107)
Net gains (losses) on financial assets and liabilities held for trading	2,499	-	-	2,499
Other operating income	879	-	13	892
Administrative and personnel expenses	(737)	(889)	(9,572)	(11,198)
Total	**(22,878)**	**(889)**	**(39,353)**	**(63,120)**

In thousands of BGN

YEAR ENDED DECEMBER 31, 2012	PARENT COMPANIES	ASSOCIATES	OTHER RELATED PARTIES	TOTAL
Interest incomes	6,844	4,837	582	12,263
Interest expenses	(31,586)	(5,288)	(30,578)	(67,452)
Fee and commissions income	745	3,381	1,012	5,138
Fee and commissions expenses	(409)	(1)	(17)	(427)
Net gains (losses) on financial assets and liabilities held for trading	(2,229)	-	-	(2,229)
Other operating income	-	21	1	22
Administrative and personnel expenses	(272)	-	(7,692)	(7,964)
Total	**(26,907)**	**2,950**	**(36,692)**	**(60,649)**

As of December 31, 2013 the loans extended to key management personnel amount to BGN 2,190 thousand (BGN 1,178 thousand in 2012). For the twelve months ended December 31, 2013 the compensation paid to key management personnel amounts to BGN 5,016 thousand (BGN 3,913 thousand in 2012).

46. Cash and cash equivalents

In thousands of BGN

	31.12.2013	31.12.2012
Cash in hand and in ATM	181,429	161,982
Cash in transit	52,359	42,935
Current account with the Central Bank	494,942	701,481
Current accounts with banks	39,189	764,980
Receivables under repurchase agreements	84,071	27,150
Placements with banks with original maturity less than 3 months	1,128,041	679,269
Total cash and cash equivalents	**1,980,031**	**2,377,797**

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.

47. Leasing

The Bank is counterparty in numerous operating and finance lease agreements. As of December 31, 2013 the finance lease agreements prevails due to consolidation of UniCredit Leasing EAD and HVB Leasing EOOD, whereas leasing business represents their main activity.

Summary of the amount of non-cancellable minimum lease payments where Bank acts both as a lessor and as a lessee are presented in the tables below:

(a) Finance lease contracts where the Bank acts as a lessor

In thousands of BGN

RESIDUAL MATURITY	TOTAL FUTURE MINIMUM LEASE PAYMENT		PV OF TOTAL FUTURE MINIMUM LEASE PAYMENT	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Up to one year	278,596	-	249,623	-
Between one and five years	370,947	-	329,825	-
Beyond five years	121,139	-	103,405	-
Total	**770,682**	**-**	**682,853**	**-**

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

In thousands of BGN

RESIDUAL MATURITY	TOTAL FUTURE MINIMUM LEASE PAYMENT	
	31.12.2013	31.12.2012
Up to one year	5,493	5,672
Between one and five years	6,475	5,208
Beyond five years	1,119	3,239
Total	**13,087**	**14,119**

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

In thousands of BGN

RESIDUAL MATURITY	TOTAL FUTURE MINIMUM LEASE PAYMENT	
	31.12.2013	31.12.2012
Up to one year	1,455	74
Between one and five years	2,860	-
Total	**4,315**	**74**

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Transactional Products and Partnerships
UniCredit - ITALY

Bank Network

Aitos
27, Stancionna str. 0558/29600

Asenovgrad
8, Radi Ovcharov str. 0331/22821

Balchik
34A Cherno more str. 0579/71120

Obstina Balchik
3, Ivan Vazov str. 0579/74061

Bansko
3, Pirin str. 0749/88125

Berkovitsa
1, Yordan Radichkov sq. 0953/88484

Blagoevgrad
1, Macedonia sq. 073/867028

Blagoevgrad
Technopolis, 5, St. Dimitur Solunski str. 073/834074
Metro, 17, Zelenopolsko shose str. 02/9264785
Tsar Shishman, 22, Ivan Shishman str. 073/828634

Blagoevgrad
Bulgartabak, 57, Vasil Levski blvd. 073/885065
18, St. Kiril and Metodii blvd. 073/828718

Bojurishte
85, Evropa blvd. 02/9938845

Botevgrad
24 Saransk sq. 0723/66872

Burgas
22, Alexandrovska str. 056/877262

Burgas
Lukoil Neftohim 056/898036
Technopolis, 94 block of Slaveikov District 056/581218
Technopolis 2, 30, Todor Aleksandrov blvd. 056/589913
68-70, Hristo Botev str. 056/806811
Business Centre Burgas, 22, Alexandrovska str. 056/877262
Burgas Yavorov, 4-6, P. Yavorov str. 056/874133
Slaveikov district, block 46 056/896681
Meden rudnik, A, building 1 056/871942
Metro, 103, Stefan Stambolov blvd. 052/689830

Chepelare
1, Han Asparuh str. 03051/2035

Chirpan
2, Yavorov str. 0416/90100

Devnia
Devnya in the building of Solvei Sodi 0519/97110

Dimitrovgrad
4B, Bulgaria blvd. 0391/68613

Dobrich
3, Bulgaria str. 058/655732
Technopolis, 54, Okolovrusten put Dobrotica 058/600650

Dulovo
14, Vasil Levski str. 0864/22356

Dupnitza
3, Ivan Vazov str. 0701/59914

Elena
1, Hr. Momchilov str. 06151/6113

Elin Pelin
5, Nezavisimost sq. 0725/68827

Etropole
22, M. Gavrailova str. 0720/67222

Gabrovo
13, Radetzki str. 066/814206

Galabovo
8, Dr. Jekov str. 0418/62224

General Toshevo
5, Treti Mart str. 05731/2137

Godech
2, Svoboda sq. 0729/22322

Gorna Malina
Municipality G. Malina 07152/222

Gorna Orjahovitsa
1A, M. Todorv str. 0618/68112

Gorna Orjahovitsa
2, Partriarch Evtimii str. 0618/61822

Gotse Delchev
11, Byalo More str. 0751/69620

Harmanli
1, Vazrajdane sq. 0373/80061

Haskovo
4, Han Kubrat str. 038/602742

Haskovo
Tehnopolis 032905891

Bank Network (continued)

Ihtiman	
8, Polk. B. Drangov str.	0724/82091
Kardjali	
51, Bulgaria blvd.	0361/67020
Karlovo	
2, Vodopad str.	0335/90525
Karnobat	
14, Bulgaria blvd.	0559/28821
Kavarna	
37, Dobrotitza str.	0570/81110
Kazanlak	
4 Rozova Dolina str.	0431/68135
Kazanluk	
Rayonen sud, 16, Paisii Hilendarski str.	0431/63486
Kiustendil	
Technopolis, 5, Gueshevo shosse str.	078/541234
Knezha	
5, Nikola Petkov str.	09132/6750
Kostenets	
2, Belmeken str.	07142/2252
Kostinbrod	
7, Ohrid str.	0721/68125
Kozlodui	
Nuclear Power Plant	0973/73677
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