

UNICREDIT BULBANK AD

**CONSOLIDATED FINANCIAL STATEMENTS AND
ANNUAL REPORT ON ACTIVITY FOR
THE YEAR ENDED DECEMBER 31, 2015
WITH INDEPENDENT AUDITOR'S REPORT THEREON**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of UniCredit Bulbank AD

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

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

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

Deloitte Audit

Deloitte Audit OOD



Sylvia Peneva
Statutory Manager
Registered Auditor



Sofia
March 2, 2016

CONSOLIDATED INCOME STATEMENT	2
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	3
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	4
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	5
CONSOLIDATED STATEMENT OF CASH FLOWS	6
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	8
1. REPORTING ENTITY	8
2. BASIS OF PREPARATION	8
3. SIGNIFICANT ACCOUNTING POLICIES	9
4. FINANCIAL RISK MANAGEMENT	25
5. USE OF ESTIMATES AND JUDGEMENTS	43
6. SEGMENT REPORTING	47
7. NET INTEREST INCOME	50
8. NET FEE AND COMMISSION INCOME	50
9. NET GAINS ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING AND HEDGING DERIVATIVES	51
10. NET GAINS/(LOSSES) ON OTHER FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	51
11. NET INCOME FROM INVESTMENTS	51
12. OTHER OPERATING INCOME/(EXPENSES), NET	52
13. NET INCOME RELATED TO PROPERTY, PLANT AND EQUIPMENT	52
14. PERSONNEL EXPENSES	52
15. GENERAL AND ADMINISTRATIVE EXPENSES	53
16. AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE FIXED ASSETS, INVESTMENT PROPERTIES AND ASSETS HELD FOR SALE	54
17. PROVISIONS FOR RISK AND CHARGES	54
18. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS	55
19. INCOME TAX EXPENSE	55
20. CASH AND BALANCES WITH CENTRAL BANK	56
21. NON-DERIVATIVE FINANCIAL ASSETS HELD FOR TRADING	56
22. DERIVATIVES HELD FOR TRADING	57
23. DERIVATIVES USED FOR HEDGING	57
24. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	58
25. LOANS AND ADVANCES TO BANKS	58
26. LOANS AND ADVANCES TO CUSTOMERS	58
27. AVAILABLE FOR SALE INVESTMENTS	59
28. HELD TO MATURITY INVESTMENTS	60
29. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES	60
30. PROPERTY, PLANT, EQUIPMENT AND INVESTMENT PROPERTIES	61
31. INTANGIBLE ASSETS	63
32. CURRENT TAX	64
33. DEFERRED TAX	64
34. NON-CURRENT ASSETS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE	65
35. OTHER ASSETS	65
36. FINANCIAL LIABILITIES HELD FOR TRADING	66
37. DEPOSITS FROM BANKS	66
38. DEPOSITS FROM CUSTOMERS	66
39. SUBORDINATED LIABILITIES	67
40. PROVISIONS	68
41. OTHER LIABILITIES	71
42. EQUITY	71
43. CONTINGENT LIABILITIES	72
44. ASSETS PLEDGED AS COLLATERAL	73
45. RELATED PARTIES	74
46. CASH AND CASH EQUIVALENTS	75
47. LEASING	76
48. OTHER REGULATORY DISCLOSURES	77

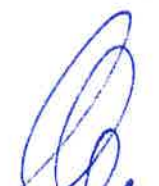
CONSOLIDATED INCOME STATEMENT

In thousands of BGN

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


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


Levon Hampartzoumian
Chairman of the Management Board and Chief Executive Officer


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


Emilia Palibachiyka
Member of the Management Board and Chief Financial Officer

Deloitte Audit OOD


Sylvia Peneva
Registered auditor



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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
In thousands of BGN

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

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



Levon Hampartzoumian
Chairman of the Management Board and Chief Executive Officer




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



Emilia Palibachiyska
Member of the Management Board and Chief Financial Officer

Deloitte Audit OOD



Sylvia Peneva
Registered auditor

02/03/2016

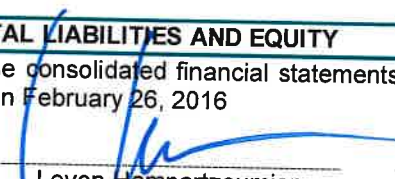



The accompanying notes 1 to 48 are an integral part of these consolidated financial statements

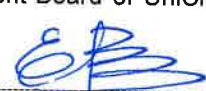
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
In thousands of BGN

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

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


Levon Hampartzoumian
Chairman of the Management
Board and Chief Executive
Officer


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


Emilia Palibachyska
Member of the
Management Board and
Chief Financial Officer

Deloitte Audit OOD


Sylvia Peneva

Registered auditor

02/03/2016



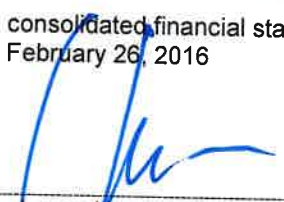
The accompanying notes 1 to 48 are an integral part of these consolidated financial statements


CONSOLIDATED STATEMENT OF CHANGES IN EQUITY


In thousands of BGN

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


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


Levon Hampartzoumian
Chairman of the Management Board and Chief Executive Officer


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


Emilia Palibachiyska
Member of the Management Board and Chief Financial Officer

Deloitte Audit OOD


Sylvia Peneva
Registered auditor



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

CONSOLIDATED STATEMENT OF CASH FLOWS
In thousands of BGN

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

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

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



Levon Hampartzoumian
Chairman of the Management
Board and Chief Executive
Officer




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



Emilia Palibachiyska
Member of the
Management Board and
Chief Financial Officer

Deloitte Audit OOD



Sylvia Peneva
Registered auditor
02/03/2016



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