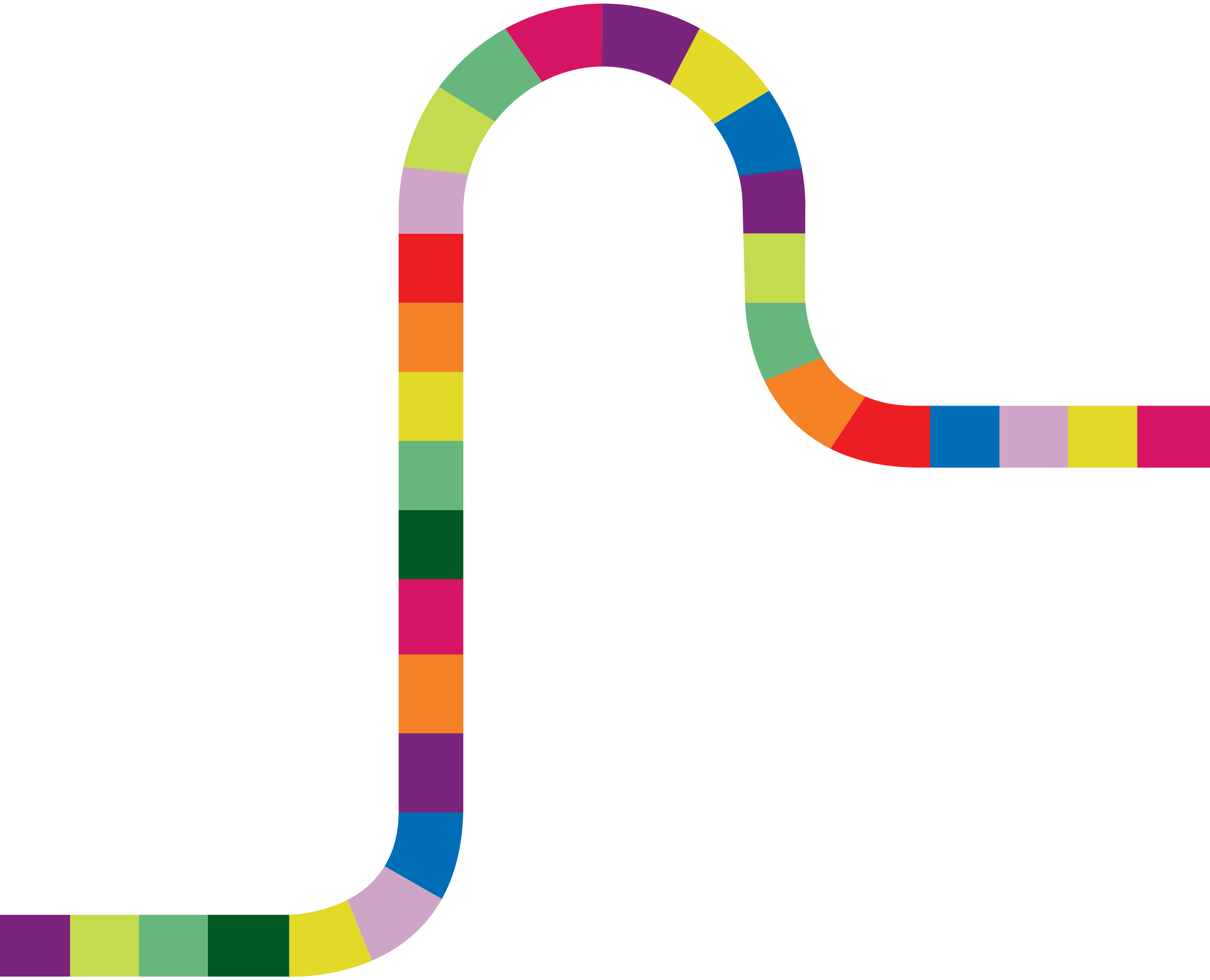
UniCredit Bulbank

For whatever life brings

2010 Annual Report



UniCredit Bulbank

Everyone knows that life can be surprising. Many of these surprises are good things. Some are not so good. That is why people need their bank to be a reliable partner, helping them to deal with *whatever life brings*.

Because this year's report is inspired by real life, its graphics portray some of life's more pleasant aspects, as well as a few of its less enjoyable features. Thus, the images present a range of contrasts, and our cover offers up a kaleidoscope of moments drawn from daily life.

That is simply how life works. From the exciting to the ordinary, from the expected to the unanticipated, life is always changing and makes demands on all of us.

And UniCredit is here to lend a hand.

Our job is about more than offering products and managing transactions. It is about understanding the needs of our customers as individuals, families and enterprises.
Our goal is to deliver solutions for the everyday issues that people face. This means providing them with concrete answers – day by day, customer by customer, need by need.

2010 Annual Report

For whatever life brings

Contents

Financial Highlights (Unconsolidated)

(Thousands of BGN, unless otherwise stated)

	2010	2009	Growth
Key figures			
Net profit	158,744	194,753	-18.5%
Shareholders' equity (eop)	1,781,173	1,635,940	8.9%
Total assets (eop)	11,275,640	11,518,774	-2.1%
Bank customer deposits (eop)	6,540,524	6,421,385	1.9%
Bank customer deposits (av.)	6,480,955	6,225,288	4.1%
Bank customer loans (eop)	7,472,399	7,370,496	1.4%
Bank customer loans (av.)	7,421,448	7,301,374	1.6%
Income			
Net interest income	426,864	408,365	4.5%
Net fee and commission income	153,639	148,900	3.2%
Net trading income	854	3,269	-73.9%
Net income from investment securities	15,805	2,234	607.5%
Net income from subsidiaries and PPE	239	2,661	-91.0%
Other operating income, net	6,073	7,027	-13.6%
Gross operating income	603,474	572,456	5.4%
Net operating income	359,568	327,602	9.8%
Expenses			
Operating expenses	243,906	244,854	-0.4%
Personnel costs	95,549	96,483	-1.0%
Non-personnel costs	112,600	113,896	-1.1%
Depreciation	35,757	34,475	3.7%
Impairment losses on financial assets and provisions	182,934	110,765	65.2%
Income tax expense	17,890	22,084	-19.0%
Ratios (%)			
Return on average assets (ROA)	1.4	1.7	-0.3pp
Return on average equity (ROE)	9.3	12.9	-3.6pp
Capital/Asset ratio (eop)	15.8	14.2	1.6pp
Total capital ratio (eop)	18.4	16.7	1.7pp
Tier 1 capital ratio (eop)	15.7	13.4	2.3pp
Risk weighted assets/Total assets ratio (eop)	77.6	80.4	-2.8pp
Non-performing loans/Gross loans	10.1	4.1	6.0pp
Loan/Deposit ratio	114.2	114.8	-0.6pp
Cost/Income ratio	40.4	42.8	-2.4pp
Net profit margin	26.3	34.0	-7.7pp
Resources (number) - (eop)			
Bank operating outlets	216	234	-18
Employees	3,770	3,803	-33

Foreign exchange rate at period-end (BGN/USD)	*1.4728*	*1.3641*	*8.0%*
Average annual exchange rate over the period (BGN/USD)	*1.4774*	*1.4067*	*5.0%*

Financial Highlights (Consolidated)

(Thousands of BGN, unless otherwise stated)

	2010	2009	Growth
Key figures			
Net profit	166,705	197,397	-15.5%
Shareholders' equity (eop)	1,793,327	1,640,134	9.3%
Total assets (eop)	11,340,833	11,523,729	-1.6%
Customer deposits (eop)	6,535,848	6,413,097	1.9%
Customer loans (eop)	7,533,400	7,378,678	2.1%
Income			
Net interest income	428,949	409,794	4.7%
Net fee and commission income	155,534	150,123	3.6%
Net trading income	856	3,243	-73.6%
Net income from investment securities	15,805	2,234	607.5%
Net income from subsidiaries and PPE	6,977	5,617	24.2%
Other operating income, net	6,095	7,029	-13.3%
Gross operating income	614,216	578,040	6.3%
Net operating income	368,406	331,481	11.1%
Expenses			
Operating expenses	245,810	246,559	-0.3%
Personnel costs	96,925	97,781	-0.9%
Non-personnel costs	112,508	113,691	-1.0%
Depreciation	36,377	35,087	3.7%
Impairment losses on financial assets and provisions	183,682	111,261	65.1%
Income tax expense	18,019	22,823	-21.0%
Ratios (%)			
Return on average assets (ROA)	1.5	1.8	-0.3pp
Return on average equity (ROE)	9.7	13.1	-3.4pp
Loan/Deposit ratio	115.3	115.1	0.2pp
Cost/Income ratio	40.0	42.7	-2.7pp
Net profit margin	27.1	34.1	-7.0pp

Letter to Shareholders

"Looking ahead, we remain dedicated to our commitment – we will continue to support our loyal clients, find new opportunities and remain prepared for change, in order to take full advantage of it."

Dear shareholders,

After two challenging years of global financial and economic crisis, UniCredit Bulbank started 2010 with a new sense of direction. The post-crisis banking environment has changed and required a thorough review of the relations with our stakeholders. We had to take actions to distinguish ourselves among our competitors. Therefore, we developed a new communication concept, presenting "real life banking".

Putting the customer at the center of our actions, we were committed to know better our clients, to be aware of the challenges and opportunities of the economic environment and to offer the best solutions. It was important to make the procedures and products easy and transparent, so that they become more marketable and understandable and close to the needs of our clients.

In 2010 the Bank's total gross operating income increased by 5.4% to BGN 603.5m, driven by the strategic focus on development and enhancement of business relations with customers. By providing a comprehensive range of banking products and services, the Bank remained leader in corporate banking with market share at 16.2% in corporate loans and 17.3% in corporate deposits. UniCredit Bulbank remained also among the leading banks in retail business, focusing on mortgages. At the same time, impairment losses on financial assets and provisions increased, due to pressure on asset quality, coming from the difficult economic environment.

UniCredit Bulbank reaffirmed and further strengthened its dominant market position in terms of both size and performance, with 15.3% market share in total assets and 25.7% market share in net profit, the latter growing by 100 bp yoy. Thus, UniCredit Bulbank business and financial profile have proven sufficiently resilient to the ongoing economic fragilities and operating turmoil. The solid capitalization of the Bank contributed to its financial flexibility in a period of increased credit risks.

In terms of risk management, UniCredit Bulbank was the first bank in Bulgaria receiving the authorization to use the Internal Rating Based Approach under Basel II for the calculation of credit risk capital requirements, starting from January 2011. This, in itself, is a recognition for the Bank's best practices and appreciation of its risk management capabilities.
The establishment of a divisionalized structure took a central stage in 2010, aiming at supporting the sustainability and growth strategy through the introduction of appropriate staffing and adequate manpower planning. A distinctive outcome of the divizionalization project was the merger of Corporate, Investment and Private Banking. The unified structure enhanced the communication with clients, thus adequately responding to their needs, and ensured a better coordination of internal processes, which resulted in increased efficiency.

In 2010, UniCredit Bulbank continued to work towards attracting talented people and developing its employees' potential. The overall Learning and Development Strategy was built with the aim to anticipate staff needs and to define the learning priorities for each competence line. Re-launched in January 2010, the annual People Survey, one of the key initiatives of the Group, demonstrated that our people see it very important to share their opinion with Top Management. For third consecutive year more than 80% of the employees have provided their feedback. This enabled Top Management to implement relevant measures for enhancing the employees' overall engagement and satisfaction.

Along with other regular surveys measuring customer satisfaction, in 2010 UniCredit Bulbank performed for the first time a Reputation Assessment Project. The goal of the project was to give an overall evaluation of the reputation of the Bank on the market, as the target audience comprised customers, non-customers, employees and community. The reputation assessment highlighted the Bank's excellent emotional relation with its customers and employees, the strength of its driving reputational dimensions, all rated with a top tier score, and a positive gap vs. peers on the rational evaluations.

UniCredit Bulbank continued its policy of a socially responsible institution. In 2010 we supported many social projects in the area of health and social services, sports, art and culture, as well as our traditional gift-matching program. Since its launch in 2003, the program gives an opportunity to our employees to personally contribute to charity causes. Their input is then doubled by the Bank and tripled by UniCredit Foundation.

In 2010 UniCredit Bulbank managed to outperform its peers, building on the potential and the joint efforts of its employees and capitalizing on its well-established reputation on the Bulgarian market. Our team of qualified professionals remained open-minded and reactive to the changed needs of our customers. Looking ahead, we remain dedicated to our commitment – we will continue to support our loyal clients, find new opportunities and remain prepared for change, in order to take full advantage of it.

Robert Zadrazil
Chairman of the Supervisory Board

Levon Hampartzoumian
Chairman of the Management Board
and CEO

April 28, 2011
Sofia

Supervisory Board and Management Board[1]

Supervisory Board

Chairman	Robert Zadrazil
Deputy Chairman	Alberto Devoto
Member	Dimitar Zhelev
	Heinz Meidlinger
	Maria-Elisabeth Sochstl-Kugler
	Claudio Cesario
	Graciano Cameli

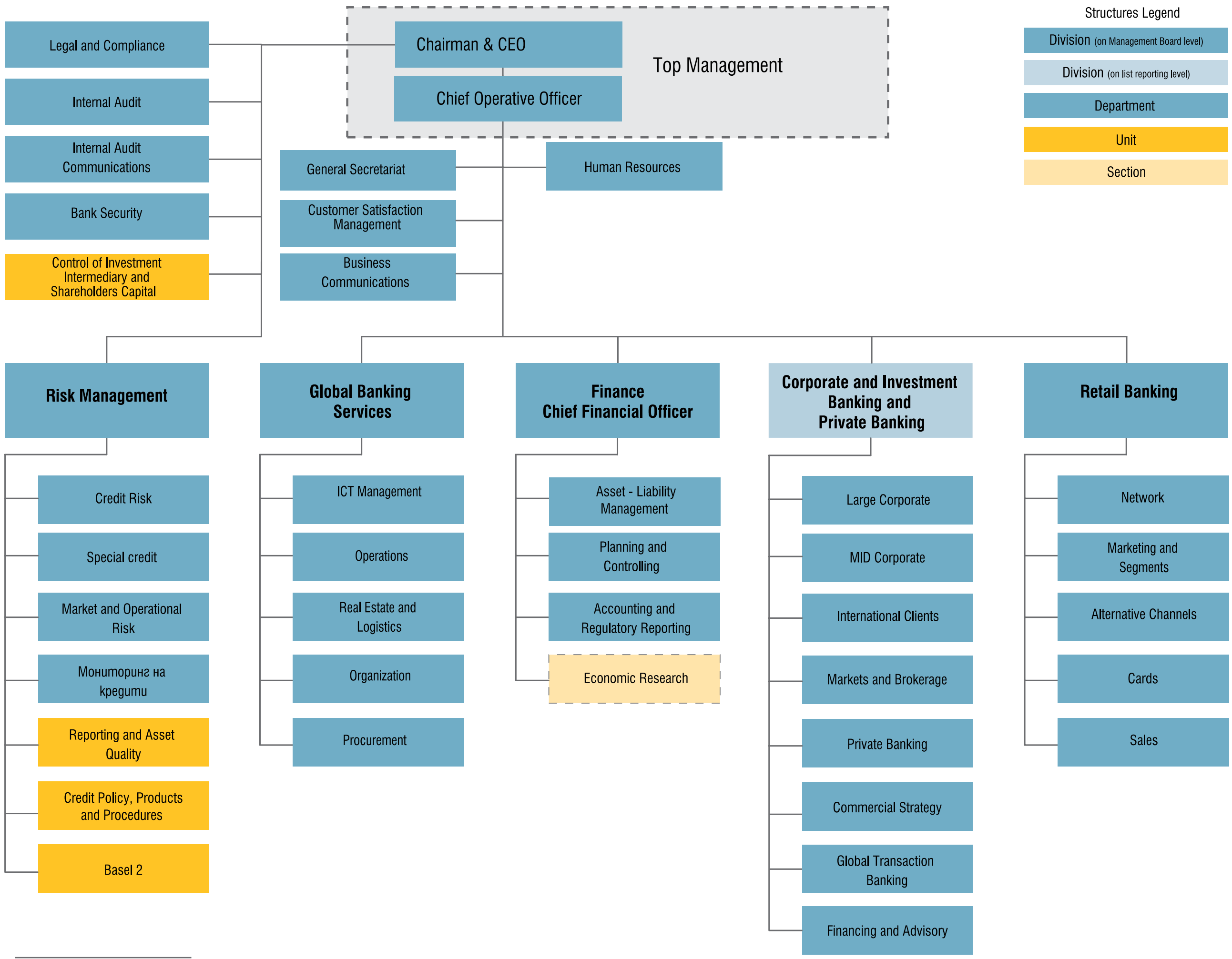
Management Board

Chairman and Chief Executive Officer	Levon Hampartzoumian
Deputy Chairman and Chief Operative Officer	Andrea Casini
Member	Emilia Palibachiyska
	Alexander Krustev
	Lyubomir Punchev
	Gert Franz Walter Hebenstreit

- On 4.01.2010 Mr. Alexander Krustev was entered in the Commercial registry of the Registry Agency as a member of the Management Board, thus replacing Ms. Monika Fuernsin.
- On 05.05.2010 Mr. Gert Franz Walter Hebenstreit was entered in the Commercial registry of the Registry Agency as a member of the Management Board.

[1] As of December 31st, 2010

Organisation Chart[1]



[1] As of 31 December 2010

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

Credit Rating

Counterparty Credit Rating Standard & Poor's

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

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

For whatever life brings

For whatever life brings

Highlights

UniCredit operates in 22 countries, with more than 162,000 employees and over 9,600 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.

(in € million)

OPERATING INCOME	26,347
OPERATING PROFIT	10,864
NET PROFIT	1,323

SHAREHOLDERS' EQUITY	64,224
CORE TIER 1 RATIO	8.58%
TIER 1 RATIO	9.46%

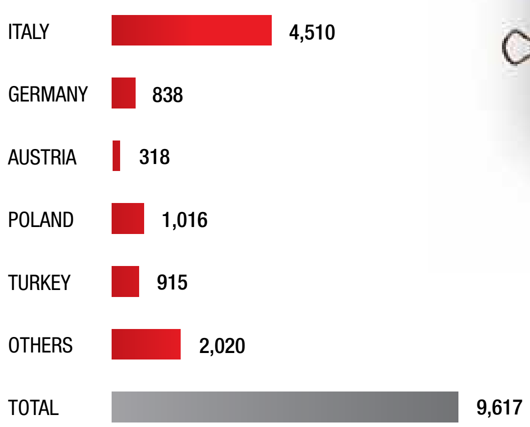
EMPLOYEES[1]	over 162,000
BRANCHES[2]	over 9,600
TOTAL ASSETS	929,488

1. Data as at December 31, 2010. 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. Figures include all branches of subsidiaries consolidated proportionately, such as Koç Financial Services Group branches.

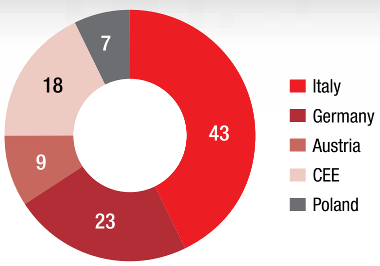
WHERE WE OPERATE

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

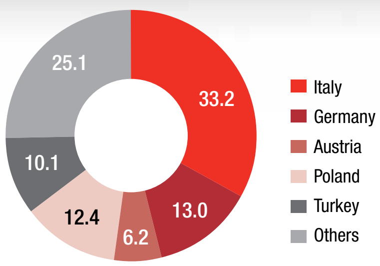
BRANCHES BY COUNTRY[2]



REVENUES BY REGION (%)



EMPLOYEES BY COUNTRY[1] (%)



Focus

AUSTRIA, GERMANY AND ITALY

UniCredit has a strategic position in Austria, Germany and Italy - three countries accounting for more than one-third of the GDP of all European Union economies combined. Together, they comprise one of the continent's wealthiest transnational regions.

GDP per capita in each of these countries is higher than the average for the European Union (EU) as a whole. In particular Germany ranks first in terms of GDP per capita among the four largest EU economies, surpassing France, Great Britain and Italy.

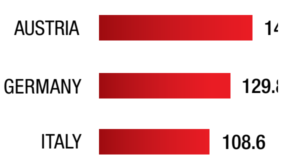
UniCredit has one of the largest banking networks in each of its three core Western European countries, providing access to 318 branches in Austria, 838 in Germany and 4,510 in Italy. Each of these countries is also closely linked to the growing economies of Central and Eastern Europe.

In terms of economic performance, all our core countries last year resumed positive growth after the unprecedented slowdown recorded in 2009. As a matter of fact, the emergence of the sovereign debt crisis in Greece, which had important spill-over effects on such other countries as Ireland, Spain and Portugal, did not materially affect growth prospects in our core countries. This is because, from a structural point of view, the three countries in which UniCredit operates have enjoyed over the last few years a more balanced growth model compared to the affected countries, with a very low level of private sector indebtedness and a more cautious handling of public finance.

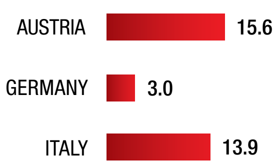
Real economic growth is expected to continue at an average annual rate of about 1.6% in Austria, 1.8 % in Germany and 1.1% in Italy from 2011 to 2015, which would surpass the rates achieved over the previous five-year period.

Another favorable development is that domestic demand is becoming an increasingly important engine of economic development in this region. The result should be a more sustainable pattern of growth, no longer exclusively export driven.

GDP PER CAPITA[1]



MARKET SHARE[2] (%)



1. Nominal GDP per capita as at December 31, 2010 (EU27=100). Estimate of Nominal GDP per capita within the EU27 as at December 31, 2010 (last update March 10, 2011).
2. Market Share in terms of Total Customer Loans as at December 31, 2010.

Source: Eurostat, UniCredit Research.

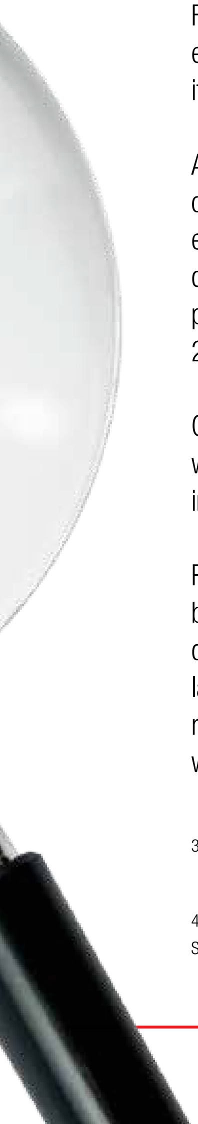
CENTRAL AND EASTERN EUROPE

UniCredit is a market leader in Central and Eastern Europe (CEE), where it has a broad network of roughly 3,900 branches.

The Group's regional footprint is broad, with a direct presence in 19 countries where it ranks among the top five in 12 countries. The CEE now accounts for 17.7% of the Group's revenues.

UniCredit has a long history in this dynamic region, which accounts for nearly half of all its employees. The Group is therefore well positioned to benefit from the process of economic convergence that has been generating higher living standards and a better business environment in these countries.

UniCredit's market position in the region provides its local banks with substantial competitive advantages, including the sharing of best practices, significant economies of scale, access to international markets and strong brand recognition. Furthermore, the Group's diversified portfolio in this region enables modular growth and increased market penetration for its global product factories.

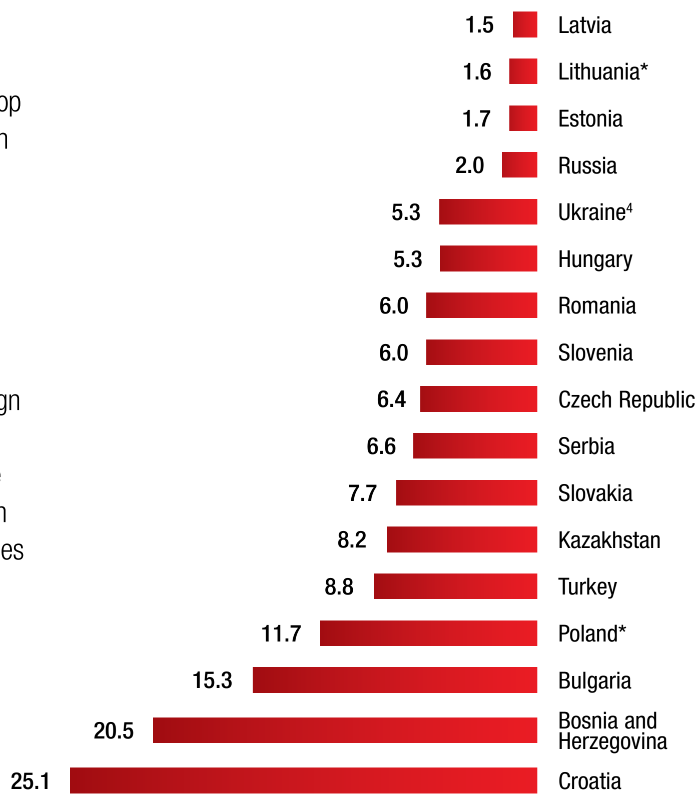


After a challenging 2009, in 2010 CEE economies showed convincing signs of recovery, benefiting from stronger external demand and in some cases from a recovery in domestic demand. Among the EU members, Poland was a top performer. As the only EU country not to suffer a recession in 2009, it posted a GDP gain of almost 4 percent last year.

Overall, Turkey was the fifth-largest emerging market worldwide and the fastest-growing European economy in 2010, boasting a gain in real GDP in excess of 7 percent.

Russia benefited from higher oil prices and a strong sovereign balance sheet, which permitted the government to support domestic demand while increasing foreign investment in the latter part of the year. Only Romania and Croatia remained in recession in 2010. However, their more difficult circumstances were offset by reform and fiscal consolidation.

MARKET SHARE[3] (%)

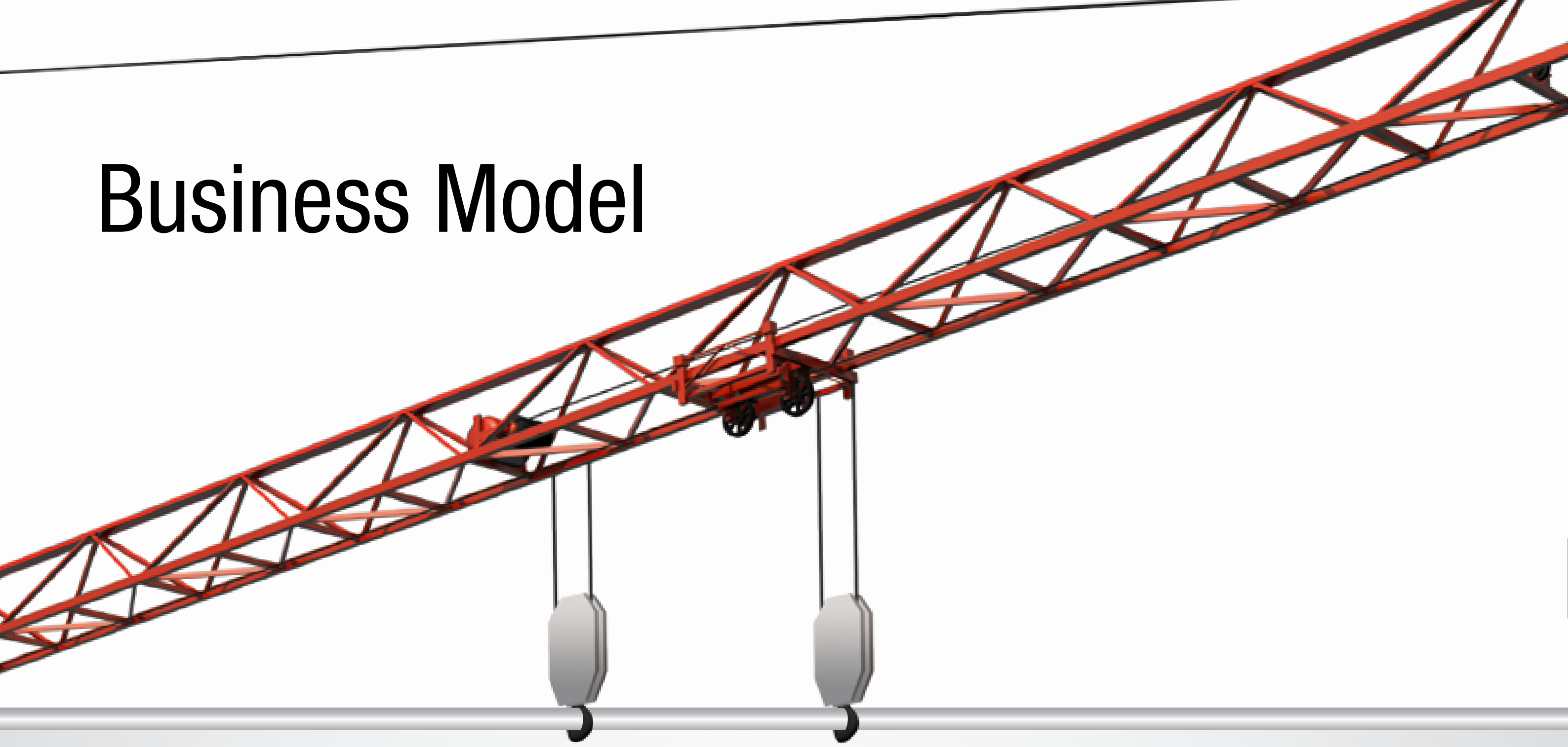


3. Market Share in terms of Total Assets as at December 31, 2010.
Market Share in Azerbaijan and Kyrgyzstan not available.
* as at September 30, 2010.

4. Pro-forma (Ukrsotsbank + UniCredit Bank Ukraine).

Source: UniCredit Research, UniCredit CEE Strategic Analysis.

Business Model



THIS MODEL FOCUSES ON FOUR PILLARS:

Customer-centricity

This is the focus of the Business Divisions - *Families & Small-Medium sized Enterprises, Corporate & Investment Banking, Private Banking and Central and Eastern Europe.*
With their highly specialized services, they offer clear and simple solutions to all customer segments, thereby maximizing long-term value and generating customer satisfaction.

A multi-local approach

UniCredit combines an international distribution network with deep local roots and close ties to its customers by leveraging its global product lines, like Leasing and Factoring, its global service lines and the local expertise of UniCredit's people operating in local markets.

Global product lines

Each of the product lines is responsible for the centralized development of a complete portfolio of financial products and services suitable to the diverse needs of its customers.
These product lines generate added value for customer segments in all countries and regions by leveraging also the specialized skills and knowledge of the Group's product factories, such as Fineco Bank.

Global service lines

UniCredit's service lines provide a broad range of specialized internal services to the Group's commercial units and product factories such as information technologies, back-office activities, personnel administrative management, loan recovery, purchasing and real estate management.

Organizational structure

UniCredit's organization reflects its divisional business model and geographic scope.
To meet customers' needs, UniCredit is divided into **specialized Business Divisions,** as follows:

- Three divisions - *Families & Small-Medium sized Enterprises, Corporate & Investment Banking, Private Banking* - manage the activities intended for their respective customer segments. These include marketing, defining service models and developing products, as well as overseeing and coordinating some specific businesses.
- The *CEE* Division serves to align the activities in 19 countries of Central and Eastern Europe to a single, comprehensive business vision.

In line with the multi-local approach, responsibility for individual countries is lodged with leadership roles - such as the Country Chairman in the four main markets of Austria, Germany, Italy and Poland and the Country CEO in the six divisionalized CEE countries. Their task is to combine the Group's strategic business vision with that of their country.

Lastly, a range of support and control functions, called **Competence Lines,** oversee the guidance, coordination and control of UniCredit's activities and manage the related risks. These competence lines include Planning, Finance & Administration, Risk Management, Legal & Compliance, Internal Audit, Human Resources, Organization and Identity & Communications.

UniCredit Mission

We, UniCredit people, are committed to generating value for our customers.

As a leading European bank, we are dedicated to the development of the communities in which we live, and to being a great place to work.

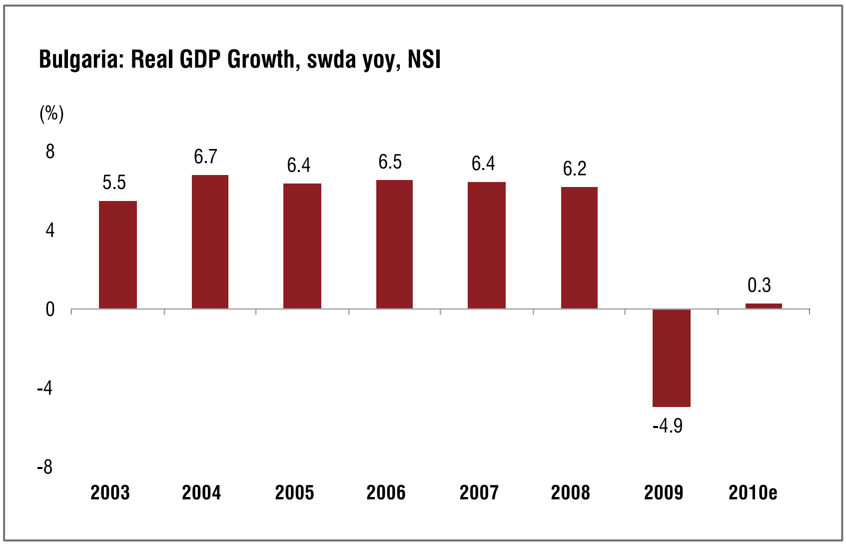
We aim for excellence and we consistently strive to be easy to deal with.

These commitments will allow us to create sustainable value for our shareholders.

For whatever life brings

Bulgarian Economy in 2010

The economy shows signs of a recovery



After a weak start of the year, GDP bounced back in 2Q and 3Q, and is expected to have posted another solid reading in the last three months of 2010. Thus, Bulgarian economy emerged from recession following a sharp decline in output and labor experienced in 2009. In its early stage, the recovery has been driven by upturn in the developed economies and particularly resurgence in the global export demand. Gross fixed capital formation showed tangible signs for stabilization in the course of the previous year, meaning that recovery is soon set to broaden in terms of growth drivers, and after export and inventories, investments will become part of the recovery likewise.

The households remain under the pressure of continuing unemployment, postponing spending

However, the economic newsflow related to the household sector was less encouraging. Depressed retail sales in combination with slowing retail credit and flagging confidence indicators, suggests that households remain reluctant to spend. Most economic sectors continued to shed jobs, with the noticeable exception of manufacturing, which started to crease new jobs on a net basis in mid 2010, reversing some of the heavy losses suffered earlier. Unfortunately, labor market adjustment predominately took the form of raise in joblessness rather than a slowdown in wages. This threatens to make adjustment socially more painful, thus eroding further already flagging public support for unpopular reforms, needed to bring economy back on the road of sustainable growth.

Within the major economic indicators, housing signals a slow stabilization

The external position, viewed as the most deeply worrying element of Bulgaria’s fundamentals on the eve of the global downturn, likewise saw positive evolution. Current account deficit fell to manageable levels, while problematic gross external debt to GDP ratio, despite being still elevated in end 2010, edged down on a yoy basis for a first time since the start of transition. Opposite to other emerging markets, capital inflows - toward the whole CEESEE region, including Bulgaria - remained subdued, as investors’ concerns about possible proliferation of the euro zone sovereign debt crises rose. Contraction in housing prices slackened to just 5.6% yoy in 2010, after whopping 26.3% fall posted in the previous year. At the same time, 8 out of 28 regions reported positive yoy price change, suggesting that the process of housing prices stabilization is well under way in a growing number of regions in the country.

Macroeconomic indicators	2010	2009	2008	Growth 2010/2009
Nominal GDP (EUR million)*	35,925	35,043	35,430	2.5%
GDP per capita (EUR)*	4,769	4,633	4,658	2.9%
Real GDP growth (%)*	0.3	-4.9	6.2	5.2
Basic Interest Rate, avg (%)	0.20	2.41	5.12	-2.2
Inflation, eop (%)	4.5	0.6	7.8	3.9
Inflation, avg (%)	2.4	2.8	12.4	-0.4
Unemployment rate, eop (%)	9.2	9.1	6.3	0.1
Official exchange rate, eop (BGN/USD)	1.47	1.36	1.39	8.1%
Official exchange rate, avg (BGN/USD)	1.48	1.41	1.34	5.0%
Current account balance (EUR millions)**	-10	-3,477	-8,191	-99.7%
Current account balance** / GDP (%)	0.0	-9.9	-23.1	9.9
Net foreign direct investments (EUR millions)**	761	3,372	6,203	-77.4%
Net foreign direct investments** / GDP (%)	2.1	9.6	17.5	-7.5
Gross foreign debt, eop (EUR millions)**	36,165	37,808	37,112	-4.3%
Gross foreign debt** / GDP (%)	100.7	107.9	104.7	-7.2
Gross internal public debt, eop (EUR millions)	2,012	1,539	1,571	30.7%
BNB FX reserves (EUR millions)	12,977	12,919	12,713	0.4%
Budget balance / GDP (%)	-4.0	-0.8	3.0	-3.2
Acting commercial banks at the end of the period	30	30	30	-

Source: BNB, NSI, Ministry of Finance and UniCredit Bulbank projections
*UniCredit Bulbank Economic Research projection for 2010
** data as of Nov. 2010

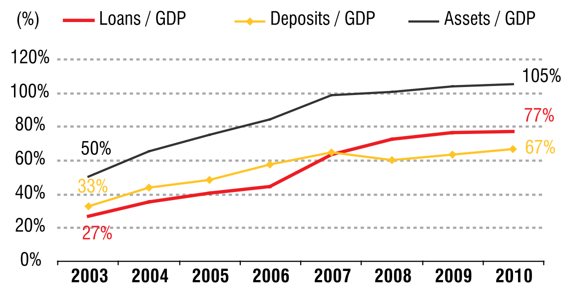
Food and energy inflation is a major driver of CPI growth
After remaining oppressed for the most part of the last year, CPI accelerated to 4.5% yoy in Dec. This was attributable above all to elevated food and energy inflation which pushed import prices higher. The final push of Bulgarian excise rates harmonization, with those applied in the EU was, likewise, among the relevant factors behind higher CPI last year. At the same time, persistent lack of strength in domestic demand held back core prices from rising above the 1% benchmark throughout the whole year.

The tax rates in Bulgaria remain low, which is expected to attract foreign capital inflows
To support recovery, the government of Commerce and Economic Development Bureau pushed through a series of measures aimed at stabilizing fiscal revenues and improving utilization of EU funds. These helped to improve the EU funds absorption rate to 10% at end 2010, from nearly 1% just twelve months ago. End year budget deficit target was overshot by a significant margin, besides avoiding any tax increases which many other EU countries were forced to implement. This prompted EU to suspend excessive budget deficit procedure against the country, positively affecting sentiments and growth outlook for the economy. This not only is expected to encourage capital inflows, which remain vital for the pace of recovery, but also should enable the country to tap sovereign debt markets if this proves necessary at some point next year.

Banking Sector Overview

The maintenance of high interest rates on deposits puts the banking sector profitability under pressure
2010 demonstrated that the Bulgarian banking industry remains well positioned to cope with the legacy of the downturn in the real economy. In the beginning of 2010, most of the banks were involved in aggressive competition for domestic deposits in response to worsening access to external liquidity. This event initially pushed interest rates on domestic deposits to elevated levels, thereby preventing any cost of borrowing easing. After 1Q2010 the pressure on most local banks to deleverage their external positions abated, also supported by successful introduction of a series of ring fencing measures accompanying Greece's sovereign bailout. This effectively prompted the banks to halt aggressive deposit collection campaigns, which was soon reflected in the decrease of interest rates on customer deposits.

Bank Penetration



Banking System Key Figures	2010	2009	2008	Growth 2010/2009
Income Statement (BGN million)				
Operating Income	3,932	3,792	3,710	3.7%
incl. Net Interest Income	2,917	2,847	2,788	2.5%
incl. Net Non-Interest Income	1,015	945	923	7.4%
Operating Costs	1,918	1,907	1,855	0.6%
Operating Profit	2,014	1,885	1,855	6.8%
Net Provisions	1,328	1,028	326	29.2%
Pre-tax Profit	686	857	1,529	-20.0%
Net Profit	617	780	1,387	-20.9%
Balance Sheet (BGN million)				
Total Assets	73,726	70,868	69,560	4.0%
Gross Loans	53,854	52,449	50,189	2.7%
of which: Non-Performing Loans	6,409	3,184	1,590	101.3%
Deposits	46,928	43,285	41,736	8.4%
Shareholders` Equity	10,032	9,457	7,931	6.1%
Profitability Ratios (%)				
ROE (after tax)	6.4	9.0	19.6	-2.6
ROA (after tax)	0.9	1.1	2.2	-0.2
Cost / Income ratio	48.8	50.3	50.0	-1.5

Source: BNB

Bulgarian Economy in 2010 (continued)

Asset quality is further worsened, but bank solvency serves as a protective cushion

While the pressure on local banks to deleverage their external positions was the first clear manifestation of the global financial crises, the full crisis impact materialized only in 2010, when credit quality problems increased. The recession had an immediate impact on both corporate and retail sectors assets quality, with NPLs' statistics soon hitting the headlines. In response, the banks embarked on a broadly based renegotiation programs, aimed at alleviating debt servicing conditions for recession hit borrowers. Similarly to the whole CEESEE region, the share of NPL's from total gross loans in Bulgaria almost doubled to 11.9% in 2010, when compared with 6.1% one year earlier. Nevertheless, given the accumulated capital and reserves, the risk of insolvency remains a remote possibility for the systematically important banks of the Bulgarian market. Indeed, on a consolidated level tier one capital adequacy ratio was at 15% in the end of 2010, while so called solvency ratio was at the very comfortable level of 17.5%.

The worsened economic outlook prevents the corporate sector from undertaking new investments, while the retail sector increases saving rates, taking advantage of higher interest rates on deposits

Highlighting the severity of the downturn in the real economy, credit growth decelerated to just 1.7% yoy in 2010, from already weak 3.9% reported one year earlier. In the retail segment, mortgage loans remained resilient (up by 3.8% yoy), but there were negative overdraft and consumer loans growth dynamics (-10.2% and -2.8% respectively). Driven by the still high interest rates on deposits, deposit volumes continued growing, accelerating to 8.4% yoy at the end of 2010, from 3.3% one year earlier. All deposit segments posted positive growth, but double digit 12.3% yoy rise in retail was clearly the most eye-catching development. This was mainly attributed to two economic phenomena, both of which included transferring deposits from the corporate to the retail sector. On the one hand, the corporate customers, cautiously observing the continuing economic uncertainties, found no better risk alternative where to invest their money. On the other hand, they tried to benefit from the expanding interest rate differential between interest rates on deposits of individuals and companies.

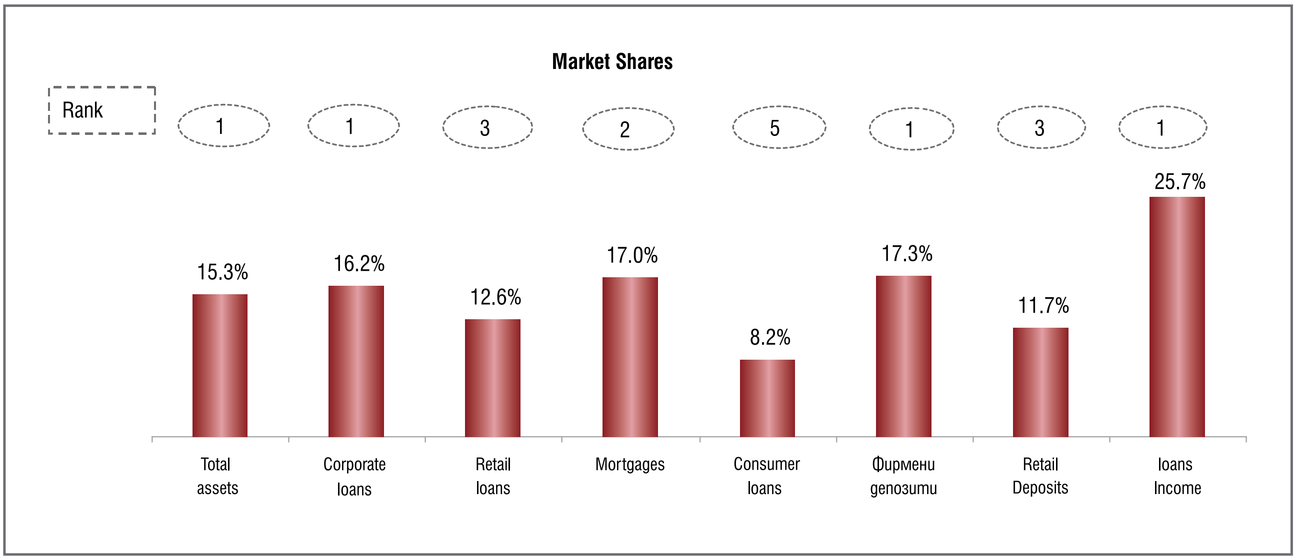
Recession-led deterioration of the loan portfolio impacts profitability

Troubles in the real economy dampened business volumes and pushed provisions higher, thus undermining profitability. Consolidated after tax profit of the banking system was down 21% yoy to BGN 617m, from already disappointing BGN 780m reported in 2009. To mitigate recession impact many banks implemented measures aimed at boosting efficiency of their operations, which enabled cost-to-income ratio to improve to 49% in 2010, from 50% posted in both 2009 and 2008.

Market Positioning

Over the past three years the Bank has enjoyed superior financial performance relative to main competitors. The entity has demonstrated a strong resilience to the economic downturn by maintaining lower levels of problem loans and strong provisions. The increased credit costs were offset by maintaining a net interest margin and strict cost control over operating costs, coupled with increasing loan volumes in 2010. UniCredit Bulbank's financial strength was additionally supported by its majority shareholder UniCredit SpA, which sustains UniCredit Bulbank's sturdy business. UniCredit holds the ultimate 92.1% stake in UniCredit Bulbank's capital, which reveals its strategic importance and quick integration within the Group.

UniCredit Bulbank retains its leadership position in Bulgarian banking sector, serving 1.1 million clients in 216 branches. The Bank preserved its dominant position in total assets and net profit with market shares of 15.3% and 25.7% respectively. The persistent profitability and strong financial health of the entity have proven it to be amply flexible and resistant to the ongoing economic fragilities and operating turmoil. In addition, the relatively conservative risk profile along with the adequate capitalization and liquidity indicators have partially offset the weakened credit quality and profit-generating capabilities of the Bank. This has consequently allowed the entity to outperform not only the market, but also its well-positioned and long-established peers.



By providing to its corporate customers a comprehensive range of banking products and services the bank remained the indisputable leader in corporate banking with 16.2% and 17.3% market share in corporate loans and deposits. UniCredit Bulbank is among the leading banks in retail business, focusing on mortgages. As of 31.12.2010 the number of debit cards is over 813 thousands and the number of credit cards is over 51 thousands. The optimised ATM network consists of 540 ATMs and the number of POS terminals has increased by almost 50% to 7,560 units.

UniCredit Bulbank's capitalization is adequate, enhancing financial flexibility in a period of high credit risks. This has created an adequate cushion to absorb further deterioration in asset quality.

For whatever life brings

UniCredit Bulbank Activity Review

Unconsolidated Financial Results

In 2010 UniCredit Bulbank's total gross operating income was BGN 603.5m (5.4% higher than the year before). In the meantime, operating expenses decreased by 0.4% to BGN 243.9m. This boosted net operating income by 9.8%, up to BGN 359.6m. Net profit amounted to BGN 158.7m, 18.5% lower than the year before due to recession-related pressure on asset quality.

Thousands of BGN

Summary of Unconsolidated Operating Income Statement	2010	2009	Growth (%)	Growth (amount)
Net interest income	426,864	408,365	4.5	18,499
Net fee and commission income	153,639	148,900	3.2	4,739
Net trading income	854	3,269	-73.9	-2,415
Net result from investment securities	15,805	2,234	607.5	13,571
Other income	6,312	9,688	-34.8	-3,376
GROSS OPERATING INCOME	**603,474**	**572,456**	**5.4**	**31,018**
Operating expenses	-243,906	-244,854	-0.4	948
NET OPERATING INCOME	**359,568**	**327,602**	**9.8**	**31,966**
Impairment losses on financial assets and provisions	-182,934	-110,765	65.2	-72,169
Income tax expense	-17,890	-22,084	-19.0	4,194
NET PROFIT	**158,744**	**194,753**	**-18.5**	**-36,009**

On the background of continued economic hardships, UniCredit Bulbank's profitability and efficiency were impacted, but both of them remained fairly stable. Return on average assets was 1.4% and return on average equity was 9.3%, both of which positioned well above the ones of the banking system. Net profit margin was down by 7.7pp to 26.3%. Cost/income ratio improved to 40.4%, remaining better than the market average.

Revenue Structure	2010	2009
Net interest income	71%	71%
Net fee and commission income	25%	26%
Net result from trading and securitties and other income	4%	3%
GROSS OPERATING INCOME	**100%**	**100%**

Generating 71% of gross operating income as at the end of 2010, net interest income remained the major earnings contributor. It reached BGN 426.9m (+4.5% YoY) and also changed its structure a bit. In particular, loans and advances to customers generated 0.3% less revenue in 2010 but increased their share in interest income to 89%. Securities and derivatives revenue accounted for 10% of interest income. Interbank placements brought only 1% of interest income.

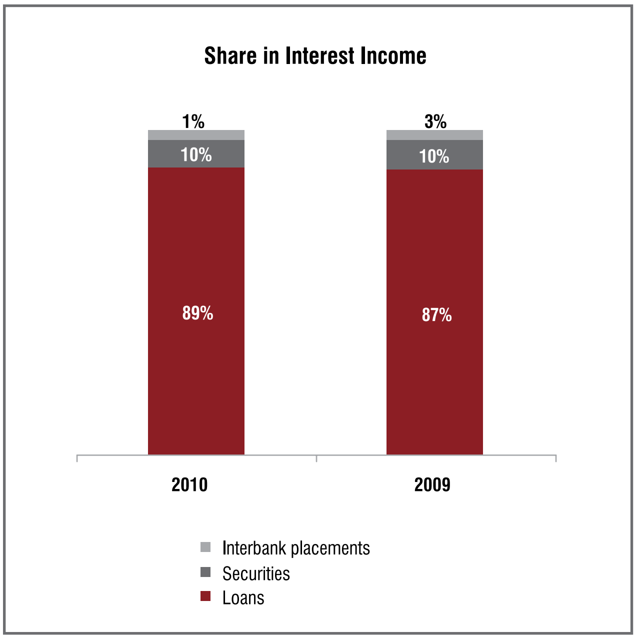
In 2010 the Bank lowered its loan interest rates, which added to the competitive advantage of its products. Capitalizing on its brand image and well-established reputation, UniCredit Bulbank followed a balanced pricing policy and started to gradually decrease the cost of customer deposits. As a result, the loan-to-deposit spread improved by 30bp yoy (up to 4.80% in 2010). This was the major driver of net interest income growth. In particular, total interest income was 2.8% lower for the year and amounted to BGN 632.8m but total interest expense decreased by 15% to BGN 205.9m. Interest expense related to customer deposits was 9.8% lower for the year.

Net fees and commissions income, accounting for 25% of gross operating income, was up by 3.2% to BGN 153.6m. Its growth was mainly attributable to the increases of 8% in income from payment services, 10% in lending fees, and 2% in foreign exchange sales.
The rest of the gross operating income components: net trading income, net results from investment securities, and other operating income, taken

altogether reported a positive annual growth of BGN 7.8m, reaching BGN 23m. The key driver of profitability in this group was the income from investment securities, which grew outstandingly, due to one-off capital gain, related to the transformation of Borica-Bankservice.
The slight 0.4% decrease in operating costs resulted from effective cost containment measures and respective operating synergies. Personnel costs were down by 1.0%, while non-personnel costs decreased by 1.1%. Depreciation and impairment on non-current assets increased by 3.7%.

Total impairment losses on financial assets and provisions increased by 65%, reaching BGN 182.9m compared to BGN 110.8m in 2009. Reflective of the worsened customer conditions, the Bank's NPL ratio increased from 4.1% in 2009 to 10.1% a year later. Yet, on account of the prudent risk assessment and the strict provisioning policy of the Bank, NPL ratio positioned below the one of the banking system (11.9%).

Income tax was BGN 17.9m, down by 19% YoY, driven by the reduced gross profit figure.



Unconsolidated Assets and Liabilities

The total balance sheet on unconsolidated basis amounted to BGN 11,276m, down by 2.1% compared to the end of 2009. In line with the Bank's strategic focus on commercial business, the volumes of customer loans and deposits were increased by 1.4% and 1.9% respectively. On the other hand, the interbank funding was optimized in terms of price and tenor in order to decrease funding costs. With a net loans-to-deposits ratio at 114.2% at the and of 2010, the institution shows a solid balance sheet structure and a stable market positioning, which provides a sound foundation for future growth.

Thousands of BGN

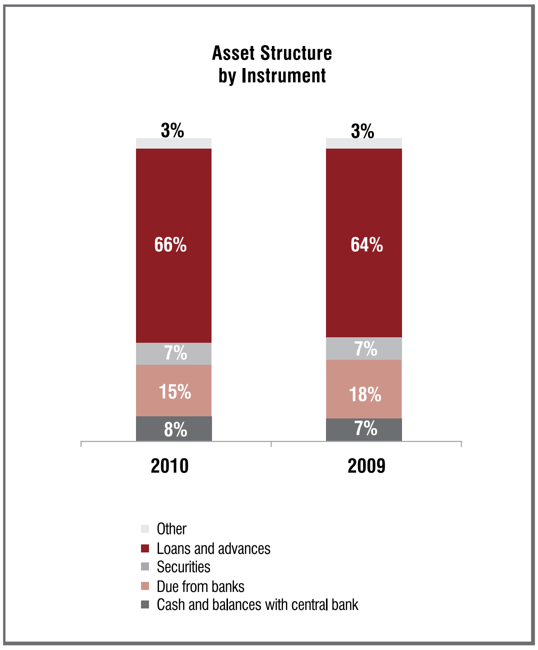
Summary of Unconsolidated Balance Sheet	2010	2009	Growth (%)	Growth (amount)
Assets				
Cash and balances with Central Bank	874,658	832,158	5.1	42,500
Due from banks	1,699,018	2,071,567	-18.0	-372,549
Securities	842,819	851,755	-1.0	-8,936
Loans and advances to customers	7,472,399	7,370,496	1.4	101,903
Property and equipment	239,839	245,463	-2.3	-5,624
Other assets, net	146,907	147,335	-0.3	-428
Total assets	**11,275,640**	**11,518,774**	**-2.1**	**-243,134**
Liabilities and shareholders' equity				
Customer deposits	6,540,524	6,421,385	1.9	119,139
Deposits from banks	2,553,023	3,105,352	-17.8	-552,329
Other liabilities	400,920	356,097	12.6	44,823
Total liabilities	**9,494,467**	**9,882,834**	**-3.9**	**-388,367**
Shareholders' equity	**1,781,173**	**1,635,940**	**8.9**	**145,233**
Total liabilities and shareholders' equity	**11,275,640**	**11,518,774**	**-2.1**	**-243,134**

The weight of the loan portfolio increased a bit (to 66% of total assets), reaching BGN 7,472m in net terms. A modest business growth was envisaged in both retail and corporate business areas. The underlying gross loan volumes advanced by 3.6%, with company loans increasing by 3.3%, while loans to individuals were up by 4.4%.

The securities portfolio declined by 1% to BGN 843m and its share of total assets remained 7%. Cash and balances with BNB increased by 5.1% to BGN 875m. Property and equipment decreased by 2.3% to BGN 240m.

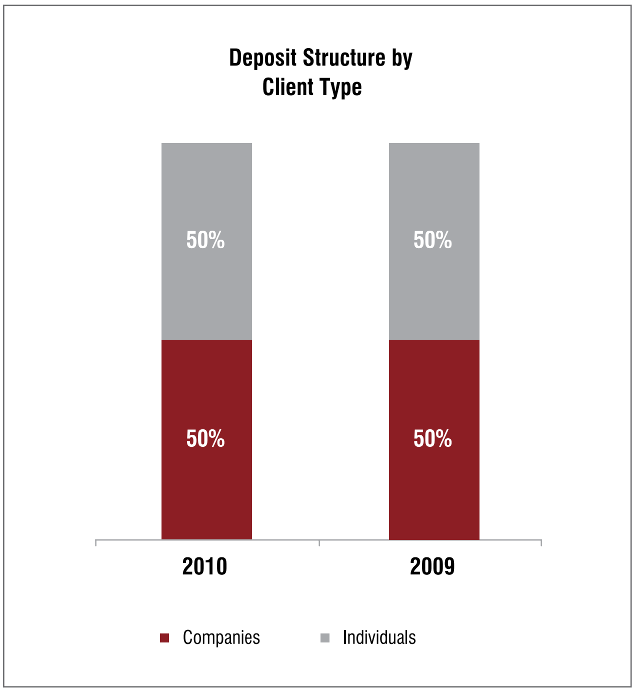
The Bank continued to finance its operations predominantly through customer deposits and equity. Customer deposits were up by 1.9%, reaching BGN 6,541m.

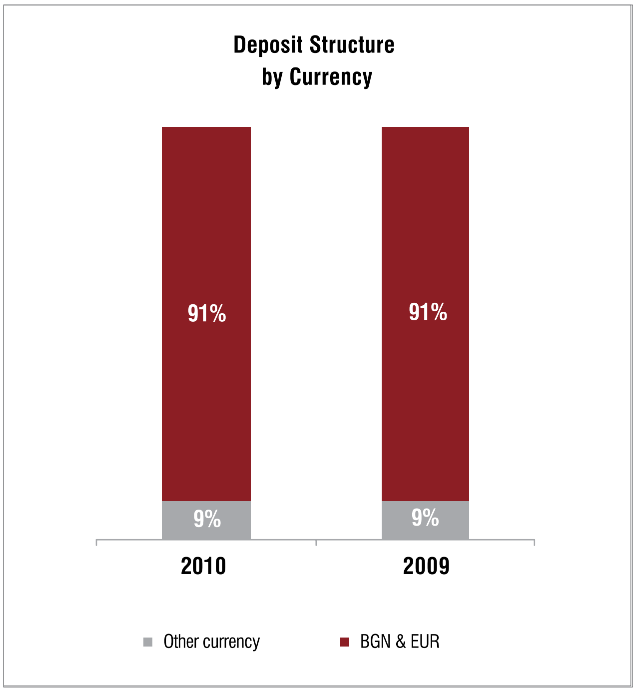
Unconsolidated shareholders' equity amounted to BGN 1,781m, up by 8.9% for the year (BGN 1,636m in 2009). That was supported by 10% growth in share capital in Q4 2010, driven by the performed capital increase by the bank. In effect, the entity further strengthened its capital position - total capital adequacy ratio was 18.4% (16.7% in 2009), and Tier 1 ratio was 15.7% (13.4% in 2009). The equity ratio increased from 14.2% in 2009 to 15.8% in 2010. Risk-weighted assets to total assets ratio was down by 2.8pp to 77.6%. These ensured a complete compliance with BNB Regulation 8 on Capital Adequacy.

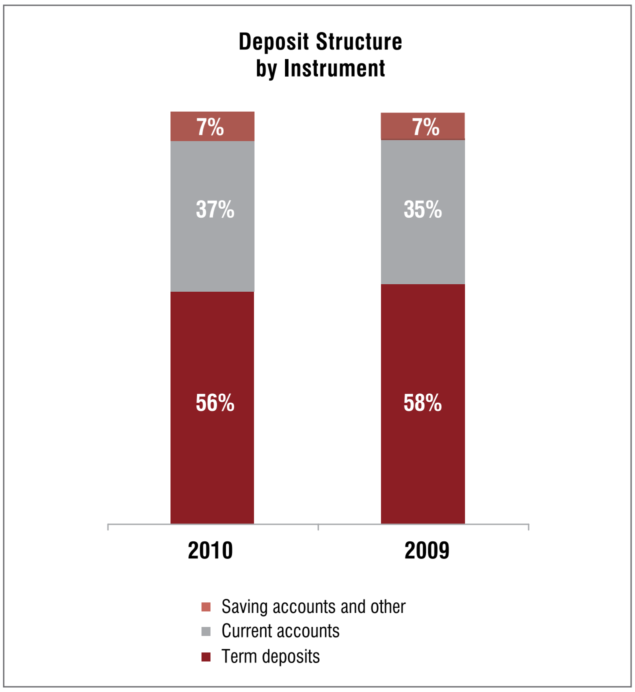


Customer Deposits

The market for deposits and savings remained highly competitive but the Bank was successful in maintaining and even slightly increasing customer deposits. 91% of all deposits were denominated in EUR and BGN. Deposits of individuals increased to BGN 3,278m at the end of 2010, 50% of total. The other half consisted of company deposits, which amounted to BGN 3,262m. The total term deposit weight decreased to 56% (58% in 2009) reaching 3,692m (down by 0.9% YoY).



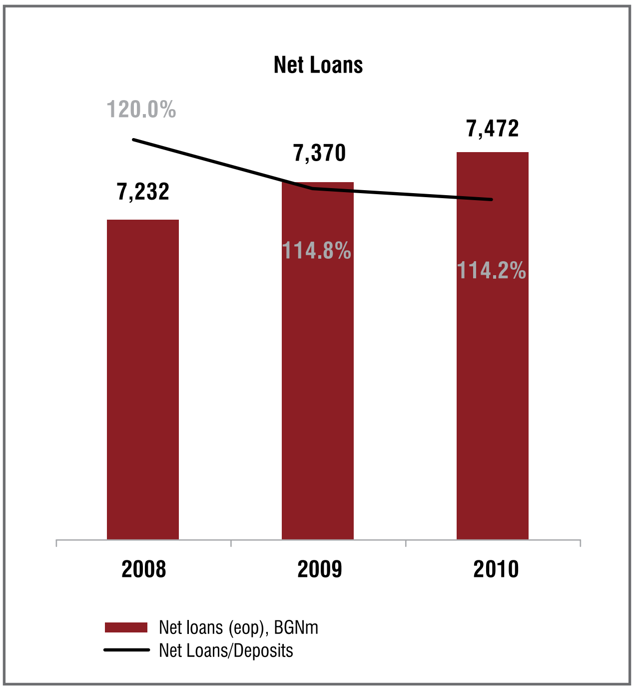


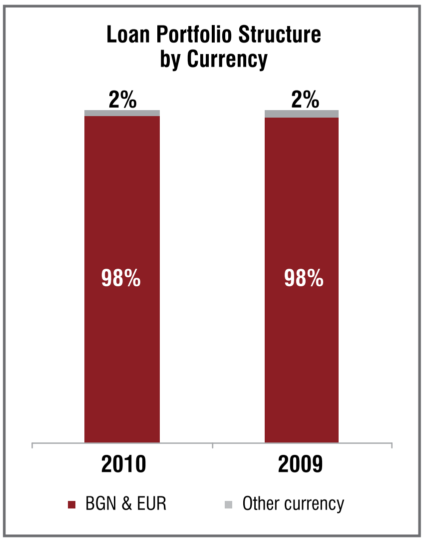


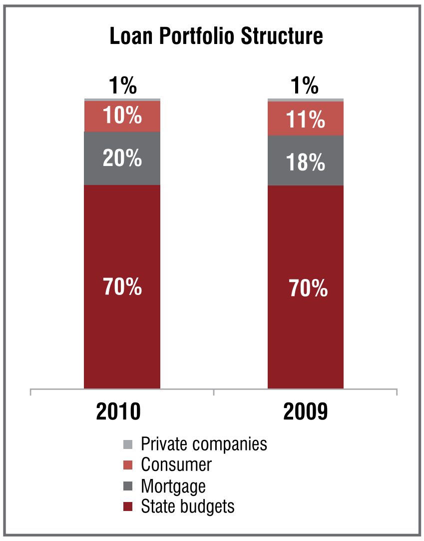
Bank Loan Portfolio

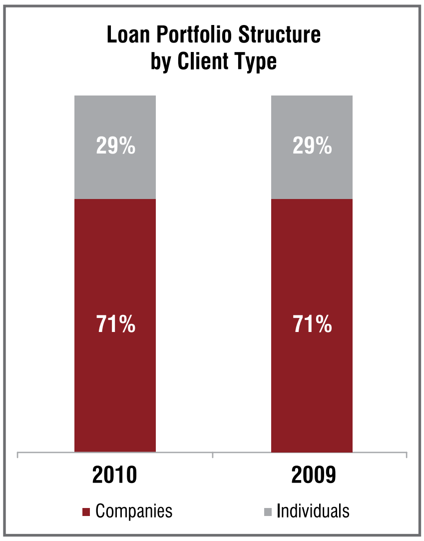
The economic slowdown resulted in less appetite for borrowing from businesses and individuals. However, by year-end the net loan portfolio of the Bank grew by 1.4% to BGN 7,472m, up from BGN 7,370m a year earlier. The loan-to-deposit ratio improved by 0.6pp on an annual basis to 114.2% (compared to 108.2% for the banking sector). The currency structure of the loan portfolio remained almost unchanged, with loans in BGN and EUR accounting for 98% of the total portfolio.

The gross loan portfolio grew by 3.6% to BGN 8,054m, up from BGN 7,775m a year earlier. Loans to companies grew by 3.3% to BGN 5,712m, which accounted for 71% of the total portfolio. Loans to individuals increased by 4.4% to BGN 2,342m, thus representing 29% of total portfolio, mainly driven by an increase in residential mortgages and overdraft facilities, while consumer loans slightly decreased. Mortgages were up by 10.5% YoY to BGN 1,575m and their share in total loans amounted to 20% (18% in 2009). Consumer loans decreased by 6.2% YoY to BGN 767m. That was largely affected by the Bank's transfer of the new production of BGN denominated consumer loans to UniCredit Consumer Financing.









The industry structure did not change much in 2010. The share of financial services declined by 1.6pp, while the one of construction increased by 4.6pp. The three largest areas of concentration were manufacturing (20%), commerce (20%), and retail (30%).

Thousands of BGN

Industry structure	2010		2009	
	Amount	Share	Amount	Share
Sovereign	59,253	1%	57,584	1%
Manufacturing	1,608,604	20%	1,541,948	20%
Commerce	1,629,901	20%	1,653,631	21%
Construction and real estate	1,408,276	17%	998,976	13%
Agriculture and forestry	149,010	2%	138,058	2%
Transport and communication	285,074	4%	375,777	5%
Tourism	174,127	2%	265,929	3%
Services	216,316	3%	196,852	3%
Financial services	181,594	2%	302,682	4%
Retail				
Housing loans	1,574,778	20%	1,425,488	18%
Consumer loans	767,404	10%	817,953	11%
Total loan portfolio	**8,054,337**	**100%**	**7,774,878**	**100%**

Consolidated Financial Results

The following table reveals the list of our subsidiaries, their consolidation method and respective participation in equity:

Company	Participation in equity	Consolidation method
UniCredit Factoring AD	100.0%	Full consolidation
Hypovereins Immobilien EOOD	100.0%	Full consolidation
UniCredit Consumer Financing AD	49.9%	Equity method
UniCredit Leasing EAD	24.4%	Equity method
Cash Service Company AD	20.0%	Equity method
Pirelli Real Estate AD	25.0%	Equity method

In 2010 UniCredit Bulbank Group reported a consolidated net profit of BGN 166.7m, down by 15.5% for the year, driven by a robust growth in risk costs, while the stable increase of gross operating income was supported by lower operating expenses.

The net operating income growth (+11.1%) of the Group was driven by the strong annual increases in both net interest income (+4.7%) and net income from investment securities (+608%).

Impairment losses on financial assets and provisions increased by 65% to BGN 183.7m, following the difficult economic environment leading to deterioration of the loan portfolio especially in corporate business area.

Maintaining a strict cost control and successfully applying efficiency procedures, the Group's operating expenses decreased by 0.3% YoY, and amounted to BGN 245.8m, at the end of the year. Staff costs decreased by 0.9% to BGN 96.9m, while non-staff costs and depreciation increased modestly by 0.1% to BGN 148.9m.

Total assets were down by 1.6% on a consolidated basis and totalled BGN 11,341m. The Group's return on average assets amounted to 1.5% in 2010; return on average equity was 9.7%.

Risk Management

Credit Risk

Reflecting the market environment, the continuous problems faced by most of the economic sectors and the liquidity tension on the market, 2010 was another year of repayment challenges for the existing clients from all the segments.

Certain negative evolvements entailed by the economic difficulties and adversely affected repayment capacity valid for all segments of clients, were evident. The deterioration of the corporate segment's performance was the main trigger for the increase in the non-performing portion of the portfolio and the core driver of the increased loan loss provisions. To address the risk in a more appropriate manner, UniCredit Bulbank optimizes its loan loss provision policy. At year-end, the Bank reported 10.1% NPL ratio and loan loss provision coverage of defaulted loans of 58%. The overall cost of risk ratio for 2010 was 249bp on average net loans.

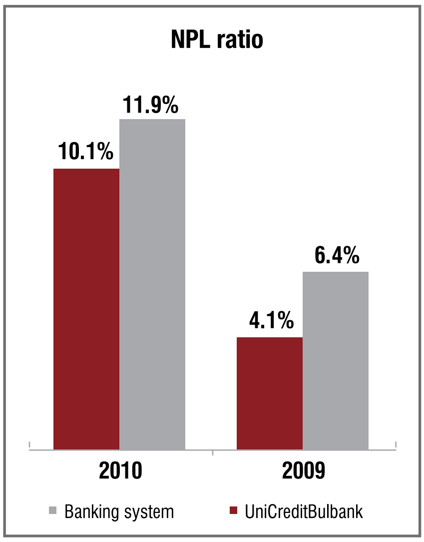
Another main task of the credit underwriting units remained the stabilization of the existing exposures and the alignment of the repayment plans to the existing cash generating capacities of the borrowers. Emphasis was put on the active application of adequate measures for all the segments, including both standard stabilization schemes and tailored approaches.

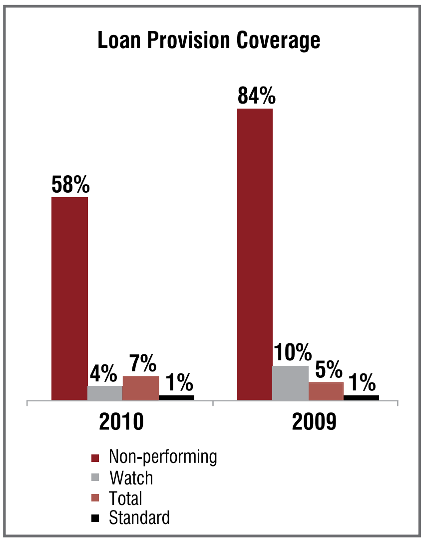
In parallel, the Bank managed to acquire new business, matching the amended risk appetite. Special efforts were made in: (1) regular reviews and tracking of the business and financial performance of the credit customers; (2) application of more conservative and self-liquidating financings; (3) improvement of the collateral position; (4) more conservative internal rating process to reflect the actual client's business and financial standing.

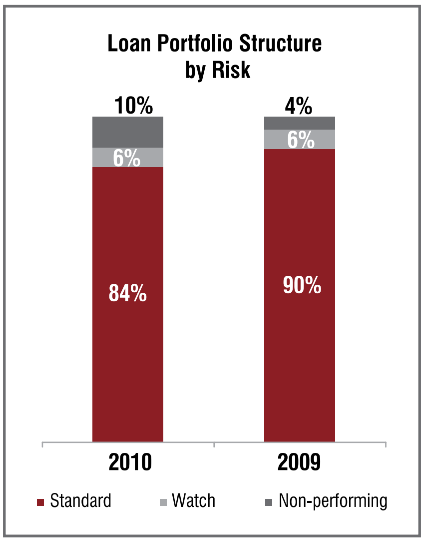
In 2010 UniCredit Bulbank reinforced the Credit Monitoring Area through an Independent department, directly reporting to Chief Risk Officer, and clear separation of the roles and responsibilities of the structures involved. The new concept facilitated the adequate and timely identification of counterparts' deterioration, tracking and control of the implementation of the action plans and higher transparency of the riskier portfolios.

As of January 1, 2011 UniCredit Bulbank is authorized by the Bank of Italy (home regulator) to use the Internal Rating Based (IRB) Approach under Basel II for the calculation of credit risk capital requirements. The scope of application covers exposures to Banking Institutions and Corporate clients. This approval is granted for the first time to a bank in Bulgaria and it confirms with UniCredit Bulbank's position of a local market leader and a best practice bank in the area of financial risk management. It is an international acknowledgement of the Bank's capacity to use its internal models and estimates in the calculation of capital requirements.

As opposed to the Standardized Approach, currently applied by the banks in Bulgaria, the IRB approach relies on high efficiency of the entire credit risk management process. To achieve this, the Bank devoted considerable time and financial resources to developing, adapting and implementing rules and methodologies, upgrading its rating and IT systems, and setting the stage for an improved senior management oversight and control.







Market Risk

In the area of risk appetite and strategy, the Market risk management function supported reassessment of market risk limits, and focus on client-oriented trading activity. 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.

Regarding risk measurement and limit compliance 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 foreign exchange, interest rate and credit spread sensitivity measures, loss-warning level limits and operative liquidity triggers. Within the ALCO process, the Bank's management was regularly supplied with comprehensive summary of potential profit and loss impact due to extreme shifts in FX, interest rates, credit spreads and market liquidity squeeze on major portfolios, both trading and investment.

With reference to risk methodology and architecture, UniCredit Bulbank continued to use a group-compliant VaR model for daily risk management and internal capital assessment. In the last quarter of the year was started the Group Market risk project for rollout of the new group IMOD model in UniCredit Bulbank. The application of the local market risks model is scheduled to take place in the first quarter of 2012.

The activities of the Market risk management function in 2011 will be focused on adaptation to the new group internal model for market risks IMOD, along with the critical impact assessment of the enhanced regulatory capital requirements that encompass incremental risk charge for default and migration risks and stressed VaR measure.

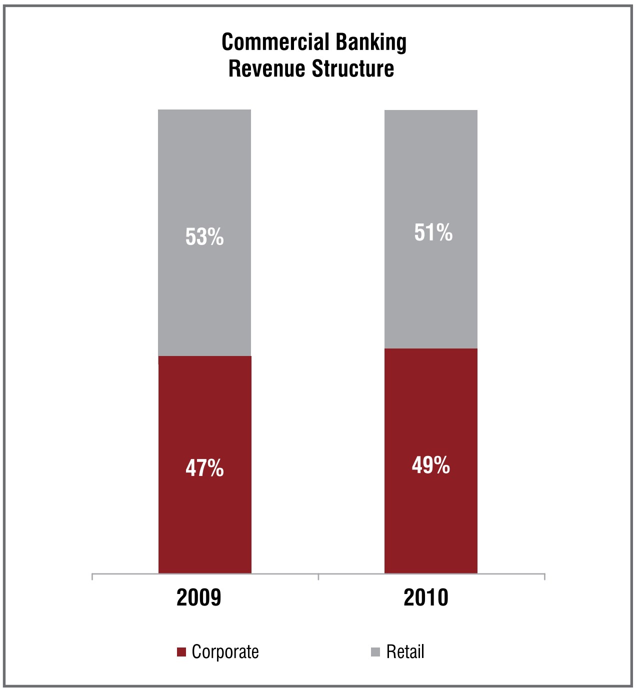
Operational Risk

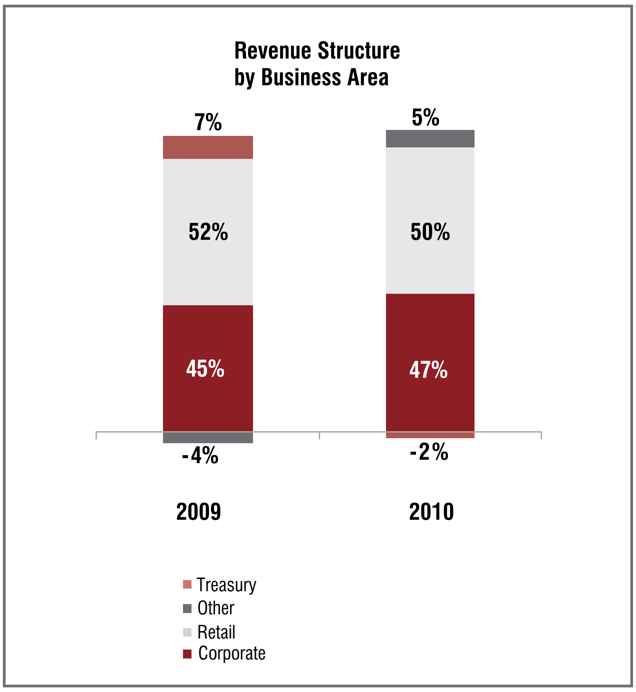
The undertakings of the Operational risk unit were primarily related to the fulfillment of the regulatory requirements inherent in the application submitted to the Bulgarian National Bank to use the Advanced Measurement Approach (AMA). It is the most sophisticated approach for calculating the capital requirements for operational risk. In the stages of the process, a number of control verifications were performed by three independent authorities, namely UniCredit Group Internal Validation, UCB Internal Audit and BNB. By receiving the official approval by the Bank of Italy and BNB, UniCredit Bulbank will be the first bank in Bulgaria to use AMA for the capital calculation of operational risk.

Throughout the year the predefined annual plan for the local operational risk activities was fully accomplished. Particular attention was dedicated to the involvement of the OpRisk unit in various working projects aimed at implementing risk mitigation measures. The focus was mainly on the prevention of external fraud attempts by improving the relevant set of bank regulations and procedures in place, introducing obligatory requisites for proper client identification, and providing extensive trainings to our employees. Overall, promoting operational risk awareness in the Bank was of major importance during the year.

Business Areas Development

The gross operating income of corporate and private banking grew by 10.6%, while retail banking reported a modest increase of 1.6% YoY. At the same time, the retail banking sector remained very competitive with low interest rates, aggressive price setting on savings products and changed client expectations. Commercial banking (incl. retail, corporate and private) generated revenues of BGN 584.5m in 2010, up 5.8% YoY. These represented 97% of total gross operating income of the Bank. Unlike the organic loan growth of previous years, in 2010 the entity concentrated its efforts towards improving products and processes to meet customer needs and retain their trust. Balancing the product mix and putting a high priority on risk management were additional key elements of the strategy to weather the financial crisis.





Corporate, Investment and Private Banking

In the ongoing economic turmoil of 2010 UniCredit Bulbank had to adjust its tactics and respond to the complicated conditions of its corporate customers. For that purpose, we focused on the enhancement of our customer-centric model. Building on the values of the Group, the Corporate and Investment Banking division had one major goal – to increase customer satisfaction and thus contribute to the overall success of the entity on the local market.

Promoting customer centricity as a critical success factor, Corporate, Investment and Private banking merged into one division. The merger had two primary objectives. First, it allowed to significantly ease the communication with the clients, thus adequately responding to their needs. Second, it ensured a better coordination of internal processes, which resulted in increased efficiency. The reestablishment of the Finance and Advisory structure also facilitated the process through a wide range of solutions, depending on the customers' financing requirements. These included debt, equity and advisory in mergers and acquisitions.

In accordance with group strategy, targeting operating simplification and customer accessibility, several Corporate Service Centers (CSC) were established. Even though the first CSC opened in 2009, it was in 2010 when their number grew significantly along with the expansion of their functions. The evaluations of the project proved that the Bank is capable of capitalizing on its competencies by quickly adjusting its products to the needs of the customer. The dedication of our employees was also appreciated by the corporate customers, who positively evaluated the performance of the so-called corporate branches.

Responding to the changing customer needs and volatile market conditions in 2010, Corporate, Investment and Private banking focused on the enlargement of its deposit base, with the division's liabilities reaching BGN 3.32 billion in December. This reflected the sustaining market position of the Bank as a trustworthy partner of our key and institutional clients. On the other hand, significant efforts were directed towards the transactional services and protection of our customers from market risks. In that respect, various tailor-made solutions were designed. For instance, a portfolio of derivative instruments were created, which increased the control over interest rate fluctuations and helped the customers to secure their investments.

As a consequence of the above-mentioned moves, the division's total asset volume reached BGN 6.4 billion. Regardless of the stagnation in the real estate sector, the division's revenues increased by 5.6% to BGN 317 million. The results were primarily based on our cooperation with domestic mid-sized and large companies, known for their strict control on risk and costs. Another critical contributor was the improved internal coordination and lowered operating expenses. Hence, profitability was preserved at relatively satisfactory levels, even though 2010 was a year of very elevated provisions in the corporate segment.

In 2011 we will strive to achieve continued growth, emphasizing on our leading position on the market and keeping strong attention to cost of both risk and capital. In addition to net interest income, key revenue drivers will be fees and commissions and trading result, coupled with a renewed focus on new products, higher service quality and increased direct sales. Moreover, private revenues are expected to surge, leveraging on significant improvement of cross selling and asset allocation.

Private Banking

In 2010 the efforts of the Private Banking department (PB) were focused on preserving and enhancing the personal wealth of its clients. The primary objective of the department embraced the determination of risk tolerance and return expectations of its clients. This topic was approached in a professional manner by following a detailed investment process. The cornerstone of the process was an interview with clients, which consisted of completion of a specially designed questionnaire. Based on the clients' answers, a model of asset allocation was developed, thus determining their risk awareness, investment horizon and long-term goals. In the end, a tailor-made investment portfolio, including the market overview, was presented and discussed with the customer so as to assure maximum flexibility.

Over the year, additional steps ware made in improving our customers' portfolio management in terms of flexibility, transparency and supervision. For that purpose, various sources of information were used so that we stay in line with the investment environment and ensure quick reaction to changes. A conference call with the Global Investment Committee (GIC) was held every month, during which the most important events of the period were underlined. In addition, the GIC's expectations and forecasts of the entire financial market and the different asset classes were taken into consideration. Given these guidelines, Private Banking prepared a local investment report and organized meetings with high net worth individuals to discuss the most plausible solutions.

The core purpose of the investment process was to build trust in customers, while at the same time ensuring annual returns on their financial assets that surpass the interest rate on term deposits. Since, the opinion of our customers has always been of crucial importance to our work, in 2010 it was decided to ask them how satisfied they were with our financial advice. An extensive Customer Satisfaction Survey was run and its results were rewarding - 33% of our customers were willing to share their views on our services. The most precious award was that the results showed a very high degree of trust and overall satisfaction, regarding the efforts of our team and the timeliness of their advice.

Despite the unfavorable economic situation of the past year, the focused efforts of our dedicated staff managed to not only satisfy the challenging requirements of the customers but also improve the performance on several indicators. The deposit volume of PB grew by 3% YoY reaching BGN 382m. Assets under management increased by 39% to BGN 32m, mainly as a result of new sales and market revaluations of the existing portfolios. The total financial assets of PB clients registered a 5% increase, reaching BGN 414m.

Money Market and Capital Market Operations

Regardless of the diverse developments as a result of the global economic disturbances, the financial markets worked their way out of the downturn and attained some gradual recovery. Over the course of such a challenging year, the Bank's strategy was adjusted in order to fully take advantage of the key economic variables and market conditions. The exceptionally low interest rates on a global level affected the local costs of funding, which had a positive effect on the money market trading portfolio. As to the market of government bonds, UniCredit Bulbank successfully retained its position of a primary dealer and further increased its share on the secondary market.

On the Bulgarian Stock Exchange the Bank acted as the leading broker of both international and local institutional investors, ranking at the top in terms of turnover. UniCredit Bulbank also performed the role of a primary provider of foreign brokerage services to the local institutional investors.

Despite the many challenges faced by the local economy during the past year and the negative trends in foreign trade, the Bank remained a first class partner and a leader on the foreign exchange market in Bulgaria. Offering the widest variety of derivative products on the local market, UniCredit Bulbank strictly followed its policy of supporting the customers in the process of financial risk management. Yet, the historically low interest rates on the international markets allowed customers with credit exposures to hedge their positions at very attractive levels.

For a third consecutive year UniCredit Bulbank ranked number one in terms of capital volume raised with more than BGN 344m. The Bank was the sole lead manager and book runner of the largest equity-linked issue in Bulgaria (BGN 200m of mandatory convertible preferred shares). That was also the largest local capital increase for the year and among the Top 5 in CEE. UniCredit Bulbank acted in the same capacity for the first and only IPO in the country for 2009. It was a deal that paved the way for the revival of the local IPO market.

Retail Banking

The past 2010 year was a challenging one for the retail business. There were still no strong and clear signals about economic recovery. Given the difficult times, the division's strategy had two main objectives. On the one hand, we strived to remain responsive to our customers, providing excellent service and quick answers to their needs. On the other hand, we acted so as to perform better than the market.

The Bank continued its work on the enhancement of its service model. The efforts of the different retail segments were focused on customer retention, development and reactivation. In that respect, the department worked on its capabilities to rebalance the relationship managers' portfolios and to optimize the sellers' lists. In addition, the function of senior relationship managers, who were specifically dedicated to the most valuable clients, was introduced.

Despite the difficult economic conditions during the period, our team continued the project related to the branch network modernization. For that purpose, significant resources were invested in branch renovation and one new branch was opened. In addition, there were 22 new points of presence in one of the biggest commercial chains in Bulgaria. This gave scope for reaching better customer experience and attaining higher levels of customer satisfaction.

The persistently high interest rates on deposits, offered mainly by smaller banks, limited revenue growth potential. Nevertheless, the Bank abided by its balanced pricing policy. In effect, total retail revenues reached BGN 299.6 million in 2010, 1.6% higher yoy. Non-interest income reached 90 million, 7.5% higher yoy. The volumes of deposits from individuals and small businesses reached BGN 3,547 million at the end of the year, going up by 2.5%.

Total loan volumes reached BGN 3,013m, 6.1% higher yoy. Mortgage loans to individuals and working capital loans to small business clients were the major growth contributors. The focused approach of the Bank in mortgage lending resulted in 17% market share, increasing by 1.1pp compared to 2009. The Bank transferred simultaneously the most of its newly-contracted consumer lending in BGN to UniCredit Consumer Financing, using their expertise for fast approval and risk management. Being responsive to the delicate needs of our clients in such difficult times, the stabilization program was continued, thus implementing restructuring or stabilization measures to 5,146 of individual loans.

Another strategic initiative during 2010 was the development of our Alternative channels. Serious efforts and considerable amount of time were invested in making our internet banking platform more consumer-friendly, including an expansion of the services offered. In fact, this gave to our customers the possibility to open savings and deposit accounts in real time through our Internet banking platform, without the need to visit any of our branches. All these efforts resulted in 65% annual growth in the number of customers using UniCredit Bulbank On-line. Besides, our Customer Contact Center activities proved to be consistently growing, reaching near 250 000 successful contacts per year.

While 2008 and 2009 were marked by a deep financial crisis, 2010 was a year in which Pioneer mutual funds in Bulgaria managed to recover the volume levels of assets under management comparable to the years before the crisis. To be precise, Pioneer Investments accomplished a leading market share of 27.3% in the assets under management market in Bulgaria. A new product (i.e. saving plan with Pioneer funds) was introduced to the Bulgarian investors in February and by December it had already reached over 4 000 registered sales.

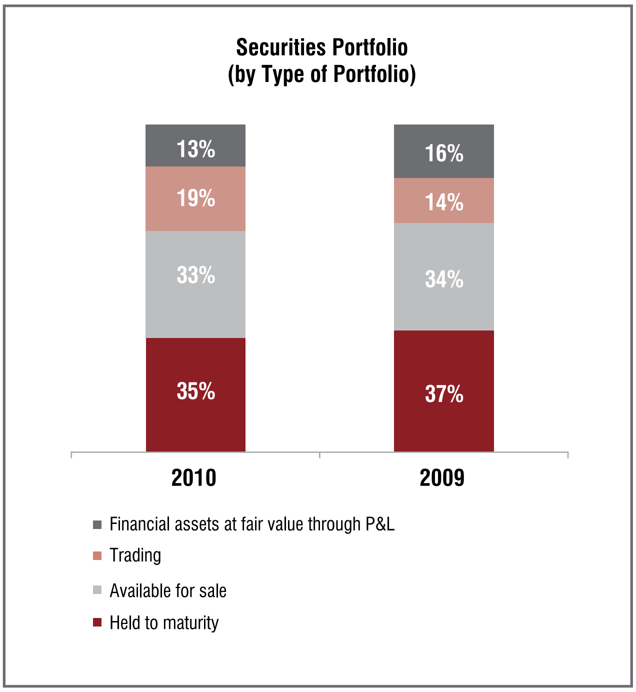
Compared to a year earlier, the sales of Allianz insurance products doubled in 2010, reaching over EUR 1 million gross premiums written. This is attributable to the higher customer confidence in the Group's positioning, strong commercial focus and successful cooperation with Allianz Bulgaria Life.

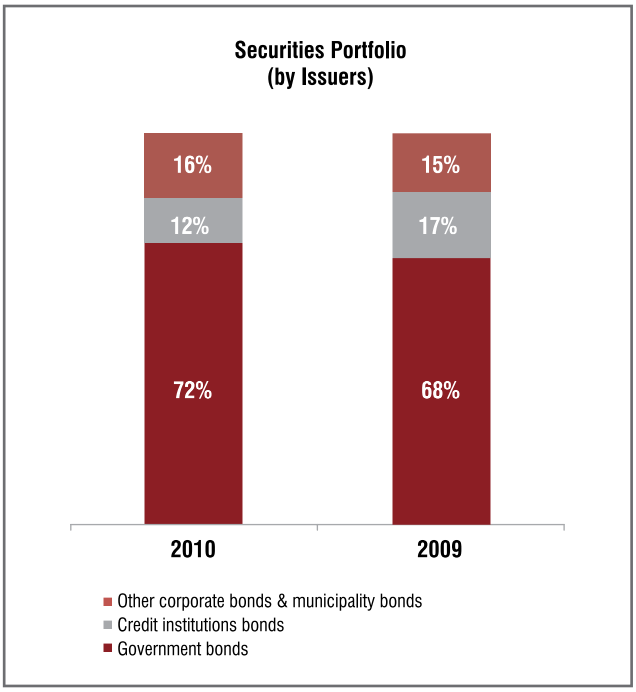
Asset and Liability Management

In 2010, UniCredit Bulbank kept on using a large selection of diversified mid-term and long-term funding sources. Funds under various intermediate loans, many of them supplemented by EU grants, were allocated to final beneficiaries. These funds were released from several supranational and international institutions (incl. EIB, CEB and EBRD) and aimed at supporting lending to SMEs as well as investments in energy efficiency and municipal development. Additional financial support continued to be rendered to SMEs also through the specifically dedicated facility of the Bulgarian Bank for Development, based on reemployment of funds from maturing customer obligations. As to interbank funding, it was maintained optimal in terms of price, tenor and seniority with the aim of diminishing overall cost of funding, while at the same time ensuring compliance with both liquidity and capital adequacy requirements.

UniCredit Bulbank continued to implement an active and risk-prudent 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. On the other hand, the securities portfolio served as a liquidity cushion when pledged as collateral for funds attracted from state budget entities and banking institutions. The Bank kept on optimizing its assets structure by gradually reducing the volume of its investment bond portfolio from BGN 594 million to BGN 554 million. The released liquidity was directed towards satisfying the needs of the customer business. In line with the preliminary approved investment policy, the newly acquired bonds were only issued by the Bulgarian government. Thus, the share of Bulgarian government bonds (domestic and global) in the investment portfolio was stabilized and even increased, reaching more than 87% as of the end of 2010. The average rating of the investment portfolio was "BBB" (as per S&P) and the average modified duration - 2.65 years.

Over the course of the year the Bank continued to provide full support to all of its subsidiaries and associates, also optimizing its minority shareholdings. Pursuant to such a policy, the entity completely disposed of its shares in VISA Inc. Also, the Bank actively participated in the merger of Borika AD and Bankservice AD. Upon completion of the merger, UniCredit Bulbank consolidated its position as the second largest shareholder in the merged company with a stake of 13.8%.





UniCredit Bulbank Activity Review (continued)

Human Resources

In 2010 the strategy of the Human Resources department was further adapted and streamlined so as to fully support the Group's Mission and to be aligned with the business priorities of the Bank. In the beginning of the year, the HR Business partner's role was introduced and the HR department launched UniCredit Group's new delivery model, targeting to achieving excellence.

The establishment of a divisionalized structure took a central stage in 2010, aiming at supporting the sustainability and growth strategy through the introduction of appropriate staffing and adequate manpower planning. The organizational restructuring led to a slight decrease in the total number of active employees (FTEs). They declined by 0.87% (from 3,803 in 2009 to 3,770 a year later) whereas the allocation of the FTEs in different staff groups remained unchanged.

Influenced by quite a static external market, the voluntary turnover remained at a low level – 3.69% in 2010 (3.55% in 2009). In the meantime, 360 new employees were hired. The internship program continued to supply the Bank with young graduates for the vacant entry level positions.

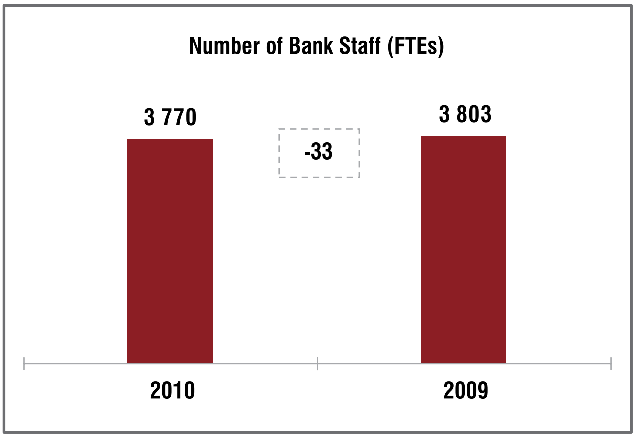
During the year, HR costs were kept at an optimal level, as a consequence of various cost synergies. The incentive systems were reviewed and adapted to the overall business sustainability, the commercial strategy and the market environment. The Executive Incentive System, launched on Group level, was applied for the Bank's Top Executives. It endeavored to reward their contribution to the long-term sustainability and growth of the Group.

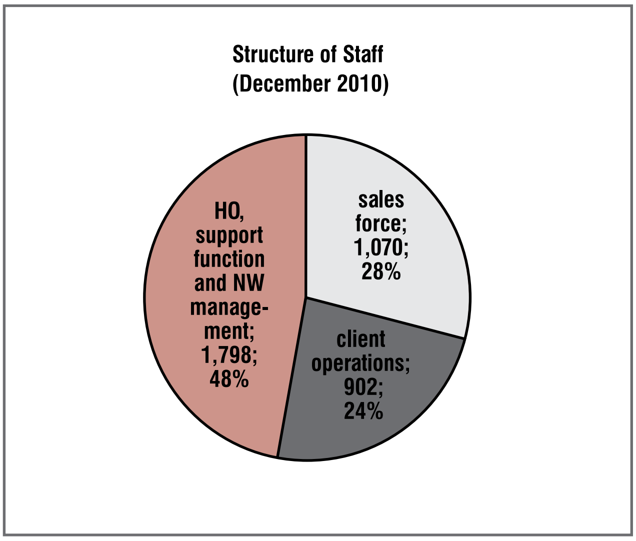
The overall Learning and Development Strategy was built by taking into consideration the internal customers' feedback. At its core, the general learning and development approach strived to be proactive by anticipating staff needs and defined the learning priorities for each year and each competence line. Furthermore, the training sessions were specifically accommodated to employee performance and potential.

Continuing with the work on the leadership development, a key priority for the last few years, the department focused on its executive, talents and middle managers. The participants are being invited to different Group and local learning and visibility events, such as Uni Management Learning Labs, Mentoring and Coaching programs, specialized Talents' initiatives, etc. The rest of the managerial team of the Bank is taking part in tailor-made leadership trainings as well as assessment and development Centers.

With respect to the People Survey, it is important to say that for three consecutive years more than 80% of the employees have provided their feedback. This enabled the management to implement relevant measures for enhancing the employees' overall engagement and satisfaction. According to the results of the People Survey in 2010 and judging by the improvements in almost of its categories, the Bank was among the best performing ones in the Group for a second year in a row.

Last but not least, a critical factor of HR activities remains the open communication with the employees. It is inspired by UniCredit Group's Integrity Charter and corresponds to the Bank's mission. As such, the close-to-customer approach, which raises the awareness of HR products and initiatives among colleagues and external students, remains a major driver future success.





Global Banking Services

After the merger in 2007 the departments of Global Banking Services (GBS) (i.e., Operations, IT, Organisation, Real Estate and Logistics and Procurement) had two primary objectives. First, they strived to ensure stability and maturity in their respective areas of competence. Second, they aimed for a boost in the efficiency of the entire organization.

Over the year, a new service model for both network and Head Office was put in effect. In the process numerous refurbishments and relocations were finalized and well-accepted across the country. The continuing work on the adaptation of an additional Head Office building, which is planned to open in March 2011, was another critical task of the department. In particular, the new building will be at the disposition of colleagues from GBS, the Call Centre and Bank Security. A total number of 470 employees from nine different locations will be able to cooperate for the increased overall efficiency of the Bank.

Being a dominant service provider to all business and support units within the Bank, the division deemed as very important to pay special attention to the quality of services rendered. Whether it was the service desk in IT, the process and project management team in Organisation or the Real estate and Logistic staff, all received positive recognition from their colleagues in the Head Office and Network acknowledging the special attention given to this topic.

UniCredit Bulbank has also been recognized by UniCredit Group as a centre of competence in the area of managing Oracle's Core Banking Application Flexcube. Oracle also showed its recognition and thus arranged for its clients from all around the world to pay visits to UniCredit Bulbank in order to benefit from the local expertise and experience.

In the beginning of last year card operations joined GBS. This was in conformity with UniCredit Group model, seeking to achieve synergies and enhanced cooperation among Operations units and IT. With the acquisition of the department of Cards, the GBS division enlarged its family and enriched it with additional experience and expertise. Moreover, a consolidation of central credit administration was completed in operations, thus increasing efficiencies and contributing to improved control of resources and more flexible service approach.

Even though 2010 was a difficult year for the banking industry as a whole, the GBS division took advantage of various opportunities, therefore contributing to its improved performance. As 2011 is expected to offer many other challenges, out team is ready to face them, building on solid foundations.

Corporate Social Responsibility

In 2010 UniCredit Bulbank supported numerous social projects and is planning to enrich its corporately responsible initiatives even further in the years to come. Major events over the past year encompassed health and social services, sports, art and culture, and our traditional Gift-matching Program.

Health & Social Services - UniCredit Foundation, the Bulgarian Red Cross (BRC) and UniCredit Bulbank opened two Home Care Centers in Smolyan and Dobrich. These Home Care Centers are providing health and social services for the elderly at their homes with the purpose of maintaining their independent and dignified ways of life and preventing their social exclusion. The selected regions are among the most affected ones due to high migration, negative population growth, increased morbidity and death rates, and high unemployment rate. In 2010, the total cost of the project was BGN 377,000, fully funded by UniCredit Foundation.

Sports - UniCredit is a proud sponsor of the UEFA Champions League. The partnership lasts for three consecutive seasons (2009, 2010 and 2011) and acts to enhance the visibility of both brands across Europe, especially in Central and East European countries. During the partnership, acting as a truly European bank with strong local roots in 22 countries, UniCredit develops many initiatives beneficiary to local communities.

Art and Culture - In 2010, UniCredit Bulbank aimed to create long-lasting partnerships in the field of art and culture, rather than just occasional donations. Through supporting culturally innovative organizations, projects and people, we hope to encourage individuals to enjoy new experiences, share knowledge and appreciate other lifestyles, societies and arts from across the globe. Each cultural project is chosen for its ability to enhance cultural awareness and provide tangible benefits for the brand and the business. Among the main projects in 2010 were: six exhibitions under the partnership with the Museum Gallery of Modern Art; co-sponsorship of the Third Edition of Sofia Dance Week; cooperation with the municipality of Plovdiv, related to the Sixteenth Contemporary Art Week in Plovdiv; organization of the Central Branch Exhibition, giving chance to the young talented artists to show their works, and the UniCredit Art Day, sponsoring six galleries & museums in the largest Bulgarian cities.

Gift-matching Program – Since its launch in 2003, the Gift-matching program of UniCredit Bulbank has become a long-lasting and well-respected tradition. The program gives an opportunity to our employees to personally contribute to charity causes. Their input is then doubled by UniCredit Bulbank and tripled by the UniCredit Foundation. During 2010 the program raised around BGN 30,000, covering scholarships for orphan children, support for elderly people, disabled people, or cancer patients, as well as the promotion of the Bulgarian Red Cross initiative “Warm lunch” and support to children, victims of traffic accidents.

For whatever life brings

Unconsolidated Financial Statements

Independent Auditors Report

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
UniCredit Bulbank AD

Report on the Financial Statements

We have audited the accompanying unconsolidated financial statements of UniCredit Bulbank AD ("the Bank"), which comprise the unconsolidated statement of financial position as at 31 December 2010, the unconsolidated income statement, the unconsolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with International Financial Reporting Standards 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 unconsolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the unconsolidated financial statements give a true and fair view of the unconsolidated financial position of the Bank as at 31 December 2010, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Annual report of the activities of the Bank prepared in accordance with the requirements of article 33 of the Accountancy Act

As required under the Accountancy Act, we report that the unconsolidated historical financial information disclosed in the annual report of the activities of the Bank, prepared by Management as required under article 33 of the Accountancy Act, is consistent, in all material aspects, with the unconsolidated financial information disclosed in the audited unconsolidated financial statements of the Bank as of and for the year ended 31 December 2010. Management is responsible for the preparation of the annual report of the activities of the Bank which was approved by the Management Board of the Bank on 18 February 2011.

Tzvetelinka Koleva
Authorized Representative

Margarita Goleva
Registered auditor

KPMG Bulgaria OOD

Sofia, 23 February 2011

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №045
„КПМГ - България" ООД

Income Statement

INCOME STATEMENT

In thousands of BGN

	Notes	2010	2009
Interest income		632,772	650,904
Interest expense		(205,908)	(242,539)
Net interest income	7	**426,864**	**408,365**
Dividend income		**133**	**134**
Fee and commission income		162,389	157,516
Fee and commission expense		(8,750)	(8,616)
Net fee and commission income	8	**153,639**	**148,900**
Net gains (losses) on financial assets and liabilities held for trading	9	854	3,269
Net gains (losses) on other financial assets designated at fair value through profit or loss	10	5,819	65
Net income from investments	11	9,986	2,169
Net income related to subsidiaries, associates and property, plant and equipment	12	239	2,661
Other operating income, net	13	5,940	6,893
TOTAL OPERATING INCOME		**603,474**	**572,456**
Personnel expenses	14	(95,549)	(96,483)
General and administrative expenses	15	(112,600)	(113,896)
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	16	(35,757)	(34,475)
Provisions for risk and charges	17	1,957	18,885
Net impairment loss on financial assets	18	(184,891)	(129,650)
PROFIT BEFORE INCOME TAX		**176,634**	**216,837**
Income tax expense	19	(17,890)	(22,084)
PROFIT FOR THE PERIOD		**158,744**	**194,753**

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

KPMG Bulgaria OOD

Tzvetelinka Koleva
Authorized representative

Margarita Goleva
Registered auditor

София
Рег. №045
"КПМГ - България" ООД

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

1

Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME

In thousands of BGN

	Notes	2010	2009
Profit for the period		158,744	194,753
Other comprehensive income:			
Available for sale investments		6,876	10,422
Cash flow hedge		(4,299)	1,757
Revaluation of non current assets	30	-	63,960
Income tax relating to components of other comprehensive income		(259)	(7,615)
Other distribution		(76)	(402)
Total other comprehensive income for the year net of tax		**2,242**	**68,122**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**160,986**	**262,875**

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

KPMG Bulgaria OOD

Tzvetelinka Koleva
Authorized representative

Margarita Goleva
Registered auditor

КПМГ - България ООД София Рег. №045

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

2

Statement of Financial Position

STATEMENT OF FINANCIAL POSITION

In thousands of BGN

	Notes	2010	2009
ASSETS			
Cash and balances with Central Bank	20	874,658	832,158
Financial assets held for trading	21	162,160	115,450
Derivatives held for trading	22	56,250	45,142
Derivatives used for hedging	23	-	1,521
Financial assets designated at fair value through profit or loss	24	110,545	136,071
Loans and advances to banks	25	1,699,018	2,071,567
Loans and advances to customers	26	7,472,399	7,370,496
Available for sale investments	27	278,732	285,485
Held to maturity investments	28	291,382	314,749
Investments in subsidiaries and associates	29	27,499	27,499
Property, plant, equipment and investment properties	30	239,839	245,463
Intangible assets	31	31,065	34,823
Current tax assets	32	3,467	9,795
Deferred tax assets	33	6,302	6,681
Non-current assets and disposal group classified as held for sale	34	21	2,236
Other assets	35	22,303	19,638
TOTAL ASSETS		**11,275,640**	**11,518,774**
LIABILITIES			
Financial liabilities held for trading	36	62,317	40,211
Derivatives used for hedging	23	4,527	6
Deposits from banks	37	2,553,023	3,105,352
Deposits from customers	38	6,540,524	6,421,385
Subordinated liabilities	39	214,053	212,123
Provisions	40	34,266	36,564
Deferred tax liabilities	33	20,187	21,041
Other liabilities	41	65,570	46,152
TOTAL LIABILITIES		**9,494,467**	**9,882,834**
EQUITY			
Share capital		263,911	239,256
Revaluation reserves		132,073	130,109
Retained earnings		1,226,445	1,071,822
Profit for the period		158,744	194,753
TOTAL EQUITY	42	**1,781,173**	**1,635,940**
TOTAL LIABILITIES AND EQUITY		**11,275,640**	**11,518,774**

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

KPMG Bulgaria OOD

Tzvetelinka Koleva
Authorized representative

Margarita Goleva
Registered auditor

София
Рег. №045
България

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

3

Statement of Changes in Equity

STATEMENT OF CHANGES IN EQUITY

In thousands of BGN

	Share capital	Statutory reserve	Retained earnings	Property revaluation reserve	Available for sale investments revaluation reserve	Cash flow hedges reserves	Total
Balance as of January 1, 2009	**239,256**	**51,155**	**1,020,722**	**88,004**	**(26,072)**	**-**	**1,373,065**
Profit for the period	-	-	194,753	-	-	-	**194,753**
Revaluation of non current assets	-	-	-	63,960	-	-	**-**
Transfer of revaluation reserve on non-current assets disposed of	-	-	347	(347)	-	-	**-**
Change of revaluation reserve on available for sale investments	-	-	-	-	10,422	-	**10,422**
Change of revaluation reserve on cash flow hedges reserves	-	-	-	-	-	1,757	**-**
Other distribution	-	-	(402)	-	-	-	**(402)**
Income tax relating to components of other comprehensive income	-	-	-	(6,397)	(1,042)	(176)	**(7,615)**
Total other comprehensive income for the year net of tax	**-**	**-**	**(55)**	**57,216**	**9,380**	**1,581**	**68,122**
Total comprehensive income for the year net of tax	**-**	**-**	**194,698**	**57,216**	**9,380**	**1,581**	**262,875**
Balance as of December 31, 2009	**239,256**	**51,155**	**1,215,420**	**145,220**	**(16,692)**	**1,581**	**1,635,940**
Profit for the period	-	-	158,744	-	-	-	**158,744**
Transfer of revaluation reserve on non-current assets disposed of	-	-	354	(354)	-	-	**-**
Change of revaluation reserve on available for sale investments	-	-	-	-	6,876	-	**6,876**
Change of revaluation reserve on cash flow hedges reserves	-	-	-	-	-	(4,299)	**(4,299)**
Other distribution	-	-	(76)	-	-	-	**(76)**
Income tax relating to components of other comprehensive income	-	-	-	-	(688)	429	**(259)**
Total other comprehensive income for the year net of tax	**-**	**-**	**278**	**(354)**	**6,188**	**(3,870)**	**2,242**
Total comprehensive income for the year net of tax	**-**	**-**	**159,022**	**(354)**	**6,188**	**(3,870)**	**160,986**
Dividends paid	-	-	(194,753)	-	-	-	**(194,753)**
Increase of capital	24,655	154,345	-	-	-	-	**179,000**
Balance as of December 31, 2010	**263,911**	**205,500**	**1,179,689**	**144,866**	**(10,504)**	**(2,289)**	**1,781,173**

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

KPMG Bulgaria OOD

Tzvetelinka Koleva
Authorized representative

Margarita Goleva
Registered auditor

София
Рег. №045

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

4

Statement of Cash Flows

STATEMENT OF CASH FLOWS

In thousands of BGN

	Notes	2010	2009
Net profit		**158,744**	**194,753**
Current and deferred tax income, recognised in income statement		(4,388)	(3,176)
Current and deferred tax expenses, recognised in income statement		22,278	25,260
Adjustments for non-cash items			
Depreciation and amortisation	30,31	33,337	32,114
Impairment	16,18,30,31	187,629	133,754
Provisions, net		(1,398)	(18,885)
Unrealised fair value gains (losses) through profit or loss, net		(2,617)	3,667
Net (gains)/losses on sale of investments		(240)	(1,444)
Increase in other accruals		18,794	20,790
Cash flows from profits before changes in operating assets and liabilities		**412,139**	**386,833**
Operating activities			
Change in operating assets			
Decrease (increase) in loans and advances to banks		105,355	(24,381)
Increase in loans and advances to customers		(287,112)	(269,638)
Decrease in available for sale investments		22,349	82,391
Increase in financial instruments held for trading		(38,994)	(22,279)
Decrease in financial instruments at fair value trough profit or loss		21,943	47,755
Increase in other assets		(14,786)	(12,089)
Change in operating liabilities:			
Increase (decrease) in deposits from banks		(550,399)	(113,242)
Increase (decrease) in amounts owed to customers		119,139	392,194
Provisions utilization		(900)	(1,801)
Increase (decrease) in deposits from banks		451	(44,716)
Net cash flow from operating activities		**(210,815)**	**421,027**
Cash flow from investing activities			
Cash payments to acquire tangible assets		(18,298)	(19,563)
Cash receipt from sale of tangible assets		1,038	1,486
Cash payments to acquire intangible assets		(6,660)	(7,884)
Cash receipt from sale of intangible assets		-	69
Cash payments for the investment in associates		-	(12,567)
Cash receipts from the sale of held to maturity investments		23,367	41,253
Net cash flow from investing activities		**(553)**	**2,794**
Cash flow from financial activities			
Dividends paid		(194,753)	-
Capital increase		179,000	-
Other cash payments related to financing activities		(78)	(402)
Net cash flows from financial activities		**(15,831)**	**(402)**
Effect of exchange rate changes on cash and cash equivalents		**2,505**	**4**
Net increase in cash and cash equivalents		**(224,694)**	**423,423**
Cash and cash equivalents at the beginning of period	46	**2,797,870**	**2,374,447**
Cash and cash equivalents at the end of period	46	**2,573,176**	**2,797,870**

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

KPMG Bulgaria OOD

Tzvetelinka Koleva
Authorized representative

Margarita Goleva
Registered auditor

София
Рег. №045
"КПМГ - България" ООД

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

5

Notes to Unconsolidated Financial Statements

1. Reporting entity

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

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 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 216 branches and offices.

2. Basis of preparation

(a) Statement of compliance

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

These financial statements have been prepared on unconsolidated basis as required by Bulgarian Accountancy Act. These unconsolidated financial statements should be read in conjunction with the consolidated financial statements which were approved by the Management Board of the Bank on February 18, 2011. 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 18, 2011.

(b) Basis of measurement

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

- derivative financial instruments measured at fair value;
- trading instruments and other instruments designated at fair value through profit or loss measured at fair value, where such can be reliably determined;
- available for sale financial instruments measured at fair value, where such can be reliably determined;
- investments in property measured at revalued amount based on independent appraiser's valuation;
- liability for defined benefit obligation presented as fair value of defined benefit obligation plus unrecognized actuarial gains and less unrecognized actuarial losses.

(c) Functional and presentation currency

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

(d) Use of estimates and judgement

The preparation of financial statements requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

3. Significant accounting policies

The accounting policies set below have been applied consistently to all periods presented in these financial statements. Whenever certain information in the current period is presented in a different way for providing more fair and true view of the financial position of the Bank, prior period information is also recalculated for comparative reasons.

(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 basis;
- interest on available for sale investment securities calculated on an effective interest basis;
- interest on financial instruments held for trading;
- interest on financial instruments designated at fair value through profit or loss;
- 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 includes those gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading as well as trading income in dealing with foreign currencies and exchange differences from daily revaluation of the 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 ruling at the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated at the closing foreign exchange rate being the official rate of the Bulgarian National Bank. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the foreign exchange rates ruling at the dates that the values were determined. As of each reporting date, all foreign currencies denominated monetary assets and liabilities are revaluated on net basis using Bulgarian National Bank closing exchange rates. Any gain/loss is recognized in the profit or loss.

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

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

(f) Dividend income

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

(g) Lease payments made

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

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

(h) Financial instruments

(i) Recognition

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

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

(ii) Classification

a) Cash and balances with the Central Bank

Cash and balances with the Central bank include notes and coins on hand and unrestricted balances held with the Central Bank. They are carried at amortised cost in the 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 in a net receivable position (positive fair value) and purchased options are reported separately as derivatives held for trading. All derivatives in a net payable position (negative fair value) and written options are reported as financial liabilities held for trading. Financial assets and derivatives held for trading are carried at fair value in the 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 method.

e) Available for sale investments

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

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

f) Held to maturity investments

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

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 unconsolidated financial statements Bank has adopted the policy of carrying all investments in subsidiaries and associates at cost in accordance with IAS 27 "Consolidated and Separate Financial Statements".

h) Deposits from banks, customers and subordinated liabilities

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

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

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

(iii) Reclassification

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

(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 amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in arm's length transaction on the reporting date. The Bank has applied Improving Disclosures about Financial Instruments (Amendments to IFRS 7), issued in March 2009, that requires enhanced disclosures about fair value measurements in respect of financial instruments. The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments.
Level 1 fair value measurement covers those financial assets and liabilities which fair value is derived directly from quoted prices on active markets. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 fair value measurement covers those financial assets and liabilities which fair value is derived on the basis of observable market data (e.g. actual quotations and prices on markets regarded as non-active, available yield curves etc.).

Level 3 fair value measurement covers those financial assets and liabilities for which relevant observable data is not available, or when there is little to non market activity. For all such assets and liabilities valuation technique is applied embodying all relevant market data available, reflecting the assumptions that market participants would use when pricing the respective asset or liability, including assumptions about risk. Level 3 also includes those financial assets, where fair value cannot be reliably measured, therefore they are stated at cost or amortised cost.

(vii) Offsetting

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

(viii) Repurchase agreements

UniCredit Bulbank AD enters into purchases (sales) of financial instruments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Instruments purchased subject to commitments to resell them at future dates are not recognized. The amounts paid are recognized in loans to either banks or customers. Financial instruments sold under repurchase agreements continue to be recognized in the 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 and held to maturity financial assets – 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 an asset measured to fair value directly through other comprehensive income is impaired, and an increase in the fair value of the asset was previously recognized in other comprehensive income, the increase in fair value of the asset recognized in other comprehensive income is reversed to the extent the asset is impaired. Any additional impairment loss is recognized in profit or loss.
If in subsequent periods the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss. 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 embedded in 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 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 weather 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 weather 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 weather 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 derivate 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 amortised 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 and equipment and investment property

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

Items of property are stated at fair value determined periodically (4 to 5 years or more often if material deviations are encountered) by independent registered appraisers. Last full scope real estate property valuation was performed as of December 31, 2009 by external independent appraisers.

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

Plant and equipment are carried at historical cost less any accumulated depreciation or impairment losses.

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or use for administrative purposes. The Bank holds some investment property as a consequence of the ongoing rationalisation of its retail branch network. Other property has been acquired through the enforcement of security over loans and advances. Investment property is measured at cost less any accumulated depreciation.

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, 2010 and December 31, 2009 the entire class of intangible assets includes only investments in software and related licenses.

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

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

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

(n) Provisions

A provision is recognized 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, 2010 Management has reviewed Bank's legal and constructive obligation and to the extent they meet the requirement for recognition, provision is recorded, respectively.

(o) Employees' benefits

(i) Short-term employee's benefits

Short-term employees' benefits comprise of amounts due to personnel on the basis of unused paid leave accounted for each and single employee as of the reporting date as well as expected additional bonus payments for achieved results during the current financial year.
The amount of the unused paid-leave obligation includes the overall undiscounted amount of the obligation the Bank has to settle should the employment contract is terminated as of the 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, hired by the Bank, using the projected unit credit method. To determine the net amount in the statement of financial position, any actuarial gains and losses that have not been recognised because of application of the "corridor" approach described below are added or deducted as appropriate and unrecognised past service costs are deducted.

The Bank recognises a portion of actuarial gains and losses that arise in calculating the Group's obligation in respect of a plan in profit or loss over the expected average remaining working lives of the employees participating in the plan.

The portion is determined as the extent to which any cumulative unrecognised actuarial gain or loss at the end of the previous reporting period exceeds 10 percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets (the corridor). Otherwise, the actuarial gains and losses are not recognised.

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

UniCredit Group Medium and Long-Term incentive plans compose of Stock Options and Performance share granted by the ultimate parent UniCredito Italiano 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 is ended, UniCredit Bulbank AD is required to settle the monetary amount, corresponding to the economic value of the respective instruments.

As of December 31, 2010 and December 31, 2009 UniCredit Bulbank AD presents the corresponding part of the economic value of the Stock Options and Performance shares as payroll costs under personnel expenses in the Income statement and the related obligation for payment as other liability.

(p) Share capital and reserves

(i) Share capital

As described in Note 1, HVB Bank Biochim and Hebros Bank merged into Bulbank AD legally as of April 27th, 2007 with retroactive effect for accounting purposes since January 1st, 2007. At the time of the merger the three merging entities were under direct control of Bank Austria Creditanstalt AG and ultimately under control of UniCredito Italiano S.p.A. The merger represents a share-exchange transaction, where share-exchange ratios based on fair valuation of the net assets of the three Banks, certified by independent auditor, as required by the Bulgarian Commercial Act, were applied. The share capital of UniCredit Bulbank AD as of the date of 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 amounts to BGN 263,911 thousand.

(ii) Reserves

Reserves consist of statutory reserves and retained earnings held within the Bank as well as revaluation reserves on property, available for sale investments and cash flow hedge reserve. As of December 31, 2010 the reserves includes also the premium of newly 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 does not represent a change in accounting policy as the business segments that has 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 and interpretations (IFRIC) not yet adopted as at the reporting date

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2010, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Bank.

IASB/IFRIC documents not yet endorsed by EC:

Management believes that it is appropriate to disclose that the following revised standards, new interpretations and amendments to current standards, which are already issued by the International Accounting Standards Board (IASB), are not yet endorsed for adoption by the European commission, and therefore are not taken into account in preparing these financial statements. The actual effective dates for them will depend on the endorsement decision by the EC.

- IFRS 9 Financial Instruments (issued November 2009 and Additions to IFRS 9 issued October 2010) has an effective date 1 January 2013 and could change the classification and measurement of financial instruments. The extent of the potential impact has not been determined.
- Amendments to IFRS 7 Financial Instruments: Disclosures (issued October 2010) has an effective date 1 July 2011 – not expected to have a significant impact on the financial statements of the Bank.
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets (issued December 2010) has an effective date 1 January 2012 – not expected to have a significant impact on the financial statements of the Bank.
- Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (issued December 2010) has an effective date 1 July 2012 – not expected to have a significant impact on the financial statements of the Bank.
- Improvements to IFRSs 2010 (issued April 2010), various effective dates, generally 1 January 2011 - not expected to have a significant impact on the financial statements of the Bank.

4. Financial risk management

(a) General framework

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

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

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

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

(b) Market risk

Risk monitoring and measurement in the area of market risks, along with trading activities control is performed by Market Risk department. Market risks control function is organized independently from the trading and sales activities. Prudent market risk management policies and limits are explicitly defined in Market Risk Rule Book and 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, analyzed by the independent Market risk management unit and compared with the risk limits set by the Management Board and ALCO. The risk control function also includes ongoing monitoring and reporting of the risk positions, limit utilization, and daily presentation of results of Markets & Investment Banking and Assets and Liabilities Management (ALM) operations.

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

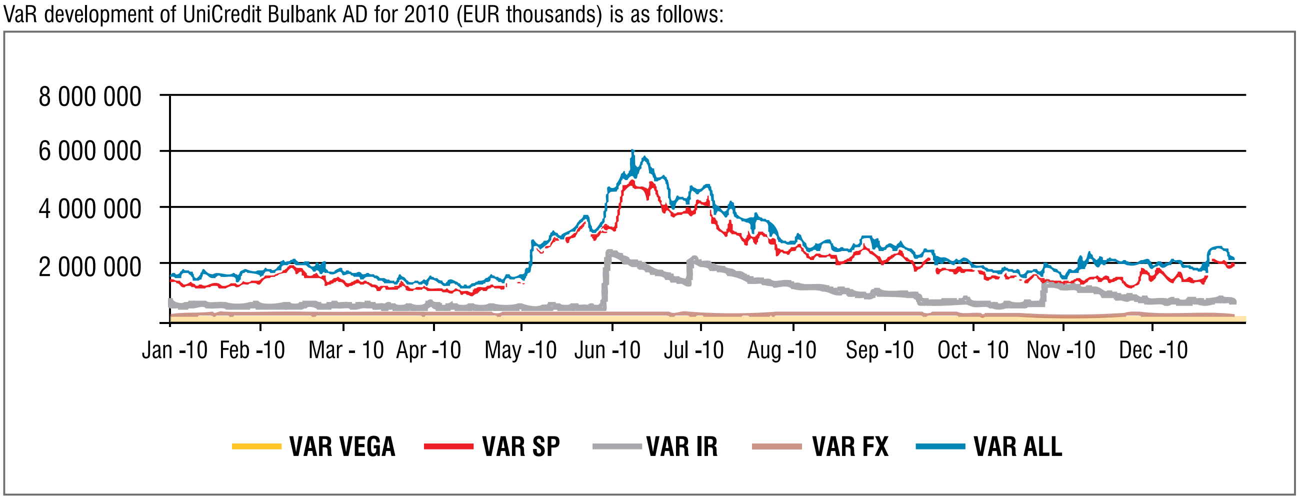
For internal risk management and Group compliant risk measurement, the Bank applies UniCredit Bank Austria's internal model NoRISK. It is based on historical and Monte Carlo simulation of returns and accounts for risk reducing effects between the risk categories interest, credit spread, foreign exchange,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

During 2010, VaR (1 day holding period, confidence interval of 99 %) moved in a range between EUR 1.11 million and EUR 6.07 million, averaging EUR 2.34 million, with the credit spreads being main driver of total risk in both, trading and banking books.
VaR of UniCredit Bulbank AD by risk category in EUR million for 2010 is as follows:

Risk Category	Minimum	Maximum	Average	Year-end
Interest rate risk	0.34	2.35	0.78	0.62
Credit spread	0.83	5.14	1.97	1.98
Exchange rate risk	0.11	0.19	0.16	0.14
Vega risk	0.00	0.01	0.00	0.01
VaR overall [1]	**1.11**	**6.07**	**2.34**	**2.16**

[1]Including diversification effects between risk factors

VaR development of UniCredit Bulbank AD for 2010 (EUR thousands) is as follows:



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 2010 continued to confirm the reliability of the model.

In addition to VaR, risk positions of the Bank Austria Group 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 30, 2010 (change in value due to 1 basis point shift, amounts in EUR):

Currency	0-3M	3M-1Y	1Y-3Y	3Y-10Y	Above 10Y	Total
BGN	2,795	9,240	(4,902)	(23,359)	(352)	(16,578)
CHF	(421)	1,296	(32)	(213)	(9)	621
EUR	12,281	17,682	(7,711)	10,198	(1,351)	31,099
GBP	(105)	(210)	8	-	-	(307)
JPY	-	-	-	-	-	-
USD	(25)	(564)	(2,158)	(11,411)	(1)	(14,159)
Total sensitivity [1]	**15,627**	**28,992**	**14,811**	**45,181**	**1,713**	**62,764**

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

Measured by the total basis-point value, the credit spread position of UniCredit Bulbank AD as of December 31, 2010 totalled to EUR 96,747. 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.

Value-at-risk calculations are complemented by various stress scenarios to identify the potential effects of stressful market conditions on the Bank's earnings. The assumptions under such stress scenarios include extreme movements in prices or rates and dramatic deterioration in market liquidity. 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 2010 the Bank's Management continued vigilant risk management practices by limiting risk taking and 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, 2010 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	865,664	8,994	**874,658**
Financial assets held for trading	161,270	890	**162,160**
Derivatives held for trading	55,020	1,230	**56,250**
Financial assets designated at fair value through profit or loss	102,278	8,267	**110,545**
Loans and advances to banks	1,678,561	20,457	**1,699,018**
Loans and advances to customers	7,300,928	171,471	**7,472,399**
Available for sale Investments	278,732	-	**278,732**
Held to maturity Investments	126,603	164,779	**291,382**
Investments in subsidiaries and associates	27,499	-	**27,499**
Property, plant, equipment and investment properties	239,839	-	**239,839**
Intangible assets	31,065	-	**31,065**
Current tax assets	3,467		**3,467**
Deferred tax assets	6,302	-	**6,302**
Non-current assets and disposal group classified as held for sale	21	-	**21**
Other assets	22,161	142	**22,303**
TOTAL ASSETS	**10,899,410**	**376,230**	**11,275,640**
LIABILITIES			
Financial liabilities held for trading	61,166	1,151	**62,317**
Derivatives used for hedging	2,313	2,214	**4,527**
Deposits from banks	2,414,961	138,062	**2,553,023**
Deposits from customers	5,939,035	601,489	**6,540,524**
Subordinated liabilities	214,053	-	**214,053**
Provisions	15,579	18,687	**34,266**
Deferred tax liabilities	20,187	-	**20,187**
Other liabilities	64,257	1,313	**65,570**
TOTAL LIABILITIES	**8,731,551**	**762,916**	**9,494,467**
EQUITY	**1,781,173**	**-**	**1,781,173**
Net off-balance sheet spot and forward position	**(395,590)**	**388,523**	**(7,067)**
Net position	**(8,904)**	**1,837**	**(7,067)**

As of December 31, 2009 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	824,881	7,277	**832,158**
Financial assets held for trading	115,450	-	**115,450**
Derivatives held for trading	42,987	2,155	**45,142**
Derivatives used for hedging	84	1,437	**1,521**
Financial assets designated at fair value through profit or loss	127,516	8,555	**136,071**
Loans and advances to banks	2,050,172	21,395	**2,071,567**
Loans and advances to customers	7,244,084	126,412	**7,370,496**
Available for sale Investments	283,912	1,573	**285,485**
Held to maturity Investments	147,462	167,287	**314,749**
Investments in subsidiaries and associates	27,499	-	**27,499**
Property, plant, equipment and investment properties	245,463	-	**245,463**
Intangible assets	34,823	-	**34,823**
Current tax assets	9,795	-	**9,795**
Deferred tax assets	6,681	-	**6,681**
Non-current assets and disposal group classified as held for sale	2,236	-	**2,236**
Other assets	19,561	77	**19,638**
TOTAL ASSETS	**11,182,606**	**336,168**	**11,518,774**
LIABILITIES			
Financial liabilities held for trading	38,165	2,046	**40,211**
Derivatives used for hedging	6	-	**6**
Deposits from banks	3,090,763	14,589	**3,105,352**
Deposits from customers	5,827,876	593,509	**6,421,385**
Subordinated liabilities	212,123	-	**212,123**
Provisions	19,256	17,308	**36,564**
Deferred tax liabilities	21,041	-	**21,041**
Other liabilities	45,021	1,131	**46,152**
TOTAL LIABILITIES	**9,254,251**	**628,583**	**9,882,834**
EQUITY	**1,635,940**	**-**	**1,635,940**
Net off-balance sheet spot and forward position	**(291,379)**	**295,179**	**3,800**
Net position	**1,036**	**2,764**	**3,800**

(c) Liquidity risk

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

The collective Bank's body for liquidity management is ALCO (Assets and Liabilities Committee). Operative management rules, as well as contingency plan and funding plan procedures are laid down in the Bank's Liquidity Management Policy.

The liquidity is operationally managed through Markets and Sales Division and the structural liquidity through Assets and Liabilities Division. According to the Liquidity Policy, Assets and Liabilities Division monitors on a daily basis short term flows, arising form treasury activities with a time horizon up to three months. The structural liquidity is monitored on a weekly basis prepared under three scenarios – going concern, liquidity crisis and name crisis. For the purposes of liquidity management are monitored daily short-term limits, 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. During 2010 the Bank was in compliance with the Group liquidity limit requirements.

The following tables provide basic analysis of the financial liabilities of the Bank 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. The gross amounts include also estimated or 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 2010	Carrying amount	Gross in (out) flow	Up to 1 month	From1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Non derivative instruments							
Deposits from banks	2,553,023	(2,604,616)	(1,358,619)	(50,989)	(318,030)	(485,819)	(391,159)
Deposits from customers	6,540,524	(6,581,367)	(2,179,937)	(1,755,287)	(1,505,458)	(1,140,673)	(12)
Subordinated liabilities	214,053	(256,571)	-	-	-	(125,525)	(131,046)
Issued financial guarantee contracts	20,305	(20,305)	-	-	-	(20,305)	-
Unutilized credit lines	-	(1,139,353)	(17,090)	-	(210,780)	(911,482)	-
Total non-derivative instruments	**9,327,905**	**(10,602,212)**	**(3,555,646)**	**(1,806,276)**	**(2,034,268)**	**(2,683,804)**	**(522,217)**
Trading derivatives, net	(6,067)						
Outflow		(1,660,814)	(877,963)	(257,113)	(247,955)	(245,354)	(32,429)
Inflow		1,655,186	869,295	254,966	251,301	246,521	33,103
Derivatives used for hedging, net	(4,527)						
Outflow		(12,342)	(2,286)	(107)	(1,394)	(8,555)	-
Inflow		7,865	518	46	898	6,403	-
Total derivatives	**(10,594)**	**(10,105)**	**(10,436)**	**(2,208)**	**2,850**	**(985)**	**674**
Total financial liabilities	**9,317,311**	**(10,612,317)**	**(3,566,082)**	**(1,808,484)**	**(2,031,418)**	**(2,684,789)**	**(521,543)**

In thousands of BGN

Maturity table as at 31 December 2009	Carrying amount	Gross in (out) flow	Up to 1 month	From1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Non derivative instruments							
Deposits from banks	3,105,352	(3,151,647)	(2,190,219)	(5,775)	(58,165)	(813,674)	(83,814)
Deposits from customers	6,421,385	(6,469,319)	(3,269,606)	(1,481,731)	(1,306,588)	(411,382)	(12)
Subordinated liabilities	212,123	(256,051)	-	-	-	(52,784)	(203,267)
Issued financial guarantee contracts	19,285	(19,285)	-	-	-	(19,285)	-
Unutilized credit lines	-	(928,597)	(13,929)	-	-	(914,668)	-
Total non-derivative instruments	**9,758,145**	**(10,824,899)**	**(5,473,754)**	**(1,487,506)**	**(1,364,753)**	**(2,211,793)**	**(287,093)**
Trading derivatives, net	4,931						
Outflow		(880,472)	(619,490)	(100,617)	(30,809)	(116,921)	(12,635)
Inflow		889,617	622,591	101,271	35,919	117,169	12,667
Derivatives used for hedging, net	1,515						
Outflow		(13,599)	(350)	(33)	(1,175)	(11,415)	(626)
Inflow		15,388	68	22	930	13,718	650
Total derivatives	**6,446**	**10,934**	**2,819**	**643**	**4,865**	**2,551**	**56**
Total financial liabilities	**9,764,591**	**(10,813,965)**	**(5,470,935)**	**(1,486,863)**	**(1,359,888)**	**(2,209,242)**	**(287,037)**

(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 mitigating the counterparty risk and settlement risk with regard to the deals in the trading book, Bank concludes deals only with approved counterparts (banks or corporate clients) that have got assigned treasury credit lines. Derivatives are offered to corporate and institutional clients exclusively for hedging purpose.

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

The analysis based on client credit quality and rating (where available) as of December 31, 2010 and December 31, 2009 is as shown in the next table:

In thousands of BGN

	2010	2009
Government bonds		
Rated BBB	18,159	331
Rated BBB+	45,824	5,187
Bonds of credit institutions		
Rated AAA	35,949	35,220
Rated BB	35,176	39,637
Unrated	-	1,165
Corporate bonds		
Rated BB	22,277	-
Unrated	3,093	30,570
Equities	1,682	3,340
Derivatives (net)		
Banks and financial institution counterparties	(45,425)	(31,642)
Corporate counterparties	39,358	36,573
Total trading assets and liabilities	**156,093**	**120,381**

(ii) Credit risk in the banking book

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

The competent body for assessing impairment allowances is the Provisioning and Restructuring Committee (PRC). PRC regularly assess whether there is objective evidence that a loan or a group of loans is impaired. A loan or group of loans is impaired and impairment losses are incurred if:

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

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

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

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

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

As of December 31, 2010 and December 31, 2009 the Bank has fulfilled all statutory lending limits.

The table below analyses the breakdown of impairment allowances as of December 31, 2010 and December 31, 2009.

In thousands of BGN

	Carrying amount before impairment		Impairment allowance		Carrying amount	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Individually impaired	775,921	315,449	473,310	266,649	302,611	48,800
Collectively impaired	6,708,496	4,977,192	108,628	137,733	6,599,868	4,839,459
Past due but not impaired	39,204	200	-	-	39,204	200
Past due comprises						
from 31 to 90 days	*1,440*	*2*	-	-	*1,440*	*2*
from 91 to 180 days	*7,829*	*40*	-	-	*7,829*	*40*
over 181 days	*29,935*	*158*	-	-	*29,935*	*158*
	39,204	*200*	-	-	*39,204*	*200*
Neither past due nor impaired	530,716	2,482,037	-	-	530,716	2,482,037
Total	**8,054,337**	**7,774,878**	**581,938**	**404,382**	**7,472,399**	**7,370,496**

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	
	2010	**2009**
Against individually impaired		
Cash collateral	143	579
Property	775,930	1,161,043
Other collateral	1,934,880	1,947,415
Against collectively impaired		
Cash collateral	18,223	1,308
Property	9,661,502	9,227,381
Debt securities	10,021	12
Other collateral	17,221,236	11,779,026
Against past due but not impaired		
Cash collateral	325	1,396
Property	124,586	646
Debt securities	13	-
Other collateral	89,998	1,417
Neither past due nor impaired		
Cash collateral	87,777	58,354
Property	1,711,043	2,629,238
Debt securities	79,079	29,630
Other collateral	620,807	8,423,299
Total	**32,335,563**	**35,260,744**

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		Loans and advances to banks		Investment securities	
	2010	2009	2010	2009	2010	2009
Concentration by sectors						
Sovereign	59,253	57,584	-	-	526,122	552,973
Manufacturing	1,608,604	1,541,948	-	-	-	-
Commerce	1,629,901	1,653,631	-	-	-	-
Construction and real estate	1,408,276	998,976	-	-	-	-
Agriculture and forestry	149,010	138,058	-	-	-	-
Transport and communication	285,074	375,777	-	-	-	-
Tourism	174,127	265,929	-	-	-	-
Services	216,316	196,852	-	-	-	-
Financial services	181,594	302,682	1,699,018	2,071,567	71,491	74,760
Retail (individuals)						
Housing loans	1,574,778	1,425,488	-	-	-	-
Consumer loans	767,404	817,953	-	-	-	-
	8,054,337	**7,774,878**	**1,699,018**	**2,071,567**	**597,613**	**627,733**
Impairment allowances	(581,938)	(404,382)	-	-	-	-
Total	**7,472,399**	**7,370,496**	**1,699,018**	**2,071,567**	**597,613**	**627,733**
Concentration by geographic location						
Europe	8,052,703	7,772,702	1,685,597	2,059,214	583,684	611,281
North America	97	113	4,691	12,033	2,951	5,491
Asia	1,377	1,807	8,513	164	10,978	10,961
Africa	46	153	-	-	-	-
South America	22	11	-	-	-	-
Australia	92	92	217	156	-	-
	8,054,337	**7,774,878**	**1,699,018**	**2,071,567**	**597,613**	**627,733**
Impairment allowances	(581,938)	(404,382)	-	-	-	-
Total	**7,472,399**	**7,370,496**	**1,699,018**	**2,071,567**	**597,613**	**627,733**

(e) Operational Risk

UniCredit Bulbank AD defines as operational the risk of losses due to errors, infringements, interruptions, damages caused by internal processes, personnel, systems or caused by external events: internal or external fraud, employment practices and workplace safety, client claims, fines and penalties due to regulation breaches, damage to company physical assets, business disruption and system failures, process management.

The operational risk management framework is a combined set of policies and procedures for controlling, measuring and mitigating the operational risk exposure of UniCredit Bulbank AD, among which the Group Operational Risk Management Framework and Methodological Manual for Operational Risk Control and Measurement. Integral parts of the framework are the Operational risk control rulebook, as well as the Internal regulation "Data collection procedure for the purpose of operational risk assessment in UniCredit Bulbank AD".

The Bank has a dedicated function for operational risk management, which is independent from business and operational areas, as well as from the Internal Audit function. The Operational risk unit responsibilities are in line with those envisaged by the Holding company and clearly formalized in the approved by the Management Board Operational risk control rulebook. While the main task of the Operational risk unit is to define the methods used and to perform risk measurement and analysis, the nominated operational risk managers in different areas working on a decentralized basis are responsible for loss data reporting and taking measures to reduce and prevent risks.

Activities in 2010 focused primarily on fulfilling the regulatory requirements inherent to the application submitted to the Bulgarian National Bank to use the Advanced Measurement Approach (AMA), the most sophisticated approach for calculating the capital requirements for operational risk. In the process the Operational risk unit underwent control verifications by three independent authorities, namely UniCredit Group Internal Validation, UCB Internal Audit and BNB. By receiving the official approval by Bank of Italy and BNB, UniCredit Bulbank AD will be the first bank in Bulgaria to use AMA for the capital calculation of operational risk.

Overall, the organization of operational risk management at UniCredit Bulbank AD is well established, at high level of quality. Particular attention is dedicated to the involvement of the senior management in the operational risk framework setting and control as well to their awareness of the entity's operational risk profile. With the set-up of the Operational Risk Committee, the regular exchange of information substantially improved the promotion of operational risk awareness in the Bank.

(f) Basel II disclosure

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

Under the regulatory framework, Bank allocates capital for covering three major types of risk, namely credit risk, market risk and operational risk. For the year 2007 UniCredit Bulbank AD applied allowing standardized approach for credit and market risks and the basic indicator approach for operational risk. In 2008 Bank has been given permission by Bulgarian National Bank to apply standardized approach also for operational risk.

Statutory limits exposed to Banks require Bank to maintain total capital adequacy ratio not less than 12% and Tier I ratio not less than 6%. As a response to the ongoing world financial crisis Bulgarian National Bank strongly recommended all the Banks in Bulgaria to reached minimum Tier I ratio of 10% latest by June 2009.

(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, 2010 and December 31, 2009 the unconsolidated Capital base of UniCredit Bulbank AD comprises as follows:

In thousands of BGN

	2010	2009
Share capital	263,911	239,256
Statutory reserve	205,500	51,155
Retained earnings	1,020,220	1,019,874
Total capital and reserves	**1,489,631**	**1,310,285**
Deductions		
Unrealized loss on available-for-sale instruments	(11,955)	(18,789)
Intangible assets	(31,065)	(34,823)
Total deductions	**(43,020)**	**(53,612)**
Total Tier I capital	**1,446,611**	**1,256,673**
Revaluation reserve on real estate properties occupied by the Bank	137,368	136,070
Subordinated long-term debt	165,072	183,848
Total Tier II capital	**302,440**	**319,918**
Additional deductions from Tier I and Tier II capital	**(140,294)**	**(30,391)**
Total Capital base (Own funds)	**1,608,757**	**1,546,200**

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 regulatory purposes the deduction is split equally between Tier I and Tier II capital.

(ii) Capital requirements

As of December 31, 2010 and December 31, 2009 the capital requirements for credit, market and operational risks are as follows:

In thousands of BGN

	2010	2009
Capital requirements for credit risk		
Exposures to:		
Central Governments and Central Banks	6,729	6,859
Regional Governments and local authorities	4,644	4,247
Administrative bodies and non-commercial undertakings	165	11
Institutions	16,740	12,569
Corporates	402,808	204,773
Retail	66,440	63,047
Exposures secured on real estate property	49,482	304,469
Past due items	11,720	2,582
High risk exposures	26	26
Short-term exposures to institutions and corporates	26,745	30,675
Other exposures	21,121	21,181
Total capital requirements for credit risk	**606,620**	**650,439**
Capital requirements for market risk	**11,558**	**12,147**
Capital requirements for operational risk	**82,162**	**77,986**
Total capital requirements for credit, market and operational risk	**700,340**	**740,572**
Additional capital requirements subject to National discretions from the Regulator	**350,171**	**370,285**
Total regulatory capital requirements	**1,050,511**	**1,110,857**
Capital Base (Own funds)	1,608,757	1,546,200
there off Tier I	*1,376,464*	*1,241,478*
Free equity (Own funds)	558,245	435,343
Total capital adequacy ratio	**18.38%**	**16.70%**
Tier I ratio	**15.72%**	**13.41%**

Capital requirements for credit risk cover credit risk and dilution risk in the banking book, counterparty risk in the overall business and settlement risk in the trading book.

Capital requirements for market risk cover market risk in the trading book, foreign-exchange and commodity risks in the overall business.

Operational risk is calculated on applying standardized approach as described in note **4 (e).**

The additional capital requirements, presented above, are subject to National discretion of Bulgarian National Bank. They are calculated as 50% of the total capital requirements for credit risk, market risk and operational risk.

5. Use of estimates and judgement

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

In general the estimates and judgement are widely used in assessing:
- Fair value determination of financial instruments;
- Impairment of financial instruments, especially loans;
- Quantification of the provisions for constructive and/or legal obligations

(a) Fair value determination of financial instruments

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. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial 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 price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length. The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

The table below analyses financial instruments carried at fair value by valuation method applied by the Bank as of December 31, 2010.

In thousands of BGN

Instrument category	**Level 2**		**Level 3**		**Total**	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Financial assets held for trading	136,790	80,374	25,370	35,076	162,160	115,450
Derivatives held for trading	56,250	44,785	-	357	56,250	45,142
Derivatives used for hedging	-	1,521	-	-	-	1,521
Financial assets designated at fair value through profit or loss	19,912	23,509	90,633	112,562	110,545	136,071
Available for sale Investments	266,906	282,379	11,826	3,106	278,732	285,485
	479,858	**432,568**	**127,829**	**151,101**	**607,687**	**583,669**
Financial liabilities held for trading	62,317	40,211	-	-	62,317	40,211
Derivatives used for hedging	4,527	6	-	-	4,527	6
	66,844	**40,217**	**-**	**-**	**66,844**	**40,217**
Total	**546,702**	**472,785**	**127,829**	**151,101**	**674,531**	**623,886**

The tables below analyses the fair value of financial instruments by classification as of December 31, 2010 and December 31, 2009

In thousands of BGN

December 2010	Fair value through profit or loss	Held-to-maturity	Loans and receivables	Available for sale	Other amortized cost	Total carrying amount	Fair value
ASSETS							
Cash and balances with Central bank	-	-	-	-	874,658	**874,658**	**874,658**
Financial assets held for trading	162,160	-	-	-	-	**162,160**	**162,160**
Derivatives held for trading	56,250	-	-	-	-	**56,250**	**56,250**
Financial assets designated at fair value through profit or loss	110,545	-	-	-	-	**110,545**	**110,545**
Loans and advances to banks	-	-	1,699,018	-	-	**1,699,018**	**1,699,018**
Loans and advances to customers	-	-	7,472,399	-	-	**7,472,399**	**7,472,337**
Available for sale Investments	-	-	-	278,732	-	**278,732**	**278,732**
Held to maturity Investments	-	291,382	-	-	-	**291,382**	**306,771**
TOTAL ASSETS	**328,955**	**291,382**	**9,171,417**	**278,732**	**874,658**	**10,945,144**	**10,960,471**
LIABILITIES							
Financial liabilities held for trading	62,317	-	-	-	-	**62,317**	**62,317**
Deposits from banks	-	-	-	-	2,553,023	**2,553,023**	**2,562,439**
Deposits from customers	-	-	-	-	6,540,524	**6,540,524**	**6,569,475**
Subordinated liabilities	-	-	-	-	214,053	**214,053**	**214,053**
TOTAL LIABILITIES	**62,317**	**-**	**-**	**-**	**9,307,600**	**9,369,917**	**9,408,284**

In thousands of BGN

December 2009	Fair value through profit or loss	Held-to-maturity	Loans and receivables	Available for sale	Other amortized cost	Total carrying amount	Fair value
ASSETS							
Cash and balances with Central bank	-	-	-	-	832,158	**832,158**	**832,158**
Financial assets held for trading	115,450	-	-	-	-	**115,450**	**115,450**
Derivatives held for trading	45,142	-	-	-	-	**45,142**	**45,142**
Derivatives used for hedging	1,521	-	-	-	-	**1,521**	**1,521**
Financial assets designated at fair value through profit or loss	136,071	-	-	-	-	**136,071**	**136,071**
Loans and advances to banks	-	-	2,071,567	-	-	**2,071,567**	**2,071,567**
Loans and advances to customers	-	-	7,370,496	-	-	**7,370,496**	**7,370,561**
Available for sale Investments	-	-	-	285,485	-	**285,485**	**285,485**
Held to maturity Investments	-	314,749	-	-	-	**314,749**	**325,535**
TOTAL ASSETS	**298,184**	**314,749**	**9,442,063**	**285,485**	**832,158**	**11,172,639**	**11,183,490**
LIABILITIES							
Financial liabilities held for trading	40,211	-	-	-	-	**40,211**	**40,211**
Derivatives used for hedging	6	-	-	-	-	**6**	**6**
Deposits from banks	-	-	-	-	3,105,352	**3,105,352**	**3,119,350**
Deposits from customers	-	-	-	-	6,421,385	**6,421,385**	**6,439,177**
Subordinated liabilities	-	-	-	-	212,123	**212,123**	**212,123**
TOTAL LIABILITIES	**40,217**	**-**	**-**	**-**	**9,738,860**	**9,779,077**	**9,810,867**

The movements in Level 3 financial instruments in 2010 are 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	Derivatives held for trading
Opening balance (January 1, 2010)	**35,076**	**112,562**	**3,106**	**357**
Increases	**212**	**6,689**	**21,179**	**-**
Purchases	49		11,434	-
Profit recognized in income statement	163	6,689	9,745	
Decreases	**(9,918)**	**(28,618)**	**(12,459)**	**(357)**
Sales	(2,965)	-	(12,459)	(357)
Redemption	(1,315)	(26,428)	-	-
Loses recognized in income statement	(2,298)	(2,190)	-	-
Transfers to other levels	(3,340)	-	-	-
Closing balance (December 31, 2010)	**25,370**	**90,633**	**11,826**	**-**

(b) Impairment of financial instruments
In estimating the impairment on financial instruments carried at amortised costs, Management makes judgements about the present value of the net cash flow to be received. By doing that counterparty's financial position as well as realizable value of the underlying collateral is considered. Collectively assessed impairment loses cover credit losses inherent in portfolios of loans bearing similar economic characteristics when there is an objective evidence to suggest that they contain impaired loans. In such assessments factors that are mostly considered include credit quality, portfolio size, concentration and economic factors.

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

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

6. Segment reporting

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

In thousands of BGN

December 2010	Retail Banking	Corporate and Private Banking	Markets and Investment Banking	ALM and other	Total
Net interest income	209,715	217,321	29,036	(29,208)	**426,864**
Dividend income	-	-	103	30	**133**
Net fee and commission income	89,916	62,254	2,316	(847)	**153,639**
Net gains (losses) from financial assets and liabilities held for trading	91	5,309	(4,961)	415	**854**
Net gains (losses) from other financial assets designated at fair value through profit or loss	-	-	5,149	670	**5,819**
Net income from investments	-	-	-	9,986	**9,986**
Net income related to subsidiaries, associates and property, plant and equipment	-	-	-	239	**239**
Other operating income	(108)	-	-	6,048	**5,940**
TOTAL OPERATING INCOME	**299,614**	**284,884**	**31,643**	**(12,667)**	**603,474**
Personnel expenses	(41,189)	(11,946)	(1,896)	(40,518)	**(95,549)**
General and administrative expenses	(76,257)	(17,837)	(936)	(17,570)	**(112,600)**
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	(18,464)	(2,855)	(179)	(14,259)	**(35,757)**
Total direct expenses	**(135,910)**	**(32,638)**	**(3,011)**	**(72,347)**	**(243,906)**
Allocation of indirect and overhead expenses	(45,390)	(24,451)	(91)	69,932	-
TOTAL OPERATING EXPENSES	**(181,300)**	**(57,089)**	**(3,102)**	**(2,415)**	**(243,906)**
Provisions for risk and charges	-	-	-	1,957	**1,957**
Net impairment loss on financial assets	(8,619)	(174,603)	-	(1,669)	**(184,891)**
PROFIT BEFORE INCOME TAX	**109,695**	**53,192**	**28,541**	**(14,794)**	**176,634**
Income tax expense					**(17,890)**
PROFIT FOR THE PERIOD					**158,744**
ASSETS	**3,013,108**	**5,019,457**	**1,360,868**	**1,882,207**	**11,275,640**
LIABILITIES	**3,547,294**	**2,926,133**	**397,595**	**2,623,445**	**9,494,467**

In thousands of BGN

December 2009	Retail Banking	Corporate and Private Banking	Markets and Investment Banking	ALM and other	Total
Net interest income	211,314	197,022	35,353	(35,324)	**408,365**
Dividend income	-	-	-	134	**134**
Net fee and commission income	83,664	60,325	4,341	570	**148,900**
Net gains (losses) from financial assets and liabilities held for trading	-	176	2,160	933	**3,269**
Net gains (losses) from other financial assets designated at fair value through profit or loss	-	-	437	(372)	**65**
Net income from investments	-	-	-	2,169	**2,169**
Net income related to subsidiaries, associates and property, plant and equipment	-	-	-	2,661	**2,661**
Other operating income	-	-	-	6,893	**6,893**
TOTAL OPERATING INCOME	**294,978**	**257,523**	**42,291**	**(22,336)**	**572,456**
Personnel expenses	(42,069)	(10,755)	(1,845)	(41,814)	**(96,483)**
General and administrative expenses	(81,897)	(19,683)	(1,070)	(11,246)	**(113,896)**
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	(18,480)	(2,815)	(208)	(12,972)	**(34,475)**
Total direct expenses	**(142,446)**	**(33,253)**	**(3,123)**	**(66,032)**	**(244,854)**
Allocation of indirect and overhead expenses	(48,745)	(26,095)	193	74,647	-
TOTAL OPERATING EXPENSES	**(191,191)**	**(59,348)**	**(2,930)**	**8,615**	**(244,854)**
Provisions for risk and charges	-	-	-	18,885	**18,885**
Net impairment loss on financial assets	(44,776)	(85,312)	-	438	**(129,650)**
PROFIT BEFORE INCOME TAX	**59,011**	**112,863**	**39,361**	**5,602**	**216,837**
Income tax expense					**(22,084)**
PROFIT FOR THE PERIOD					**194,753**
ASSETS	**2,840,903**	**4,931,292**	**863,080**	**2,883,499**	**11,518,774**
LIABILITIES	**3,461,658**	**2,857,515**	**512,881**	**3,050,780**	**9,882,834**

7. Net interest income

In thousands of BGN

	2010	2009
Interest income		
Financial assets held for trading	7,354	7,892
Derivatives held for trading	21,481	16,636
Financial assets designated at fair value through profit or loss	7,600	10,139
Loans and advances to banks	7,435	20,201
Loans and advances to customers	563,052	564,724
Available for sale investments	9,905	13,898
Held to maturity investments	15,945	17,414
	632,772	**650,904**
Interest expense		
Derivatives held for trading	(19,944)	(14,680)
Derivatives used for hedging	(2,545)	(248)
Deposits from banks	(22,724)	(48,596)
Deposits from customers	(154,848)	(171,766)
Subordinated debt	(5,847)	(7,249)
	(205,908)	**(242,539)**
Net interest income	**426,864**	**408,365**

For the financial years ended December 31, 2010 and December 31, 2009 the interest income recognized on individually impaired financial instruments (loans and advances to customers) is in the amount of BGN 20,729 thousand and BGN 36,958 thousand, respectively.

8. Net fee and commission income

In thousands of BGN

	2010	2009
Fee and commission income		
Collection and payment services	70,989	65,521
Lending business	21,510	19,590
Account services	16,750	18,216
Currency trading	26,319	25,829
Management, brokerage and securities trading	6,311	8,365
Documentary business	9,637	9,556
Package accounts	6,796	7,357
Other	4,077	3,082
	162,389	**157,516**
Fee and commission expense		
Collection and payment services	(6,643)	(6,284)
Management, brokerage and securities trading	(708)	(524)
Lending business	(1,160)	(1,483)
Other	(239)	(325)
	(8,750)	**(8,616)**
Net fee and commission income	**153,639**	**148,900**

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

In thousands of BGN

	2010	2009
FX trading income, net	2,489	(626)
Net income from debt instruments	(4,900)	(371)
Net income from equity instruments	(133)	-
Net income from derivative instruments	3,398	4,266
Net trading income	**854**	**3,269**

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

Bank designates as financial assets at fair value through profit or loss only marketable debt securities, which fair value can be reliably measured. Net income recorded on financial instruments designated at fair 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, 2010 and December 31, 2009 are BGN 5,819 thousand and BGN 65 thousand, respectively.

11. Net income from investments

In thousands of BGN

	2010	2009
Realised gains on disposal of available for sale investments	9,986	1,676
Realised gains (losses) on disposal of held to maturity investments	-	493
Net income from investments	**9,986**	**2,169**

In 2010 the shareholders of Borika AD (Bulgarian card operator) and Bankservice AD (Bulgarian settlement operator) agreed to combine their activities through merging the two companies into a new company (Borika-Bankservice AD) thus gaining some competitive advantage and benefiting from operative synergies. As of the date of merger UniCredit Bulbank AD maintained minority interests in both merging companies. According to the agreement the merger represented share-exchange transaction where the shareholders of the merging companies received shares in the new company on the basis of share-exchange ratios. These ratios were derived on the basis of fair market valuation of the new company and were approved by all the shareholders and verified by external auditor as required by Bulgarian Commercial Law. The difference between the fair market valuation of the received by UniCredit Bulbank AD new shares and the value of the participations in the two merging companies before the transformation, adjusted by previously recognized revaluation reserve, amounting in total BGN 8,961 thousand is reported in the position realized gains on disposal of available for sale investments.

12. Net income related to subsidiaries, associates and property, plant and equipment

In thousands of BGN

	2010	2009
Net income on disposal of subsidiaries and associates	-	1,603
Net income on disposal of property, plant and equipment	239	1,443
Impairment of participation in associates	-	(385)
Net income related to subsidiaries, associates and property, plant and equipment	**239**	**2,661**

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

Upon restructuring if its activity UniCredit Bulbank AD disposed in 2007 51% of the interest in local Bulbank Leasing EAD.

The entire realized net income in 2009 in the amount of BGN 1,603 thousand comprise of releases of escrow amounts upon fulfilling the contracted conditions or expiration of warranties given to the buyers.

In 2009 Bank took a decision to voluntarily liquidate together with the majority stake holder one of its associates. As a result of that, Bank's participation in that entity was impaired and impairment loss in the amount of BGN 385 thousand was recognized.

13. Other operating income, net

In thousands of BGN

	2010	2009
Other operating income		
Income from non-financial services	1,317	1,386
Rental income from investment property	314	341
Other income	4,424	5,536
	6,055	**7,263**
Other operating expenses		
Other operating expenses	(115)	(370)
	(115)	**(370)**
Other operating income, net	**5,940**	**6,893**

14. Personnel expenses

In thousands of BGN

	2010	2009
Wages and salaries	(78,332)	(78,701)
Social security charges	(9,971)	(10,645)
Pension and similar expenses	(559)	(476)
Temporary staff expenses	(5,325)	(5,107)
Share-based payments	(56)	(573)
Other	(1,306)	(981)
Total personnel expenses	**(95,549)**	**(96,483)**

As of December 31, 2010 the total number of employees, expressed in full time employee equivalent is 3,770 (December 31, 2009: 3,803)

Pension and similar expenses comprise of current services costs, interest costs and amortization of actuarial gains/losses 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 Italiano S.p.A has granted stock options and performance shares to top and senior managers of UniCredit Bulbank AD. Upon expiration of the vesting period of any of the granted instruments, UniCredit Bulbank

AD is required to settle in cash to the parent amounts corresponding to the economic value of the respective instruments. In 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, 2009	2010 Cost	Settled in 2010	Economic value at December 31, 2010
Stock Options 11 2005	**214**	-	(214)	**-**
Stock Options 06 2006	**183**	30	-	**213**
Stock Options 06 2007	**154**	70	-	**224**
Stock Options 06 2008	**104**	76	-	**180**
Total Stock Options	**655**	**176**	**(214)**	**617**
Performance Shares 06 2006	**323**	(323)	-	**-**
Performance Shares 06 2007	**-**	190	-	**190**
Performance Shares 06 2008	**-**	-	-	**-**
Total Performance Shares	**323**	**(133)**	**-**	**190**
ESOP	**2**	**13**	**-**	**15**
Total Options and Shares	**980**	**56**	**(214)**	**822**

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

Instrument granted	Granting date	Vesting period start date	Vesting period end date
Stock Options 06 2006	13-Jun-06	30-Jun-06	30-Jun-10
Stock Options 06 2007	12-Jun-07	30-Jun-07	30-Jun-11
Stock Options 06 2008	25-Jun-08	30-Jun-08	30-Jun-12
Performance Shares 06 2006	13-Jun-06	31-Dec-08	31-Dec-09
Performance Shares 06 2007	12-Jun-07	31-Dec-09	31-Dec-10
Performance Shares 06 2008	25-Jun-08	31-Dec-10	31-Dec-11

15. General and administrative expenses

In thousands of BGN

	2010	2009
Deposit guarantee fund annual contribution	(27,031)	(26,561)
Advertising, marketing and communication	(6,986)	(6,434)
Credit information and searches	(1,626)	(1,285)
Information, communication and technology expenses	(28,829)	(30,224)
Consulting, audit and other professionals services	(2,219)	(1,583)
Real estate expenses	(12,872)	(13,312)
Rents	(13,466)	(13,594)
Travel expenses and car rentals	(3,262)	(2,887)
Insurance	(1,101)	(1,150)
Supply and miscellaneous services rendered by third parties	(10,652)	(12,504)
Other costs	(4,556)	(4,362)
Total general and administrative expenses	**(112,600)**	**(113,896)**

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

In thousands of BGN

	2010	2009
Depreciation charge	(33,337)	(32,114)
Impairment due to obsolescence	(2,149)	(796)
Decrease in value due to revaluation	(271)	(1,351)
Decrease in value due to revaluation of non-current assets and disposal group classified as held for sale	-	(214)
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	**(35,757)**	**(34,475)**

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, 2010 and December 31, 2009 the impairment of long-terms assets other than real estate properties, is the amount of BGN 2,149 thousand and BGN 796 thousand, respectively.

Bank also performed review of the entire class of real estate properties. For all such properties, where material decline in fair value is observed, the decrease in value due to revaluation in excess of previously recognized revaluation reserve (devaluation) is recognized in profit or loss. For the years ended December 31, 2010 and December 31, 2009 such devaluation of real estate properties amounts to BGN 271 thousand and BGN 1,351 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 anymore likely the outflow of resources to occur, the previously allocated provisions are reversed (for more details see also Note **40**).

In thousands of BGN

	2010	2009
Additions of provisions		
Provisions on letters of guarantee	(1,020)	(11,218)
Legal cases provisions	(3,586)	(4,763)
Other provisions	(254)	(220)
	(4,860)	**(16,201)**
Reversal of provisions		
Provisions on letters of guarantee	-	16,225
Legal cases provisions	6,401	17,452
Provisions on constructive obligations	416	1,374
Other provisions	-	35
	6,817	**35,086**
Net provisions charge	**1,957**	**18,885**

18. Net Impairment loss on financial assets

In thousands of BGN

	2010	2009
Balance 1 January		
Loans and advances to customers	**404,382**	**285,286**
Increase		
Loans and advances to customers	329,539	169,615
Decrease		
Loans and advances to customers	(144,330)	(38,222)
Recoveries from non-performing loans previously written-off	(318)	(1,743)
	(144,648)	(39,965)
Net impairment losses	**184,891**	**129,650**
Written-off		
Loans and advances to customers	(7,653)	(12,297)
Balance December 31		
Loans and advances to customers	**581,938**	**404,382**

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 2011.

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

In thousands of BGN

	2010	2009
Current tax	(18,451)	(20,851)
Deferred tax income (expense) related to origination and reversal of temporary differences	734	(1,104)
Underprovided prior year income tax	(173)	(129)
Income tax expense	**(17,890)**	**(22,084)**

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

In thousands of BGN

	2010	2009
Accounting profit before tax	176,634	216,837
Corporate tax at applicable tax rate (10% for 2010 and 2009)	(17,663)	(21,684)
Tax effect of non taxable revenue	25	114
Tax effect of non tax deductible expenses	(245)	(281)
Tax effect of reversal of temporary differences	-	(127)
Underprovided prior year income tax	(7)	(106)
Income tax expense	**(17,890)**	**(22,084)**
Effective tax rate	**10.13%**	**10.18%**

20. Cash and balances with Central bank

In thousands of BGN

	2010	2009
Cash in hand	130,623	119,816
Current account with Central Bank	744,035	712,342
Total cash and balance with Central Bank	**874,658**	**832,158**

21. Financial assets held for trading

In thousands of BGN

	2010	2009
Government bonds	63,983	5,517
Bonds of credit institutions	71,125	76,022
Corporate bonds	25,370	30,571
Equities	1,682	3,340
Total financial assets held for trading	**162,160**	**115,450**

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

As of December 31, 2010 and December 31, 2009 financial assets held for trading in the amount of BGN 70,355 thousand and BGN 33,136 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**).

Previous change in accounting policy

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.

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

In thousands of BGN

	2010	Cumulatively since reclassification (July 2008 - December 2010)
Fair value changes		
Fair value gain (loss) that should have been recognized had the assets not been reclassified	3,148	8,161
Net interest income		
Net interest income recognized for the period after reclassification	4,677	11,708
Net interest income after reclassification that should have been recognized had the assets not been reclassified	5,981	14,847

22. Derivatives held for trading

In thousands of BGN

	2010	2009
Interest rate swaps	39,984	34,384
Equity options	1,828	528
FX forward contracts	14,031	4,951
FX options	1	588
Other options	198	4,144
FX swaps	72	547
Commodity swaps	136	-
Total trading derivatives	**56,250**	**45,142**

Derivatives comprise of trading instruments that have positive market value as of December 31, 2010 and December 31, 2009. 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, 2010 and December 31, 2009 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).

As of December 31, 2010 the fair value of hedging derivatives is negative in the amount of BGN 4,527 thousand. As of December 31, 2009 the positive fair value of hedging instruments is in the amount of BGN 1,521 thousand and the negative fair value of hedging instruments is BGN 6 thousand.

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

In thousands of BGN

	2010	2009
Government bonds	17,063	20,660
Bonds of credit institutions	-	24,568
Municipality bonds	2,850	2,849
Corporate bonds	90,632	87,994
Total financial assets designated at fair value through profit or loss	**110,545**	**136,071**

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, 2010 and December 31, 2009 assets designated at fair value through profit or loss in the amount of BGN 11,197 thousand and BGN 4,136 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**).

25. Loans and advances to banks

In thousands of BGN

	2010	2009
Loans and advances to banks	1,662,203	2,028,640
Current accounts with banks	36,344	42,923
Restricted accounts in foreign currency	471	4
Total loans and advances to banks	**1,699,018**	**2,071,567**

26. Loans and advances to customers

In thousands of BGN

	2010	2009
Receivables under repurchase agreement	-	956
Companies	5,652,902	5,472,897
Individuals		
Housing loans	1,574,778	1,425,488
Consumer loans	767,404	817,953
Central and local governments	59,253	57,584
	8,054,337	7,774,878
Less impairment allowances	(581,938)	(404,382)
Total loans and advances to customers	**7,472,399**	**7,370,496**

27. Available for sale investments

In thousands of BGN

	2010	2009
Government bonds	249,613	261,613
Bonds of credit institutions	17,293	20,766
Equities	11,826	3,106
Total available for sale investments	**278,732**	**285,485**

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

Equities presented as available for sale investments comprise of minority participation of the Bank in companies where neither control nor significant influence is exercised. These investments are generally carried at cost as their fair value can not be reliably measured. As of December 31, 2010 and December 31, 2009 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, 2010 and December 31, 2009 available for sale investments in the amount of BGN 145,007 thousand and BGN 133,400 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

	2010	2009
Government bonds	276,509	291,360
Bonds of credit institutions	14,873	23,389
Total held to maturity investments	**291,382**	**314,749**

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.

29. Investments in subsidiaries and associates

Company	Activity	Share in capital	Carrying value in thousands of BGN Dec 2010
UniCredit Factoring AD	Factoring activities	100.0%	3,000
Hypovereins Immobilien EOOD	Transport services and real estate lending activities	100.0%	654
UniCredit Consumer Financing AD	Consumer lending and other similar activities in line with the applicable law and regulations	49.9%	19,574
UniCredit Leasing EAD	Leasing activities	24.4%	1,771
Cash Service Company AD	Accepting, processing, safekeeping and delivering of valuable consignments with banknotes and coins to the banks	20.0%	2,500
Pirelli Real Estate AD	Management of real estate portfolio	25.0%	-
		Total	**27,499**

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.
For the purposes of supporting the business activities of UniCredit Consumer Financing AD, the Bank approved increase of the reserves of the company by providing additional funds from the shareholders. The Bank's part of that increase was effectively paid in 2009 and as a result of that the cost of participation in UniCredit Consumer Financing AD increased by BGN 12,692 thousand.

Following ongoing leasing activities reorganization, in December 2009 in-kind contribution in the capital of UniCredit Leasing was performed. Bank participated with all its shares held in Bulbank Leasing AD at that time. As this transformation represents a business combination among entities under common control, the new value of Bank's participation in UniCredit Leasing AD was increased by the book value of its participation in Bulbank Leasing AD. As a result of the performed transformation Bank has no longer direct participation in Bulbank Leasing AD, and its share in the net assets of transformed UniCredit Leasing AD has been reduced to 24.4%.

In 2009 the shareholders of Pirelli Real Estate AD took a decision for voluntarily liquidation of the Company. In order to meet its current and constructive obligation before the actual closure, the capital of the

Company has been increased. Bank's share in that increase amounted to BGN 260 thousand. Since the Management of the Bank does not expect any residual value to remain that could be distributed among the shareholders upon completion of the closure procedure, the carrying amount of the investments has been fully impaired by the end of 2009.

As a result of this impairment, impairment loss in the amount of BGN 385 thousand was recognized.

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

30. Property, plant, equipment and investment properties

In thousands of BGN

	Lands	Buildings	Furniture	Electronic equipment	Other	Investment property	Total
Cost or revalued amount							
As of December 31, 2009	**7,384**	**203,752**	**3,892**	**75,841**	**34,066**	**473**	**325,408**
Additions	-	50	57	2,259	15,932	-	**18,298**
Transfers*	375	8,903	39	4,461	(15,572)	4,269	**2,475**
Write offs	-	(1,722)	(331)	(3,331)	(1,614)	-	**(6,998)**
Disposals	-	(298)	-	(511)	(274)	(212)	**(1,295)**
As of December 31, 2010	**7,759**	**210,685**	**3,657**	**78,719**	**32,538**	**4,530**	**337,888**
Depreciation							
As of December 31, 2009	**-**	**9,627**	**1,787**	**51,501**	**16,968**	**62**	**79,945**
Depreciation charge	-	9,921	413	9,605	2,973	20	**22,932**
Impairment due to obsolescence	-	403	7	1,238	759	-	**2,407**
Write offs	-	(1,722)	(331)	(3,331)	(1,610)	-	**(6,994)**
On disposals	-	(66)	-	(506)	(269)	(29)	**(870)**
Transfers	-	609	-	-	16	4	**629**
As of December 31, 2010	**-**	**18,772**	**1,876**	**58,507**	**18,837**	**57**	**98,049**
Net book value as of December 31, 2010	**7,759**	**191,913**	**1,781**	**20,212**	**13,701**	**4,473**	**239,839**
Net book value as of December 31, 2009	**7,384**	**194,125**	**2,105**	**24,340**	**17,098**	**411**	**245,463**

* Transfers include also real estate properties in the amount of BGN 2,475 thousand which have been previously classified as held for sale and for which Management has either changed its intention to sell or the sale can not be done in foreseeable future.

In thousands of BGN

	Lands	Buildings	Furniture	Electronic equipment	Other	Investment property	Total
Cost or revalued amount							
As of December 31, 2008	**6,780**	**160,863**	**3,686**	**69,347**	**35,440**	**928**	**277,044**
Additions	381	175	816	6,205	11,986	-	**19,563**
Transfers	(42)	7,039	137	4,182	(10,861)	(455)	**-**
Write offs	(5)	(380)	(747)	(2,148)	(1,854)	-	**(5,134)**
Disposals	(3)	(62)	-	(1,745)	(645)	-	**(2,455)**
As of December 31, 2009 before revaluation	**7,111**	**167,635**	**3,892**	**75,841**	**34,066**	**473**	**289,018**
Written off against accumulated depreciation upon new revaluation	-	(26,218)	-	-	-	-	**(26,218)**
Increase in revaluation reserve upon new revaluation	273	70,323	-	-	-	-	**70,596**
Decrease in revaluation reserve upon new revaluation	-	(6,637)	-	-	-	-	**(6,637)**
Decrease in value in profit or loss upon new revaluation	-	(1,351)	-	-	-	-	**(1,351)**
Revaluation adjustment	**273**	**36,117**	**-**	**-**	**-**	**-**	**36,390**
As of December 31, 2009 after revaluation	**7,384**	**203,752**	**3,892**	**75,841**	**34,066**	**473**	**325,408**
Depreciation							
As of December 31, 2008	**-**	**28,386**	**2,182**	**45,140**	**16,127**	**80**	**91,915**
Depreciation charge	-	7,689	333	10,093	2,820	36	**20,971**
Impairment due to obsolescence	5	100	19	135	510	-	**769**
Write offs	(5)	(382)	(747)	(2,140)	(1,855)	-	**(5,129)**
On disposals	-	(2)	-	(1,727)	(634)	-	**(2,363)**
Transfers	-	54	-	-	-	(54)	**-**
As of December 31, 2009 before revaluation	**-**	**35,845**	**1,787**	**51,501**	**16,968**	**62**	**106,163**
Written off against accumulated depreciation upon new revaluation	-	(26,218)	-	-	-	-	**(26,218)**
Revaluation adjustment	**-**	**(26,218)**	**-**	**-**	**-**	**-**	**(26,218)**
As of December 31, 2009 after revaluation	**-**	**9,627**	**1,787**	**51,501**	**16,968**	**62**	**79,945**
Net book value as of December 31, 2009	**7,384**	**194,125**	**2,105**	**24,340**	**17,098**	**411**	**245,463**
Net book value as of December 31, 2008	**6,780**	**132,477**	**1,504**	**24,207**	**19,313**	**848**	**185,129**

In 2009 Bank has performed valuation of entire class of properties (including land and buildings) based on independent fair value assessment made by certified appraisers. For all the properties where the assessed fair value materially differed from its carrying amount, the carrying amount was adjusted to the assessed fair value. For all revaluated properties the accumulated depreciation before revaluation was netted against assets' book value. For the assets where the assessed fair value was higher than their carrying amount the difference was recognized in other comprehensive income under revaluation reserves. For those assets were the fair value was below its carrying amount the reduction was recognized in other comprehensive income to the extent it reduces previously recognized increases. If the amount of the previous increases was insufficient, the difference was recognized in profit or loss.

In 2010 Management of the Bank assesses the real estate market as relatively stable compared to 2009. However for the purposes of preparation of these financial statements, Bank has reviewed all the properties for which there have been indicators for material change of market value. As a result of this review, impairment loss in the amount of BGN 403 thousand has been recognized.

All the other categories were assessed for impairment at the year end and for those assets found to be impaired (mostly due to obsolescence) impairment loss have been recognized.

31. Intangible assets

In thousands of BGN

Cost	
As of December 31, 2009	**98,607**
Additions	6,660
Write offs	(28,157)
Disposals	-
As of December 31, 2010	**77,110**
Depreciation	
As of December 31, 2009	**63,784**
Depreciation charge	10,405
Impairment due to obsolescence	13
Write offs	(28,157)
As of December 31, 2010	**46,045**
Net book value as of December 31, 2010	**31,065**
Net book value as of December 31, 2009	**34,823**

In thousands of BGN

Cost	
As of December 31, 2008	**92,288**
Additions	7,884
Write offs	(1,547)
Disposals	(18)
As of December 31,2009	**98,607**
Depreciation	
As of December 31, 2008	**54,166**
Depreciation charge	11,143
Impairment due to obsolescence	27
Write offs	(1,552)
As of December 31,2009	**63,784**
Net book value as of December 31, 2009	**34,823**
Net book value as of December 31, 2008	**38,122**

32. Current tax assets

The current tax assets comprise of Bank's net tax position with regard to corporate income tax as of December 31, 2010 and December 31, 2009. 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, 2010 and December 31, 2009 Bank is in net prepaid position with regard to corporate income tax in the amount of BGN 3,467 thousand and BGN 9,795 thousand, respectively.

33. Deferred tax

The origination breakdown of the deferred tax assets and liabilities as of December 31, 2010 and December 31, 2009 is as outlined below:

In thousands of BGN

	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
Property, plant and intangible assets	(30)	(33)	17,956	19,055	17,926	19,022
Available for sale investments	(1,167)	(1,855)	1,977	1,811	810	(44)
Provisions	(1,117)	(1,347)	-	-	(1,117)	(1,347)
Cash flow hedge	(254)	(175)	254	175	-	-
Other liabilities	(3,734)	(3,271)	-	-	(3,734)	(3,271)
Net tax (assets) liabilities	**(6,302)**	**(6,681)**	**20,187**	**21,041**	**13,885**	**14,360**

The movements of deferred tax assets and liabilities on net basis throughout 2010 are as outlined below:

In thousands of BGN

	Balance 2009	Recognised in P&L	Recognised in equity	Balance 2010
Property, plant and equipment	19,022	(1,096)	-	17,926
Available for sale investments	(44)	166	688	810
Provisions	(1,347)	230	-	(1,117)
Cash flow hedge	-	429	(429)	-
Other liabilities	(3,271)	(463)	-	(3,734)
Net tax (assets) liabilities	**14,360**	**(734)**	**259**	**13,885**

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

In 2008 the Management has approved list of properties that no longer will be used in the ordinary activity of the Bank nor will be utilized as investment properties. For all such assets Management has started intensively looking for a buyer and has offered those properties on public auction.

As of December 31, 2010 Management has reviewed the remaining unsold properties and reassess their future usage. For all of the properties for which due to market constraints sale in the near future is not highly probable or which are to be brought back for continuously use in the banking business, reclassification has been done together with the accompanying adjustment in the depreciation for the period of being classified as held for sale. As of December 31, 2010 Bank reports BGN 21 thousand as assets held for sale, which comprise of only one property which disposal procedures are in advance stage as of year-end.

35. Other assets

In thousands of BGN

	2010	2009
Receivables and prepayments	15,244	13,221
Receivables from the State Budget	104	11
Materials, spare parts and consumables	1,266	1,163
Other assets	5,689	5,243
Total other assets	**22,303**	**19,638**

36. Financial liabilities held for trading

In thousands of BGN

	2010	2009
Interest rate swaps	38,869	36,765
FX forward contracts	21,324	1,351
Equity options	1,766	579
Other options	198	456
FX options	1	588
FX swaps	29	472
Commodity swaps	130	-
Total trading liabilities	**62,317**	**40,211**

37. Deposits from banks

In thousands of BGN

	2010	2009
Current accounts and overnight deposits		
Local banks	238,159	65,090
Foreign banks	665,387	1,863,226
	903,546	**1,928,316**
Deposits		
Local banks	126,254	41,037
Foreign banks	1,480,402	1,016,178
	1,606,656	**1,057,215**
Liabilities under repurchase agreements	30,310	117,034
Other	12,511	2,787
Total deposits from banks	**2,553,023**	**3,105,352**

38. Deposits from customers

In thousands of BGN

	2010	2009
Current accounts and overnight deposits		
Individuals	533,317	515,160
Corporate	1,705,400	1,625,369
Budget and State companies	159,554	129,639
	2,398,271	**2,270,168**
Term deposits		
Individuals	2,337,207	2,323,440
Corporate	1,194,654	1,231,628
Budget and State companies	160,253	171,799
	3,692,114	**3,726,867**
Saving accounts	**407,670**	**347,396**
Transfers in execution and process	**42,324**	**76,486**
Other	**145**	**468**
Total deposits from customers	**6,540,524**	**6,421,385**

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

As of December 31, 2009 and December 31, 2008 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, 2010 the total amount of BGN 214,053 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, 2010
November 26, 2004	10 years	19,558	24,685
December 20, 2004	10 years	19,558	24,654
February 3, 2005	10 years	25,426	31,355
August 2, 2005	10 years	29,337	35,429
November 19, 2008	10 years	97,792	97,930
Total		**191,671**	**214,053**

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, 2010 and December 31, 2009 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, 2009	**19,285**	**10,108**	**3,084**	**3,749**	**338**	**36,564**
Allocations	-	6	559	-	254	819
Releases	-	(3,180)	-	(416)	-	(3,596)
Additions due to FX revaluation	1,020	3,580	-	-	-	4,600
Releases due to FX revaluation	-	(3,221)	-	-	-	(3,221)
Utilization	-	(11)	(357)	(370)	(162)	(900)
Balance as of December 31, 2010	**20,305**	**7,282**	**3,286**	**2,963**	**430**	**34,266**

(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, 2010 Bank assessed its entire portfolio of issued letters of guarantee and quantified provisions in the amount of BGN 20,305 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, 2010 Bank has assessed its position in legal cases against it and provision in the amount of BGN 7,282 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, reduced by the amount of unrecognized actuarial losses as of the reporting date.

Major assumptions underlying in 2010 Defined benefit obligation are as follows:

- Discount rate – 5.8%;
- Salary increase – 5% p.a.;
- Retirement age:
  - Men – 63;
  - Women – 60;

The movement of the defined benefit obligation for year ended 2009 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, 2009	**3,084**
Current service costs for 2009	313
Interest cost for 2009	218
Amortisation of actuarial (gains) loss	28
Benefits paid	(357)
Recognized defined benefit obligation as of December 31, 2010	**3,286**
Unrecognized actuarial loss as of December 31, 2010	851
Interest rate Beginning of the year	6.5%
Interest rate End of the year	5.8%
Future increase of salaries	5.0%
Expected 2011 service costs	347
Expected 2011 interest costs	224
Amortization of actuarial loss	63
Expected 2011 benefit payments	604

Current service cost, interest cost and amortization of actuarial gains/losses presented under Personnel expenses (See note **14**).

(d) Provisions on constructive obligation

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

As of December 31, 2010 and December 31, 2009 the whole remaining amount of provisions on constructive obligations relates to full compliance with Instructions I-171 of BNB and Ministry of Internal Affairs, related to security standards of the premised where safe-deposits boxes are provided. In December 2010 review of the amount of provisions needed was done and as a result of reduced expectations for the resources needed, the outstanding amount was adjusted by BGN 416 thousand.

(e) Other provision

Other provisions in the amount of BGN 430 thousand (BGN 338 thousand in 2009) relates to coverage of claims related to credit cards business as well as other claims.

41. Other liabilities

In thousands of BGN

	2010	**2009**
Liabilities to the State budget	4,723	4,092
Liabilities to personnel	20,707	17,655
Liabilities for unused paid leave	6,786	7,023
Dividends	331	196
Incentive plan liabilities	822	980
Other liabilities	32,201	16,206
Total other liabilities	**65,570**	**46,152**

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 2010 and 2009 in accordance with the defined target settings.

Liabilities for unused paid leave represent quantification of Bank's current liability due to employees for unutilized current and prior years leave. The amount is equal to the compensation Bank has to pay should the labour contracts with the employees had been terminated as of December 31, 2010 and December 31, 2009, respectively.

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

42. Equity

a) Share capital

As of December 31, 2010 share capital comprises of 263,911,174 ordinary shares with nominal value of BGN 1 each. All shares give equal voting rights to their holders.

As described in 3 (p) (i) in 2010 General Meting of Shareholders of UniCredit Bulbank AD approved capital increase through cash contributions in total amount of BGN 179,000 thousand comprising of 24,655,650 new ordinary shares with issuing price BGN 7.26 each. The capital increase was effectively completed and registered in December 2010.

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 (see **42 a**) above)

c) Retained earnings

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

d) Revaluation reserves

Revaluation reserves include such on property as per the allowed fair value model under IAS 16 "Property, Plant and Equipment" as well as reserve out of the fair value change of financial assets classified as available for sale or derivatives designated as effective hedging instrument in cash flow hedge relationship all in accordance with IAS 39 "Financial Instruments, Recognition and Measurement".

43. Contingent liabilities

In thousands of BGN

	2010	2009
Letters of credit and letters of guarantee	729,562	641,532
Credit commitments	1,139,353	928,597
Total contingent liabilities	**1,868,915**	**1,570,129**

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 have off balance-sheet credit risk 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, 2010 and December 31, 2009 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, 2010 there are open litigation proceedings against the Bank. There is significant uncertainty as to the timing and outcome of such proceedings. Since the ultimate outcome of the claims against the Bank cannot presently be determined with sufficient reliability, provisions have been accrued only on cases where sufficient degree of certainty exists. Total of litigation claims provided for in the financial statements as of December 31, 2010 is in the amount of BGN 7,282 thousand (BGN 10,108 thousand in 2009).

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, 2010 and December 31, 2009 the Bank presents committed but unutilized credit facilities as part of its off-balance sheet positions.

44. Assets pledged as collateral

In thousands of BGN

	2010	2009
Securities pledged for budget holders' account service	265,302	286,515
Securities pledged on REPO deals	27,886	114,321
Securities pledged on other deals	69,171	52,384
Blocked deposit on other deals	471	4
	362,830	**453,224**
Pledged securities include		
Assets held for trading	70,355	33,136
Assets designated at fair value through profit or loss	11,197	4,136
Available for sale assets	145,007	133,400
Assets held to maturity	107,914	282,548
	334,473	**453,220**

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

In thousands of BGN

	Assets	Liabilities
Financial assets held for trading	8,182	
Available for sale investments	2,873	
Current accounts and deposits placed	1,051,925	
Extended loans	76,016	
Other assets	4,030	
Financial liabilities held for trading		50,317
Derivatives used for hedging		4,207
Current accounts and deposits taken		2,064,639
Subordinated loans		214,053
Other liabilities		1,801
Total	**1,143,026**	**2,335,017**
Guarantees received by the Group	**63,134**	

In thousands of BGN

	Income (Expense)
Interest incomes	5,728
Interest expenses	(45,251)
Fee and commissions income	3,000
Fee and commissions expenses	(21)
Administrative and personnel expenses	(7,047)
	(43,591)

As of December 31, 2010 the loans extended to key management personnel amount to BGN 23,151 thousand. For the twelve months ended December 31, 2010 the compensation to senior management personnel amounts to BGN 2,207 thousand.

46. Cash and cash equivalents

In thousands of BGN

	2010	2009
Cash in hand	130,623	119,816
Current account with the Central Bank	744,035	712,342
Current accounts with banks	36,344	42,923
Receivables under repurchase agreements	84,038	11,574
Placements with banks with original maturity less than 3 months	1,578,136	1,911,215
Total cash and cash equivalents	**2,573,176**	**2,797,870**

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

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

In thousands of BGN

Residual maturity	Total future minimum lease payment		NPV of total future minimum lease payment	
	2010	2009	2010	2009
Up to one year	141	336	135	323
Between one and five years	10	173	9	145
Total	**151**	**509**	**144**	**468**

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

In thousands of BGN

Residual maturity	Total future minimum lease payment	
	2010	2009
Up to one year	12,850	12,082
Between one and five years	31,135	26,663
Beyond five years	6,718	6,774
Total	**50,703**	**45,519**

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

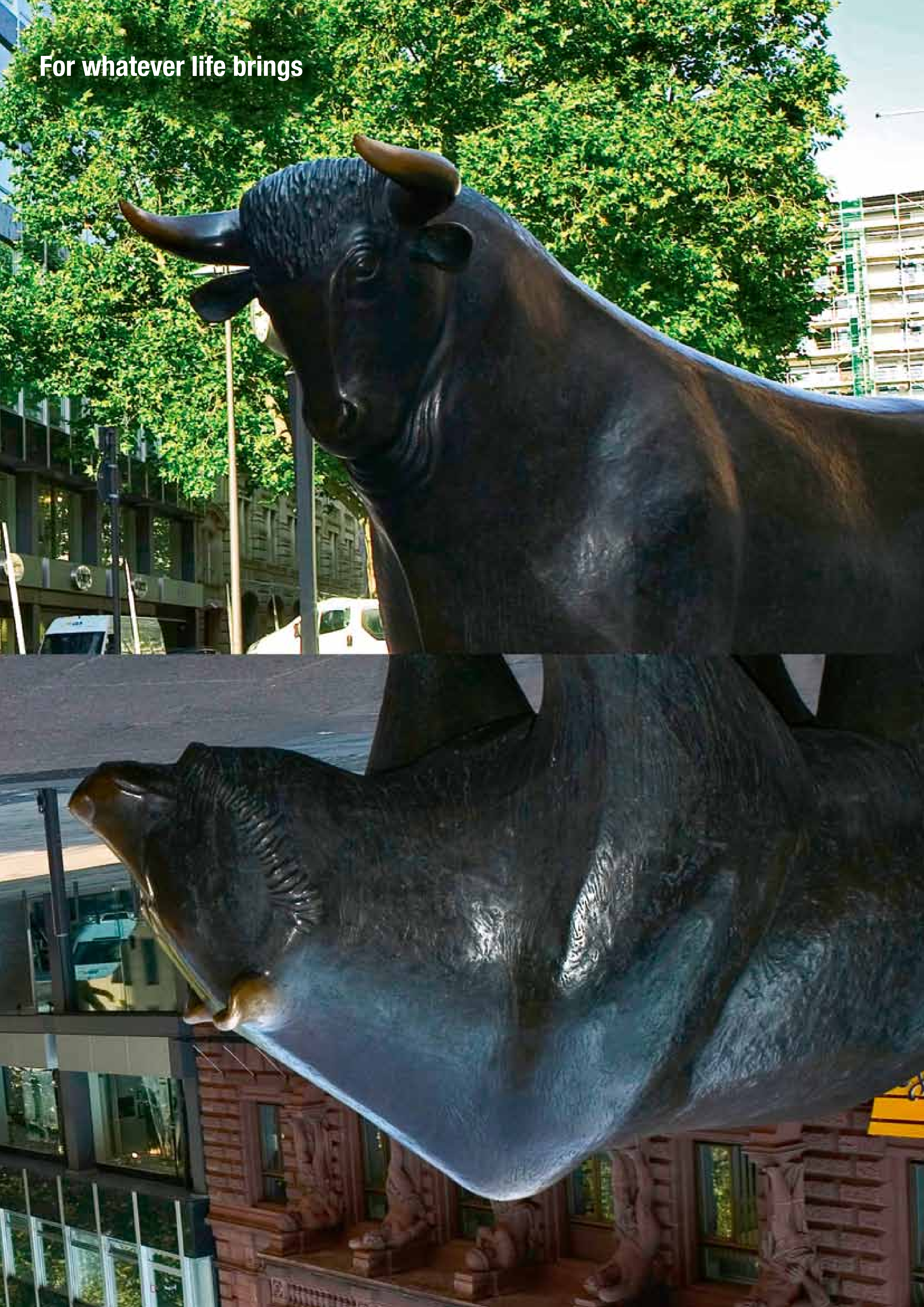
In thousands of BGN

Residual maturity	Total future minimum lease payment	
	2010	2009
Up to one year	290	247
Between one and five years	274	85
Beyond five years	67	-
Total	**631**	**332**

48. Group entities

The direct parent company of UniCredit Bulbank AD is UniCredit Bank Austria AG. As of December 31, 2010 and December 31, 2009 the ultimate parent company is UniCredito Italiano S.p.A.

For whatever life brings



Consolidated Financial Statements

Independent Auditors Report

KPMG

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
UniCredit Bulbank AD

Report on the 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 at 31 December 2010, the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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 about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Bank as at 31 December 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Annual report of the activities of the Bank prepared in accordance with the requirements of article 33 of the Accountancy Act

As required under the Accountancy Act, we report that the consolidated historical financial information disclosed in the annual report of the activities of the Bank, prepared by Management as required under article 33 of the Accountancy Act, is consistent, in all material aspects, with the consolidated financial information disclosed in the audited consolidated financial statements of the Bank as of and for the year ended 31 December 2010. Management is responsible for the preparation of the annual report of the activities of the Bank which was approved by the Management Board of the Bank on 18 February 2011.

Tzvetelinka Koleva
Authorized Representative

KPMG Bulgaria OOD

Sofia, 23 February 2011

София
Рег. №045
"КПМГ - България" ООД

Margarita Goleva
Registered auditor

Income Statement

INCOME STATEMENT

In thousands of BGN

	Notes	2010	2009
Interest income		634,760	652,373
Interest expense		(205,811)	(242,579)
Net interest income	7	**428,949**	**409,794**
Dividend income		**133**	**134**
Fee and commission income		164,584	158,878
Fee and commission expense		(9,050)	(8,755)
Net fee and commission income	8	**155,534**	**150,123**
Net gains (losses) on financial assets and liabilities held for trading	9	856	3,243
Net gains (losses) on other financial assets designated at fair value through profit or loss	10	5,819	65
Net income from investments	11	9,986	2,169
Net income related to subsidiaries, associates and property, plant and equipment	12	6,977	5,617
Other operating income, net	13	5,962	6,895
TOTAL OPERATING INCOME		**614,216**	**578,040**
Personnel expenses	14	(96,925)	(97,781)
General and administrative expenses	15	(112,508)	(113,691)
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	16	(36,377)	(35,087)
Provisions for risk and charges	17	1,957	18,885
Net impairment loss on financial assets	18	(185,639)	(130,146)
PROFIT BEFORE INCOME TAX		**184,724**	**220,220**
Income tax expense	19	(18,019)	(22,823)
PROFIT FOR THE PERIOD		**166,705**	**197,397**

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

KPMG Bulgaria OOD

Tzvetelinka Koleva
Authorized representative

София
Рег. №045

Margarita Goleva
Registered auditor

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

Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME

In thousands of BGN

	Notes	2010	2009
Profit for the period		166,705	197,397
Other comprehensive income:			
Available for sale investments		6,876	10,422
Cash flow hedge		(4,299)	1,757
Revaluation of non current assets	30	-	63,960
Income tax relating to components of other comprehensive income		(259)	(7,615)
Other distribution		(77)	(4,076)
Total other comprehensive income for the year net of tax		**2,241**	**64,448**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**168,946**	**261,845**

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

KPMG Bulgaria OOD

Tzvetelinka Koleva
Authorized representative

Margarita Goleva
Registered auditor

София
Рег. №045
КПМГ - България

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

Statement of Financial Position

STATEMENT OF FINANCIAL POSITION

In thousands of BGN

	Notes	2010	2009
ASSETS			
Cash and balances with Central Bank	20	874,660	832,164
Financial assets held for trading	21	162,160	115,450
Derivatives held for trading	22	56,250	45,142
Derivatives used for hedging	23	-	1,521
Financial assets designated at fair value through profit or loss	24	110,545	136,071
Loans and advances to banks	25	1,699,214	2,071,567
Loans and advances to customers	26	7,533,400	7,378,678
Available for sale investments	27	278,732	285,485
Held to maturity investments	28	291,382	314,749
Investments in associates	29	29,218	22,511
Property, plant, equipment and investment properties	30	241,765	247,022
Intangible assets	31	31,097	34,886
Current tax assets	32	3,471	9,796
Deferred tax assets	33	6,321	6,696
Non-current assets and disposal group classified as held for sale	34	21	2,236
Other assets	35	22,597	19,775
TOTAL ASSETS		**11,340,833**	**11,523,729**
LIABILITIES			
Financial liabilities held for trading	36	62,317	40,211
Derivatives used for hedging	23	4,527	6
Deposits from banks	37	2,610,171	3,114,002
Deposits from customers	38	6,535,848	6,413,097
Subordinated liabilities	39	214,053	212,123
Provisions	40	34,266	36,564
Current tax liabilities	32	80	27
Deferred tax liabilities	33	20,193	21,041
Other liabilities	41	66,051	46,524
TOTAL LIABILITIES		**9,547,506**	**9,883,595**
EQUITY			
Share capital		263,911	239,256
Revaluation reserves		132,073	130,109
Retained earnings		1,230,638	1,073,372
Profit for the period		166,705	197,397
TOTAL EQUITY	42	**1,793,327**	**1,640,134**
TOTAL LIABILITIES AND EQUITY		**11,340,833**	**11,523,729**

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

KPMG Bulgaria OOD

Tzvetelinka Koleva
Authorized representative

София
Рег. №045

Margarita Goleva
Registered auditor

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

3

Statement of Changes in Equity

STATEMENT OF CHANGES IN EQUITY

In thousands of BGN

	Share capital	Statutory reserve	Retained earnings	Property revaluation reserve	Available for sale investments revaluation reserve	Cash flow hedges reserves	Total
Balance as of January 1, 2009	**239,256**	**51,155**	**1,025,946**	**88,004**	**(26,072)**	**-**	**1,378,289**
Profit for the period	-	-	197,397	-	-	-	**197,397**
Revaluation of non current assets	-	-	-	63,960	-	-	**63,960**
Transfer of revaluation reserve on non-current assets disposed of	-	-	347	(347)	-	-	**-**
Change of revaluation reserve on available for sale investments	-	-	-	-	10,422	-	**10,422**
Change of revaluation reserve on cash flow hedges reserves	-	-	-	-	-	1,757	**1,757**
Other distribution	-	-	(4,076)	-	-	-	**(4,076)**
Income tax relating to components of other comprehensive income	-	-	-	(6,397)	(1,042)	(176)	**(7,615)**
Total other comprehensive income for the year net of tax	**-**	**-**	**(3,729)**	**57,216**	**9,380**	**1,581**	**64,448**
Total comprehensive income for the year net of tax	**-**	**-**	**193,668**	**57,216**	**9,380**	**1,581**	**261,845**
Balance as of December 31, 2009	**239,256**	**51,155**	**1,219,614**	**145,220**	**(16,692)**	**1,581**	**1,640,134**
Profit for the period	-	-	166,705	-	-	-	**166,705**
Transfer of revaluation reserve on non-current assets disposed of	-	-	354	(354)	-	-	**-**
Change of revaluation reserve on available for sale investments	-	-	-	-	6,876	-	**6,876**
Change of revaluation reserve on cash flow hedges reserves	-	-	-	-	-	(4,299)	**(4,299)**
Other distribution	-	-	(77)	-	-	-	**(77)**
Income tax relating to components of other comprehensive income	-	-	-	-	(688)	429	**(259)**
Total other comprehensive income for the year net of tax	**-**	**-**	**277**	**(354)**	**6,188**	**(3,870)**	**2,241**
Total comprehensive income for the year net of tax	**-**	**-**	**166,982**	**(354)**	**6,188**	**(3,870)**	**168,946**
Dividends paid	-	-	(194,753)	-	-	-	**(194,753)**
Increase of capital	24,655	154,345	-	-	-	-	**179,000**
Balance as of December 31, 2010	**263,911**	**205,500**	**1,191,843**	**144,866**	**(10,504)**	**(2,289)**	**1,793,327**

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

KPMG Bulgaria OOD

Tzvetelinka Koleva
Authorized representative

Margarita Goleva
Registered auditor

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

4

Statement of Cash Flows

STATEMENT OF CASH FLOWS

In thousands of BGN

	Notes	2010	2009
Net profit		**166,705**	**197,397**
Current and deferred tax income, recognised in income statement		(4,388)	(3,176)
Current and deferred tax expenses, recognised in income statement		22,407	25,999
Adjustments for non-cash items			
Depreciation and amortisation	30,31	33,954	32,726
Impairment	16,18,30,31	188,380	134,510
Provisions, net		(1,398)	(18,885)
Unrealised fair value gains (losses) through profit or loss, net		(2,617)	3,667
Net (gains)/losses on sale of investments		(6,977)	(4,272)
Increase in other accruals		18,808	20,790
Cash flows from profits before changes in operating assets and liabilities		**414,874**	**388,756**
Operating activities			
Change in operating assets			
Decrease (increase) in loans and advances to banks		105,159	(24,383)
Increase in loans and advances to customers		(340,679)	(271,934)
Decrease in available for sale investments		22,349	82,391
Decrease (increase) in financial instruments held for trading		(38,994)	(22,279)
Decrease in financial instruments at fair value trough profit or loss		21,943	47,755
Increase in other assets		(15,074)	(12,112)
Change in operating liabilities:			
Increase (decrease) in deposits from banks		(501,901)	(113,726)
Increase (decrease) in amounts owed to customers		122,751	388,591
Provisions utilization		(900)	(1,801)
Decrease in other liabilities		613	(47,051)
Net cash flow from operating activities		**(209,859)**	**414,207**
Cash flow from investing activities			
Cash payments to acquire tangible assets		(19,295)	(19,807)
Cash receipt from sale of tangible assets		1,074	8,939
Cash payments to acquire intangible assets		(6,660)	(7,884)
Cash receipt from sale of intangible assets		-	69
Cash payments for the investment in associates		-	(12,952)
Cash receipts from the sale of held to maturity investments		23,367	41,253
Net cash flow from investing activities		**(1,514)**	**9,618**
Cash flow from financial activities			
Dividends paid		(194,753)	-
Capital increase		179,000	-
Other cash payments related to financing activities		(77)	(402)
Net cash flows from financial activities		**(15,830)**	**(402)**
Effect of exchange rate changes on cash and cash equivalents		**2,505**	**4**
Net increase in cash and cash equivalents		**(224,698)**	**423,427**
Cash and cash equivalents at the beginning of period	46	**2,797,876**	**2,374,449**
Cash and cash equivalents at the end of period	46	**2,573,178**	**2,797,876**

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

KPMG Bulgaria OOD

Tzvetelinka Koleva
Authorized representative

Margarita Goleva
Registered auditor

Рег. №045
"КПМГ - България" ООД

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

5

Notes to Consolidated Financial Statements

1. Reporting entity

Unicredit Bulbank AD (the Bank) is a universal Bulgarian bank established upon triple legal merger of Bulbank AD, HVB Bank Biochim AD and Hebros Bank AD on April 27th, 2007. 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 possesses a full-scope banking licence for performing commercial banking activities. It is domiciled in the Republic of Bulgaria with registered address Sofia, 7 "Sveta Nedelya" sq. The Bank is primarily involved in corporate and retail banking and in providing asset management services.
The Bank operates through its network comprising of 216 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 are approved by the Management Board of the Bank on February 18, 2011. 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, where such can be reliably determined;
- available for sale financial instruments measured at fair value, where such can be reliably determined;
- investments in property measured at revalued amount based on independent appraiser's valuation;
- liability for defined benefit obligation presented as fair value of defined benefit obligation plus unrecognized actuarial gains and less unrecognized actuarial losses.

(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.

(d) Use of estimates and judgement

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

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

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

3. Significant accounting policies

The accounting policies set below have been applied consistently to all periods presented in these financial statements. Whenever certain information in the current period is presented in a different way for providing more fair and true view of the financial position of the Bank, prior period information is also recalculated for comparative reasons.

(a) Basis of consolidation

These consolidated financial statements are prepared in accordance with IAS 27 "Separate and Consolidated Financial Statements" whereas all participations in single entities where Unicredit Bulbank 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 exercise significant influence by holding more than 20% of the voting rights in the investees are consolidated applying equity method.

Intra-group balances, and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. For more detailed information on applying equity method on associates see also note **29**.

Company	Partition in equity	Consolidation method
UniCredit Factoring EAD	100.0%	Full consolidation
Hypovereins Immobilien EOOD	100.0%	Full consolidation
UniCredit Consumer Financing AD	49.9%	Equity method
UniCredit Leasing AD	24.4%	Equity method
Cash Service Company AD	20.0%	Equity method
Pirelli Real Estate Bulgaria AD (in liquidation)	25.0%	Equity method

(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 basis;
- interest on available for sale investment securities calculated on an effective interest basis;
- interest on financial instruments held for trading;
- interest on financial instruments designated at fair value through profit or loss;
- 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 includes those gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading as well as trading income in dealing with foreign currencies and exchange differences from daily revaluation of the 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 ruling at the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated at the closing foreign exchange rate being the official rate of the Bulgarian National Bank. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the foreign exchange rates ruling at the dates that the values were determined. As of each reporting date, all foreign currencies denominated monetary assets and liabilities are revaluated on net basis using Bulgarian National Bank closing exchange rates. Any gain/loss is recognized in the profit or loss.

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

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

(g) Dividend income

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

(h) Lease payments made

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

(i) Financial instruments

(i) Recognition

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

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

(ii) Classification

a) Cash and balances with the Central Bank

Cash and balances with the Central bank include notes and coins on hand and unrestricted balances held with the Central Bank. They are carried at amortised cost in the 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 in a net receivable position (positive fair value) and purchased options are reported separately as derivatives held for trading. All derivatives in a net payable position (negative fair value) and written options are reported as financial liabilities held for trading. Financial assets and derivatives held for trading are carried at fair value in the 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 method.

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

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

f) Held to maturity investments
Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available for sale.
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 consolidated financial statements Bank has adopted the policy of carrying all investments in associates at equity method accordance with IAS 27 "Consolidated and Separate Financial Statements".

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

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

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

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

(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 amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in arm's length transaction on the reporting date. The Bank has applied Improving Disclosures about Financial Instruments (Amendments to IFRS 7), issued in March 2009, that requires enhanced disclosures about fair value measurements in respect of financial instruments. The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments.

Level 1 fair value measurement covers those financial assets and liabilities which fair value is derived directly from quoted prices on active markets. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 fair value measurement covers those financial assets and liabilities which fair value is derived on the basis of observable market data (e.g. actual quotations and prices on markets regarded as non-active, available yield curves etc.).

Level 3 fair value measurement covers those financial assets and liabilities for which relevant observable data is not available, or when there is little to non market activity. For all such assets and liabilities valuation technique is applied embodying all relevant market data available, reflecting the assumptions that market participants would use when pricing the respective asset or liability, including assumptions about risk. Level 3 also includes those financial assets, where fair value cannot be reliably measured, therefore they are stated at cost or amortised cost.

(vii) Offsetting

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

(viii) Repurchase agreements

Unicredit Bulbank enters into purchases (sales) of financial instruments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Instruments purchased subject to commitments to resell them at future dates are not recognized. The amounts paid are recognized in loans to either banks or customers. Financial instruments sold under repurchase agreements continue to be recognized in the 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;
- for available for sale and held to maturity financial assets – 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. For consolidated subsidiaries decisions are taken by respective management bodies. 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 an asset measured to fair value directly through other comprehensive income is impaired, and an increase in the fair value of the asset was previously recognized in other comprehensive income, the increase in fair value of the asset recognized in other comprehensive income is reversed to the extent the asset is impaired. Any additional impairment loss is recognized in profit or loss.

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

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 embedded in 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 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 weather 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 weather 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 weather 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 derivate 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 amortised 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 and equipment and investment property

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

Items of property are stated at fair value determined periodically (4 to 5 years or more often if material deviations are encountered) by independent registered appraisers. Last full scope real estate property valuation was performed as of December 31, 2009 by external independent appraisers.

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

Plant and equipment are carried at historical cost less any accumulated depreciation or impairment losses.

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or use for administrative purposes. The Bank holds some investment property as a consequence of the ongoing rationalisation of its retail branch network. Other property has been acquired through the enforcement of security over loans and advances. Investment property is measured at cost less any accumulated depreciation.

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, 2010 and December 31, 2009 the entire class of intangible assets includes only investments in software and related licenses.

Amortisation is calculated on a straight-line basis over the expected useful life of the asset. The average estimated useful life of intangible assets controlled by the Bank is varies between 2 and 5 years.

(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, 2010 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 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, hired by the Bank, using the projected unit credit method. To determine the net amount in the statement of financial position, any actuarial gains and losses that have not been recognised because of application of the "corridor" approach described below are added or deducted as appropriate and unrecognised past service costs are deducted.
The Bank recognises a portion of actuarial gains and losses that arise in calculating the Group's obligation in respect of a plan in profit or loss over the expected average remaining working lives of the employees participating in the plan.

The portion is determined as the extent to which any cumulative unrecognised actuarial gain or loss at the end of the previous reporting period exceeds 10 percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets (the corridor). Otherwise, the actuarial gains and losses are not recognised.

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

UniCredit Group Medium and Long-Term incentive plans compose of Stock Options and Performance share granted by the ultimate parent UniCredito Italiano 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 is ended, UniCredit Bulbank is required to settle the monetary amount, corresponding to the economic value of the respective instruments.

As of December 31, 2010 and December 31, 2009 UniCredit Bulbank presents the corresponding part of the economic value of the Stock Options and Performance shares as payroll costs under personnel expenses in the Income statement and the related obligation for payment as other liability.

(q) Share capital and reserves

(i) Share capital

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

Bulbank as of the date of 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 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 amounts to BGN 263,911 thousand.

(ii) Reserves

Reserves consist of statutory reserves and retained earnings held within the Bank as well as revaluation reserves on property, available for sale investments and cash flow hedge reserve. As of December 31, 2010 the reserves includes also the premium of newly 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 does not represent a change in accounting policy as the business segments that has 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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2010, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Bank.

IASB/IFRIC documents not yet endorsed by EC:

Management believes that it is appropriate to disclose that the following revised standards, new interpretations and amendments to current standards, which are already issued by the International Accounting Standards Board (IASB), are not yet endorsed for adoption by the European commission, and therefore are not taken into account in preparing these financial statements. The actual effective dates for them will depend on the endorsement decision by the EC.

- IFRS 9 Financial Instruments (issued November 2009 and Additions to IFRS 9 issued October 2010) has an effective date 1 January 2013 and could change the classification and measurement of financial instruments. The extent of the potential impact has not been determined.
- Amendments to IFRS 7 Financial Instruments: Disclosures (issued October 2010) has an effective date 1 July 2011 – not expected to have a significant impact on the financial statements of the Bank.
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets (issued December 2010) has an effective date 1 January 2012 – not expected to have a significant impact on the financial statements of the Bank.
- Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (issued December 2010) has an effective date 1 July 2012 – not expected to have a significant impact on the financial statements of the Bank.
- Improvements to IFRSs 2010 (issued April 2010), various effective dates, generally 1 January 2011 - not expected to have a significant impact on the financial statements of the Bank.

4. Financial risk management

(a) General framework

Unicredit Bulbank is exposed to the following risks from financial instruments:

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

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

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

(b) Market risk

Risk monitoring and measurement in the area of market risks, along with trading activities control is performed by Market Risk department. Market risks control function is organized independently from the trading and sales activities. Prudent market risk management policies and limits are explicitly defined in Market Risk Rule Book and 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 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, analyzed by the independent Market risk management unit and compared with the risk limits set by the Management Board and ALCO. The risk control function also includes ongoing monitoring and reporting of the risk positions, limit utilization, and daily presentation of results of Markets & Investment Banking and Assets and Liabilities Management (ALM) operations.

UniCredit Bulbank applies uniform Group risk management procedures. These procedures make available the major risk parameters for the various trading operations at least once a day. Besides Value at Risk, other factors of equal importance are stress-oriented 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 Bank Austria's internal model NoRISK. It is based on historical and Monte Carlo simulation of returns and accounts for risk reducing effects between the risk categories interest, credit spread, foreign exchange, equity, volatilities, and commodities. The simulation results, supplemented with distribution metrics and limit utilization are reported on a daily basis to the management. In addition to the risk model results, income data from market risk activities are also determined and communicated on a daily basis. Reporting covers the components reflected in IFRS-based profit and the marking to market of all investment positions regardless of their recognition in the IFRS-based financial statements ("total return").

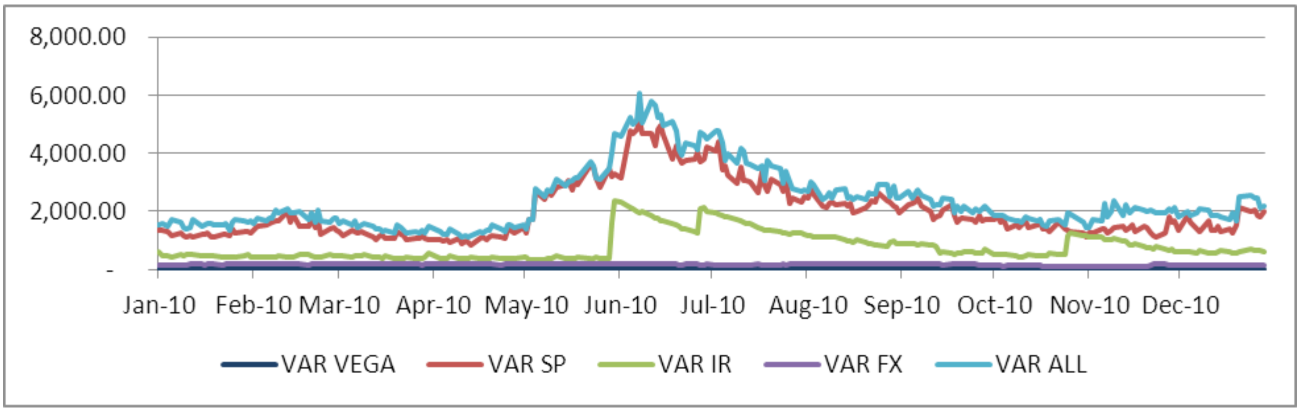
During 2010, VaR (1 day holding period, confidence interval of 99%) moved in a range between EUR 1.11 million and EUR 6.07 million, averaging EUR 2.34 million, with the credit spreads being main driver of total risk in both, trading and banking books.

VaR of Unicredit Bulbank by risk category in EUR million for 2010 is as follows:

Risk Category	Minimum	Maximum	Average	Year-end
Interest rate risk	0.34	2.35	0.78	0.62
Credit spread	0.83	5.14	1.97	1.98
Exchange rate risk	0.11	0.19	0.16	0.14
Vega risk	0.00	0.01	0.00	0.01
VaR overall[1]	**1.11**	**6.07**	**2.34**	**2.16**

[1] Including diversification effects between risk factors

VaR development of UniCredit Bulbank for 2010 (EUR thousands) is as follows:



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 2010 continued to confirm the reliability of the model.

In addition to VaR, risk positions of the Bank Austria Group 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 (trading and banking book) as of December 30, 2010 (change in value due to 1 basis point shift, amounts in EUR):

Currency	**0-3M**	**3M-1Y**	**1Y-3Y**	**3Y-10Y**	**Above 10Y**	**Total**
BGN	2,795	9,240	(4,902)	(23,359)	(352)	(16,578)
CHF	(421)	1,296	(32)	(213)	(9)	621
EUR	12,281	17,682	(7,711)	10,198	(1,351)	31,099
GBP	(105)	(210)	8	-	-	(307)
JPY	-	-	-	-	-	-
USD	(25)	(564)	(2,158)	(11,411)	(1)	(14,159)
Total sensitivity[2]	**15,627**	**28,992**	**14,811**	**45,181**	**1,713**	**62,764**

[2] Total sensitivity for each maturity band is sum of the each currency absolute sensitivity for that band.

Measured by the total basis-point value, the credit spread position of UniCredit Bulbank as of December 31, 2010 totalled to EUR 96,747. 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.

Value-at-risk calculations are complemented by various stress scenarios to identify the potential effects of stressful market conditions on the Bank's earnings. The assumptions under such stress scenarios include extreme movements in prices or rates and dramatic deterioration in market liquidity. 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 2010 the Bank's Management continued vigilant risk management practices by limiting risk taking and focus on client-driven business.

Unicredit Bulbank 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, 2010 the consolidated 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	865,666	8,994	**874,660**
Financial assets held for trading	161,270	890	**162,160**
Derivatives held for trading	55,020	1,230	**56,250**
Financial assets designated at fair value through profit or loss	102,278	8,267	**110,545**
Loans and advances to banks	1,678,757	20,457	**1,699,214**
Loans and advances to customers	7,361,256	172,144	**7,533,400**
Available for sale Investments	278,732	-	**278,732**
Held to maturity Investments	126,603	164,779	**291,382**
Investments in associates	29,218	-	**29,218**
Property, plant, equipment and investment properties	241,765	-	**241,765**
Intangible assets	31,097	-	**31,097**
Current tax assets	3,471		**3,471**
Deferred tax assets	6,321	-	**6,321**
Non-current assets and disposal group classified as held for sale	21	-	**21**
Other assets	22,455	142	**22,597**
TOTAL ASSETS	**10,963,930**	**376,903**	**11,340,833**
LIABILITIES			
Financial liabilities held for trading	61,166	1,151	**62,317**
Derivatives used for hedging	2,313	2,214	**4,527**
Deposits from banks	2,472,110	138,061	**2,610,171**
Deposits from customers	5,933,688	602,160	**6,535,848**
Subordinated liabilities	214,053	-	**214,053**
Provisions	15,579	18,687	**34,266**
Current tax liabilities	80	-	**80**
Deferred tax liabilities	20,193	-	**20,193**
Other liabilities	64,735	1,316	**66,051**
TOTAL LIABILITIES	**8,783,917**	**763,589**	**9,547,506**
EQUITY	**1,793,327**	**-**	**1,793,327**
Net off-balance sheet spot and forward position	**(395,590)**	**388,523**	**(7,067)**
Net position	**(8,904)**	**1,837**	**(7,067)**

As of December 31, 2009 the consolidated 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	824,887	7,277	**832,164**
Financial assets held for trading	115,450	-	**115,450**
Derivatives held for trading	42,987	2,155	**45,142**
Derivatives used for hedging	84	1,437	**1,521**
Financial assets designated at fair value through profit or loss	127,516	8,555	**136,071**
Loans and advances to banks	2,050,172	21,395	**2,071,567**
Loans and advances to customers	7,252,251	126,427	**7,378,678**
Available for sale Investments	283,912	1,573	**285,485**
Held to maturity Investments	147,462	167,287	**314,749**
Investments in associates	22,511	-	**22,511**
Property, plant, equipment and investment properties	247,022	-	**247,022**
Intangible assets	34,866	-	**34,866**
Current tax assets	9,796	-	**9,796**
Deferred tax assets	6,696	-	**6,696**
Non-current assets and disposal group classified as held for sale	2,236	-	**2,236**
Other assets	19,698	77	**19,775**
TOTAL ASSETS	**11,187,546**	**336,183**	**11,523,729**
LIABILITIES			
Financial liabilities held for trading	38,165	2,046	**40,211**
Derivatives used for hedging	6	-	**6**
Deposits from banks	3,099,413	14,589	**3,114,002**
Deposits from customers	5,825,041	588,056	**6,413,097**
Subordinated liabilities	212,123	-	**212,123**
Provisions	19,256	17,308	**36,564**
Current tax liabilities	27	-	**27**
Deferred tax liabilities	21,041	-	**21,041**
Other liabilities	45,393	1,131	**46,524**
TOTAL LIABILITIES	**9,260,465**	**623,130**	**9,883,595**
EQUITY	**1,640,134**	**-**	**1,640,134**
Net off-balance sheet spot and forward position	**(291,379)**	**295,179**	**3,800**
Net position	**(4,432)**	**8,232**	**3,800**

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

The collective Bank's body for liquidity management is ALCO (Assets and Liabilities Committee). Operative management rules, as well as contingency plan and funding plan procedures are laid down in the Bank's Liquidity Management Policy.

The liquidity is operationally managed through Markets and Sales Division and the structural liquidity through Assets and Liabilities Division. According to the Liquidity Policy, Assets and Liabilities Division monitors on a daily basis short term flows, arising form treasury activities with a time horizon up to three months. The structural liquidity is monitored on a weekly basis prepared under three scenarios – going concern, liquidity crisis and name crisis. For the purposes of liquidity management are monitored daily short-term limits, 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. During 2010 the Bank was in compliance with the Group liquidity limit requirements.

The following tables provide basic analysis of the financial liabilities of the Bank 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. The gross amounts include also estimated or 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 2010	Carrying amount	Gross in (out) flow	Up to 1 month	From1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Non derivative instruments							
Deposits from banks	2,610,171	(2,664,311)	(1,359,054)	(51,272)	(367,904)	(487,949)	(398,132)
Deposits from customers	6,535,848	(6,581,367)	(2,179,937)	(1,755,287)	(1,505,458)	(1,140,673)	(12)
Subordinated liabilities	214,053	(256,571)	-	-	-	(125,525)	(131,046)
Issued financial guarantee contracts	20,305	(20,305)	-	-	-	(20,305)	-
Unutilized credit lines	-	(1,121,434)	(16,822)	-	(207,465)	(897,147)	-
Total non-derivative instruments	**9,380,377**	**(10,643,988)**	**(3,555,813)**	**(1,806,559)**	**(2,080,827)**	**(2,671,599)**	**(529,190)**
Trading derivatives, net	(6,067)						
Outflow		(1,660,814)	(877,963)	(257,113)	(247,955)	(245,354)	(32,429)
Inflow		1,655,186	869,295	254,966	251,301	246,521	33,103
Derivatives used for hedging, net	(4,527)						
Outflow		(12,342)	(2,286)	(107)	(1,394)	(8,555)	-
Inflow		7,865	518	46	898	6,403	-
Total derivatives	**(10,594)**	**(10,105)**	**(10,436)**	**(2,208)**	**2,850**	**(985)**	**674**
Total financial liabilities	**9,369,783**	**(10,654,093)**	**(3,566,249)**	**(1,808,767)**	**(2,077,977)**	**(2,672,584)**	**(528,516)**

In thousands of BGN

Maturity table as at 31 December 2009	Carrying amount	Gross in (out) flow	Up to 1 month	From1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Non derivative instruments							
Deposits from banks	3,114,002	(3,164,174)	(2,190,418)	(5,775)	(58,755)	(817,503)	(91,723)
Deposits from customers	6,413,097	(6,456,177)	(3,264,012)	(1,473,029)	(1,307,060)	(412,064)	(12)
Subordinated liabilities	212,123	(256,051)	-	-	-	(52,784)	(203,267)
Issued financial guarantee contracts	19,285	(19,285)	-	-	-	(19,285)	-
Unutilized credit lines	-	(922,835)	(13,929)	-	-	(908,906)	-
Total non-derivative instruments	**9,758,507**	**(10,818,522)**	**(5,468,359)**	**(1,478,804)**	**(1,365,815)**	**(2,210,542)**	**(295,002)**
Trading derivatives, net	4,931						
Outflow		(880,472)	(619,490)	(100,617)	(30,809)	(116,921)	(12,635)
Inflow		889,617	622,591	101,271	35,919	117,169	12,667
Derivatives used for hedging, net	**1,515**						
Outflow		(13,599)	(350)	(33)	(1,175)	(11,415)	(626)
Inflow		15,388	68	22	930	13,718	650
Total derivatives	**6,446**	**10,934**	**2,819**	**643**	**4,865**	**2,551**	**56**
Total financial liabilities	**9,764,953**	**(10,807,588)**	**(5,465,540)**	**(1,478,161)**	**(1,360,950)**	**(2,207,991)**	**(294,946)**

(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 mitigating the counterparty risk and settlement risk with regard to the deals in the trading book, Bank concludes deals only with approved counterparts (banks or corporate clients) that have got assigned treasury credit lines. Derivatives are offered to corporate and institutional clients exclusively for hedging purpose.
Regulatory trading book includes financial assets held for trading purposes and derivatives.

The analysis based on client credit quality and rating (where available) as of December 31, 2010 and December 31, 2009 is as shown in the next table:

In thousands of BGN

	2010	2009
Government bonds		
Rated BBB	18,159	331
Rated BBB+	45,824	5,187
Bonds of credit institutions		
Rated AAA	35,949	35,220
Rated BB	35,176	39,637
Unrated		1,165
Corporate bonds		
Rated BB	22,277	-
Unrated	3,093	30,570
Equities	1,682	3,340
Derivatives (net)		
Banks and financial institution counterparties	(45,425)	(31,642)
Corporate counterparties	39,358	36,573
Total trading assets and liabilities	**156,093**	**120,381**

(ii) Credit risk in the banking book

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

The competent body for assessing impairment allowances is the Provisioning and Restructuring Committee (PRC). PRC regularly assess whether there is objective evidence that a loan or a group of loans is impaired. A loan or group of loans is impaired and impairment losses are incurred if:

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

The Bank establishes an allowance for loan losses that represents the estimate of impairment losses in the loan portfolio. The components of this allowance are the individually and the collectively assessed loss allowance. The Bank first assess whether objective evidence of impairment exists individually for loans that are significant. Then collectively impairment assessment is performed for those loans that are not individually significant and loans which are significant but for which there is no objective evidence of impairment under the individual assessment. Risk assessment is done at least once per month. Credit risk methodology adopted by the Bank is explicitly defined in the Policy for evaluation of risk exposures.

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

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

As of December 31, 2010 and December 31, 2009 the Bank has fulfilled all statutory lending limits.

The table below analyses the breakdown of impairment allowances as of December 31, 2010 and December 31, 2009.

In thousands of BGN

	Carrying amount before impairment		Impairment allowance		Carrying amount	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Individually impaired	779,072	316,282	474,306	266,649	304,766	49,633
Collectively impaired	6,767,724	5,030,758	109,010	138,363	6,658,714	4,892,395
Past due but not impaired	39,204	200	-	-	39,204	200
Past due comprises						
from 31 to 90 days	*1,440*	*2*	-	-	*1,440*	*2*
from 91 to 180 days	*7,829*	*40*	-	-	*7,829*	*40*
over 181 days	*29,935*	*158*	-	-	*29,935*	*158*
	39,204	***200***	***-***	***-***	***39,204***	***200***
Neither past due nor impaired	530,716	2,436,450	-	-	530,716	2,436,450
Total	**8,116,716**	**7,783,690**	**583,316**	**405,012**	**7,533,400**	**7,378,678**

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
	2010	**2009**
Against individually impaired		
Cash collateral	143	579
Property	775,930	1,161,043
Other collateral	1,934,880	1,947,415
Against collectively impaired		
Cash collateral	18,223	1,308
Property	9,661,502	9,227,381
Debt securities	10,021	12
Other collateral	17,221,236	11,779,026
Against past due but not impaired		
Cash collateral	325	1,396
Property	124,586	646
Debt securities	13	-
Other collateral	89,998	1,417
Neither past due nor impaired		
Cash collateral	87,777	58,354
Property	1,711,043	2,629,238
Debt securities	79,079	29,630
Other collateral	620,807	8,423,299
Total	**32,335,563**	**35,260,744**

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 advance to customers		Loans and advance to bank		Investment securities	
	2010	2009	2010	2009	2010	2009
Concentration by sectors						
Sovereign	59,253	57,584	-	-	526,122	552,973
Manufacturing	1,622,898	1,553,106	-	-	-	-
Commerce	1,669,173	1,690,683	-	-	-	-
Construction and real estate	1,409,335	1,000,384	-	-	-	-
Agriculture and forestry	149,096	138,058	-	-	-	-
Transport and communication	289,222	376,934	-	-	-	-
Tourism	174,127	265,929	-	-	-	-
Services	229,533	200,476	-	-	-	-
Financial services	171,897	257,095	1,699,214	2,071,567	73,210	69,772
Retail (individuals)						
Housing loans	1,574,778	1,425,488	-	-	-	-
Consumer loans	767,404	817,953	-	-	-	-
	8,116,716	**7,783,690**	**1,699,214**	**2,071,567**	**599,332**	**622,745**
Impairment allowances	(583,316)	(405,012)	-	-	-	-
Total	**7,533,400**	**7,378,678**	**1,699,214**	**2,071,567**	**599,332**	**622,745**
Concentration by geographic location						
Europe	8,115,082	7,781,514	1,685,793	2,059,214	585,403	606,293
North America	97	113	4,691	12,033	2,951	5,491
Asia	1,377	1,807	8,513	164	10,978	10,961
Africa	46	153	-	-	-	-
South America	22	11	-	-	-	-
Australia	92	92	217	156	-	-
	8,116,716	**7,783,690**	**1,699,214**	**2,071,567**	**599,332**	**622,745**
Impairment allowances	(583,316)	(405,012)	-	-	-	-
Total	**7,533,400**	**7,378,678**	**1,699,214**	**2,071,567**	**599,332**	**622,745**

(e) Operational Risk

UniCredit Bulbank AD defines as operational the risk of losses due to errors, infringements, interruptions, damages caused by internal processes, personnel, systems or caused by external events: internal or external fraud, employment practices and workplace safety, client claims, fines and penalties due to regulation breaches, damage to company physical assets, business disruption and system failures, process management.

The operational risk management framework is a combined set of policies and procedures for controlling, measuring and mitigating the operational risk exposure of Unicredit Bulbank AD, among which the Group Operational Risk Management Framework and Methodological Manual for Operational Risk Control and Measurement. Integral parts of the framework are the Operational risk control rulebook, as well as the Internal regulation "Data collection procedure for the purpose of operational risk assessment in Unicredit Bulbank AD".

The Bank has a dedicated function for operational risk management, which is independent from business and operational areas, as well as from the Internal Audit function. The Operational risk unit responsibilities are in line with those envisaged by the Holding company and clearly formalized in the approved by the Management Board Operational risk control rulebook. While the main task of the Operational risk unit is to define the methods used and to perform risk measurement and analysis, the nominated operational risk managers in different areas working on a decentralized basis are responsible for loss data reporting and taking measures to reduce and prevent risks.

Activities in 2010 focused primarily on fulfilling the regulatory requirements inherent to the application submitted to the Bulgarian National Bank to use the Advanced Measurement Approach (AMA), the most sophisticated approach for calculating the capital requirements for operational risk. In the process the Operational risk unit underwent control verifications by three independent authorities, namely UniCredit Group Internal Validation, UCB Internal Audit and BNB. By receiving the official approval by Bank of Italy and BNB, Unicredit Bulbank AD will be the first bank in Bulgaria to use AMA for the capital calculation of operational risk.

Overall, the organization of operational risk management at Unicredit Bulbank AD is well established, at high level of quality. Particular attention is dedicated to the involvement of the senior management in the operational risk framework setting and control as well to their awareness of the entity's operational risk profile. With the set-up of the Operational Risk Committee, the regular exchange of information substantially improved the promotion of operational risk awareness in the Bank.

(f) Basel II disclosure

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

Under the regulatory framework, Bank allocates capital for covering three major types of risk, namely credit risk, market risk and operational risk. For the year 2007 Unicredit Bulbank AD applied allowing standardized approach for credit and market risks and the basic indicator approach for operational risk. In 2008 Bank has been given permission by Bulgarian National Bank to apply standardized approach also for operational risk.

Statutory limits exposed to Banks require Bank to maintain total capital adequacy ratio not less than 12% and Tier I ratio not less than 6%. As a response to the ongoing world financial crisis Bulgarian National Bank strongly recommended all the Banks in Bulgaria to reached minimum Tier I ratio of 10% latest by June 2009.

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

(i) Capital base (own funds)

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

As of December 31, 2010 and December 31, 2009 the consolidated Capital base of UniCredit Bulbank AD comprises as follows:

In thousands of BGN

	2010	2009
Share capital	263,911	239,256
Statutory reserve	205,500	51,155
Retained earnings	1,019,309	1,022,772
Total capital and reserves	**1,488,720**	**1,313,183**
Deductions		
Unrealized loss on available-for-sale instruments	(11,955)	(18,789)
Intangible assets	(31,092)	(34,859)
Total deductions	**(43,047)**	**(53,648)**
Total Tier I capital	**1,445,673**	**1,259,535**
Revaluation reserve on real estate properties occupied by the Bank	137,368	136,070
Subordinated long-term debt	165,072	183,848
Total Tier II capital	**302,440**	**319,918**
Additional deductions from Tier I and Tier II capital	**(142,668)**	**(26,060)**
Total Capital base (Own funds)	**1,605,445**	**1,553,393**

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 regulatory purposes the deduction is split equally between Tier I and Tier II capital.

(ii) Capital requirements

As of December 31, 2010 and December 31, 2009 the capital requirements for credit, market and operational risks are as follows:

In thousands of BGN

	2010	2009
Capital requirements for credit risk		
Exposures to:		
Central Governments and Central Banks	6,729	6,859
Regional Governments and local authorities	4,644	4,247
Administrative bodies and non-commercial undertakings	165	11
Institutions	16,740	12,569
Corporates	407,417	205,336
Retail	66,440	63,047
Exposures secured on real estate property	49,482	304,469
Past due items	11,720	2,582
High risk exposures	26	26
Short-term exposures to institutions and corporates	26,745	30,675
Other exposures	21,138	21,193
Total capital requirements for credit risk	**611,246**	**651,014**
Capital requirements for market risk	**11,558**	**12,147**
Capital requirements for operational risk	**82,668**	**79,017**
Total capital requirements for credit, market and operational risk	**705,472**	**742,178**
Additional capital requirements subject to National discretions from the Regulator	**352,737**	**371,088**
Total regulatory capital requirements	**1,058,209**	**1,113,266**
Capital Base (Own funds)	1,605,445	1,553,393
there of Tier I	*1,374,339*	*1,246,505*
Free equity (Own funds)	547,236	440,127
Total capital adequacy ratio	**18.21%**	**16.74%**
Tier I ratio	**15.58%**	**13.44%**

Capital requirements for credit risk cover credit risk and dilution risk in the banking book, counterparty risk in the overall business and settlement risk in the trading book.

Capital requirements for market risk cover market risk in the trading book, foreign-exchange and commodity risks in the overall business.

Operational risk is calculated on applying standardized approach as described in note **4 (e)**

The additional capital requirements, presented above, are subject to National discretion of Bulgarian National Bank. They are calculated as 50% of the total capital requirements for credit risk, market risk and operational risk.

5. Use of estimates and judgement

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

In general the estimates and judgement are widely used in assessing:
- Fair value determination of financial instruments;
- Impairment of financial instruments, especially loans;
- Quantification of the provisions for constructive and/or legal obligations

(a) Fair value determination of financial instruments

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. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial 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 price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length. The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values.

Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

The table below analyses financial instruments carried at fair value by valuation method applied by the Bank as of December 31, 2010.

In thousands of BGN

Instrument category	Level 2		Le vel 3		Total	
	2010	2009	2010	2009	2010	2009
Financial assets held for trading	136,790	80,374	25,370	35,076	162,160	115,450
Derivatives held for trading	56,250	44,785	-	357	56,250	45,142
Derivatives used for hedging	-	1,521	-	-	-	1,521
Financial assets designated at fair value through profit or loss	19,912	23,509	90,633	112,562	110,545	136,071
Available for sale Investments	266,906	282,379	11,826	3,106	278,732	285,485
	479,858	**432,568**	**127,829**	**151,101**	**607,687**	**583,669**
Financial liabilities held for trading	62,317	40,211	-	-	62,317	40,211
Derivatives used for hedging	4,527	6	-	-	4,527	6
	66,844	**40,217**	**-**	**-**	**66,844**	**40,217**
Total	**546,702**	**472,785**	**127,829**	**151,101**	**674,531**	**623,886**

The tables below analyses the fair value of financial instruments by classification as of December 31, 2010 and December 31, 2009

In thousands of BGN

December 2010	Fair value through profit or loss	Held-to-maturity	Loans and receivables	Available for sale	Other amortized cost	Total carrying amount	Fair value
ASSETS							
Cash and balances with Central bank	-	-	-	-	874,660	**874,660**	**874,660**
Financial assets held for trading	162,160	-	-	-	-	**162,160**	**162,160**
Derivatives held for trading	56,250	-	-	-	-	**56,250**	**56,250**
Financial assets designated at fair value through profit or loss	110,545	-	-	-	-	**110,545**	**110,545**
Loans and advances to banks	-	-	1,699,214	-	-	**1,699,214**	**1,699,214**
Loans and advances to customers	-	-	7,533,400	-	-	**7,533,400**	**7,533,338**
Available for sale Investments	-	-	-	278,732	-	**278,732**	**278,732**
Held to maturity Investments	-	291,382	-	-	-	**291,382**	**306,771**
TOTAL ASSETS	**328,955**	**291,382**	**9,232,614**	**278,732**	**874,660**	**11,006,343**	**11,021,670**
LIABILITIES							
Financial liabilities held for trading	62,317	-	-	-	-	**62,317**	**62,317**
Deposits from banks	-	-	-	-	2,610,171	**2,610,171**	**2,619,587**
Deposits from customers	-	-	-	-	6,535,848	**6,535,848**	**6,564,799**
Subordinated liabilities	-	-	-	-	214,053	**214,053**	**214,053**
TOTAL LIABILITIES	**62,317**	**-**	**-**	**-**	**9,360,072**	**9,422,389**	**9,460,756**

In thousands of BGN

December 2009	Fair value through profit or loss	Held-to-maturity	Loans and receivables	Available for sale	Other amortized cost	Total carrying amount	Fair value
ASSETS							
Cash and balances with Central bank	-	-	-	-	832,164	**832,164**	**832,164**
Financial assets held for trading	115,450	-	-	-	-	**115,450**	**115,450**
Derivatives held for trading	45,142	-	-	-	-	**45,142**	**45,142**
Derivatives used for hedging	1,521	-	-	-	-	**1,521**	**1,521**
Financial assets designated at fair value through profit or loss	136,071	-	-	-	-	**136,071**	**136,071**
Loans and advances to banks	-	-	2,071,567	-	-	**2,071,567**	**2,071,567**
Loans and advances to customers	-	-	7,378,678	-	-	**7,378,678**	**7,378,743**
Available for sale Investments	-	-	-	285,485	-	**285,485**	**285,485**
Held to maturity Investments	-	314,749	-	-	-	**314,749**	**325,535**
TOTAL ASSETS	**298,184**	**314,749**	**9,450,245**	**285,485**	**832,164**	**11,180,827**	**11,191,678**
LIABILITIES							
Financial liabilities held for trading	40,211	-	-	-	-	**40,211**	**40,211**
Derivatives used for hedging	6	-	-	-	-	**6**	**6**
Deposits from banks	-	-	-	-	3,114,002	**3,114,002**	**3,128,000**
Deposits from customers	-	-	-	-	6,413,097	**6,413,097**	**6,430,889**
Subordinated liabilities	-	-	-	-	212,123	**212,123**	**212,123**
TOTAL LIABILITIES	**40,217**	**-**	**-**	**-**	**9,739,222**	**9,779,439**	**9,811,229**

The movements in Level 3 financial instruments in 2010 are 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	Derivatives held for trading
Opening balance (January 1,2010)	**35,076**	**112,562**	**3,106**	**357**
Increases	**212**	**6,689**	**21,179**	**-**
Purchases	49		11,434	-
Profit recognized in income statement	163	6,689	9,745	
Decreases	**(9,918)**	**(28,618)**	**(12,459)**	**(357)**
Sales	(2,965)	-	(12,459)	(357)
Redemption	(1,315)	(26,428)	-	-
Loses recognized in income statement	(2,298)	(2,190)	-	-
Transfers to other levels	(3,340)	-	-	-
Closing balance (December 31, 2010)	**25,370**	**90,633**	**11,826**	**-**

(b) Impairment of financial instruments

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

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

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

(c) Provisions

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

6. Segment reporting

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:

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

In thousands of BGN

December 2010	Retail Banking	Corporate and Private Banking	Markets and Investment Banking	ALM and other	Total
Net interest income	209,715	219,297	29,036	(29,099)	**428,949**
Dividend income	-	-	103	30	**133**
Net fee and commission income	89,916	64,151	2,316	(849)	**155,534**
Net gains (losses) from financial assets and liabilities held for trading	91	5,311	(4,961)	415	**856**
Net gains (losses) from other financial assets designated at fair value through profit or loss	-	-	5,149	670	**5,819**
Net income from investments	-	-	-	9,986	**9,986**
Net income related to subsidiaries, associates and property, plant and equipment	-	-	-	6,977	**6,977**
Other operating income	(108)	-	-	6,070	**5,962**
TOTAL OPERATING INCOME	**299,614**	**288,759**	**31,643**	**(5,800)**	**614,216**
Personnel expenses	(41,189)	(13,161)	(1,896)	(40,679)	**(96,925)**
General and administrative expenses	(76,257)	(18,508)	(936)	(16,807)	**(112,508)**
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	(18,464)	(2,929)	(179)	(14,805)	**(36,377)**
Total direct expenses	**(135,910)**	**(34,598)**	**(3,011)**	**(72,291)**	**(245,810)**
Allocation of indirect and overhead expenses	(45,390)	(24,451)	(91)	69,932	**-**
TOTAL OPERATING EXPENSES	**(181,300)**	**(59,049)**	**(3,102)**	**(2,359)**	**(245,810)**
Provisions for risk and charges	-	-	-	1,957	**1,957**
Net impairment loss on financial assets	(8,619)	(175,352)	-	(1,668)	**(185,639)**
PROFIT BEFORE INCOME TAX	**109,695**	**54,358**	**28,541**	**(7,870)**	**184,724**
Income tax expense					**(18,019)**
PROFIT FOR THE PERIOD					**166,705**
ASSETS	**3,013,108**	**5,081,838**	**1,360,868**	**1,885,019**	**11,340,833**
LIABILITIES	**3,547,294**	**2,933,820**	**397,595**	**2,668,797**	**9,547,506**

In thousands of BGN

December 2009	Retail Banking	Corporate and Private Banking	Markets and Investment Banking	ALM and other	Total
Net interest income	211,314	198,487	35,353	(35,360)	**409,794**
Dividend income	-	-	-	134	**134**
Net fee and commission income	83,664	61,551	4,341	567	**150,123**
Net gains (losses) from financial assets and liabilities held for trading	-	151	2,160	932	**3,243**
Net gains (losses) from other financial assets designated at fair value through profit or loss	-	-	437	(372)	**65**
Net income from investments	-	-	-	2,169	**2,169**
Net income related to subsidiaries, associates and property, plant and equipment	-	-	-	5,617	**5,617**
Other operating income	-	-	-	6,895	**6,895**
TOTAL OPERATING INCOME	**294,978**	**260,189**	**42,291**	**(19,418)**	**578,040**
Personnel expenses	(42,070)	(11,896)	(1,845)	(41,970)	**(97,781)**
General and administrative expenses	(81,897)	(20,179)	(1,070)	(10,545)	**(113,691)**
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	(18,479)	(2,885)	(208)	(13,515)	**(35,087)**
Total direct expenses	**(142,446)**	**(34,960)**	**(3,123)**	**(66,030)**	**(246,559)**
Allocation of indirect and overhead expenses	(48,745)	(26,095)	193	74,647	**-**
TOTAL OPERATING EXPENSES	**(191,191)**	**(61,055)**	**(2,930)**	**8,617**	**(246,559)**
Provisions for risk and charges				18,885	**18,885**
Net impairment loss on financial assets	(44,776)	(85,808)	-	438	**(130,146)**
PROFIT BEFORE INCOME TAX	**59,011**	**113,326**	**39,361**	**8,522**	**220,220**
Income tax expense					**(22,823)**
PROFIT FOR THE PERIOD					**197,397**
ASSETS	**2,840,903**	**4,940,105**	**863,080**	**2,879,641**	**11,523,729**
LIABILITIES	**3,461,658**	**2,857,515**	**512,881**	**3,051,541**	**9,883,595**

7. Net interest income

In thousands of BGN

	2010	2009
Interest income		
Financial assets held for trading	7,354	7,892
Derivatives held for trading	21,481	16,636
Financial assets designated at fair value through profit or loss	7,600	10,139
Loans and advances to banks	7,435	20,201
Loans and advances to customers	565,040	566,193
Available for sale investments	9,905	13,898
Held to maturity investments	15,945	17,414
	634,760	**652,373**
Interest expense		
Derivatives held for trading	(19,944)	(14,680)
Derivatives used for hedging	(2,545)	(248)
Deposits from banks	(22,627)	(48,801)
Deposits from customers	(154,848)	(171,601)
Subordinated debt	(5,847)	(7,249)
	(205,811)	**(242,579)**
Net interest income	**428,949**	**409,794**

For the financial years ended December 31, 2010 and December 31, 2009 the interest income recognized on individually impaired financial instruments (loans and advances to customers) is in the amount of BGN 20,729 thousand and BGN 36,958 thousand, respectively.

8. Net fee and commission income

In thousands of BGN

	2010	2009
Fee and commission income		
Collection and payment services	70,973	65,507
Lending business	23,721	20,966
Account services	16,750	18,216
Currency trading	26,319	25,829
Management, brokerage and securities trading	6,311	8,365
Documentary business	9,637	9,556
Package accounts	6,796	7,357
Other	4,077	3,082
	164,584	**158,878**
Fee and commission expense		
Collection and payment services	(6,943)	(6,423)
Management, brokerage and securities trading	(708)	(524)
Lending business	(1,160)	(1,483)
Other	(239)	(325)
	(9,050)	**(8,755)**
Net fee and commission income	**155,534**	**150,123**

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

In thousands of BGN

	2010	2009
FX trading income, net	2,491	(652)
Net income from debt instruments	(4,900)	(371)
Net income from equity instruments	(133)	-
Net income from derivative instruments	3,398	4,266
Net trading income	**856**	**3,243**

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

Bank designates as financial assets at fair value through profit or loss only marketable debt securities, which fair value can be reliably measured. Net income recorded on financial instruments designated at fair 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, 2010 and December 31, 2009 are BGN 5,819 thousand and BGN 65 thousand, respectively.

11. Net income from investments

In thousands of BGN

	2010	2009
Realised gains on disposal of available for sale investments	9,986	1,676
Realised gains (losses) on disposal of held to maturity investments	-	493
Net income from investments	**9,986**	**2,169**

In 2010 the shareholders of Borika AD (Bulgarian card operator) and Bankservice AD (Bulgarian settlement operator) agreed to combine their activities through merging the two companies into a new company (Borika-Bankservice AD) thus gaining some competitive advantage and benefiting from operative synergies. As of the date of merger Unicredit Bulbank AD maintained minority interests in both merging companies. According to the agreement the merger represented share-exchange transaction where the shareholders of the merging companies received shares in the new company on the basis of share-exchange ratios. These ratios were derived on the basis of fair market valuation of the new company and were approved by all the shareholders and verified by external auditor as required by Bulgarian Commercial Law. The difference between the fair market valuation of the received by Unicredit Bulbank AD new shares and the value of the participations in the two merging companies before the transformation, adjusted by previously recognized revaluation reserve, amounting in total BGN 8,961 thousand is reported in the position realized gains on disposal of available for sale investments.

12.Net income related to subsidiaries, associates and property, plant and equipment

In thousands of BGN

	2010	2009
Net income on disposal of subsidiaries and associates	-	1,603
Net income on disposal of property, plant and equipment	270	8,501
Effect of equity method consolidation on associates	6,707	(4,227)
Impairment of participation in associates	-	(260)
Net income related to subsidiaries, associates and property, plant and equipment	**6,977**	**5,617**

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

Upon restructuring if its activity Unicredit Bulbank AD disposed in 2007 51% of the interest in local Bulbank Leasing EAD. The entire realized net income in 2009 in the amount of BGN 1,603 thousand comprise of releases of escrow amounts upon fulfilling the contracted conditions or expiration of warranties given to the buyers.

In 2009 Bank took a decision to voluntarily liquidate together with the majority stake holder one of its associates. As a result of that, Bank’s participation in that entity was impaired and impairment loss in the amount of BGN 260 thousand was recognized.

13. Other operating income, net

In thousands of BGN

	2010	2009
Other operating income		
Income from non-financial services	1,339	1,386
Rental income from investment property	314	341
Other income	4,424	5,538
	6,077	**7,265**
Other operating expenses		
Other operating expenses	(115)	(370)
	(115)	**(370)**
Other operating income, net	**5,962**	**6,895**

14. Personnel expenses

In thousands of BGN

	2010	2009
Wages and salaries	(79,551)	(79,886)
Social security charges	(10,128)	(10,758)
Pension and similar expenses	(559)	(476)
Temporary staff expenses	(5,325)	(5,107)
Share-based payments	(56)	(573)
Other	(1,306)	(981)
Total personnel expenses	**(96,925)**	**(97,781)**

As of December 31, 2010 the total number of employees, expressed in full time employee equivalent is 3,799 (December 31, 2009: 3,835)

Pension and similar expenses comprise of current services costs, interest costs and amortization of actuarial gains/losses 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 Italiano S.p.A has granted stock options and performance shares to top and senior managers of Unicredit Bulbank AD. Upon expiration of the vesting period of any of the granted instruments, Unicredit Bulbank AD is required to settle in cash to the parent amounts corresponding to the economic value of the respective instruments. In 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, 2009	2010 Cost	Settled in 2010	Economic value at December 31, 2010
Stock Options 11 2005	**214**	-	(214)	**-**
Stock Options 06 2006	**183**	30	-	**213**
Stock Options 06 2007	**154**	70	-	**224**
Stock Options 06 2008	**104**	76	-	**180**
Total Stock Options	**655**	**176**	**(214)**	**617**
Performance Shares 06 2006	**323**	(323)	-	**-**
Performance Shares 06 2007	**-**	190	-	**190**
Performance Shares 06 2008	**-**	-	-	**-**
Total Performance Shares	**323**	**(133)**	**-**	**190**
ESOP	**2**	**13**	**-**	**15**
Total Options and Shares	**980**	**56**	**(214)**	**822**

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

Instrument granted	Granting date	Vesting period start date	Vesting period end date
Stock Options 06 2006	13-Jun-06	30-Jun-06	30-Jun-10
Stock Options 06 2007	12-Jun-07	30-Jun-07	30-Jun-11
Stock Options 06 2008	25-Jun-08	30-Jun-08	30-Jun-12
Performance Shares 06 2006	13-Jun-06	31-Dec-08	31-Dec-09
Performance Shares 06 2007	12-Jun-07	31-Dec-09	31-Dec-10
Performance Shares 06 2008	25-Jun-08	31-Dec-10	31-Dec-11

15. General and administrative expenses

In thousands of BGN

	2010	2009
Deposit guarantee fund annual contribution	(27,031)	(26,561)
Advertising, marketing and communication	(6,992)	(6,439)
Credit information and searches	(1,712)	(1,358)
Information, communication and technology expenses	(29,022)	(30,304)
Consulting, audit and other professionals services	(2,224)	(1,602)
Real estate expenses	(13,026)	(13,343)
Rents	(13,466)	(13,646)
Travel expenses and car rentals	(2,386)	(2,021)
Insurance	(1,101)	(1,150)
Supply and miscellaneous services rendered by third parties	(10,652)	(12,504)
Other costs	(4,896)	(4,763)
Total general and administrative expenses	**(112,508)**	**(113,691)**

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

In thousands of BGN

	2010	2009
Depreciation charge	(33,954)	(32,726)
Impairment due to obsolescence	(2,152)	(796)
Decrease in value due to revaluation	(271)	(1,351)
Decrease in value due to revaluation of non-current assets and disposal group classified as held for sale	-	(214)
Amortisation, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	**(36,377)**	**(35,087)**

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, 2010 and December 31, 2009 the impairment of long-terms assets other than real estate properties, is the amount of BGN 2,152 thousand and BGN 796 thousand, respectively.

Bank also performed review of the entire class of real estate properties. For all such properties, where material decline in fair value is observed, the decrease in value due to revaluation in excess of previously recognized revaluation reserve (devaluation) is recognized in profit or loss. For the years ended December 31, 2010 and December 31.

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 anymore likely the outflow of resources to occur, the previously allocated provisions are reversed (for more details see also Note **40**).

In thousands of BGN

	2010	2009
Additions of provisions		
Provisions on letters of guarantee	(1,020)	(11,218)
Legal cases provisions	(3,586)	(4,763)
Other provisions	(254)	(220)
	(4,860)	**(16,201)**
Reversal of provisions		
Provisions on letters of guarantee	-	16,225
Legal cases provisions	6,401	17,452
Provisions on constructive obligations	416	1,374
Other provisions	-	35
	6,817	**35,086**
Net provisions charge	**1,957**	**18,885**

18. Net Impairment loss on financial assets

In thousands of BGN

	2010	2009
Balance 1 January		
Loans and advances to customers	**405,012**	**285,420**
Increase		
Loans and advances to customers	330,803	170,111
Decrease		
Loans and advances to customers	(144,846)	(38,222)
Recoveries from non-performing loans previously written-off	(318)	(1,743)
	(145,164)	(39,965)
Net impairment losses	**185,639**	**130,146**
Written-off		
Loans and advances to customers	(7,653)	(12,297)
Balance December 31		
Loans and advances to customers	**583,316**	**405,012**

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 2011.
The breakdown of tax charges in the income statement is as follows:

In thousands of BGN

	2010	2009
Current tax	(18,578)	(21,585)
Deferred tax income (expense) related to origination and reversal of temporary differences	732	(1,109)
Underprovided prior year income tax	(173)	(129)
Income tax expense	**(18,019)**	**(22,823)**

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

In thousands of BGN

	2010	2009
Accounting profit before tax	184,724	220,220
Corporate tax at applicable tax rate (10% for 2010 and 2009)	(18,472)	(22,022)
Tax effect of non taxable revenue	705	114
Tax effect of non tax deductible expenses	(245)	(682)
Tax effect of reversal of temporary differences	-	(127)
Underprovided prior year income tax	(7)	(106)
Income tax expense	**(18,019)**	**(22,823)**
Effective tax rate	**9.75%**	**10.36%**

20. Cash and balances with Central bank

In thousands of BGN

	2010	2009
Cash in hand	130,625	119,822
Current account with Central Bank	744,035	712,342
Total cash and balance with Central Bank	**874,660**	**832,164**

21. Financial assets held for trading

In thousands of BGN

	2010	2009
Government bonds	63,983	5,517
Bonds of credit institutions	71,125	76,022
Corporate bonds	25,370	30,571
Equities	1,682	3,340
Total financial assets held for trading	**162,160**	**115,450**

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

As of December 31, 2010 and December 31, 2009 financial assets held for trading in the amount of BGN 70,355 thousand and BGN 33,136 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**).

Previous change in accounting policy

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.

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

In thousands of BGN

	2010	Cumulatively since reclassification (July 2008 - December 2010)
Fair value changes		
Fair value gain (loss) that should have been recognized had the assets not been reclassified	3,148	8,161
Net interest income		
Net interest income recognized for the period after reclassification	4,677	11,708
Net interest income after reclassification that should have been recognized had the assets not been reclassified	5,981	14,847

22. Derivatives held for trading

In thousands of BGN

	2010	2009
Interest rate swaps	39,984	34,384
Equity options	1,828	528
FX forward contracts	14,031	4,951
FX options	1	588
Other options	198	4,144
FX swaps	72	547
Commodity swaps	136	-
Total trading derivatives	**56,250**	**45,142**

Derivatives comprise of trading instruments that have positive market value as of December 31, 2010 and December 31, 2009. 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, 2010 and December 31, 2009 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).

As of December 31, 2010 the fair value of hedging derivatives is negative in the amount of BGN 4,527 thousand. As of December 31, 2009 the positive fair value of hedging instruments is in the amount of BGN 1,521 thousand and the negative fair value of hedging instruments is BGN 6 thousand.

As of December 31, 2009 the positive fair value of hedging instruments is in the amount of BGN 1,521 thousand and the negative fair value of hedging instruments is BGN 6 thousand.

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

In thousands of BGN

	2010	2009
Government bonds	17,063	20,660
Bonds of credit institutions	-	24,568
Municipality bonds	2,850	2,849
Corporate bonds	90,632	87,994
Total financial assets designated at fair value through profit or loss	**110,545**	**136,071**

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, 2010 and December 31, 2009 assets designated at fair value through profit or loss in the amount of BGN 11,197 thousand and BGN 4,136 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**).

25. Loans and advances to banks

In thousands of BGN

	2010	2009
Loans and advances to banks	1,662,399	2,028,640
Current accounts with banks	36,344	42,923
Restricted accounts in foreign currency	471	4
Total loans and advances to banks	**1,699,214**	**2,071,567**

26. Loans and advances to customers

In thousands of BGN

	2010	2009
Receivables under repurchase agreement	-	956
Companies	5,715,281	5,481,709
Individuals		
Housing loans	1,574,778	1,425,488
Consumer loans	767,404	817,953
Central and local governments	59,253	57,584
	8,116,716	7,783,690
Less impairment allowances	(583,316)	(405,012)
Total loans and advances to customers	**7,533,400**	**7,378,678**

27. Available for sale investments

In thousands of BGN

	2010	2009
Government bonds	249,613	261,613
Bonds of credit institutions	17,293	20,766
Equities	11,826	3,106
Total available for sale investments	**278,732**	**285,485**

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

Equities presented as available for sale investments comprise of minority participation of the Bank in companies where neither control nor significant influence is exercised. These investments are generally carried at cost as their fair value can not be reliably measured. As of December 31, 2010 and December 31, 2009 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, 2010 and December 31, 2009 available for sale investments in the amount of BGN 145,007 thousand and BGN 133,400 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

	2010	2009
Government bonds	276,509	291,360
Bonds of credit institutions	14,873	23,389
Total held to maturity investments	**291,382**	**314,749**

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.

29. Investments in associates

In thousands of BGN

Company	Activity	Share in capital	Carrying value in thousands of BGN Dec 2010
UniCredit Consumer Financing AD	Consumer lending and other similar activities in line with the applicable law and regulations	49.9%	24,139
UniCredit Leasing AD	Leasing activities	24.4%	2,687
Cash Service Company AD	Accepting, processing, safekeeping and delivering of valuable consignments with banknotes and coins to the banks	20.0%	2,392
Pirelli Real Estate AD	Management of real estate portfolio	25.0%	-
		Total	**29,218**

As described in Note **3 (i) (ii) g)**, investments in associates comprise of equity participations in entities where Bank has significant influence. For the purposes of supporting the business activities of UniCredit Consumer Financing AD, the Bank approved increase of the reserves of the company by providing additional funds from the shareholders. The Bank's part of that increase was effectively paid in 2009 and as a result of that the cost of participation in UniCredit Consumer Financing AD increased by BGN 12,692 thousand.

Following ongoing leasing activities reorganization, in December 2009 in-kind contribution in the capital of UniCredit Leasing was performed. Bank participated with all its shares held in Bulbank Leasing AD at that time. As this transformation represents a business combination among entities under common control, the new value of Bank's participation in UniCredit Leasing AD was increased by the book value of its participation in Bulbank Leasing AD. As a result of the performed transformation Bank has no longer direct participation in Bulbank Leasing AD, and its share in the net assets of transformed UniCredit Leasing AD has been reduced to 24.4%.

In 2009 the shareholders of Pirelli Real Estate AD took a decision for voluntarily liquidation of the Company. In order to meet its current and constructive obligation before the actual closure, the capital of the Company has been increased. Bank's share in that increase amounted to BGN 260 thousand. Since the Management of the Bank does not expect any residual value to remain that could be distributed among the shareholders upon completion of the closure procedure, the carrying amount of the investments has been fully impaired by the end of 2009. As a result of this impairment, impairment loss in the amount of BGN 260 thousand was recognized.

30. Property, plant, equipment and investment properties

In thousands of BGN

	Lands	Buildings	Furniture	Electronic equipment	Other	Investment property	Total
Cost or revalued amount							
As of December 31, 2009	**7,384**	**203,752**	**3,950**	**75,925**	**36,706**	**473**	**328,190**
Additions	-	50	57	2,288	16,900	-	**19,295**
Transfers*	375	8,903	39	4,461	(15,572)	4,269	**2,475**
Write offs	-	(1,722)	(331)	(3,331)	(1,715)	-	**(7,099)**
Disposals	-	(298)	-	(512)	(298)	(212)	**(1,320)**
As of December 31, 2010	**7,759**	**210,685**	**3,715**	**78,831**	**36,021**	**4,530**	**341,541**
Depreciation							
As of December 31, 2009	**-**	**9,627**	**1,831**	**51,557**	**18,091**	**62**	**81,168**
Depreciation charge	-	9,921	422	9,633	3,542	20	**23,538**
Impairment due to obsolescence	-	403	7	1,238	762	-	**2,410**
Write offs	-	(1,722)	(331)	(3,331)	(1,696)	-	**(7,080)**
On disposals	-	(66)	-	(507)	(287)	(29)	**(889)**
Transfers	-	609	-	-	16	4	**629**
As of December 31, 2010	**-**	**18,772**	**1,929**	**58,590**	**20,428**	**57**	**99,776**
Net book value as of December 31, 2010	**7,759**	**191,913**	**1,786**	**20,241**	**15,593**	**4,473**	**241,765**
Net book value as of December 31, 2009	**7,384**	**194,125**	**2,119**	**24,368**	**18,615**	**411**	**247,022**

* Transfers include also real estate properties in the amount of BGN 2,475 thousand which have been previously classified as held for sale and for which Management has either changed its intention to sell or the sale can not be done in foreseeable future.

In thousands of BGN

	Lands	Buildings	Furniture	Electronic equipment	Other	Investment property	Total
Cost or revalued amount							
As of December 31, 2008	**7,830**	**168,586**	**3,897**	**69,410**	**37,882**	**928**	**288,533**
Additions	381	175	816	6,226	12,209	-	**19,807**
Transfers	(42)	7,039	137	4,182	(10,861)	(455)	**-**
Write offs	(5)	(380)	(747)	(2,148)	(1,854)	-	**(5,134)**
Disposals	(1,053)	(7,785)	(153)	(1,745)	(765)	-	**(11,501)**
As of December 31, 2009 before revaluation	**7,111**	**167,635**	**3,950**	**75,925**	**36,611**	**473**	**291,705**
Written off against accumulated depreciation upon new revaluation	-	(26,218)	-	-	-	-	**(26,218)**
Increase in revaluation reserve upon new revaluation	273	70,323	-	-	-	-	**70,596**
Decrease in revaluation reserve upon new revaluation	-	(6,637)	-	-	-	-	**(6,637)**
Decrease in value in profit or loss upon new revaluation	-	(1,351)	-	-	-	-	**(1,351)**
Revaluation adjustment	**273**	**36,117**	**-**	**-**	**-**	**-**	**36,390**
As of December 31, 2009 after revaluation	**7,384**	**203,752**	**3,950**	**75,925**	**36,611**	**473**	**328,095**
Depreciation							
As of December 31, 2008	**-**	**29,000**	**2,309**	**45,173**	**16,696**	**80**	**93,258**
Depreciation charge	-	7,727	350	10,116	3,338	36	**21,567**
Impairment due to obsolescence	5	100	19	135	510	-	**769**
Write offs	(5)	(382)	(747)	(2,140)	(1,855)	-	**(5,129)**
On disposals	-	(654)	(100)	(1,727)	(693)	-	**(3,174)**
Transfers	-	54	-	-	-	(54)	**-**
As of December 31, 2009 before revaluation	**-**	**35,845**	**1,831**	**51,557**	**17,996**	**62**	**107,291**
Written off against accumulated depreciation upon new revaluation	-	(26,218)	-	-	-	-	**(26,218)**
Revaluation adjustment	**-**	**(26,218)**	**-**	**-**	**-**	**-**	**(26,218)**
As of December 31, 2009 after revaluation	**-**	**9,627**	**1,831**	**51,557**	**17,996**	**62**	**81,073**
Net book value as of December 31, 2009	**7,384**	**194,125**	**2,119**	**24,368**	**18,615**	**411**	**247,022**
Net book value as of December 31, 2008	**7,830**	**139,586**	**1,588**	**24,237**	**21,186**	**848**	**195,275**

In 2009 Bank has performed valuation of entire class of properties (including land and buildings) based on independent fair value assessment made by certified appraisers. For all the properties where the assessed fair value materially differed from its carrying amount, the carrying amount was adjusted to the assessed fair value. For all revaluated properties the accumulated depreciation before revaluation was netted against assets' book value. For the assets where the assessed fair value was higher than their carrying amount the difference was recognized in other comprehensive income under revaluation reserves. For those assets were the fair value was below its carrying amount the reduction was recognized in other comprehensive income to the extent it reduces previously recognized increases. If the amount of the previous increases was insufficient, the difference was recognized in profit or loss.

In 2010 Management of the Bank assesses the real estate market as relatively stable compared to 2009. However for the purposes of preparation of these financial statements, Bank has reviewed all the properties for which there have been indicators for material change of market value. As a result of this review, impairment loss in the amount of BGN 403 thousand has been recognized.

All the other categories were assessed for impairment at the year end and for those assets found to be impaired (mostly due to obsolescence) impairment loss have been recognized.

31. Intangible assets

In thousands of BGN

Cost	
As of December 31, 2009	**98,711**
Additions	6,660
Write offs	(28,157)
Disposals	
As of December 31,2010	**77,214**
Depreciation	
As of December 31, 2009	**63,845**
Depreciation charge	10,416
Impairment due to obsolescence	13
Write offs	(28,157)
As of December 31,2010	**46,117**
Net book value as of December 31, 2010	**31,097**
Net book value as of December 31, 2009	**34,866**

In thousands of BGN

Cost	
As of December 31, 2008	**92,386**
Additions	7,890
Write offs	(1,547)
Disposals	(18)
As of December 31,2009	**98,711**
Depreciation	
As of December 31, 2008	**54,211**
Depreciation charge	11,159
Impairment due to obsolescence	27
Write offs	(1,552)
As of December 31,2009	**63,845**
Net book value as of December 31, 2009	**34,866**
Net book value as of December 31, 2008	**38,175**

32. Current tax assets

The current tax assets comprise of Bank's net tax position with regard to corporate income tax as of December 31, 2010 and December 31, 2009. 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 their tax profits for the prior year. Corporate tax in Bulgaria is charged on single entity basis. As of December 31, 2010 Bank reports current tax assets in the amount of BGN 3,471 thousand and current tax liabilities in the amount of BGN 80 thousand. The comparative amounts as of December 31, 2009 are BGN 9,796 thousand reported as current tax assets and BGN 27 thousand as current tax liability.

33. Deferred tax

The origination breakdown of the deferred tax assets and liabilities as of December 31, 2010 and December 31, 2009 is as outlined below:

In thousands of BGN

	Assets		Liabilities		Net	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Property, plant and intangible assets	(30)	(33)	17,962	19,055	17,932	19,022
Available for sale investments	(1,167)	(1,855)	1,977	1,811	810	(44)
Provisions	(1,117)	(1,347)	-	-	(1,117)	(1,347)
Cash flow hedge	(254)	(175)	254	175	-	-
Other liabilities	(3,753)	(3,286)	-	-	(3,753)	(3,286)
Net tax (assets) liabilities	**(6,321)**	**(6,696)**	**20,193**	**21,041**	**13,872**	**14,345**

The movements of deferred tax assets and liabilities on net basis throughout 2010 are as outlined below:

In thousands of BGN

	Balance 2009	Recognised in P&L	Recognised in equity	Balance 2010
Property, plant, equipment	**19,022**	(1,090)	-	**17,932**
Available for sale investments	**(44)**	166	688	**810**
Provisions	**(1,347)**	230	-	**(1,117)**
Cash flow hedge	**-**	429	(429)	**-**
Other liabilities	**(3,286)**	(467)	-	**(3,753)**
Net tax (assets) liabilities	**14,345**	**(732)**	**259**	**13,872**

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

In 2008 the Management has approved list of properties that no longer will be used in the ordinary activity of the Bank nor will be utilized as investment properties. For all such assets Management has started intensively looking for a buyer and has offered those properties on public auction.

As of December 31, 2010 Management has reviewed the remaining unsold properties and reassess their future usage. For all of the properties for which due to market constraints sale in the near future is not highly probable or which are to be brought back for continuously use in the banking business, reclassification has been done together with the accompanying adjustment in the depreciation for the period of being classified as held for sale. As of December 31, 2010 Bank reports BGN 21 thousand as assets held for sale, which comprise of only one property which disposal procedures are in advance stage as of year-end.

35. Other assets

The breakdown of assets classified as held for sale and their carrying amount as of December 31, 2009 and December 31, 2008 is as follows:

In thousands of BGN

	2010	2009
Receivables and prepayments	15,244	13,255
Receivables from the State Budget	133	47
Materials, spare parts and consumables	1,286	1,175
Other assets	5,934	5,298
Total other assets	**22,597**	**19,775**

36. Financial liabilities held for trading

In thousands of BGN

	2010	2009
Interest rate swaps	38,869	36,765
FX forward contracts	21,324	1,351
Equity options	1,766	579
Other options	198	456
FX options	1	588
FX swaps	29	472
Commodity swaps	130	-
Total trading liabilities	**62,317**	**40,211**

37. Deposits from banks

In thousands of BGN

	2010	2009
Current accounts and overnight deposits		
Local banks	238,159	65,090
Foreign banks	665,387	1,863,226
	903,546	**1,928,316**
Deposits		
Local banks	126,254	41,037
Foreign banks	1,537,550	1,024,828
	1,663,804	**1,065,865**
Liabilities under repurchase agreements	**30,310**	**117,034**
Other	**12,511**	**2,787**
Total deposits from banks	**2,610,171**	**3,114,002**

38. Deposits from customers

In thousands of BGN

	2010	2009
Current accounts and overnight deposits		
Individuals	533,317	515,160
Corporate	1,705,376	1,625,369
Budget and State companies	159,554	129,639
	2,398,247	**2,270,168**
Term deposits		
Individuals	2,337,207	2,323,440
Corporate	1,188,900	1,222,186
Budget and State companies	160,253	171,799
	3,686,360	**3,717,425**
Saving accounts	**407,670**	**347,396**
Transfers in execution process	**42,324**	**76,486**
Other	**1,247**	**1,622**
Total deposits from customers	**6,535,848**	**6,413,097**

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

As of December 31, 2010 and December 31, 2009 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, 2010 the total amount of BGN 214,053 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, 2010
November 26, 2004	10 years	19,558	24,685
December 20, 2004	10 years	19,558	24,654
February 3, 2005	10 years	25,426	31,355
August 2, 2005	10 years	29,337	35,429
November 19, 2008	10 years	97,792	97,930
Total		**191,671**	**214,053**

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, 2010 and December 31, 2009 are as follows:

In thousands of BGN

	Letters of guarantee (a)	Legal cases (b)	Retirement benefits (c)	Constructive obligations (d)	Other (e)	Total
Balance as of December 31, 2009	**19,285**	**10,108**	**3,084**	**3,749**	**338**	**36,564**
Allocations	-	6	559	-	254	**819**
Releases	-	(3,180)	-	(416)	-	**(3,596)**
Additions due to FX revaluation	1,020	3,580	-	-	-	**4,600**
Releases due to FX revaluation	-	(3,221)	-	-	-	**(3,221)**
Utilization	-	(11)	(357)	(370)	(162)	**(900)**
Balance as of December 31, 2010	**20,305**	**7,282**	**3,286**	**2,963**	**430**	**34,266**

(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, 2010 Bank assessed its entire portfolio of issued letters of guarantee and quantified provisions in the amount of BGN 20,305 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, 2010 Bank has assessed its position in legal cases against it and provision in the amount of BGN 7,282 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, reduced by the amount of unrecognized actuarial losses as of the reporting date.

Major assumptions underlying in 2010 Defined benefit obligation are as follows:

- Discount rate – 5.8%;
- Salary increase – 5% p.a.;
- Retirement age:
  - Men – 63;
  - Women – 60;

The movement of the defined benefit obligation for year ended 2010 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, 2009	**3,084**
Current service costs for 2009	313
Interest cost for 2009	218
Amortisation of actuarial (gains) loss	28
Benefits paid	(357)
Recognized defined benefit obligation as of December 31, 2010	**3,286**
Unrecognized actuarial loss as of December 31, 2010	851
Interest rate Beginning of the year	6.5%
Interest rate End of the year	5.8%
Future increase of salaries	5.0%
Expected 2011 service costs	347
Expected 2011 interest costs	224
Amortization of actuarial loss	63
Expected 2011 benefit payments	604

Current service cost, interest cost and amortization of actuarial gains/ losses presented under Personnel expenses (See note 14).

(d) Provisions on constructive obligation

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

As of December 31, 2010 and December 31, 2009 the whole remaining amount of provisions on constructive obligations relates to full compliance with Instructions I-171 of BNB and Ministry of Internal Affairs, related to security standards of the premised where safe-deposits boxes are provided. In December 2010 review of the amount of provisions needed was done and as a result of reduced expectations for the resources needed, the outstanding amount was adjusted by BGN 416 thousand.

(e) Other provision

Other provisions in the amount of BGN 430 thousand (BGN 338 thousand in 2009) relates to coverage of claims related to credit cards business as well as other claims.

41. Other liabilities

In thousands of BGN

	2010	**2009**
Liabilities to the State budget	4,780	4,135
Liabilities to personnel	20,849	17,757
Liabilities for unused paid leave	6,813	7,052
Dividends	331	196
Incentive plan liabilities	822	980
Other liabilities	32,456	16,404
Total other liabilities	**66,051**	**46,524**

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 2010 and 2009 in accordance with the defined target settings.

Liabilities for unused paid leave represent quantification of Bank's current liability due to employees for unutilized current and prior years leave. The amount is equal to the compensation Bank has to pay should the labour contracts with the employees had been terminated as of December 31, 2010 and December 31, 2009, respectively.

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

42. Equity

a) Share capital

As of December 31, 2010 share capital comprises of 263,911,174 ordinary shares with nominal value of BGN 1 each. All shares give equal voting rights to their holders.

As described in **3 (q) (i)** in 2010 General Meting of Shareholders of UniCredit Bulbank AD approved capital increase through cash contributions in total amount of BGN 179,000 thousand comprising of 24,655,650 new ordinary shares with issuing price BGN 7.26 each. The capital increase was effectively completed and registered in December 2010.

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 (see **42 a)** above)

c) Retained earnings

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

d) Revaluation reserves

Revaluation reserves include such on property as per the allowed fair value model under IAS 16 "Property, Plant and Equipment" as well as reserve out of the fair value change of financial assets classified as available for sale or derivatives designated as effective hedging instrument in cash flow hedge relationship all in accordance with IAS 39 "Financial Instruments, Recognition and Measurement".
instrument in cash flow hedge relationship all in accordance with IAS 39 "Financial Instruments, Recognition and Measurement".

43. Contingent liabilities

In thousands of BGN

	2010	2009
Letters of credit and letters of guarantee	729,562	641,532
Credit commitments	1,121,434	922,835
Total contingent liabilities	**1,850,996**	**1,564,367**

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 have off balance-sheet credit risk 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, 2010 and December 31, 2009 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, 2010 there are open litigation proceedings against the Bank. There is significant uncertainty as to the timing and outcome of such proceedings. Since the ultimate outcome of the claims against the Bank cannot presently be determined with sufficient reliability, provisions have been accrued only on cases where sufficient degree of certainty exists. Total of litigation claims provided for in the financial statements as of December 31, 2010 is in the amount of BGN 7,282 thousand (BGN 10,108 thousand in 2009).

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, 2010 and December 31, 2009 the Bank presents committed but unutilized credit facilities as part of its off-balance sheet positions.

44. Assets pledged as collateral

In thousands of BGN

	2010	2009
Securities pledged for budget holders' account service	265,302	286,515
Securities pledged on REPO deals	27,886	114,321
Securities pledged on other deals	69,171	52,384
Blocked deposit on other deals	471	4
	362,830	**453,224**
Pledged securities include		
Assets held for trading	70,355	33,136
Assets designated at fair value through profit or loss	11,197	4,136
Available for sale assets	145,007	133,400
Assets held to maturity	107,914	282,548
	334,473	**453,220**

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. Additionally the Bank has relativeness with members of the Managing bodies.

UniCredit Bulbank AD has a related party relationship with its other parent company's subsidiaries and with its directors and executive officers.

The related parties' transactions in terms of statement of financial position items as of December 31, 2010 and Income statement items for the year ended thereafter are as follows:

In thousands of BGN

	Assets	Liabilities
Financial assets held for trading	8,182	
Available for sale investments	2,873	
Current accounts and deposits placed	1,052,120	
Extended loans	66,757	
Other assets	4,030	
Financial liabilities held for trading		50,317
Derivatives used for hedging		4,207
Current accounts and deposits taken		2,108,298
Subordinated loans		214,053
Other liabilities		1,801
Total	**1,133,962**	**2,378,676**
Guarantees received by the Group	**63,134**	

In thousands of BGN

	Income (Expense)
Interest incomes	4,399
Interest expenses	(45,152)
Fee and commissions income	2,984
Fee and commissions expenses	(21)
Administrative and personnel expenses	(5,914)
	(43,704)

As of December 31, 2010 the loans extended to key management personnel amount to BGN 23,589 thousand. For the twelve months ended December 31, 2010 the compensation to senior management personnel amounts to BGN 2,471 thousand.

46. Cash and cash equivalents

In thousands of BGN

	2010	2009
Cash in hand	130,625	119,822
Current account with the Central Bank	744,035	712,342
Current accounts with banks	36,344	42,923
Receivables under repurchase agreements	84,038	11,574
Placements with banks with original maturity less than 3 months	1,578,136	1,911,215
Total cash and cash equivalents	**2,573,178**	**2,797,876**

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

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

In thousands of BGN

Residual maturity	Total future minimum lease payment		NPV of total future minimum lease payment	
	2010	2009	2010	2009
Up to one year	598	843	553	795
Between one and five years	741	878	693	827
Total	**1,339**	**1,721**	**1,246**	**1,622**

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

In thousands of BGN

Residual maturity	Total future minimum lease payment	
	2010	2009
Up to one year	12,307	11,606
Between one and five years	30,048	25,425
Beyond five years	6,718	6,774
Total	**49,073**	**43,805**

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

In thousands of BGN

Residual maturity	Total future minimum lease payment	
	2010	2009
Up to one year	290	247
Between one and five years	274	85
Total	**564**	**332**

48. Group entities

The direct parent company of UniCredit Bulbank AD is UniCredit Bank Austria AG. As of December 31, 2010 and December 31, 2009 the ultimate parent company is UniCredito Italiano S.p.A

For whatever life brings

Bank Network

Sofia

7, Sveta Nedelya Square	02 / 923 27 81
1, Christofor Columb blvd.	980 96 01
84, Veslec str.	810 59 21
18, Parva Bulgarska Armiya blvd.	931 18 46
2, Buzludja str.	895 10 19
16, Iliensko Shose	936 09 86
8, Aksakov, str.	923 34 85
12, Anton Naidenov, str.	968 19 97
3, Kaloyan str.	926 83 86
2, Lomsko shosse	890 49 52
Nadezhda, 202 str.	833 41 74
7, Sveta Nedelya Square	923 21 86
143, Al. Stambolijski blvd.	810 26 22
54, Cherni Vruh blvd.	969 00 25
147, Tsarigradsko Shosse blvd.	976 78 64
Mladost, 16, Alexander Malinov blvd., 1st floor	817 49 21
1, Tzar Samuil str.	917 30 40
27, Tvardishki prohod	818 27 22
Business park Sofia, 2nd building	817 33 22
Mladost, 265, Okolovrusten put	877 04 73
1, Yanko Sakazov blvd.	988 71 31
1, Ivan Vazov str.	926 92 06
1, P.U. Todorov, block 1	818 67 20
3, Akad St. Mladenov blvd.	965 81 98
6, Vitosha blvd.	810 29 26
Hotel Trivia, Botunec	994 54 42
57A, Cherni Vruh blvd.	81 640 76
444 A, Slivnica blvd.	827 91 72
14, Todor Alexandrov blvd.	937 70 71
Iliyanci	892 05 12
Nishava str., block 12	818 87 60
12, Al. Batenberg str.	935 78 41
Liulin 4, block 417	814 52 72
Tsaritsa Ioanna blvd.	825 89 46
2, Ivan Asen IInd str.	942 30 24
1, Madrid blvd.	948 09 71
88, Yanko Sakazov blvd.	861 30 63
63, Shipchenski prohod str.	817 29 24
133, Tsarigradsko Shosse - 7th km	817 80 29
18, Dondukov str.	921 89 53
SFA 459, Botevgradsko shosse blvd.	892 21 99
58, Alabin str.	939 78 27
9, Julio Kiuri str.	817 37 29
22, Zlaten rog, str.	926 48 50
40, Vasil Levski str.	950 46 50
75, Vitosha blvd.	926 48 95
28, Hristo Smirnenski blvd.	963 09 88
22, Serdika str.	926 48 73
17, Hristo Botev blvd.	926 48 62
41, Tzar Boris III blvd.	895 40 28
134, Tzar Boris III blvd.	926 48 47
46, Liubliana str.	926 48 67
102, Bulgaria blvd.	808 28 15
640, Slivnica blvd.	812 82 52
140, Rakovski str.	815 70 24
1, Kukush str.	802 42 11
1, Skopie blvd.	803 35 83
127, Slivnica blvd.	802 19 83
9A, Boris Stefanov str.	819 28 72
62, G.M. Dimitrov str.	816 90 71
32, Zlatuvruh str.	819 07 11
14, Gueshevo str.	812 39 48
105, Gotse Delchev Blvd.	818 27 22
2, Sofronity Vrachanski str.	937 70 71
9, Shipchenski prohod Blvd.	892 45 61

Bojuriste

85, Evropa blvd., Bojuriste	02 / 993 88 45

Botevgrad

24, Saransk sq.	0723 / 668 72

Elin Pelin

5, Nezavisimost square	0725 / 688 27

Gorna Malina

Municipality G. Malina	07152 / 222

Etropole

22, M. Gavrailova str.	0720 / 72 22

Godech	
2, Svoboda square	0729 / 23 06
Ihtiman	
8, Polk. B. Drangov str.	0724 / 820 91
Kostenets	
2, Belmeken str.	07142 / 25 52
Kostinbrod	
13, Ohrid str.	0721 / 681 25
Pirdop	
Todor Vlaikov square, block 2	07181 / 57 83
Zlatitsa	
1, Sofiisko shosse blvd.	0728 / 660 38
Samokov	
3, Prof V. Zahariev str.	0722 / 688 14
Borovets	
Borovets	0750 / 322 04
Slivnitsa	
2, Saedinenie square	0727 / 422 66
Svoge	
21, Tsar Simeon str.	0726 / 23 49
Koprivstica	
20th April square	07184 / 22 33
Varna	
1, P. Karavelov str.	052 / 66 21 28
39, Maria Luiza str.	66 31 37
2, Gabrovo str.	68 98 03
2, Patleina str.	66 33 35
36-38, Vladislav Varnenchik str.	68 79 49
43, Kniaz Boris str.	66 40 26
93, Osmi Primorski polk	88 98 11
Business park building 1	66 37 96
74-76, Kniaz Boris I	65 44 05
61, Pirin str.	66 13 46
117, Republika blvd.	73 95 01
Valchi dol	
13, Treti Mart str.	05131 / 24 07
Albena	
Albena Complex	0579 / 62 69 10
Balchik	
34A, Cherno more str.	0579 / 711 20
3, Ivan Vazov str.	740 61
Devnia	
Devnia in the building of Solvei Sodi	0519 / 971 10
Dobrich	
3, Bulgaria str.	058 / 65 57 32
7, Nezavisimost str.	65 14 28
54, Okolovrusten put Dobrotica	60 06 50
Shabla	
4, Petko Balgaranov str.	05743 / 50 11
General Toshevo	
5, Treti Mart str.	05731 / 21 37
Kavarna	
25, Dobrotica str.	0570 / 811 11
Novi Pazar	
4, Rakovski str.	0537 / 258 52
Shumen	
64, Slavianski blvd.	054 / 85 81 26
8, Slavianski blvd.	85 81 33
5, Simeon Veliki blvd.	83 00 56

Bank Network (continued)

Silistra	
3, Dobrudzhai str.	086 / 87 83 42
23, 7mi septemvri blvd.	83 31 99
Dulovo	
21, Vasil Levski str.	0855 / 223 56
Targovishte	
1, Vasil Levski str.	0601 / 612 20
Tervel	
10, Sv. Sv Kiril I Metodii str.	05751/ 41 47
Zlatni Piasatzi	
Zlatni Piasaci Complex	052 / 35 58 43
Popovo	
99, Bulgaria blvd	0608 / 409 51
Plovdiv	
4, Ivan Vazov blvd.	032 / 60 16 15
32A Kuklensko shosse blvd.	67 36 02
1, Asenovgradsko Shosse str.	62 37 46
8, Karlovsko shosse str.	94 63 35
4, Vasil Levski str.	94 54 66
1A, Raiko Daskalov str.	64 69 61
82, Hristo Botev blvd.	63 26 00
13, Kniaz Alexander Ist str.	90 58 16
15A, Vasil Aprilove blvd.	90 58 37
66, Pestersko shosse str.	90 58 41
24, Tsar Assen str.	90 58 44
31, Ivan Vazov str.	90 59 33
37, Tzar Osvoboditel blvd. (Maritza)	90 28 67
51, Raiko Daskalov str.	65 60 44
133 Sankt Peterburg blvd.	68 02 50
Asenovgrad	
8, Radi Ovcharov str.	0331 / 626 55
Chepelare	
1, Han Asparuh str.	03051 / 20 35
Karlovo	
2, Vodopad str.	0335 / 905 25
4, Dimitur Subev str.	931 71
Panagiurishte	
1, G. Benkovski str.	0357 / 632 60
Parvomai	
2, Hristo Botev str.	0336 / 620 53
Pazardjik	
6, Bulgaria blvd.	034 / 40 51 31
5, Esperanto str.	40 57 18
Pazardjik RDVR	44 09 93
Pazardjik KAT	44 12 90
3, Han krum str.	44 48 86
13, Stefan Stambolov blvd.	44 53 80
Peshtera	
16, Dimitar Gorov str.	0350 / 64 16
Rakovski	
23, Moskva str.	03151 / 50 12
Smolyan	
59, Kolio Shishmanov str.	0301 / 673 14
Stamboliiski	
3, Osmi Mart str.	0339 / 624 87
Velingrad	
99, Suedinenie square	0359 / 570 22
Burgas	
22, Alexandrovska str.	056 / 87 72 62
68-70, Hristo Botev	80 68 11
Lukoil Neftohim	89 80 36
126, Stefan Stambolov	81 64 24
Burgas Airport	87 25 32
Burgas Airport	87 72 37
4-6, P. Yavorov str.	87 41 33

Bank Network (continued)

Slaveikov complex, Hemus Mark Factory	88 00 32
22, Alexandrovska str.	87 71 04
Slaveikov district, block 46	89 66 81
30, Todor Aleksandrov Blvd.	58 99 13

Aitos

27, Stancionna str.	0558 / 261 64

Karnobat

14, Bulgaria blvd., Karnobat	0559 / 288 21

Malko Tarnovo

2, Malkoturnovska Komuna str.	05952 / 31 49

Nessebar

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

Primorsko

1, Chavdar str.	0550 / 337 82

Slanchev Briag

Slanchev briag Complex	0554 / 280 23

Sozopol

2, Parvi May str.	0550 / 263 20

Sungurlare

15, Hristo Smirnenski str.	05571 / 52 50

Tzarevo

20, Kraimorska str.	0590 / 554 67

Yambol

56, Targovska str.	046 / 68 51 13
3, Gorg Papazov str.	67 71 62
173-175 Graf Ignatiev blvd.	641 11 53

Pomorie

40, Yavorov blvd.	0596 / 262 62

Stara Zagora

126, Simeon Veliki blvd.	042 / 69 62 16
Nikola Petkov str.	26 01 06
62, Tzar Simeon Veliki blvd.	69 21 12
115, Tsar Simeon Veliki blvd.	61 51 29
157, Tzar Simeon str.	61 07 83
Rudnik Troyanovo Sever	0417 / 824 02

Chirpan

2, Yavorov str.	0416 / 901 00

Dimitrovgrad

4B, Bulgaria blvd.	0391 / 686 13

Galabovo

8, dr. Jekov str.	0418 / 622 24

Harmanli

1, Vazrajdane square	0373 / 800 61

Haskovo

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

Kardjali

51, Bulgaria blvd.	0361 / 670 20

Kazanlak

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

Nova Zagora

49 Vasil Levski str.	0457 / 612 60
60, M. Balkanski str.	622 03

Radnevo

10A, G. Dimitrov	0417 / 810 11

Bank Network (continued)

Sliven

11, Hadji Dimitar blvd.	044 / 61 31 27
23, Rakovski str.	61 08 61
19, Gen Stolipin	61 02 31
6 Stephan Karadja str.	63 00 35

Svilengrad

60, Bulgaria blvd.	0379 / 707 28

Blagoevgrad

1, Macedonia square	073 / 86 70 28
22, Ivan Shishman str.	82 86 34
18, St. Kiril and Metodius blvd.	82 87 18
57, Vasil Levski blvd.	88 50 65
5, St. Dimitur Solunski str.	83 40 74

Bansko

3, Pirin str.	0749 / 881 25

Yakoruda

40, Kiril and Metodius str.	07442 / 23 88

Dupnitza

1, Hristo Botev str.	0701 / 599 14

Gotse Delchev

11, Byalo More	0751 / 696 20

Kyustendil

39, Democracy str.	078 / 55 96 13

Pernik

14, K. Pernishki square	076 / 60 32 01
2, Chereshovo topche str.	68 87 16
21, St Kiril and Methodius blvd.	60 53 87

Petrich

48, Rokfeler str.	0745 / 695 28
12B, Goce Delchev str.	692 72

Razlog

1, Eksarh Iosif str.	0747 / 800 27

Sandanski

52, Macedonia str.	0746 / 348 52

Sapareva bania

2, Germaneya str.	0707 / 22 28

Pleven

1, Kosta Hadjipakev str.	064 / 88 02 32
121 Vasil Levski str.	89 07 30
13, Danail Popov str., block Volga	89 21 63
4, Georgi Kochev blvd.	83 10 65

Belene

1, Dechev Ferdinand str.	0658 / 347 52

Berkovitsa

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

Knezha

71, Marin Boev str.	09132 / 67 50

Kozlodui

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

Levski

40, Al. Stambolijski str.	0650 / 831 67

Lom

14, Dunavska str.	0971 / 667 20

Lovech

22A, D. Pushkov str.	068 / 60 17 58
2, Stephan Karadja str.	66 83 30
10 Akad Ishirkov str.	68 99 43

Bank Network (continued)

Mezdra	
8, Georgi Dimitrov str.	0910 / 920 78
Montana	
72, Treti Mart blvd.	096 / 39 19 57
51, Treti Mart blvd.	38 31 68
216 Treti Mart blvd.	30 03 93
Troyan	
1, Gen. Karzov str.	0670 / 688 85
Vidin	
3, Tzar Simeon Veliki str.	094 / 69 02 14
Panoniya blvd.	60 20 32
23, Tzar Aleksandar Vtori str.	60 58 02
Vratsa	
10, Lukashov str.	092 / 66 88 52
8, Lukashov str.	66 82 34
2nd July blvd.	62 13 12
Russe	
5, Sveta Troica square	082 / 81 82 58
75, Alexnadrovska str.	82 27 71
55, Alexandrovska str.	81 83 50
38, Hristo Botev blvd.	24 14 92
Elena	
1, Chr. Momchilov str.	06151 / 21 13
Gabrovo	
13, Radecki str.	066 / 81 42 06
6, Parvi Mai 1876 str.	81 90 30
14, Stancionna str.	80 74 32
Gorna Orjahovitsa	
1A, M. Todorv str.	0618 / 681 12
2, Partriarch Evtimii str.	618 22
Pavlikeni	
20, Svoboda square	0610 / 511 80
Polski Trumbesh	
55, Turgovska str.	06141 / 67 16
Razgrad	
21, Ivan Vazov str.	084 / 66 07 63
1, Momina Cheshma square	61 21 18
Sevlievo	
21, Svoboda square	0675 / 345 86
Svishtov	
16, Tzar Osvoboditel str.	0631 / 611 27
10, Dunav str.	600 62
Veliko Tarnovo	
13, Vasil Levskli str.	062 / 61 10 07
4 Magistralna str.	61 10 88
2B, Marmo Pole str.	61 10 37

UniCredit Bulbank