

**UNICREDIT BULBANK AD**

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

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of UniCredit Bulbank AD

#### Report on the Separate Financial Statements

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

#### *Management's Responsibility for the Separate Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

*Opinion*

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

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

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

*Deloitte Audit*

Deloitte Audit OOD



Sylvia Peneva  
Statutory Manager  
Registered Auditor



Sofia  
March 2, 2016

<b>SEPARATE INCOME STATEMENT .....</b>	<b>2</b>
<b>SEPARATE STATEMENT OF COMPREHENSIVE INCOME .....</b>	<b>3</b>
<b>SEPARATE STATEMENT OF FINANCIAL POSITION .....</b>	<b>4</b>
<b>SEPARATE STATEMENT OF CHANGES IN EQUITY .....</b>	<b>5</b>
<b>SEPARATE STATEMENT OF CASH FLOWS .....</b>	<b>6</b>
<b>NOTES TO THE SEPARATE FINANCIAL STATEMENTS .....</b>	<b>8</b>
1. REPORTING ENTITY .....	8
2. BASIS OF PREPARATION .....	8
3. SIGNIFICANT ACCOUNTING POLICIES .....	9
4. FINANCIAL RISK MANAGEMENT .....	24
5. USE OF ESTIMATES AND JUDGEMENTS .....	42
6. SEGMENT REPORTING .....	46
7. NET INTEREST INCOME .....	49
8. NET FEE AND COMMISSION INCOME .....	49
9. NET GAINS ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING AND HEDGING DERIVATIVES .....	50
10. NET GAINS/(LOSSES) ON OTHER FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS .....	50
11. NET INCOME FROM INVESTMENTS .....	50
12. OTHER OPERATING INCOME/(EXPENSES), NET .....	51
13. NET INCOME RELATED TO PROPERTY, PLANT AND EQUIPMENT .....	51
14. PERSONNEL EXPENSES .....	51
15. GENERAL AND ADMINISTRATIVE EXPENSES .....	52
16. AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE FIXED ASSETS, INVESTMENT PROPERTIES AND ASSETS HELD FOR SALE .....	53
17. PROVISIONS FOR RISK AND CHARGES .....	53
18. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS .....	54
19. INCOME TAX EXPENSE .....	54
20. CASH AND BALANCES WITH CENTRAL BANK .....	55
21. NON-DERIVATIVE FINANCIAL ASSETS HELD FOR TRADING .....	55
22. DERIVATIVES HELD FOR TRADING .....	56
23. DERIVATIVES USED FOR HEDGING .....	56
24. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS .....	57
25. LOANS AND ADVANCES TO BANKS .....	57
26. LOANS AND ADVANCES TO CUSTOMERS .....	57
27. AVAILABLE FOR SALE INVESTMENTS .....	58
28. HELD TO MATURITY INVESTMENTS .....	59
29. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES .....	59
30. PROPERTY, PLANT, EQUIPMENT AND INVESTMENT PROPERTIES .....	60
31. INTANGIBLE ASSETS .....	62
32. CURRENT TAX .....	63
33. DEFERRED TAX .....	63
34. NON-CURRENT ASSETS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE .....	64
35. OTHER ASSETS .....	64
36. FINANCIAL LIABILITIES HELD FOR TRADING .....	65
37. DEPOSITS FROM BANKS .....	65
38. DEPOSITS FROM CUSTOMERS .....	65
39. SUBORDINATED LIABILITIES .....	66
40. PROVISIONS .....	67
41. OTHER LIABILITIES .....	70
42. EQUITY .....	70
43. CONTINGENT LIABILITIES .....	71
44. ASSETS PLEDGED AS COLLATERAL .....	72
45. RELATED PARTIES .....	73
46. CASH AND CASH EQUIVALENTS .....	74
47. LEASING .....	75
48. OTHER REGULATORY DISCLOSURES .....	75

**SEPARATE INCOME STATEMENT**
*In thousands of BGN*

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

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



Levon Hampartzoumian  
Chairman of the Management  
Board and Chief Executive  
Officer



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



Emilia Palibachiyska  
Member of the  
Management Board and  
Chief Financial Officer

Deloitte Audit OOD



Sylvia Peneva

Registered auditor 02/03/2016



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



**SEPARATE STATEMENT OF COMPREHENSIVE INCOME**
*In thousands of BGN*

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

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



Levon Hampartzoumian  
Chairman of the Management Board and Chief Executive Officer




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



Emilia Palibachiyska  
Member of the Management Board and Chief Financial Officer

Deloitte Audit OOD



Sylvia Peneva  
Registered auditor

02/03/2016

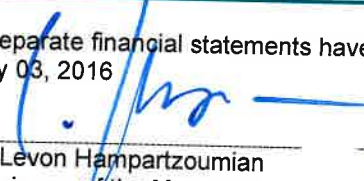



The accompanying notes 1 to 48 are an integral part of these separate financial statements


**SEPARATE STATEMENT OF FINANCIAL POSITION**
*In thousands of BGN*

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

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

  
Levon Hampartzoumian  
Chairman of the Management  
Board and Chief Executive  
Officer

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

  
Emilia Palibachiyska  
Member of the  
Management Board and  
Chief Financial Officer

Deloitte Audit OOD 

Sylvia Peneva  
Registered auditor 02/03/2016



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

**SEPARATE STATEMENT OF CHANGES IN EQUITY**

*In thousands of BGN*

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


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

  
 Levon Hampartzoumian  
 Chairman of the Management Board and Chief Executive Officer

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

  
 Emilia Palibachiyska  
 Member of the Management Board and Chief Financial Officer

Deloitte Audit OOD

  
 Sylvia Peneva  
 Registered auditor

02/03/2016



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



**SEPARATE STATEMENT OF CASH FLOWS**
*In thousands of BGN*

	Notes	2015	2014
<b>Net profit</b>		<b>290 007</b>	<b>241 657</b>
Current and deferred tax expenses, recognised in income statement		33 014	27 362
<i>Adjustments for non-cash items</i>			
Depreciation and amortisation	16	30 311	27 822
Impairment of financial assets	18	120 564	159 325
Impairment of property plant, equipment, investment properties and other assets	12, 16	22 096	3 480
Provisions, net	40	5 279	5 923
Unrealised fair value losses (gains) through profit or loss, net		12 650	(17 992)
Unrealised fair value losses (gains) on FX revaluation		92 499	36 682
Net income from sale of property, plant and equipment		(419)	(162)
Net interest income		(469 321)	(445 308)
Dividend income		(968)	(1 246)
Increase in other accruals		45 109	16 213
<b>Cash flows from profits before changes in operating assets and liabilities</b>		<b>180 821</b>	<b>53 756</b>
<b>Operating activities</b>			
<b>Change in operating assets</b>			
(Increase) in loans and advances to banks		(188 015)	(293 842)
Decrease/(Increase) in loans and advances to customers		830 001	(1 286 517)
(Increase) in available for sale investments		(718 792)	(569 862)
Decrease/(Increase) in financial instruments held for trading and hedging derivatives		(10 748)	8 133
Decrease in financial instruments at fair value through profit or loss		59 279	600
(Increase) in other assets		(63 173)	(15 724)
<b>Change in operating liabilities</b>			
Increase (Decrease) in deposits from banks		(430 179)	24 523
Increase in deposits from customers		2 593 474	1 978 633
Provisions utilization		(3 410)	(5 060)
Increase in other liabilities		33 919	11 338
<b>Interest received</b>		557 611	588 197
<b>Interest paid</b>		(103 153)	(149 138)
<b>Dividends received on available for sale investments</b>		968	1 246
<b>Taxes paid</b>		(35 335)	(20 857)
<b>Net cash flow from operating activities</b>		<b>2 703 268</b>	<b>325 426</b>

**SEPARATE STATEMENT OF CASH FLOWS (CONTINUED)**

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

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



Levon Hampartzoumian  
Chairman of the Management  
Board and Chief Executive  
Officer



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



Emilia Palibachiyska  
Member of the  
Management Board and  
Chief Financial Officer

Deloitte Audit OOD



Sylvia Peneva  
Registered auditor

02/03/2016



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