UNITED BULGARIAN BANK

A Member of NBG Group

UNITED BULGARIAN BANK AD

SEPARATE AND CONSOLIDATED
REPORT ON THE ACTIVITIES,
INDEPENDENT AUDITOR'S REPORT
AND SEPARATE AND CONSOLIDATED
FINANCIAL STATEMENTS

December 31, 2015

Unofficial translation from Bulgarian

TABLE OF CONTENTS

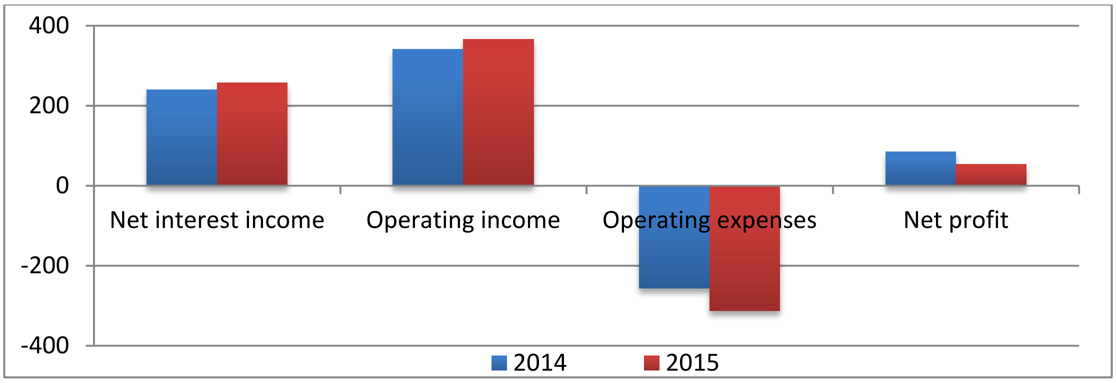
ANNUAL REPORT ON ACTIVITIES
OF
UNITED BULGARIAN BANK AD (UBB)
ON INDIVIDUAL AND CONSOLIDATED BASIS
AS OF DECEMBER 31, 2015
(In accordance with Law of Accountancy)

1. I. REVIEW OF 2015 UBB's ACTIVITIES

2. 1.1. FINANCIAL PERFORMANCE

In 2015 the economic instability impacted negatively the banks' business in Bulgaria. Uncertainty regarding the taxation regime of customs and excise duties on electricity prices and the level of contributions further suppress the activity of companies in this country. Creditworthy companies remained conservative about taking new loans, which led to the contraction of credit business by 2% yoy, including zero growth in retail banking and a decline of 3% yoy in corporate loans. Thus the commercial banks deprived of their main source of income - loans. High liquidity increase the stability of the sector, but it put a great challenge in front of the commercial banks - to operate on profit from their business. Demand for wealthy clients and the need for profitable asset management forced banks to drastically download the interest rates on the deposits and less those on the loans. For the revival of business lending crucial for the improving are the economic situation and the restore of confidence in the Bulgarian banking system. As regards the second decisive role are expected to play verifying assets (Asset Quality Review, or AQR) and stress tests, which must be completed by August 2016. Concerning economy growth, the prospects are positive because of accelerating consumption and good expectations for exports. In 2015 UBB continued to maintain its leading position in the banking sector, despite the unfavorable economic situation in this country and the negative events in Greece. During the year UBB achieved very good profit and efficiency indicators while keeping a very high level of coverage of loans with impairment. At the end of 2015 UBB increased its profit before impairment by 10.4% yoy to BGN 199.9 million. For the same period the Bank recorded a profit before tax of BGN 54.1 million on separate basis and BGN56.8 million on consolidated basis. UBB's financial result was formed on a base of the growth in net interest income (by 7% yoy), the rose of net income from fees and commissions (by 4.9% yoy) and the significant increase of net trading income by 39.8% yoy. On another part, during the year the Bank increased the impairment by 51.5% yoy to BGN 145.8 million. Furthermore, at the end of 2015 UBB formed a net profit of BGN 48.9 million on separate basis and BGN 51.2 million on a consolidated basis. For a period of one year UBB achieved a return on assets (ROA) of 0.9%. In 2015 the Bank continued to maintain one of the lowest *Cost to Income Ratio* of 34.9% within Bulgaria's banking sector. Generally, in 2015 UBB managed to report significant improvement in the Loan portfolio quality, to create serious liquidity buffer ant to maintain the before crises self-financing status. UBB's total capital adequacy ratio as of December 31st 2015 amounts to 28.19% and Tier 1 capital adequacy amounts to 26.09%. And the same time, the Bank continued to maintain its *Loans/Deposits ratio* at 82%at the end of 2015 and improved its *Liquidity ratio* at 36.5%.

Net Operating Income and Net Profit (BGN million)



Net interest income

In 2015 UBB reported net interest income of BGN 256.8 million (compared to BGN 240.0 million in 2014) or an increase of 7.0% yoy. The dynamics of net interest income is due to lower interest rates on deposits and lower interest income from loans. On one hand, UBB's lending activity was influenced by weak credit demand r and on the other the Bank drastically reduced the interest rates on its deposit products.

	2015 BGN '000	2014 BGN '000	Change (%, y/y)
Interest income	307 046	350 708	(12.4)
Interest expense	(50 233)	(110 704)	(54.6)
Net interest income	***256 813***	***240 004***	***7.0***

Lending interest income of the individuals increased by 6.9% yoy and amounted to BGN164.9 million. Interest income on loans to companies amounted to BGN 105.9 million and decreased by 19.1% yoy. Interest income on financial institutions increased by 113.4% yoy to BGN 6.8 million. Interest income from loans and advances to banks decreased by 84.4% and at the end of 2015 amounting to BGN 2.5 million. Interest income arising from financial assets at fair value through profit or loss amounted to BGN 13.8 million and decreased by 63,4% yoy. Interest income originating from securities available for sale recorded a growth of 51,0% and amounted to BGN 13.1 million. **Furthermore, at the end of 2015 the t**otal amount of interest income declined by 12.4% yoy.

Interest expense decreased drastically by 54.6% yoy and at the end of 2015 amounted to BGN 50.2 million, as a result of the policy of reducing the cost of funding to individual and corporate customers of the Bank. Interest expense on borrowings from other banks amounted to BGN 0.4 million. Interest expense on deposits from individual customers amounted to BGN 40.0 million and decreased by 54.7% yoy. For the same period, the interest expense on deposits from non-banking financial institutions decreased by 76.4% and amounted to BGN 1.3 million. Interest expense on corporate deposits amounted to BGN 6 million and decreased by 47.9% yoy. Interest expense on credit lines amounted to BGN 1.6 million and decreased by 52.0% yoy. At the end of 2015 the cost of borrowed subordinated debt amounted to BGN 0.9 million and declined 46.5% yoy.

Net fee and Commission income

UBB's net income from fees and commissions totaled BGN 87.3 million compared to BGN 83.2 million at the end of 2014 and registered a growth of 4.9% yoy. For the same period net income from fees and commissions on a consolidated basis amounted to BGN 91.7 million compared to BGN 87.1 million at the end of 2014, growing by 5.2% yoy and reflects the direct effect of the activities of the subsidiaries and associates of the Bank. In 2015, revenue from fees for operating the transfers and cash transactions amounted to BGN 18.1 million and grew by 3.1% yoy. Income from fees for servicing deposit accounts amounted to BGN 30.7 million and increased by 14.1% yoy. Income from fees on debit and credit cards amounted to BGN 21.2 million, decreasing by 1.7% yoy. At the end of 2015 income from fees and commissions on loans and advances to customers increased by 11.2% yoy and reached BGN 8.9 million.

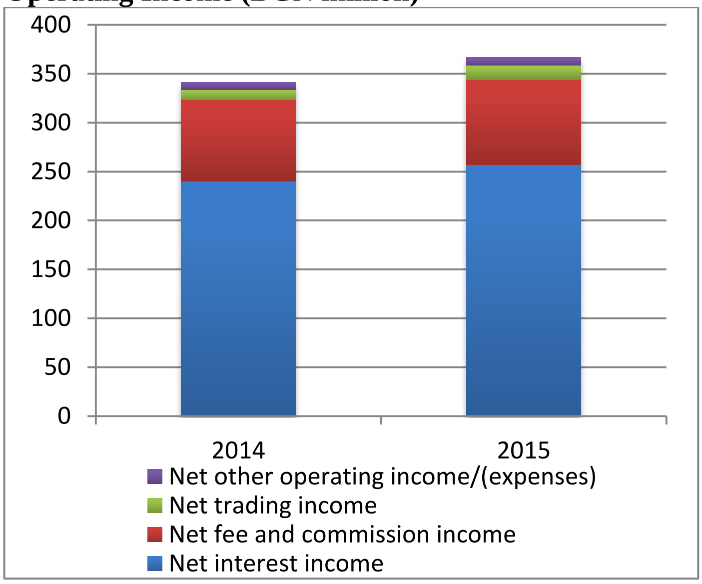
Revenues from commissions on guarantees and letters of credit decreased by 37.0% yoy and amounted to BGN 2.2 million. An increase in revenues from other fees and commissions is 9.0% yoy, which at the end of 2015 amounted to BGN 11.2 million. At the same time the increase in UBB's fees and commissions expenses reported 9.3% yoy is a key factor in net income from fees and commissions. At the end of 2015 UBB's total fees and commission's expense amounted to BGN 4.9 million.

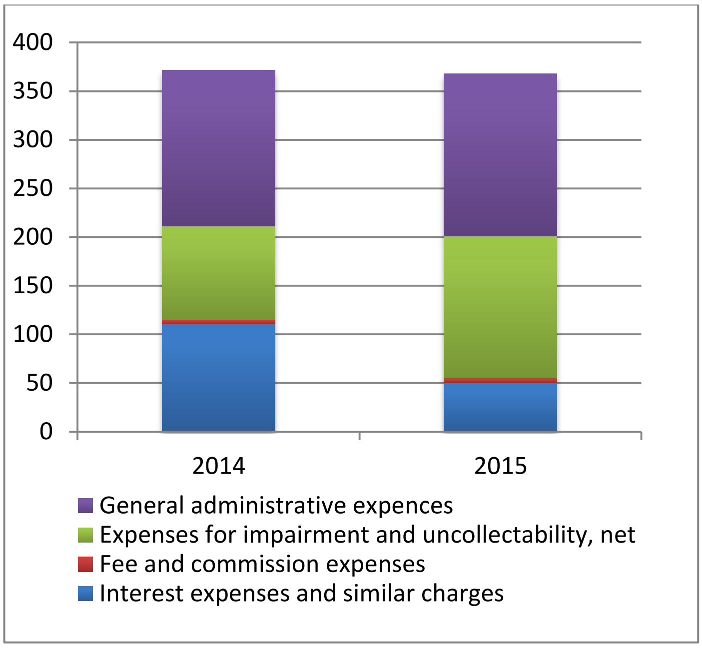
On a consolidated basis at the end of 2015, revenues from *other fees and commissions* increased by 10.1% yoy to BGN 16.1 million. The total revenue from fees and commissions on a consolidated basis amounted to BGN 97.1 million and increased by 5.4% yoy. Furthermore, on a consolidated basis the fees and commissions expenses increased by 8.8% yoy and amounted to BGN 5.4 million.

Net trading income

At the end of 2015, net trading income amounted to BGN 14.6 million and increased by 39.8% yoy. The largest contribution in this position is the gain on interest rate instruments gain, which at the end of the year amounted to BGN 10.3 million and increased by 375.3% yoy. Net income from FX trading s amounted to BGN 4.3 million.

Operating Income (BGN million)





Operating Expenses (BGN million)

General and administrative expenses

In 2015, UBB's general administrative expenses increased by 4.1% yoy and reached BGN 166.8 million, providing normal conditions for business development. Furthermore, the dynamics of the administrative costs on an annual basis is as follows: 6.1% increase of the personal costs, 19.9% increase of deposits insurance premium, 17.1% decline in depreciation/amortization charge, 2.2% decline in rentals, 4.5% increase of remuneration and taxes on third parties, 1.2% increase of marketing and advertisement, 11.8% increase of other consumables, 6.1% decline of insurance costs, 3.3% decline of telecommunications, 3.3% drop in services of T24 and SAP, 37.5% increase of impairment for assets, 4.3% increase of subscriptions, 268.1% decline of provisions for legal cases, 118.3% decrease of provision charges for forfeiting of letters of credits and 2.7% increase of other (audit, legal fees, etc.) costs.

On a consolidated basis general administrative expenses for 2015 increased by 4.2% yoy and reached BGN 169.2million. The dynamics on an annual basis in administrative expenses on a consolidated basis is as follows: 6.2% increase in personal costs, in rental expenses 2.2% decrease, 3.2% increase for fees and charges for third parties, 1.1% increase of marketing and advertisement, 3.6% decline for telecommunications, 6.4% drop for insurance costs, 11.7% for expenditure on consumables, 7.9% increase for subscription and6.2% increase in other expenses (audits, consulting, legal fees).

Net charge for impairment

For the year end 2015 UBB's net impairment expense increased by 51.5% yoy to BGN 145.8 million compared to BGN 96.2 million in 2014. For one year the impairment charges of loans and advances to customers increased from BGN 101.4 million to BGN 395.1 million. There was acceleration in the recovery of previously written-off debt from BGN 11.5 million in 2014 to BGN 263 million in 2015, and the impairment of investment securities available for sale rose from BGN 1.8 million to BGN 9.9 million.
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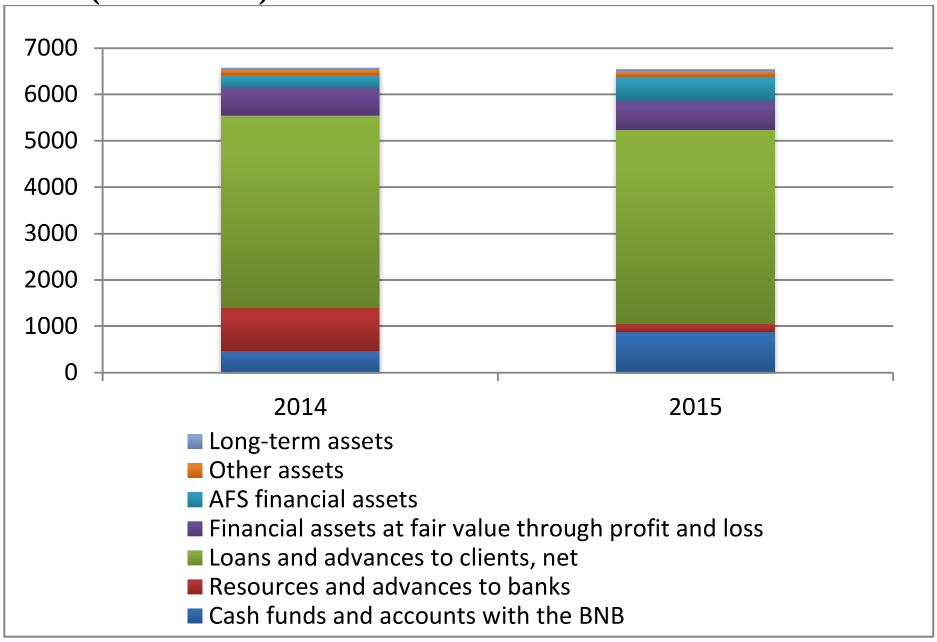
On a consolidated basis, net charge for impairment increased by 51.3% yoy to BGN 145.9 million compared to BGN 96.4 million in 2014. For a period of one year impairment charges on loans and advances increased from BGN 101.6 million to BGN 404.1 million.

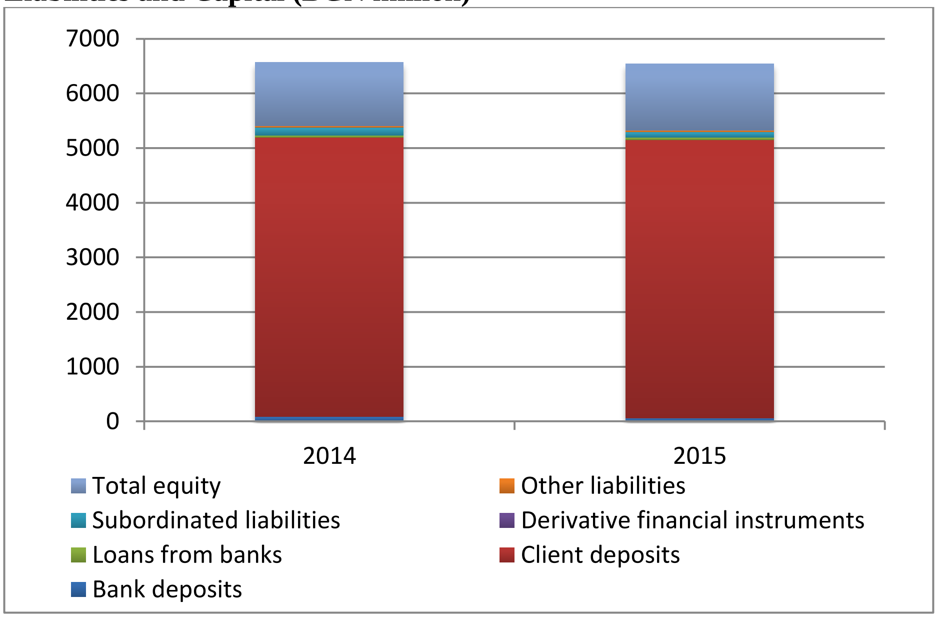
ASSETS AND LIABILITIES

At the end of 2015 the UBB's total assets decreased by 0.4% yoy, reaching to BGN 6.544 million compared to BGN 6.570 million in 31.12.2014. Structurally, the main balance sheet items of the Bank reported the following dynamics:

Assets (BGN million)



Liabilities and Capital (BGN million)



At the end of 2015, consolidated assets reached BGN 6.549 million and decreased by 0.4% yoy (2014: BGN 6.575 million).

Cash and cash equivalents

At the end of 2015 UBB's and consolidated cash and balances with the Central bank amounted to BGN 887.7 million, including minimum statutory reserves. The maintained required minimum statutory reserves with the BNB in percentage terms were at an optimum level during the year, as follows:

BGN million	Mar-15	Jun-15	Sep-15	Dec-15
Minimum Required Reserve and funds within BNB	374	368	484	721
Fulfillment (monthly average)	146%	102%	121%	155%

Due from banks

At the end of 2015 the net amounts due from banks amounted to BGN 158.2 million, decreased by 82.9% yoy.
On a consolidated basis loans and advances to banks amounted to BGN 158.2 million, decreased by 82.9% yoy.

Financial assets designated at fair value through profit or loss

At the end of 2015 UBB's separate and consolidated financial assets designated at fair value through profit and loss amounted to BGN 628,7 million and are allocated as follows: 72.4% in Bulgarian government securities, 25.5% in debt from foreign issuers, 2.1% in foreign securities listed on official stock markets.

Loans and advances to customers

In 2015 due to the volatile macroeconomic environment UBB continued to apply a conservative approach in lending. Thus, at the end of the year, the Bank's gross loan portfolio declined by 1.6% yoy.
Restrictions were relayed on the loans related to economic sectors with high risk. The work on restructuring and improving the collection of problem exposures led to a contraction of credit activity and the reduction in credit exposures of existing customers. At the end of 2015 the net value of loans amounted to BGN 4.192 million compared to BGN 4.148 million at the end of 2014. In 2015, high growth of unemployment and the contraction of the salary income of the population led to a decline in loans to households by 8.9% yoy. For the same period, loans in the corporate sector increased by 3.7% yoy amounting to BGN 3.013 million. At the end of 2015 the loans classified past due up to 30 days are 14.5%, past due 31-60 days are 3.6%, past due 61-90 days are 3.0%, past due 91-180 days are 2.4%, past due 181-365 days are 3.5%, past due 1-2 years are 10.7%, past due over 2 years are 62.2%. In 2015 the loan portfolio was diversified across all industries with emphasis on retail banking, small and medium-sized businesses, small scale industry, as well as the dynamically developing sectors of the economy - industry, trade, construction, transportation and communication, etc.

On a consolidated basis in 2015, the net amount of loans amounted to BGN 4.193 million compared to BGN 4.149 million in 2014, increased by 1.1% yoy. For the same period, loans on a consolidated basis in the corporate sector increased by 3.7% yoy and amounted to BGN 3.015 million.

Financial assets available for sale

At the end of 2015 the Bank's and consolidated financial assets available for sale amounted to BGN 526.6 million and registered a 90.5% yoy increase. In structural aspect 85.9% of them are Bulgarian government securities, 5.5% corporate bonds and 8.6% equity securities.

Attracted resources and equity

At the end of 2015 UBB's amount of liabilities reached BGN 5.323 million compared to BGN 5.405 million at the end of 2014 registering a nominal decrease of 1.5% for one year period.
For the same period liabilities on consolidated base decreased by 1.6% yoy and amounted at BGN 5,319 million.

Deposits from banks

Funds deposited by banks declined by 24.9% yoy. At the end of 2015 the deposits from banks amounted to BGN 62.8 million compared to BGN 83.6 million at the end of 2014. Their relative share of total liabilities presented 1.2%.

Deposits from customers

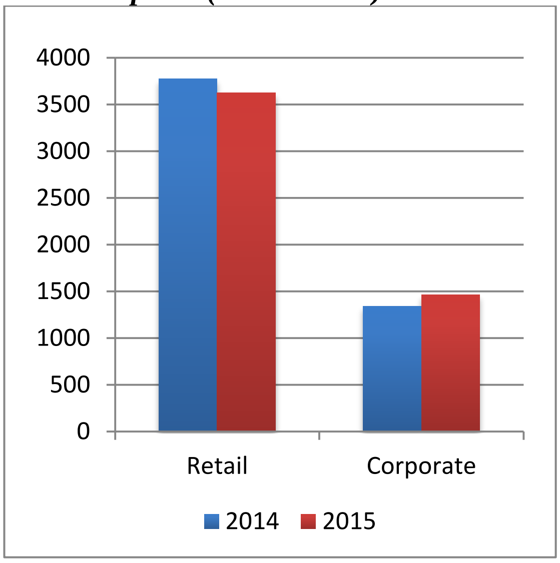
At the end of 2015 customer deposits reached BGN 5.089 million compared to BGN 5.114 million at the end of 2014 and registered 0.5% yoy decline. During the year the deposits of individuals decreased by 3.9% due to the decelerated interest rates on deposits' products, which was character for the overall banking system in 2015. Deposits from non-bank financial institutions increased by 117.0% yoy. Corporate deposits declined by 2.3% yoy. Deposits from government institutions and agencies declined by 30.7% yoy.

Deposits' Structure

Deposits from clients, BGN (000)	31.12.2015	31.12.2014	Change y/y (%)
Deposits of individuals	3 624 940	3 772 934	(3.9)
Deposits of non-bank institutions	310 255	142 951	117.0
Corporates deposits	1 112 809	1 138 526	(2.3)
Deposits from government institutions	41 349	59 634	(30.7)
TOTAL	5 089 353	5 114 045	(0.5)

The deposits of individuals continued to dominate the structure of deposits, representing 71.2% of the deposits' portfolio. The dynamics of corporate deposits followed the deflation in prices as well as the stagnation in business and their relative share in the deposits' structure stands at 21.9%. The relative share of deposits from non-bank financial institutions improved to 6.1% and the share of deposits from government institutions and agencies declined to 0.8%.

Clients Deposits (BGN million)



As of December 31, 2015 UBB has key market positions by holding 8% of retail deposits and 6% of the corporate deposits on the local market.

Bank Borrowings

At the end of 2015 Bank reports on separate basis BGN 39.7million credit lines from banks. These are essentially credit lines from BGN 9.7 million for retail banking and BGN 30.0 million for financing of small and medium enterprises

Subordinated debt

At the end of 2015 the Bank recorded on a separate basis BGN 101.8 million subordinated debt. In October and November 2007 UBB signed two subordinated debt agreements with National Bank of Greece totaling EUR 130 million. Subordinated debt is used as a supplement to the capital reserves in accordance with the requirements of BNB on capital adequacy. Repayment of subordinated debt is not guaranteed by the Bank. Original maturity of subordinated debt is 10 years. From 2013 UBB began annual repayment of the subordinated debt in both agreements in equal installments in the amount of BGN 50,852 thousand for the period 2013-2017.

Shareholders Equity and capital adequacy

UBB's shareholders equity at the end of 2015 amounts to BGN 1.222 million (2014: BGN 1.165 million).

On a consolidated basis, the total amount of shareholders equity is BGN 1.230 million at the end of 2015 compared to BGN 1.171 million reported at the end of 2014.

The total capital adequacy as of December 31st 2015, as per CRD IV regulatory framework amounts to 28.2% (based on total Regulatory Capital on individual basis at BGN 1.237 million and on consolidated basis at BGN 1.242 million) and Tier 1 capital adequacy amounts to 26.1%.

1.2. BUSINESS DEVELOPMENT

RETAIL BANKING

In 2015 United Bulgarian Bank retained its strong market position in the banking sector for retail loans and deposits. With regard to retail deposits, it was a year focused on adjusting the deposit rates as the Bank aimed to promote savings and current accounts rather than term deposits, while making constant monitoring and price adjustments aligned with the market to ensure positive effect on the P&L. The Bank's retail deposit portfolio reached BGN 3.625 billion at the end of 2015.The realized interest expense was BGN 40.1 million or 10% lower than the budgeted one.Although the promotional lending activities by the major banks, the retail loans market recorded a decrease in balances. In 2015 UBB had 25% growth in the newly disbursed volumes in mortgage lending and 15% growth in the consumer lending disbursements, where the total retail loans year-end portfolio was BGN 1.929 million. UBB continue to be one of the top bank issuers of international credit and debit cards under the logos of Master Card and VISA. In 2015 the mass debit product Maestro was gradually replaced by Debit MasterCard together with the launch of a new World Debit MasterCard for the upper-mass customers.In terms of absolute figures, during 2015 the total portfolio of UBB's cards in circulation had constant growth in number of transactions i.e. 16.9 million on an annual basis, while the total volume of transactions surpassed BGN 2.3 billion. Thus, throughout the whole year, the number of POS transactions of Bank's credit and debit cards business grew with 3.7%. In terms of cards servicing, UBB upgraded the loyalty platform for its cardholders to move forward from product oriented to a customer centric model. The retention programme in CRM was enriched with more offers to our customers aiming to decrease the attrition ratio of the credit card portfolio. Gradual migration of the credit cards portfolio to contactless is planned for 2016. Throughout 2015, the Bank continued to provide its high standard professional banking services to its affluent customers leading to increased number of customers of UBB Club. In the field of card acceptance and servicing of card transactions in 2015 our focus was on activation and efficiency improvement of UBB's POS and ATM network. During the year the Bank reduced the number of ATM terminals with 8% while retaining the levels of serviced transactions and volumes from 2014. By efficiency improvement of our POS terminals network UBB reduced the number of active POS terminals with 10 % in 2015 and meanwhile reported a growth of the number of transaction with 6,5%, an increase of the turnover and gross income with 3% and an increase of net income with 14 %, compared to 2014. In 2015 UBB's Retail banking continued its efforts on sustainable development of innovative products and promotional campaigns in all retail categories in an environment of increased competition. Consequently, many "bricks-and-mortar" activities of the bank have been transformed to "clicks-and-mortar" by incorporating Internet sales. Through 2015 UBB launched online application channel for credit cards opening the root for other consumer products to be offered online also in 2016. UBB's credit cardholders have the opportunity to transfer purchases to instalments through the e-banking channel. The Bank's e-banking customers are able to choose from a wide range of products now available to be opened online or see some personalized offers in their personal profile. Pre-roll of the mobile banking application was prepared for market, which launch is expected in 2016. At the end of 2015 UBB started to offer packaged proposals of banking products and services to its individual customers. The packages provide freedom and convenience for daily banking and special conditions upon the included products and services. Similar offers will be offered though out 2016 to cover the needs of different segments. In mortgage lending, the Bank further improved the promotional parameters for the most demanded products and launched special *"No Bank fees"* campaign for external refinancing. In consumer lending in 2015 the Bank introduced the Energy efficiency consumer loan under the European Bank for Reconstruction and Development REECL credit line. The new product targeting mainly the mass segment resulted into 2,771 new loans for the amount of BGN 10 million disbursed in less than 10 months and BGN 2 million grand paid to the customers. The attractive consumer loan for refinancing has been fine-tuned both price and risk wise which positioned it among the best-selling offer on the market. Throughout the year both products were supported by continuous promotional activities. At the end of 2015 UBB introduced new business model for the development of the general insurance portfolio. The Bank enhanced to a higher level the business partnership with one of the market leaders in Bulgaria – Bustrad Vienna Insurance group, that acquired a 100% stake in UBB AIG and renamed on Nova Ins EAD. The cooperation with Nova Ins insurance company will allow UBB to focus more actively in providing better insurance protection possibilities for the customers and upgrading of the current business. During 2015 the life – insurance company UBB Metlife again is ranked between Top 5 biggest life insurance companies in Bulgaria with 10% market share.

PAYMENT PRODUCTS AND SERVICES

In 2015 the number of clients, registered for the e-banking service was 200,483, representing a growth of 8% yoy. The electronic banking channel accounted for 63% of the realized fund transfers. The utility bill payment service at the end of 2015 was actively used by 69,862 clients with registered 139,611 consents for payment to utility companies. Over 2015 the Bank successfully promoted and further developed its new alternative channel for payment of utility bills and taxes- UPAY(www.ubbpay.bg) – with reached 32,886 registered users at year-end and enabled payment of obligations to more than 200 companies for utilities and other services. UBB's market share in terms of realized payments through the Western Union money transfer system was 11% at end 2015. Furthermore, over 2015 the Bank retained its leadership position in terms of the ATM deposit service as the annual number of realized cash deposits reached 237,000 and grew by 11%, compared to 2014. UBB's Call Center meets the highest standards of customer service through alternative banking channels. 2015 marked the adding of new services to this channel, the most successful of which had proved the utilization of money transfers via Western Union and deferred repayment of credit card transactions.

CORPORATE BANKING

Throughout 2015 the efforts of United Bulgarian Bank in the corporate segment targeted improvement of the Bank's market position and containment of the declining interest rate impact on its income. While implementing this objective during the year, UBB extended new corporate loans at the amount of BGN 593 million (against BGN 571 million in 2014) and additionally enlarged its portfolio volume through purchasing high quality portfolios totaling BGN 289 million. Simultaneously, notwithstanding the new production upsurge and the newly acquired yield-bearing assets and as a consequence from the improved terms to its borrowers, UBB's interest income from corporate loans contracted from BGN 131 million in 2014 down to BGN 106 million in 2015. At the same time, the annual fee and commission income from corporate clients was sustained at the level of BGN 33 million. In 2015 UBB entered into two new agreements under programs for the segment of Small and Medium-sized businesses – A Memorandum of Understanding with State Fund Agriculture in August and an agreement with the National Guarantee Fund in October for securing a portfolio of deals within the SME-2015 initiative. In December UBB and the European Investment Fund reached an arrangement to extend the inclusion period for loans in the guaranteed portfolio under the JEREMIE initiative until 30.06.2016. Within the year the newly granted loans under partnership programs numbered 153, totaling BGN 51 million. Concurrently, the Bank persisted with its systematic initiatives, aimed at enhancement of asset quality and balance sheet reinforcement, by making additional corporate loan book impairment worth BGN 110 million and problem loans' write-off, equaling BGN 151 million.

TREASURY ACTIVITIES

In 2015 UBB's "Treasury" continued to provide optimal liquidity through participation in government securities market, forex trading and products in the interbank market. During the year the "Treasury" also provided various deposit instruments and investment solutions for UBB's large corporate clients and business. Further, the "Treasury" ended 2015 with a significant contribution to UBB's financial results, generating more than EUR 27 million net profit from overall activity. Additionally, UBB continued to maintain optimal Loans/Deposits Ratio at 82% as of end of 2015. Furthermore, UBB continues to keep its status as a self-financing financial credit institution, with independent liquidity from the parent bank.

INVESTMENT BANKING

In 2015 UBB Investment banking department was striving to meet the needs of the Bank's current and potential clients through rendering investment intermediation and depository services. UBB continued to participate actively on the corporate bond market by rendering services related to bond restructuring, as well as providing services in its capacity of a trustee of bondholders and focused mainly on keeping its existing trustee business and successful bond restructuring. In 2015 UBB performed the function of a trustee bank for the bondholders of 19 bond issues. UBB brokerage services unit succeeded in maintaining its market positions on the stock market in the context of an ongoing financial crisis and low liquidity on the stock exchange that led to a considerable outflow of institutional investors in 2015. Despite a decline in major indexes and competing with more than 50 investment intermediaries UBB maintained its client base and booked 20 new customers in its U-Broker stock trading platform. In 2015 depository services unit offers all services allowed under Bulgarian law to customers from all sectors of the Bulgarian capital market. Currently the bank has a portfolio of 75 long term contracts for depository services and its client base includes financial institutions and corporate customers, management and investment companies, mutual funds, real estate investment trusts (REIT), insurance and life-insurance companies and licensed investment intermediaries. UBB maintains foreign securities custody accounts for its clients through *Clearstream Banking SA, Luxembourg*. UBB performs the services of a custodian bank for the pension funds managed by the Pension Insurance Company *"Doverie*", which has a leading market position among Bulgarian pension fund management companies. Total assets of the three pension funds under management exceed BGN 2,5 million as at the end of 2015. The structure of the pension insurance market remains unchanged in terms of number of licensed pension management companies and total number of pension funds.

INFORMATION TECHNOLOGIES

In 2015 UBB's "Information Technologies" Department successfully completed several significant projects. Proof of Concept (PoC) was realized and a pilot implementation of a Virtual desktop infrastructure (VDI) was implemented. This will allow the next 2-3 years to shift to a technologically new, centralized and highly reliable technical infrastructure. As a result, the bank will achieve better manageability of the technical resources and flexibility in customer service in the branch network of the Bank. It was carried out the migration to Windows 7 operating system on all PCs within the Bank. Furthermore, successfully started deployment of U-Mobile - mobile banking application.

HUMAN RESOURCES MANAGEMENT

In 2015 HRM Department continued to take care for the development and retention of employees through providing the necessary professional training and remunerations comparable to the market levels. A new way for employees' performance appraisal process was implemented. It provided the possibility for employees and managers to fill and sign the appraisal forms electronically. Due to the HR team efforts and the good organization of the process, an extremely high percentage of completed appraisal forms was achieved. HR department constantly monitored and supported in real time the whole performance appraisal process. The process of implementation of e-signature for internal documents continued. On the initiative of the *"Standard"* newspaper a competition *"The new generation: Bankers"* has been launched. Its purpose is to promote young managers in the financial sector and make them recognizable. HR department made a proposal which was approved by the Executive Directors to nominate two employees – one from Risk Management Division in the category *"Young expert"* and one from Corporate Banking Division in the category *"Quick start"*. Both UBB nominees won the awards in their categories. In the training process in 2015 HR department emphasized on the e-learning form. The E-Learning system of the bank migrated to a higher version with easier navigation and more opportunities for visual effects. New electronic courses for managers in BN were added as well as for Microbusiness employees, employees responsible for classified information and for employees selling Asset management products. Materials in all courses and modules of the system were updated and enriched. Employees from *"Risk Management"* Division were provided with the opportunity to use 1-year electronic course of SAS Institute North Carolina, which helped them in the calibration of the corporate rating model and in producing fundamentally new model for assessing the creditworthiness scoring. Employees from 10 HO departments participated in e-learning – Webinar by Ken Blanchard *„The New One Minute Manager":* Managing Your Work and Life, Live webcasts *"SWIFT - The KYC Registry"*, *"Applying Data-Mining in Finance"* and MasterCard Web Academy. In support of the Bank's strategy for business development and performance improvement specialized trainings for SME, Micro segments, Branch managers, reassigned Retail team managers and others were realized, as well as seminars and IT trainings for teams and employees of HO structures. In 2015 1,887 participations of employees in different forms of trainings were organized (incl. induction trainings, internal and external advanced trainings) and 2,498 participations in tests for checking the knowledge in different areas. An initiative of HR and Small and Medium Enterprises and Specialized Programs Departments for a 3-month internship program *"Successful start"* directed to a senior-year students and graduates in economics was successfully implemented in order to identify potential candidates for positions in Branch Network. Total of 6 students completed the internship program and 5 of them started working with business customers.

BANKING REGULATORY CONTROL

Corporate Governance

Based on the concept that effective internal governance arrangements are fundamental if banks, individually, and the banking system altogether, are to operate well, United Bulgarian Bank - as part of its long-term objectives - has been committed to the principles of good corporate governance and their implementation into the Bank's activity. The Bank recognizes the valuable contribution that successful corporate governance makes to business prosperity and to ensuring accountability to its stakeholders, especially in view of the events on the international financial markets.

In accordance with the *Corporate Governance Programme*, approved in 2003, the Bank has established a proactive and transparent process of strategic decision-making. In 2015 United Bulgarian Bank initiated actions for improvement of the institution's internal governance system through launching *UBB's Corporate Governance Enhancement* project. To improve the internal transparency throughout the Bank, a *Chart of Authorities* was drafted, outlining their structure in a well-defined, translucent and consistent lines of responsibilities of the Bank's governing bodies. A new *Corporate Governance Programme w*as developed and submitted for debate throughout the Bank.

The Code of Ethics of UBB staff and the respective policies for disclosure and prevention of conflicts of interest clearly define the conflicting cases, as well as the methods for their prevention. In 2015 the Bank invested adequate efforts and resources to ensure the effective management of any potential or actual conflict of interest. In 2015 the *Policy for Avoiding Conflicts of Interest* was reviewed and its scope - widened.

In its capacity as a Personal Data Controller, UBB gives top priority to the legal requirements for keeping bank secrecy and protection of personal data. While complying with these in 2015 the Bank adopted a *Policy for Protection of Personal Data*, introducing the criteria and standards, assumed by NBG at Group level and supplementing the existing internal rules of the Bank, developed in accordance with the applicable Bulgarian laws. The Policy ensures that the data is being processed in conformity with law and stipulates a clear set of rules and principles, regulating the administration by UBB of personal data, collected in the course of business or other relationships, while protecting human rights, fundamental freedoms and privacy.

Board of Directors (BoD)

The Board of Directors is the supreme governing body of the Bank, responsible for setting the strategy, overseeing the management and reliably controlling the Bank. It is also within its competency to approve the Bank's annual budget. UBB Board of Directors ensures that the Bank is being managed with the ultimate aim to enhance its long-term value and promote corporate interest. The BoD members play an essential role in the strategic decision-making processes at the Bank, therefore particular attention is being paid to their selection. During 2015 Mr. Pavlos Mylonas and Mr. Panagiotis Karandreas were released as members of UBB Board of Directors, at their request. The new BoD members - Mr. Marinis Stratopoulos and Mr. Alexandros Benos – were elected for a 3-year mandate. Mr. Stilian Vatev, Mrs. Radka Toncheva and Mr. Konstantinos Bratos were reelected for another 3-year period.

Board Committees

The following committees, established to UBB Board of Directors, facilitate its work:
Risk Management Committee, Remuneration Committee, Audit Committee.

- The Risk Management Committee (RMC) advises the Board of Directors on the Bank's overall current and future strategy as regards risk and the Bank's risk appetite. This committee proposes for approval to the BoD the *Bank's Risk Strategy, Risk Appetite Statement* and risk management policies and oversees their implementation by UBB's senior management. RMC comprises non-executive members of the Bank's BoD, appointed by the latter. The Committee holds its meetings quarterly.
- The Remuneration Committee (RC) is responsible for the preparation and proposal of decisions, concerning policies and practices on remuneration of officials, who influence the assumed risks and their management at the Bank. This committee assists the BoD in the preparation, review and monitoring the implementation of the Bank's Remuneration Policy. RC comprises non-executive members of the Bank's BoD, appointed by the latter. The Committee, as a rule, holds annual meetings.
- The Audit Committee ensures the effective functioning of the internal control systems, financial reporting, internal audit, compliance and risk management from the point of view of applying the principles of stable corporate governance and the Bank's strategic objectives. The Audit Committee members are independent experts in finance, banking and law, elected by the General Meeting of Shareholders under the procedure, established by the *Independent Financial Audit Act*. The Committee has to hold meetings every two months.

Communication with Shareholders

The Bank is committed to the equitable treatment of all its shareholders. Also, insofar as practicable, the bank ensures equal access to information for all shareholders. Shareholders are provided with full year accounts to help them keep up to date on UBB's performance and progress. The Annual General Meeting provides shareholders with an opportunity to ask questions to the Board Directors.
The Bank believes that full disclosure and transparency in its operations are in the interest not only of its own good governance, but also to the benefit of a sound and stable banking sector.

Performance Reporting and Internal Financial Control

This annual report includes the Board of Directors' statement on the performance and prospects of the Bank. The Board acknowledges that it has ultimate responsibility for ensuring that the Bank has appropriate financial control systems in place. The objectives of these systems are to guarantee the routine:

- identification and management of key business risks
- the safeguarding of assets against unauthorized use
- the maintenance of proper accounting records and reliability of financial information, used for publication purposes, and
- the compliance with legal and regulatory requirements.

It should be noted that such financial control systems could provide only reasonable and not absolute assurance against material misstatements or losses.

Financial Control, Data Processing and Monitoring

The Bank uses certain financial and other authorization limits, as well as procedures for approving capital expenditures. The Board of Directors approves strategic plans and detailed annual budgets and reviews the Bank's monthly performance against those.

The Specialized Internal Audit Department monitors on an ongoing basis the internal financial control systems across all branches, divisions and departments of the Bank and reports directly to the Board of Directors.

There is an effective procedure at the Bank, enabling all UBB employees to alert about issues, concerning incorrect or imprecise representation of accounting information, or data, on which the independent financial audit is based, or reports to supervisory authorities are being prepared.

Statement of Management Responsibilities

The Bulgarian National Bank endorses the financial statements' preparation by the Management in accordance with the *International Financial Reporting Standards*.

While drafting the financial statements the Management should ensure that:

- accounting policies have been suitably selected and applied consistently,
- judgments and estimates are reasonable and prudent, and
- the *International Financial Reporting Standards* have been followed, with regard to any material circumstances, which are to be disclosed and explained in the financial statements.

The Management acknowledges compliance with the above requirements while preparing the financial statements.

The Bank's Management is responsible for keeping proper accounting records, reflecting accurately at any moment UBB's financial performance. The Management is also accountable for safeguarding the assets of the Bank, on both individual as well as on consolidated basis, and also for initiating prudent actions upon establishing attempts at fraud, the latter's disclosure, or other irregularities.

SPONSORSHIP AND CORPORATE SOCIAL RESPONSIBILITY

In 2015 UBB persisted with further developing its policy in the sphere of sponsorship and corporate social responsibility in alignment with its all-round strategy, targeting the encouragement and support for culture and arts, science and sports, as well as the aid to vulnerable social groups. UBB also deployed a brimming regional sponsorship programme. UBB's overall sponsorship and Corporate Social Responsibility (CSR) expense for 2015 adds up to a total of EUR 121,000. The main activities in the sphere of CSR throughout the year were carried out along the following lines:

- **Cultural Projects**

- **March Music Days International Festival**, Ruse town– UBB marked 12 years as a partner to one of the oldest festivals in Bulgaria, held annually since 1961. The event was once again welcomed with great anticipation and significant interest by connoisseurs of classical and modern music. Traditionally the Festival became a focal point for artists from all over the world.
- **Partnership with Sofia Opera and Ballet's via Opera in the Park and Stage of the Ages initiatives, Veliko Tarnovo town** – in 2015 UBB continued to expand its cultural initiatives with Sofia Opera and Ballet, as a result of which two significant summer events with exceptional cultural value were realized – Opera in the Park Summer Festival, held for a 6^{th} consecutive year, and the premiere of the first Bulgarian opera - Borislav - by the Opera company of artists during the Stage of the Ages Festival. The former event once again received opera and ballet aficionados in the park of G.S. Rakovski National Military Academy in Sofia, while, during Stage of the Ages the first Bulgarian historical opera, based on Ivan Vazov's novella, was staged within Tsarevets Stronghold in Veliko Tarnovo town.
- **Varna Summer International Theater Festival** – in 2015 UBB gave a helping hand to the festival for a 10^{th} consecutive year. The Festival promoted classical productions, as well as modern artistic interpretations, staged by Bulgarian and foreign theater companies. With its versatile programme Varna Summer transformed Bulgaria's seaside capital once again into a festivity town for the event's duration.
- **Apollonia Festival** – UBB was again a general partner of the Festival of Arts in Sozopol town by presenting its traditional jazz club - Apollonia/ UBB Stage Club - as a favorite venue for jazz lovers every summer. But there is more to that – UBB again bestowed its special award to an outstanding Bulgarian artist.
- **Scene at Crossroads International Festival** – UBB was again part of the "sponsor societé" of the festival, held for a 19^{th} consecutive year in Plovdiv town. The Bank once again supported the realization and promotion of the international event, while bestowing a prize to one of the productions in its programme – The Palaveevi Sisters - a performance within the festival's framework, staged under the patronage of the Bank.
- **NATFA** – the young actors from the National Academy for Theater and Film Arts once more received the support of UBB as in 2015 the bank sponsored for a second time the realization of the First Steps in Cinema Arts educational workshop, organized exclusively for the newly-enrolled students of the Academy.
- **Establishment of Serdica-2 Tourist Information Center** – in 2015 UBB supported Sofia Municipality in its initiative to build a one-stop tourist information center, situated in Serdica metro station, where the guests of the capital city could obtain information not only about Sofia's sights and landmarks, but also about accommodation and cultural events to be attended during their stay.

- **Sports**

- **Children tennis tournaments** – UBB once again focused its attention on the support for the realization of two children tennis tournaments – one of the private schools and another of "Masters" rank for all kids - champions at regional competitions. The competitions were traditionally held under the moto "For the awards of UBB" and widely covered by the national media, while the children, who demonstrated sporting excellence, were awarded by the Bank's representatives. Through this support UBB seized the opportunity to showcase its care and responsibility as a member of the society, concerned about kids' healthy way of life and the need of practicing active sports.

- **Support for Science**

- **National Museum of Natural History** – in 2015 the National Museum of Natural History realized three projects with the financial support of UBB – continuation of the excavation works at Azmaka archaeological site in search of the last pre-human hominids in Europe; a zoological expedition for discovering a previously unknown population of the rare red wolf and the making of a 360-degree interactive walk through the museum halls in Bulgarian and in English. The projects were properly advertised in the scientific circles and UBB was once again distinguished as one of the museum's leading patrons.

- **Regional Sponsorships**

- In 2015 UBB supported financially 44 regional signature events of high prominence for the local community and culture. Among them there were anniversary celebrations in a number of towns, cultural events such as dance competitions, folklore and musical festivals, exhibitions, sports competitions, etc.

II. IMPORTANT EVENTS DURING THE PERIOD BETWEEN THE DATES OF THE FINAL BALANCE SHEET AND THE ANNUAL REPORT APROVAL

In November 2014, the Board of Directors of UBB decided to proceed, jointly with AIG Central Europe & CIS Insurance Holding Corporation and Ethniki Insurance, with the sale of UBB AIG Insurance Company AD. The sale has been finalized on January 4, 2016.

There are no other significant events after the end of the reporting period which require additional adjustments and/or disclosures in the financial statements of the Bank on separate or on consolidate basis.

III. UBB's FUTURE DEVELOPMENT IN 2016

Macroeconomic Assumptions

The main macroeconomic conditions for business development in Bulgaria in 2015 are driven by the impact of the following parameters:

- 2.3% economic growth,, taking into account the slow exit from the recession in the countries - major trade partners from the EU;
- Expectations of very low average inflation of 0.8%, driven by the the long period of deflation for the previous two years;
- Limited growth in lending on an annual basis - of 1% for retail loans and 2% for corporate loans;
- Expected growth of the deposit base in household deposits by 5% yoy and in corporate deposits by 3% yoy;
- Yield from market interest rates (in consumer loans by 11%, in mortgages by 7%, in corporate loans by 5%);
- Yield on deposits of 0.8% for households and by 0.5% for corporate companies;
- A Currency Board arrangement with a regime of fixed exchange rate for BGN/ EUR: 1.95583.

Key Business Objectives:

1. Optimal liquidity and strong capital position. UBB will continue to maintain its status as a self-funding financial and credit institution with independent liquidity of the parent bank. UBB will maintain optimal liquidity and capital adequacy above the levels imposed by the Central Bank - 20% for liquidity and 13.5% for total capital adequacy, respectively. . UBB will continue to reduce the ratio of loans/deposits as the target at the end of 2016 is 80%;

2. Business activity. UBB will continue to be active in the credit market and thereby strengthens its position as one of the leading and major banks in the sector. Our goal is to be a market maker as well as in he credit market and other basic banking products and services;

3. Asset quality. The purity of balance and strength of the assets will be one of the main UBB's priorities in 2016. The Bank will focus on the improving the quality of the loan portfolio, more efficient recovery on overdue loans from the past highly selective approach and high quality of new loans, more stringent controls and preventing new overdue;

4. Cost optimization. An ongoing process of limiting the none productive costs and performance of new, targeted productive ones including with long-term effect;

5. Improving the quality of services offered and the level of service. After business activity - a major priority.

IV. INFORMATION REQUIRED PURSUANT TO ART. 187"d" and ART. 247 of THE CODE ON COMMERCE

<u>Information under Art. 187 "d"</u>

1. **Number and nominal value of the acquired and transferred during the year own shares, part of the equity they represent, as well as the price at which the acquisition or transfer was made:**

As of 31.12.2015, no ordinary registered voting shares had been transferred according to the Central Depository.

2. Grounds for the acquisitions made during the year: *there is no buy out of shares from minority shareholders.*

3. Number and nominal value of the possessed own shares and part of the equity that they represent.

As of 31.12.2015, the shareholders capital is allocated into 75,964,082 ordinary registered voting shares, with nominal value of BGN 1 each.

Main shareholders:	***Shares***
• National Bank of Greece -NBG, (99.9%)	75,893,450
• Other shareholders (0.1%)	70,632
• Total	<u>75,964,082</u>

<u>Information under Art. 247</u>

1. Total remunerations received by Board of directors members during the year:

The remuneration of the executives - members of the Board of Directors during the year consists of short-term labor remuneration such as salaries and payments, related to social and health insurance contributions, paid annual leave, paid sick-leave. The total amount of remuneration for 2015 was BGN 603 thousands.

2. The acquired, possessed and transferred by the members of the Board of Directors shares and bonds of the company:

Owned by the members of the Board of Directors shares BGN 1 (one) each (nominal value)

Names of the Directors	**31.12.2015**	**31.12.2014**
Stilian Petkov Vatev	290 shares	210 shares
Total:	***290 shares***	***210 shares***

No shares were acquired or transferred by the another members of the Board of Directors during the year.

3. The rights of the Board members to acquire shares and bonds of the Bank;

Board members have no rights related to acquisition of shares and bonds of the Bank.

4. The Board members participation in companies as unlimited liability partners, the possession of more than 25 per cent of another company' capital, as well as their participation in the management of other companies or co-operations as procurators, managers or board members;

Stilian Petkov Vatev

Borica Bankservice AD Board of Directors’ member
Interlease EAD Board of Directors’ Chairman
Interlease Auto EAD Board of Directors’ Chairman
UBB – Metlife Life Insurance Company AD, Chairman of the Board of Directors
UBB – AIG Insurance Company AD(UBB - AIG), Chairman of the Board of Directors
Insurance Broker AD Board of Directors’ member
Representative of the Association of Banks in Bulgaria in European Payment Council

Radka Ivanova Toncheva
Cash Services Company AD Board member
Member of the Board of Foundation “Atanas Burov”
Chairman of Board of Directors of Association “United in Charity”

Agreements under Art. 240 “b”, signed during the year:
The members of the Board of Directors and related to them parties have not signed agreements with the Bank that go beyond the usual activity or significantly deviate from market conditions.

Payment of dividends and interest
UBB has not paid didivends for the last three years. The annual net profit was entirely allocated, by decision of the General Shareholders Meeting, to the general reserves.

V. BRANCH NETWORK

In 2015 the total number of UBB branch network structural units is 198, including:

- 122 structures, focused in servicing retail and micro business customers;
- 27 structural units, servicing retail, micro and small business;
- 17 structures for retail, micro and SME business;
- 8 Business Centers - specialized structural units, profiled in servicing SME business customers;
- 24 representative offices.

Customers in all UBB locations are provided with individual approach, professional, competent and high level of servicing, wide range and variety of products and services, meeting their needs and necessities.

VI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Risk management principles and policies of the Bank

UBB actively manages the risks, inherent to its activity, aiming to achieve optimal profitability from operations, while keeping all risks under control. The Bank applies the approved Risk Strategy, developed in accordance with the NBG Group Risk Strategy, the requirements of all applicable laws, BNB regulations and European Authorities' standards and framework.

UBB Risk Strategy describes the Bank's fundamental attitude towards risk as described by risk principles and objectives, as well as the Bank's current and target risk profile and appetite, risk governance and organization and key risk management capabilities.

The Board of Directors, through its Risk Management Committee, has the responsibility for approving and periodically reviewing the Bank's risk profile and appetite, as well as its risk management strategy and policies, ensuring that Senior Management takes all steps necessary to monitor and control risks in accordance with the approved strategies and policies.

The Bank's Executive and Senior Management have the responsibility for implementing the risk strategy approved by the Board of Directors and for developing the policies, methodologies and procedures for identifying, measuring, monitoring and controlling all types of risk, consistent with the nature and complexity of the relevant activities.

A consistent and effective framework for risk identification, assessment, monitoring and control has been fully documented by the Bank Risk Management unit, forming the basis for consistent definition of strategies, policies and procedures across all risk taking units within the Bank. The Bank risk management framework is reviewed periodically and adjusted in accordance with the Bank's overall risk appetite and profile, as well as internal and external norms and banking best practices. The Bank Risk Management function is capturing all material risk sources across all portfolios and operations.

Management is responsible for developing and maintaining processes and systems to ensure effective and efficient operations, adequate control of risks, prudent conduct of business, accurate disclosures both internally and externally, and compliance with internal and external rules. In doing so, the management ensures the direct or indirect involvement of at least two employees in each material activity or control function until its completion (four eyes principle).

The Bank's risk measurement, monitoring, and control functions have clearly defined responsibilities that are sufficiently independent from position/risk taking functions. Risk exposures are directly reported to Senior Management and the Board of Directors. The Bank's internal control systems are designed to provide adequate segregation of duties, in order to prevent conflicts of interest with respect to the distinct functions of undertaking, approving, monitoring and controlling risks. In particular the functions that undertake transactions (front line) are administratively and operationally separate from the functions of confirmation, accounting and settlement of transactions, as well as the safekeeping of the assets of the Bank or its customers.

The Bank's risk governance model includes three lines of defense consisting of:

- The risk taking units (lines of business) at the first level, responsible for assessing and minimizing risks for a given level of return.
- The Bank Risk Management function, at the second level, identifies, monitors, controls, quantifies risk,

provides appropriate tools and methodologies, coordination and assistance; reports to appropriate levels and proposes mitigation measures.

- Bank Internal Audit – provides the independent review function.

The Bank Compliance function is ensuring, through proper procedures, that the requirements and deadlines provided for by the regulatory framework in force are observed. This includes in particular anti-money laundering and terrorist financing regulation. In doing so, the compliance function informs all Bank employees on the relevant changes to the regulatory framework and provides guidance on the required changes to internal rules and processes.

The Bank ensures that proper identification of risks inherent in new products and activities is undertaken and that these are subject to adequate procedures and controls before being introduced or undertaken. The Risk Management Unit has an active participation in the development and pricing of new products, the design of new procedures, in issues relating to business decision-making, as well as the assessment of the risk that may arise in cases of important changes (mergers, acquisitions etc.), with a view to adopting the proper risk management and control mechanisms.

Adequate risk management process-related internal controls are maintained for all types of risks, involving regular independent reviews and evaluations of their effectiveness by the Internal Audit function. The results of such reviews are reported by the Audit Committee to the Board of Directors and are available to the relevant supervisory authorities.

The Bank acknowledges and manages with higher priority the following major types of banking risks arising from its activities – credit risk, liquidity risk, market risk, interest rate risk in the banking book and operational risk.

b) The Bank exposure to credit, liquidity, market and operational risk

The UBB's risk exposures and respectively risk metrics and risk management methodologies used are stated below in a sequence according to their significance for the Bank's activity.

Credit risk

The credit risk is related to possible unfavorable impact to the profit and capital of the Bank from an obligor's failure to meet the terms of any contract with the institution or otherwise fail to perform as agreed.

The main source of credit risk for the Bank is the loans to customers, which, as of 31.12.2015 amounted to BGN 4 943 million (BGN 4 944 million on consolidated basis). As of the same date, the total amount of impairment (IFRS provisions) was BGN 751 million or 15% of the credit portfolio. Additionally, the specific provisions (considered as Capital buffer by the Central Bank), under the canceled BNB Ordinance № 9 amounted to BGN 304 million.

Credit risk management decisions are made in compliance with the approved Risk Strategy and respective credit policies, which are regularly reviewed. UBB has adopted and implements *Corporate Credit Policy, Retail Credit Risk Policy and SBL Credit Risk Policy*, three master documents which regulate the lending business, the approval process, the principles of credit administration and the credit risk monitoring.

The Corporate Credit Policy sets the framework for corporate credit risk management, including approval levels and bodies, rating system, early warning system, classification and remedial management.

Early warning system (EWS) is an assessment process of the corporate clients designed to detect the problem exposures at an early stage and recovery actions to be taken on time. An application is developed, which significantly facilitates the whole process.

The Bank rates the corporate obligors by using an internal rating system, which provides probabilities of default according to a 22-level rating scale.

Retail Credit Risk Policy sets the criteria for approval of all types of credit products for individuals, approval levels, scoring models in use and their application, and portfolios' monitoring.

The Credit Policy for the Small Business Lending Segment determines the approval and monitoring processes for the products in the respective business area.

Moreover, the Bank possesses and applies numerous detailed procedures, relevant to the lending activity, regulating the acceptance and management of collaterals, credit analysis, credit administration etc.

For the decision making in the corporate lending activity, there is an escalation of approving bodies, depending on the size and the status of the loans under consideration. Risk Management Division is directly involved in the credit review and approval process, where it participates vested with veto right. The approval process for the retail portfolio is fully integrated within the Risk Management Division, with multi-level committees, clear determination and monitoring of limited overrides.

In compliance with its risk strategy, the Bank targets the maintaining of low level of credit risk concentration at obligor level and by industries. The Bank regularly monitors and reports the large exposures on obligor level and by industries. The largest sectors in corporate portfolio are wholesale and retail trade, real estate, crop and animal production, food production, manufacture of refined petroleum products and electricity supply.

The Bank makes assessment of the risk exposure, evolving from the loan portfolio by internally classifying and provisioning loans in compliance with the requirements of the IFRS on a monthly basis.

The Lending Portfolios' quality (in terms of NPLs and NPL ratios) is continuously improving, but effort is needed for fully recovering the troubled loans. The corporate NPLs have almost stabilized and there is a clear improvement in the area of collaterals' liquidation, while the Retail NPLs are declining with BGN 150 million corporate and BGN 110 million retail loans were written-off in 2015, improving the NPL ratios.

The Bank continues its effort to collect the delinquent loans, but in parallel focuses on generating new and healthy lending business, thus improving profitability and credit quality.

UBB actively operates in the financial markets. In order to manage the country and counterparty credit risk, the Bank has approved a conservative limits' framework. The Bank has no appetite for risk exposures towards bank counterparties with rating less favorable than Ba3 (Moody's) or BB- (S&P/ Fitch). The counterparty risk originated from investments in bonds (issuer risk) is managed by position limits for securities per credit quality of the issuer, country of the issuer, type and maturity of bonds. As a general rule, the Bank invests in securities with investment-grade issuer rating - "Baa3" or higher according to Moody's and "BBB-"or higher according to S&P or Fitch. Exceptions should be approved ad-hoc by NBG Group Risk Management and Risk Management Committee after a relevant proposal. The above restrictions for selection of counterparties ensure undertaking of acceptable credit risk arising from transactions on the interbank market.

Liquidity risk

The liquidity risk is related to possible unfavorable impact to the profit and capital of the Bank arising from the institution's inability to meet its obligations when they come due without incurring unacceptable losses.

UBB manages its assets and liabilities in a manner, guaranteeing that it is able to fulfill its day-to-day obligations regularly and without delay, both in a normal environment and under stress conditions. The Bank invests mainly in liquid assets and maintains an average of 33% ratio of liquid assets to total liabilities and 35% ratio of liquid assets to customer deposits.

The Bank succeeded to maintain comfortable liquidity in the first seven months of 2015, when withdrawals of deposits were experienced due to the political situation in Greece and to almost fully recover its deposits by the year-end.

UBB have a solid funding structure as far as loan portfolio is largely funded by customer deposits. Additionally the Bank maintains (in repayment mode) a subordinated debt from the parent bank. UBB's funding strategy is to develop a diversified funding base by depositor type and maintain access to a variety of alternative funding sources, to provide protection against unexpected fluctuations and minimize the cost of funding.

The UBB's liquidity risk management framework includes the following elements:

- appropriate risk governance, including Assets and Liabilities Committee (ALCO)
- Operating standards, including *Liquidity Risk Policy* and *Contingency Funding Plan*
- Liquidity risk limits taking into account the existing regulatory limits
- appropriate Management Information System

Liquidity Risk Policy and *Contingency Funding Plan* are designed to be aligned with the Bank's Risk Strategy and to meet all the requirements set by the Bulgarian National Bank.

The liquidity management is centralized and is measured through evaluation of the mismatches between cash flows of assets, liabilities and off-balance sheet positions. The liquidity is being evaluated for all major currencies, in which the Bank operates actively.

In view of precisely monitoring and managing liquidity, the Asset and Liability Management Committee (ALCO) has approved and controls internal limits as Loans/Deposits ratio, Quick Liquidity Ratios and Internal Liquidity Ratios by main currencies.

UBB is applying regular stress-tests with in order to evaluate the liquidity risk for the Bank in unfavorable economic and market scenarios. The stress-tests are based on assumptions with different parameters of shock and their impact on the in-flow and out- flow of funds.

Market risk

The market risk is related to possible unfavorable impact to the profit and capital of the Bank from adverse movements in bond, equity, currency and derivative prices. It includes equity risk, interest rate risk and foreign exchange risk.

The Bank's total exposure to market risk is relatively small and the daily total VaR as of 31.12.2015 amounted to BGN 6.112 million or 0.50% of the regulatory capital. The largest market risk exposure is related to interest rate risk resulting from positions in bonds.

UBB has adopted and follows *Market Risk Management Policy*. This Policy determines the key principles underlying the operations of UBB in international money and capital markets, and focuses on UBB's approach to management of market risk, resulting from these operations. *The Market Risk Policy* applies to all financial instruments included in UBB's Trading and Available for Sale (AFS) portfolio.

In order to implement the targets set in its business plans, with a view of maximizing performance within acceptable risk levels, UBB invests its available funds in authorized financial instruments, maintaining satisfactory liquidity levels in compliance, at all times, with the regulatory requirements.

Market risk is hedged by the Treasury Division when deemed expedient (i.e. in view of an estimated potential adverse change in the product price), or to avoid exceeding authorized limits on risk taking. Market risk is hedged either by transferring the position to another counterparty (back-to-back), or by hedging each sensitivity factor separately mainly through appropriate derivatives.

UBB manages the market risk by using the internationally accepted variance/covariance methodology developed by Risk Metrics / J.P. Morgan. This approach is used to calculate the VaR of UBB's Trading and AFS portfolio positions retained for one-day at a 99% confidence level.

VaR (daily value)	30.12.2015	2015		
		min	max	average
Equity Risk VaR	376	224	609	347
FX Risk VaR	3	0	41	6
Interest Rate Risk VaR	6 254	2 304	10 475	5 023
Total VaR	6 112	2 323	10 387	5 032
VaR (daily value)	30.12.2014	2014		
		min	max	average
Equity Risk VaR	303	150	583	260
FX Risk VaR	2	0	16	4
Interest Rate Risk VaR	4 553	288	6 306	1 097
Total VaR	4 760	335	6 612	1 131

For the effective management of market risk in line with UBB's strategic objectives, the Bank has established a framework of VaR limits – total and by risk factors.

The Bank increased its securities portfolio during Y2015 by BGN 267 million (nominal value), by investing in Bulgarian government debt (internal and external) and commercial papers within the approved limit framework for such exposures.

Currency risk

This is the risk for the profit and capital of the Bank arising from adverse movements in foreign currency exchange rates in the Banking and Trading books.

UBB balance sheet structure includes assets and liabilities, denominated in different currencies, mostly in BGN and EUR. Upon the effective Currency Board in Bulgaria, the currency risk, undertaken by the Bank, mainly evolves from changes in the EUR/USD exchange rate and to a smaller extent from the exchange rates of other currencies to the Euro.

The Bank manages the risk of the other than EUR open FX positions aiming to minimize the possibility of loss in case of unfavorable exchange rates' fluctuations and thus maintains the FX risk exposure under 2% of the regulatory capital.

UBB additionally limits the FX risk by setting daily limits on the maximum potential loss from FX transactions on the financial markets. For defining and monitoring the above limits, the *„Value at Risk"* method is used and in addition different stress-test scenarios are applied.

Interest rate risk in the banking book (IRRBB)

The interest rate risk in the banking book is related to possible unfavorable impact to the profit and capital of the Bank from adverse movements in interest rates affecting the Bank's non-trading positions.

The Bank's exposure to interest rate risk in the banking book is relatively small and as of December 2015 amounted to 5% of the regulatory capital.

UBB recognizes the importance of IRRBB management in effectively managing its balance-sheet, its capital and its earnings stream and has adopted and follows the *Policy for the Management of Interest Rate Risk in the Banking Book.*

The interest rate risk assessment methods include analysis of interest rate mismatches, duration analysis and EVE sensitivity to a change in the interest rates. The bank has identified the interest rate sensitive assets and liabilities. They are allocated in a maturity table, as floating rate instruments are allocated according to the remaining maturity till the next re-pricing date, while fixed-rate instruments are treated according to their remaining maturity till the maturity date.

The Bank measures the economic value of equity (EVE) sensitivity to unfavorable changes in interest rates separately for any of the main currencies in which the Bank/Group operates and the results are used for making management decisions. The used scenarios are +/- 100 bps and +/- 200 bps parallel shift in interest rates.

as of 31.12.2015

Interest Rate Mismatch	up to 3M	3M-1Y	1Y-5Y	above 5Y	Total
BGN	-772 524	-351 964	-89 750	35 991	-1 178 248
EUR	85 624	-377 139	-70 847	495 735	133 374
USD	-78 512	-86 823	-34 681	0	-200 016
Total	-765 411	-815 926	-195 279	531 726	-1 244 890

Change in the economic value at 200b.p. yield curve shift	up to 3M	3M-1Y	1Y-5Y	above 5Y	Total
BGN	-444	3 981	425	-5 039	-1 078

EUR	271	4 519	728	-69 403	-63 886
USD	132	1 056	1 123	0	2 311
Общо	-41	9 556	2 275	-74 442	-62 652

as of 31.12.2014

Interest Rate Mismatch	up to 3M	3M-1Y	1Y-5Y	above 5Y	Total
BGN	-583 427	-476 121	-101 413	28 164	-1 132 797
EUR	536 164	-495 545	-20 896	258 281	278 004
USD	-4 439	-87 095	-28 073	0	-119 607
Total	-51 702	-1 058 761	-150 383	286 445	-974 400

Change in the economic value at 200b.p. yield curve shift	up to 3M	3M-1Y	1Y-5Y	above 5Y	Total
BGN	-397	5 084	1 469	-3 943	2 212
EUR	-46	5 869	-2 393	-36 159	-32 730
USD	96	1 046	1 044	0	2 186
Общо	-347	11 998	119	-40 102	-28 332

EVE sensitivity of IRRBB exposure (200 bps parallel shift of the yield curve) is about BGN 62.7 million (5% of own funds) as of December 2015. UBB’s exposure to IRRBB increased in 2015 in absolute amount due to the increase of the classified in AFS portfolio investment in Bulgarian sovereign bonds, but it is yet below of the approved internal limit (maximum 10% of the regulatory capital).

An important part of the interest rate risk management process is stress testing. Additionally, the following stress tests scenarios are applied and results are submitted to the Executive Management:

		0-3 M	3 M -12 M	>12 M
IRR BB Stress Test Scenario 1	BGN	+/- 300 bp	+/- 300 bp	+/- 300 bp
	Other CCY	+/- 200 bp	+/- 200 bp	+/- 200 bp

		0-3 M	3 M -12 M	>12 M
IRR BB Stress Test Scenario 2	BGN	+/- 100 bp	+/- 200 bp	+/- 300 bp
	Other CCY	+/- 50 bp	+/- 100 bp	+/- 200 bp

		0-3 M	3 M -12 M	>12 M
IRR BB Stress Test Scenario 3	BGN	+/- 300 bp	+/- 200 bp	+/- 100 bp
	Other CCY	+/- 200 bp	+/- 100 bp	+/- 50 bp

The techniques for managing interest rate risk, generated by the positions in the banking book, are: change in the administered interest rates on loans and deposits, change in the maturity of the offered credit and deposit products, change in the amount of fees and commissions, interest rate derivatives, etc.

The Bank applies appropriate measures for the interest rate risk restriction and maintenance within acceptable parameters, by maintaining an adequate structure of its interest-sensitive assets and liabilities and minimizing their mismatch.

Operational risk

This is the risk of a loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal and compliance risk, but excludes strategic and reputation risk.

The Operational risk Management in UBB is based on approved Operational Risk Management Framework. The ORMF is compatible with the best practices and complies with the regulatory requirements, and is an integral part of the overall risk management framework. The entire operational risk management process was fully automated by implementation of specialized software.

An annual risk self-assessment by activities and processes is performed in all of the Bank's units. The main operational risks, to which the Bank is exposed according to the documented activities and processes are identified and categorized annually according to the UBB's risk typology. The identified risks are assessed and on this base Action plans are being developed in the respective areas, where the risk should be reduced, according to the group standards of NBG.

An adequate system of Key Risk Indicators and thresholds for them is developed, their trends are analyzed on a monthly basis and in case a threshold is breached a procedure for development of an Action plan is triggered in order to reduce or eliminate the identified negative trends. The KRIs system is also a subject of annual review and refinement.

The Bank maintains an operational events database. The data is used for analysis purposes and for prognosis of the required capital for operational risk.

Stress tests are being conducted at the end of each quarter, based on the predicted data for the Bank's gross income and its allocation by business lines.

Based on the developed framework and BNB's approval regarding operational risk management, the Bank has implemented and applies the standardized approach for determining the capital requirements for operational risk. In parallel the transition to the advanced approach for calculation of operational risk required capital is being developed.

With regard to determining the effect of more serious operational events on the Bank's activity, in coordination with the main business units, many stress-tests and scenario analyses are being made on an on-going basis, with regard to the relatedness of operational risk to the other risk types. Most important in this direction is the approved *Business Continuity Plan* .

Business Continuity Plan

UBB is operating in a fast growing and changing environment, and acknowledges its exposure to different risks (reputational, strategic, financial, operational, legal and technology) which may influence on the business continuity.

The Bank has developed Business Continuity Plan (BCP) in order to minimize the reputational, financial, operational, legal and other material consequences arising from a disruption of the business processes.

The BCP is developed in compliance with the regulatory requirements and best practices, taking into consideration the organizational structure and UBB's business functions. In the UBB BCP are also included NBG Competence Center, UBB Insurance Broker, UBB Asset Management and UBB Factoring.

The BCP maintenance is implemented through planned or ad hoc update activities.

The BCP management is realized by the Business Continuity Committee (BCCommittee). The main goal of the BCCommittee is the organization and business continuity management in UBB including ensuring and management of effective actions, directed to restoring of the interruption functioning of the separate business processes and systems, and the Bank as well when occur events which violate its normal functioning.

Capital and capital adequacy

Solo basis

The capital, owned by UBB Group shareholders by the end of 2015 amounts to BGN 1 222 million (2014: BGN 1 165 million) and provides for maintaining capital adequacy over the Central Bank's regulations' requirements. The total capital adequacy as of December 31st 2015, as per CRD IV regulatory framework amounts to 28.2% (based on total Regulatory Capital on solo basis at BGN 1 237 million) and Tier 1 capital adequacy amounts to 26.1%.

Consolidated basis

The capital, owned by UBB Group shareholders by the end of 2015 amounts to BGN 1 229 million (2014: BGN 1 171 million) and provides for maintaining capital adequacy over the Central Bank's regulations' requirements. The total capital adequacy as of December 31st 2015, as per CRD IV regulatory framework amounts to 28.2% (based on total Regulatory Capital on consolidated basis at BGN 1 242 million) and Tier 1 capital adequacy amounts to 26.1%.

VII. ACTIVITY OF UBB's SUBSIDIARIES AND ASSOCIATE COMPANIES AS OF 31.12.2015

1. Review of the activity of the subsidiaries and associates of UBB and main risks for the activity

Transactions between UBB, its associated companies (UBB AIG Insurance Company AD and UBB Metlife Life Insurance Company AD), Cash Services Company AD and mutual funds managed by UBB Asset Management AD (UBB Balanced Fund, UBB Premium Shares Fund and UBB Platinum Bonds Fund) are related mainly to fees and commissions for the main activity of the entities and to maintaining of deposits and current accounts.
The Bank participates on separate and consolidated basis in mutual funds managed by its subsidiary UBB Asset Management AD as follows:

Shares in mutual funds, managed by subsidiary UBB Asset Management	31.12.2015	31.12.2014
UBB Balanced Fund	2,401	2,475
UBB Premium Shares Fund	2,021	2,094
UBB Platinum Bond Fund	1,523	1,495

2. Important events, occurred after the date of the financial statements:

There are no important events between the dates of the final balance sheet and the UBB's Annual Report approval that require disclosure or adjustment in the Financial Statements on separate or consolidate basis.

In November 2014, the Board of Directors of UBB decided to proceed, jointly with AIG Central Europe & CIS Insurance Holding Corporation and Ethniki Insurance, with the sale of UBB AIG Insurance Company AD. The sale has been finalized on January 4, 2016.

3. Number and par value of the shares or stakes owned by UBB, by a subsidiary or associate company, of its or by an individual, acting on his/her behalf, but at the expense of the company

Name: UBB Asset Management AD
Location: Sofia
Head Office address: Sofia, 5 "St. Sofia" Str., "Vazrazhdane" municipality
Number and batch of entry in the commercial register: No 83704, v. 1021, reg. I, p. 44, under company file No 4098 of Sofia City Court according to the inventory of 2004
Capital: BGN 700,000, including:
UBB participation in the company: 90.86%, or BGN 636,000 nominal value of participation.

Name: UBB - Metlaife Life Insurance Company AD
Location: Sofia
Head Office address: Bulgaria, Sofia, "Triaditza" region, postal code 1404, 75 Bulgaria blvd.
Number and batch of entry in the commercial register: No 108941 v. 1469, reg. I, p.143, under company file No 10677 of Sofia City Court according to the inventory dated 29.09.2006.
Capital: BGN 7,000,000
Participation in the company: 30% or BGN 2,100,000 nominal value of participation

Name: UBB Insurance Broker AD

Capital: BGN 7,000,000
Participation in the company: 30% or BGN 2,100,000 nominal value of participation

Name: UBB Insurance Broker AD
Location: Sofia
Head Office address: Bulgaria, Sofia 1000, region "Vazrajdane", 9 "T. Aleksandrov" blvd.
Number and batch of entry in the commercial register: company file No 5346 of Sofia City Court according to the inventory of 03.05.2007, reg.16-29, page 212.
Capital: BGN 500,000
Participation in the company: 80% or BGN 400,000 nominal value of participation

Name: Company for Cash Services AD
Location: Bulgaria, area Sofia (capital), municipality Sofia,
1632 Sofia, region „Ovcha kupel", kv. „Ovcha Kupel» 2, 16 „Ivan Hadjiiski"Str. tel: 02/ 9560419, fax: 02/ 9560419 e-mail office@dku.bg, www.dku.bg
Number and batch of entry in the commercial register:
No.1 from 10.07.2007 Sofia City Court under No.122002, regulation 1680, page 104, company file No.9568/2007 EIC 175327305
Capital: BGN 12,500,000
Participation in the company: 20% or BGN 2,500,000 nominal value of participation.

Name: UBB Factoring EOOD
Location: Bulgaria, area Sofia (capital), municipality Sofia,
Sofia 1040, 5 "Sveta Sofia" str.
Number and batch of entry in the commercial register:
N 20091016151609/16.10.2009
Capital: BGN 1,000,000
Participation in the company: 100% or BGN 1,000,000 nominal value of participation.
Used financial instruments
a) The aims and policy of the company on financial risk management, incl. hedging policy.

In 2015 the subsidiaries UBB Asset Management, UBB Factoring and UBB Insurance Broker, and the associates - UBB Metlife Insurance Company and Cash Services Company, used no derivatives for hedging purposes.

b) Exposure of the company with regard to price, credit, liquidity and cash flow risks
The capital exposures of the subsidiaries UBB Asset Management, UBB Factoring and UBB Insurance Broker, and the associates - UBB Metlife Insurance Company and Cash Services Company are reported in compliance with regulations, evolving from the requirements and regulations on capital adequacy.

Stilian Vatev
Chief Executive Officer

UNITED BULGARIAN BANK AD
* SOFIA *

Radka Toncheva
Executive Director

30.03.2016

This document is a translation of the original text in Bulgarian,
in case of divergence the Bulgarian text shall prevail.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
United Bulgarian Bank AD

Report on the Separate and Consolidated Financial Statements

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

Management's Responsibility for the Separate and Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate and consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's/ Group's preparation and fair presentation of the separate and consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's/ Group'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 and consolidated financial statements.

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

Opinion

In our opinion, the separate and consolidated financial statements present fairly, in all material respects, the financial position of the Bank and the Group as of December 31, 2015, and their financial performance and their 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 and consolidated report on the activities of the Bank/Group, according to the Accountancy Act

Pursuant to the requirements of the Bulgarian Accountancy Act, we have read the accompanying Annual separate and consolidated report on the activities of the Bank/Group prepared by the Bank/Group's management. The Annual separate and consolidated report on the activities of the Bank/Group is not part of the separate and consolidated financial statements. The historical financial information presented in the Annual separate and consolidated report on the activities of the Bank/Group prepared by the management is consistent, in all material aspects with the financial information disclosed in the separate and consolidated financial statements of the Bank/Group 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 and consolidated report on the activities of the Bank/Group, dated March 30, 2016.

Deloitte Audit

Deloitte Audit OOD

Sylvia Peneva
Statutory Manager
Registered Auditor

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

Sofia
April 6, 2016

SEPARATE AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2015
All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Notes	As of 31.12.2015 Separate	As of 31.12.2014 Separate	As of 31.12.2015 Consolidated	As of 31.12.2014 Consolidated
ASSETS					
Cash and balances with the Central Bank	4	887,716	478,398	887,717	478,398
Due from banks	5	158,233	923,184	158,236	923,437
Loans and advances to customers, net	6	4,191,861	4,147,915	4,192,990	4,148,757
Financial assets at fair value through profit or loss	7	628,650	597,773	628,650	597,773
Derivative financial instruments	8	12	1,889	12	1,889
Financial assets available for sale	9	526,607	276,442	526,608	276,442
Investments in subsidiaries and equity method investments	10	6,637	6,636	9,575	8,535
Intangible assets	11	5,003	4,929	5,220	5,132
Property and equipment	11	38,718	40,910	38,747	40,947
Investment Property	12	3,011	-	3,011	-
Deferred tax assets, net	13	855	557	847	548
Other assets	14	95,437	90,138	95,796	90,571
Non-current assets held for sale	10A	1,487	1,488	1,868	2,175
TOTAL ASSETS		6,544,227	6,570,259	6,549,277	6,574,604
LIABILITIES					
Due to banks	15	62,792	83,630	62,792	83,630
Due to customers	16	5,089,353	5,114,045	5,085,765	5,111,691
Derivative financial instruments	8	388	1,127	388	1,127
Other borrowed funds	17	39,709	30,005	39,709	30,005
Subordinated liabilities	18	101,814	152,762	101,814	152,762
Current income tax liabilities		-	-	86	36
Retirement benefit obligations	19	9,245	8,582	9,245	8,582
Other liabilities	20	19,382	15,230	19,637	15,398
TOTAL LIABILITIES		5,322,683	5,405,381	5,319,436	5,403,231
NET ASSETS		1,221,544	1,164,878	1,229,841	1,171,373
SHAREHOLDERS' EQUITY					
Share capital	21	75,964	75,964	75,964	75,964
Retained earnings	23	1,125,622	1,076,715	1,132,523	1,081,647
Revaluation reserve	24	21,853	13,801	22,742	14,928
Defined benefit obligations	19	(1,895)	(1,602)	(1,895)	(1,602)
TOTAL EQUITY ATTRIBUTABLE TO UBB SHAREHOLDERS		1,221,544	1,164,878	1,229,334	1,170,937
Non-controlling interest		-	-	507	436
TOTAL EQUITY		1,221,544	1,164,878	1,229,841	1,171,373
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		6,544,227	6,570,259	6,549,277	6,574,604
Contingent liabilities and commitments	25	778,459	780,703	797,594	780,703

These separate and consolidated financial statements have been approved for issue by the Board of Directors and signed by:

Stilian Vatev, CEO

Radka Toncheva, Executive Director

Date 30.03.2016

UNITED BULGARIAN BANK AD * SOFIA *

The accompanying notes are an integral part of these separate and consolidated financial statements.

Sylvia Peneva
Registered Auditor
Date: 06/04/2016

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

SEPARATE AND CONSOLIDATED INCOME STATEMENT
For the year ended December 31, 2015
All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Notes	Year ended 31.12.2015 Separate	Year ended 31.12.2014 Separate	Year ended 31.12.2015 Consolidated	Year ended 31.12.2014 Consolidated
Interest and similar income		307,046	350,708	307,620	351,318
Interest expenses and similar charges		(50,233)	(110,704)	(50,156)	(110,636)
Net interest income	27	256,813	240,004	257,464	240,682
Fee and commission income		92,174	87,694	97,092	92,087
Fee and commission expenses		(4,873)	(4,457)	(5,409)	(4,972)
Net fee and commission income	28	87,301	83,237	91,683	87,115
Dividend income		2,779	3,858	452	643
Net trading income	29	14,628	10,467	14,628	10,467
Net gains from financial instruments available for sale		2,204	2,141	2,204	2,141
Other operating income, net	30	2,953	1,645	2,806	1,497
Net allowances for impairment	31	(145,816)	(96,235)	(145,943)	(96,436)
General administrative expenses	32	(166,808)	(160,249)	(169,193)	(162,441)
Share of profit of equity method investments		-	-	2,744	2,761
PROFIT BEFORE TAXATION		54,054	84,868	56,845	86,429
Income taxes	33	(5,147)	(8,582)	(5,691)	(8,986)
PROFIT FOR THE YEAR		48,907	76,286	51,154	77,443
ATTRIBUTABLE TO:					
UBB equity shareholders		48,907	76,286	50,876	77,177
Non-controlling interest		-	-	278	266
Earnings per share – Basic and Diluted (BGN)	22	0.64	1.00	0.67	1.02

These separate and consolidated financial statements have been approved for issue by the Board of Directors and signed by:

Stilian Vatev, CEO

Radka Toncheva, Executive Director

Date 30.03.2016

UNITED BULGARIAN BANK AD * SOFIA *

The accompanying notes are an integral part of these separate and consolidated financial statements.

Sylvia Peneva
Registered Auditor
Date: 06/04/2016

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

SEPARATE AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2015
All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Year ended 31.12.2015 Separate	Year ended 31.12.2014 Separate	Year ended 31.12.2015 Consolidated	Year ended 31.12.2014 Consolidated
PROFIT FOR THE YEAR	48,907	76,286	51,154	77,443
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss:				
Revaluation of available for sale financial assets, net of tax	665	1,852	427	2,979
Impairment of financial assets available for sale	9,859	1,768	9,859	1,768
Net gains from financial assets available for sale transferred to P&L	(2,204)	(2,141)	(2,204)	(2,141)
Deferred Tax	(268)	(148)	(268)	(148)
Other	-	1	-	-
Items that will not be reclassified to profit or loss:				
Gains/ (losses) on defined benefit plans	(293)	(529)	(293)	(529)
Total other comprehensive income, net of tax	7,759	803	7,521	1,929
TOTAL COMPREHENSIVE INCOME, net of tax	56,666	77,089	58,675	79,372
ATTRIBUTABLE TO:				
UBB equity shareholders	56,666	77,089	58,397	79,106
Non-controlling interest	-	-	278	266

These separate and consolidated financial statements have been approved for issue by the Board of Directors and signed by:

Stilian Vatev, CEO

Radka Toncheva, Executive Director

Date 30.03.2016

UNITED BULGARIAN BANK AD * SOFIA

The accompanying notes are an integral part of these separate and consolidated financial statements.

Sylvia Peneva
Registered Auditor
Date: 06/04/2016

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

SEPARATE AND CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2015

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Separate	Share capital	Retained earnings	Defined benefit obligations	Revaluation reserve	Total
BALANCE AS OF JANUARY 1, 2014	75,964	1,000,428	(1,073)	12,470	1,087,789
Profit for the period	-	76,286	-	-	76,286
Other comprehensive income for the period	-	1	(529)	1,331	803
BALANCE AS OF DECEMBER 31, 2014	75,964	1,076,715	(1,602)	13,801	1,164,878
Profit for the period	-	48,907	-	-	48,907
Other comprehensive income for the period	-	-	(293)	8,052	7,759
BALANCE AS OF DECEMBER 31, 2015	75,964	1,125,622	(1,895)	21,853	1,221,544

Consolidated	Share capital	Retained earnings	Defined benefit obligations	Revaluation reserve	Total	Non-controlling interest	Total equity
BALANCE AS OF JANUARY 1, 2014	75,964	1,004,470	(1,073)	12,470	1,091,831	386	1,092,217
Profit for the period	-	77,177	-	-	77,177	266	77,443
Paid dividends	-	-	-	-	-	(216)	(216)
Other comprehensive income for the period	-	-	(529)	2,458	1,929	-	1,929
BALANCE AS OF DECEMBER 31, 2014	75,964	1,081,647	(1,602)	14,928	1,170,937	436	1,171,373
Profit for the period		50,876			50,876	278	51,154
Paid dividends	-	-	-	-	-	(207)	(207)
Other comprehensive income for the period	-	-	(293)	7,814	7,521	-	7,521
BALANCE AS OF DECEMBER 31, 2015	75,964	1,132,523	(1,895)	22,742	1,229,334	507	1,229,841

These separate and consolidated financial statements have been approved for issue by the Board of Directors and signed by:

Stilian Vatev, CEO

Radka Toncheva, Executive Director

Date 30.03.2016

The accompanying notes are an integral part of these separate and consolidated financial statements.

Sylvia Peneva
Registered Auditor
Date: 06/04/2016

SEPARATE AND CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2015
All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Notes	Year ended 31.12.2015 Separate	Year ended 31.12.2014 Separate	Year ended 31.12.2015 Consolidated	Year ended 31.12.2014 Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit after taxation		48,907	76,286	50,876	77,177
Adjustments to reconcile profit after taxation to net cash provided by operating activities:					
Allowances for impairment for the period		145,816	96,235	145,943	96,436
Depreciation of property and equipment		9,817	11,446	9,841	11,468
Amortization of intangible assets		2,018	2,705	2,018	2,745
Accruals for staff obligations		370	334	370	334
Net loss/(gains) on financial assets available for sale		(5,619)	(6,257)	(5,508)	(5,129)
Net (gains)/ loss on disposal of fixed assets		(469)	250	(469)	250
Interest expense on financing activities		2,469	4,952	2,469	4,952
Accrued income tax expense		4,044	8,418	4,626	8,716
Change in non-controlling interest		-	-	71	50
Income from dividends from subsidiaries and equity method investments		(2,327)	(3,215)	(2,470)	(2,485)
		205,026	191,154	207,767	194,514
Increase / Decrease in operating assets:					
Due from other banks		41,979	(42,272)	41,979	(42,272)
Loans and advances to customers		(203,046)	(64,548)	(203,460)	(64,883)
Financial assets at fair value through P/L		(30,877)	348,827	(30,877)	348,827
Derivative financial instruments assets		1,877	(1,840)	1,877	(1,840)
Other assets		19,434	8,862	19,652	8,242
Increase / Decrease in operating liabilities:					
Due to banks		(20,838)	(1,960)	(20,838)	(1,960)
Derivative financial instruments liabilities		(739)	1,055	(739)	1,055
Due to customers		(24,692)	(89,636)	(25,926)	(90,261)
Other liabilities		4,152	(14)	4,239	(93)
Income taxes paid		(7,456)	(1,745)	(7,445)	(1,650)
NET CASH FLOWS USED IN / FROM OPERATING ACTIVITIES		(15,180)	347,883	(13,771)	349,679
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment		(7,672)	(3,369)	(7,569)	(3,369)
Purchases of intangible assets		(2,056)	(2,412)	(2,105)	(2,412)
Purchase of financial assets available for sale		(298,646)	(146,812)	(298,647)	(146,812)
Proceeds from sale fixed assets		480	373	396	357
(Decrease)/ Increase in share of equity method investments		(1,488)	595	(1,868)	(595)
Proceeds from sale and redemption of financial assets available for sale		51,842	128,721	51,842	128,721
Interest received and dividends from financial assets available for sale		452	643	452	643
Dividends received from subsidiaries and equity method investments		2,327	3,215	1,080	2,416
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(254,761)	(19,046)	(256,419)	(21,051)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from other borrowed funds		8,119	-	8,119	-
Repayments of other borrowed funds		-	(84,651)	-	(84,651)
Repayments of subordinated liabilities		(51,832)	(52,630)	(51,832)	(52,630)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(43,713)	(137,281)	(43,713)	(137,281)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(313,654)	191,556	(313,903)	191,347
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,359,310	1,167,754	1,359,563	1,168,216
CASH AND CASH EQUIVALENTS AT END OF YEAR	26	1,045,656	1,359,310	1,045,660	1,359,563

These separate and consolidated financial statements have been approved for issue by the Board of Directors and signed by:

Stilian Vatev, CEO

Radka Toncheva, Executive Director

Date 30.03.2016

The accompanying notes are an integral part of these separate and consolidated financial statements.

Sylvia Peneva
Registered Auditor
Date: 06/04/2016

UNITED BULGARIAN BANK AD SOFIA

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

1. GENERAL INFORMATION

United Bulgarian Bank AD, Sofia ("UBB" or the "Bank") is a joint stock company registered in Bulgaria in September 1992, through the merger of 22 commercial banks. In July 2000 National Bank of Greece S.A. ("NBG") acquired 89.9% of the Bank's capital and on July 20, 2004 it acquired another 10%. The consolidated financial statements present the financial position of UBB and its subsidiaries as one reporting unit ("The Group").
The Bank is managed by Board of Directors which as of December 31, 2015 comprises of the following members:

1) Stilian Petkov Vatev, Chairman of the Board of Directors and Executive Director of UBB AD
2) Radka Ivanova Toncheva, Executive Director of UBB AD and Board Member
3) Konstantinos Antonios Bratos, Board Member
4) Anastasios Nikiforos Lizos, Board Member
5) Theodor Valentinov Marinov, Board Member
6) Marinis Spiridonos Stratopoulos, Board Member
7) Alexandros Vassiliou Benos, Board Member

The Bank is officially represented by Stilian Petkov Vatev, Chief Executive Director of UBB AD and Radka Ivanova Toncheva, Executive Director of UBB AD.

The Bank holds a license granted by the Bulgarian National Bank (the "Central Bank" or "BNB") to take deposits in local and foreign currency, trade with foreign currencies, trade with and invest in treasury bonds and other securities and perform other banking operations. The Bank is allowed to maintain its activities both locally and internationally. The international activities of the Bank are mainly related to nostro accounts transactions, placements with foreign contracting banks, dealing securities portfolio and foreign exchange contracts.

In 2015 the Bank's operations were conducted through a Head Office located in Sofia and 174 branches and 24 offices throughout Bulgaria.

The number of full-time employees of UBB as of December 31, 2015 was 2,547 (2014: 2,498).

The number of full-time employees of the Group as of December 31, 2015 was 2,692 (2014: 2,548).

These separate and consolidated financial statements have been approved for issue by the Board of Directors on 30.03.2016.

2. BASIS OF PRESENTATION OF THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

These separate and consolidated financial statements ("financial statements") have been prepared, in all material aspects, in accordance with the International Financial Reporting Standards (IFRS) and the interpretations, issued by the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Union ("EU") and applicable in the Republic of Bulgaria.

The endorsed by the European Union IFRSs may differ from IFRSs as issued by the International Accounting Standards Board ("IASB") if, at any point in time, new or amended IFRSs have not been endorsed by the EU. At December 31, 2015, there were no unendorsed standards effective for the year ended December 31, 2015, which might affect these separate and consolidated financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Bank/Group.

2. BASIS OF PRESENTATION (CONTINUED)

These financial statements are prepared for general purpose. The financial statements are not specifically intended for use by any party for purposes of decision making concerning any ownership relating to the Bank/Group. Accordingly, users of these financial statements should not rely exclusively on these financial statements for such purposes.

The separate and consolidated financial statements are stated in Bulgarian Lev (rounded to the nearest thousand), the currency of the country in which the Bank/Group is incorporated and have been prepared under the historical cost convention, respective deemed cost, as modified by the revaluation of available for sale securities, financial assets and liabilities held for trading, all derivative contracts measured at fair value.

The Bank is a part of NBG Group which owns 99.9% of its shares. NBG Group also produces consolidated financial statements available for public use that comply with IFRS, which incorporates the financial performance and position of UBB AD.

The presentation of separate and consolidated financial statements in conformity with IFRS requires Management to make the best estimates and reasonable assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Use of available information and application of judgment are inherent in the formation of estimates in following areas: valuation of OTC derivatives, unlisted securities, retirement benefit obligation, impairment of loans and receivables, open tax years and litigation. These estimates and assumptions are based on the information available as of the date of the financial statements and the future actual results could differ from those estimates and the differences may be material to the separate and consolidated financial statements.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate and consolidated financial statements are disclosed in Note 3.19.

Where necessary, corresponding figures have been reclassified to conform to changes in the presentation of the current year.

Basis of consolidation

The consolidated financial statements of the Bank incorporate the consolidated financial statements of UBB AD (the Parent company) and entities controlled by the Bank (its subsidiaries). Control is achieved, if and only if, the Bank has a) power over the subsidiaries b) exposure, or rights to variable returns from its involvement with the subsidiaries and c) the ability to use its power over the subsidiaries to affect the amount of the Bank’s returns.

Income and expenses and other comprehensive income of subsidiaries acquired or disposed of during the year are included in the consolidated income statement and in the consolidated statement of comprehensive income, respectively, from the effective date of acquisition and up to the effective date of disposal, as appropriate. Profit/ (loss) for the period and total comprehensive income/(expense) of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2. BASIS OF PRESENTATION (CONTINUED)

Basis of consolidation (continued)

Parent company is an entity which directly or indirectly has a power to exercise control over one or more entities (subsidiaries).

Subsidiaries are entities that are controlled by another entity. Subsidiaries are consolidated from the date on which effective control is transferred to the Bank and are no longer consolidated from the date that control ceases.

All acquisitions are accounted for using the purchase method of accounting as set out in IFRS 3 from the date on which the Bank effectively obtains control of the acquiree. The Bank has incorporated into its consolidated income statement the results of operations of the acquiree and has also recognised in the consolidated statement of financial position the assets and the liabilities assumed and contingent liabilities of the acquiree as well as any goodwill arising on the acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

In preparing the consolidated financial statements, the Parent and its subsidiaries' financial statements are combined line by line by adding together like items of assets, liabilities, equity, income and expenses.

Where necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income/ (expense) is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Equity Method Investments are entities over which the Bank has between 20% and 50% of the voting rights, and over which the Bank exercises significant influence, but which it does not control. Investments in associates are accounted for by applying the equity method of accounting. Impairment charges are recognised in the income statement, except when they represent temporary declines in the fair value.

2. BASIS OF PRESENTATION (CONTINUED)

Basis of consolidation (continued)

Under the equity method of accounting, the investment is initially recorded at cost. Goodwill arising on the acquisition of an equity method investment is included in the carrying amount of the investment (net of any accumulated impairment loss). The carrying amount of the investment is increased or decreased by the proportionate share of the entity's post-acquisition profits or losses (recognised in the Group profit or loss) and movements in reserves (recognised in reserves). Dividends received from the equity method investment during the year reduce the carrying value of the investment. Equity method investments for which significant influence is intended to be temporary because such investments are acquired and held exclusively with a view to their subsequent disposal within twelve months from their acquisition are recorded as assets held for sale. Unrealised gains on transactions between the Group and its equity method investment are eliminated to the extent of the Group's interest in the entity. Unrealised losses are also eliminated but considered as an impairment indicator of the asset transferred. Where necessary, equity method investment's consolidated financial statements used in applying the equity method are adjusted to ensure consistency with the accounting policies adopted by the Group.

The consolidated entities in the UBB Group consolidated financial statements are as follows:

As of 31.12.2015 and 31.12.2014:

Entity name	Ownership (%)	Method of consolidation
UBB Factoring EOOD	100 %	Fully consolidated
UBB Asset Management AD	90.86 %	Fully consolidated
UBB Insurance Broker AD	80%	Fully consolidated
DKU AD	20%	Equity method of consolidation
UBB Metlife Life Insurance Company AD	30%	Equity method of consolidation

Investments in subsidiaries and equity method investments in separate financial statements

In the Bank's financial statements subsidiaries and equity method investments are measured at cost less impairment.

Impairment assessment of investments in subsidiaries and equity method investments in separate financial statements

At each reporting date the Bank assesses whether there is any indication that an investment in a subsidiary or equity method investments may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the investment. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

2. BASIS OF PRESENTATION (CONTINUED)

Application of IFRS

New standards, amendments and interpretations to existing standards effective from 1 January 2015

In December 2013, IASB issued “Annual Improvements to IFRSs 2011-2013 Cycle”. These improvements are effective from 1 July 2014 and are applied by the Group and the Bank in these annual financial statements. The nature and the effect of these amendments are set out below:

Impact of the application of IFRS 3 (Amendment)

The amendment clarifies that IFRS 3 *Business Combinations* excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. There was no impact from the amendment of IFRS 3 in the Consolidated financial statements.

Impact of the application of IFRS 13 (Amendment)

IFRS 13, *Fair Value Measurement* clarifies that the portfolio exception in paragraph 48 for measuring the fair value of a group of financial assets and financial liabilities on a net basis, includes all contracts that are within the scope of, and accounted for in accordance with IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities in IAS 32 *Financial Instruments: Presentation*. There was no impact from the amendment of IFRS 13 in the annual financial statements of the Group and the Bank.

Impact of the application of IAS 40 (Amendment)

IAS 40, *Investment Property* clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. Consequently, an entity acquiring investment property must apply judgement to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgement is based on the guidance in IFRS 3. There was no impact from the amendment of IAS 40 in the Consolidated and Separate financial statements.

New standards, amendments and interpretations to existing standards effective after 2015

New Standards

- **IFRS 9 *“Financial Instruments”*** effective for annual periods beginning on or after 1 January 2018, as issued by the IASB. IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended (a) in October 2010 to include requirements for the classification and measurement of financial liabilities and (b) in November 2013 to include the new requirements for general hedge accounting. In July 2014, the final version of IFRS 9, which supersedes all previous versions, was issued mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments. Key requirements of IFRS 9:

2. BASIS OF PRESENTATION (CONTINUED)

Application of IFRS (continued)

- All recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realise its fair value changes) and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI, unless the asset is designated at "fair value through profit or loss (FVTPL) under the fair value option. All other debt instruments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as FVTPL, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. With the exception of purchased or originated credit-impaired financial assets, expected credit losses are required to be measured through a loss allowance at an amount equal to:

    1. the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or

    2. full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

- A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to contract assets or trade receivables that do not constitute a financing transaction in accordance with IFRS 15. Purchased or originated credit-impaired financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, an entity would recognise changes in lifetime expected losses since initial recognition as a loss allowance with any changes recognised in profit or loss. Under the requirements, any favourable changes for such assets are an impairment gain even if the resulting expected cash flows of a financial asset exceed the estimated cash flows on initial recognition.

2. BASIS OF PRESENTATION (CONTINUED)

Application of IFRS (continued)

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Group/Bank has not applied this standard and is currently evaluating the impact of IFRS 9 on the Consolidated and Separate financial statements and the timing of its adoption. Although the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's and the Bank's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

- IFRS 15 *"Revenue from Contracts with Customers"* (effective for annual periods beginning on or after 1 January 2018 as issued by the IASB)**.** IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue,* IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a five-step approach to revenue recognition:

. Identify the contract with the customer

i. Identify the performance obligations in the contract

ii. Determine the transaction price

iii. Allocate the transaction price to the performance obligations in the contracts

iv. Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Group/Bank has not applied this standard and is currently evaluating the impact of IFRS 15 on the Consolidated and Bank financial statements and the timing of its adoption. Although the application of IFRS 15 in the future may have a significant impact on amounts reported in respect of the Group's and the Bank's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

- IFRS 16 *Leases* *(effective for annual periods beginning on or after 1 January 2019, as issued by the IASB).* IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

2. BASIS OF PRESENTATION (CONTINUED)

Application of IFRS (continued)

Identifying a lease
A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Accounting by lessees
Upon lease commencement a lessee recognises a right-of-use asset and a lease liability.
The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. After lease commencement, a lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment, except for certain cases for which fair value or the revaluation model applies.
The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

Accounting by lessors
Lessors shall classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.
Upon lease commencement, a lessor shall recognise assets held under a finance lease as a receivable at an amount equal to the net investment in the lease. A lessor recognises finance income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, on another systematic basis if more representative of the pattern in which benefit from use of the underlying asset is diminished.

Sale and leaseback transactions
To determine whether the transfer of an asset is accounted for as a sale an entity applies the requirements of IFRS 15 for determining when a performance obligation is satisfied. If an asset transfer satisfies IFRS 15's requirements to be accounted for as a sale the seller measures the right-of-use asset at the proportion of the previous carrying amount that relates to the right of use retained. Accordingly, the seller only recognises the amount of gain or loss that relates to the rights transferred to the buyer. If the fair value of the sale consideration does not equal the asset's fair value, or if the lease payments are not market rates, the sales proceeds are adjusted to fair value, either by accounting for prepayments or additional financing.
The Group has not applied this standard and is currently evaluating the impact of IFRS 16 on the Consolidated and Bank financial statements and the timing of its adoption. Although the application of IFRS 16 in the future may have a significant impact on amounts reported in respect of the Group's and the Bank's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until a detailed review has been completed.

2. BASIS OF PRESENTATION (CONTINUED)

Application of IFRS (continued)

Amendments

- **IFRS 11 *(Amendments) Accounting for Acquisitions of Interests in Joint Operations*** (effective for annual periods beginning on or after 1 January 2016). The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations.* Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 *Impairment of Assets* regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations. The Group and the Bank do not expect that this amendment will have an impact on the Consolidated and Separate financial statements.

- **IAS 1 *(Amendments) Disclosure initiative*** (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 1 clarify that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements. An entity need not provide a specific disclosure provided by an IFRS if the information resulting from that disclosure is not material. In the statement of comprehensive income, the amendments require separate disclosures for the share of other comprehensive income of associates and joint ventures accounted for using the equity method based on whether or not it will be reclassified subsequently to profit or loss. The Group and the Bank do not expect that this amendment will have an impact on the Consolidated and Separate financial statements.

- **Annual Improvements to IFRSs 2010-2012 Cycle** (effective for annual periods beginning on or after 1 February 2015, as endorsed by the EU). The amendments impact the following standards:

IFRS 2 *Share-based Payment* - Amend the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition” which were previously included within the definition of “vesting condition”. Specifically,

- For “market condition”, the amendment indicates that is is a performance condition that relates to the market price or value of the entity’s equity instruments or the equity instruments of another entity in the same group. A market condition requires the counterparty to complete a specified period of service.
- For “performance condition”, the amendment specifies that the period over which the performance target is achieved should not extend beyond the service period and that it is defined by reference to the entity’s own operations or activities of another entity in the same group.

IFRS 3 *Business Combinations* — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value should be recognized in profit or loss.

FRS 8 *Operating Segments* — Require disclosure of the judgments made by management in applying the aggregation criteria to operating segments, including a brief description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have similar economic characteristics. Clarify that reconciliations of the total of the reportable segments’ assets to the entity’s assets are only required if the segments’ assets are regularly reported to the chief operating decision maker.

2. BASIS OF PRESENTATION (CONTINUED)

Application of IFRS (continued)

IFRS 13 Fair Value Measurement — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis, if the effect of discounting is not material (amends basis for conclusions only).
IAS 24 Related Party Disclosures — Clarify that a management entity providing key management personnel services to a reporting entity or to the parent of the reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services.

The Group and the Bank have not applied these amendments, but they are not expected to have a material impact on the Consolidated and Separate financial statements.

-IAS 27 ***(Amendment) Equity Method in Separate Financial Statements*** (effective for annual periods beginning on or after 1 January 2016). The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Bank does not have the intention to apply this amendment.

- Annual Improvements to IFRSs 2012-2014 Cycle (effective for annual periods beginning on or after 1 January 2016). The amendments impact the following standards:
IFRS 5 ***Non-current Assets Held for Sale and Discontinued Operations*** **-** The amendment clarifies that, when an asset (or disposal group) is reclassified from “held for sale” to “held for distribution to owners”, or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as “held for sale” or “held for distribution to owners” simply because the manner of disposal has changed. The amendment also rectifies an omission in the standard by explaining that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not reclassified as ‘held for sale’.

-IFRS 7 ***Financial Instruments: Disclosures*** **-** There are two amendments to IFRS 7.

(1) Servicing contracts

If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. IFRS 7 provides guidance on what is meant by continuing involvement in this context. The amendment adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. The amendment is prospective with an option to apply retrospectively.

(2) Interim financial statements

The amendment clarifies that the additional disclosure required by the amendments to IFRS 7, ‘Disclosure – Offsetting financial assets and financial liabilities’ is not specifically required for all interim periods, unless required by IAS 34. The amendment is retrospective.

IAS 19 ***Employee Benefits*** **-** The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented.

2. BASIS OF PRESENTATION (CONTINUED)

Application of IFRS (continued)

-IAS 12 ***(Amendments) Recognition of Deferred Tax Assets for Unrealised Losses*** (effective for annual periods beginning on or after 1 January 2017, as issued by the EU). This amendment clarifies the following aspects: Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. The carrying amount of an asset does not limit the estimation of probable future taxable profits. Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

- IAS 16 and IAS 38 ***(Amendments) Clarification of Acceptable Methods of Depreciation and Amortisation*** (effective for annual periods beginning on or after 1 January 2016). The amendment clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property plant and equipment. The amendment introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The Group has adopted the straight line depreciation method both for property plant and equipment and for intangible assets as it considers that this method adequately reflects the consumption of the economic benefits of the assets.

- IAS 7 ***(Amendments) Disclosure Initiative*** (effective for annual periods beginning on or after 1 January 2017). The amendment requires that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The Group and the Bank have not applied these amendments, but they are not expected to have a material impact on the Consolidated and Bank financial statements.

- IAS 19 ***(Amendments) Defined Benefit Plans: Employee Contributions*** (effective for annual periods beginning on or after 1 February 2015, as endorsed by the EU). Amends the requirements in IAS 19 (2011) “Employee Benefits” for contributions from employees or third parties that are linked to service. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. If the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by paragraph 70 of IAS 19 for the gross benefit (i.e. either using the plan’s contribution formula or on a straight-line basis).The Group and the Bank have not applied this amendment, but it is not expected to have a material impact on the Consolidated and Bank financial statements.

There are no other IFRSs or IFRIC interpretations which are not yet effective and would be expected to have a material impact on the consolidated and separate financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these separate and consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1. Interest income and expense

Interest income and expense is recognized in the separate and consolidated income statement for all interest bearing financial instruments on a time proportionate basis, using effective interest rate method as amortization of any difference between the amount at initial recognition of the respective asset or liability and the amount at maturity.

For loans originated by the Bank/Group and liabilities to depositors, where the interest is calculated on a daily basis by applying contracted interest rate to the outstanding balance, the effective interest rate is considered to be approximately equal to the contracted interest rate because of the nature of the contracts' terms. Loan origination fees are deferred as part of the effective interest.

Interest earned whilst holding trading securities and available for sale securities is reported as interest income. Interest income includes the amount of amortization of any discount, premium or other difference between the initial carrying amount of debt securities and their amount at maturity.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3.2. Fee and commission income and expenses

Fees and commissions consist mainly of fees received, respectively paid, for cash and non-monetary transactions, loans, guarantees and letters of credit and intermediary commissions. Fees and commissions income and expenses are generally recognised on an accrual basis over the period the service is provided. Fees and commissions receivables and liabilities are accrued when earned or become due. Fees and commissions arising from negotiating, or participating in the negotiation of a transaction for a third party, such as acquisition of loans, equity shares or other securities or the purchase or sale of businesses, are recognised upon completion of the underlying transaction. Loan commitment fees for loans that are likely to be drawn down are deferred and recognised as an adjustment to the effective interest rate on the loan.

3.3. Foreign currency translation

Transactions denominated in foreign currencies are translated into BGN at the exchange rates set by the Bulgarian National Bank at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the reporting date using the closing rates of exchange of the Bulgarian National Bank.

Foreign exchange rate gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the separate and consolidated income statement in the period they incurred. Translation differences on debt securities and other monetary financial assets are re-measured at fair value and included in foreign exchange rate gains and losses. Translation differences on non-monetary financial assets are a component of the change in their fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant exchange rates are as follows:

Foreign Currency	31.12.2015	31.12.2014
EUR	1.95583	1.95583
USD	1.79007	1.60841

Effectively from January 1, 1999 the Bulgarian Lev was tied to the Euro, the European Union currency, at the rate of Euro 1 to BGN 1.95583. All other foreign currency exchange rate movements against the Bulgarian Lev reflect their movements against the Euro on the international markets.

3.4 Financial instruments

(a) Financial assets

The Bank/Group classifies its financial assets in the following categories: 'financial assets at fair value through profit or loss', 'loans and receivables' and 'financial assets available for sale'. The classification depends on nature and purpose of the financial assets at the time of their acquisition.

The Management determines the classification of the financial assets of the Bank/Group upon their initial recognition in the statement of financial position.

(b) Financial liabilities and equity instruments

The Bank/Group classifies its liabilities, debt and equity instruments either as financial liabilities or as equity in accordance with the substance of the contractual arrangements with the respective counterparty regarding these instruments. The Bank/Group classifies its financial liabilities in the following categories: 'financial liabilities at fair value through profit or loss' or 'other financial liabilities' carried at amortized cost. The classification depends on the nature of the financial liabilities and purpose set by the Bank/Group at the time of their origination.

The Management determines the classification of the financial liabilities of the Bank/Group upon their initial recognition on the separate and consolidated statement of financial position.

(c) Derivative financial instruments

Derivative financial instruments include foreign exchange contracts, forward agreements, currency and interest rate swaps, interest rate futures, currency and interest rate options (both written and purchased) and other. Derivative financial instruments are initially recognised in the separate and consolidated statement of financial position at fair value and subsequently are re-measured also at their fair value. Derivatives are presented in financial assets when favorable to the Bank/Group and in financial liabilities when unfavorable to the Bank/Group. Fair values are obtained depending on the type of instrument from quoted market prices, dealer price quotations, discounted cash flow models and options pricing models, as appropriate. Where the Bank/Group enters into derivative instruments used for trading purposes, realised and unrealised gains and losses are recognised in the separate and consolidated income statement as 'net trading income'.

A derivative instrument may be embedded in another financial instrument, known as "host contract". In such cases, the derivative instrument is separated from the host contract and treated as a separate derivative, provided that its risks and economic characteristics are not closely related to those of the host contract.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

Certain derivative instruments transacted as effective economic hedges under the Bank/Group's open risk management positions, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated in the same way as derivative instruments held for trading purposes, i.e. fair value gains and losses are recognised in net trading income.

When the Bank/Group uses derivative instruments as part of its asset and liability management activities to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions, applies either fair value or cash flow hedge accounting when transactions meet the specified criteria to obtain hedge accounting treatment.

The Bank/Group's criteria for a derivative instrument to be accounted for as a hedge include:

- at inception of the hedge, there is formal designation and documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship;
- the hedge is documented showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the hedging period. A hedge is considered to be highly effective when the Bank/Group achieves offsetting changes in fair value between 80 percent and 125 percent for the risk being hedged; and
- the hedge is highly effective on an ongoing basis.

(d) Recognition of financial instruments

The Bank/Group recognizes financial instruments in the separate and consolidated statement of financial position when and only when, it becomes a party to the contractual provision of the instrument.

(e) Regular way purchases and sales of financial assets

"Regular way" purchase and sale of financial assets or liabilities based on contract are those that require delivery within the time frame established by regulation or market convention. Financial instruments that arise by such contracts are recognised on the settlement date apart from trading and available for sale securities and derivative financial instruments, which are recognised on the trade date. All other purchases and sales of securities held for trading are treated as derivatives until settlement occurs.

(f) Derecognition of financial instruments

The Bank/Group 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.

The Bank/Group derecognises a financial liability from the separate and consolidated statement of financial position, i.e. only when it's contractual obligations are discharged or cancelled or expire.

(g) Sale and repurchase agreements

Securities sold subject to a commitment to repurchase them at a predetermined price ('Repos') are retained on the separate and consolidated statement of financial position and the counterparty liability is included in amounts due to banks, due to customers or other deposits, as appropriate. Securities purchased under agreement to resell ('Reversed Repos') are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of Repos (or Reverse Repos) agreement using the effective interest rate method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4. Financial instruments (continued)

(h) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the separate and consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(i) Fair value of financial instruments

The Bank/Group measures the fair value of its financial instruments based on a framework for measuring fair value that categorises financial instruments based on a three-level hierarchy of the inputs to the valuation technique, as discussed below.

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active market An active market, is a market in which transactions for assets or liabilities take place with sufficient frequency and volume to provide pricing information on an ongoing basis and are characterized with low bid/ask spreads.

Level 2: Observable inputs other than Level 1 quoted prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data (for example derived from prices) for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, as well as debt securities without quoted prices and certain derivative contracts whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes government and corporate debt securities with prices in markets that are not active and certain over-the-counter (“OTC”) derivative contracts.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant Management judgment or estimation.

If available, fair values are determined using quoted prices in active markets for identical assets or liabilities. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Assets and liabilities that are quoted and traded in an active market are valued at the currently quoted price times the number of units of the instrument held. Where the market for a financial instrument or non-financial asset or liability is not active, fair value is established using a valuation technique, including pricing models. Valuation techniques involve the use of estimates, the extent of which depends on the complexity of the instrument and the availability of market-based data.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4. Financial instruments (continued)

Valuation adjustments may be made to allow for additional factors including model, liquidity and credit risks, which are not explicitly captured within the valuation technique, but which would nevertheless be considered by market participants when forming a price. The limitations inherent in a particular valuation technique are considered in the determination of an asset or liability's classification within the fair value hierarchy.

Many cash instruments and over-the-counter (OTC) derivative contracts have bid and offer prices that can be observed in the marketplace. Bid prices reflect the highest price that a party is willing to pay for an asset. Offer prices represent the lowest price that a party is willing to accept for an asset. In general, long positions in an instrument are measured at a bid price and short positions at an offer price, reflecting the prices at which the instruments could be transferred under normal market conditions. Offsetting positions in the same financial instrument are marked at the mid-price within the bid-offer spread.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of a given input is measured in accordance with its effect on the fair value of the respective instrument taking into consideration the specific factors for a given asset or liability. If observable inputs requiring significant adjustments based on unobservable inputs are used when measuring the fair value, they are categorized in level 3.

(j) Financial assets and liabilities at fair value through profit or loss

This category has the following two sub-categories:
- Trading and
- Financial assets and liabilities designated as at fair value through profit or loss.

Trading securities

Trading securities are securities, which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit making exists.
Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

Trading securities held are reclassified out of the respective category, only in rare circumstances (see Note 9). Respectively, securities available for sale are not reclassified into the trading securities category while they are held.
Trading securities may also include securities sold under sale and repurchase agreements.

Financial assets and liabilities designated at fair value through profit or loss at initial recognition

The Group designates at initial recognition financial assets or liabilities as at fair value through profit or loss, with the exception of investments in equity instruments, which have no market price on an active market and the fair value of which cannot be reliably measured, when:

- Doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise at asset and liability measurement or profit and loss recognition on different basis; or;
- A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information of the group is provided internally on that basis to key management personnel, for example the board of directors and chief executive officer.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4. Financial instruments (continued)

- The financial instruments contain one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments and would have to be separated if not in this category.

The fair value designation, once made, is irrevocable.

Measurement

Financial assets and liabilities at fair value through profit or loss (both trading and designated) are initially recognised at fair value and subsequently re-measured at fair value.

Gains and losses realised on disposal or redemption and unrealised gains and losses from changes in the fair value are included in net trading income.

Dividend income is recognised when the right to receive the payment is established. This is the ex-dividend date for equity securities and is separately reported and included in “Other net income / (expense)”.

Interest income on interest bearing financial assets and interest expense on interest bearing financial liabilities at fair value through profit or loss (both trading and designated) is reported as interest income and interest expense respectively.

The amount of change during the period, and cumulatively, in the fair values of designated financial liabilities and loans and advances that is attributable to changes in their credit risk is determined as the amount of change in the fair value that is not attributable to changes in market conditions that give rise to market risk.

(k) Loans and receivables

Loans and advances are non-derivative financial assets with fixed determinable payments that are not quoted on an active market. This group of financial assets includes: loans and advances to banks, loans and advances to customers and other receivables.

Loans and receivables that are individually originated in the Bank are recognized when cash is actually advanced to the borrowers or another financial or non-financial asset is provided to the borrower.
Acquired loans and advances are recognized when a significant part of benefits and risks incidental to ownership are received by the Bank/Group.

Measurement

Loans and receivables are initially recorded at net amounts paid or at fair value of the transferred asset, including any direct transaction costs.

They are subsequently measured at amortized cost using the effective interest method less any allowances for impairment.

Loans and receivables granted by the Bank/Group are presented in the separate and consolidated statement of financial position at amortized cost less impairment and allowances for impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4. Financial instruments (continued)

Interest on loans and advances granted by the Group is included in interest income and is recognized on an accrual basis. Fees and direct cost related to loan origination, financing or restructuring and to loan commitments are treated as part of the cost of the transaction and are deferred and amortized as interest income over the life of the loan by using the effective interest rate method.

(l) Financial assets available for sale

Financial assets available for sale are those non-derivative assets that are not designated as financial assets at fair value through profit or loss, loans and advances or investments held to maturity. The Bank/Group classifies as available-for-sale financial assets debt securities intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or stock prices.

Measurement

Financial assets available for sale are initially recognised at fair value including transaction costs and subsequently re-measured at fair value based on quoted bid prices on active markets, dealer price quotations or discounted expected cash flows. Fair values for unquoted equity investments are determined by applying recognised valuation techniques such as price/earnings or price/cash flow ratios, refined to reflect the specific circumstances of the issuer. Unrealised gains and losses arising from changes in the fair value of available for sale securities are reported in the equity through the other comprehensive income, net of taxes (where applicable), until such investment is sold, collected or otherwise disposed of, or until such investment is determined to be impaired.

When an available for sale financial instrument is disposed of or impaired, the accumulated unrealised gain or loss included in shareholders' equity is transferred to the income statement for the period and reported as net trading income/expense. Gains and losses on disposal are determined using the moving average acquisition cost method. During the period of holding debt instruments, classified as 'available for sale' the Bank/Group recognises interest income by applying the effective interest method.

Dividends on equity shares, classified as 'available for sale' financial assets, are recognised and carried to the income statement as 'Dividend income' when the Bank/Group's entitlement to these dividends is established.

(m) Allowances for impairment and write-offs

All financial assets classified as 'loans and advances', 'held-to-maturity' and 'available for sale' are subject to review for impairment.

The Bank/Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Loans and advances

A credit risk allowance for loan impairment is established if there is objective evidence that the Bank/Group will be unable to collect all amounts due on a claim according to the original contractual terms. A "claim" means a loan, a commitment such as a letter of credit, guarantee or commitment to extend credit.

Objective evidence that a claim is impaired includes observable data that comes to the attention of the Bank/Group about the following loss events:

(a) significant financial difficulty of the issuer or obligor;
(b) a breach of contract, such as a default or delinquency in interest or principal payments;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4. Financial instruments (continued)

(c) the Bank/Group, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that it would not otherwise consider;
(d) it is probable that the borrower will enter bankruptcy;
(e) the disappearance of an active market for that financial asset because of financial difficulties; or
(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
- adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments); or
- national or local economic conditions that correlate with defaults on the assets in the group.

An allowance for loan impairment is reported as a decrease of the carrying amount of a claim in the separate and consolidated statement of financial position, whereas for an off-balance sheet item such as a commitment, an allowance for impairment loss is reported in other liabilities. Increase of allowances for loans impairment are made through impairment losses on loans and advances in the separate and consolidated income statement.

The Bank/Group assesses whether objective evidence of impairment exists for loans that are considered individually significant and collectively for loans that are not considered individually significant.

If there is objective evidence that an impairment loss on loans and advances carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the loans’ carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at a) the loan’s original effective interest rate, if the loan bears a fixed interest rate, or b) current effective interest rate, if the loan bears a variable interest rate.

The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics. Corporate loans are grouped based on days in arrears, product type, economic sector, size of business, collateral type and other relevant credit risk characteristics. Mortgages and retail loans are also grouped based on days in arrears or product type. Those characteristics are relevant to the estimation of future cash flows for pools of loans by being indicative of the debtors’ ability to pay all amounts due and together with historical loss experience for loans with credit risk characteristics similar to those in the pool form the foundation of the loan loss allowance computation.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects and conditions in the historical period that do not exist currently.

All impaired loans are reviewed and analysed at the date of the financial statements and any subsequent changes to the amounts and timing of the expected future cash flows compared with the prior estimates result in a change in the provision for loans impairment and are charged or credited to impairment losses on loans and advances. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Bank/Group to reduce any differences between loss estimates and actual loss experience.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4. Financial instruments (continued)

A loan, which is deemed to be uncollectible or forgiven, is written off against the related provision for loans impairment. Subsequent recoveries are credited to impairment losses on loans and advances in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement as net allowances for impairment for loans and advances.

Write-offs

The Bank/Group's write-off policy prescribes which loans and receivables fall into its scope and the criteria that must be met for each type of asset in order for each write-off to be approved by the relevant competent body.Loan amounts to be written off for accounting purposes are individually identified and fully provided for. For all loan amounts written-off for accounting purposes, documentation is retained and is available to evidence and support the reasoning for the write-off and that the appropriate actions have been taken.

The following factors are taken into consideration when qualifying a loan for write-off:

i. The past due status of the loan.

ii. The existence of collateral held by the Bank/Group to secure the loan and the ability to liquidate that collateral.

iii. The status of legal actions undertaken by the Bank/Group as well as the results of recent research regarding the borrower's real property. However, completion of such legal actions is not a necessary condition to write-off a loan if the claim against the borrower would remain valid after the loan is written-off.

iv. The existence of other assets held by the borrower identified through available databases.

v. An assessment of the costs expected to be incurred for pursuing recovery compared to the expected recovery.

In particular:

i. Mortgages are written-off for accounting purposes after a maximum period in past-due of at least 10 years and when there is no realistic prospect of recovering those amounts. The competent business units ensure that all appropriate actions have been taken in order to collect and no further recovery action is possible or practicable.

ii. Unsecured consumer, credit card and Small Business Lending ("SBL") exposures may not be written-off for accounting purposes even after a period of at least 60 months after the agreement is terminated.

iii. Corporate and secured SBL exposures are considered for write-off for accounting purposes on a case by case analysis, based on the general requirements (i)-(v) above.

In specific cases corroborated with legal evidence, such as for example fraud or bankruptcy of the borrower, exposures can be written-off for accounting purposes regardless of whether the criteria above are satisfied. Written-off loans, either retail or corporate, are monitored until completion and exhaustion of legal actions having taken into consideration the efforts and cost required. Write-offs are approved by each competent committee in accordance with its authority limits prescribed in its charter.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4. Financial instruments (continued)

Financial assets available for sale

Available for sale financial assets are impaired if there is objective evidence that show a significant and prolonged decline in the fair value of the respective assets or group of assets or with regard to financial assets (equity instruments) measured at acquisition cost – when there is evidence that the carrying amount is higher than the expected recoverable amount. In case such evidence is identified, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in the income statement. Impairment losses recognised in income statement for an investment in an equity instrument classified as available for sale are not recovered in income statement.

3.5. Investments in subsidiaries and equity method investments

Subsidiaries are entities that the Bank controls directly or indirectly. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Control is presumed to exist if and only if, the Parent has a) power over an entity b) exposure, or rights to variable returns from its involvement with an entity and c) the ability to use its power over an entity to affect the amount of the Bank's returns.

Equity method investments are entities, in which the Bank/Group owns directly or indirectly from 20% to 50% of the voting shares or over which the Bank/Group has significant influence but does not have control.

Shares in subsidiaries and equity method investments are initially recognised in the separate financial statements at cost. Subsequently the Bank carries our periodic reviews for impairment. Impairment is recognised in the income statement as impairment losses of investments in subsidiaries and equity method investments.

In the consolidated financial statements of the Group shares and interest in equity method investments are initially recognized at cost. Subsequently the investments are measured applying the equity method. the Group performs a periodic review for indications of impairment. Impairment is recognized in the consolidated income statement.

Dividends from subsidiaries and equity method investments are recognised in the separate income statement if they refer to distribution of profit from reporting periods after the investment acquisition, or in decrease of the carrying amount of the investment if they refer to distribution of profit from reporting periods before their acquisition.

3.6. Property and equipment

Property and equipment include land and buildings, leasehold improvements and transportation and other equipment, held by the Bank/Group for providing of services or for administrative purposes.Property and equipment are presented in the separate and consolidated financial statements at historical acquisition cost except those acquired before December 31, 2003, which are presented at deemed cost for purpose of first time adoption of IFRS, less accumulated depreciation and impairment losses. Property and equipment are initially recorded at cost, which includes all expenses that are required to bring an asset into working condition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6. Property and equipment (continued)

Costs incurred subsequent to the acquisition of an asset, which is classified as property and equipment are capitalized, only when it is probable that they will result in future economic benefits beyond those originally anticipated for the asset, otherwise they are expensed as incurred.

Repairs and maintenance are charged to the income statement when the expenditure is incurred.

Depreciation of an item of property and equipment is calculated on a straight-line basis over their estimated useful lives. Depreciation of an item of property and equipment begins when it is available for use and ceases only when the asset is derecognised. Therefore, the depreciation of an item of property and equipment that is retired from active use does not cease unless it is fully depreciated.

The useful life adopted by the Bank/Group for main group of assets is as follows:

Group of assets	*Years*
Land	unlimited
Buildings	Not exceeding 25
Security facilities	Not exceeding 5
POS Terminals	Not exceeding 5
Equipment	Not exceeding 5
Servers and personal computers	Not exceeding 4
Furniture and related equipment	Not exceeding 7
Cars	Not exceeding 5
Leasehold improvements	Residual lease term, but not more than 10 years
ATM	Not exceeding 7

The Bank/Group periodically reviews its property and equipment for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are recognized in the separate and consolidated income statement as other operating income/expenses.

Foreclosed assets, which represent properties and equipment acquired through foreclosure in full or partial satisfaction of a related loan, are initially measured at cost, which includes transaction costs, and are reported under other assets in the separate and consolidated statement of financial position. After initial recognition foreclosed assets are re-measured at the lower of their carrying amount and fair value less estimated costs to sell. Any gains or losses on liquidation of foreclosed assets are included in other operating income/expenses.

3.7. Intangible assets

Intangible assets include computer software and other intangible assets that comprise separately identifiable intangible items. Intangible assets are presented in the separate and consolidated financial statements at cost of acquisition less accumulated amortisation and accumulated impairment losses.

Computer software includes costs that are directly associated with identifiable and unique software products that are anticipated to generate future economic benefits exceeding costs beyond one year. Expenditure, which enhances or extends the performance of software beyond their original specifications is recognised as a capital improvement and is added to the original cost of the software.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7. Intangible assets (continued)

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Expenditures on starting up an operation or branch, training personnel, advertising and promotion and relocating or reorganizing part or the entire Bank/Group is recognised as an expense when it is incurred.

The Group calculates amortisation for the intangible assets on a straight-line basis over their estimated useful lives. The useful life adopted by the Bank/Group for intangible assets is as follows: Software – not exceeding a period of 5 years; rights for use of property - residual term of use; other - not exceeding a period of 7 years.

The carrying amount of the intangible assets is subject to review for impairment when events or changes in the circumstances indicate that the carrying amount might exceed their recoverable amount. Impairment losses are included in the income statement.

3.8. Investment property

Investment property includes buildings, acquired through foreclosure proceedings and with intention of earning rentals or for capital appreciation, or both.
Investment property is initially recorded at cost, which includes transaction costs.
Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and any accumulated impairment losses.
Investment property is depreciated on a straight-line basis over its estimated useful life, but not exceeding 50 years. Investment property is reviewed at least annually for impairment based mainly on external appraisals.

3.9. Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset.

Operating lease
Leases where a significant portion of the risks and rewards of ownership of the asset are retained by the lessor are classified as operating leases. The payments made under operating leases are charged to the separate and consolidated income statement on a straight-line basis over the period of the lease and are presented as rent expenses. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place. Assets leased out by the Bank/Group under operating leases are included in the separate and consolidated statement of financial position based on the nature of the asset. They are depreciated over their useful lives on a basis consistent with similar owned property. Rental income under lease contracts is recognised on a straight-line basis over the lease term and are presented as ‘other operating income/expenses’ in the separate and consolidated income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9. Leases (continued)

Finance lease

Leases where the lessee has substantially all the risks and rewards of ownership of the asset are classified as finance leases. When assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Finance lease receivables underfunded participation in finance lease contracts are included in loans and advances to customers.

3.10. Cash and cash equivalents

Cash and cash equivalents for the purposes of the separate and consolidated statement of cash flows include cash and nostro accounts and loans and advances to other banks with a maturity of less than 90 days, including balances with the Bulgarian National Bank.

3.11. Provisions

Provisions are recognised as an expense in the separate and consolidated income statement and liability in the separate and consolidated statement of financial position when the Bank/Group has a present legal or constructive obligations as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the resulting losses can be made.

3.12. Fiduciary and trust activities

The Bank/Group provides fiduciary and trust services to individuals and companies, whereby it holds and manages assets or invests funds received in various financial instruments in customer’s favor. The Bank/Group receives fees and commissions for providing these services. Trust assets are not assets of the Bank/Group and are not recognised in the separate and consolidated financial statements. The Bank/Group is not exposed to any credit risk related to such placements, as it does not guarantee these investments.

3.13. Employee benefits

The employment and social security relations to the employees of the Bank/Group are based on the provisions of the Labor Code (LC) and the effective social security legislation in Bulgaria.

Short-term employee benefits

Short-term employee benefits in the form of remunerations, bonuses and social payments and benefits (payable within 12 months after the end of the period when the employees have rendered the service or has met the required terms) are recognized as an expense in the separate and consolidated income statement in the period when the service thereon has been rendered or requirements for their receipt have been met and as current liability (less any amounts already paid and deductions due) at their undiscounted amount. The Bank/Group’s payables for social security and health insurance are recognized as a current expense and liability at their undiscounted amount together with the respective benefits they relate to and within the period of their accruals.

At each reporting date the Bank/Group measures the expected costs on the accumulating compensated absences, which amount is expected to be paid as a result of the unused entitlement. The measurement includes the undiscounted estimate of the expenses on the employee’s remuneration and the statutory social security and health insurance contributions due by the employer thereon.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13. Employee benefits (continued)

Long- term employee benefits

Defined benefit plans

A defined benefit plan is a post-employment benefit plan that defines an amount of benefit to be provided, determined using a number of financial and demographic assumptions. The most significant assumptions include age, years of service, life expectancy, the discount rate, expected salary increases and pension rates. For defined benefit plans, the liability is the present value of the defined benefit obligation as at the reporting date. The defined benefit obligation and the related costs are calculated by independent actuaries on an annual basis at the end of each annual reporting period, using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and, which have terms to maturity approximating the terms of the related liability. Service cost (current service cost, past service cost (including the effect of curtailments) and gains or losses on settlements) and interest on the defined benefit liability are charged to the income statement and are included in staff costs. The defined benefit obligation is recorded on the statement of financial position, with changes resulting from remeasurements (comprising actuarial gains and losses recognized immediately in OCI, with no subsequent recycling to profit or loss), in order to fully reflect the full value of the plan deficit or surplus.

Defined contribution plans

A defined contribution plan is a pension plan under which the Bank/Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees' benefits related to employee service in the current and prior periods. Contributions to defined contribution plans are charged to the separate and consolidated income statement in the year to which they relate and are included in staff costs.

3.14. Income taxes

Taxes currently due are calculated in accordance with the Bulgarian legislation. Income tax is computed on the basis of taxable profit, calculated by adjusting the financial result for certain income and expenditure items as required under Bulgarian law.

Deferred income taxes are provided using the liability method of accounting, under which deferred tax consequences are recognised as a difference between the tax base of assets and liabilities and their carrying value for financial reporting purposes. Any tax effects related to transactions and other events recognized in the separate and consolidated income statement are also recognized in the separate and consolidated income statement. Tax effects related to transactions and events recognized directly in equity are also recognized directly in equity.

A deferred tax liability is recognized for all taxable temporary differences unless it arises from the initial recognition of an asset or liability in a transaction, which at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available, against which the deductible temporary difference can be utilized.

Current and deferred taxes are recognized as income or expense and are included in the profit for the period except to the extent that the tax arises from a transaction or event that is recognized in the same or different period, directly in equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted at the reporting date.

The carrying amount of all deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is probable that they will reverse and sufficient taxable profit will be generated or taxable temporary difference will occur in the same period, from which they can be deducted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Assets and liabilities held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification except as permitted by IFRS 5, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets held for sale are measured at their lower of carrying amount and fair value less costs to sell. Assets and liabilities of disposal groups classified as held for sale and non-current assets classified as held for sale are shown separately on the face of the statement of financial position.

Impairment losses on initial classification as held for sale are included in the income statement, even when there is a revaluation. The same applies to gains and losses on subsequent re-measurement.

If the Bank/Group has classified an asset (or disposal group) as held for sale, but the criteria for classification as such are no longer met, the Bank/Group ceases to classify the asset (or disposal group) as held for sale. The Bank/Group measures a non-current asset (or disposal group) that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:

a) its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation or amortisation that would have been recognised had the asset (or disposal group) not been classified as held for sale, and

b) its recoverable amount at the date of the subsequent decision not to sell.

3.16. Related party transactions

Related parties include enterprises which may exercise significant influence on financial and operating decisions and which the Bank/Group may influence in the same way. Related parties also include key management personnel and their relatives/partners, controlled enterprises or enterprises in which they can exercise significant influence. All related party transactions should be disclosed by type, effect in the consolidated income statement and the consolidated statement of financial position and if they have been concluded under market terms.

3.17. Earnings per share

Basic earnings per share (EPS) ratio is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are adjusted for the effect of all potentially dilutive ordinary shares. Basic earnings per share and diluted earnings per share for the Bank/Group are the same because there are no potentially dilutive ordinary shares.

3.18. Shareholder’s equity

The Shareholder’s equity of the Bank/Group includes share capital, retained earnings from previous years, other reserves formed from first time adoption of IFRS, revaluation reserve from financial assets available for sale and the profit for the current year.

The Bank/Group manages its shareholders’ equity according to the risk strategy and necessity of sufficient financial resources for providing optimum risk profile and in accordance with the legal frame (Note 39).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19. Critical judgments and estimates

The preparation of separate and consolidated financial statements in accordance with IFRS requires Management to make judgments, estimates and assumptions that affect the reported amount of assets, liabilities, income and expense in the separate and consolidated financial statements of the Bank/Group. Management believes that the judgments, estimates and assumptions used in the preparation of the separate and consolidated financial statements are appropriate given the factual circumstances as of December 31, 2015.

As a result of the global economic crisis different industries and sectors in the Bulgarian economy have marked a decline which causes a material uncertainty and risks for their development in the foreseeable future. The volatility in the global economic increase the risks from the environment in which the Bank/Group operates. Therefore, the amount of impairment losses on loans and advances, financial assets available for sale, other financial instruments, as well as the values of other accounting estimates in subsequent reporting periods may differ substantially from those measured and reported in these financial statements. The recoverability of the loans and the adequacy of the recognized impairment losses depend on the financial position of the borrowers and their ability to settle their obligations at contracted maturity in subsequent reporting periods. Bank/Group's Management applies the necessary procedures to manage these risks, as disclosed in note 34.

The most significant areas, for which judgments, estimates and assumptions are required in applying the Bank's/Group's accounting policies, are the following:

Fair value of financial instruments
The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. These include present value methods, models based on observable input parameters. All valuation models are validated before they are used as a basis for financial reporting, and are periodically reviewed by Risk Management Department thereafter. Wherever possible, the Bank/Group compares valuations derived from models with quoted prices of similar financial instruments, and with actual values when realised, in order to further validate and calibrate its models. A variety of factors are incorporated into the Bank/Group's models, including actual or estimated market prices and rates, such as time value and volatility, and market depth and liquidity. The Bank/Group applies its models consistently from one period to the next, ensuring comparability and continuity of valuations over time, but estimating fair value inherently involves a significant degree of judgment. Management therefore establishes valuation adjustments to cover the risks associated with the estimation of unobservable input parameters and the assumptions within the models themselves.

Although a significant degree of judgment is, in some cases, required in establishing fair values, Management believes the fair values recorded in the separate and consolidated statement of financial position and the changes in fair values recorded in the separate and consolidated income statement are prudent and reflective of the underlying economics, based on the controls and procedural safeguards employed.

Allowance for impairment losses on loans and advances
The amount of the allowance set aside for loan impairment losses is based on Management's ongoing assessments of the probable estimated losses inherent in the loan portfolio. Assessments are conducted by members of Management responsible for various types of loans applying a methodology and guidelines, which are continually monitored and improved.

This methodology has two primary components: individual allowances and collective allowances and is described in note 3.4. The applying methodology is in accordance of NBG's Group policy, to which the Group belongs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19. Critical judgments and estimates (continued)

Applying this methodology requires Management to make estimates regarding the amount and timing of the cash flows, which are expected to be received. In estimating these cash flows, Management makes judgments about the counterparty's financial situation and the net realizable value of any underlying collateral or guarantees in favor of the Bank/Group. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently reviewed.

In assessing the need for collective allowances for impairment losses on loans and advances, Management considers factors such as type of loan, credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made both to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the calculations and allowances depends on the model assumptions and parameters used in determining collective allowances. While this necessarily involves judgment, Management believes that the allowances for impairment losses on loans and advances are reasonable and supportable.

Impairment of available-for-sale financial assets

The Bank/Group determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank/Group evaluates among other factors, the normal volatility in share price and the financial health of the issuer and near-term business outlook for the investee, including factors such as industry and sector performance, changes in operational and financing cash flows of the issuer.

Net current retirement benefit costs

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for defined benefit obligations include the discount rate. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

The Bank/Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligations. In determining the appropriate discount rate, the Bank/Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related defined benefit obligations, or estimates of rates which take into account the risk and maturity of the related liabilities where a deep market in such bonds does not exist.

Useful lives of depreciable assets

The Bank/Group's Management determines the estimated useful lives and related depreciation charges for its property and other equipment. The Bank/Group's estimate is based on the projected operating life cycle of its buildings and the other depreciable assets such as furniture, motor vehicles, hardware and other equipment. Such estimates are not expected to change significantly, however, Management modifies depreciation charge rates wherever useful lives turn out to be different than previously estimated and it decreases the net book value or writes off technically obsolete assets.

Income taxes

The Bank/Group is subject to income taxes in Bulgaria. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank/Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

4. CASH AND BALANCES WITH THE CENTRAL BANK

	As of 31.12.2015	As of 31.12.2014	As of 31.12.2015	As of 31.12.2014
	Separate	Separate	Consolidated	Consolidated
Cash in hand	166,983	183,078	166,984	183,078
Mandatory reserve with the Central Bank	348,138	156,466	348,138	156,466
Current account with the Central Bank	372,595	138,854	372,595	138,854
TOTAL	887,716	478,398	887,717	478,398

The current account with the Central Bank in BGN is used for direct participation in the money and treasury bills markets and for settlement purposes.

Mandatory reserve is a part of required reserves in Central Bank, which also includes current account with BNB and 50% from cash in hand. Required reserves are not interest bearing and their use is unrestricted. Such reserves are regulated on a monthly basis and their insufficiency carries penalty interest. Daily fluctuations within a month period are allowed.

5. DUE FROM BANKS

	As of 31.12.2015	As of 31.12.2014	As of 31.12.2015	As of 31.12.2014
	Separate	Separate	Consolidated	Consolidated
Nostro accounts	25,327	20,625	25,327	20,625
Interbank placements	76,013	846,421	76,016	846,674
Other loans and advances to banks	56,893	56,138	56,893	56,138
TOTAL	158,233	923,184	158,236	923,437
Included in cash equivalents (note 26)	157,939	880,912	157,942	881,165

Other loans and advances to banks included the trade finance deals with residual maturity below 1 year at the amount of BGN 44,317 thousand (2014: BGN 2,639 thousand).

6. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis by type of customer

	As of 31.12.2015	As of 31.12.2014	As of 31.12.2015	As of 31.12.2014
Individuals:	Separate	Separate	Consolidated	Consolidated
Overdrafts	19,029	21,520	19,029	21,520
Credit cards	143,299	159,734	143,299	159,734
Mortgages	981,038	1,080,611	981,038	1,080,611
Consumer loans	786,002	856,328	786,002	856,328
	1,929,368	2,118,193	1,929,368	2,118,193
Corporate entities:				
Non-bank financial institutions	246,631	140,345	246,631	140,345
Corporate customers	2,743,606	2,739,425	2,745,033	2,740,468
Government and agencies	22,935	26,724	22,935	26,724
	3,013,172	2,906,494	3,014,599	2,907,537
TOTAL LOANS AND ADVANCES, GROSS	4,942,540	5,024,687	4,943,967	5,025,730
Less: allowance for impairment	(750,679)	(876,772)	(750,977)	(876,973)
LOANS AND ADVANCES TO CUSTOMERS, NET	4,191,861	4,147,915	4,192,990	4,148,757
Including loans pledged under Other borrowed funds (note 17 and note 37)	5,779	11,223	5,779	11,223

6. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysis of receivables under finance leases included in corporate customers

Finance lease receivables are as follows:

	As of 31.12.2015	As of 31.12.2014	As of 31.12.2015	As of 31.12.2014
	Separate	Separate	Consolidated	Consolidated
Not later than 1 year	34,062	26,603	34,062	26,603
Later than 1 year but not later than 5 years	43,668	29,199	43,668	29,199
Later than 5 years	68	784	68	784
Gross investment in finance leases, receivable	77,798	56,586	77,798	56,586
Less: Unearned future finance income on finance leases	(4,844)	(3,830)	(4,844)	(3,830)
Net investment in finance leases	72,954	52,756	72,954	52,756

The net investment in finance leases may be analyzed as follows:

	As of 31.12.2015	As of 31.12.2014	As of 31.12.2015	As of 31.12.2014
	Separate	Separate	Consolidated	Consolidated
Not later than 1 year	34,062	24,428	34,062	24,428
Later than 1 year but not later than 5 years	38,824	27,573	38,824	27,573
Later than 5 years	68	755	68	755
Finance lease receivables	72,954	52,756	72,954	52,756
Allowance for uncollectible minimum lease payments receivable included in the provision for loan losses amounts to:	(191)	(95)	(191)	(95)

In the period 2013 to 2015 the Bank/Group has entered into several agreements for acquisition of receivables under leasing contracts to third parties, originated by Interlease AD based on Funded participation agreement. The aquired financial lease receivables for 2015 are at the amount of BGN 57,898 thousand (2014: BGN 9,781 thousand) at the date of risk transfer.

(c) Movement of allowances for impairment for loans and advances

	BGN'000	BGN'000
	Separate	Consolidated
BALANCE AS OF JANUARY 1, 2014	(794,958)	(794,958)
Allowances for impairment (Note 31)	(97,128)	(97,329)
Effect from expected cash flows from interests on non-performing loans	3,813	3,813
Loans and advances written off as unrecoverable	11,501	11,501
BALANCE AS OF DECEMBER 31, 2014	(876,772)	(876,973)
Allowances for impairment (Note 31)	(139,996)	(140,123)
Effect from expected cash flows from interests on non-performing loans	2,549	2,549
Loans and advances written off as unrecoverable	263,540	263,570
BALANCE AS OF DECEMBER 31, 2015	(750,679)	(750,977)

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As of 31.12.2015	As of 31.12.2014	As of 31.12.2015	As of 31.12.2014
	Separate	Separate	Consolidated	Consolidated
Bulgarian government securities	455,382	529,664	455,382	529,664
Foreign government securities				
listed on official stock markets	12,883	12,502	12,883	12,502
Debt securities of foreign issuers	160,379	55,601	160,379	55,601
Including listed on official stock markets	*17,660*	*16,484*	*17,660*	*16,484*
Shares				
listed on official stock markets	6	6	6	6
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	628,650	597,773	628,650	597,773

All amounts are in thousand Bulgarian Levs, unless otherwise stated

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Part of the owned Bulgarian government securities are pledged under repo deals, attracted deposits form government institutions and funding agreements (note 37).

Total financial assets at fair value through profit or loss by type of currency and by type of interest rates are as follows:

As of 31.12.2015
Separate

Currency	Fixed interest	Floating interest	Non-Interest bearing	Total
BGN	305,838	15	6	305,859
EUR	142,605	1,888	-	144,493
GBP	26,489	-	-	26,489
USD	131,413	20,396	-	151,809
TOTAL	606,345	22,299	6	628,650

As of 31.12.2014

Currency	Fixed interest	Floating interest	Non-Interest bearing	Total
BGN	254,461	20	6	254,487
USD	268,930	9,695	-	278,625
EUR	14,996	-	-	14,996
GBP	27,481	22,184	-	49,665
TOTAL	565,868	31,899	6	597,773

As of 31.12.2015
Consolidated

Currency	Fixed interest	Floating interest	Non-Interest bearing	Total
BGN	305,838	15	6	305,859
EUR	142,605	1,888	-	144,493
GBP	26,489	-	-	26,489
USD	131,413	20,396	-	151,809
TOTAL	606,345	22,299	6	628,650

As of 31.12.2014

Currency	Fixed interest	Floating interest	Non-Interest bearing	Total
BGN	254,461	20	6	254,487
USD	268,930	9,695	-	278,625
EUR	14,996	-	-	14,996
GBP	27,481	22,184	-	49,665
TOTAL	565,868	31,899	6	597,773

Trading securities include short, medium and long-term securities without significant concentrations regarding to maturity and securities.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The table below present an analysis of Trading securities by rating agency designation as of December 31, 2015 and 2014, based on the lower rating of Moody's:

Rating	As of 31.12.2015 Separate	As of 31.12.2014 Separate	As of 31.12.2015 Consolidated	As of 31.12.2014 Consolidated
Aa1 to A3	8,104	803	8,104	803
Baa1 to Ba3	554,039	595,921	554,039	595,921
Lower than Ba3	-	-	-	-
Unrated	66,507	1,049	66,507	1,049
TOTAL	628,650	597,773	628,650	597,773

8. DERIVATIVE FINANCIAL INSTRUMENTS

Separate	31.12.2015			31.12.2014		
	Contract/ notional amount	Fair value		Contract/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Foreign exchange OTC derivatives, incl.:						
Currency forward agreements	*12,291*	*12*	*141*	124,712	*1,814*	*523*
Currency swaps	*20,047*	-	*106*	*341,851*	*75*	*437*
Interest rate derivatives - OTC	3,129	-	141	3,129	-	167
TOTAL	35,467	12	388	469,692	1,889	1,127

Consolidated	31.12.2015			31.12.2014		
	Contract/ notional amount	Fair value		Contract/ notional amount	Fair values	
		Assets	Liabilities		Assets	Liabilities
Foreign exchange OTC derivatives, incl:						
Currency forward agreements	*12,291*	*12*	*141*	*124,712*	*1,814*	*523*
Currency swaps	*20,047*	-	*106*	*341,851*	*75*	*437*
Interest rate derivatives - OTC	3,129	-	141	3,129	-	167
TOTAL	35,467	12	388	469,692	1,889	1,127

The concluded contracts for derivative financial instruments include short-term currency forwards, currency and interest rate swaps. During 2015 and 2014 the Bank/Group has not defined derivatives for hedge accounting purposes.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

9. FINANCIAL ASSETS AVAILABLE-FOR-SALE

Debt securities available for sale - at fair value	As of 31.12.2015	As of 31.12.2014	As of 31.12.2015	As of 31.12.2014
	Separate	Separate	Consolidated	Consolidated
Bulgarian government securities	452,111	208,406	452,111	208,406
Corporate bonds				
Listed on official stock markets	24,180	27,746	24,180	27,746
Unlisted	4,639	5,563	4,639	5,563
	28,819	33,309	28,819	33,309
Equity securities available for sale - at fair value				
Equity securities in local entities	90	-	90	-
Unlisted	5,551	5,447	5,551	5,447
	5,641	5,447	5,641	5,447
Equity securities in foreign entities				
Listed on official stock markets	14,013	11,004	14,013	11,004
Unlisted	20,078	12,213	20,079	12,213
	34,091	23,217	34,092	23,217
Equity shares in mutual funds	5,945	6,063	5,945	6,063
TOTAL FINANCIAL ASSETS AVAILABLE-FOR-SALE	526,607	276,442	526,608	276,442

Part of the new government securities are pledged under repo-deals and funding agreements (note 37).
As of December 31, 2015 the Bank owns one redeemable ordinary share with face value EUR 10 of Visa Europe Ltd., which is related to the economic interests of the Bank as a member of Visa. In 2015 Visa Inc. has expressed its commitment, that in 2016 it will exercise its right to the call option on the shares of Visa Europe, which is owned by its members, and thus it will purchase the shares of Visa Europe by paying a fee, which consists of cash and preferred shares of Visa Inc.
The expected transaction entails a necessity for revaluation of the investment in Visa Europe, since it provides reliable evidence for the fair value of the shares as of December 31, 2015. The valuation of the Bank’s owned shares is made based on the announced up-front consideration.

Total financial assets available for sale by type of currency and interest rate are as follows:

As of 31.12.2015
Separate

Currency	Fixed interest	Floating interest	Non-Interest bearing	Total
BGN	25,188	-	15,649	40,837
USD	-	-	16,016	16,016
EUR	446,722	9,019	14,013	469,754
TOTAL	471,910	9,019	45,678	526,607

As of 31.12.2014

Currency	Fixed interest	Floating interest	Non-Interest bearing	Total
BGN	14,675	-	11,656	26,331
USD	7,533	-	10,860	18,393
EUR	208,899	10,604	12,215	231,718
TOTAL	231,107	10,604	34,731	276,442

As of 31.12.2015
Consolidated

Currency	Fixed interest	Floating interest	Non-Interest bearing	Total
BGN	25,188	-	15,650	40,838
USD	-	-	16,016	16,016
EUR	446,722	9,019	14,013	469,755
TOTAL	471,910	9,019	45,679	526,608

All amounts are in thousand Bulgarian Levs, unless otherwise stated

9. FINANCIAL ASSETS AVAILABLE-FOR-SALE (CONTINUED)

As of 31.12.2014

Currency	Fix interest	Floating interest	Non-Interest bearing	Total
BGN	14,675	-	11,656	26,331
USD	7,533	-	10,860	18,393
EUR	208,899	10,604	12,215	231,718
TOTAL	231,107	10,604	34,731	276,442

Movements in financial assets available-for-sale

	Financial assets available for sale Separate	Financial assets available for sale Consolidated
BALANCE AS OF JANUARY 1, 2014	251,406	251,407
Exchange differences on monetary assets	-	-
Additions	146,812	146,812
Sold/matured during the period	(128,721)	(128,721)
Net change in accrued interest	5,093	3,965
Increase changes in fair value	1,852	2,979
BALANCE AS OF DECEMBER 31, 2014	276,442	276,442
Exchange differences on monetary assets	(1,233)	(1,233)
Additions	298,647	298 648
Sold/matured during the period	(52,080)	(51 842)
Net change in accrued interest	4,166	4 166
Increase changes in fair value	665	427
BALANCE AS OF DECEMBER 31, 2015	526,607	526 608

The table below present an analysis of AFS debt securities by rating agency designation as of December 31, 2015 and 2014, based on the lower rating of Moody's:

Rating	As of 31.12.2015 Separate	As of 31.12.2014 Separate	As of 31.12.2015 Consolidated	As of 31.12.2014 Consolidated
Baa1 to Ba3	444,873	199,225	444,873	199,225
Unrated	81,734	77,217	81,735	77,217
Total	526,607	276,442	526,608	276,442

In 2008 the Bank/Group has reclassified certain financial instruments from financial assets at fair value through profit or loss to available for sale. The following tables summarizes the carrying amounts and fair values as of December 31, 2015 (as of December 31, 2014, respectively) of the securities reclassified in 2008, the fair value gain that would have been recognized in the consolidated income statement for the respective year if those securities were not reclassified, and the interest income recognized in the consolidated income statement.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

9. FINANCIAL ASSETS AVAILABLE-FOR-SALE (CONTINUED)

Separate

Type of instrument	Amount reclassified (fair value at date of reclassification)	Carrying amount at December 31, 2015	Fair value at December 31, 2015	Fair value gain that would have been recognised in P&L in 2015 if not reclassified	Interest income/ dividends recognised in P&L in 2015	Impairment (loss) recognised in P&L in 2015
Corporate bonds	20,597	8,989	8,989	5	357	(331)
Equity shares in mutual funds	6,663	5,945	5,945	(118)	-	-
	27,261	14,934	14,934	(113)	357	(331)

Separate

Type of instrument	Amount reclassified (fair value at date of reclassification)	Carrying amount at December 31, 2014	Fair value at December 31, 2014	Fair value gain that would have been recognised in P&L in 2014 if not reclassified	Interest income/ dividends recognised in P&L in 2014	Impairment (loss) recognised in P&L in 2014
Government securities	-	-	-	-	71	-
Corporate bonds	20,597	10,463	10,463	10	429	(1,768)
Equity shares in mutual funds	6,663	6,063	6,063	609	-	-
	27,260	16,526	16,526	619	500	(1,768)

Consolidated

Type of instrument	Amount reclassified (fair value at date of reclassification)	Carrying amount at December 31, 2015	Fair value at December 31, 2015	Fair value gain that would have been recognised in P&L in 2015 if not reclassified	Interest income/ dividends recognised in P&L in 2015	Impairment (loss) recognised in P&L in 2015
Corporate bonds	20,597	8,989	8,989	5	357	(331)
Equity shares in mutual funds	6,663	5,945	5,945	(118)	-	-
	27,260	14,934	14,934	(113)	357	(331)

Consolidated

Type of instrument	Amount reclassified (fair value at date of reclassification)	Carrying amount at December 31, 2014	Fair value at December 31, 2014	Fair value gain that would have been recognised in P&L in 2014 if not reclassified	Interest income/ dividends recognised in P&L in 2014	Impairment (loss) recognised in P&L in 2014
Government securities	-	-	-	-	71	-
Corporate bonds	20,597	10,463	10,463	10	429	(1,768)
Equity shares in mutual funds	6,663	6,063	6,063	609	-	-
	27,260	16,526	16,526	619	500	(1,768)

All amounts are in thousand Bulgarian Levs, unless otherwise stated

10. INVESTMENTS IN SUBSIDIARIES AND EQUITY METHOD INVESTMENTS

As at December 31, 2015
Separate

Company name	Country of incorporation	% of ownership	Number of shares	Currency of transaction	Acquisition cost
UBB Factoring EOOD	Bulgaria	100%	10,000	BGN	1,000
UBB Asset Management AD	Bulgaria	91%	636	BGN	636
UBB Insurance Broker AD	Bulgaria	80%	400,000	BGN	400
UBB METLIFE Life Insurance Company AD	Bulgaria	30%	2,100	BGN	2,100
Drujestvo za Kasovi Uslugi AD	Bulgaria	20%	2,500	BGN	2,501
Total investments in subsidiaries and equity method investments					6,637

Consolidated

Company name	Type of investment	% of ownership	Number of shares	Currency of transaction	Acquisition cost	Fair value
UBB METLIFE Life Insurance Company AD	Associate	30%	2,100	BGN	2,100	6,982
Drujestvo za Kasovi Uslugi AD	Associate	20%	2,500	BGN	2,501	2,593
Total investments in associates					4,601	9,575

As at December 31, 2014
Separate

Company name	Country of incorporation	% of ownership	Number of shares	Currency of transaction	Acquisition cost
UBB Factoring EOOD	Bulgaria	100%	10,000	BGN	1,000
UBB Asset Management AD	Bulgaria	90.86%	636	BGN	636
UBB Insurance Broker AD	Bulgaria	80%	400,000	BGN	400
UBB METLIFE Life Insurance Company AD	Bulgaria	30%	2,100	BGN	2,100
Drujestvo za Kasovi Uslugi AD	Bulgaria	20%	2,500	BGN	2,501
Total investments in subsidiaries and equity method investments					6,636

Consolidated

Company name	Type of investment	% of ownership	Number of shares	Currency of transaction	Acquisition cost	Fair value
UBB METLIFE Life Insurance Company AD	Associate	30%	2,100	BGN	2,100	5,959
Drujestvo za Kasovi Uslugi AD	Associate	20%	2,500	BGN	2,501	2,576
Total investments in associates					4,601	8,535

All amounts are in thousand Bulgarian Levs, unless otherwise stated

10. INVESTMENTS IN SUBSIDIARIES AND EQUITY METHOD INVESTMENTS (CONTINUED)

Movement in investment in associates	Investments in associates
BALANCE AS OF JANUARY 1, 2014	10,046
Reduction of registered capital	(595)
Transferred to Non-current assets held for sale (see note 10A)	(2,175)
Payment of dividends	(2,295)
Income from equity method investments	2,485
Other	1,069
BALANCE AS OF DECEMBER 31, 2014	8,535
Payment of dividends	(1,080)
Income from equity method investments	2,470
Other	(350)
BALANCE AS OF DECEMBER 31, 2015	9,575

All subsidiaries and equity method investments are registered in Bulgaria. In 2015, other than the transaction disclosed in Note 10A below, there are no other changes in the Bank/Group's participation in shares in subsidiaries and equity method investments.

10A. NON-CURRENT ASSETS HELD FOR SALE

In November 2014, the Board of Directors of UBB decided to proceed, jointly with AIG Central Europe & CIS Insurance Holding Corporation and Ethniki Insurance, with the sale of UBB-AIG Insurance Company AD. A binding offer was received on January 16, 2015. The sale has been finalised on January 4th, 2016. As of that date the reclassification the investment is as follows:

As at December 31, 2015
Separate

Company name	Type of investment	% of ownership	Number of shares	Currency of transaction	Acquisition cost	Carrying amount
UBB AIG Insurance Company	Associate	30%	1,487	BGN	1,488	1,487

As at December 31, 2015
Consolidated

Company name	Type of investment	% of ownership	Number of shares	Currency of transaction	Acquisition cost	Carrying amount
UBB AIG Insurance Company	Associate	30%	1,868	BGN	1,488	1,868

As at December 31, 2014
Separate

Company name	Type of investment	% of ownership	Number of shares	Currency of transaction	Acquisition cost	Carrying amount
UBB AIG Insurance Company	Associate	30%	1,487	BGN	1,488	1,488

As at December 31, 2014
Consolidated

Company name	Type of investment	% of ownership	Number of shares	Currency of transaction	Acquisition cost	Carrying amount
UBB AIG Insurance Company	Associate	30%	2,175	BGN	2,175	2,175

All amounts are in thousand Bulgarian Levs, unless otherwise stated

11. INTANGIBLE ASSETS, PROPERTY AND EQUIPMENT

Intangible assets, property and equipment as of December 31, 2015 are as follows:

Separate

COST	Land and buildings	Equipment and other assets	Total property and equipment	Intangible assets	Total
As of January 1, 2015	49,955	146,535	196,490	56,747	253,237
Additions	-	7,553	7,553	2,078	9,631
Disposals	(26)	(7,642)	(7,668)	(16,761)	(24,429)
Transfers	4,275	(4,157)	118	(22)	96
As of December 31, 2015	54,204	142,289	196,493	42,042	238,535
Including assets with low cost	-	2,141	2,141	-	2,141
DEPRECIATION/ AMORTIZATION					
As of January 1, 2015	36,536	119,044	155,580	51,818	207,398
Charge for 2015	2,446	7,371	9,817	1,982	11,799
Depreciation charged on disposals	(22)	(7,618)	(7,640)	(16,761)	(24,401)
Transfers	-	18	18	-	18
As of December 31, 2015	38,960	118,815	157,775	37,039	194,814
NET BOOK VALUE	15,244	23,474	38,718	5,003	43,721
Including assets with low cost	-	(2,141)	(2,141)	-	(2,141)

Intangible assets, property and equipment as of December 31, 2014 are as follows:

Separate

COST	Land and buildings	Equipment and other assets	Total property and equipment	Intangible assets	Total
As of January 1, 2014	49,765	155,741	205,506	54,699	260,205
Additions	190	3,179	3,369	2,412	5,781
Disposals	-	(12,336)	(12,336)	(352)	(12,688)
Transfers	-	(49)	(49)	(12)	(61)
As of December 31, 2014	49,955	146,535	196,490	56,747	253,237
Including assets with low cost	-	1,969	1,969	-	1,969
DEPRECIATION/ AMORTIZATION					
As of January 1, 2014	33,712	122,548	156,260	49,113	205,373
Charge for 2014	2,741	8,705	11,446	2,705	14,151
Depreciation charged on disposals	-	(12,247)	(12,247)	-	(12,247)
Transfers	-	38	38	-	38
Impairment charge	83	-	83	-	83
As of December 31, 2014	36,536	119,044	155,580	51,818	207,398
NET BOOK VALUE	13,419	27,491	40,910	4,929	45,839
Including assets with low cost	-	(1,969)	(1,969)	-	(1,969)

All amounts are in thousand Bulgarian Levs, unless otherwise stated

11. INTANGIBLE ASSETS, PROPERTY AND EQUIPMENT (CONTINUED)

Intangible assets, property and equipment as of December 31, 2014 are as follows:
Consolidated

COST	Land and buildings	Equipment and other assets	Total property and equipment	Intangible assets	Total
As of January 1, 2015	49,955	146,799	196,754	57,167	253,921
Additions	-	7,569	7,569	2,127	9,696
Disposals	(26)	(7,642)	(7,668)	(16,761)	(24,429)
Transfers	4,275	(4,156)	119	(22)	97
As of December 31, 2015	54,204	142,570	196,774	42,511	239,285
Including assets with low cost	-	2,141	2,141	-	2,141
DEPRECIATION					
As of January 1, 2015	36,536	119,271	155,807	52,035	207,842
Charge for 2015	2,446	7,395	9,841	2,018	11,859
Depreciation charged on disposals	(22)	(7,618)	(7,640)	(16,762)	(24,402)
Transfers	-	19	19	-	19
As of December 31, 2015	38,960	119,067	158,027	37,291	195,318
NET BOOK VALUE	15,244	23,503	38,747	5,220	43,967
Including assets with low cost	-	(2,141)	(2,141)	-	(2,141)

Intangible assets, property and equipment as of December 31, 2014 are as follows:

Consolidated

COST	Land and buildings	Equipment and other assets	Total property and equipment	Intangible assets	Total
As of January 1, 2014	49,765	156,002	205,767	55,107	260,874
Additions	190	3,179	3,369	2,412	5,781
Disposals	-	(12,333)	(12,333)	(352)	(12,685)
As of December 31, 2014		(49)	(49)		(49)
Including assets with low cost	49,955	146,799	196,754	57,167	253,921
	-	1,969	1,969	-	1,969
DEPRECIATION					
As of January 1, 2014	33,712	122,754	156,466	49,290	205,756
Charge for 2014	2,741	8,727	11,468	2,745	14,213
Depreciation charged on disposals	-	(12,248)	(12,248)	-	(12,248)
Transfers	-	38	38	-	38
Impairment charge	83	-	83	-	83
As of December 31, 2014	36,536	119,271	155,807	52,035	207,842
NET BOOK VALUE	13,419	27,528	40,947	5,132	46,079
Including assets with low cost	-	(1,969)	(1,969)	-	(1,969)

All amounts are in thousand Bulgarian Levs, unless otherwise stated

12. INVESTMENT PROPERTY

In December 2015, the Bank/ Group has reclassified certain assets acquired through foreclosure proceedings from the category "Other assets" to the category "Investment property". Investment property includes buildings for independent exploitation with carring amount to BGN 3,011 thousand, with intention of long-term lease to third parties.

The fair value of the investment property held by the Bank/Group as at December 31, 2015 amounts to BGN 3,011 thousands.

As at December 31, 2015 the fair value of the investment property has been determined based on external independent valuation and in cases in which it was lower than the carrying value it impairment loss has been recognized.

Fair value of the investment property has been categorized as fair value Level 3 based on the input data used in the valuation techniques.

13. DEFERRED TAX ASSETS, NET

The amounts of deferred tax assets and liabilities in the consolidated statement of financial position in respect of each type of temporary differences are as follows:

	As of 31.12.2015	As of 31.12.2014	As of 31.12.2015	As of 31.12.2014
	Separate	Separate	Consolidated	Consolidated
Deferred tax assets:				
Retirement benefit obligations	735	698	735	698
Other liabilities unused paid leave	681	588	680	588
Provisions for contingent liabilities	47	58	47	58
Total Deferred tax assets	1,463	1,344	1,462	1,344
Deferred tax liabilities:				
Securities – available for sale	(524)	(524)	(523)	(524)
Fixed assets depreciation	(84)	(263)	(84)	(263)
Other temporary differences	-	-	(8)	(9)
Total Deferred tax liabilities	(608)	(787)	(615)	(796)
DEFERRED TAX ASSETS, NET	855	557	847	548

14. OTHER ASSETS

Separate	As of 31.12.2015	As of 31.12.2014
Assets acquired against debt	74,751	62,111
Advances for Assets acquired against debt	-	10,572
Suspence account forTreasure deals	3,580	-
Receivables from foreign clients	2,378	1,522
Receivables under Bank – Model	2,310	1,458
Income tax to be recovered	2,104	1,878
VAT recoverable	-	1,692
Prepaid expenses	2,135	2,289
Warehouse	903	808
Suspense accounts with cards	833	812
Other assets	6,443	6,996
TOTAL	95,437	90,138

All amounts are in thousand Bulgarian Levs, unless otherwise stated

14. OTHER ASSETS (CONTINUED)

Consolidated	As of 31.12.2015	As of 31.12.2014
Assets acquired against debt	74,751	62,111
Advances for Assets acquired against debt	-	10,572
Suspence account for Treasure deals	3,580	-
Receivables from foreign clients	2,378	1,522
Receivables under Bank – Model services	2,310	1,458
Income tax to be recovered	2,104	1,896
VAT recoverable	-	1,692
Prepaid expenses	2,319	2,525
Warehouse	903	808
Suspense accounts with cards	833	812
Other items	6,618	7,175
TOTAL	95,796	90,571

Assets acquired against debt	As of 31.12.2015	As of 31.12.2014	As of 31.12.2015	As of 31.12.2014
	Separate	Separate	Consolidated	Consolidated
Land	7,100	10,891	7,100	10,891
Buildings	55,795	43,073	55,795	43,073
Machinery and equipment	11,850	8,088	11,850	8,088
Transportation equipment	1	-	1	-
Other	5	59	5	59
	74,751	62,111	74,751	62,111

15. DUE TO BANKS

	As of 31.12.2015	As of 31.12.2014	As of 31.12.2015	As of 31.12.2014
	Separate	Separate	Consolidated	Consolidated
Sight deposits	7,770	33,838	7,770	33,838
Term deposits	23,273	21,671	23,273	21,671
REPOS with banks	29,976	27,860	29,976	27,860
Other due to banks	1,773	261	1,773	261
TOTAL	62,792	83,630	62,792	83,630
Incl. term deposits of the Parent Company (NBG S.A.)	8,952	8,042	8,952	8,042

All amounts are in thousand Bulgarian Levs, unless otherwise stated

16. DUE TO CUSTOMERS

Analysis by customers

	As of 31.12.2015 Separate	As of 31.12.2014 Separate	As of 31.12.2015 Consolidated	As of 31.12.2014 Consolidated
Individuals				
Current/demand accounts	711,369	538,792	711,369	538,792
Saving accounts	1,365,457	1,529,731	1,365,457	1,529,731
Term deposits	1,548,114	1,704,411	1,548,114	1,704,411
	3,624,940	3,772,934	3,624,940	3,772,934
Non-bank financial institutions				
Current/demand accounts	286,306	75,037	286,306	75,037
Term deposits	23,949	67,914	23,949	67,914
	310,255	142,951	310,255	142,951
Corporate entities				
Current/demand accounts	873,396	801,062	871,278	800,644
Term deposits	239,413	337,464	237,943	335,528
	1,112,809	1,138,526	1,109,221	1,136,172
Government entities				
Current/demand accounts	40,373	52,910	40,373	52,910
Term deposits	976	6,724	976	6,724
	41,349	59,634	41,349	59,634
TOTAL	5,089,353	5,114,045	5,085,765	5,111,691

17. OTHER BORROWED FUNDS

At the end of 2008, UBB signed an agreement with the Bulgarian Development Bank for a ten-year loan amounting to BGN 30 million for lending to companies in the private and municipal sector and pre-export lending. As of December 31, 2015 the loan has been utilized. The contract has a fixed interest rate and maturity till December 2018. The obligation is secured with a pledge of receivables from the final borrowers, through funding provided under this agreement, with a total principal amount of BGN 30 million.

In July 2013, the Bank has signed a loan agreement with the European Bank for Reconstruction and Development ("EBRD") under the Residential Energy Efficiency Credit Line Facility ("REECL") for the amount of EUR 5 million. The purpose of the program is to promote eligible residential energy efficiency and small renewable energy projects in the country of operation. In 2014 the commitment period was prolonged to November 2015 and in January 2015 a new annex to the agreement for new disbursement has been signed. The loan bears a floating interest and is repayable in eight equal quarterly instalments starting in February 2016 and ending in November 2017. As at December 31, 2015 the loan is fully utilized (2014: not utilized). The obligation is secured with a pledge of government securities (note 37).

	As of 31.12.2015 Separate	As of 31.12.2014 Separate	As of 31.12.2015 Consolidated	As of 31.12.2014 Consolidated
Credit lines from banks				
In Bulgarian Levs	30,004	30,005	30,004	30,005
In EUR	9,705	-	9,705	-
TOTAL	39,709	30,005	39,709	30,005

All amounts are in thousand Bulgarian Levs, unless otherwise stated

17. OTHER BORROWED FUNDS (CONTINUED)

Analysis by utilization

Facilities	Currency	As of 31.12.2015 Separate	As of 31.12.2014 Separate	As of 31.12.2015 Consolidated	As of 31.12.2014 Consolidated
Energy efficiency					
Retail	EUR	9,705	-	9,705	-
		9,705	-	9,705	-
SME finance	BGN	30,004	30,005	30,004	30,005
		30,004	30,005	30,004	30,005
TOTAL		39,709	30,005	39,709	30,005

18. SUBORDINATED LIABILITIES

Separate

Subordinated loans	Carrying amount 2015	Carrying amount 2014	Fair value 2015	Fair value 2014
In EUR	101,814	152,762	101,318	151,596
TOTAL	101,814	152,762	101,318	151,596

Consolidated

Subordinated loans	Carrying amount 2015	Carrying amount 2014	Fair value 2015	Fair value 2014
In EUR	101,814	152,762	101,318	151,596
TOTAL	101,814	152,762	101,318	151,596

In October and November 2007 UBB signed two Subordinated Loan Agreements with its parent National Bank of Greece S.A. amounting to a total of EUR 130 million. The subordinated debt is used as supplementary capital reserves to meet the requirements of the Bulgarian National Bank regulations on capital adequacy. The repayment of the subordinated loans is not guaranteed by the Bank/Group in any form. The original maturity of the subordinated loans is 10 years and the contractual repayment schedule contains five equal annual payments amounting to BGN 50,852 thousand for the period 2013-2017.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

19. RETIREMENT BENEFIT OBLIGATIONS

	As of 31.12.2015	As of 31.12.2014	As of 31.12.2015	As of 31.12.2014
Amount recognized in statement of financial position	Separate	Separate	Consolidated	Consolidated
Present value of unfunded obligations	9,245	8,582	9,245	8,582
Net liability in BS	9,245	8,582	9,245	8,582

	As of 31.12.2015	As of 31.12.2014	As of 31.12.2015	As of 31.12.2014
Amount recognized in Profit and Loss	Separate	Separate	Consolidated	Consolidated
Service cost	428	382	428	382
Net interest on the net defined benefit liability	247	275	247	275
Regular P&L Charge	675	657	675	657
Settlement/ Curtailment/ Termination (gain)	56	30	56	30
Total P&L Charge	731	687	731	687

	As of 31.12.2015	As of 31.12.2014	As of 31.12.2015	As of 31.12.2014
Reconciliation of benefit obligation	Separate	Separate	Consolidated	Consolidated
DBO at start of period	8,582	7,719	8,582	7,719
Service cost	428	382	428	382
Interest cost	247	275	247	275
Benefits paid directly by the company	(361)	(353)	(361)	(353)
Settlement/ Curtailment/ Termination gain	56	30	56	30
Actuarial gain - financial assumptions	(125)	456	(125)	456
Actuarial gain - experience	418	73	418	73
DBO at the end of period	9,245	8,582	9,245	8,582

All amounts are in thousand Bulgarian Levs, unless otherwise stated

19. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

	As of 31.12.2015	As of 31.12.2014	As of 31.12.2015	As of 31.12.2014
	Separate	Separate	Consolidated	Consolidated
Cumulative amount recognized in the OCI	(1,895)	(1,602)	(1,895)	(1,602)

	As of 31.12.2015	As of 31.12.2014	As of 31.12.2015	As of 31.12.2014
Re-measurements	Separate	Separate	Consolidated	Consolidated
Liability gain/ (loss) due to changes in assumptions	(125)	456	(125)	456
Liability experience gain arising during the year	418	73	418	73
Total actuarial gain/ (loss) recognised in OCI	293	529	293	529
Total amount recognised in OCI over the period	293	529	293	529

	As of 31.12.2015	As of 31.12.2014	As of 31.12.2015	As of 31.12.2014
Movements in Liability in statement of financial position	Separate	Separate	Consolidated	Consolidated
Net Liability in statement of financial position at the beginning of the period	8,582	7,719	8,582	7,719
Benefits paid directly	(361)	(353)	(361)	(353)
Total expense recognised in the income statement	731	687	731	687
Total amount recognised in the OCI	293	529	293	529
Net Liability in statement of financial position	9,245	8,582	9,245	8,582

	As of 31.12.2015	As of 31.12.2014	As of 31.12.2015	As of 31.12.2014
Cash flows	Separate	Separate	Consolidated	Consolidated
Expected benefits paid by the plan for the next financial year	84	111	84	111

Assumptions	As of 31.12.2015 separate	As of 31.12.2014 separate	As of 31.12.2015 consolidated	As of 31.12.2014 consolidated
Discount rate	3.00%	2.90%	3.00%	2.90%
Price inflation	2.00%	2.00%	2.00%	2.00%
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%
Rate of pension increase	0.00%	0.00%	0.00%	0.00%
Plan duration	13,65	14,04	13,65	14,04

Expected P&L	Separate	Consolidated
Service cost	458	458
Net interest on the net defined benefit liability/(asset)	276	276
Expected P&L Charge for the next year	734	734

The defined benefit obligations above are linked only to obligation of the Bank/Group to provide one-off lump sum payment at retirement, determined as a certain number of gross salaries, based on criteria for the duration of the employment contract of respective employees, as per local legislation.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

20. OTHER LIABILITIES

	As of 31.12.2015 Separate	As of 31.12.2014 Separate	As of 31.12.2015 Consolidated	As of 31.12.2014 Consolidated
Amounts due to related parties under Funded participation agreement	6,194	5,598	6,194	5,598
Creditors and suppliers	5,757	4,155	5,960	4,291
Payroll related accruals	3,632	3,785	3,634	3,796
Taxes payable - other than income taxes	1,038	128	1,041	132
Amounts due to government agencies	960	416	960	416
Other provisions	733	133	733	133
Provisions for issued letters of guarantees	474	577	474	577
Deferred income	47	57	47	57
Other	547	381	594	398
TOTAL	19,382	15,230	19,637	15,398

21. SHARE CAPITAL

The total authorized number of ordinary shares at December 31, 2015 and 2014 is 75,964,082 shares with a par value of BGN 1 per share. All issued shares are fully paid, ranked equally and have one voting right each.

22. EARNINGS PER SHARE

	As of 31.12.2015 Separate	As of 31.12.2014 Separate	As of 31.12.2015 Consolidated	As of 31.12.2014 Consolidated
Profit for the year	48,907	76,286	51,154	77,443
Weighted average number of ordinary shares outstanding	75,964,082	75,964,082	75,964,082	75,964,082
EARNINGS PER SHARE IN BGN	0.64	1.00	0.67	1.02

23. RETAINED EARNINGS

	As of 31.12.2015 Separate	As of 31.12.2014 Separate	As of 31.12.2015 Consolidated	As of 31.12.2014 Consolidated
Accumulated prior years' earnings at beginning of period	1,076,715	1,000,428	1,081,647	1,004,470
Other movements	-	1	-	-
Net profit for the period	48,907	76,286	50,876	77,177
TOTAL	1,125,622	1,076,715	1,132,523	1,081,647

Components of retained earnings are:

	As of 31.12.2015 Separate	As of 31.12.2014 Separate	As of 31.12.2015 Consolidated	As of 31.12.2014 Consolidated
General reserves	995,442	994,557	999,985	998,558
Undistributed profit from previous years	76,286	-	77,177	-
Net profit for the period	48,907	76,286	50,876	77,177
Other	4,987	5,872	4,485	5,912
TOTAL	1,125,622	1,076,715	1,132,523	1,081,647

All amounts are in thousand Bulgarian Levs, unless otherwise stated

24. REVALUATION RESERVE

	As of 31.12.2015	As of 31.12.2014	As of 31.12.2015	As of 31.12.2014
Revaluation reserve - AFS investments	Separate	Separate	Consolidated	Consolidated
At the beginning of the period	13,801	12,470	14,928	12,470
Net (gains) / losses from disposal transferred to Net profit	(2,204)	(2,141)	(2,204)	(2,141)
Deferred tax	(268)	(148)	(268)	(148)
Changes in fair value of AFS investments, net of tax	665	1,852	427	2,979
Impairment on AFS investments	9,859	1,768	9,859	1,768
TOTAL	21,853	13,801	22,742	14,928

25. CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings. As of December 31, 2015 there were several outstanding legal proceedings against entities in the Group. Management took a decision based on the existing information, that it exists a probability for one of them to suffer losses and the net present value of the probable future cash outflow is amounting to BGN 733 thousand (2014: BGN 133 thousand).

Credit related commitments. The following table represents the contractual amounts of the Bank's/Group's off-balance financial instruments that commit it to extend credit to customers:

	As of 31.12.2015	As of 31.12.2014	As of 31.12.2015	As of 31.12.2014
	Separate	Separate	Consolidated	Consolidated
Undrawn credit commitments	613,177	600,490	632,312	600,490
Guarantees, documentary and commercial letters of credit	165,282	180,213	165,282	180,213
TOTAL	778,459	780,703	797,594	780,703

Agreements related to trade finance operations

The Bank has entered in agreements to support its trade finance activity. As of December 31, 2015 the Bank has the following active contracts:

Counterparty	Description	Currency and amount of the facility	Date of the agreement	Utilization as of 31.12.2015	Utilization as of 31.12.2014
EBRD	*Non-committed Trade Finance Guarantee Facility Agreement between UBB and EBRD under the Trade Facilitation Programme ("TFP").* Under the facility, the issued by UBB AD trade related instruments (guarantees and letters of credit), may be secured by EBRD, by providing banks partial or full guarantees covering our payment risk. *Non-committed Loan Facility on a Revolving basis between UBB and EBRD under the TFP.* Under the facilities UBB can obtain short-term loans to fund trade-related advances to local companies for pre-shipment finance, post-shipment finance and other financing necessary for the performance of foreign trade contracts.	EUR 15 million	29.07.2013	EUR 5.0 million	EUR 0.68 million
IFC	*Non-committed Trade Finance Guarantee Facility Agreement between UBB and IFC under the Global Trade Finance Programme ("GTFP").* Under the facility, the issued by UBB AD trade related instruments (guarantees and letters of credit), may be secured by IFC, by providing banks partial or full guarantees covering our payment risk.	USD 10 million	04.08.2014	Not utilized	Not utilized

All amounts are in thousand Bulgarian Levs, unless otherwise stated

25. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Operating lease commitments. Where the Bank/Group is the lessee the future minimum lease payments under non-cancellable operating leases of buildings are as follows:

	As of 31.12.2015	As of 31.12.2014	As of 31.12.2015	As of 31.12.2014
	Separate	Separate	Consolidated	Consolidated
Up to 1 year	72	391	72	391
More than 1 year and less than 5 years	97	802	97	802
More than 5 years	3	17	3	17
TOTAL	172	1,210	172	1,210

26. CASH AND CASH EQUIVALENTS

	As of 31.12.2015	As of 31.12.2014	As of 31.12.2015	As of 31.12.2014
	Separate	Separate	Consolidated	Consolidated
Cash in hand	166,983	183,078	166,984	183,078
Current account with the Central Bank	372,595	138,854	372,595	138,854
Mandatory reserve with the Central Bank	348,138	156,466	348,138	156,466
Loans and advances to banks	157,939	880,912	157,943	881,165
TOTAL	1,045,655	1,359,310	1,045,660	1,359,563

27. NET INTEREST INCOME

	Year ended 31.12.2015	Year ended 31.12.2014	Year ended 31.12.2015	Year ended 31.12.2014
	Separate	Separate	Consolidated	Consolidated
A. Interest and similar income				
Loans and advances to banks	2,463	15,769	2,467	15,776
Loans and advances to customers				
Loans and advances to individuals	*164,945*	*154,365*	*164,945*	*154,365*
Loans and advances to enterprises	*105,929*	*130,929*	*106,499*	*131,532*
Loans and advances to financial institutions	*6,817*	*3,194*	*6,817*	*3,194*
Financial assets at fair value through profit or loss	13,829	37,802	13,829	37,802
Investment securities – available for sale	13,063	8,649	13,063	8,649
TOTAL INTEREST INCOME	307,046	350,708	307,620	351,318
B. Interest expenses and similar charges				
Due to banks	(364)	(190)	(364)	(190)
Deposits of customers				
Deposits of individuals	*(40,015)*	*(88,395)*	(40,015)	(88,395)
Deposits of enterprises	*(6,018)*	*(11,545)*	(5,941)	(11,477)
Deposits of financial institutions	*(1,319)*	*(5,598)*	*(1,319)*	*(5,598)*
Bank borrowings	(1,585)	(3,301)	(1,585)	(3,301)
Subordinated liabilities	(884)	(1,651)	(884)	(1,651)
Other interest paying liabilities	(48)	(24)	(48)	(24)
TOTAL INTEREST EXPENSES	(50,233)	(110,704)	(50,156)	(110,636)
NET INTEREST INCOME	256,813	240,004	257,464	240,682

All amounts are in thousand Bulgarian Levs, unless otherwise stated

28. NET FEE AND COMMISSION INCOME

	Year ended 31.12.2015 Separate	Year ended 31.12.2014 Separate	Year ended 31.12.2015 Consolidated	Year ended 31.12.2014 Consolidated
A. Fee and commission income				
Transfer of funds and cash transactions	18,014	17,474	17,990	17,474
Deposits accounts fees and commissions	30,692	26,901	30,692	26,901
Credit and debit cards related fees and commissions	21,202	21,570	21,202	21,570
Loans and advances to customers	8,883	7,991	8,883	7,991
Guarantees and letters of credit	2,213	3,512	2,213	3,512
Other fees and commissions	11,170	10,246	16,112	14,639
	92,174	87,694	97,092	92,087
B. Fee and commission expenses				
Credit and debit cards related fees and commissions	(3,283)	(3,281)	(3,283)	(3,281)
Transfer of funds	(581)	(380)	(581)	(380)
Other fees and commissions	(1,009)	(796)	(1,545)	(1,311)
	(4,873)	(4,457)	(5,409)	(4,972)
NET FEE AND COMMISSION INCOME	87,301	83,237	91,683	87,115

29. NET TRADING INCOME

	Year ended 31.12.2015 Separate	Year ended 31.12.2014 Separate	Year ended 31.12.2015 Consolidated	Year ended 31.12.2014 Consolidated
Gains on Foreign exchange				
Foreign exchange contracts	6,638	12,497	6,638	12,497
Position in foreign assets/liabilities	(2,295)	(4,194)	(2,295)	(4,194)
	4,343	8,303	4,343	8,303
Gains on Interest rate instruments				
Government securities	10,787	1,957	10,787	1,957
Corporate debt securities	(528)	360	(528)	360
Interest rate swaps	26	(153)	26	(153)
	10,285	2,164	10,285	2,164
NET TRADING INCOME	14,628	10,467	14,628	10,467

30. OTHER OPERATING INCOME, NET

	Year ended 31.12.2015 Separate	Year ended 31.12.2014 Separate	Year ended 31.12.2015 Consolidated	Year ended 31.12.2014 Consolidated
Gain/(Loss) on disposal of fixed assets, net	469	(250)	469	(250)
Rental income	899	594	838	533
IT Service fees net income	137	99	137	99
Other income, net	1,448	1,202	1,362	1,115
TOTAL	2,953	1,645	2,806	1,497

All amounts are in thousand Bulgarian Levs, unless otherwise stated

31. NET ALLOWANCES FOR IMPAIRMENT

The net charge of allowances for impairment for the year ended December 31, 2015 and 2014 is as follows:

	Year ended 31.12.2015	Year ended 31.12.2014	Year ended 31.12.2015	Year ended 31.12.2014
	Separate	Separate	Consolidated	Consolidated
Loans and advances to customers	(395,097)	(101,434)	(395,254)	(101,635)
Recoveries of written off debts	263,540	11,501	263,570	11,501
Collection expenses	(4,400)	(4,318)	(4,400)	(4,318)
Impairment of Investment securities available for sale	(9,859)	(1,768)	(9,859)	(1,768)
Due from banks	-	(216)	-	(216)
TOTAL	(145,816)	(96,235)	(145,943)	(96,436)

In 2015 the Impairment of Investment securities available for sale is related to equity shares BGN 8,348 thousand and corporate bonds BGN 1,511 thousand (2014: corporate bonds BGN 1,768 thousand).

32. GENERAL ADMINISTRATIVE EXPENSES

	Year ended 31.12.2015	Year ended 31.12.2014	Year ended 31.12.2015	Year ended 31.12.2014
	Separate	Separate	Consolidated	Consolidated
Personnel costs	63,423	59,781	65,332	61,521
Deposit Insurance Premium	28,669	23,904	28,669	23,904
Occupancy expenses	18,821	18,692	18,941	18,788
Depreciation/Amortization/Impairment charge	11,799	14,234	11,859	14,296
Rentals	11,015	11,260	11,076	11,314
Duties and Taxes	9,423	9,466	9,471	9,502
Third party remuneration and fees	5,799	5,547	5,799	5,618
Marketing and advertisement	4,255	4,205	4,280	4,233
Stationary - other consumables	2,640	2,361	2,658	2,380
Insurance costs	2,222	2,366	2,222	2,374
Telecommunications	2,092	2,164	2,092	2,171
Services related to T24 and SAP	2,035	2,166	2,035	2,166
Business trips	1,220	1,214	1,235	1,232
Impairment of assets	777	565	777	565
Provision for legal cases	600	(357)	600	(357)
Subscriptions - Contributions	120	115	137	127
Provision charges for forfeiture of letters of guarantee	(104)	568	(104)	568
Other provision charges	-	49	-	49
Other (Audit, consulting, legal fees etc.)	2,002	1,949	2,114	1,990
TOTAL	166,808	160,249	169 193	162,441

In 2015 the Bank / Group expenses concerning services provided by the auditors are as follows:

a) Group: BGN 251 thousands and Bank: BGN 229 thousands, for the audit of the annual financial statements;
b) Group: BGN 198 thousands and Bank: BGN 198 thousand, for other audit related services.

In 2014 the Bank / Group expenses concerning services provided by the auditors are as follows:

a) Group: BGN 251 thousands and Bank: BGN 232 thousands, for the audit of the annual financial statements;
b) and Group: BGN 311 thousands and Bank: BGN 311 thousand for other audit related services.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

32. GENERAL ADMINISTRATIVE EXPENSES (CONTINUED)

Personnel costs consists of:	Year ended 31.12.2015	Year ended 31.12.2014	Year ended 31.12.2015	Year ended 31.12.2014
	Separate	Separate	Consolidated	Consolidated
Wages and Salaries	51,165	48,251	52,725	49,653
Social security costs	8,290	7,667	8,496	7,848
Accrued bonuses	1,095	1,056	1,193	1,184
Other staff costs	961	1,048	1,006	1,077
Pension costs - defined contribution plans	1,181	1,072	1,181	1,072
Pension costs - defined benefit plans	731	687	731	687
Current service cost	428	382	428	382
Interest cost	247	275	247	275
Loss on curtailment	56	30	56	30
TOTAL	63,423	59,781	65,332	61,521

33. INCOME TAXES

	Year ended 31.12.2015	Year ended 31.12.2014	Year ended 31.12.2015	Year ended 31.12.2014
	Separate	Separate	Consolidated	Consolidated
Current tax expense	6,461	8,720	6,461	8,720
Deferred tax expense/ (income) related to origination and reversal of temporary differences	(1,193)	(180)	(1,193)	(180)
Current tax paid abroad	116	-	116	-
Tax expense	5,384	8,540	5 384	8,540
Tax effects from previous periods	(237)	42	(199)	42
Share of tax in subsidiaries and equity method investments	-	-	506	404
TOTAL	5,147	8,582	5,691	8,986

The relationship between tax expense and accounting profit is as follows:

	Year ended 31.12.2015	Year ended 31.12.2014	Year ended 31.12.2015	Year ended 31.12.2014
	Separate	Separate	Consolidated	Consolidated
Profit before taxation	54,054	84,868	56,845	86,429
Prima facie tax calculated at an applicable tax rate (10% for 2015 and 2014)	5,405	8,487	5,685	8,643
Tax effect of income/(expenses) that are not deductible in determining the taxable profit	(137)	(317)	(417)	(473)
Taxes related to previous years-permanent differences	-	370	-	370
Current tax paid abroad	116	-	116	-
Tax expense	5,384	8,540	5,384	8,540
Tax effects from previous periods	(237)	42	(199)	42
Share of tax in associates subsidiaries and equity method investments	-	-	506	404
TOTAL	5,147	8,582	5,691	8,986
Effective income tax rate	9.52%	10.11%	10.01%	10.40%

Current income tax expense represents the amount of tax to be paid under Bulgarian law at statutory tax rates. Deferred tax income or expense result from the change of carrying amounts of deferred tax assets and deferred tax liabilities. Deferred tax assets and liabilities as of December 31, 2015 and as of December 31, 2014 are calculated using the tax rate of 10%, enacted as of that date to be effective for 2015 and 2014.

34. FINANCIAL RISK MANAGEMENT

The Bank/Group actively manages the risks, inherent to its activity, aiming to achieve optimal profitability from operations, while keeping all risks under control. The Bank/Group applies the approved Risk Strategy, developed in accordance with the NBG Group Risk Strategy, the requirements of all applicable laws, BNB regulations and European Authorities' standards and framework.

The Risk Strategy describes the Bank's/Group's fundamental attitude towards risk as described by risk principles and objectives, as well as the Bank's/Group's current and target risk profile and appetite, risk governance and organization and key risk management capabilities.

The Board of Directors, through its Risk Management Committee, has the responsibility for approving and periodically reviewing the Bank's/Group's risk profile and appetite, as well as its risk management strategy and policies, ensuring that Senior Management takes all steps necessary to monitor and control risks in accordance with the approved strategies and policies.

The Bank's/Group's Executive and Senior Management have the responsibility for implementing the Risk strategy approved by the Board of Directors and for developing the policies, methodologies and procedures for identifying, measuring, monitoring and controlling all types of risk, consistent with the nature and complexity of the relevant activities.

A consistent and effective framework for risk identification, assessment, monitoring and control has been fully documented by the Bank Risk Management unit, forming the basis for consistent definition of strategies, policies and procedures across all risk taking units. The Risk management framework is reviewed periodically and adjusted in accordance with the Bank's/Group's overall risk appetite and profile, as well as internal and external norms and banking best practices. The Bank/Group Risk Management function is capturing all material risk sources across all portfolios and operations.

Management is responsible for developing and maintaining processes and systems to ensure effective and efficient operations, adequate control of risks, prudent conduct of business, accurate disclosures both internally and externally, and compliance with internal and external rules. In doing so, the management ensures the direct or indirect involvement of at least two employees in each material activity or control function until its completion (four eyes principle).

The Bank's/Group's risk governance model includes three lines of defence consisting of:

- The risk taking units (lines of business) at the first level, responsible for assessing and minimizing risks for a given level of return.
- The Risk Management function, at the second level, identifies, monitors, controls, quantifies risk, provides appropriate tools and methodologies, coordination and assistance; reports to appropriate levels and proposes mitigation measures.
- Internal Audit – provides the independent review function.

The Compliance function is ensuring, through proper procedures, that the requirements and deadlines provided for by the regulatory framework in force are observed. This includes in particular anti-money laundering and terrorist financing regulation. In doing so, the compliance function informs all employees on the relevant changes to the regulatory framework and provides guidance on the required changes to internal rules and processes.

The Bank ensures that proper identification of risks inherent in new products and activities is undertaken and that these are subject to adequate procedures and controls before being introduced or undertaken. The Risk Management Unit has an active participation in the development and pricing of new products, the design of new procedures, in issues relating to business decision-making, as well as the assessment of the risk that may arise in cases of important changes (mergers, acquisitions etc.), with a view to adopting the proper risk management and control mechanisms.

34. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

The Bank's/Group's risk measurement, monitoring, and control functions have clearly defined responsibilities that are sufficiently independent from position/risk taking functions. Risk exposures are directly reported to Senior Management and the Board of Directors. The Bank's internal control systems are designed to provide adequate segregation of duties, in order to prevent conflicts of interest with respect to the distinct functions of undertaking, approving, monitoring and controlling risks. In particular the functions that undertake transactions (front line) are administratively and operationally separate from the functions of confirmation, accounting and settlement of transactions, as well as the safekeeping of the assets of the Bank or its customers.

Adequate risk management process-related internal controls are maintained for all types of risks, involving regular independent reviews and evaluations of their effectiveness by the Internal Audit function. The results of such reviews are reported by the Audit Committee to the Board of Directors and are available to the relevant supervisory authorities.

The Bank/Group acknowledges and manages with higher priority the following major types of risks arising from its activities – credit risk, liquidity risk, market risk, interest rate risk in the banking book and operational risk.

Credit risk

The credit risk is related to possible unfavorable impact to the profit and capital of the Bank/Group from an obligor's failure to meet the terms of any contract with the entity from the Group or otherwise fail to perform as agreed. It arises in lending activities as well as in various other activities where the Bank/Group is exposed to the risk of counterparty default, such as trading and settlement activities.

Credit risk management decisions are made in compliance with the approved Risk Strategy and respective credit policies, which are regularly reviewed.

The Bank has adopted and implements *Corporate Credit Policy, Retail Credit Risk Policy and SBL Credit Risk Policy*, three master documents which regulate the lending business, the approval process, the principles of credit administration and the credit risk monitoring.

The Corporate Credit Policy sets the framework for corporate credit risk management, including approval levels and bodies, rating system, early warning system, classification and remedial management.

Early warning system (EWS) is an assessment process of the corporate clients designed to detect the problem exposures at an early stage and recovery actions to be taken on time. An application is developed, which significantly facilitates the whole process.

The Bank rates the corporate obligors by using an internal rating system, which provides probabilities of default according to a 22-level rating scale.
Retail Credit Risk Policy sets the criteria for approval of all types of credit products for individuals, approval levels, scoring models in use and their application, and portfolios' monitoring.

Credit Policy for the Small Business Lending Segment establishes the approval and monitoring criteria for all the products in this respective business area.

Moreover, the Bank possesses and applies numerous detailed procedures, relevant to the lending activity, regulating the acceptance and management of collaterals, credit analysis, credit administration etc.

34. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

For the decision making in the corporate lending activity, there is an escalation of approving bodies, depending on the size and the status of the loans under consideration. Risk Management Division is directly involved in the credit review and approval process , where it participates vested with veto right. The approval process for the retail portfolio is fully integrated within the Risk Management Division, with multi-level committees, clear determination of the limits and monitoring of the limited overrides.

In compliance with its risk strategy, the Bank/Group targets the maintaining of low level of credit risk concentration at obligor level and by industries. The Bank/Group regularly monitors and reports the large exposures on obligor level and by industries. The Bank/Group has a financial assets impairment provision and write off policy which in consistent with the NBG Group policy and also is applied to all subsidiaries. The policy establishes guidelines for the assessment process. The Bank/Group makes assessment of the risk exposure, evolving from the loan portfolio by internally classifying and provisioning loans in compliance with the requirements of the IFRS on a monthly basis. In order to manage the country and counterparty credit risk, the Bank/Group has approved a conservative limits' framework. The Bank/Group has no appetite for risk exposures towards bank counterparties with rating - public or internal - less favorable than Ba3 (Moody's) or BB- (S&P/ Fitch). The counterparty risk originated from investments in bonds (issuer risk) is managed by position limits for securities per credit quality of the issuer, country of the issuer, type and maturity of bonds. As a general rule, the Bank invests in securities with investment-grade issuer rating - "Baa3" or higher according to Moody's and "BBB-"or higher according to S&P or Fitch. Exceptions should be approved ad-hoc by NBG Group Risk Management and Risk Management Committee after a relevant proposal. The above restrictions for selection of counterparties ensure undertaking of acceptable credit risk arising from transactions on the interbank market.

Market risk

The market risk is related to possible unfavorable impact to the profit and capital of the Bank/Group from adverse movements in bond, equity, currency and derivative prices. It includes equity risk, interest rate risk and foreign exchange risk

The Bank has adopted and follows Market Risk Management Policy. This Policy determines the key principles underlying the operations of the Bank in international money and capital markets, and focuses on the Bank approach to management of market risk, resulting from these operations. The Market Risk Policy applies to all financial instruments included in the Bank Trading and Available for Sale (AFS) portfolio.

In order to implement the targets set in its business plans, with a view of maximizing performance within acceptable risk levels, the Bank/Group invests its available funds in authorized financial instruments, maintaining satisfactory liquidity levels in compliance, at all times, with the regulatory requirements.

Market risk is hedged by the Treasury Division when deemed expedient (i.e. in view of an estimated potential adverse change in the product price), or to avoid exceeding authorized limits on risk taking. Market risk is hedged either by transferring the position to another counterparty (back-to-back), or by hedging each sensitivity factor separately mainly through appropriate derivatives.

The Bank manages the market risk by using the internationally accepted variance/covariance methodology developed by Risk Metrics / J.P. Morgan. This approach is used to calculate the VaR of UBB's Trading and AFS portfolio positions retained for one-day at a 99% confidence level. The VaR model assumes a certain "holding" period until a position can be closed. .For the effective management of market risk in line with approved strategic objectives, the Bank has established a framework of VaR limits – total and by risk factors.

34. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Foreign currency risk

Foreign currency risk is the risk for the profit and capital of the Bank arising from adverse movements in foreign currency exchange rates in the Banking and Trading books.

Bank/Group balance sheet structure includes assets and liabilities, denominated in different currencies, mostly in BGN and EUR. Upon the effective Currency Board in Bulgaria, the currency risk, undertaken by the Bank, mainly evolves from changes in the EUR/USD exchange rate and to a smaller extent from the exchange rates of other currencies to the Euro.

The Bank/Group manages the risk of the other than EUR open FX positions aiming to minimize the possibility of loss in case of unfavorable exchange rates' fluctuations and thus maintains the FX risk exposure under 2% of the regulatory capital.

Bank/Group additionally limits the FX risk by setting daily limits on the maximum potential loss from FX transactions on the financial markets. For defining and monitoring the above limits, the „Value at Risk" method is used and in addition different stress-test scenarios are applied.

Interest rate risk in the banking book (IRRBB)

The interest rate risk in the banking book is related to possible unfavorable impact to the profit and capital of the Bank from adverse movements in interest rates affecting the Bank's non-trading positions.

The Bank/Group recognizes the importance of IRRBB management in effectively managing its balance-sheet, its capital and its earnings stream and has adopted and follows the *Policy for the Management of Interest Rate Risk in the Banking Book*.

The interest rate risk assessment methods include analysis of interest rate mismatches, duration analysis and Economic valuation of equity (EVE) sensitivity to a change in the interest rates. The Bank/Group has identified the interest rate sensitive assets and liabilities. They are allocated in a maturity table, as floating rate instruments are allocated according to the remaining maturity till the next re-pricing date, while fixed-rate instruments are treated according to their remaining maturity till the maturity date.

The Bank/Group measures the EVE vulnerability to unfavourable changes in interest rates separately for any of the main currencies in which the Bank/Group operates and the results are used for making management decisions. The used scenarios are +/- 100 bps and +/- 200 bps parallel shift in interest rates,

34. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk means a risk of possible loss of the Bank/Group's ability to fulfil its liabilities when they become due.

The Bank's liquidity risk management framework includes the following elements:

- Appropriate risk governance, including Assets and Liabilities Committee (ALCO)
- Operating standards, including *Liquidity Risk Policy* and *Contingency Funding Plan*
- Liquidity risk limits taking into account the existing regulatory limits
- Appropriate Management Information System

Liquidity Risk Policy and *Contingency Funding Plan* are designed to be aligned with the Bank's Risk Strategy and to meet all the requirements set by the Bulgarian National Bank.

The liquidity management is centralized and is measured through evaluation of the mismatches between cash flows of assets, liabilities and off-balance sheet positions. The liquidity is being evaluated for all major currencies, in which the Bank/Group operates actively.

In view of precisely monitoring and managing liquidity, the Asset and Liability Management Committee (ALCO) has approved and controls internal limits as Loans/Deposits ratio, Quick Liquidity Ratios and Internal Liquidity Ratios by main currencies.

UBB is applying regular stress-tests in order to evaluate the liquidity risk for the Bank in unfavorable economic and market scenarios. The stress-tests are based on assumptions with different parameters of shock and their impact on the in-flow and out- flow of funds.

34. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Operational risk

The Bank/Group defines operational risk as losses due to errors, violations of established rules and procedures, damage caused by disruption of internal processes or employees; also damages for loss caused by the failure of internal systems or external events: internal or external fraud, employment practices with employees and workplace safety, claims by customers, development and commercialization of products, fines and penalties resulting from failure to comply with rules suffered property damage, business interruption and business failures in the system and management processes.

Framework for operational risk management is a set of policies and procedures to monitor, measure and reduce exposure to operational risk of the Bank/Group, including management strategy for operational risk policy and methodology for operational risk management service Implementing Rules.

The Bank/Group has established a special functional structure for operational risk management within the Risk Management Division that is independent of the business and operating units as well as the function of specialized internal audit unit. The unit's responsibility is to determine assessment methods and perform measurement and analysis of operational risk. The responsibility for collecting and reporting information on loss and taking measures to reduce and prevent risks is in the functions of the heads of the operational and functional units within the Bank/Group.

The Bank has developed Business Continuity Plan (BCP) in order to minimize the reputational, financial, operational, legal and other material consequences arising from a disruption of the business processes.

The BCP is developed in compliance with the regulatory requirements and best practices, taking into consideration the organizational structure and Group business functions. activities.

The BCP management is realized by the Business Continuity Committee. The main goal of the Committee is the organization and business continuity management in UBB including ensuring and management of effective actions, directed to restoring of the interruption functioning of the separate business processes and systems, and the Bank as well when occur events which violate its normal functioning.

Risk related to the Greek crisis

As disclosed in Note 1, the Bank is part of NBG Group. The crisis in the Greek economy and the political changes in January 2015, in conjunction with the strict international supervisory rules, continue to restrict the NBG Group's access to liquidity from other financial institutions and therefore the Eurosystem remains a major source of liquidity for the NBG Group.

As disclosed in Note 40, as of December 31, 2015 the Bank has placed deposits to Credit institutions from NBG group amounting to BGN 4,473 thousand with a maturity on demand. Following the requirements and measures undertaken by BNB in 2015 for prevention of Bulgarian banking system from the uncertainty of political and economic developments in Greece the Bank has reduced its exposure to banking entities form NBG Group to daily operating levels.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

35. CREDIT RISK

Credit risk is summarized as follows:

Maximum exposure to credit risk before collateral and other credit enhancements

ASSETS	As at 31.12.2015 Separate	As at 31.12.2014 Separate	As at 31.12.2015 Consolidated	As at 31.12.2014 Consolidated
Loans and advances to banks	158,233	923,184	158,236	923,437
Financial assets at fair value through P/L	628,644	597,767	628,644	597,767
Derivative financial instruments	12	1,889	12	1,889
Loans and advances to customers, net	4,191,861	4,147,915	4,192,990	4,148,757
Investment in securities available for sale	480,930	241,715	480,930	241,715
Other assets	9,101	3,792	9,101	3,792
Financial guarantees	158,385	159,931	158,385	159,931
Standby letters of credit	4,628	9,884	4,628	9,884
Commitments to extend credit	613,177	600,490	632,312	610,764
MAXIMUM EXPOSURES TO CREDIT RISK	6,244,971	6,686,567	6,265,238	6,697,936

Quality of loans and advances and collaterals

Separate

	Value of collateral received			
Year ended 31.12.2015	**Real estate collateral**	**Financial collateral**	**Other collateral**	**TOTAL**
Retail lending	834,829	-	42,749	877,578
Corporate lending	1,215,436	-	802,675	2,018,111
Public sector	-	-	1,655	1,655
Total	2,050,265	-	847,079	2,897,344

Consolidated

	Value of collateral received			
Year ended 31.12.2015	**Real estate collateral**	**Financial collateral**	**Other collateral**	**TOTAL**
Retail lending	834,829	-	42,749	877,578
Corporate lending	1,215,436	-	802,675	2,018,111
Public sector	-	-	1,655	1,655
Total	2,050,265	-	847,079	2,897,344

All amounts are in thousand Bulgarian Levs, unless otherwise stated

35. CREDIT RISK (CONTINUED)

Quality of loans and advances and collaterals (continued)

Separate

Year ended 31.12.2014	Value of collateral received			
	Real estate collateral	**Financial collateral**	**Other collateral**	**TOTAL**
Retail lending	915,511		59,467	974,978
Corporate lending	1,215,436		430,410	1,645,846
Public sector			2,891	2,891
Total	2,130,947	-	492,768	2,623,715

Consolidated

Year ended 31.12.2014	Value of collateral received			
	Real estate collateral	**Financial collateral**	**Other collateral**	**TOTAL**
Retail lending	915,511		59,467	974,978
Corporate lending	1,215,436		430,410	1,645,846
Public sector			2,891	2,891
Total	2,130,947	-	492,768	2,623,715

Loans past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless there is objective evidence of impairment. Gross amount of loans and advances by class to customers that are past due but not impaired were as follows. Loans and advances to customers according to the allowed past due status and impairment estimating method as of December 31, 2015 and 2014 are as follows:

Year ended 31.12.2015	Non impaired		Impaired			Allowance for impairment				
Separate	Neither past due nor impaired	Past due but not impaired	Individual	Collective	Total before allowance	Individual	Collective	Total Allowance for impairment	Total	Fair Value of collateral
Retail Landing	1,395,506	140,783	153,960	264,639	1,954,888	(83,662)	(156,934)	(240,596)	1,714,292	877,578
Cards	*123,712*	*4,467*	-	*15,120*	*143,299*	-	*(12,959)*	*(12,959)*	*130,340*	-
Consumer	*579,049*	*40,622*	-	*185,360*	*805,031*	-	*(125,988)*	*(125,988)*	*679,043*	*41,948*
Mortgage	*684,025*	*95,358*	*153,960*	*47,694*	*981,037*	*(83,662)*	*(5,551)*	*(89,213)*	*891,824*	*834,828*
Small Business loans	*8,720*	*336*	-	*16,465*	*25,521*	-	*(12,436)*	*(12,436)*	*13,085*	*802*
Corporate lending	1,764,594	155,417	798,732	245,974	2,964,717	(441,845)	(68,237)	(510,082)	2,454,635	2,018,111
SMEs	*1,038,269*	*119,486*	*647,607*	*238,010*	*2 043,372*	*(364,183)*	*(68,207)*	*(432,390)*	*1,610,982*	*1,457,446*
Large	*726,325*	*35,931*	*151,125*	*7,964*	*921,345*	*(77,662)*	*(30)*	*(77,692)*	*843,653*	*560,665*
Public lending	22,929	6	-	-	22,935	-	(1)	(1)	22,934	1,655
Total	3,183,029	296,206	952,692	510,613	4,942,540	(525,507)	(225,172)	(750,679)	4,191,861	2,897,344

All amounts are in thousand Bulgarian Levs, unless otherwise stated

35. CREDIT RISK (CONTINUED)

Year ended 31.12.2014	Non impaired		Impaired			Allowance for impairment				
Separate	Neither past due nor impaired	Past due but not impaired	Individual	Collective	Total before allowance	Individual	Collective	Total Allowance for impairment	Total	Fair Value of collateral
Retail Landing	1,420,996	122,729	200,070	396,926	2,140,721	(112,387)	(209,551)	(321,938)	1,818,783	974,979
Cards	*133,170*	*5,688*	-	*20,876*	*159,734*	-	*(17,739)*	*(17,739)*	*141,995*	
Consumer	*574,273*	*25,415*	-	*278,160*	*877,848*	-	*(174,718)*	*(174,718)*	*703,130*	*59,450*
Mortgage	*706,577*	*92,223*	*200,070*	*81,797*	*1,080,667*	*(112,387)*	*(5,327)*	*(117,714)*	*962,953*	*915,511*
Small Business loans	*6,976*	*(597)*	-	*16,093*	*22,472*	-	*(11,767)*	*(11,767)*	*10,705*	*18*
Corporate lending	1,467,273	113,418	832,609	443,942	2,857,242	(481,841)	(72,984)	(554,825)	2,302,417	1,645,846
SMEs	*996,889*	*91,087*	*641,931*	*438,963*	*2,168,870*	*(375,657)*	*(72,968)*	*(448,625)*	*1,720,245*	*1,352,615*
Large	*470,384*	*22,331*	*190,678*	*4,979*	*688,372*	*(106,184)*	*(16)*	*(106,200)*	*582,172*	*293,231*
Public lending	26,052	672	-	-	26,724	-	(9)	(9)	26,715	2,891
Total	2,914,321	236,819	1,032,679	840,868	5,024,687	(594,228)	(282,544)	(876,772)	4,147,915	2,623,716

Year ended 31.12.2015	Non impaired		Impaired			Allowance for impairment				
Consolidated	Neither past due nor impaired	Past due but not impaired	Individual	Collective	Total before allowance	Individual	Collective	Total Allowance for impairment	Total	Fair Value of collateral
Retail Landing	1,395,506	140,783	153,960	264,639	1,954,888	(83,662)	(156,934)	(240,596)	1,714,292	877,578
Cards	*123,712*	*4,467*	-	*15,120*	*143,299*	-	*(12,959)*	*(12,959)*	*130,340*	-
Consumer	*579,049*	*40,622*	-	*185,360*	*805,031*	-	*(125,988)*	*(125,988)*	*679,043*	*41,948*
Mortgage	*684,025*	*95,358*	*153,960*	*47,694*	*981,037*	*(83,662)*	*(5,551)*	*(89,213)*	*891,824*	*834,828*
Small Business loans	*8,720*	*336*	-	*16,465*	*25,521*	-	*(12,436)*	*(12,436)*	*13,085*	*802*
Corporate lending	1,765,577	155,417	798,732	246,418	2,966,144	(441,845)	(68,535)	(510,380)	2,455,764	2,018,111
SMEs	*1,039,252*	*119,486*	*647,607*	*238,454*	*2,044,799*	*(364,183)*	*(68,505)*	*(432,688)*	*1,612,111*	*1,457,446*
Large	*726,325*	*35,931*	*151,125*	*7,964*	*921,345*	*(77,662)*	*(30)*	*(77,692)*	*843,653*	*560,665*
Public lending	22,929	6	-	-	22,935	-	(1)	(1)	22,934	1,655
Total	3,184,012	296,206	952,692	511,057	4,943,967	(525,507)	(225,470)	(750,977)	4,192,990	2,897,344

All amounts are in thousand Bulgarian Levs, unless otherwise stated

35. CREDIT RISK (CONTINUED)

Year ended 31.12.2014	Non impaired		Impaired			Allowance for impairment				
Consolidated	Neither past due nor impaired	Past due but not impaired	Individual	Collective	Total before allowance	Individual	Collective	Total Allowance for impairment	Total	Fair Value of collateral
Retail Landing	1,420,996	122,729	200,070	396,926	2,140,721	(112,387)	(209,551)	(321,938)	1,818,783	974,979
Cards	*133,170*	*5,688*	*-*	*20,876*	*159,734*	*-*	*(17,739)*	*(17,739)*	*141,995*	*-*
Consumer	*574,273*	*25,415*	*-*	*278,160*	*877,848*	*-*	*(174,718)*	*(174,718)*	*703,130*	*59,450*
Mortgage	*706,577*	*92,223*	*200,070*	*81,797*	*1,080,667*	*(112,387)*	*(5,327)*	*(117,714)*	*962,953*	*915,511*
Small Business loans	*6,976*	*(597)*	*-*	*16,093*	*22,472*	*-*	*(11,767)*	*(11,767)*	*10,705*	*18*
Corporate lending	1,468,316	113,418	832,609	443,942	2,858,285	(481,841)	(73,185)	(555,026)	2,303,259	1,645,846
SMEs	*997,932*	*91,087*	*641,931*	*438,963*	*2,169,913*	*(375,657)*	*(73,169)*	*(448,826)*	*1,721,087*	*1,352,615*
Large	*470,384*	*22,331*	*190,678*	*4,979*	*688,372*	*(106,184)*	*(16)*	*(106,200)*	*582,172*	*293,231*
Public lending	26,052	672	-	-	26,724	-	(9)	(9)	26,715	2,891
Total	2,915,364	236,819	1,032,679	840,868	5,025,730	(594,228)	(282,745)	(876,973)	4,148,757	2,623,716

Ageing analysis of loans past due but not individually impaired as of December 31, 2015 and 2014:

Separate

Year ended 31.12.2015	Loans and advances to customers							
	Cards	Consumer	Mortgage	Small Business loans	Large	SMEs	Public	Total Loans
Past due up to 30 days	3,464	36,729	59,933	166	35,639	115,401	6	251,338
Past due 31-60 days	634	9,042	26,873	66	292	24,564	-	61,471
Past due 61-90 days	369	19,294	17,367	139	-	10,030	-	47,199
Past due 91-180 days	1,154	7,405	9,694	146	-	12,009	-	30,408
Past due 180 days- 365 days	755	7,811	8,785	357	-	20,153	-	37,861
Past due 1-2 years	4,557	9,111	3,673	7,832	-	21,120	-	46,293
Past due over 2 years	8,654	136,590	16,727	8,095	7,964	154,219	-	332,249
Total	19,587	225,982	143,052	16,801	43,895	357,496	6	806,819

Ageing analysis of loans past due but not individually impaired as of December 31, 2015 and 2014:

Separate

Year ended 31.12.2014	Loans and advances to customers							
	Cards	Consumer	Mortgage	Small Business loans	Large	SMEs	Public	Total Loans
Past due up to 30 days	4,436	44,434	64,258	159	19,969	165,560	672	299,488
Past due 31-60 days	854	11,503	33,956	177	2,379	31,751	-	80,620
Past due 61-90 days	398	10,905	24,478	95	-	46,609	-	82,485
Past due 91-180 days	1,214	9,529	15,236	184	257	18,170	-	44,590
Past due 180 days- 365 days	1,136	9,901	8,731	456	-	29,380	-	49,604
Past due 1-2 years	3,823	13,004	3,634	8,423	-	41,971	-	70,855
Past due over 2 years	14,703	204,299	23,727	6,002	4,705	196,609	-	450,045
Total	26,564	303,575	174,020	15,496	27,310	530,050	672	1,077,687

All amounts are in thousand Bulgarian Levs, unless otherwise stated

35. CREDIT RISK (CONTINUED)

Consolidated

Year ended 31.12.2015	**Loans and advances to customers**							
	Cards	**Consumer**	**Mortgage**	**Small Business loans**	**Large**	**SMEs**	**Public**	**Total Loans**
Past due up to 30 days	3,464	36,729	59,933	166	35,639	115,401	6	251,338
Past due 31-60 days	634	9,042	26,873	66	292	24,564	-	61,471
Past due 61-90 days	369	19,294	17,367	139	-	10,030	-	47,199
Past due 91-180 days	1,154	7,405	9,694	146	-	12,453	-	30,852
Past due 180 days- 365 days	755	7,811	8,785	357	-	20,153	-	37,861
Past due 1-2 years	4,557	9,111	3,673	7,832	-	21,120	-	46,293
Past due over 2 years	8,654	136,590	16,727	8,095	7,964	154,219	-	332,249
Total	19,587	225,982	143,052	16,801	43,895	357,940	6	807,263

Consolidated

Year ended 31.12.2014	Loans and advances to customers							
	Cards	Consumer	Mortgage	Small Business loans	Large	SMEs	Public	Total Loans
Past due up to 30 days	4,436	44,434	64,258	159	19,969	165,560	672	299,488
Past due 31-60 days	854	11,503	33,956	177	2,379	31,751	-	80,620
Past due 61-90 days	398	10,905	24,478	95	-	46,609	-	82,485
Past due 91-180 days	1,214	9,529	15,236	184	257	18,170	-	44,590
Past due 180 days- 365 days	1,136	9,901	8,731	456	-	29,380	-	49,604
Past due 1-2 years	3,823	13,004	3,634	8,423	-	41,971	-	70,855
Past due over 2 years	14,703	204,299	23,727	6,002	4,705	196,609	-	450,045
Total	26,564	303,575	174,020	15,496	27,310	530,050	672	1,077,687

Ageing analysis of loans past due but individually impaired as of December 31, 2015 and 2014:

Separate

Year ended 31.12.2015	Loans and advances to customers							
	Cards	Consumer	Mortgage	Small Business loans	Large	SMEs	Public	Total Loans
Past due up to 30 days	-	-	-	-	27	4,560	-	4,587
Past due 31-60 days	-	-	-	-	0	1,509	-	1,509
Past due 61-90 days	-	-	207	-	0	4,925	-	5,132
Past due 91-180 days	-	-	8,742	-	0	3,830	-	12,572
Past due 180 days- 365 days	-	-	11,615	-	0	12,984	-	24,599
Past due 1-2 years	-	-	10,414	-	5,944	125,651	-	142,009
Past due over 2 years	-	-	122,982	-	145,154	494,148	-	762,284
Total	-	-	153,960	-	151,125	647,607	-	952,692

All amounts are in thousand Bulgarian Levs, unless otherwise stated

35. CREDIT RISK (CONTINUED)

Separate

Year ended 31.12.2014	Loans and advances to customers							
	Cards	Consumer	Mortgage	Small Business loans	Large	SMEs	Public	Total Loans
Past due up to 30 days	-	-	-	-	0	923	-	923
Past due 31-60 days	-	-	-	-	0	4,575	-	4,575
Past due 61-90 days	-	-	262	-	0	8	-	270
Past due 91-180 days	-	-	14,674	-	0	685	-	15,359
Past due 180 days- 365 days	-	-	12,103	-	10,116	8,209	-	30,428
Past due 1-2 years	-	-	11,886	-	2	141,893	-	153,781
Past due over 2 years	-	-	161,145	-	180,560	485,638	-	827,343
Total	-	-	200,070	-	190,678	641,931	-	1,032,679

Consolidated

Year ended 31.12.2015	**Loans and advances to customers**							
	Cards	**Consumer**	**Mortgage**	**Small Business loans**	**Large**	**SMEs**	**Public**	**Total Loans**
Past due up to 30 days	-	-	-	-	27	4,560	-	4,587
Past due 31-60 days	-	-	-	-	-	1,509	-	1,509
Past due 61-90 days	-	-	207	-	-	4,925	-	5,132
Past due 91-180 days	-	-	8,742	-	-	3,830	-	12,572
Past due 180 days- 365 days	-	-	11,615	-	-	12,984	-	24,599
Past due 1-2 years	-	-	10,414	-	5,944	125,651	-	142,009
Past due over 2 years	-	-	122,982	-	145,154	494,148	-	762,284
Total	-	-	153,960	-	151,125	647,607	-	952,692

Consolidated

Year ended 31.12.2014	**Loans and advances to customers**							
	Cards	**Consumer**	**Mortgage**	**Small Business loans**	**Large**	**SMEs**	**Public**	**Total Loans**
Past due up to 30 days	-	-	-	-	-	923	-	923
Past due 31-60 days	-	-	-	-	-	4,575	-	4,575
Past due 61-90 days	-	-	262	-	-	8	-	270
Past due 91-180 days	-	-	14,674	-	-	685	-	15,359
Past due 180 days- 365 days	-	-	12,103	-	10,116	8,209	-	30,428
Past due 1-2 years	-	-	11,886	-	2	141,893	-	153,781
Past due over 2 years	-	-	161,145	-	180,560	485,638	-	827,343
Total	-	-	200,070	-	190,678	641,931	-	1,032,679

All amounts are in thousand Bulgarian Levs, unless otherwise stated

35. CREDIT RISK (CONTINUED)

Forborne loans

Forbearance measures occur in situation in which the borrower is considered to be unable to meet the terms and conditions of the contract due to financial difficulties. Taking into consideration these difficulties, the Bank/Group decides to modify the terms and conditions of the contract to provide the borrower the ability to service the debt or refinance the contract, either totally or partially.

Forborne loans are separately managed and monitored by Management of the Bank/Group.

A forborne loan that is impaired is considered cured when delays are less than 30 days for 36 consecutive months after forbearance has occurred.

For the purpose of impairment calculation not cured forborne loans are assessed as a separate group within each portfolio. The allowance for impairment on forborne loans is calculated based on present values of expected future cash flows methodology, considering all available evidence at the time of assessment.

Forborne Loans net of net of allowance for impairment by product line:

	As of 31.12.2015	As of 31.12.2014	As of 31.12.2015	As of 31.12.2014
	Separate	Separate	Consolidated	Consolidated
Consumer	77,091	75,284	77,091	75,284
Mortgage	95,528	34,073	95,528	34,073
Small Business loans	1,446	1,687	1,446	1,687
Large corporate loans	27,386	82,113	27,386	82,113
SME'S Loans	232,779	121,363	232,779	121,363
Total	434,230	314,520	434,230	314,520

Reconciliation of forborne loans net of provision:

Separate/Consolidated

As of 31.12.2015

Movements of forborne loans	Consumer	Mortgage	Small business loans	Large corporate loans	SME's	Total
Opening balances	75,284	34,073	1,687	82,113	121,363	314,520
New forborne loans	83,641	119,225	1,478	-	165,150	369,494
Interest income	8,583	7,996	258	280	13,410	30,527
Repayments (partially or totally)	(17,816)	(24,913)	(350)	(6,929)	(38,941)	(88,949)
Exposures that exited forbearance status	(66,379)	(34,247)	(1,727)	(53,924)	(57,655)	(213,932)
Write - offs	(4,617)	(3,771)	-	-	(220)	(8,608)
Impairment loss	(1,605)	(2,835)	100	5,846	29,672	31,178
Closing balance	77,091	95,528	1,446	27,386	232,779	434,230

All amounts are in thousand Bulgarian Levs, unless otherwise stated

35. CREDIT RISK (CONTINUED)

Separate/Consolidated
As of 31.12.2014

Movements of forborne loans	Cards	Consumer	Mortgage	Small business loans	Large corporate loans	SME's	Total
Opening balances	56	147,427	88,381	89	43,130	87,761	366,844
New forborne assets	-	554,282	768,431	5,745	755,581	650,037	2,734,076
Interest income	-	-	-	-	-	-	-
Repayments (partially or totally)	(56)	(626,425)	(822,739)	(4,139)	(716,598)	(615,500)	(2,785,457)
Exposures that exited forbearance status	-		-		-	-	-
Write - offs	-		-	(8)	-	(935)	(943)
Impairment loss	-		-		-	-	-
Closing balance	-	75,284	34,073	1,687	82,113	121,363	314,520

Repossessed collateral

Separate/Consolidated Repossessed collateral As of 31.12.2015	**Gross amount**	**of which added this years**	**Accumulated impairment**	**of which added this years**	**Net amount**	**Net sale price**	**Net gain/losses on sale**
Real estate	67,359	12,774	(4,464)	(373)	62,895	62,895	-
- Residential	3,131	331			3,131	3,131	-
- commercial	64,228	12,443	(4,464)	(373)	59,764	59,764	-
Financial asset	-	-			-	-	-
Other collateral	12,259	-	(404)		11,855	11,855	-
	79,618	12,774	(4,868)	(373)	74,750	74,750	-

Separate/Consolidated Repossessed collateral As of 31.12.2014	**Gross amount**	**of which added this years**	**Accumulated impairment**	**of which added this years**	**Net amount**	**Net sale price**	**Net gain/losses on sale**
Real estate	57,913	14,216	(3,949)	(565)	53,964	53,964	-
- Residential	2,800	1,773	-	-	2,800	2,800	-
- commercial	55,113	12,443	(3,949)	(565)	51,164	51,164	-
Financial asset					-	-	-
Other collateral	8,325	-	(178)		8,147	8,147	-
	66,238	14,216	(4,127)	(565)	62,111	62,111	-

All amounts are in thousand Bulgarian Levs, unless otherwise stated

35. CREDIT RISK (CONTINUED)

Industry Concentration risk

Industry Concentration risk - Loans and advances to customers

Separate	As of 31.12.2015		As of 31.12.2014	
To individuals	1,929,368	39%	2,118,193	41%
Industry & mining	576,577	12%	450,493	9%
Small scale industry	461,599	9%	443,758	9%
Trade and services (excl. tourism)	391,606	8%	595,909	12%
Property Brokerage	354,503	7%	198,893	4%
Financial institutions	254,034	5%	140,345	3%
Construction and real estate development	206,656	4%	589,128	12%
Tourism	143,682	3%	81,175	2%
Energy	126,561	3%	45,761	1%
Transportation and telecommunications	99,112	2%	77,331	2%
Leasing companies	73,300	1%	53,789	1%
Professionals	26,521	1%	47,675	1%
Micro Loans	25,521	1%	22,472	0%
Government	22,935	0%	26,724	1%
Other	250,565	5%	133,041	2%
Total loans and advances, Gross	4,942,540	100%	5,024,687	100%
Less: allowance for impairment	(750,679)		(876,772)	
Loans and advances to customers, net	4,191,861		4,147,915	

Consolidated	As of 31.12.2015		As of 31.12.2014	
To individuals	1,929,368	39%	2,118,193	41%
Industry & mining	576,577	12%	450,493	9%
Small scale industry	461,599	9%	443,758	9%
Trade and services (excl. tourism)	391,606	8%	595,909	12%
Property Brokerage	354,503	7%	198,893	4%
Financial institutions	254,034	5%	140,345	3%
Construction and real estate development	206,656	4%	589,128	12%
Tourism	143,682	3%	81,175	2%
Energy	126,561	3%	45,761	1%
Transportation and telecommunications	99,112	2%	77,331	2%
Leasing companies	73,300	1%	53,789	1%
Professionals	26,521	1%	47,675	1%
Micro Loans	25,521	1%	22,472	0%
Government	22,935	0%	26,724	1%
Other	251,992	5%	134,084	2%
Total loans and advances, Gross	4,943,967	100%	5,025,730	100%
Less: allowance for impairment	(750,977)		(876,973)	
Loans and advances to customers, net	4,192,990		4,148,757	

35. CREDIT RISK (CONTINUED)

Counterparty concentration risk

The next table presents the information of the large exposure of the Bank/Group as for 31 December 2015 and 2014:

	As for December 31, 2015		As for December 31, 2014	
Separate	*Amount*	*% of Equity*	*Amount*	*% of Equity*
The largest total exposure	203,354	16.65%	56,387	4.84%
Total amount of five largest exposures	550,726	45.08%	360,582	30.95%

	As for December 31, 2015		As for December 31, 2014	
Consolidated	*Amount*	*% of Equity*	*Amount*	*% of Equity*
The largest total exposure	203,354	16.65%	56,387	4.82%
Total amount of five largest exposures	550,726	45.08%	360,582	30.79%

36. MARKET RISK

Market risk on trading and available for sale portfolio

For the effective management of market risk, the Bank/Group calculates and monitors at daily basis VaR - total and by risk factors.

Separate/Consolidated

VaR (daily value)	As of December 31, 2015	min	max	average
Equity Risk VaR	376	224	609	347
FX Risk VaR	3	0	41	6
Interest Rate Risk VaR	6,254	2,304	10,475	5,023
Total VaR	6,112	2,323	10,387	5,032

Separate/Consolidated

VaR (daily value)	As of December 31, 2014	min	max	average
Equity Risk VaR	303	150	583	260
FX Risk VaR	2	0	16	4
Interest Rate Risk VaR	4,553	288	6,306	1,097
Total VaR	4,760	335	6,612	1,131

Foreign currency risk

The tables below summarize the exposure to foreign currency exchange rate risk as of December 31, 2015 and 2014. Included in the table are the Bank/Group's assets and liabilities at carrying amounts in thousands BGN, categorized by currency.

As of December 31, 2015 Separate	EUR	USD	BGN	Other	Total
ASSETS					
Cash and balances with the Central Bank	377,106	5,964	493,630	11,016	887,716
Due from banks	20,123	120,369	2,910	14,831	158,233
Loans and advances to customers, net	2,246,495	142,016	1,798,293	5,057	4,191,861
Financial assets at fair value through profit or loss	144,493	151,810	305,858	26,489	628,650
Derivative financial instruments	-	-	12	-	12
Financial assets available for sale	475,924	14,015	36,668	-	526,607
Investments in subsidiaries and equity method investments	-	-	6,637	-	6,637
Intangible assets	-	155	4,848	-	5,003
Property and equipment	996	51	37,671	-	38,718
Investment property	-	-	3,011	-	3,011
Deferred tax assets	-	-	855	-	855
Other assets	8,697	4,417	82,322	1	95,437
Non-current assets held for sale	-	-	1,487	-	1,487
TOTAL ASSETS	3,273,834	438,797	2,774,202	57,394	6,544,227

All amounts are in thousand Bulgarian Levs, unless otherwise stated

35. MARKET RISK (CONTINUED)

As of December 31, 2015 Separate	EUR	USD	BGN	Other	Total
LIABILITIES					
Due to banks	2,429	27,016	32,830	517	62,792
Due to customers	1,525,045	433,684	3,073,032	57,592	5,089,353
Derivative financial instruments	141	-	247	-	388
Other borrowed funds	9,705	-	30,004	-	39,709
Subordinated liabilities	101,814				101,814
Retirement benefit obligations	-	-	9,245	-	9,245
Other liabilities	7,373	120	11,889	-	19,382
TOTAL LIABILITIES	1,646,507	460,820	3,157,247	58,109	5,322,683
TOTAL EQUITY	-	-	1,221,544	-	1,221,544
NET BALANCE SHEET POSITION	1,627,327	(22,023)	(1,604,589)	- (715)	-
CONTINGENT LIABILITIES AND COMMITMENTS	509,426	101,680	167,353	-	778,459

As of December 31, 2014 Separate	EUR	USD	BGN	Other	Total
ASSETS					
Cash and balances with the Central Bank	132,178	12,172	319,908	14,140	478,398
Due from banks	668,510	218,242	7,195	29,237	923,184
Loans and advances to customers, net	2,289,413	10,299	1,848,159	44	4,147,915
Financial assets at fair value through profit or loss	278,625	49,665	254,487	14,996	597,773
Derivative financial instruments	58	-	1,831	-	1,889
Financial assets available for sale	231,718	18,393	26,331	-	276,442
Investments in subsidiaries and equity method investments	-	-	6,636	-	6,636
Intangible assets	4,774	155	-	-	4,929
Property and equipment	659	51	40,200	-	40,910
Deferred tax assets	-	-	557	-	557
Other assets	7,842	790	81,505	1	90,138
Non-current assets held for sale	-	-	1,488	-	1,488
TOTAL ASSETS	3,613,777	309,767	2,588,297	58,418	6,570,259

As of December 31, 2014 Separate	EUR	USD	BGN	Other	Total
LIABILITIES					
Due to banks	2,944	13,093	53,868	13,725	83,630
Due to customers	1,702,380	336,473	3,024,855	50,337	5,114,045
Derivative financial instruments	167	-	960	-	1,127
Other borrowed funds	-	-	30,005	-	30,005
Subordinated liabilities	152,762	-	-	-	152,762
Retirement benefit obligations	-	-	8,582	-	8,582
Other liabilities	7,344	129	7,047	710	15,230
TOTAL LIABILITIES	1,865,597	349,695	3,125,317	64,772	5,405,381
TOTAL EQUITY	-	-	1,164,878	-	1,164,878
NET BALANCE SHEET POSITION	1,748,180	(39,928)	(1,701,898)	(6,354)	-
CONTINGENT LIABILITIES AND COMMITMENTS	516,152	83,216	172,142	-	771,510

As of December 31, 2015 Consolidated	EUR	USD	BGN	Other	Total
ASSETS					
Cash and balances with the Central Bank	377,106	5,964	493,631	11,016	887,717
Due from banks	20,123	120,369	2,918	14,826	158,236
Loans and advances to customers, net	2,246,495	142,016	1,799,422	5,057	4,192,990
Financial assets at fair value through profit or loss	144,493	151,810	305,852	26,495	628,650
Derivative financial instruments	-	-	12	-	12
Financial assets available for sale	475,924	14,015	36,669	-	526,608
Equity method investments	-	-	9,575	-	9,575
Intangible assets	-	155	5,065	-	5,220
Property and equipment	996	51	37,700	-	38,747
Investment property	-	-	3,011	-	3,011
Deferred tax assets	-	-	847	-	847
Other assets	8,697	4 417	82,681	1	95,796
Non-current assets held for sale	-	-	1,868	-	1,868
TOTAL ASSETS	3,273,834	438,797	2,779,251	57,395	6,549,277

All amounts are in thousand Bulgarian Levs, unless otherwise stated

36. MARKET RISK (CONTINUED)

As of December 31, 2015 Consolidated	EUR	USD	BGN	Other	Total
LIABILITIES					
Due to banks	2,429	27,016	32,830	517	62,792
Due to customers	1,525,045	433,684	3,069,444	57,592	5,085,765
Derivative financial instruments	141	-	247	-	388
Other borrowed funds	9,705	-	30,004	-	39,709
Subordinated liabilities	101,814	-	-	-	101,814
Current income tax liabilities	-	-	86	-	86
Retirement benefit obligations	-	-	9,245	-	9,245
Other liabilities	7,373	120	12,144	-	19,637
TOTAL LIABILITIES	1,646,507	460,820	3,154,000	58,109	5,319,436
TOTAL EQUITY	-	-	1,229,841	-	1,229,841
NET BALANCE SHEET POSITION	1,627,327	(22,023)	(1,604,590)	(714)	-
CONTINGENT LIABILITIES AND COMMITMENTS	509,426	101,680	186,488	-	797,594

As of December 31, 2014 Consolidated	EUR	USD	BGN	Other	Total
ASSETS					
Cash and balances with the Central Bank	132,178	12,172	319,908	14,140	478,398
Due from banks	668,510	218,242	7,455	29,230	923,437
Loans and advances to customers, net	2,289,413	10,299	1,849,001	44	4,148,757
Financial assets at fair value through profit or loss	278,625	49,665	254,487	14,996	597,773
Derivative financial instruments	58	-	1,831	-	1,889
Financial assets available for sale	231,718	18,393	26,331	-	276,442
Equity method investments	-	-	8,535	-	8,535
Intangible assets	4,977	155	-	-	5,132
Property and equipment	659	51	40,237	-	40,947
Deferred tax assets	-	-	548	-	548
Other assets	7,842	790	81,938	1	90,571
Non-current assets held for sale	-	-	2,175	-	2,175
TOTAL ASSETS	3,613,980	309,767	2,592,446	58,411	6,574,604

As of December 31, 2014 Consolidated	EUR	USD	BGN	Other	Total
LIABILITIES					
Due to banks	2,944	13,093	53,868	13,725	83,630
Due to customers	1,702,380	336,473	3,022,412	50,426	5,111,691
Derivative financial instruments	167	-	960	-	1,127
Other borrowed funds	-	-	30,005	-	30,005
Subordinated liabilities	152,762	-	-	-	152,762
Current income tax liabilities	-	-	36	-	36
Retirement benefit obligations	-	-	8,582	-	8,582
Other liabilities	7,344	129	7,215	710	15,398
TOTAL LIABILITIES	1,865,597	349,695	3,123,078	64,861	5,403,231
TOTAL EQUITY	-	-	1,170,937	-	1,170,937
NET BALANCE SHEET POSITION	1,748,383	(39,928)	(1,701,569)	(6,450)	436
CONTINGENT LIABILITIES AND COMMITMENTS	516,152	83,216	182,416	-	781,784

The Bank measures the economic value of equity (EVE) vulnerability to unfavourable changes in interest rates separately for any of the main currencies in which the Bank/Group operates and the results are used for making management decisions. The table below represent the interest rate mismatches and change in EVE at 200bps yield curve shift:

As of December 31, 2015
Separate/Consolidated

Interest rate mismatch	up to 3m	3m - 1y	1y - 5y	up to 5y	Total
BGN	(772,524)	(351,964)	(89,750)	35,991	(1,178,247)
EUR	85,624	(377,139)	(70,847)	495,735	133,373
USD	(78,512)	(86,823)	(34,681)	-	(200,016)
Total	(765,412)	(815,926)	(195,278)	531,726	(1,244,890)

All amounts are in thousand Bulgarian Levs, unless otherwise stated

36. MARKET RISK (CONTINUED)

Interest rate mismatch	up to 3m	3m - 1y	1y - 5y	up to 5y	Total
BGN	(444)	3,981	424	(5,039)	(1,078)
EUR	271	4,519	728	(69,403)	(63,885)
USD	132	1,056	1,123	-	2 311
Total	(41)	9,556	2,275	(74,442)	(62,652)

As of December 31, 2014
Separate/Consolidated

Interest rate mismatch	up to 3m	3m - 1y	1y - 5y	up to 5y	Total
BGN	(583,427)	(476,121)	(101,413)	28,164	(1,132,797)
EUR	536,164	(495,545)	(20,896)	258,281	278,004
USD	(4,439)	(87,095)	(28,074)	-	(119,608)
Total	(51,702)	(1,058,761)	(150,383)	286,445	(974,401)

Interest rate mismatch	up to 3m	3m - 1y	1y - 5y	up to 5y	Total
BGN	(397)	5,083	1,469	(3,943)	2,212
EUR	(46)	5,869	(2,394)	(36,159)	(32,730)
USD	96	1,046	1,044	-	2,186
Total	(347)	11,998	119	(40,102)	(28,332)

An important part of the interest rate risk management process is stress testing. The following stress tests scenarios are applied and results are submitted to the Executive Management:

Separate/Consolidated

	As of December 31, 2015	0-3 M	3 M -12 M	>12 M
IRR BB Stress Test Scenario 1	BGN	+/- 300 bp	+/- 300 bp	+/- 300 bp
	Other CCY	+/- 200 bp	+/- 200 bp	+/- 200 bp
		0-3 M	3 M -12 M	>12 M
IRR BB Stress Test Scenario 2	BGN	+/- 100 bp	+/- 200 bp	+/- 300 bp
	Other CCY	+/- 50 bp	+/- 100 bp	+/- 200 bp
		0-3 M	3 M -12 M	>12 M
IRR BB Stress Test Scenario 3	BGN	+/- 300 bp	+/- 200 bp	+/- 100 bp
	Other CCY	+/- 200 bp	+/- 100 bp	+/- 50 bp

The techniques for managing interest rate risk, generated by the positions in the banking book, are: change in the administered interest rates on loans and deposits, change in the maturity of the offered credit and deposit products, change in the amount of fees and commissions, interest rate derivatives, etc.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

36. MARKET RISK (CONTINUED)

Interest rate risk

The Group/Bank interest rate risk relating to financial instruments based on next re-pricing date is summarized as follows:

As of December 31, 2015 Separate	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
ASSETS							
Cash and balances with Central Bank	-	-	-	-	-	887,716	887,716
Due from banks	106,847	16,649	27,721	7,016	-	-	158,233
Loans and advances to customers, net	2,454,750	668,296	145,579	160,108	95,340	667,788	4,191,861
Derivative financial instruments	12	-	-	-	-	-	12
Financial assets at fair value through profit or loss	148,935	-	22,395	176,098	281,216	6	628,650
Investment securities available for sale	-	6,529	-	22,503	444,767	52,808	526,607
Investments in subsidiaries and equity method investments	-	-	-	-	-	6,637	6,637
TOTAL FINANCIAL ASSETS	2,710,544	691,474	195,695	365,725	821,323	1,614,955	6,399,716
LIABILITIES							
Due to banks	-	19,707	20,003	-	-	23,082	62,792
Due to customers	2,307,711	321,673	328,767	2,131,202	-	-	5,089,353
Derivative financial instruments	247	-	-	141	-	-	388
Other borrowed funds	-	-	-	39,709	-	-	39,709
Subordinated liabilities	-	101,703	-	-	-	111	101,814
TOTAL FINANCIAL LIABILITIES	2,307,958	443,083	348,770	2,171,052	-	23,193	5,294,056
NET INTEREST RATE GAP	402,586	248,391	(153,075)	(1,805,327)	821,323	1,591,762	1,105,660

As of December 31, 2014 Separate	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
ASSETS							
Cash and balances with Central Bank	-	-	-	-	-	478,398	478,398
Due from banks	923,184	-	-	-	-		923,184
Loans and advances to customers, net	2,583,135	617,170	70,317	122,603	108,654	646,036	4,147,915
Derivative financial instruments	1,889	-	-	-	-	-	1,889
Financial assets at fair value through profit or loss	43,499	5,801	199,604	190,087	158,782	-	597,773
Investment securities available for sale	-	8,114	-	60,446	158,492	49,390	276,442
Investments in subsidiaries and equity method investments	-	-	-	-	-	6,636	6,636
TOTAL FINANCIAL ASSETS	3,551,707	631,085	269,921	373,136	425,928	1,180,460	6,432,237
LIABILITIES							
Due to banks	83,624	-	-	-	-	6	83,630
Due to customers	2,154,270	460,221	2,099,132	400,422	-	-	5,114,045
Derivative financial instruments	1,127	-	-	-	-	-	1,127
Other borrowed funds	-	-	30,000	-	-	5	30,005
Subordinated liabilities	-	152,559	-	-	-	203	152,762
TOTAL FINANCIAL LIABILITIES	2,239,021	612,780	2,129,132	400,422	-	214	5,381,569
NET INTEREST RATE GAP	1,312,686	18,305	(1,859,211)	(27,286)	425,928	1,180,246	1,050,668

All amounts are in thousand Bulgarian Levs, unless otherwise stated

36. MARKET RISK (CONTINUED)

As of December 31, 2015 Consolidated	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
ASSETS							
Cash and balances with Central Bank	-	-	-	-	-	887,717	887,717
Due from banks	106,850	16,649	27,721	7,016	-	-	158,236
Loans and advances to customers, net	2,456,177	668,296	145,579	160,108	95,340	667,490	4,192,990
Derivative financial instruments	12						12
Financial assets at fair value through profit or loss	148,935		22,395	176,098	281,216	6	628,650
Investment securities available for sale	-	6,529	-	22,503	444,767	52,809	526,608
Equity method investments						9,575	9,575
TOTAL FINANCIAL ASSETS	2,711,974	691,474	195,695	365,725	821,323	1,617,597	6,403,788
LIABILITIES							
Due to banks	-	19,707	20,003	-	-	23,082	62,792
Due to customers	2,305,593	320,203	328,767	2,131,202	-	-	5,085,765
Derivative financial instruments	247	-	-	141	-	-	388
Other borrowed funds	-	-	-	39,709	-	-	39, 709
Subordinated liabilities	-	101,703	-	-	-	111	101,814
TOTAL FINANCIAL LIABILITIES	2,305,840	441,613	348,770	2,171,052	-	23,193	5,290,468
NET INTEREST RATE GAP	406,134	249,861	(153,075)	(1,805,327)	821,323	1,594,404	1,113,320

As of December 31, 2014 Consolidated	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
ASSETS							
Cash and balances with Central Bank	-	-	-	-	-	478,398	478,398
Due from banks	923,437	-	-	-	-		923,437
Loans and advances to customers, net	2,584,178	617,170	70,317	122,603	108,654	645,835	4,148,757
Derivative financial instruments	1,889	-	-	-	-	-	1,889
Financial assets at fair value through profit or loss	43,499	5,801	199,604	190,087	158,782	-	597,773
Investment securities available for sale	-	8,114	-	60,446	158,492	49,390	276,442
Equity method investments	-	-	-	-	-	8,535	8,535
TOTAL FINANCIAL ASSETS	3,553,003	631,085	269,921	373,136	425,928	1,182,158	6,435,231
LIABILITIES							
Due to banks	83,624	-	-	-	-	6	83,630
Due to customers	2,151,916	460,221	2,099,132	400,422	-	-	5,111,691
Derivative financial instruments	1,127	-	-	-	-	-	1,127
Other borrowed funds	-	-	30,000	-	-	5	30,005
Subordinated liabilities	-	152,559	-	-	-	203	152,762
TOTAL FINANCIAL LIABILITIES	2,236,667	612,780	2,129,132	400,422	-	214	5,379,215
NET INTEREST RATE GAP	1,316,336	18,305	(1,859,211)	(27,286)	425,928	1,181,944	1,056,016

The Bank/Group's interest rate exposures are, amongst other methods monitored and managed using interest rate sensitivity reports, however the interests on monetary assets and liabilities can be repriced at relatively short notice and any interest rate sensitivity gaps are considered immaterial.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

37. LIQUIDITY RISK

The Bank/Group manages its assets and liabilities in a manner, guaranteeing that it is able to fulfill its day-to-day obligations regularly and without delay, both in a normal environment and under stress conditions. The Bank/Group invests mainly in liquid assets and maintains an average of 33% ratio of liquid assets to total liabilities and 35% ratio of liquid assets to customer deposits, as a result of increase in attracted funds from customers and reduced lending activity.

The Bank/Group succeed to keep its sufficient liquidity position even under stress conditions during the Greek crisis and to recover in short period the deposits loss incurred in the first 7 months of the year.

The Bank/Group have a solid funding structure as far as loan portfolio is largely funded by customer deposits. Additionally the Bank maintains (in repayment mode) a subordinated debt from the parent bank. Bank's/Group funding strategy is to develop a diversified funding base by depositor type and maintain access to a variety of alternative funding sources, to provide protection against unexpected fluctuations and minimize the cost of funding.

Management believes that the diversification of deposits by number and type of depositors, and the past experience of the Bank/Group give a basis to believe that deposits provide a long-term and stable source of funding for the Bank/Group. Simultaneously, the main part of due to banks with maturity up to one month presents resources time deposits and repo-deals, which are constant during the period and are in the framework of long-term determine limits. These deposits are managed according to the Bank/Group's resources necessity and in respect to optimizing the financial expenses.

The Bank/Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or increase losses in case of unexpected movements.

A maturity analysis for financial liabilities that shows the contractual maturities including the interest due to the end of the contracts:

As of 31 December 2015 Separate	Subject to notice and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years and non-stated maturity	Total
Due to banks	33,030	29,906	-	70	-	63,006
Due to customers	2,693,204	331,512	1,754,597	394,678	-	5,173,991
Other borrowed funds	-	111	-	41,074	-	41,185
Subordinated liabilities	-	-	53,006	53,006	-	106,012
Retirement benefit obligations	-	-	-	-	9,245	9,245
Other liabilities	18,908	-	-	-	-	18,908
TOTAL LIABILITIES (contractual maturity dates)	2,745,142	361,529	1,807,603	488,828	9,245	5,412,347
Contingent liabilities	-	-	518,733	259,895	3	778,631

As of 31 December 2014 Separate	Subject to notice and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years and non-stated maturity	Total
Due to banks	85,702	-	-	-	-	85,702
Due to customers	2,210,524	469,937	2,125,307	408,024	-	5,213,792
Other borrowed funds	5	-	9,123	39,094	-	48,222
Subordinated liabilities	-	208	44,178	69,875	-	114,261
Retirement benefit obligations	-	-	-	-	8,582	8,582
Other liabilities	-	-	-	-	15,230	15,230
TOTAL LIABILITIES (contractual maturity dates)	2,296,231	470,145	2,178,608	516,993	23,812	5,485,789
Contingent liabilities	391		584,057	188,254	17	772,719

All amounts are in thousand Bulgarian Levs, unless otherwise stated

37. LIQUIDITY RISK (CONTINUED)

As of 31 December 2015 Consolidated	Subject to notice and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years and non-stated maturity	Total
Due to banks	33,030	29,906	-	70	-	63,006
Due to customers	2,689,616	331,512	1,754,597	394,678	-	5,170,403
Other borrowed funds	-	111	-	41,074	-	41,185
Subordinated liabilities	-	-	53,006	53,006	-	106,012
Current income tax liabilities	-	-	-	-	86	86
Retirement benefit obligations	-	-	-	-	9,245	9,245
Other liabilities	19,163	-	-	-	-	19,163
TOTAL LIABILITIES (contractual maturity dates)	2,741,809	361,529	1,807,603	488,828	9,331	5,409,100
Contingent liabilities	-		537,868	259,895	3	797,766

As of 31 December 2014 Consolidated	Subject to notice and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years and non-stated maturity	Total
Due to banks	85,702	-	-	-	-	85,702
Due to customers	2,208,170	469,937	2,125,307	408,024	-	5,211,438
Other borrowed funds	5	-	9,123	39,094	-	48,222
Subordinated liabilities	-	208	44,178	69,875	-	114,261
Current income tax liabilities	-	-	-	-	36	36
Retirement benefit obligations	-	-	-	-	8,582	8,582
Other liabilities	-	-	-	-	15,398	15,398
TOTAL LIABILITIES (contractual maturity dates)	2,293,877	470,145	2,178,608	516,993	24,016	5,483,639
Contingent liabilities	391		594,331	188,254	17	782,993

Assets pledged and re-pledged

Separate

Category of the assets pledged	Portfolio	Type of the transaction	Book value of underlying collateral December 31, 2015	Carrying amount of related liability, December 31, 2015	Book value of underlying collateral, December 31, 2014	Carrying amount of related liability, December 31, 2014
Government bonds	HFT	Repo deals	35,347	29,968	28,599	27,860
Government bonds	AFS	Government deposits	53,922	40,453	104,029	58,277
Government bonds	AFS	EBRD line	16,077	9,705	-	-
Loans		BBR line	5,779	30,004	11,223	30,004
			111,125	110,130	143,851	116,141

Consolidated

Category of the assets pledged	Portfolio	Type of the transaction	Book value of underlying collateral December 31, 2015	Carrying amount of related liability, December 31, 2015	Book value of underlying collateral, December 31, 2014	Carrying amount of related liability, December 31, 2014
Government bonds	HFT	Repo deals	35,347	29,968	28,599	27,860
Government bonds	AFS	Government deposits	53,922	40,453	104,029	58,277
Government bonds	AFS	EBRD line	16,077	9,705	-	-
Loans		BBR line	5,779	30,004	11,223	30,004
			111,125	110,130	143,851	116,141

All amounts are in thousand Bulgarian Levs, unless otherwise stated

38. FAIR VALUE OF ASSETS AND LIABILITIES DISCLOSURE

Financial instruments not measured at fair value

The table below summaries the carrying amounts and fair value of those financial assets and liabilities, not presented on the Bank/Group's statement of financial position at fair value and their fair value is materially different from the carrying amount.

	2015		2014	
Separate	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS				
Cash and balances with the Central Bank	887,716	887,716	478,398	478,398
Due form other banks	158,233	158,233	923,184	923,184
Loans and advances to customers, net	4,191,861	4,265,560	4,147,915	4,257,931
Available-for-sale investment securities	5,553	5,553	5,553	5,553
Non-current assets held for sale	1,487	1,487	1,488	1,488
TOTAL ASSETS	5,244,850	5,318,549	5,556,538	5,666,554
LIABILITIES				
Due to customers	5,089,353	5,095,505	5,114,045	5,127,400
Other borrowed funds	39,709	42,709	30,005	32,376
Subordinated liabilities	101,814	104,318	152,762	151,596
TOTAL LIABILITIES	5,230,876	5,242,532	5,296,812	5,311,372

	2015		2014	
Consolidated	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS				
Cash and balances with the Central Bank	887,717	887,717	478,398	478,398
Due form other banks	158,236	158,236	923,437	923,437
Loans and advances to customers, net	4,192,990	4,266,689	4,148,757	4,258,773
Available-for-sale investment securities	5,553	5,553	5,553	5,553
Non-current assets held for sale	1,868	1,868	2,175	2,175
TOTAL ASSETS	5,246,364	5,320,063	5,558,320	5,668,336
LIABILITIES				
Due to customers	5,085,765	5,091,917	5,111,691	5,125,046
Other borrowed funds	39,709	42,709	30,005	32,376
Subordinated liabilities	101,814	104,318	152,762	151,596
TOTAL LIABILITIES	5,227,288	5,238,944	5,294,458	5,309,018

The following methods and assumptions were used to estimate the fair values of the above financial instruments at December 31, 2015 and 2014:

The carrying amount of cash and balances with central banks, due from and due to banks as well as accrued interest, approximates their fair value.

The fair value of loans and advances to customers is estimated using discounted cash flow models.

Due to customers: The fair value for demand deposits and deposits with no defined maturity is determined to be the amount payable on demand at the reporting date. The fair value for fixed-maturity deposits is estimated using discounted cash flow models based on rates currently offered for the relevant product types with similar remaining maturities.

Fair value of bank borrowings and Subordinated liabilities are estimated based on discounted cash flow analysis using current interest rates for similar types of borrowings arrangements.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

38. FAIR VALUE OF ASSETS AND LIABILITIES DISCLOSURE (CONTINUED)

Financial instruments measured at fair value

The tables below present the fair values of those financial assets and liabilities recorded on the Bank's/Group's statement of financial position measured at fair value as of 31 December 2015.

As of December 31, 2015	Fair value measurement using			
Separate	Level 1	Level 2	Level 3	Total assets/ liabilities at fair value
Assets				
Financial assets at fair value through profit and loss	-	628,650	-	628,650
Derivative financial instruments	-	12	-	12
Available-for-sale investment securities	20,047	469,874	31,133	521,054
Total Assets	20,047	1,098,536	31,133	1,149,716
Liabilities				
Derivative financial instruments	-	388	-	388
Total liabilities	-	388	-	388

As of December 31, 2014	Fair value measurement using			
Separate	Level 1	Level 2	Level 3	Total assets/ liabilities at fair value
Assets				
Financial assets at fair value through profit and loss	-	597,773	-	597,773
Derivative financial instruments	3	1,886	-	1,889
Available-for-sale investment securities	16,924	229,505	24,460	270,889
Total Assets	16,927	829,164	24,460	870,551
Liabilities				
Derivative financial instruments	11	1,116	-	1,127
Total liabilities	11	1,116	-	1,127

All amounts are in thousand Bulgarian Levs, unless otherwise stated

38. FAIR VALUE OF ASSETS AND LIABILITIES DISCLOSURE (CONTINUED)

As of December 31, 2015	Fair value measurement using			
Consolidated	Level 1	Level 2	Level 3	Total assets/ liabilities at fair value
Assets				
Financial assets at fair value through profit and loss	-	628,650	-	628,650
Derivative financial instruments	-	12	-	12
Available-for-sale investment securities	20,048	469 874	31,133	521,055
Total Assets	20,048	1,098,536	31,133	1,149,717
Liabilities				
Derivative financial instruments	-	388	-	388
Total liabilities	-	388	-	388

As of December 31, 2014	Fair value measurement using			
Consolidated	Level 1	Level 2	Level 3	Total assets/ liabilities at fair value
Assets				
Financial assets at fair value through profit and loss	-	597,773	-	597,773
Derivative financial instruments	3	1,886	-	1,889
Available-for-sale investment securities	16,924	229,505	24,460	270,889
Total Assets	16,927	829,164	24,460	870,551
Liabilities				
Derivative financial instruments	-	1,127	-	1,127
Total liabilities	-	1,127	-	1,127

No transfers of financial instruments from Level 1 to Level 2 occurred for the year ended December 31, 2015.

Level 3 financial instruments at December 31, 2015 include:

(a) available-for-sale securities, which are price-based and the price is subject to liquidity adjustments or credit value adjustments and

(b) available-for-sale non-marketable equity securities, which are valued by independent valuers based on inputs such as earnings forecasts comparable multiples of Economic Value to EBITDA and other parameters which are not market observable.

The Bank/Group conducts a review of the fair value hierarchy classifications on a quarterly basis.
The table below presents a reconciliation of all Level 3 fair value measurements for the period ended December 31, 2015, including realized and unrealized gains/(losses) included in the “income statement” and “statement of the comprehensive income”.

No transfers into or out of Level 3 occurred for the year ended December 31, 2015.

As of December 31, 2015 the Bank classifies its principal membership in Visa Europe Ltd. as Level 3 equity securities at the amount of BGN 16,320 thousand (Note 9) .

All amounts are in thousand Bulgarian Levs, unless otherwise stated

38. FAIR VALUE OF ASSETS AND LIABILITIES DISCLOSURE (CONTINUED)

Reconciliation of fair value measurements in Level 3

Separate	Available-for-sale investment securities as of 2015	Available-for-sale investment securities as of 2014
Balance at 1 January	24,460	26,659
Gains / (losses) included in income statement	(9,859)	-
Gains / (losses) included in the statement of comprehensive income	16,532	(2,199)
Transfer into/ (out of) level 3	-	-
Balance at 31 December	31,133	24,460

Consolidated	Available-for-sale investment securities as of 2015	Available-for-sale investment securities as of 2014
Balance at 1 January	24,460	26,659
Gains / (losses) included in income statement	(9,859)	-
Gains / (losses) included in the statement of comprehensive income	16,532	(2,199)
Transfer into/ (out of) level 3	-	-
Balance at 31 December	31,133	24,460

Valuation Process and Control Framework

The Bank/Group has various processes in place to ensure that the fair values of its assets and liabilities are reasonably estimated and has established a control framework which is designed to ensure that fair values are validated by functions independent of the risk-taker. To that end, the Bank/Group utilizes various sources for determining the fair values of its financial instruments and uses its own independent functions to validate these results where possible.

Fair values of debt securities are determined either by reference to prices for traded instruments in active markets, to external quotations or widely accepted financial models, which are based on market observable or unobservable information where the former is not available, as well as relevant market-based parameters such as interest rates, option fluctuations, currency rates, etc., and may also include a liquidity risk adjustment where the Bank/Group considers it appropriate.

The Bank/Group may, sometimes, also utilize third-party pricing information, and perform validating procedures on this information, or base its fair value on the latest transaction prices available, given the absence of an active market or similar transactions. All such instruments are categorized within the lowest level of fair value hierarchy (i.e. Level 3).

Generally, fair values of debt securities, including significant inputs on the valuation models are independently checked and validated by Risk Management Division on a regular basis.

Fair value of derivatives is determined using valuation models which include discounted cash-flow models or other appropriate models. Adequate control procedures are in place for the validation of these models, including the valuation inputs, on systematic basis. Risk Management Division provides the control valuation framework necessary to ensure that the fair values are reasonably determined, reflecting current market and economic conditions.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

38. FAIR VALUE OF ASSETS AND LIABILITIES DISCLOSURE (CONTINUED)

Market Valuation Adjustments

The output of a valuation technique is always an estimate or approximation of a fair value that cannot be measured with complete certainty. As a result, valuations are adjusted, where appropriate, to reflect close-out costs, credit exposure, model driven valuation uncertainty, trading restrictions and other factors, when such factors would be considered by market participants in measuring fair value.

Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Input	Range of Inputs	
				Low	**High**
Investment Securities - Available-for-Sale BONDS	43	Write-off due to initiated insolvency proceedings against the issuer. /Unsecured bond/	-	-	
	7,129	Valuation based on the collateral	- Collateral valuation	5,196	7,993
			- Collateral value	12,296	12,296
			- Adjustment factor	42%	65%
	3,883	Close Price - Bulgarian Stock Exchange	-	-	
Investment Securities - Available-for-Sale SHARES	3,758	Auction price from the forced sale of the shares of InterV Investment SARL	-	-	
	16,320	Offer price	-	-	

Sensitivity of Fair Value Measurements to Changes in Unobservable inputs

Due to the Bank/Group's limited exposure to investment securities in available-for-sale portfolio for which the market valuation adjustments is significant to their fair value, a reasonable change in the unobservable inputs would not be significant to the Bank/Group.

39. CAPITAL AND CAPITAL BASE

The Bank/Group determines its risk-bearing capacity on the basis of the capital resources, available for covering losses, generated by the Bank's/Group's risk profile. During the management of its capital-at-risk, the Bank/Group observes the regulatory instructions, as well as its own objectives.

The minimum requirements, applicable to Bulgaria following implemented in 2015 requirements of Directive 2013/36/EU and Regulation (EU) No 575/2013, include maintaining of Total capital adequacy not less than 13.5% and Tier-one capital adequacy of not less than 11.5% . This levels include respectively 8% total capital adequacy and 6% tier-one capital adequacy, as well as 2.5% Capital Conservation Buffer and 3% Systemic Risk Buffer.

The Bank/Group has complied with the regulatory requirements of minimum capital adequacy for 2015 and for 2014.

In accordance with the regulatory framework the Bank/Group allocates capital for covering the capital requirements for credit risk, market risk and operational risk applying the Standardized Approach.

Regulatory Capital (Own Funds)

The capital base (own funds) includes Tier-one and Tier-two capital, in accordance with the applicable regulatory requirements.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

39. CAPITAL AND CAPITAL BASE (CONTINUED)

	As of 31.12.2015 Separate	As of 31.12.2014 Separate	As of 31.12.2015 Consolidated	As of 31.12.2014 Consolidated
Paid up Capital Instruments	75,964	75,964	75,964	75,964
Reserves, incl. retained earnings	1,076,715	1,000,429	1,081,647	1,004,470
Other comprehensive income	16,206	12,199	17,095	13,326
CET I deductions	(23,916)	(20,436)	(24,667)	(21,766)
Common Equity Tier I Capital (CET1)	1,144,969	1,068,156	1,150,039	1,071,994
Total Tier I Capital	1,144,969	1,068,156	1,150,039	1,071,994
Subordinated debt	91,994	142,845	91,994	142,845
Tier II deductions (see below)	-		-	
Tier II Capital	91,994	142,845	91,994	142,845
Additional deductions from Tier I and Tier II Equity	-	-	-	-
Total Regulatory Capital (own funds)	1,236,963	1,211,001	1,242,033	1,214,839
CET1 Capital ratio	0.26	0.24	0.26	0.24
T1 Capital ratio	0.26	0.24	0.26	0.24
Total capital ratio	0.28	0.27	0.28	0.27
Surplus(+)/Deficit(-) of total capital	885,922	857,834	889,785	860,567

Tier II capital consist of subordinate term debt that includes provided long-term loans by National Bank of Greece S.A. with initial value of EUR 130 million (in local currency BGN 254 million). The regulatory eligible subordinated debt amount after repayment according to schedule and regulatory required amortizations as of December 2015 is EUR 47 million (in local currency BGN 92 million).

Risk Weighted Assets

The changes in the RWA structure and amounts are related to the respective changes in Bank's assets structure.

Capital requirements

As of December 31, 2015 and December 31, 2014 the capital requirements for credit, market and operational risks are, as follows:

Risk Weighted Assets	As of 31.12.2015 Separate	As of 31.12.2014 Separate	As of 31.12.2015 Consolidated	As of 31.12.2014 Consolidated
Credit Risk, including exposures to:	3,698,232	3,743,149	3,710,381	3,754,712
Central governments or central banks	-	-	-	-
Regional governments or local authorities	8,011	10,604	8,011	10,604
Institutions	52,147	240,246	52,148	240,499
Corporates	1,229,574	1,049,179	1,224,896	1,048,693
Retail	806,278	845,582	814,297	849,819
Secured by mortgages on immovable property	464,566	492,340	464,566	492,340
Exposures in default	928,662	910,659	928,939	911,407
Equity	66,985	60,380	75,147	66,734
Other items	142,009	134,159	142,377	134,616
Operational Risk	494,209	517,484	497,140	519,724
Market Risk	195,513	153,588	195,513	153,588
Credit Valuation Adjustment (CVA)	63	371	63	371
TOTAL RISK EXPOSURE AMOUNT	4,388,017	4,414 592	4,403,097	4,428,395

The Bank/Group has established an internal capital adequacy assessment process, where other except under Pillar 1 risks assessed as material for the Bank (concentration risk, interest rate risk in the banking book) are quantified and additional internal capital under Pillar II for them is allocated.

40. RELATED PARTY TRANSACTIONS

The Bank/Group is controlled by the National Bank of Greece S.A. which owns 99.99% of the ordinary shares of UBB.

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions. The Bank/Group is managed by a Board of Directors, representing the major shareholders of the Bank/Group. The Bank/Group is related to the Management and employees of the group companies and its subsidiaries and associates and the other companies within NBG Group. A number of banking transactions are performed with related parties in the normal course of business. These include mostly loans and deposits. These transactions were carried out on commercial terms and conditions and at market rates.

As of December 31, 2015 and 2014 the Bank/Group has performed transactions with the following related parties:

Related parties	Type of relation
National Bank of Greece S.A.	Parent company
Interlease AD	Entity under control of Parent company
Stopanska Banka AD	Entity under control of Parent company
Finansbank A.S. (Group)	Entity under control of Parent company
Ethnodata S.A.	Entity under control of Parent company
NBG Management Services LTD	Entity under control of Parent company
ARC Management Two EAD	Entity under control of Parent company
NBG Securities S.A.	Entity under control of Parent company
NBG Cyprus Ltd	Entity under control of Parent company
Banca Romaneasca S.A.	Entity under control of Parent company
Vojvodjanska Banka a.d. Novi Sad	Entity under control of Parent company
NBG Bank Malta Ltd	Entity under control of Parent company
Banka NBG Albania Sh.a.	Entity under control of Parent company
UBB Asset Management AD	Subsidiary
UBB Insurance Broker AD	Subsidiary
UBB Factoring EOOD	Subsidiary
UBB Metlife Insurance Company AD	Associate company
UBB AIG Insurance Company AD	Associate company/Held for Sale*
DKU AD	Associate company
UBB Balanced Fund	Mutual funds managed by Subsidiary
UBB Premium Shares Fund	Mutual funds managed by Subsidiary
UBB Platinum Bonds Fund	Mutual funds managed by Subsidiary

** UBB AIG Insurance Company was reclassified as held for sale (see note 10A) on 31 December 2014.*

All amounts are in thousand Bulgarian Levs, unless otherwise stated

40. RELATED PARTY TRANSACTIONS (CONTINUED)

As of December 31, 2015 and 2014 the Bank outstanding balances are as follows:

Separate Related parties	Type of transaction	As of 31.12.2015	As of 31.12.2014
Parent company	Loans and advances to banks	1,313	11,179
Parent company	Deposits received	3,565	34,704
Parent company	Derivatives	141	(109)
Parent company	Subordinated term debt	101,814	152,762
Parent company	Other assets	736	-
Parent company	Other liabilities	1,018	-
Parent company	Amounts receivable on sale of assets	-	489
Parent company	Other liabilities	-	876
Parent company	Financial guarantees	2,739	-
Entities under control of Parent company	Loans and advances to banks	46,549	826,422
Entities under control of Parent company	Loans granted	186,442	84,234
Entities under control of Parent company	Other liabilities	54	5,782
Entities under control of Parent company	Deposits received	18,756	10,701
Entities under control of Parent company	Other receivables	4,184	4,956
Subsidiaries	Loans granted	17,084	13,965
Subsidiaries	Deposits received	3,710	2,443
Subsidiaries	Other liabilities	28	-
Associate companies	Deposits received	7,781	14,601
Associate companies	Other assets	945	537
Associate companies	Other liabilities	1,470	1,462
Held for Sale	Deposits received	3,238	3,946
Held for Sale	Other assets	400	378
Held for Sale	Other liabilities	1,470	-

As of December 31, 2015 and 2014 the Group outstanding balances are as follows:

Consolidated Related parties	Type of transaction	As of 31.12.2015	As of 31.12.2014
Parent company	Loans and advances to banks	1,313	11,179
Parent company	Deposits received	3,565	34,704
Parent company	Derivatives	141	(109)
Parent company	Subordinated term debt	101,814	152,762
Parent company	Other assets	736	-
Parent company	Other liabilities	1,018	876
Parent company	Amounts receivable on sale of assets	-	489
Parent company	Financial guarantees	2,739	-
Entities under control of Parent company	Loans and advances to banks	46,549	826,422
Entities under control of Parent company	Loans granted	186,442	84,234
Entities under control of Parent company	Other liabilities	54	5,782
Entities under control of Parent company	Deposits received	18,756	10,701
Entities under control of Parent company	Other receivables	4,184	4,956
Associate companies	Deposits received	7,781	14,601
Associate companies	Other assets	945	537
Associate companies	Other liabilities	1,470	1,462
Held for Sale	Deposits received	3,238	3,946
Held for Sale	Other assets	400	378
Held for Sale	Other liabilities	1,470	-

All amounts are in thousand Bulgarian Levs, unless otherwise stated

40. RELATED PARTY TRANSACTIONS (CONTINUED)

Income and expenses, realized by the Bank during 2015 and 2014 from deals with related parties are as follows:

Separate Related parties	Type of transaction	As of 31.12.2015	As of 31.12.2014
Parent company	Income from fees and commissions	7	21
Parent company	Interest expense	892	1,734
Parent company	Other income	706	967
Parent company	Other operating expenses	2,037	3,605
Parent company	Net trading income	(58)	-
Parent company	General administrative expenses	1,253	-
Entities under control of Parent company	Interest income	5,954	17,958
Entities under control of Parent company	Income from fees and commissions	314	1,500
Entities under control of Parent company	Expense from fees and commissions	-	415
Entities under control of Parent company	Interest expense	21	113
Entities under control of Parent company	Other income	-	1,994
Entities under control of Parent company	Other operating expenses	-	448
Subsidiaries	Interest income	420	69
Subsidiaries	Interest expense	77	436
Subsidiaries	Other operating expense	147	148
Subsidiaries	Income from fees and commissions	27	-
Subsidiaries	Expense from fees and commissions	1	-
Associate companies	Commission income	8,956	7,339
Associate companies	Interest expense	149	539
Associate companies	Cash Service costs	2,056	1,928
Associate companies	Third party remuneration and fees	4,656	3,778
Associate companies	Other operating expenses	415	421
Held for Sale	Income from commissions	1,156	-
Held for Sale	Expenses for interest	86	-
Held for Sale	Cost for external services	4,656	-

Income and expenses, realized by the Group during 2015 and 2014 from transactions with related parties are as follows:

Consolidated Related parties	Type of transaction	As of 31.12.2015	As of 31.12.2014
Parent company	Income from fees and commissions	7	21
Parent company	Interest expense	892	1,734
Parent company	Other income	706	967
Parent company	Other operating expenses	2,037	3,605
Entities under control of Parent company	Interest income	5,954	17,958
Entities under control of Parent company	Income from fees and commissions	314	1,500
Entities under control of Parent company	Expense from fees and commissions	-	415
Entities under control of Parent company	Interest expense	21	113
Entities under control of Parent company	Other income	-	1,994
Entities under control of Parent company	Other operating expenses	-	448
Associate companies	Commission income	8,956	7,339
Associate companies	Interest expense	149	539
Associate companies	Cash Service costs	2,056	1,928
Associate companies	Third party remuneration and fees	4,656	3,778
Associate companies	Other operating expenses	415	421
Held for Sale	Income from commissions	1,156	-
Held for Sale	Expenses for interest	86	-
Held for Sale	Cost for external services	4,656	-

All amounts are in thousand Bulgarian Levs, unless otherwise stated

40. RELATED PARTY TRANSACTIONS (CONTINUED)

The remuneration to Members of Board of Directors during the year consists of short-term employee benefits such as salaries and social insurance and health insurance contributions, annual paid leave and paid sick leave and bonuses.

The total amount of remuneration for 2015 is BGN 603 thousand. (2014: BGN 606 thousand).

Total amount of deposits and current accounts of BD members and their close family (domestic partner, children and dependents), is BGN 1,274 thousand and the amount of loans is BGN 167 thousand.

The items in the consolidated income statement are as follows: Interest and commission income – BGN 77 thousand, Interest and commission expenses – BGN 33 thousand.

Subsidiary and associated companies included in the separate financial statements.
Transactions between UBB, its subsidiaries (UBB Factoring, UBB Asset Management and UBB Insurance Broker), associated companies (UBB Metlife Insurance Company AD and Drujestvo za Kasovi Uslugi AD) and mutual funds managed by UBB Asset Management (UBB Balanced Fund, UBB Premium Shares Fund and UBB Platinum Bonds Fund) are related mainly to fees and commissions for the main activity of the entities and to maintaining of deposits and current accounts.

Associated companies included in the consolidated financial statements.
Transactions between UBB, its associated companies (UBB Metlife Life Insurance Company and Drujestvo za Kasovi Uslugi AD) and mutual funds managed by UBB Asset Management (UBB Balanced Fund, UBB Premium Shares Fund and UBB Platinum Bonds Fund) are related mainly to fees and commissions for the main activity of the entities and to maintaining of deposits and current accounts.

The Bank/Group participates in Mutual funds managed by UBB Asset Management as follows:

Shares in mutual funds managed by the subsidiary UBB Asset Management	As of 31.12.2015	As of 31.12.2014	As of 31.12.2015	As of 31.12.2014
	Separate	Separate	Consolidated	Consolidated
UBB Balanced Fund	2,401	2,475	2,401	2,475
UBB Premium Shares Fund	2,021	2,094	2,021	2,094
UBB Platinum Bonds Fund	1,523	1,495	1,523	1,495

41. INFORMATION BASED ON REQUIREMENT OF ART. 70 § 6 FROM LAW FOR CREDIT INSTITUTIONS

The Bank holds a bank license granted by the Bulgarian National Bank to take deposits in local and foreign currency, trade with foreign currencies, trade with and invest in treasury bonds and other securities and perform other banking operations. The Bank does not have subsidiaries and branches located outside Bulgaria. The subsidiaries are operating in insurance brokerage, assets management and factoring line of business. The Bank/Group has not received any government grants as of December 31, 2015. The separate and consolidated performance is presented below:

As at December 31, 2015	Geographical location	Size of the turnover	Equivalent number of full-time employees	Financial result before tax	Taxation	Return on assets obtained as the ratio of net profit to total assets
Bank	Bulgaria	356,819	2,637	54,054	(5,147)	0.75%
Group	Bulgaria	359,378	2,692	56,427	(5,417)	0.78%

All amounts are in thousand Bulgarian Levs, unless otherwise stated

41. INFORMATION BASED ON REQUIREMENT OF ART. 70 § 6 FROM LAW FOR CREDIT INSTITUTIONS (CONTINUED)

As at December 31, 2014	Geographical location	Size of the turnover	Equivalent number of full-time employees	Financial result before tax	Taxation	Return on assets obtained as the ratio of net profit to total assets
Bank	Bulgaria	341,352	2,498	84,868	(8,582)	1.16%
Group	Bulgaria	342,545	2,548	86,429	(8,986)	1.18%

42. EVENTS AFTER THE REPORTING PERIOD

In November 2014, the Board of Directors of UBB decided to proceed, jointly with AIG Central Europe & CIS Insurance Holding Corporation and Ethniki Insurance, with the sale of UBB AIG Insurance Company AD. The sale has been finalized on January 4, 2016.

There are no other significant events after the end of the reporting period which require additional adjustments and/or disclosures in the financial statements of the Bank/Group.