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UNITED BULGARIAN BANK AD

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

December 31, 2014

Unofficial translation from Bulgarian

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SEPARATE AND CONSOLIDATED REPORT ON THE ACTIVITIES

FOR 2014

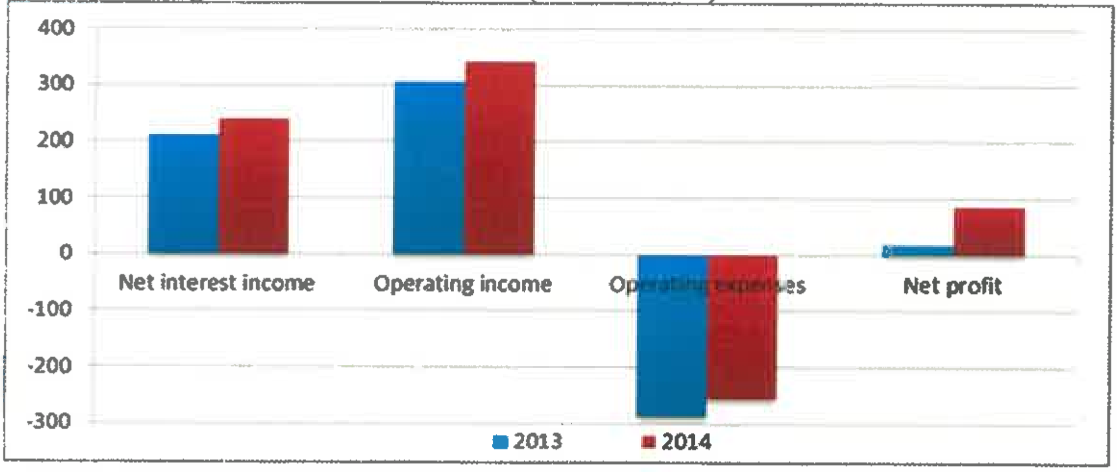
ANNUAL REPORT ON ACTIVITIES
OF
UNITED BULGARIAN BANK AD (UBB)
ON INDIVIDUAL AND CONSOLIDATED BASIS
AS OF DECEMBER 31, 2014
(In accordance with Article 33 Law of Accountancy)

I. REVIEW OF UBB's ACTIVITIES IN 2014

1.1. FINANCIAL PERFORMANCE

2014 was one of the hardest years for the Bulgarian banking sector since 1997. The year was marked by the liquidity crisis during the summer, which was felt by several banks, and one of them - Corporate Commercial Bank (CCB), finally remained without a license, after being for more than four months under special supervision by the Bulgarian National Bank (BNB). In a very short time the system lost the confidence of depositors, but very quickly regained it considering the amount of savings in banks, which at the end of Q3 2014 increased compared with that in May (the last month before the placement under special supervision of the CCB and Commerce Bank "Victoria"). In 2014, UBB managed to increase profits despite the panic in the sector during the summer months, due to the state of Corporate Commercial Bank (CCB), the continued unsatisfactory credit growth and the resilient high share of bad and restructured loans in the banking sector (18.8% in total, including 18% in household sector and 19.2% in corporate sector). Additionally, UBB being the largest bank representing ownership of the Greek banking community in Bulgaria had to compensate for the severe economic crisis in Greece by creating additional capital and liquidity buffers. Furthermore, in 2014 UBB's Board of Directors continued to direct its focus and efforts on problematic loans and in achieving additional liquidity from the local market through the expansion of the Bank's deposit base. At the end of 2014 UBB recorded a profit before tax of BGN 84.9 million compared to BGN 18.7 million at the end of 2013, which represents an increase over 3.5 times yoy. On a consolidated basis the profit before tax of the Bank increased almost 3 times and reached BGN 86.4 million at the end of 2014. UBB's financial result was affected by significant growth in net interest income (13.3% yoy), net income from fees and commissions (5.5% yoy for the Bank and by 6.3% yoy on a consolidated basis) with the simultaneous contraction of administrative costs (by almost 3% for the Bank and by 2.8% on a consolidated basis). Thus for a period of one year UBB achieved a return on assets (ROA) of 1.3% while return on equity (ROE) rose to 7.3%. In 2014 the Bank maintained one of the lowest Cost to Income Ratio of 43.2% within Bulgaria's banking sector.

Net Operating Income and Net Profit (BGN million)



Net interest income

In 2014 UBB reported net interest income of BGN 240.0 million (compared to BGN 211.8 million in 2013) or an increase of 13.3% 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 expansion activity in the banking sector and on the other the Bank drastically reduced the interest rates on its deposit products.

	2013 BGN '000	2014 BGN '000	Change (%, y/y)
Interest income	378 248	350 708	(7.3)
Interest expense	(166 492)	(110 704)	(33.5)
Net interest income	*211 756*	*240 004*	*13.3*

Lending interest income of the individuals decreased by 22.4% yoy and amounted to BGN154.4 million. Interest income on loans to companies amounted to BGN 130.9 million and decreased by 13.4% yoy. Interest income on financial institutions decreased by 8.7% yoy. Interest income from loans and advances to banks increased by 512.6% and at the end of 2014 amounting to BGN 15.8 million. Interest income arising from financial assets at fair value through profit or loss amounted to BGN37.8 million and increased by 1.7 times yoy. Interest income originating from securities available for sale recorded a growth of 5.3% and amounted to BGN 8.6 million. Total amount of interest income declined by 7.3% yoy.

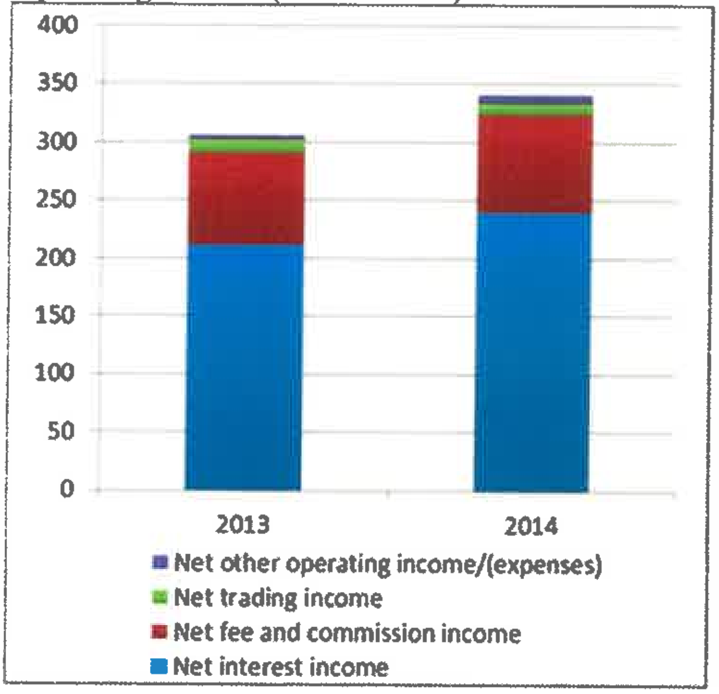
Interest expense decreased by 33.5% yoy and at the end of 2014 amounted to BGN 110.7 million, mainly as a result of the policy of reducing the cost of funding to individual and corporate customers of the Bank. Interest expense on borrowings from other banks amounted to BGN 0.2 million. Interest expense on borrowings from individual customers amounted to BGN 88.4 million and decreased by 28.8% yoy. For the same period, the interest expense on deposits from non-banking financial institutions decreased by 42.6% and amounted to BGN 5.6 million. Interest expense on corporate deposits amounted to BGN 11.5 million and decreased by 53.1% yoy. Interest expense on credit lines amounted to BGN 3.3 million and decreased by 44.2% yoy. At the end of 2014 the cost of borrowed subordinated debt amounted to BGN 1.7 million and declined by 18.2% yoy.

Net fee and Commission income
UBB's net income from fees and commissions totaled BGN 83.2 million compared to BGN 78.9 million at the end of 2013 and registered a growth of 5.5% yoy. For the same period net income from fees and commissions on a consolidated basis amounted to BGN 87.1 million compared to BGN 82.00 million at the end of 2013, growing by 6.3% yoy and reflects the direct effect of the activities of the subsidiaries and associates of the Bank. In 2014, revenue from fees for operating the transfers and cash transactions amounted to BGN 17.5 million and grew by 3.7% yoy. Income from fees for servicing deposit accounts amounted to BGN 26.9 million and increased by 7.4% yoy. Income from fees on debit and credit cards, amounted to BGN 21.6 million, decreasing by 3.4% yoy. In 2014 the Bank was challenged by the amended Consumer Credit Act, which by the end of July 2014 prohibits the institutions to collect and charge some fees for granting and management of loans and generally limited credit activity in the corporate sector. Nevertheless, at the end of 2014 income from fees and commissions on loans and advances to customers increased by 8.5% yoy and reached BGN 8 million. Revenues from commissions on guarantees and letters of credit increased by 14% yoy and amounted to BGN 3.5 million. An increase in revenues from other fees and commissions is evident (9.1% yoy), which at the end of 2014 amounted to BGN 10.2 million. At the same time the decrease in UBB's fees and commissions expenses by 14.6% yoy is a key factor in creating the uptrend in net income from fees and commissions. At the end of 2014 UBB's total fees and commissions expense amounted to BGN 4.5 million.

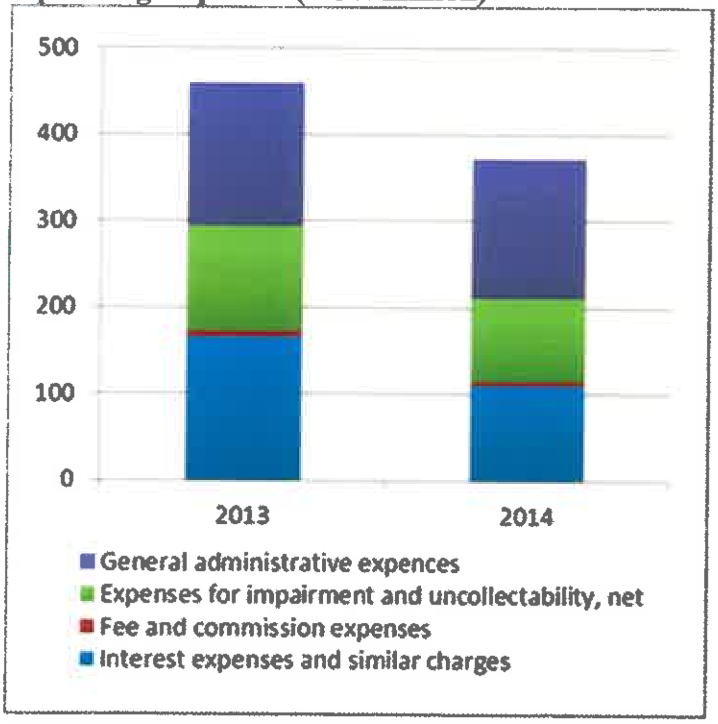
On a consolidated basis at the end of 2014, revenues from *other fees and commissions* increased by 12.6% yoy to BGN 14.6 million. The total revenue from fees and commissions on a consolidated basis amounted to BGN 92.1 million and increased by 5% yoy. Furthermore, on a consolidated basis the fees and commissions expenses decreased by 12.8% yoy and amounted to nearly BGN 5 million.

Net trading income
At the end of 2014, net trading income amounted to BGN 10.5 million and decreased by 5.9% yoy. Total revenue from trading amounted to BGN 8.3 million and grew by 3.5% yoy. The largest contribution in this position is the gain on foreign exchange, which at the end of the year amounted to BGN 12.5 million and increased by 17.7% yoy. Net income from interest rate instruments amounted to BGN 2.2 million and decreased by 30.3% compared to the same period of 2013.

Operating Income (BGN million)



Operating Expenses (BGN million)



General and administrative expenses

In 2014, UBB's general administrative expenses contracted by 3.0% yoy and reached BGN 160.2 million. During the year the Bank continued to consistently apply a program to "optimize" administrative costs. This way the decline on an annual basis in the administrative expenses is as follows: 18.2% in depreciation and amortization, 15.9% in rental expenses, 6.2% for duties and taxes, 22.3% for fees and charges for third parties, 28.4% for telecommunications, 14.4% for insurance costs, 9.4% for expenditure on consumables, 13.8% decline in expenses for business trips and 22.4% reduction in other expenses (audits, consulting, legal fees). UBB's annual personnel costs increased by 2.5%.

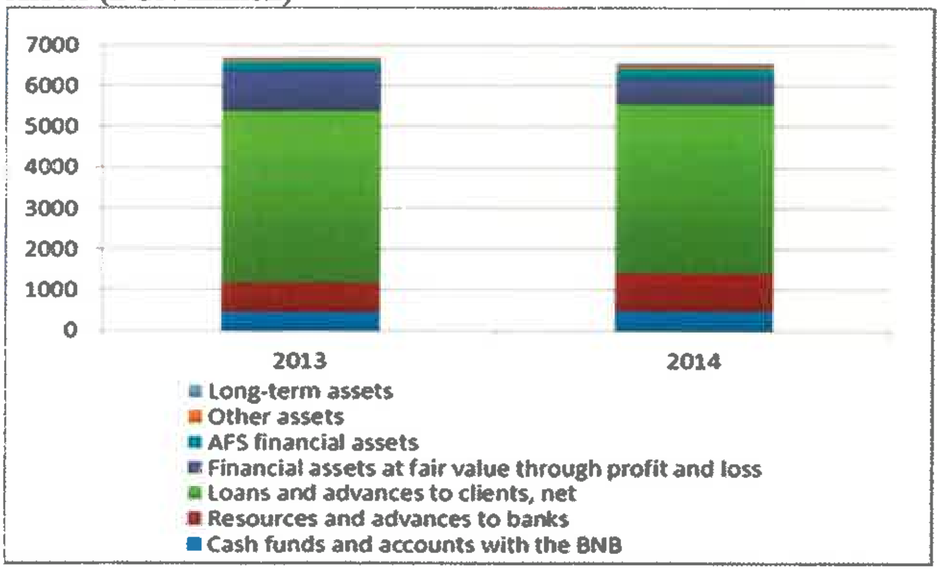
On a consolidated basis general administrative expenses for 2014 decreased by 2.8% yoy and reached BGN 162.4 million. During the year, the effect of the Bank's optimization of administrative expenses is also reflected in the results of subsidiary and associated companies. As a result of this the decline on an annual basis in administrative expenses on a consolidated basis is as follows: 18.1% in depreciation and amortization, 15.9% in rental expenses, 5.9% for duties and taxes, 22.2% for fees and charges for third parties, 28.4% for telecommunications, 14.4% for insurance costs, 9.2% for expenditure on consumables, 13.2% of expenditure on business trips and 20.9% in other expenses (audits, consulting, legal fees). For the year ended 2014 personnel costs on a consolidated basis increased by 2.8%.

Net charge for impairment
For the year end 2014 UBB's net impairment expense decreased by 21.3% to BGN 96.2 million compared to BGN 122.3 million in 2013. The highest decline is reported in impairment charges of loans and advances to customers by 36.3% yoy. There was 74.5% yoy reduction in the recovery of previously written-off debt and 50.9% yoy reduction in the impairment of investment securities available for sale.

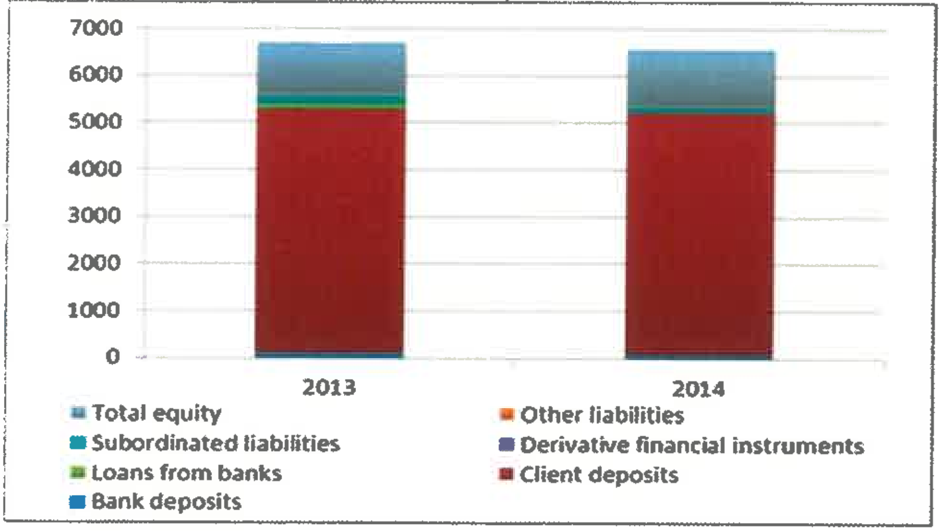
On a consolidated basis, net charge for impairment decreased by 21.1% yoy to BGN 96.4 million compared to BGN 122.3 million in 2013.

ASSETS AND LIABILITIES
At the end of 2014 the UBB's total assets decreased by 2.2% yoy, reaching to BGN 6,570 million compared to BGN 6,715 million in 31.12.2013. 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 2014, consolidated assets reached BGN 6,575 million and decreased by 2.1% yoy (2013: BGN 6,718 million).

Cash and cash equivalents

At the end of 2014 UBB's and consolidated cash and balances with the Central bank amounted to BGN 478.4 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-14	Jun-14	Sep-14	Dec-14
Minimum Required Reserve	386	437	283	295
Fulfillment (monthly average)	100%	101%	101%	102%

Due from banks

At the end of 2014 the net amounts due from banks amounted to BGN 923.2 million, increased by 28.1% yoy.
On a consolidated basis loans and advances to banks amounted to BGN 923.4 million, increased by 28.05% yoy.

Financial assets designated at fair value through profit or loss

At the end of 2014 UBB's and consolidated financial assets designated at fair value through profit and loss amounted to BGN 597.8 million and are allocated as follows: 94.7% in securities with a fixed interest rate and 5.3% in securities with floating interest rate.

Loans and advances to customers

In 2014 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 net loan portfolio declined by 1.9% 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 2014 the net value of loans amounted to BGN 4,148 million compared to BGN 4,229 million at the end of 2013. In 2014, high growth of unemployment and the contraction of the salary income of the population led to a decline in loans to households by 4.5% yoy. For the same period, loans in the corporate sector increased by 3.6% yoy amounting to BGN 2,906 million. In 2014 due to the persistently difficult economic environment the Bank continued to form high levels of provisions for loans. At the end of 2014 the loans classified without any delinquencies are 56.29% of the total portfolio. Specifically 8.61% are past due total and, up to 30 days – 5.44%, past due 30-60 days – 1.19%, past due 60-90 days – 1.43%, and past due 90-180 – 0.55%. The share of impaired loans amounted to 35.09%. In 2014 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 2014, the net amount of loans amounted to BGN 4,149 million compared to BGN 4,230 million in 2013, decreased by 1.9% yoy. For the same period, loans on a consolidated basis in the corporate sector increased by 3.6% yoy and amounted to BGN 2,908 million.

Financial assets available for sale
At the end of 2014 the Bank's and consolidated financial assets available for sale amounted to BGN 276.4 million and registered a 10% yoy increase. In structural aspect 83.6% of them are fix interest securities, 3.84% are floating interest securities and 12.6% are non-interest bearing securities.

Attracted resources and equity
At the end of 2014 UBB's amount of liabilities reached BGN 5,405 million compared to BGN 5,627 million at the end of 2013 registering a nominal decrease of 3.9% for one year period.
For the same period liabilities on consolidated base decreased by 3.96% yoy and amounted at BGN 5,403 million.

Deposits from banks
Funds deposited by banks declined by 2.3% yoy. At the end of 2014 the deposits from banks amounted to BGN 83.6 million compared to BGN 85.6 million at the end of 2013. Their relative share of total liabilities maintained a level of 1.5%.

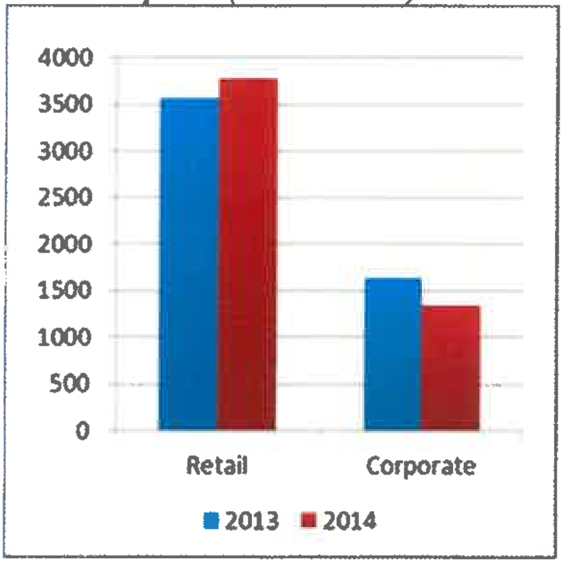
Deposits from customers
At the end of 2014 client deposits reached BGN 5,114 million compared to BGN 5,204 million at the end of 2013 and registered 1.7% yoy decline. During the year the deposits of individuals increased by 5.75% due to the offered promotions as well as to the attractive conditions of the individuals' segment. Deposits of non-bank financial institutions decreased by 69.9% yoy. Corporate deposits improved by 6.3% yoy. Deposits from government institutions and agencies declined by 33.7% yoy.

Deposits' Structure

Deposits from clients, BGN (000)	31.12.2014	31.12.2013	Change y/y (%)
Deposits of individuals	3 772 934	3 567 918	5.75
Deposits of non-bank institutions	142 951	475 140	-69.91
Corporates deposits	1 138 526	1 070 688	6.34
Deposits from government institutions	59 634	89 935	-33.69
TOTAL	5 114 045	5 203 681	-1.72

The deposits of individuals continued to dominate the structure of deposits, representing 73.8% 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 22.3%. The relative share of deposits from non-bank financial institutions deteriorated to 2.8% and the share of deposits from government institutions and agencies declined to 1.2%.

Clients Deposits (BGN million)



As of December 31, 2014 UBB has key market positions by holding 10.1% of retail deposits and 7.4% of the corporate deposits on the local market.

Bank Borrowings

At the end of 2014 Bank reports on separate and on consolidated basis BGN 30 million credit lines from banks. This is essentially a credit line from Bulgarian Development Bank (BDB). At the end of 2008 UBB signed an agreement with BDB for a loan of EUR 30 million for lending to companies in the private and municipal sector and pre-export financing. The contract has a fixed interest rate and maturity to December 2018. The obligation is secured by a pledge of receivables from final borrowers through funding provided under this agreement, with a total principal amount of BGN 30 million

Subordinated debt

At the end of 2014 the Bank recorded on a separate and a consolidated basis BGN 152.7 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 2014 amounts to BGN 1,165 million (2013: BGN 1,088 million).

On a consolidated basis, the total amount of shareholders equity is BGN 1,171 million at the end of 2014 compared to BGN 1,092 million reported at the end of 2013.

The total capital adequacy as of December 31st 2014, as per CRD IV regulatory framework amounts to 27.4% (based on total Regulatory Capital on individual basis at BGN 1,212 million and on consolidated basis at BGN 1,215 million) and Tier 1 capital adequacy amounts to 24.2%.

1.2. BUSINESS DEVELOPMENT

RETAIL BANKING

In 2014 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. The Bank's retail deposit portfolio grew by BGN 205 million, enhancing liquidity and reaching BGN 3,773 million at the end of 2014. Although the promotional lending activities by the major banks, the retail loans market recorded a decrease of balances. In 2014 UBB had 22% growth in the newly disbursed volumes from the consumer and mortgage lending disbursements, where the total retail loans year-end portfolio was BGN 2,118 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 2014 the process of upgrade of the mass debit product Maestro to Debit MasterCard has been initiated together with the launch of a new debit product for upper-mass customers. In terms of absolute figures, during 2014 the total portfolio of UBB's cards in circulation had constant growth in number of transactions i.e. 16.3 million on an annual basis, while the total volume of transactions surpassed BGN 2,2 million. Thus, throughout the whole year, the number of POS transactions of Bank's credit and debit cards business grew with 13%. In terms of cards servicing, UBB had 11% growth of the total POS turnover compared to 2013 and 13% increase in the gross income from those transactions. The focus in the area was the better usage of the POS and ATM network for key merchants and locations.

In 2014 UBB's Retail banking continued its focus on continuous development of innovative products and promotional campaigns in all retail categories in an environment of increased competition. Throughout 2014, the Bank continued to provide professional and inclusive banking services to its affluent customers. The access to premium bank products and services increased the number of customers of UBB Club and registered an increase in the deposit base of this segment. In mortgage lending, the Bank introduced a fixed interest rate offer for the first 3 years in BGN for the most demanded products and further improved the existing parameters. In the consumer lending area the attractive fixed interest rate consumer loan has been extended targeting mass segment and especially the walk-in customers. The existing parameters of the preferential groups were improved as was the Retention program. Throughout the year, the activities of the Bank were supported by constant promotional activities for both existing and new customers. In 2014, UBB continued to improve its credit cards business in two main directions – the development of contemporary services for cardholders as an added value for the customers and supplying a competitive product at a reasonable price and financial conditions. Most of the marketing activities carried out by UBB have been focused on the promotion of credit cards as a payment instrument and during the year our customers profited from a range of promotional campaigns related to usage of credit cards. The Multi Merchant Loyalty Program *"UWIN"* is gradually expanding and all UBB credit cardholders can benefit from the Bank's relationship with key merchants.

During 2014, UBB Bancassurance business strengthened its growth and increasing share as one of the main sources of non-interest income. For only 8 years after its establishment, after continuous upward trend, the life insurance company of the bank – UBB Alico moved to the Top 4 ranks of life insurance companies in Bulgaria for 2014 with 10% market share. With the biggest product contribution in the income are the long term saving programs, insurances bundled with credit products, bank cards and deposits. Promising start is registering in 2014 the new life insurance program for SME "Business Protection" providing employee benefits. The successful partnership with Bulstrad Vienna Insurance Group in the sales of car insurance as *"Motor TPL"* and *"Casco"* again is delivering growth through the unique possibility for UBB credit cardholders for 6 or 12 zero percent interest rate monthly installments.

PAYMENT PRODUCTS AND SERVICES

In 2014 the number of clients, registered for the e-banking service was 185,128, representing a growth of 9.5% y/y. 62% of the effected transfers were made through the e-banking channel. As at 2014 end the utility bills' payment service was actively used by 79,086 clients, with 150,860 registered consents for payment to companies, rendering utility services. In 2014 the Bank launched a new alternative channel for payment of utility bills and taxes – UPAY(www.ubbpay.bg) - which registered users at the year-end numbered 10,000. UBB's market share with regard to the realized payments through the Western Union fund transfer system in 2014 equaled 11%. In 2014 UBB installed 20 new ATMs with deposit functionality, through which their total number reached 60, thus maintaining the Bank's leadership position in the sphere of the offered service. In 2014 UBB's Call Centre continued its compliance with the highest standards for rendering customer services through alternative banking channels.

CORPORATE BANKING

In 2014 the main goal of Corporate Banking was to stabilize and diversify the income from corporate business in an environment, characterized by intense competition for a limited number of customers and declining interest income. In 2014 the gross amount of UBB's corporate portfolio /Small business loans excluded/ totaled BGN 2,884 million, encompassing financing of BGN 140.3 million to non-bank financial institutions, BGN 2,717 million to large corporate and SME clients and BGN 26.7 million to government institutions and agencies. The Corporate business generated for the Bank gross interest income on loans of BGN 134.8 million and total fees and commissions' income of BGN 3.4 million, while the provision cost was BGN 63 million.

In 2014 the Bank focused its efforts on funding the corporate credit portfolio through its increasing in terms of volume and improving in terms of price own liquidity. In addition to that, UBB continued to utilize and expand the opportunities for ensuring specialized resources for lending to Small and Medium enterprises in Bulgaria, in cooperation with international financial institutions, such as the European Investment Bank, the European Investment Fund and the European Bank for Reconstruction and Development. Taking into account the success of the JEREMIE guarantee scheme, which was practically launched in October 2012 and was fully utilized by March 2014, the Bank negotiated an additional guarantee scheme in the amount of EUR 15 million with drawdown deadline by the end of Y2015.

In 2014 the International Finance Corporation (IFC, part of the World Bank Group) granted a USD 10 million trade finance line of credit to UBB. This was the first joint project between UBB and IFC, aimed at fostering the activities of export-import companies in Bulgaria through provision of access to trade finance instruments at preferential terms. Expectations are that the growth of the export-oriented sector will be crucial for Bulgaria, in an environment of limited growth on the domestic side and expected gradual recovery and increase in international trade volumes.

TREASURY ACTIVITIES

In 2014 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 2014 with a significant contribution to UBB's financial results, generating more than EUR 11.5 million net profit from overall activity. Additionally, UBB continued to maintain optimal Loans/Deposits Ratio at 81.1% as of end of 2014. Furthermore, UBB continues to keep its status as a self-financing financial credit institution, with independent liquidity from the parent bank.

INVESTMENT BANKING

In 2014 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 business and successful bond restructuring considering the unfavorable economic environment and the ability of individual issuers to overcome the financial crisis. In 2014 UBB performed the function of a trustee bank for the bondholders of 18 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 2014. Despite a decline in major indexes and competing with more than 45 investment intermediaries UBB maintained its client base and booked 60 new customers in its U-Broker stock trading platform. Depository services unit offers all services allowed under Bulgarian law to customers from all sectors of the Bulgarian capital market. Although most of the current customers limited their investment activity due to the ongoing economic crisis the unit managed to increase its customer base and attracted 11 new clients. Currently the bank has a portfolio of 78 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 2,2 million as at the end of 2014. 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 2014 UBB's "Information Technologies" Department successfully completed several significant projects. The E-mail system was migrated to the latest version (Microsoft Exchange 2013), which enable the size of users' mailboxes to be increased from 50 Mb to 1GB. Together with Microsoft Bulgaria a successful Proof of Concept (PoC) for Microsoft Rights Management (RMS) was done, allowing the protection of corporate documents and sensitive information. During the project the needed "Cloud" IT infrastructure was implemented, which will allow to apply the RMS solutions for the entire bank. U-PAY - electronic payment system utilities and tax liabilities, was put into operation.

HUMAN RESOURCES MANAGEMENT

In 2014 the process of development of UBB rules and policies related to the management of human resources (HR) with those of NBG Group continued. In order to harmonize the job descriptions in UBB with the NBG Group model a project for update of all job descriptions was realized, which included over 600 positions. In order to optimize the Bank document flow functionality for e-management and e-signature was developed for the processes of leaves request and approval and performance appraisal. In 2014 a Disciplinary Sanctions Committee started working in UBB as a specialized body for violation of labour discipline. UBB employees participated in different types and forms of training in 2014. For Head Office (HO) structured trainings aimed at maintaining timely information on legislative and regulatory changes, improving the security of information, advancing the expertise in areas of direct relevance to project initiatives and strategic objectives of the Bank.

Employees of the corporate segment in Branch network (BN) went through specialized business trainings on financial analysis, credit proposal structuring and sales skills, presented by Small and Medium Business and Specialized Programmes Department. In relation to the project for business development with clients from the newly established segment Microbusiness Branch managers of branches type 1 participated in training provided by Sales Retail Banking Department about products, services and systems for this segment. Security and Guarding Department and Operations Department held together training *"Cash management, security when working with cash, armed robberies, internal and external frauds"* for all employees of retail segment working on cash desk. A differentiated approach of training was developed and introduction into the specifics of the position for new employees on all positions as well as managers in BN. The E-learning system won recognition as a tool for internal bank trainings allowing the training of employees to start from the day of appointment, continue throughout the whole period of work at UBB and be monitored by specialized electronic tests. To measure the effectiveness of training activities in 2014 feedback surveys, interviews with lecturers, participants and their managers were used, the analysis of which showed high satisfaction with the trainings. In 2014 HRM department actively cooperated for the realization of training activities for UBB subsidiaries. Throughout the year the active development of UBB Traineeship programme continued and 150 out of more than 1,000 candidates conducted traineeship in different structures and 16 of them were hired at different positions in Branch Network and Head Office. The Programme for long-term traineeship in the corporate segment was prolonged, aiming at a more thorough initial practical training for young people with economic education, interested in corporate banking to start working in this segment at the Bank.

BANKING REGULATORY CONTROL

Corporate governance

As part of its long-term objectives, UBB is committed to the principles and implementation of good corporate governance. The Bank recognizes the valuable contribution that strong corporate governance makes to business prosperity and to ensuring accountability to its stakeholders, especially in view of the events on the international financial markets. The Board of Directors ensures that the bank is managed in a way which maximizes long-term shareholders' value and which takes into account the interests of all stakeholders. In accordance with the *"Corporate Governance Programme"*, approved in 2003, the Bank has established an active and transparent process of strategic decision making. On the basis of this a new Corporate Governance Framework was developed and currently is in the process of discussions and coordination. The Code of Ethics of UBB, as wells as its policies and working procedures clearly define and handle the prevention of conflicts of interest. In 2014 the Bank invested additional efforts and resources to ensure the effective management of any potential or real conflict of interests. In 2014 the Audit Committee, whose members are independent experts in finance, banking and law, continued its activity. The Committee held meetings in a two-month period where assessed the control systems and control processes within the Bank.

The Board of Directors

Directors of the Bank play an essential role in the strategic decision making processes in the Bank. During 2014 Mr. Anastasios Lizos was reelected as a member of the Board of Directors, for a period of 3 years.

Communication with Shareholders

The Bank is committed to the equitable treatment of all its shareholders. 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 the performance and progress of the Bank. The General Meeting of Shareholders provides an opportunity for shareholders to ask questions to the 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 in the interest of a sound and stable banking sector.

Performance Reporting and Internal Financial Control

The Board's report on the performance and prospects of the Bank is included in this Annual Report. The Board acknowledges that it has ultimate responsibility for ensuring that the Bank has appropriate financial control systems. The objectives of these systems are to provide reasonable assurance of:

- 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, and
- 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 works with financial and other authorization limits and procedures for approving capital expenditure. The Board of Directors approves strategic plans and detailed annual budgets and reviews monthly performance against these budgets. The Internal Audit monitors the internal financial control system across all branches and departments of the Bank and reports directly to the Board of Directors. A functioning procedure through which all Bank's employees can raise issues concerning incorrect representation of accounting information or information on the basis of which the independent financial audit takes place or reports to the supervisory bodies are established.

SPONSORSHIP AND CORPORATIVE SOCIAL RESPONSIBILITY

In 2014 UBB continued to develop its sponsorship and corporate social responsibility policy in accordance with the overall corporate vision which aimed at promoting and encouraging the arts and culture, science and sport, as well as supporting the vulnerable groups in our society. UBB also developed even more substantial regional sponsorship program. UBB's 2014 sponsorship and CSR overall expenses amount to EUR 150,000. The main fields of CSR activities during the year were directed toward:

- **Cultural projects:**

- **"March Music Days", Rousse:** In 2014 UBB's partnership with one of the oldest festivals in Bulgaria was celebrated for the 11th time. Once again the event was a cultural center of the world's most brilliant artists, to which lovers of classical and modern music showed a strong interest.

- **Partnership with the Sofia Opera and Ballet with the presenting of the opera *"Boris Godunov"* and *"Opera in the Park"*:** With UBB's support in 2014 Sofia Opera and Ballet realized one significant project – the presenting of the opera *"Boris Godunov"* in the open square in front of the *"St. Alexander Nevsky"* Cathedral. For the second year in a row UBB was a partner of the Opera and its initiative to give the audience a valuable cultural experience – "Opera in the Park". The one-month summer event once again welcomed fans of classical music and ballet in the park of the Military Academy *"G.S. Rakovski"* in Sofia.

- **International Theatre Festival "Varna Summer":** In 2014, UBB was a pillar of strength to the Festival for the ninth consecutive year - a fact which the Bank actively communicated. The Festival again impressed the audience with classical performances, as well as impressive interpretations and interactive performances. They went outside the theater halls and turned Varna into a big scene, to which the festival was presented.

- **Apollonia Festival:** UBB marked the 20th anniversary of the partnership with the Festival of Arts in Sozopol. As usual, the Bank was the general partner of the event, organizing the traditional jazz music club *"Stage UBB/Club Apollonia"* for true fans and the best young performers. In the anniversary year UBB honored the organizers of *"Apollonia"* with a statuette in appreciation of the longstanding partnership. Traditionally, the Bank presented its annual award for successful Bulgarian artist, and for the youngest visitors of the Apollonia Festival again organized school *"Photography for the little"*.

- **International "Crossroad Scene Festival"**: The 18th edition of the Festival in Plovdiv again welcomed UBB in the so called *"sponsor societe"*. Again, in 2014 the Bank supported the implementation of the international event as well as its active promotion. UBB awarded with a prize one of the most inspiring performances included in the Festivals' program - the play *"Yerma"*, which was played under the Bank's auspices.

- **NATFA**: In 2014, the young talents from the National Academy of Theater and Film Arts again received the help of UBB, as this year it was focused on the implementation of an intensive workshop - "First steps in cinema", which was held in Yundola and welcomed the first-year students of the Academy. The ten-day initiative brought together the Bank and the Academy in supporting the high start in education.

- **Children's Photo-atelier *"Photography for the little"*:** For the second time UBB supported the children's school "Photography for the little" - initiative, for the children who are interested in photo shooting, which proved successful. During the past year, the project of the photographer Alberto Staykov again ended with a formal ceremony, where the young participants were awarded with certificates of excellence in photography. At the ceremony UBB was again awarded with a certificate of prominent sponsors of the project.

- **Sports**

- **Tennis tournaments for children:** UBB actively directed its attention to supporting the conduction of three children's tennis tournaments – a tournament for the private schools, regional tournament for children under the age of 12 and Masters Tournament for all children-champions of regional competitions. The events took place under the motto *"For the awards UBB"* and were widely reported in the national media. The children who demonstrated sporting achievements were awarded by the Bank's representative. Moreover, UBB used the opportunity to emphasize on its responsibility as a responsible member of society for the children's healthy development and the necessity for active sports.

- **Support for Science**

- **National Museum of Natural Studies:** In 2014, with the financial support of UBB, The National Museum of Natural Studies carried out paleontological excavation, conducted by the Museum's team of scientists. The project was announced properly in the academic society and Bank was noted as one of the leading patrons of the museum.

- **Regional sponsorships**

- In 2014 UBB supported financially nearly 40 regional events which were with significant local importance. Among them were the celebrations of festivals in several towns such as Peshtera, Smolyan, Petrich, Pazardzhik, Belovo and many others. The Bank also supported the happening of cultural events, sports events, music festivals, performances of children's theatre companies and others.

- **Charity**

- **Association "United for charity":** In 2014 The Association *"United for charity"* continued to develop its noble goals, taking into account the extremely good results - funds collected from memberships and donations from employees amounted to almost EUR 60,000 and EUR 3,000 were collected from additional campaigns. Traditionally was organised the annual competition for art works of employees and their children - *"My family is drawing"*. Results from it were presented at an exhibition in the Training Puppet Theatre of NATFA, where everyone could buy paintings in favour of the Association. Reproductions of the winning pieces were again included in calendars, which were presented for charity sale. Shortly before the Christmas holiday the Bank successfully organized another initiative - culinary charity bazaar, which the employees met with a great deal of interest. The funds were again collected in support of the Association and its noble missions.

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. A biding offer was received in 16th January 2015. The sale is expected to be completed within the last quarter of 2015. As the Management of UBB is committed to the sale of UBB-AIG Insurance Company AD, and the sale is expected to be completed within the next twelve months, the aforementioned joint venture has been reclassified as at December 31, 2014 to “Non-current assets held for sale”.

III. UBB’s FUTURE DEVELOPMENT IN 2015

Macroeconomic Assumptions

1. 0.8% economic growth according the last forecast of the Ministry of Finance, taking into account the negative impact of the crisis in Ukraine and the recession in the countries - major trade partners from the EU;
2. Limited growth in lending on an annual basis - of 2% for retail loans and 3% for corporate loans;
3. Expected growth of the deposit base in household deposits by 6% yoy and in corporate deposits by 4% yoy;
4. Expectations of very low average inflation of 0.1%, driven by the the long period of deflation;
5. Minor changes in the yield of interest rates (1,200 - 800 basis points in consumer and mortgage loans; 800-700 basis points for corporate loans). The yield on deposits is expected to be in the range of 400-300 basis points, respectively, in the segment of households and corporate;
6. A Currency Board arrangement with a regime of fixed exchange rate for BGN/ EUR: 1.95583.

Key Business Objectives:

Due to the ongoing instability in Greece and unpredictable development of the macroeconomic environment, which for Bulgaria is further complicated by the crisis in Ukraine, the main focus of UBB in 2015 will be directed to:

1. **Liquidity and strong capital position**. In the context of this challenging environment the development of the deposit base of the Bank will be crucial. Management will be focused on this to ensure adequate liquidity for the Bank.
2. **Asset quality.** In terms of lending the Bank will focus on improving the quality of the loan portfolio, collection and restructuring.
3. **Costs**. Cost optimization remains a priority for the Bank. In this respect, the objectives are focused on identifying new opportunities for cost minimization, providing conditions for business development.

4. **Recovery of market positions.** The Bank will be much more active in the credit market to gradually recover its leading position in the Bulgarian banking sector.

Exposed strategic measures aim to ensure sustainable position of UBB, even under the most unfavorable macro-economic scenario, the Bank to continue to be profitable at the end of 2015.

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

Information under Art. 187 "d"

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 31.12.2014, 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 31.12.2014, 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	75,964,082

Information under Art. 247

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 2014 was BGN 606 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	31.12.2013	31.12.2014
Stilian Petkov Vatev	210 shares	210 shares
Total:	*210 shares*	*210 shares*

No shares were acquired or transferred by the 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
Bankservice AD Board of Directors' member
Interlease Board of Directors' Chairman
Interlease Auto Board of Directors' Chairman
UBB – Alico Life Insurance Company, Chairman of the Board of Directors
UBB – AIG Insurance Company (UBB - AIG), Chairman of the Board of Directors
Insurance Broker Board of Directors' member
Representative of the Association of Banks in Bulgaria in European Payment Council

Radka Ivanova Toncheva
Company for Cash Services Board member
Member of the Board of Foundation "Atanas Burov"

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 2014 the total number of UBB branch network structural units is 199, including:

- 125 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;
- 9 Business Centers - specialized structural units, profiled in servicing SME business customers;
- 21 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 31.12.2014 amounted to BGN 5,025 million (BGN 5,026 million on consolidated basis). As of the same date, the total amount of impairment (IFRS provisions) was BGN 877 million or 17% 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 419 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* and *Retail Credit Risk Policy*, two 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.

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.

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 (except exposures below BGN 100 thousand), 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, agriculture, food and beverage production, real estate and construction.

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 credit expansion, especially in the years 2007 and 2008 and the recent but continuing economic crisis have affected negatively the credit portfolio quality. Recently the Portfolio Quality (in terms of NPLs and NPL ratios) has stopped deteriorating, but effort is needed for recovering troubled loans The corporate NPLs have almost stabilized and there is a clear improvement in the area of collaterals' liquidation. In Retail the main risks remain: significant unemployment; still limited market opportunities and collateral liquidation options and a sizeable renegotiated portfolio.

Large part of the Bank's efforts continued to be dedicated to collection and restructuring of delinquent loans, however the Bank also focused 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 - public or internal - less favorable than Ba3 (Moody's) or BB- (S&P/ Fitch). 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 28% ratio of liquid assets to total liabilities and 30% ratio of liquid assets to customer deposits, as a result of increase in attracted funds from customers and reduced lending activity.

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 31.12.2014 amounted to BGN 4,760 million or 0.40% 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. 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.

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 2014 amounted to 2.3 % 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 Bank manages the interest rate risk in the banking book by evaluating the sensitivity of the economic capital to a parallel shift of the interest rates by 200 basis points.

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. The interest rate risk is measured separately for each of the main currencies, the Bank is exposed to.

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 an approved Operational Risk Management Framework (ORMF). 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 (BCP).*

Business Continuity Plan ("BCP")

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 a *Business Continuity Plan* 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

Separate basis

The capital, owned by UBB Group shareholders by the end of 2014 amounts to BGN 1,165 million (2013: BGN 1,088 million) and provides for maintaining capital adequacy over the Central Bank's regulations' requirements. The total capital adequacy as of December 31st 2014, as per CRD IV regulatory framework amounts to 27.4% (based on total Regulatory Capital on solo basis at BGN 1,212 million) and Tier 1 capital adequacy amounts to 24.2%.

Consolidated basis

The capital, owned by UBB Group shareholders by the end of 2014 amounts to BGN 1,171 million (2013: BGN 1,092 million) and provides for maintaining capital adequacy over the Central Bank's regulations' requirements. The total capital adequacy as of December 31st 2014, as per CRD IV regulatory framework amounts to 27.4% (based on total Regulatory Capital on consolidated basis at BGN 1,215 million) and Tier 1 capital adequacy amounts to 24.2%.

VII. ACTIVITY OF UBB's SUBSIDIARIES AND ASSOCIATE COMPANIES AS OF 31.12.2014

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

Transactions between UBB and UBB Asset Management, UBB Insurance Broker, UBB AIG Insurance Company, UBB Alico Life Insurance Company and mutual funds managed by UBB Asset Management (UBB Balanced Fund, UBB Premium Fund and UBB Platinum Fund) are related mainly with the maintaining of Deposits and Current accounts. The Bank has a stake of shares in Mutual funds managed by its subsidiary UBB Asset Management.

The Bank participates on separate and consolidated basis in mutual funds managed by its subsidiary UBB Asset Management as follows:

Shares in mutual funds, managed by subsidiary UBB Asset Management	31.12.2013	31.12.2014
UBB Balanced Fund	2,221	2,475
UBB Premium Shares Fund	1,774	2,094
UBB Platinum Bond Fund	1,460	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 with the exception of the event related to the sale of UBB-AIG Insurance Company AD. A biding offer was received in 16th January 2015. The sale is expected to be completed within the last quarter of 2015. As the Management of UBB is committed to the sale of UBB-AIG Insurance Company AD, and the sale is expected to be completed within the next twelve months, the aforementioned joint venture has been reclassified as at December 31, 2014 to "Non-current assets held for sale".

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 - ALICO 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
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 2014 the subsidiaries UBB Asset Management, UBB Factoring and UBB Insurance Broker, and the associates - UBB Alico Life 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 Alico Life 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

Radka Toncheva
Executive Director

27.03.2015

INDEPENDENT AUDITOR'S REPORT
AND SEPARATE AND CONSOLIDATED
FINANCIAL STATEMENTS
DECEMBER 31, 2014

Deloitte.

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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, 2014, 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, 2014, and of 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 article 33 of the Accountancy Act

Pursuant to the requirements of the Bulgarian Accountancy Act, article 38, paragraph 4 we have read the accompanying Annual separate 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 a 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, 2014, 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 27, 2015.

Deloitte Audit

Deloitte Audit OOD

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

Sylvia Peneva
Statutory Manager
Registered Auditor

Sofia
March 27, 2015

SEPARATE AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2014

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Notes	As of 31.12.2014 Separate	As of 31.12.2013 Separate	As of 31.12.2014 Consolidated	As of 31.12.2013 Consolidated
ASSETS					
Cash and balances with the Central Bank	4	478,398	447,059	478,398	447,059
Due from banks	5	923,184	720,695	923,437	721,157
Loans and advances to customers, net	6	4,147,915	4,229,193	4,148,757	4,229,901
Financial assets at fair value through profit or loss	7	597,773	946,600	597,773	946,600
Derivative financial instruments	8	1,889	49	1,889	49
Financial assets available for sale	9	276,442	251,406	276,442	251,407
Investments in subsidiaries and equity method investments	10	6,636	8,719	8,535	10,046
Intangible assets	11	4,929	5,586	5,132	5,817
Property and equipment	11	40,910	49,246	40,947	49,301
Deferred tax assets	12	557	526	548	521
Other assets	13	90,138	56,112	90,571	56,312
Non-current assets held for sale	10A	1,488	-	2,175	-
TOTAL ASSETS		6,570,259	6,715,191	6,574,604	6,718,170
LIABILITIES					
Due to banks	14	83,630	85,590	83,630	85,590
Due to customers	15	5,114,045	5,203,681	5,111,691	5,201,952
Derivative financial instruments	8	1,127	72	1,127	72
Other borrowed funds	16	30,005	111,355	30,005	111,355
Subordinated liabilities	17	152,762	203,741	152,762	203,741
Current income tax liabilities		-	-	36	33
Retirement benefit obligations	18	8,582	7,719	8,582	7,719
Other liabilities	19	15,230	15,244	15,398	15,491
TOTAL LIABILITIES		5,405,381	5,627,402	5,403,231	5,625,953
NET ASSETS		1,164,878	1,087,789	1,171,373	1,092,217
SHAREHOLDERS' EQUITY					
Share capital	20	75,964	75,964	75,964	75,964
Retained earnings	22	1,076,715	1,000,428	1,081,647	1,004,470
Revaluation reserve	23	13,801	12,470	14,928	12,470
Defined benefit obligations	18	(1,602)	(1,073)	(1,602)	(1,073)
TOTAL EQUITY ATTRIBUTABLE TO UBB SHAREHOLDERS		1,164,878	1,087,789	1,170,937	1,091,831
Non-controlling interest		-	-	436	386
TOTAL EQUITY		1,164,878	1,087,789	1,171,373	1,092,217
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		6,570,259	6,715,191	6,574,604	6,718,170
Contingent liabilities and commitments	24	780,703	832,512	780,703	832,512

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

ОБЕДИНЕНА БЪЛГАРСКА БАНКА АД „СОФИЯ"

March 27, 2015

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

Sylvia Peneva
Registered Auditor
Date: March 27, 2015

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

SEPARATE AND CONSOLIDATED INCOME STATEMENT
For the year ended December 31, 2014
All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Notes	Year ended 31.12.2014	Year ended 31.12.2013	Year ended 31.12.2014	Year ended 31.12.2013
		Separate	Separate	Consolidated	Consolidated
Interest and similar income		350,708	378,248	351,318	378,766
Interest expenses and similar charges		(110,704)	(166,492)	(110,636)	(166,412)
Net interest income	26	240,004	211,756	240,682	212,354
Fee and commission income		87,694	84,080	92,087	87,690
Fee and commission expenses		(4,457)	(5,216)	(4,972)	(5,705)
Net fee and commission income	27	83,237	78,864	87,115	81,985
Dividend income		3,858	1,971	643	596
Net trading income	28	10,467	11,125	10,467	11,125
Net gains from financial instruments available for sale		2,141	-	2,141	-
Other operating income, net	29	1,645	2,374	1,497	2,269
Net allowances for impairment	30	(96,235)	(122,253)	(96,436)	(122,253)
General administrative expenses	31	(160,249)	(165,129)	(162,441)	(167,056)
Share of profit of equity method investments		-	-	2,761	2,649
PROFIT BEFORE TAXATION		84,868	18,708	86,429	21,669
Income taxes	32	(8,582)	(1,678)	(8,986)	(2,065)
PROFIT FOR THE YEAR		76,286	17,030	77,443	19,604
ATTRIBUTABLE TO:					
UBB equity shareholders		76,286	17,030	77,177	19,373
Non-controlling interest		-	-	266	231
Earnings per share – Basic and Diluted (BGN)	21	1.00	0.22	1.02	0.26

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

Stilian Vatev, CEO

ОБЕДИНЕНА БЪЛГАРСКА БАНКА АД „СОФИЯ"

Radka Toncheva, Executive Director

March 27, 2015

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

Sylvia Peneva
Registered Auditor
Date: March 27, 2015

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

SEPARATE AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2014

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Year ended 31.12.2014 Separate	Year ended 31.12.2013 Separate	Year ended 31.12.2014 Consolidated	Year ended 31.12.2013 Consolidated
PROFIT FOR THE YEAR	76,286	17,030	77,443	19,604
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	1,852	(1,816)	2,979	(1,816)
Impairment of financial assets available for sale	1,768	3,598	1,768	3,598
Net gains from financial assets available for sale transferred to P&L	(2,141)	-	(2,141)	-
Deferred Tax	(148)	-	(148)	-
Other	1	(3)	-	-
Items that will not be reclassified to profit or loss:				
Gains/ (losses) on defined benefit plans	(529)	630	(529)	630
Total other comprehensive income, net of tax	803	2,409	1,929	2,412
TOTAL COMPREHENSIVE INCOME, net of tax	77,089	19,439	79,372	22,016
ATTRIBUTABLE TO:				
UBB equity shareholders	77,089	19,439	79,106	21,785
Non-controlling interest	-	-	266	231

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

March 27, 2015

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

Sylvia Peneva
Registered Auditor
Date: March 27, 2015

SEPARATE AND CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2014
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, 2013	75,964	983,401	(1,703)	10,688	1,068,350
Profit for the period	-	17,030	-	-	17,030
Other comprehensive income for the period	-	(3)	630	1,782	2,409
BALANCE AS OF DECEMBER 31, 2013	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

Consolidated	Share capital	Retained earnings	Defined benefit obligations	Revaluation reserve	Total	Non-controlling interest	Total equity
BALANCE AS OF JANUARY 1, 2013	75,964	985,097	(1,703)	10,688	1,070,046	336	1,070,382
Profit for the period	-	19,373	-	-	19,373	231	19,604
Paid dividends	-	-	-	-	-	(181)	(181)
Other comprehensive income for the period	-	-	630	1,782	2,412	-	2,412
BALANCE AS OF DECEMBER 31, 2013	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

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

ОБЕДИНЕНА БЪЛГАРСКА БАНКА АД СОФИЯ

March 27, 2015

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

Sylvia Peneva
Registered Auditor
Date: March 27, 2015

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

SEPARATE AND CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2014

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Notes	Year ended 31.12.2014 Separate	Year ended 31.12.2013 Separate	Year ended 31.12.2014 Consolidated	Year ended 31.12.2013 Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit after taxation		76,286	17,030	77,177	19,373
Adjustments to reconcile profit after taxation to net cash provided by operating activities:					
Allowances for impairment for the period		96,235	122,253	96,436	122,253
Depreciation of property and equipment		11,446	14,155	11,468	14,180
Amortization of intangible assets		2,705	3,237	2,745	3,282
Accruals for staff obligations		334	387	334	387
Net (gains)/ loss on financial assets available for sale		(6,257)	11,058	(5,129)	11,058
Net (gains)/ loss on disposal of fixed assets		250	(219)	250	(219)
Interest expense on financing activities		4,952	7,931	4,952	7,931
Accrued income tax expense		8,418	1,698	8,716	1,711
Change in non-controlling interest		-	-	50	50
Income from dividends from subsidiaries and equity method investments		(3,215)	(1,376)	(2,485)	(2,382)
		191,154	176,154	194,514	177,624
Increase / Decrease in operating assets:					
Due form other banks		(42,272)	-	(42,272)	-
Loans and advances to customers		(64,548)	195,933	(64,883)	195,671
Financial assets at fair value through P/L		348,827	(475,752)	348,827	(475,752)
Derivative financial instruments assets		(1,840)	1,701	(1,840)	1,701
Other assets		8,862	29,915	8,242	29,879
Increase / Decrease in operating liabilities:					
Due to banks		(1,960)	33,201	(1,960)	33,201
Derivative financial instruments liabilities		1,055	(1,503)	1,055	(1,503)
Due to customers		(89,636)	445,877	(90,261)	446,201
Other liabilities		(14)	(85)	(93)	(362)
Income taxes paid		(1,745)	(1,772)	(1,650)	(1,772)
NET CASH FLOWS FROM OPERATING ACTIVITIES		347,883	403,669	349,679	404,888
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment		(3,369)	(3,319)	(3,369)	(3,345)
Purchases of intangible assets		(2,412)	(1,491)	(2,412)	(1,501)
Purchase of financial assets available for sale		(146,812)	(70,268)	(146,812)	(70,268)
Income from sale fixed assets		373	1,773	357	1,776
Increase/(Decrease) in share of equity method investments		595	-	(595)	-
Proceeds from sale and redemption of financial assets available for sale		128,721	10,514	128,721	10,514
Interest received and dividends from financial assets available for sale		643	595	643	595
Dividends received from subsidiaries and equity method investments		3,215	1,376	2,416	652
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(19,046)	(60,820)	(21,051)	(61,577)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayments of other borrowed funds		(84,651)	(82,685)	(84,651)	(82,685)
Repayments of subordinated liabilities		(52,630)	(52,945)	(52,630)	(52,945)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(137,281)	(135,630)	(137,281)	(135,630)
NET INCREASE IN CASH AND CASH EQUIVALENTS		191,556	207,219	191,347	207,681
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,167,754	960,535	1,168,216	960,535
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	1,359,310	1,167,754	1,359,563	1,168,216

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

March 27, 2015

ОБЕДИНЕНА БЪЛГАРСКА БАНКА АД „СОФИЯ"

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

Sylvia Peneva
Registered Auditor
Date: March 27, 2015

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, 2014 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) Panagiotis Georgios Karandreas, Board Member
4) Pavlos Konstantinos Mylonas, Board Member
5) Anastasios Nikiforos Lizos, Board Member
6) Konstantinos Antonios Bratos, Board Member
7) Theodor Valentinov Marinov, 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 2014 the Bank's operations were conducted through a Head Office located in Sofia and 178 branches and 21 offices throughout Bulgaria.

The number of full-time employees of UBB as of December 31, 2014 was 2,498 (2013: 2,475).

The number of full-time employees of the Group as of December 31, 2014 was 2,548 (2013: 2,525).

These separate and consolidated financial statements have been approved for issue by the Board of Directors on March 27, 2015.

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, 2014, there were no unendorsed standards effective for the year ended December 31, 2014, 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 3.18.

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.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

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 31.12.2014 and 31.12.2013:

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 AIG Insurance Company*	30%	Equity method of consolidation
UBB ALICO Life Insurance Company AD	30%	Equity method of consolidation

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

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 in the current period

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising *IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards. In the current year, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. The impact of the application of these standards is set out below.

Impact of the application of IFRS 10
IFRS 10 replaces the parts of *IAS 27 Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee; b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. There was no impact from the adoption of IFRS 10 in the financial statements.

Impact of the application of IFRS 11
IFRS 11, Joint arrangements focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. There was no impact from the adoption of IFRS 11 in the financial statements.

Impact of the application of IFRS 12
IFRS 12, Disclosures of interests in other entities includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, and structured entities that are not controlled by the entity. There was no impact from the adoption of IFRS 11 in the financial statements.

Impact of the application of IAS 27 (2011)
Amended version of IAS 27 now deals with the requirements for separate financial statements, which have been carried over largely unchanged from *IAS 27 Consolidated and Separate Financial Statements*. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements. The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IAS 39 Financial Instruments: Recognition and measurement. There was no impact from the adoption of the amended IAS 27 to the separate financial statements of UBB.

2. BASIS OF PRESENTATION (CONTINUED)

Application of IFRS (Continued)

Impact of the application of IAS 28 (2011)
This Standard supersedes *IAS 28 Investments in Associates* and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines "significant influence" and provides guidance on how the equity method of accounting is to be applied. It also prescribes how investments in associates and joint ventures should be tested for impairment. There was no impact from the adoption of the amended IAS 28 to the financial statements of the Group and the Bank.

Impact on the application of IAS 32 "Financial Instruments: Presentation" (Amendment)
These amendments provide clarifications on the application of the offsetting rules. There was no impact from the adoption of these amendments to the financial statements of the Group and the Bank.

Impact on the application of IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting" (Amendment)
These amendments provide relief from discontinuing hedge accounting when a derivative designated as a hedging instrument is novated to a clearing counterparty and certain conditions are met. The adoption of this amendment has no impact to the financial statements.

Impact on the application of IAS 36 (Amendments) "Recoverable Amount Disclosures for Non-Financial Assets"
These amendments remove the requirement to disclose the recoverable amount of assets or cash-generating units to which a significant amount of goodwill (or intangibles assets with indefinite useful lives) has been allocated in periods when no impairment or reversal has been recognized, to clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. There was no impact from the adoption of these amendments to the financial statements of the Group and the Bank.

IFRIC "Interpretation 21 Levies" (IFRIC 21)
IFRIC 21 clarifies that an entity recognizes a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. There was no impact from the adoption of this interpretation to the financial statements of the Group and the Bank.

New standards, amendments and interpretations to existing standards effective after 2014

- *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 in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 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 investments that are held within a business model whose objective is to collect the contractual cash flows, 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 of the financial asset 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. All other debt investments 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 at fair value through profit or loss, 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 fair value through profit or loss 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.
- 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 has not applied this standard and is currently evaluating the impact of IFRS 9 on the separate and consolidated 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.

- *IAS 19 (Amendments) Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014, as issued by the IASB).* 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 an impact on the Consolidated and Bank financial statements.

2. BASIS OF PRESENTATION (CONTINUED)

Application of IFRS (Continued)

- *IFRS 15 (new standard) Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2017 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
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- 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 has not applied this standard and is currently evaluating the impact of IFRS 15 on the separate and consolidated 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 11 (Amendments) Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016, as issued by the IASB).* 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 16 and IAS 38 (Amendments) Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016, as issued by the IASB).* The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. The presumption can only be rebutted in the following two limited circumstances: a) when the intangible asset is expressed as a measure of revenue; or b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated. Currently, the Group and the Bank use the straight-line method for depreciation and amortisation for their property, plant and equipment, and intangible assets respectively. Management believes that the straight line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets.

2. BASIS OF PRESENTATION (CONTINUED)

Application of IFRS (Continued)

- Annual Improvements to IFRSs 2010-2012 Cycle (effective for annual periods beginning on or after 1 July 2014). The amendments impact the following standards:
IFRS 2 - Amend the definitions of 'vesting conditions' and 'market condition' and adds definitions for ' performance condition' and 'service condition' which were previously included within the definition of 'vesting conditions'
IFRS 3 — 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
IFRS 8 — 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
IFRS 13 — 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 16 and *IAS 38* — Clarify that when an item of property, plant and equipment or an intangible asset is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after any impairment losses
IAS 24 — Clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity and how payments to entities providing management services are to be disclosed
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.

- Annual Improvements to IFRSs 2011-2013 Cycle (effective for annual periods beginning on or after 1 July 2014). The amendments impact the following standards:
IFRS 1 — Clarify that a first-time adopter is allowed, but not required, to apply a new IFRS that is not yet mandatory if that IFRS permits early application. If an entity chooses to early apply a new IFRS, it must apply that new IFRS retrospectively throughout all periods presented unless IFRS 1 provides an exemption or an exception that permits or requires otherwise (amends basis for conclusions only)
IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself
IFRS 13 — Clarify that the scope of the portfolio exception in paragraph 52 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".
IAS 40 — Clarify 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 determine whether (a) the property meets the definition of investment property in IAS 40 and (b) the transactions meets the definition of a business combination under IFRS 3.
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 27 (Amendment) Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016, as issued by the IASB). The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

2. BASIS OF PRESENTATION (CONTINUED)

Application of IFRS (Continued)

- *Annual Improvements to IFRSs 2012-2014 Cycle (effective for annual periods beginning on or after 1 July 2016).* The amendments impact the following standards:

IFRS 5 - The amendment clarifies that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', 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' 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 - 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 derecognize 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. A consequential amendment to IFRS 1 is included to give the same relief to first-time adopters.

(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 - 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.

IAS 34 - The amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment further amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective.

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.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Consolidated and Bank 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:

Currency	31.12.2014	31.12.2013
EUR	1.95583	1.95583
USD	1.60841	1.41902

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. 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9. 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.

3.10. 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.

3.11. 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.

3.12. 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12. Employee benefits (continued)

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.

3.13. 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.

3.14 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14. Assets and liabilities held for sale (continued)

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.

3.15. 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.

3.16. 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.

3.17. 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)

3.18. 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, 2014.

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 33.

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)

3.18. 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 31.12.2014	As of 31.12.2013	As of 31.12.2014	As of 31.12.2013
	Separate	Separate	Consolidated	Consolidated
Cash in hand	183,078	136,272	183,078	136,272
Mandatory reserve with the Central Bank	156,466	29,337	156,466	29,337
Current account with the Central Bank	138,854	281,450	138,854	281,450
TOTAL	478,398	447,059	478,398	447,059

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 31.12.2014	As of 31.12.2013	As of 31.12.2014	As of 31.12.2013
	Separate	Separate	Consolidated	Consolidated
Nostro accounts	20,625	24,005	20,625	24,005
Interbank placements	846,421	630,410	846,674	630,872
Other loans and advances to banks	56,138	66,280	56,138	66,280
TOTAL	923,184	720,695	923,437	721,157
Included in cash equivalents (note 25)	880,912	720,695	881,165	721,157

Other loans and advances to banks included the trade finance deals with maturity more than 1 year at the amount of BGN 42,272 thousand.

6. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis by type of customer

	As of 31.12.2014	As of 31.12.2013	As of 31.12.2014	As of 31.12.2013
Individuals:	Separate	Separate	Consolidated	Consolidated
Overdrafts	21,520	22,970	21,520	22,970
Credit cards	159,734	166,678	159,734	166,678
Mortgages	1,080,611	1,152,325	1,080,611	1,152,325
Consumer loans	856,328	875,614	856,328	875,614
	2,118,193	2,217,587	2,118,193	2,217,587
Corporate entities:				
Non-bank financial institutions	140,345	98,529	140,345	98,529
Corporate customers	2,739,425	2,681,603	2,740,468	2,682,311
Government and agencies	26,724	26,432	26,724	26,432
	2,906,494	2,806,564	2,907,537	2,807,272
TOTAL LOANS AND ADVANCES, GROSS	5,024,687	5,024,151	5,025,730	5,024,859
Less: allowance for impairment	(876,772)	(794,958)	(876,973)	(794,958)
LOANS AND ADVANCES TO CUSTOMERS, NET	4,147,915	4,229,193	4,148,757	4,229,901
Including loans pledged under Other borrowed funds (note 16)	11,223	42,223	11,223	42,223

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 31.12.2014	As of 31.12.2013	As of 31.12.2014	As of 31.12.2013
	Separate	Separate	Consolidated	Consolidated
Not later than 1 year	26,603	38,905	26,603	38,905
Later than 1 year but not later than 5 years	29,199	53,647	29,199	53,647
Later than 5 years	784	1,435	784	1,435
Gross investment in finance leases, receivable	56,586	93,987	56,586	93,987
Less: Unearned future finance income on finance leases	(3,830)	(7,714)	(3,830)	(7,714)
Net investment in finance leases	52,756	86,273	52,756	86,273

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

	As of 31.12.2014	As of 31.12.2013	As of 31.12.2014	As of 31.12.2013
	Separate	Separate	Consolidated	Consolidated
Not later than 1 year	24,428	34,952	24,428	34,952
Later than 1 year but not later than 5 years	27,573	49,967	27,573	49,967
Later than 5 years	755	1,354	755	1,354
Finance lease receivables	52,756	86,273	52,756	86,273
Allowance for uncollectible minimum lease payments receivable included in the provision for loan losses amounts to:	(95)	(110)	(95)	(110)

In 2013 the Bank has entered into an agreement to contribute funding Interlease AD on receivables under financial leases granted to third parties in the amount of BGN 116,236 thousand on the date of transfer of risk on these receivables.

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

	BGN'000	BGN'000
	Separate	Consolidated
BALANCE AS OF JANUARY 1, 2013	(720,858)	(720,859)
Allowances for impairment (Note 34)	(125,664)	(125,664)
Effect from expected cash flows from interests on non-performing loans	6,397	6,398
Loans and advances written off as unrecoverable	45,167	45,167
BALANCE AS OF DECEMBER 31, 2013	(794,958)	(794,958)
Allowances for impairment (Note 34)	(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)

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As of 31.12.2014	As of 31.12.2013	As of 31.12.2014	As of 31.12.2013
	Separate	Separate	Consolidated	Consolidated
Bulgarian government securities	529,664	333,652	529,664	333,652
Foreign government securities				
listed on official stock markets	12,502	93,769	12,502	93,769
Debt securities of foreign issuers				
listed on official stock markets	55,601	519,173	55,601	519,173
Shares				
listed on official stock markets	6	6	6	6
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	597,773	946,600	597,773	946,600

All amounts are in thousand Bulgarian Levs, unless otherwise stated

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

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 31.12.2014
Separate

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

As of 31.12.2013

Currency	Fixed interest	Floating interest	Non-Interest bearing	Total
BGN	207,764	25	6	207,795
USD	131,530	23,200	-	154,730
EUR	509,798	48,565	-	558,363
GBP	25,712	-	-	25,712
TOTAL	874,804	71,790	6	946,600

As of 31.12.2014
Consolidated

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

As of 31.12.2013

Currency	Fixed interest	Floating interest	Non-Interest bearing	Total
BGN	207,764	25	6	207,795
USD	131,529	23,200	-	154,729
EUR	509,799	48,565	-	558,364
GBP	25,712	-	-	25,712
TOTAL	874,804	71,790	6	946,600

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

As of December 31, 2014 securities that are pledged with the Central Bank for the purpose of serving as a collateral against the state funds deposited at the Bank/Group are at the amount of BGN 104,029 thousand (2013: BGN 138,954 thousand), and are at approximately the same carrying amount. Those which are pledged against Repo deals are at the amount of BGN 28,491 (2013: BGN 27,225 thousand).

All amounts are in thousand Bulgarian Levs, unless otherwise stated

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

The tables below present an analysis of Trading debt securities by rating agency designation as of December 31, 2014 and 2013, based on the lower rating of Moody's:

Rating	As of 31.12.2014 Separate	As of 31.12.2013 Separate	As of 31.12.2014 Consolidated	As of 31.12.2013 Consolidated
Aaa	-	-	-	-
Aa1 to A3	803	194,822	803	194,822
Baa1 to Ba3	595,921	628,292	595,921	628,292
Lower than Ba3	-	-	-	-
Unrated	1,049	123,485	1,049	123,485
TOTAL	597,773	946,599	597,773	946,599

8. DERIVATIVE FINANCIAL INSTRUMENTS

Separate	31.12.2014			31.12.2013		
	Contract/ notional amount	Fair value		Contract/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Foreign exchange OTC derivatives, incl.:						
Currency forward agreements	124,712	1,814	523	75,413	14	32
Currency swaps	341,851	75	437	8,784	35	26
Interest rate derivatives - OTC	3,129	-	167	3,129	-	14
TOTAL	469,692	1,889	1,127	87,326	49	72

Consolidated	31.12.2014			31.12.2013		
	Contract/ notional amount	Fair value		Contract/ notional amount	Fair values	
		Assets	Liabilities		Assets	Liabilities
Foreign exchange OTC derivatives, incl:						
Currency forward agreements	124,712	1,814	523	75,413	14	32
Currency swaps	341,851	75	437	8,784	35	26
Interest rate derivatives - OTC	3,129	-	167	3,129	-	14
TOTAL	469,692	1,889	1,127	87,326	49	72

The concluded contracts for derivative financial instruments include short-term currency forwards, currency swaps. During 2014 and 2013 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 31.12.2014 Separate	As of 31.12.2013 Separate	As of 31.12.2014 Consolidated	As of 31.12.2013 Consolidated
Bulgarian government securities	208,406	182,668	208,406	182,669
Corporate bonds				
Listed on official stock markets	27,746	31,097	27,746	31,097
Unlisted	5,563	5,779	5,563	5,779
	33,309	36,876	33,309	36,876
Equity securities available for sale - at fair value				
Equity securities in local entities				
Unlisted	5,447	5,447	5,447	5,447
	5,447	5,447	5,447	5,447
Equity securities in foreign entities				
Listed on official stock markets	11,004	8,747	11,004	8,747
Unlisted	12,213	12,213	12,213	12,213
	23,217	20,960	23,217	20,960
Equity shares in mutual funds and investment companies	6,063	5,455	6,063	5,455
TOTAL FINANCIAL ASSETS AVAILABLE-FOR-SALE	276,442	251,406	276,442	251,407

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

As of 31.12.2014
Separate

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 31.12.2013

Currency	Fixed interest	Floating interest	Non-Interest bearing	Total
BGN	49,797	-	16,298	66,095
USD	70,951	-	8,607	79,558
EUR	73,933	13,821	6,957	94,711
GBP	11,042	-	-	11,042
TOTAL	205,723	13,821	31,862	251,406

As of 31.12.2014
Consolidated

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

As of 31.12.2013

Currency	Fix interest	Floating interest	Non-Interest bearing	Total
BGN	49,798	-	16,298	66,096
USD	70,951	-	8,607	79,558
EUR	73,933	13,821	6,957	94,711
GBP	11,042	-	-	11,042
TOTAL	205,724	13,821	31,862	251,407

AFS 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

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

Movements in financial assets available-for-sale

	Financial assets available for sale Separate	Financial assets available for sale Consolidated
BALANCE AS OF JANUARY 1, 2013	197,924	197,925
Exchange differences on monetary assets	(3,248)	(3,248)
Additions	59,754	59,754
Net change in accrued interest	(1,406)	(1,406)
Increase changes in fair value	(1,618)	(1,618)
BALANCE AS OF DECEMBER 31, 2013	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
Decrease changes in fair value	1,852	2,979
BALANCE AS OF DECEMBER 31, 2014	276,442	276,442

The tables below present an analysis of AFS debt securities by rating agency designation as of December 31, 2014 and 2013, based on the lower rating of Moody's:

Rating	As of 31.12.2014 Separate	As of 31.12.2013 Separate	As of 31.12.2014 Consolidated	As of 31.12.2013 Consolidated
Aaa	-	-	-	-
Aa1 to A3	-	-	-	-
Baa1 to Ba3	199,225	171,613	199,225	171,613
Lower than Ba3	-	-	-	-
Unrated	77,217	79,793	77,217	79,793
Total	276,442	251,406	276,442	251,406

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, 2014 (as of December 31, 2013, 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.

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)

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, 2013	Fair value at December 31, 2013	Fair value gain that would have been recognised in P&L in 2013 if not reclassified	Interest income/ dividends recognised in P&L in 2013	Impairment (loss) recognised in P&L in 2013
Government securities	33,055	32,815	32,815	(958)	305	-
Corporate bonds	32,449	12,738	12,738	42	1,494	(3,598)
Equity shares in mutual funds	6,664	5,455	5,455	686	-	-
	72,168	51,008	51,008	(230)	1,799	(3,598)

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)

Consolidated

Type of instrument	Amount reclassified (fair value at date of reclassification)	Carrying amount at December 31, 2013	Fair value at December 31, 2013	Fair value gain that would have been recognised in P&L in 2013 if not reclassified	Interest income/ dividends recognised in P&L in 2013	Impairment (loss) recognised in P&L in 2013
Government securities	33,055	32,815	32,815	(958)	305	-
Corporate bonds	32,449	12,738	12,738	42	1,494	(3,598)
Equity shares in mutual funds	6,664	5,455	5,455	686	-	-
	72,168	51,008	51,008	(230)	1,799	(3,598)

All amounts are in thousand Bulgarian Levs, unless otherwise stated

10. EQUITY METHOD INVESTMENTS AND INVESTMENTS IN SUBSIDIARIES

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 ALICO Life Insurance Company AD	Bulgaria	30%	2,100	BGN	2,100
Drujestvo za Kasovi Uslugi AD	Bulgaria	20%	2,500	BGN	2,500
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 ALICO 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

As at December 31, 2013
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 ALICO Life Insurance Company AD	Bulgaria	30%	2,100	BGN	2,100
UBB AIG Insurance Company AD	Bulgaria	30%	2,082	BGN	2,082
Drujestvo za Kasovi Uslugi AD	Bulgaria	20%	2,500	BGN	2,501
Total investments in subsidiaries and equity method investments					8,719

Consolidated

Company name	Type of investment	% of ownership	Number of shares	Currency of transaction	Acquisition cost	Fair value
UBB ALICO Life Insurance Company AD	Associate	30%	2,100	BGN	2,100	2,785
UBB AIG Insurance Company AD	Associate	30%	2,082	BGN	2,082	2,437
Drujestvo za Kasovi Uslugi AD	Associate	20%	2,500	BGN	2,501	4,824
Total investments in associates					6,683	10,046

All amounts are in thousand Bulgarian Levs, unless otherwise stated

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

Movement in investment in associates	Investments in associates
BALANCE AS OF JANUARY 1, 2013	8,313
Payment of dividends	(651)
Income from associates and joint ventures	2,384
BALANCE AS OF DECEMBER 31, 2013	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

All subsidiaries and equity method investments are registered in Bulgaria. In 2014, 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 is expected to be completed within the last quarter of 2015. As the Management of UBB is committed to the sale of UBB-AIG Insurance Company AD and the sale is expected to be completed within the next twelve months, the aforementioned joint venture has been reclassified as of December 31, 2014 to non-current assets held for sale. As of that date the investment is as follows:

Separate

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

Consolidated

Company name	Type of investment	% of ownership	Number of shares	Currency of transaction	Acquisition cost	Carrying amount at the date of transfer
UBB AIG Insurance Company	Associate	30%	1,488	BGN	1,488	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, 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	-	-	-	(12)	(12)
Impairment	-	(49)	(49)	-	(49)
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)

Intangible assets, property and equipment as of December 31, 2013 are as follows:

Separate

COST	Land and buildings	Equipment and other assets	Total property and equipment	Intangible assets	Total
As of January 1, 2013	49,140	161,048	210,188	53,965	264,153
Additions	653	2,666	3,319	1,491	4,810
Disposals	(28)	(7,973)	(8,001)	(756)	(8,757)
Transfers	-	-	-	(1)	(1)
As of December 31, 2013	49,765	155,741	205,506	54,699	260,205
Including assets with low cost	-	1,928	1,928	-	1,928
DEPRECIATION/ AMORTIZATION					
As of January 1, 2013	30,989	117,703	148,692	46,493	195,185
Charge for 2013	2,727	11,428	14,155	3,237	17,392
Depreciation charged on disposals	(4)	(6,583)	(6,587)	(617)	(7,204)
As of December 31, 2013	33,712	122,548	156,260	49,113	205,373
NET BOOK VALUE	16,053	33,193	49,246	5,586	54,832
Including assets with low cost	-	(1,928)	(1,928)	-	(1,928)

All amounts are in thousand Bulgarian Levs, unless otherwise stated

11. INTANGIBLE ASSETS, PROPERTY AND EQUIPMENT (CONTINUED)

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)
Revaluations	-	(49)	(49)	-	(49)
As of December 31, 2014	49,955	146,799	196,754	57,167	253,921
Including assets with low cost		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)

Intangible assets, property and equipment as of December 31, 2013 are as follows:

Consolidated

COST	Land and buildings	Equipment and other assets	Total property and equipment	Intangible assets	Total
As of January 1, 2013	49,140	161,283	210,423	54,363	264,786
Additions	653	2,692	3,345	1,501	4,846
Disposals	(28)	(7,973)	(8,001)	(756)	(8,757)
Transfers	-	-	-	(1)	(1)
As of December 31, 2013	49,765	156,002	205,767	55,107	260,874
Including assets with low cost	-	1,928	1,928	-	1,928
DEPRECIATION					
As of January 1, 2013	30,989	117,882	148,871	46,624	195,495
Charge for 2013	2,727	11,453	14,180	3,282	17,462
Depreciation charged on disposals	(4)	(6,581)	(6,585)	(616)	(7,201)
As of December 31, 2013	33,712	122,754	156,466	49,290	205,756
NET BOOK VALUE	16,053	33,248	49,301	5,817	55,118
Including assets with low cost	-	(1,928)	(1,928)	-	(1,928)

All amounts are in thousand Bulgarian Levs, unless otherwise stated

12. DEFERRED INCOME TAX ASSETS AND LIABILITIES

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 31.12.2014 Separate	As of 31.12.2013 Separate	As of 31.12.2014 Consolidated	As of 31.12.2013 Consolidated
Deferred tax assets:				
Tax loss carried forward	-	369	-	369
Retirement benefit obligations	698	665	698	665
Other liabilities unused paid leave	588	556	588	556
Provisions for contingent liabilities	58	1	58	1
Total Deferred tax assets	1,344	1,591	1,344	1,591
Deferred tax liabilities:				
Securities – available for sale	(524)	(524)	(524)	(524)
Fixed assets depreciation	(263)	(541)	(263)	(541)
Other temporary differences	-	-	(9)	(5)
Total Deferred tax liabilities	(787)	(1,065)	(796)	(1,070)
DEFERRED TAX ASSETS, NET	557	526	548	521

13. OTHER ASSETS

Separate	As of 31.12.2014	As of 31.12.2013
Assets acquired against debt	62,111	38,205
Receivables under Bank – Model	1,458	-
Income tax to be recovered	1,878	1,950
VAT recoverable	1,692	1,402
Prepaid expenses	2,289	2,202
Other assets	20,710	12,353
TOTAL	90,138	56,112

Consolidated	As of 31.12.2014	As of 31.12.2013
Assets acquired against debt	62,111	38,205
Receivables under Bank – Model services	1,458	-
Income tax to be recovered	1,896	1,950
VAT recoverable	1,692	1,402
Prepaid expenses	2,525	2,302
Other items	20,889	12,453
TOTAL	90,571	56,312

Assets acquired against debt	As of 31.12.2014 Separate	As of 31.12.2013 Separate	As of 31.12.2014 Consolidated	As of 31.12.2013 Consolidated
Land	10,891	7,513	10,891	7,513
Buildings	43,073	30,153	43,073	30,153
Machinery and equipment	8,088	525	8,088	525
Other	59	14	59	14
	62,111	38,205	62,111	38,205

All amounts are in thousand Bulgarian Levs, unless otherwise stated

14. DUE TO BANKS

	As of 31.12.2014 Separate	As of 31.12.2013 Separate	As of 31.12.2014 Consolidated	As of 31.12.2013 Consolidated
Sight deposits	33,838	36,015	33,838	36,015
Term deposits	21,671	22,050	21,671	22,050
REPOS with banks	27,860	27,250	27,860	27,250
Other due to banks	261	275	261	275
TOTAL	83,630	85,590	83,630	85,590
Incl. term deposits of the Parent Company (NBG S.A.)	8,042	8,549	8,042	8,549

15. DUE TO CUSTOMERS

Analysis by customers

	As of 31.12.2014 Separate	As of 31.12.2013 Separate	As of 31.12.2014 Consolidated	As of 31.12.2013 Consolidated
Individuals				
Current/demand accounts	538,792	407,896	538,792	407,896
Saving accounts	1,529,731	1,366,269	1,529,731	1,366,269
Term deposits	1,704,411	1,793,753	1,704,411	1,793,753
	3,772,934	3,567,918	3,772,934	3,567,918
Non-bank financial institutions				
Current/demand accounts	75,037	367,658	75,037	367,658
Term deposits	67,914	107,482	67,914	107,482
	142,951	475,140	142,951	475,140
Corporate entities				
Current/demand accounts	801,062	659,416	800,644	657,887
Term deposits	337,464	411,272	335,528	411,072
	1,138,526	1,070,688	1,136,172	1,068,959
Government entities				
Current/demand accounts	52,910	81,129	52,910	81,129
Term deposits	6,724	8,806	6,724	8,806
	59,634	89,935	59,634	89,935
TOTAL	5,114,045	5,203,681	5,111,691	5,201,952

All amounts are in thousand Bulgarian Levs, unless otherwise stated

16. 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, 2009 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. The loan bears a floating interest and is repayable in eight equal quarterly instalments starting in February 2016 and ending in November 2017. As of December 31, 2014 the loans is not utilized.

The utilized amount per the signed long term credit facilities with the EBRD for the amount of EUR 15 million for Energy Efficiency and Renewable Energy Facility was fully repaid by the Bank in January 2014 in accordance with the repayment terms.

The utilized amount per the signed contract in December 2010 with EBRD for financing at the amount of EUR 150 million of existing or new clients of the Bank, including private enterprises, firms, sole proprietors, or other legal entities formed under the laws of the Republic of Bulgaria, as well as individuals registered or otherwise recognised as entrepreneurs in accordance with such laws was fully repaid in December 2014 in accordance with the repayment terms of the contract.

UBB has utilized the amount as per the contract signed in 2009 with the Bulgarian Development Bank for working capital financing to farmers for BGN 15 million and was fully repaid in April 2014 according the repayment terms of the contract.

	As of 31.12.2014	As of 31.12.2013	As of 31.12.2014	As of 31.12.2013
	Separate	Separate	Consolidated	Consolidated
Credit lines from banks				
In Bulgarian Levs	30,005	45,192	30,005	45,192
In EUR	-	66,163	-	66,163
TOTAL	30,005	111,355	30,005	111,355

Analysis by utilization

Facilities	Currency	As of 31.12.2014	As of 31.12.2013	As of 31.12.2014	As of 31.12.2013
		Separate	Separate	Consolidated	Consolidated
Energy efficiency					
Corporate/ municipalities	EUR	-	7,922	-	7,922
		-	7,922	-	7,922
Agriculture	BGN	-	15,188	-	15,188
		-	15,188	-	15,188
SME finance	BGN	30,005	30,004	30,005	30,004
	EUR	-	58,241	-	58,241
		30,005	88,245	30,005	88,245
TOTAL		30,005	111,355	30,005	111,355

All amounts are in thousand Bulgarian Levs, unless otherwise stated

17. SUBORDINATED LIABILITIES

Separate

Subordinated loans	Carrying amount 2014	Carrying amount 2013	Fair value 2014	Fair value 2013
In EUR	152,762	203,741	151,596	200,242
TOTAL	152,762	203,741	151,596	200,242

Consolidated

Subordinated loans	Carrying amount 2014	Carrying amount 2013	Fair value 2014	Fair value 2013
In EUR	152,762	203,741	151,596	200,242
TOTAL	152,762	203,741	151,596	200,242

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.

18. RETIREMENT BENEFIT OBLIGATIONS

	As of 31.12.2014	As of 31.12.2013	As of 31.12.2014	As of 31.12.2013
Amount recognized in statement of financial position	Separate	Separate	Consolidated	Consolidated
Present value of unfunded obligations	8,582	7,719	8,582	7,719
Net liability in BS	8,582	7,719	8,582	7,719

	As of 31.12.2014	As of 31.12.2013	As of 31.12.2014	As of 31.12.2013
Amount recognized in Profit and Loss	Separate	Separate	Consolidated	Consolidated
Service cost	382	403	382	403
Net interest on the net defined benefit liability	275	317	275	317
Regular P&L Charge	657	720	657	720
Settlement/ Curtailment/ Termination (gain)	30	(39)	30	(39)
Total P&L Charge	687	681	687	681

	As of 31.12.2014	As of 31.12.2013	As of 31.12.2014	As of 31.12.2013
Reconciliation of benefit obligation	Separate	Separate	Consolidated	Consolidated
DBO at start of period	7,719	7,958	7,719	7,958
Service cost	382	403	382	403
Interest cost	275	317	275	317
Benefits paid directly by the company	(353)	(290)	(353)	(290)
Settlement/ Curtailment/ Termination gain	30	(39)	30	(39)
Actuarial gain - financial assumptions	456	(313)	456	(313)
Actuarial gain - experience	73	(317)	73	(317)
DBO at the end of period	8,582	7,719	8,582	7,719

All amounts are in thousand Bulgarian Levs, unless otherwise stated

18. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

	As of 31.12.2014 Separate	As of 31.12.2013 Separate	As of 31.12.2014 Consolidated	As of 31.12.2013 Consolidated
Cumulative amount recognized in the OCI	(1,602)	(1,703)	(1,602)	(1,703)

Re-measurements	As of 31.12.2014 Separate	As of 31.12.2013 Separate	As of 31.12.2014 Consolidated	As of 31.12.2013 Consolidated
Liability gain/ (loss) due to changes in assumptions	456	313	456	313
Liability experience gain arising during the year	73	317	73	317
Total actuarial gain/ (loss) recognised in OCI	529	630	529	630
Total amount recognised in OCI over the period	529	630	529	630

Movements in Liability in statement of financial position	As of 31.12.2014 Separate	As of 31.12.2013 Separate	As of 31.12.2014 Consolidated	As of 31.12.2013 Consolidated
Net Liability in statement of financial position at the beginning of the period	7,719	7,958	7,719	7,958
Benefits paid directly	(353)	(290)	(353)	(290)
Total expense recognised in the income statement	687	681	687	681
Total amount recognised in the OCI	529	(630)	529	(630)
Net Liability in statement of financial position	8,582	7,719	8,582	7,719

Cash flows	As of 31.12.2014 Separate	As of 31.12.2013 Separate	As of 31.12.2014 Consolidated	As of 31.12.2013 Consolidated
Expected benefits paid by the plan for the next financial year	111	142	111	142

Assumptions	As of 31.12.2014 separate	As of 31.12.2013 separate	As of 31.12.2014 consolidated	As of 31.12.2013 consolidated
Discount rate	2.90%	3.60%	2.90%	3.60%
Price inflation	2.00%	2.30%	2.00%	2.30%
Rate of compensation increase	4.00%	4.30%	4.00%	4.30%
Rate of pension increase	0.00%	0.00%	0.00%	0.00%
Plan duration	14.04	13.68	14.04	13.68

Expected P&L	Separate	Consolidated
Service cost	428	428
Net interest on the net defined benefit liability/(asset)	247	247
Expected P&L Charge for the next year	675	675

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

19. OTHER LIABILITIES

	As of 31.12.2014 Separate	As of 31.12.2013 Separate	As of 31.12.2014 Consolidated	As of 31.12.2013 Consolidated
Amounts due to related parties under Funded participation agreement	5,598	5,538	5,598	5,538
Creditors and suppliers	4,155	4,792	4,291	4,889
Payroll related accruals	3,785	3,640	3,796	3,640
Provisions for issued letters of guarantees	577	9	577	9
Amounts due to government agencies	416	695	416	695
Other provisions	133	490	133	490
Taxes payable - other than income taxes	128	-	132	-
Deferred income	57	44	57	44
Other	381	36	398	186
TOTAL	15,230	15,244	15,398	15,491

20. SHARE CAPITAL

The total authorized number of ordinary shares at December 31, 2014 and 2013 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.

21. EARNINGS PER SHARE

	As of 31.12.2014 Separate	As of 31.12.2013 Separate	As of 31.12.2014 Consolidated	As of 31.12.2013 Consolidated
Profit for the year	76,286	17,030	77,443	19,604
Weighted average number of ordinary shares outstanding	75,964,082	75,964,082	75,964,082	75,964,082
EARNINGS PER SHARE IN BGN	1.00	0.22	1.02	0.26

22. RETAINED EARNINGS

	As of 31.12.2014 Separate	As of 31.12.2013 Separate	As of 31.12.2014 Consolidated	As of 31.12.2013 Consolidated
Accumulated prior years' earnings at beginning of period	1,000,428	983,401	1,004,470	985,097
Other movements	1	(3)	-	-
Net profit for the period	76,286	17,030	77,177	19,373
TOTAL	1,076,715	1,000,428	1,081,647	1,004,470

Components of retained earnings are:

	As of 31.12.2014 Separate	As of 31.12.2013 Separate	As of 31.12.2014 Consolidated	As of 31.12.2013 Consolidated
General reserves	994,557	976,640	998,558	978,327
Net profit for the period	76,286	17,030	77,177	19,373
Other	5,872	6,758	5,912	6,770
TOTAL	1,076,715	1,000,428	1,081,647	1,004,470

All amounts are in thousand Bulgarian Levs, unless otherwise stated

23. REVALUATION RESERVE

	As of 31.12.2014	As of 31.12.2013	As of 31.12.2014	As of 31.12.2013
Revaluation reserve - AFS investments	Separate	Separate	Consolidated	Consolidated
At the beginning of the period	12,470	10,688	12,470	10,688
Net (gains) / losses from disposal transferred to Net profit	(2,141)	-	(2,141)	-
Deferred tax	(148)	-	(148)	-
Changes in fair value of AFS investments, net of tax	1,852	(1,816)	2,979	(1,816)
Impairment on AFS investments	1,768	3,598	1,768	3,598
TOTAL	13,801	12,470	14,928	12,470

24. CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings. As of December 31, 2014 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 133 thousand (2013: BGN 490 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 31.12.2014	As of 31.12.2013	As of 31.12.2014	As of 31.12.2013
	Separate	Separate	Consolidated	Consolidated
Undrawn credit commitments	600,490	599,335	600,490	599,335
Guarantees, documentary and commercial letters of credit	180,213	233,177	180,213	233,177
TOTAL	780,703	832,512	780,703	832,512

Agreements related to trade finance operations

The Bank has entered in agreements to support its trade finance activity. As of December 31, 2014 the Bank has the following active contracts:

Counterparty	Description	Currency and amount of the facility	Date of the agreement	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 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

All amounts are in thousand Bulgarian Levs, unless otherwise stated

24. 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 31.12.2014	As of 31.12.2013	As of 31.12.2014	As of 31.12.2013
	Separate	Separate	Consolidated	Consolidated
Up to 1 year	391	65	391	65
More than 1 year and less than 5 years	802	830	802	830
More than 5 years	17	105	17	105
TOTAL	1,210	1,000	1,210	1,000

25. CASH AND CASH EQUIVALENTS

	As of 31.12.2014	As of 31.12.2013	As of 31.12.2014	As of 31.12.2013
	Separate	Separate	Consolidated	Consolidated
Cash in hand	183,078	136,272	183,078	136,272
Current account with the Central Bank	138,854	281,450	138,854	281,450
Mandatory reserve with the Central Bank	156,466	29,337	156,466	29,337
Loans and advances to banks	880,912	720,695	881,165	721,157
TOTAL	1,359,310	1,167,754	1,359,563	1,168,216

26. NET INTEREST INCOME

	Year ended 31.12.2014	Year ended 31.12.2013	Year ended 31.12.2014	Year ended 31.12.2013
	Separate	Separate	Consolidated	Consolidated
A. Interest and similar income				
Loans and advances to banks	15,769	2,574	15,776	2,586
Loans and advances to customers				
Loans and advances to individuals	*154,365*	*198,814*	*154,365*	*198,814*
Loans and advances to enterprises	*130,929*	*151,113*	*131,532*	*151,619*
Loans and advances to financial institutions	*3,194*	*3,498*	*3,194*	*3,498*
Financial assets at fair value through profit or loss	37,802	14,038	37,802	14,038
Investment securities – available for sale	8,649	8,211	8,649	8,211
TOTAL INTEREST INCOME	350,708	378,248	351,318	378,766
B. Interest expenses and similar charges				
Due to banks	(190)	(72)	(190)	(72)
Deposits of customers				
Deposits of individuals	*(88,395)*	*(124,107)*	(88,395)	*(124,107)*
Deposits of enterprises	*(11,545)*	*(24,627)*	(11,477)	*(24,547)*
Deposits of financial institutions	*(5,598)*	*(9,755)*	*(5,598)*	*(9,755)*
Bank borrowings	(3,301)	(5,913)	(3,301)	(5,913)
Subordinated liabilities	(1,651)	(2,018)	(1,651)	(2,018)
Other interest paying liabilities	(24)	-	(24)	-
TOTAL INTEREST EXPENSES	(110,704)	(166,492)	(110,636)	(166,412)
NET INTEREST INCOME	240,004	211,756	240,682	212,354

All amounts are in thousand Bulgarian Levs, unless otherwise stated

27. NET FEE AND COMMISSION INCOME

	Year ended 31.12.2014 Separate	Year ended 31.12.2013 Separate	Year ended 31.12.2014 Consolidated	Year ended 31.12.2013 Consolidated
A. Fee and commission income				
Transfer of funds and cash transactions	17,474	16,850	17,474	16,850
Deposits accounts fees and commissions	26,901	25,057	26,901	25,057
Credit and debit cards related fees and commissions	21,570	22,337	21,570	22,337
Loans and advances to customers	7,991	7,362	7,991	7,362
Guarantees and letters of credit	3,512	3,081	3,512	3,081
Other fees and commissions	10,246	9,393	14,639	13,003
	87,694	84,080	92,087	87,690
B. Fee and commission expenses				
Credit and debit cards related fees and commissions	(3,281)	(3,845)	(3,281)	(3,845)
Transfer of funds	(380)	(506)	(380)	(506)
Other fees and commissions	(796)	(865)	(1,311)	(1,354)
	(4,457)	(5,216)	(4,972)	(5,705)
NET FEE AND COMMISSION INCOME	83,237	78,864	87,115	81,985

28. NET TRADING INCOME

	Year ended 31.12.2014 Separate	Year ended 31.12.2013 Separate	Year ended 31.12.2014 Consolidated	Year ended 31.12.2013 Consolidated
Gains on Foreign exchange				
Foreign exchange contracts	12,497	10,616	12,497	10,616
Position in foreign assets/liabilities	(4,194)	(2,594)	(4,194)	(2,594)
	8,303	8,022	8,303	8,022
Gains on Interest rate instruments				
Government securities	1,957	2,938	1,957	2,938
Corporate debt securities	360	179	360	179
Interest rate swaps	(153)	(14)	(153)	(14)
	2,164	3,103	2,164	3,103
NET TRADING INCOME	10,467	11,125	10,467	11,125

29. OTHER OPERATING INCOME, NET

	Year ended 31.12.2014 Separate	Year ended 31.12.2013 Separate	Year ended 31.12.2014 Consolidated	Year ended 31.12.2013 Consolidated
Loss on disposal of fixed assets, net	(250)	(392)	(250)	(392)
Gain on disposal of intangible assets	-	611	-	611
Rental income	594	742	533	681
Other income, net	1,202	1,118	1,115	1,074
IT Service fees	99	295	99	295
TOTAL	1,645	2,374	1,497	2,269

All amounts are in thousand Bulgarian Levs, unless otherwise stated

30. NET ALLOWANCES FOR IMPAIRMENT

The net charge of allowances for impairment for the year ended December 31, 2014 and 2013 is as follows:

	Year ended 31.12.2014 Separate	Year ended 31.12.2013 Separate	Year ended 31.12.2014 Consolidated	Year ended 31.12.2013 Consolidated
Loans and advances to customers	(101,434)	(159,198)	(101,635)	(159,198)
Recoveries of written off debts	11,501	45,167	11,501	45,167
Collection expenses	(4,318)	(4,624)	(4,318)	(4,624)
Impairment of Investment securities available for sale	(1,768)	(3,598)	(1,768)	(3,598)
Due to banks	(216)	-	(216)	-
TOTAL	(96,235)	(122,253)	(96,436)	(122,253)

In 2014 the Impairment of Investment securities available for sale is related to corporate bonds with net book value BGN 2,118 thousand (2013: BGN 3,598 thousand) and is due to non-compliance with the contractual obligations and actions taken to enforce repayment.

31. GENERAL ADMINISTRATIVE EXPENSES

	Year ended 31.12.2014 Separate	Year ended 31.12.2013 Separate	Year ended 31.12.2014 Consolidated	Year ended 31.12.2013 Consolidated
Personnel costs	59,781	58,333	61,521	59,867
Deposit Insurance Premium	23,904	22,294	23,904	22,294
Occupancy expenses	18,692	17,448	18,788	17,560
Depreciation/Amortization charge	14,234	17,391	14,296	17,461
Rentals	11,260	13,397	11,314	13,460
Duties and Taxes	9,466	10,090	9,502	10,097
Third party remuneration and fees	5,547	7,143	5,618	7,223
Marketing and advertisement	4,205	4,124	4,233	4,124
Telecommunications	2,164	3,023	2,171	3,032
Insurance costs	2,366	2,763	2,374	2,773
Stationary - other consumables	2,361	2,606	2,380	2,622
Business trips	1,214	1,409	1,232	1,420
Impairment of assets	565	207	565	207
Subscriptions - Contributions	115	67	127	80
Provision for legal cases	(357)	-	(357)	-
Provision charges for forfeiture of letters of guarantee	568	(35)	568	(35)
Other provision charges	49	-	49	-
Other (Audit, consulting, legal fees etc.)	1,949	2,513	1,990	2,515
Services related to T24 and SAP	2,166	2,356	2,166	2,356
TOTAL	160,249	165,129	162,441	167,056

In 2014 Group/ Bank expenses concerning services provided by the auditors are as follows: Group: BGN 251 thousands and Bank: BGN 232 thousands for the audit of the annual financial statements and Group: BGN 311 thousands and Bank: BGN 311 thousand for other audit related services.

In 2013 Group/ Bank expenses concerning services provided by the auditors are as follows: Group: BGN 231 thousands and Bank: BGN 214 thousands for the audit of the annual financial statements and Group: BGN 221 thousands and Bank: BGN 221 thousand for other audit related services.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

31. GENERAL ADMINISTRATIVE EXPENSES (CONTINUED)

Personnel costs consists of:	Year ended 31.12.2014 Separate	Year ended 31.12.2013 Separate	Year ended 31.12.2014 Consolidated	Year ended 31.12.2013 Consolidated
Wages and Salaries	48,251	47,299	49,653	48,576
Social security costs	7,667	7,334	7,848	7,492
Accrued bonuses	1,056	910	1,184	979
Other staff costs	1,048	1,113	1,077	1,143
Pension costs - defined contribution plans	1,072	996	1,072	996
Pension costs - defined benefit plans	687	681	687	681
Current service cost	382	403	382	403
Interest cost	275	317	275	317
Loss on curtailment	30	(39)	30	(39)
TOTAL	59,781	58,333	61,521	59,867

32. INCOME TAXES

	Year ended 31.12.2014 Separate	Year ended 31.12.2013 Separate	Year ended 31.12.2014 Consolidated	Year ended 31.12.2013 Consolidated
Current tax expense	8 ,720	2,538	8,720	2,538
Deferred tax expense/ (income) related to origination and reversal of temporary differences	(180)	(707)	(180)	(707)
Tax expense	8,540	1,831-	8,540	1,831
Tax effects from previous periods	42	(153)	42	(153)
Share of tax in subsidiaries and equity method investments	-	-	404	387
TOTAL	8,582	1,678	8,986	2,065

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

	Year ended 31.12.2014 Separate	Year ended 31.12.2013 Separate	Year ended 31.12.2014 Consolidated	Year ended 31.12.2013 Consolidated
Profit before taxation	84,868	18,708	86,429	21,669
Prima facie tax calculated at an applicable tax rate (10% for 2014 and 2013)	8,487	1,871	8,643	2,167
Tax effect of income/(expenses) that are not deductible in determining the taxable profit	(317)	(40)	(473)	(336)
Taxes related to previous years-permanent differences	370	-	370	-
Tax expense	8,540	1,831	8,540	1,831
Tax effects from previous periods	42	(153)	42	(153)
Share of tax in associates subsidiaries and equity method investments	-	-	404	387
TOTAL	8,582	1,678	8,986	2,065
Effective income tax rate	10.11%	8.97%	10.40%	9.53%

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, 2014 and as of December 31, 2013 are calculated using the tax rate of 10%, enacted as of that date to be effective for 2014 and 2013.

33. FINANCIAL RISK MANAGEMENT

The Bank/Group considers effective risk management to be a key factor in its ability to deliver sustained returns to the shareholders. The Bank/Group allocates substantial resources to maintaining its policies, methods and infrastructure to ensure compliance with best international practices and the guidelines of the Basel Committee for Banking Supervision.

The Bank/Group aims to adopt practices regarding risk management governance, taking into account all relevant guidelines and regulatory requirements, as set by the Basel Committee on Banking Supervision, the Committee of European Banking Supervisors, the Bulgarian banking legislation and requirement of the Bulgarian National Bank. The Risk Strategy of the Group is, developed in accordance with the NBG Group Risk Strategy.

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.

Framework for Risk Management of the Bank is performed by several different bodies. In particular:

- Board of Directors - determines the strategy and policies for managing the different types of risks;
- 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.
- Audit Committee of the Group - provides independent external review and evaluation of control systems and risk management;
- The Committee for managing the assets and liabilities (ALCO) - sets the general guidelines for asset and liability management. ALCO determines the Bank's strategy and policy as to matters relating to the structuring and management of assets and liabilities taking into account the current market conditions and the risk limits set by the Bank coordinate the management of assets and liabilities and the exercise of centralized control over the liquidity of the Bank. The governance role of ALCO is associated with risky situations arising from the structure of the balance sheet.
- 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.
- Specialized Internal Audit Service - has the objective of conducting assurance and consulting activities designed to add value and improve operations;
- Risk Management Division - identifies, monitors, controls, quantifies risk, provides appropriate tools and methodologies, coordination and assistance; reports to appropriate levels and proposes mitigation measures regarding the risks undertaken by the Group;
- Compliance Department - oversees all internal and external compliance matters, such as applicable Bulgarian and EU, laws and regulations

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.

33. 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* and *Retail Credit Risk Policy*, two 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.

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.
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 (except exposures below BGN 100 thousand), 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 compliance.

33. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

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 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. As the positions of the Group are small enough in order to be closed within the day, the Group calculates daily VaR. It also assumes that market movements occurring over this holding period will follow a similar pattern to those that have occurred in the last 75 days. The validity of these assumptions is monitored by comparing daily VaR estimates to the synthetic profit and loss. The use of VaR estimates does not prevent losses outside these limits in the event of significant market movements. 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.

Foreign currency risk

Foreign currency risk is the risk related to the potential loss due to adverse movements in foreign exchange rates. The Open Currency Position ("OCP") of the Bank primarily arises from foreign exchange spot and forward transactions. The OCP is distinguished between Trading and Structural. The Structural OCP contains all of the Bank's assets and liabilities in foreign currency (for example loans, deposits, etc.), along with the foreign exchange transactions performed by the Treasury Division. The Bank/Group manages this risk by establishing and monitoring limits on open positions. In addition to monitoring limits, the Bank/Group uses the 'value at risk' concept for measuring its open positions taken in respect of all currency instruments.

33. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Bank/Group manages its interest rate risk through monitoring the repricing dates of the Group's assets and liabilities and developing models showing the potential impact that changes in interest rates may have on the Bank's/Group's net interest income. The Bank/Group manages the interest rate risk and limits it within acceptable levels by maintaining adequate structure of interest sensitive assets and liabilities and minimizing the gaps between them. Interest risk is also monitored separately for any of the main currencies in which the Bank/Group operates. Interest rate risk measurement is based on gap analysis defined by standard time intervals, taking into account the history trends and stress-tests. The Bank/Group sets a limit for the maximum amount of total exposure to this kind of risk.

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/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 28% ratio of liquid assets to total liabilities and 30% ratio of liquid assets to customer deposits, as a result of increase in attracted funds from customers and reduced lending activity.
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/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 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.

33. 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, 2014 the Bank has placed deposits to Credit institutions from NBG group amounting to BGN 826,422 thousand with a maturity of up to 3 months. Following the requirements and measures undertaken by BNB at the end of January and in the beginning of February 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.

Additionally the recent stress tests for regulatory purposes, performed under strict criteria set by the BNB, demonstrated that the Bank is adequately capitalized and sufficiently liquid, and Management believes that any eventual withdrawal of the deposits due to affiliation of the Bank Group to NBG Group would not affect significantly the liquidity of UBB.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

34. LOANS AND ADVANCES – CREDIT RISK ANALYSIS

Credit risk is summarized as follows:

Maximum exposure to credit risk before collateral and other credit enhancements

	As of 31.12.2014	As of 31.12.2013	As of 31.12.2014	As of 31.12.2013
Assets	Separate	Separate	Consolidated	Consolidated
Loans and advances to banks	923,184	720,695	923,437	721,157
Financial assets at fair value through P/L	597,767	946,595	597,767	946,595
Derivative financial instruments	1,889	49	1,889	49
Loans and advances to customers, net	4,147,915	4,229,193	4,148,757	4,229,901
Investment securities available for sale	241,715	219,544	241,715	219,545
Other assets	90,138	-	90,571	-
Financial guarantees	159,931	151,222	159,931	151,222
Standby letters of credit	9,884	16,536	9,884	16,536
Commitments to extend credit	600,490	599,335	610,764	599,335
MAXIMUM EXPOSURES TO CREDIT RISK	6,772,913	6,883,169	6,784,715	6,884,340

Quality of loans and advances

	As of 31.12.2014		As of 31.12.2013	
Separate	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Without past due	2,828,550	922,968	2,607,381	720,695
Past due, but not impaired	432,740	-	531,241	-
Past due up to 30 days	273,446	-	357,536	-
Past due 30-60 days	59,860	-	80,214	-
Past due 60-90 days	71,917	-	67,455	-
Past due 90-180 day for mortgages	27,517	-	26,036	-
Impaired	1,763,397	216	1,885,529	-
GROSS LOANS	5,024,687	923,184	5,024,151	720,695
Less: allowance for impairment	(876,772)	-	(794,958)	-
NET LOANS	4,147,915	923,184	4,229,193	720,695

	As of 31.12.2014		As of 31.12.2013	
Consolidated	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Without past due	2,829,593	923,221	2,608,089	721,157
Past due, but not impaired	432,740	-	531,241	-
Past due up to 30 days	273,446	-	357,536	-
Past due 30-60 days	59,860	-	80,214	-
Past due 60-90 days	71,917	-	67,455	-
Past due 90-180 day for mortgages	27,517	-	26,036	-
Impaired	1,763,397	216	1,885,529	-
GROSS LOANS	5,025,730	923,437	5,024,859	721,157
Less: allowance for impairment	(876,973)	-	(794,958)	-
NET LOANS	4,148,757	923,437	4,229,901	721,157

All amounts are in thousand Bulgarian Levs, unless otherwise stated

34. LOANS AND ADVANCES – CREDIT RISK ANALYSIS (CONTINUED)

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:

	As of 31.12.2014				As of 31.12.2013		
Separate	Past due up to 30 days	Past due 30-60 days	Past due 60-90 days	Past due 90-180 day for mortgages	Past due up 30 days	Past due 30-60 days	Past due 60-90 days
Individuals (retail customers)							
Overdrafts	2,179	429	82	-	2,184	159	343
Credit cards	4,436	854	398	-	6,174	1,053	545
Consumer loans	35,194	7,637	7,935	-	53,670	16,798	18,508
Mortgages	61,726	30,059	22,954	27,517	86,734	38,760	26,281
	103,535	38,979	31,369	27,517	148,762	56,770	45,677
Corporate loans							
Large customers	73,847	2,964	31,530	-	148,716	8,982	3,273
SMEs	95,387	17,842	9,018	-	107,688	35,986	31,964
Micro	5	75	-	-	119	191	217
Public sector	672	-	-	-	-	-	-
	169,911	20,881	40,548	-	256,523	45,159	35,454
TOTAL	273,446	59,860	71,917	27,517	405,285	101,929	81,131

	As of 31.12.2014				As of 31.12.2013		
Consolidated	Past due up to 30 days	Past due 30-60 days	Past due 60-90 days	Past due 90-180 day for mortgages	Past due up 30 days	Past due 30-60 days	Past due 60-90 days
Individuals (retail customers)							
Overdrafts	2,179	429	82	-	2,184	159	343
Credit cards	4,436	854	398	-	6,174	1,053	545
Consumer loans	35,194	7,637	7,935	-	53,670	16,798	18,508
Mortgages	61,726	30,059	22,954	27,517	86,734	38,760	26,281
	103,535	38,979	31,369	27,517	148,762	56,770	45,677
Corporate loans							
Large customers	73,847	2,964	31,530	-	148,716	8,982	3,273
SMEs	95,387	17,842	9,018	-	107,688	35,986	31,964
Micro	5	75	-	-	119	191	217
Public sector	672	-	-	-	-	-	-
	169,911	20,881	40,548	-	256,523	45,159	35,454
TOTAL	273,446	59,860	71,917	27,517	405,285	101,929	81,131

All amounts are in thousand Bulgarian Levs, unless otherwise stated

34. LOANS AND ADVANCES – CREDIT RISK ANALYSIS (CONTINUED)

Loans and advances to customers according to the allowed past due status and impairment estimating method as of December 31, 2014 and 2013 are as follows:

As of 31.12.2014	Loans and advances to customers						
Separate	Credit Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans	Due from banks
Neither past due nor individually impaired	133,170	574,274	706,517	746,864	753,679	2,914,504	923,184
Past due but not individually impaired	26,564	303,574	174,023	400,187	173,281	1,077,629	-
Individually impaired	-	-	200,071	429,404	403,079	1,032,554	-
TOTAL Gross	159,734	877,848	1,080,611	1,576,455	1,330,039	5,024,687	923,184
Less: allowance for individually impaired loans	-	-	*(112,331)*	*(261,616)*	*(219,648)*	*(593,595)*	-
Less: allowance for collectively impaired loans	*(17,739)*	*(174,718)*	*(5,327)*	*(84,996)*	*(397)*	*(283,177)*	-
TOTAL Allowance for impairment	(17,739)	(174,718)	(117,658)	(346,612)	(220,045)	(876,772)	-
TOTAL NET LOANS	141,995	703,130	962,953	1,229,843	1,109,994	4,147,915	923,184

As of 31.12.2013	Loans and advances to customers						
Separate	Credit Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans	Due from banks
Neither past due nor individually impaired	137,539	581,592	755,498	705,125	604,901	2,784,655	720,695
Past due but not individually impaired	29,139	316,992	202,869	483,630	233,352	1,265,982	-
Individually impaired	-	-	193,958	379,783	399,773	973,514	-
TOTAL Gross	166,678	898,584	1,152,325	1,568,538	1,238,026	5,024,151	720,695
Less: allowance for individually impaired loans	-	-	*(94,336)*	*(232,819)*	*(190,156)*	*(517,311)*	-
Less: allowance for collectively impaired loans	(20,022)	(155,563)	*(8,653)*	*(92,543)*	*(866)*	*(277,647)*	-
TOTAL Allowance for impairment	(20,022)	(155,563)	(102,989)	(325,362)	(191,022)	(794,958)	-
TOTAL NET LOANS	146,656	743,021	1,049,336	1,243,176	1,047,004	4,229,193	720,695

As of 31.12.2014	Loans and advances to customers						
Consolidated	Credit Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans	Due from banks
Neither past due nor individually impaired	133,170	574,274	706,517	747,907	753,679	2,915,547	923,437
Past due but not individually impaired	26,564	303,574	174,023	400,187	173,281	1,077,629	-
Individually impaired	-	-	200,071	429,404	403,079	1,032,554	-
TOTAL Gross	159,734	877,848	1,080,611	1,577,498	1,330,039	5,025,730	923,437
Less: allowance for individually impaired loans	-	-	*(112,331)*	*(261,616)*	*(219,648)*	*(593,595)*	-
Less: allowance for collectively impaired loans	*(17,739)*	*(174,718)*	*(5,327)*	*(85,197)*	*(397)*	*(283,378)*	-
TOTAL Allowance for impairment	(17,739)	(174,718)	(117,658)	(346,813)	(220,045)	(876,973)	-
TOTAL NET LOANS	141,995	703,130	962,953	1,230,685	1,109,994	4,148,757	923,437

All amounts are in thousand Bulgarian Levs, unless otherwise stated

34. LOANS AND ADVANCES – CREDIT RISK ANALYSIS (CONTINUED)

As of 31.12.2013	Loans and advances to customers						
Consolidated	Credit Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans	Due from banks
Neither past due nor individually impaired	137,539	581,592	755,498	705,833	604,901	2,785,363	721,157
Past due but not individually impaired	29,139	316,992	202,869	483,630	233,352	1,265,982	-
Individually impaired	-	-	193,958	379,783	399,773	973,514	-
TOTAL Gross	166,678	898,584	1,152,325	1,569,246	1,238,026	5,024,859	721,157
Less: allowance for individually impaired loans	-	-	*(94,336)*	*(232,819)*	*(190,156)*	*(517,311)*	-
Less: allowance for collectively impaired loans	*(20,022)*	*(155,563)*	*(8,653)*	*(92,543)*	*(866)*	*(277,647)*	-
TOTAL Allowance for impairment	(20,022)	(155,563)	(102,989)	(325,362)	(191,022)	(794,958)	-
TOTAL NET LOANS	146,656	743,021	1,049,336	1,243,884	1,047,004	4,229,901	721,157

Ageing analysis of loans past due but not individually impaired as of December 31, 2014 and 2013:

Time band	Loans and advances to customers					
As of 31.12.2014 Separate	Credit Cards	Consumer	Mortgage	Small business loans	Corporate loans	Total Loans
Past due up to 30 days	4,436	44,433	64,258	111,832	74,528	299,487
Past due 31-60 days	854	11,503	33,956	15,774	18,532	80,619
Past due 61-90 days	398	10,905	24,479	15,117	31,530	82,429
Past due 91-180 days	1,214	9,529	15,237	10,637	7,974	44,591
Past due 180 days- 365 days	1,136	9,901	8,731	29,474	362	49,604
Past due 1-2 years	3,823	13,004	3,634	41,966	8,427	70,854
Past due over 2 years	14,703	204,299	23,728	174,715	32,600	450,045
TOTAL	26,564	303,574	174,023	399,515	173,953	1,077,629

	Loans and advances to customers					
As of 31.12.2013 Separate	Credit Cards	Consumer	Mortgage	Small business loans	Corporate loans	Total Loans
Past due up to 30 days	6,174	55,854	86,734	107,800	140,002	396,564
Past due 31-60 days	1,053	16,957	38,760	36,171	8,234	101,175
Past due 61-90 days	545	18,851	25,836	32,181	-	77,413
Past due 91-180 days	1,698	12,981	15,175	40,083	33,261	103,198
Past due 180 days - 365 days	1,528	16,102	8,335	20,006	5,616	51,587
Past due 1-2 years	5,994	24,954	1,445	62,788	9,137	104,318
Past due over 2 years	12,147	171,293	26,584	184,601	37,102	431,727
TOTAL	29,139	316,992	202,869	483,630	233,352	1,265,982

All amounts are in thousand Bulgarian Levs, unless otherwise stated

34. LOANS AND ADVANCES – CREDIT RISK ANALYSIS (CONTINUED)

As of 31.12.2014 Consolidated	Loans and advances to customers					
	Credit Cards	Consumer	Mortgage	Small business loans	Corporate loans	Total Loans
Past due up to 30 days	4,436	44,433	64,258	111,832	74,528	299,487
Past due 31-60 days	854	11,503	33,956	15,774	18,532	80,619
Past due 61-90 days	398	10,905	24,479	15,117	31,530	82,429
Past due 91-180 days	1,214	9,529	15,237	10,637	7,974	44,591
Past due 180 days - 365 days	1,136	9,901	8,731	29,474	362	49,604
Past due 1-2 years	3,823	13,004	3,634	41,966	8,427	70,854
Past due over 2 years	14,703	204,299	23,728	174,715	32,600	450,045
TOTAL	26,564	303,574	174,023	399,515	173,953	1,077,629

As of 31.12.2013 Consolidated	Loans and advances to customers					
	Credit Cards	Consumer	Mortgage	Small business loans	Corporate loans	Total Loans
Past due up to 30 days	6,174	55,854	86,734	107,800	140,002	396,564
Past due 31-60 days	1,053	16,957	38,760	36,171	8,234	101,175
Past due 61-90 days	545	18,851	25,836	32,181	-	77,413
Past due 91-180 days	1,698	12,981	15,175	40,083	33,261	103,198
Past due 180 days - 365 days	1,528	16,102	8,335	20,006	5,616	51,587
Past due 1-2 years	5,994	24,954	1,445	62,788	9,137	104,318
Past due over 2 years	12,147	171,293	26,584	184,601	37,102	431,727
TOTAL	29,139	316,992	202,869	483,630	233,352	1,265,982

Ageing analysis of loans past due and individually impaired as of December 31, 2014 and 2013:

As of 31.12.2014 Separate	Loans and advances to customers					
	Credit Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans
Past due up to 30 days	-	-	-	923	-	923
Past due 31-60 days	-	-	-	4,562	13	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	8,210	10,116	30,429
Past due 1-2 years	-	-	11,886	110,858	31,036	153,780
Past due over 2 years	-	-	161,146	304,158	361,914	827,218
TOTAL	-	-	200,071	429,404	403,079	1,032,554

As of 31.12.2013 Separate	Loans and advances to customers					
	Credit Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans
Past due up to 30 days	-	-	-	41	8,714	8,755
Past due 31-60 days	-	-	-	6	748	754
Past due 61-90 days	-	-	445	-	3,273	3,718
Past due 91-180 days	-	-	19,768	55	-	19,823
Past due 180 days- 365 days	-	-	13,364	2,077	-	15,441
Past due 1-2 years	-	-	4,476	96,138	31,569	132,183
Past due over 2 years	-	-	155,905	281,466	355,469	792,840
TOTAL	-	-	193,958	379,783	399,773	973,514

All amounts are in thousand Bulgarian Levs, unless otherwise stated

34. LOANS AND ADVANCES – CREDIT RISK ANALYSIS (CONTINUED)

As of 31.12.2014 Consolidated	Loans and advances to customers					
	Credit Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans
Past due up to 30 days	-	-	-	923	-	923
Past due 31-60 days	-	-	-	4,562	13	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	8,210	10,116	30,429
Past due 1-2 years	-	-	11,886	110,858	31,036	153,780
Past due over 2 years	-	-	161,146	304,158	361,914	827,218
TOTAL	-	-	200,071	429,404	403,079	1,032,554

As of 31.12.2013 Consolidated	Loans and advances to customers					
	Credit Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans
Past due up to 30 days	-	-	-	41	8,714	8,755
Past due 31-60 days	-	-	-	6	748	754
Past due 61-90 days	-	-	445	-	3,273	3,718
Past due 91-180 days	-	-	19,768	55	-	19,823
Past due 180 days - 365 days	-	-	13,364	2,077	-	15,441
Past due 1-2 years	-	-	4,476	96,138	31,569	132,183
Past due over 2 years	-	-	155,905	281,466	355,469	792,840
TOTAL	-	-	193,958	379,783	399,773	973,514

Analysis of forborne loans broken down by type of products:

Movement of forborne loans 2014 Separate	Cards	Consumer	Mortgage	Small business loans	Large corporate loans	SME's	Public sector	Total
Opening balances	56	147,427	88,381	89	43,130	87,761	-	366,844
New forborne assets	-	525,893	750,563	5,745	745,680	650,037	-	2,677,918
Repayments (partially or totally)	(56)	(626,425)	(822,739)	(3,916)	(716,598)	(598,477)	-	(2,768,211)
Write - offs	-	-	-	(8)	-	(935)	-	(943)
Closing balance	-	46,895	16,205	1,910	72,212	138,386	-	275,608

Movement of forborne loans 2013 Separate	Cards	Consumer	Mortgage	Small business loans	Large corporate loans	SME's	Public sector	Total
Opening balances	75	160,960	83,168	30	42,621	94,586	-	381,440
New forborne assets	40	175,079	56,821	1,312	87,675	217,165	-	538,092
Repayments (partially or totally)	-	(188,612)	(50,715)	(1,253)	(87,166)	(223,861)	-	(551,607)
Write - offs	(59)	-	(893)	-	-	(129)	-	(1,081)
Closing balance	56	147,427	88,381	89	43,130	87,761	-	366,844

34. LOANS AND ADVANCES – CREDIT RISK ANALYSIS (CONTINUED)

Movement of forborne loans 2014 Consolidated	Cards	Consumer	Mortgage	Small business loans	Large corporate loans	SME's	Public sector	Total
Opening balances	56	147 427	88 381	89	43 130	87 761	-	366,844
New forborne assets	-	525 893	750 563	5 745	745 680	650 037	-	2,677,918
Repayments (partially or totally)	(56)	(626 425)	(822 739)	(3 916)	(716 598)	(598 477)	-	(2,768,211)
Write – offs	-	-	-	(8)	-	(935)	-	(943)
Closing balance	-	46 895	16 205	1 910	72 212	138 386	-	275,608

Movement of forborne loans 2013 Consolidated	Cards	Consumer	Mortgage	Small business loans	Large corporate loans	SME's	Public sector	Total
Opening balances	75	160,960	83,168	30	42,621	94,586	-	381,440
New forborne assets	40	175,079	56,821	1,312	87,675	217,165	-	538,092
Repayments (partially or totally)	-	(188,612)	(50,715)	(1,253)	(87,166)	(223,861)	-	(551,607)
Write – offs	(59)	-	(893)	-	-	(129)	-	(1,081)
Closing balance	56	147,427	88,381	89	43,130	87,761	-	366,844

Collateral held against loans and advances not impaired

In thousands of BGN	As of 31.12.2014	As of 31.12.2013	As of 31.12.2014	As of 31.12.2013
	Separate	Separate	Consolidated	Consolidated
Loans and advances not past due				
Mortgage	1,179,354	1,110,582	1,179,354	1,110,582
Cash collateral	14,062	32,296	14,062	32,296
Other types of collateral	3,535,674	2,294,147	3,535,674	2,294,147
	4,729,090	3,437,025	4,729,090	3,437,025
Loans and advances past due				
Mortgage	2,557,857	2,721,976	2,557,857	2,721,976
Cash collateral	26,211	21,716	26,211	21,716
Other types of collateral	2,189,188	2,027,376	2,189,188	2,027,376
	4,773,256	4,771,068	4,773,256	4,771,068
TOTAL	9,502,346	8,208,093	9,502,346	8,208,093

Collateral held against impaired loans and advances:

In thousands of BGN	As of 31.12.2014	As of 31.12.2013	As of 31.12.2014	As of 31.12.2013
	Separate	Separate	Consolidated	Consolidated
Mortgage	1,479,976	1,547,599	1,479,976	1,547,599
Cash collateral	2,586	3,281	2,586	3,281
Other types of collateral	975,680	754,509	975,680	754,509
TOTAL	2,458,242	2,305,389	2,458,242	2,305,389

All amounts are in thousand Bulgarian Levs, unless otherwise stated

35. LOANS AND ADVANCES – INDUSTRY ANALYSIS

Industry Concentration risk - Loans and advances to customers

Separate	As of 31.12.2014		As of 31.12.2013	
Individuals	2,118,193	41%	2,217,587	44%
Construction and real estate development	589,128	12%	502,545	10%
Trade and services (excl. tourism)	595,909	12%	668,172	13%
Industry and mining	450,493	9%	419,171	8%
Small scale industry	443,758	9%	444,942	9%
Transportation and telecommunications	77,331	2%	80,291	2%
Property Brokerage	198,893	4%	217,956	4%
Tourism	81,175	2%	101,923	2%
Energy	45,761	1%	44,744	1%
Services	47,675	1%	44,756	1%
Financial institutions	140,345	3%	98,529	2%
Government	26,724	1%	26,432	1%
Micro Loans	22,472	0%	22,573	0%
Leasing companies	53,789	1%	86,273	2%
Other	133,041	2%	48,257	1%
Total loans and advances, gross	5,024,687	100%	5,024,151	100%
Less: allowance for impairment	(876,772)		(794,958)	
Loans and advances to customers, net	4,147,915		4,229,193	

Consolidated	As of 31.12.2014		As of 31.12.2013	
Individuals	2,118,193	41%	2,217,587	44%
Construction and real estate development	589,128	12%	502,545	10%
Trade and services (excl. tourism)	595,909	12%	668,172	13%
Industry and mining	450,493	9%	419,171	8%
Small scale industry	443,758	9%	444,942	9%
Transportation and telecommunications	77,331	2%	80,291	2%
Property brokerage	198,893	4%	217,956	4%
Tourism	81,175	2%	101,923	2%
Energy	45,761	1%	44,744	1%
Services	47,675	1%	44,756	1%
Financial institutions	140,345	3%	98,529	2%
Government	26,724	1%	26,432	1%
Micro loans	22,472	0%	22,573	0%
Leasing companies	53,789	1%	86,273	2%
Other	134,084	2%	48,965	1%
Total loans and advances, gross	5,025,730	100%	5,024,859	100%
Less: allowance for impairment	(876,973)		(794,958)	
Loans and advances to customers, net	4,148,757		4,229,901	

The next table presents the information of the large exposure of the Bank/Group as for 31 December 2014 and 2013:

	As for December 31, 2014		As for December 31, 2013	
Separate	*Amount*	*% of Equity*	*Amount*	*% of Equity*
The largest total exposure	56,387	4.84%	69,080	6.35%
Total amount of five largest exposures	360,582	30.95%	369,761	33.99%

	As for December 31, 2014		As for December 31, 2013	
Consolidated	*Amount*	*% of equity*	*Amount*	*% of equity*
The largest total exposure	56,387	4.82%	69,080	6.33%
Total amount of five largest exposures	360,582	30.79%	369,761	33.87%

36. CURRENCY ANALYSIS

The tables below summarize the exposure to foreign currency exchange rate risk as of December 31, 2014 and 2013. 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, 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
Current income tax liabilities	-	-	-	-	-
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, 2013 Separate	EUR	USD	BGN	Other	Total
ASSETS					
Cash and balances with the Central Bank	112,640	7,452	317,084	9,883	447,059
Due from banks	602,343	72,223	23,703	22,426	720,695
Loans and advances to customers, net	2,345,095	12,022	1,872,075	1	4,229,193
Financial assets at fair value through profit or loss	558,366	154,727	207,790	25,717	946,600
Derivative financial instruments	-	-	49	-	49
Financial assets available for sale	94,711	79,558	66,095	11,042	251,406
Investments in subsidiaries and equity method investements	-	-	8,719	-	8,719
Intangible assets	-	147	5,439	-	5,586
Property and equipment	342	-	48,904	-	49,246
Deferred tax assets	-	-	526	-	526
Other assets	7,786	707	47,618	1	56,112
TOTAL ASSETS	3,721,283	326,836	2,598,002	69,070	6,715,191

All amounts are in thousand Bulgarian Levs, unless otherwise stated

36. CURRENCY ANALYSIS (CONTINUED)

As of December 31, 2013 Separate	EUR	USD	BGN	Other	Total
LIABILITIES					
Due to banks	5,879	12,803	53,234	13,674	85,590
Due to customers	1,737,868	323,916	3,096,356	45,541	5,203,681
Derivative financial instruments	14	-	58	-	72
Other borrowed funds	66,163	-	45,192	-	111,355
Subordinated liabilities	203,741	-	-	-	203,741
Retirement benefit obligations	-	-	7,719	-	7,719
Other liabilities	6,801	119	7,825	499	15,244
TOTAL LIABILITIES	2,020,466	336,838	3,210,384	59,714	5,627,402
TOTAL EQUITY	-	-	1,087,789	-	1,087,789
NET BALANCE SHEET POSITION	1,700,817	(10,002)	(1,700,171)	9,356	-
CONTINGENT LIABILITIES AND COMMITMENTS	230,168	1,092	601,252	-	832,512

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

As of December 31, 2013 Consolidated	EUR	USD	BGN	Other	Total
ASSETS					
Cash and balances with the Central Bank	112,640	7,452	317,084	9,883	447,059
Due from banks	602,343	72,223	24,165	22,426	721,157
Loans and advances to customers, net	2,345,095	12,022	1,872,783	1	4,229,901
Financial assets at fair value through profit or loss	558,366	154,727	207,790	25,717	946,600
Derivative financial instruments	-	-	49	-	49
Financial assets available for sale	94,711	79,558	66,095	11,043	251,407
Equity method investments	-	-	10,046	-	10,046
Intangible assets	-	147	5,670	-	5,817
Property and equipment	342	-	48,959	-	49,301
Deferred tax assets	-	-	521	-	521
Other assets	7,968	707	47,636	1	56,312
TOTAL ASSETS	3,721,465	326,836	2,600,798	69,071	6,718,170

All amounts are in thousand Bulgarian Levs, unless otherwise stated

36. CURRENCY ANALYSIS (CONTINUED)

As of December 31, 2013 Consolidated	EUR	USD	BGN	Other	Total
LIABILITIES					
Due to banks	5,879	12,803	53,234	13,674	85,590
Due to customers	1,737,868	323,916	3,094,627	45,541	5,201,952
Derivative financial instruments	14	-	58	-	72
Other borrowed funds	66,163	-	45,192	-	111,355
Subordinated liabilities	203,741	-	-	-	203,741
Current income tax liabilities	-	-	-	33	33
Retirement benefit obligations	-	-	7,719	-	7,719
Other liabilities	6,801	119	8,072	499	15,491
TOTAL LIABILITIES	2,020,466	336,838	3,208,902	59,747	5,625,953
TOTAL EQUITY	-	-	1,092,217	-	1,092,217
NET BALANCE SHEET POSITION	1,700,999	(10,002)	(1,700,321)	9,324	-
CONTINGENT LIABILITIES AND COMMITMENTS	230,168	1,092	605 381	-	836,641

37. MATURITY ANALYSIS

a) Liquidity analysis

The table below analyzes assets and liabilities of the Bank/Group into relevant maturity groupings, based on the remaining period as of the date of the consolidated statement of financial position to the contractual maturity date.

The matching and controlled mismatching of the maturity and interest rates of assets and liabilities is fundamental to the management of the Bank/Group. It is unusual for banks ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The maturity of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

As of December 31, 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
ASSETS						
Cash and balances with Central Bank	478,398	-	-	-	-	478,398
Due from banks	917,458	5,726	-	-	-	923,184
Loans and advances to customers, net	488,140	248,899	610,767	610,766	2,189,343	4,147,915
Financial assets at fair value through profit or loss	39,486	-	172,165	225,329	160,793	597,773
Derivative financial instruments	1,889	-	-	-	-	1,889
Investment securities available for sale	42,261	-	-	68,560	165,621	276,442
Investments in subsidiaries and equity method investments	-	-	-	-	6,636	6,636
Intangible assets	-	-	-	-	4,929	4,929
Property and equipment	-	-	-	-	40,910	40,910
Deferred tax assets	-	-	-	-	557	557
Other assets	-	-	-	-	90,138	90,138
Non-current assets held for sale	-	-	-	-	1,488	1,488
TOTAL ASSETS	1,967,632	254,625	782,932	904,655	2,660,415	6,570,259
LIABILITIES						
Due to banks	83,630	-	-	-	-	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	5	-	-	30,000		30,005
Subordinated liabilities	-	208	50,851	101,703	-	152,762
Retirement benefit obligations	-	-	-	-	8,582	8,582
Other liabilities	-	-	-	-	15,230	15,230
TOTAL LIABILITIES	2,239,032	460,429	2,149,983	532,125	23,812	5,405,381
NET LIQUIDITY GAP	(271,400)	(205,804)	(1,367,051)	372,530	2,636,603	1,164,878
CUMULATIVE	(271,400)	(477,204)	(1,844,255)	(1,471,725)	1,164,878	-

All amounts are in thousand Bulgarian Levs, unless otherwise stated

37. MATURITY ANALYSIS (CONTINUED)

As of December 31, 2013 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
ASSETS						
Cash and balances with Central Bank	447,059	-	-	-	-	447,059
Due from banks	90,285	630,410	-	-	-	720,695
Loans and advances to customers, net	458,544	123,750	647,957	647,958	2,350,984	4,229,193
Financial assets at fair value through profit or loss	275,812	153,119	117,247	240,543	159,879	946,600
Derivative financial instruments	49	-	-	-	-	49
Investment securities available for sale	31,861	1,705	51,829	133,909	32,102	251,406
Investments in subsidiaries and equity method investments	-	-	-	-	8,719	8,719
Intangible assets	-	-	-	-	5,586	5,586
Property and equipment	-	-	-	-	49,246	49,246
Deferred tax assets	-	-	-	-	526	526
Other assets	-	-	-	-	56,112	56,112
TOTAL ASSETS	1,303,610	908,984	817,033	1,022,410	2,663,154	6,715,191
LIABILITIES						
Due to banks	85,159	401	-	30	-	85,590
Due to customers	2,129,673	542,109	2,259,883	272,016	-	5,203,681
Derivative financial instruments	72	-	-	-	-	72
Other borrowed funds	8,047	15,000	58,308	30,000	-	111,355
Subordinated liabilities		335	50,850	152,556	-	203,741
Retirement benefit obligations	-	-	-	-	7,719	7,719
Other liabilities	-	-	-	-	15,244	15,244
TOTAL LIABILITIES	2,222,951	557,845	2,369,041	454,602	22,963	5,627,402
NET LIQUIDITY GAP	(919,341)	351,139	(1,552,008)	567,808	2,640,191	1,087,789
CUMULATIVE	(919,341)	(568,202)	(2,120,210)	(1,552,402)	1,087,789	-

All amounts are in thousand Bulgarian Levs, unless otherwise stated

37. MATURITY ANALYSIS (CONTINUED)

As of December 31, 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
ASSETS						
Cash and balances with Central Bank	478,398	-	-	-	-	478,398
Due from banks	917,711	5,726	-	-	-	923,437
Loans and advances to customers, net	488,140	248,899	610,767	610,766	2,190,185	4,148,757
Financial assets at fair value through profit or loss	39,486	-	172,165	225,329	160,793	597,773
Derivative financial instruments	1,889	-	-	-	-	1,889
Investment securities available for sale	42,261	-	-	68,560	165,621	276,442
Equity method investments	-	-			8,535	8,535
Intangible assets	-	-	-	-	5,132	5,132
Property and equipment	-	-	-	-	40,947	40,947
Deferred tax assets	-	-	-	-	548	548
Other assets	-	-	-	-	90,571	90,571
Non-current assets held for sale	-	-	-	-	2,175	2,175
TOTAL ASSETS	1,967,885	254,625	782,932	904,655	2,664,507	6,574,604
LIABILITIES						
Due to banks	83,630	-	-	-	-	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	5	-	-	30,000	-	30,005
Subordinated liabilities	-	208	50,851	101,703	-	152,762
Current income tax liabilities	-	-	-	-	36	36
Deferred tax liabilities	-	-	-	-	-	-
Retirement benefit obligations	-	-	-	-	8,582	8,582
Other liabilities	-	-	-	-	15,398	15,398
TOTAL LIABILITIES	2,236,678	460,429	2,149,983	532,125	24,016	5,403,231
NET LIQUIDITY GAP	(268,793)	(205,804)	(1,367,051)	372,530	2,640,491	1,171,373
CUMULATIVE	(268,793)	(474,597)	(1,841,648)	(1,469,118)	1,171,373	-

As of December 31, 2013 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
ASSETS						
Cash and balances with Central Bank	447,059	-	-	-	-	447,059
Due from banks	90,747	630,410	-	-	-	721,157
Loans and advances to customers, net	458,544	123,750	648,665	647,958	2,350,984	4,229,901
Financial assets at fair value through profit or loss	275,812	153,119	117,247	240,543	159,879	946,600
Derivative financial instruments	49	-	-	-	-	49
Investment securities available for sale	31,861	1,705	51,829	133,909	32,103	251,407
Equity method investments	-	-	-	-	10,046	10,046
Intangible assets	-	-	-	-	5,817	5,817
Property and equipment	-	-	-	-	49,301	49,301
Deferred tax assets	-	-	-	-	521	521
Other assets	-	-	-	-	56,312	56,312
TOTAL ASSETS	1,304,072	908,984	817,741	1,022,410	2,664,963	6,718,170
LIABILITIES						
Due to banks	85,159	401	-	30	-	85,590
Due to customers	2,127,944	542,109	2,259,883	272,016	-	5,201,952
Derivative financial instruments	72	-	-	-	-	72
Other borrowed funds	8,047	15,000	58,308	30,000	-	111,355
Subordinated liabilities	-	335	50,850	152,556	-	203,741
Current income tax liabilities	-	-	-	-	33	33
Retirement benefit obligations	-	-	-	-	7,719	7,719
Other liabilities	-	-	-	-	15,491	15,491
TOTAL LIABILITIES	2,221,222	557,845	2,369,041	454,602	23,243	5,625,953
NET LIQUIDITY GAP	(917,150)	351,139	(1,551,300)	567,808	2,641,720	1,092,217
CUMULATIVE	(917,150)	(566,011)	(2,117,311)	(1,549,503)	1,092,217	-

All amounts are in thousand Bulgarian Levs, unless otherwise stated

37. MATURITY ANALYSIS (CONTINUED)

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 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

As of 31 December 2013 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	85,356	401	-	30	-	85,787
Due to customers	2,140,068	557,885	2,309,215	277,622	-	5,284,790
Other borrowed funds	9,145	15,000	67,431	39,094	-	130,670
Subordinated liabilities	-	335	52,470	156,204	-	209,009
Retirement benefit obligations	-	-	-	-	7,719	7,719
Other liabilities	-	-	-	-	15,244	15,244
TOTAL LIABILITIES (contractual maturity dates)	2,234,569	573,621	2,429,116	472,950	22,963	5,733,219

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

All amounts are in thousand Bulgarian Levs, unless otherwise stated

37. MATURITY ANALYSIS (CONTINUED)

As of 31 December 2013 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	85,356	401	-	30	-	85,787
Due to customers	2,138,339	557,885	2,309,215	277,622	-	5,283,061
Other borrowed funds	9,145	15,000	67,431	39,094	-	130,670
Subordinated liabilities	-	335	52,470	156,204	-	209,009
Current income tax liabilities	-	-	-	-	33	33
Retirement benefit obligations	-	-	-	-	7,719	7,719
Other liabilities	-	-	-	-	15,491	15,491
TOTAL LIABILITIES (contractual maturity dates)	2,232,840	573,621	2,429,116	472,950	23,243	5,731,770

b) Interest rate risk analysis

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

As of December 31, 2013 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	-	-	-	-	-	447,059	447,059
Due from banks	327,588	393,107					720,695
Loans and advances to customers, net	2,790,740	488,798	26,609	27,021	15,089	880,936	4,229,193
Derivative financial instruments	49	-	-	-	-	-	49
Financial assets at fair value through profit or loss	284,450	162,735	139,268	226,164	133,983	-	946,600
Investment securities available for sale	-	12,822	51,829	128,569	26,324	31,862	251,406
Investments in subsidiaries and equity method investments	-	-	-	-	-	8,719	8,719
TOTAL FINANCIAL ASSETS	3,402,827	1,057,462	217,706	381,754	175,396	1,368,576	6,603,721
LIABILITIES							
Due to banks	85,159	401	-	30	-	-	85,590
Due to customers	2,129,673	542,109	2,259,883	272,016	-	-	5,203,681
Derivative financial instruments	72	-	-	-	-	-	72
Other borrowed funds	8,047	73,308	-	30,000	-	-	111,355
Subordinated liabilities	-	145,094	58,310	-	-	337	203,741
TOTAL FINANCIAL LIABILITIES	2,222,951	760,912	2,318,193	302,046	-	337	5,604,439
NET INTEREST RATE GAP	1,179,876	296,550	(2,100,487)	79,708	175,396	1,368,239	999,282

All amounts are in thousand Bulgarian Levs, unless otherwise stated

37. MATURITY ANALYSIS (CONTINUED)

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

As of December 31, 2013 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	-	-	-	-	-	447,059	447,059
Due from banks	328,050	393,107	-	-	-	-	721,157
Loans and advances to customers, net	2,790,740	488,798	27,317	27,021	15,089	880,936	4,229,901
Derivative financial instruments	49	-	-	-	-	-	49
Financial assets at fair value through profit or loss	284,450	162,735	139,268	226,164	133,983	-	946,600
Investment securities available for sale	-	12,822	51,829	128,569	26,324	31,863	251,407
Equity method investments						10,046	10,046
TOTAL FINANCIAL ASSETS	3,403,289	1,057,462	218,414	381,754	175,396	1,369,904	6,606,219
LIABILITIES							
Due to banks	85,159	401		30	-	-	85,590
Due to customers	2,127,944	542,109	2,259,883	272,016	-	-	5,201,952
Derivative financial instruments	72	-	-	-	-	-	72
Other borrowed funds	8,047	73,308	-	30,000	-	-	111,355
Subordinated liabilities	-	145,094	58,310	-	-	337	203,741
TOTAL FINANCIAL LIABILITIES	2,221,222	760,912	2,318,193	302,046	-	337	5,602,710
NET INTEREST RATE GAP	1,182,067	296,550	(2,099,779)	79,708	175,396	1,369,567	1,003,509

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. MATURITY ANALYSIS (CONTINUED)

c). Effective average interest rate by major currency

The table below summarizes the effective interest rates by major currencies for monetary financial instruments.

As of December 31, 2014 Separate	EUR	USD	BGN	Other
	%	%	%	%
ASSETS				
Due from banks	1.96	1.40	-	0.21
Loans and advances to customers	5.62	4.89	9.02	-
Financial assets at fair value through profit and loss	2.10	0.45	3.63	1.10
Financial assets available for sale	3.51	8.40	4.40	-
LIABILITIES				
Due to banks	0.03	0.07	0.06	0.30
Due to customers	1.49	1.27	1.50	0.31
Other borrowed funds	-	-	5.00	-
Subordinated liabilities	0.69	-	-	-

As of December 31, 2013 Separate	EUR	USD	BGN	Other
	%	%	%	%
ASSETS				
Due from banks	1.44	0.03	0.01	1.25
Loans and advances to customers	6.28	5.67	9.72	-
Financial assets at fair value through profit and loss	1.76	0.59	3.70	0.65
Financial assets available for sale	4.71	7.82	1.31	-
LIABILITIES				
Due to banks	0.10	0.42	0.05	1.48
Due to customers	2.84	2.28	2.62	0.80
Other borrowed funds	2.83	-	5.00	-
Subordinated liabilities	0.83	-	-	-

As of December 31, 2014 Consolidated	EUR	USD	BGN	Other
	%	%	%	%
ASSETS				
Due from banks	1.96	1.40	-	0.21
Loans and advances to customers	5.62	4.89	9.02	-
Financial assets at fair value through profit and loss	2.10	0.45	3.63	1.10
Financial assets available for sale	3.51	8.40	4.40	-
LIABILITIES				
Due to banks	0.03	0.07	0.06	0.30
Due to customers	1.49	1.27	1.50	0.31
Other borrowed funds	-	-	5.00	-
Subordinated liabilities	0.69	-	-	-

As of December 31, 2013 Consolidated	EUR	USD	BGN	Other
	%	%	%	%
ASSETS				
Due from banks	1.44	0.03	0.01	1.25
Loans and advances to customers	6.28	5.67	9.72	-
Financial assets at fair value through profit and loss	1.76	0.59	3.70	0.65
Financial assets available for sale	4.71	7.82	1.31	-
LIABILITIES				
Due to banks	0.10	0.42	0.05	1.48
Due to customers	2.84	2.28	2.62	0.80
Other borrowed funds	2.83	-	5.00	-
Subordinated liabilities	0.83	-	-	-

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.

	2014		2013	
Separate	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS				
Loans and advances to customers, net	4,147,915	4,257,931	4,229,193	4,318,522
Available-for-sale investment securities	7,588	7,588	7,588	7,588
Non-current assets held for sale	1,488	1,488	-	-
LIABILITIES				
Due to customers	5,114,045	5,127,400	5,203,681	5,215,926
Other borrowed funds	30,005	32,376	111,355	112,316
Subordinated liabilities	152,762	151,596	203,741	200,242

	2014		2013	
Consolidated	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS				
Loans and advances to customers, net	4,148,757	4,258,773	4,229,901	4,319,230
Available-for-sale investment securities	5,553	5,553	5,552	5,552
Non-current assets held for sale	2,175	2,175	-	-
LIABILITIES				
Due to customers	5,111,691	5,125,046	5,201,952	5,214,197
Other borrowed funds	30,005	32,376	111,355	112,316
Subordinated liabilities	152,762	151,596	203,741	200,242

The following methods and assumptions were used to estimate the fair values of the above financial instruments at December 31, 2014 and 2013:

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 Group's statement of financial position measured at fair value as of 31 December 2014.

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

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, 2014.

Level 3 financial instruments at December 31, 2014 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, 2014, 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, 2014.

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

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

2014 Consolidated	Available-for-sale investment securities
Balance at 1 January	26,659
Gains / (losses) included in income statement	-
Gains / (losses) included in the statement of comprehensive income	(2,199)
Transfer into/ (out of) level 3	-
Balance at 31 December	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	1,230	Moody's recovery rate	-	-	-
	7,129	Based on collateral valuation	- Collateral valuation	5,505	8,469
			- Collateral value	13,028	13,028
			- Adjustment factor	42%	65%
	3,994	Based on acquisition price		-	-
Investment Securities - Available-for-Sale SHARES	12,108	Comparable Multiples	Multiples EV/EBITDA	-	-

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 2014 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 2014 under Basel III and 2013 under Basel II, where the minimum regulatory requirements were 12% for the Total capital adequacy and 10% for the Tier-one capital adequacy.

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 31.12.2014 Separate	As of 31.12.2013 Separate	As of 31.12.2014 Consolidated	As of 31.12.2013 Consolidated
Paid up Capital Instruments	75,964	75,964	75,964	75,964
Reserves, incl. retained earnings	1,000,429	983,398	1,004,470	985,482
Other comprehensive income	12,199	-	13,326	-
CET I deductions	(20,436)	(5,586)	(21,766)	(5,817)
Common Equity Tier I Capital (CET1)	1,068,156	1,053,776	1,071,994	1,055,629
Total Tier I Capital	1,068,156	1,053,776	1,071,994	1,055,629
Subordinated debt	142,845	152,555	142,845	152,555
Tier II deductions (see below)				
Tier II Capital	142,845	152,555	142,845	152,555
Additional deductions from Tier I and Tier II Equity	-	(582,827)	-	(584,154)
Total Regulatory Capital (own funds)	1,211,001	623,504	1,214,839	624,030
CET1 Capital ratio	0.24	n.a.	0.24	n.a.
T1 Capital ratio	0.24	0.15	0.24	0.15
Total capital ratio	0.27	0.15	0.27	0.15
Surplus(+)/Deficit(-) of total capital	857,834	118,362	860,567	118,243

With the implementation of the new regulations UBB capital adequacy ratio increased significantly. The main triggers are: removal of the regulatory provisions as a capital deduction and the introduction of the preferential treatments. SMEs were assigned by preferential factor for capital requirements and Commercial real estates were included as eligible collateral type for "Secured by mortgages on immovable property" asset class.

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 2014 is EUR 73 million (in local currency BGN 143 million).

Risk Weighted Assets

The changes in the RWA structure and amounts are related to the respective changes in Bank's assets structure, as well as to the implement in 2014 new regulatory framework.

Capital requirements

As of December 31, 2014 and December 31, 2013 the capital requirements for credit, market and operational risks are, as follows:

Risk Weighted Assets	As of 31.12.2014 Separate	As of 31.12.2013 Separate	As of 31.12.2014 Consolidated	As of 31.12.2013 Consolidated
Credit Risk, including exposures to:	3,743,149	3,398,895	3,754,712	3,404,275
Central governments or central banks	-	35,476	-	35,476
Regional governments or local authorities	10,604	6,895	10,604	6,895
Institutions	240,246	162,253	240,499	162,346
Corporates	1,049,179	1,653,215	1,048,693	1,658,250
Retail	845,582	762,346	849,819	762,346
Secured by mortgages on immovable property	492,340	335,061	492,340	335,062
Exposures in default	910,659	308,293	911,407	308,293
Equity	60,380	-	66,734	-
Other items	134,159	135,356	134,616	135,607
Operational Risk	517,484	645,395	519,724	645,395
Market Risk	153,588	165,219	153,588	165,219
Credit Valuation Adjustment (CVA)	371	-	371	-
TOTAL RISK EXPOSURE AMOUNT	4,414 592	4,209,509	4,428,395	4,214,889

39. CAPITAL AND CAPITAL BASE (CONTINUED)

UBB has established an internal capital adequacy assessment process, where other except under Pillar 1 risks assessed as material for the Bank/Group (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, 2014 and 2013 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 ALICO Life 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, 2014 and 2013 the Bank outstanding balances are as follows:

Separate Related parties	Type of transaction	As of 31.12.2014	As of 31.12.2013
Parent company	Loans and advances to banks	11,179	644
Parent company	Deposits received	34,704	35,919
Parent company	Derivatives	(109)	14
Parent company	Subordinated term debt	152,762	203,741
Parent company	Amounts receivable on sale of assets	489	2,674
Parent company	Other liabilities	876	998
Entities under control of Parent company	Loans and advances to banks	826,422	743
Entities under control of Parent company	Loans granted	84,234	77,042
Entities under control of Parent company	Other liabilities	5,782	5,779
Entities under control of Parent company	Deposits received	10,701	415,054
Entities under control of Parent company	Other receivables	4,956	5,112
Subsidiaries	Loans granted	13,965	15,086
Subsidiaries	Deposits received	2,443	1,766
Associate companies	Deposits received	14,601	14,744
Associate companies	Other assets	537	924
Associate companies	Other liabilities	1,462	1,367
Held for Sale	Deposits received	3,946	-
Held for Sale	Other assets	378	-

As of December 31, 2014 and 2013 the Group outstanding balances are as follows:

Consolidated Related parties	Type of transaction	As of 31.12.2014	As of 31.12.2013
Parent company	Loans and advances to banks	11,179	644
Parent company	Deposits received	34,704	35,919
Parent company	Derivatives	(109)	14
Parent company	Subordinated term debt	152,762	203,741
Parent company	Amounts receivable on sale of assets	489	2,674
Parent company	Other liabilities	876	998
Entities under control of Parent company	Loans and advances to banks	826,422	743
Entities under control of Parent company	Loans granted	84,234	77,042
Entities under control of Parent company	Other liabilities	5,782	5,779
Entities under control of Parent company	Deposits received	10,701	415,054
Entities under control of Parent company	Other receivables	4,956	5,112
Associate companies	Deposits received	14,601	14,744
Associate companies	Other assets	537	924
Associate companies	Other liabilities	1,462	1,367
Held for Sale	Deposits received	3,946	-
Held for Sale	Other assets	378	-

All amounts are in thousand Bulgarian Levs, unless otherwise stated

40. RELATED PARTY TRANSACTIONS (CONTINUED)

Income and expenses, realized by the Bank during 2014 and 2013 from deals with related parties are as follows:

Separate Related parties	Type of transaction	As of 31.12.2014	As of 31.12.2013
Parent company	Income from fees and commissions	21	93
Parent company	Interest expense	1,734	2,063
Parent company	Other income	967	2,793
Parent company	Other operating expenses	3,605	1,950
Entities under control of Parent company	Interest income	17,958	4,628
Entities under control of Parent company	Income from fees and commissions	1,500	183
Entities under control of Parent company	Expense from fees and commissions	415	-
Entities under control of Parent company	Interest expense	113	321
Entities under control of Parent company	Other income	1,994	2,303
Entities under control of Parent company	Other operating expenses	448	505
Subsidiaries	Interest income	69	392
Subsidiaries	Interest expense	436	82
Subsidiaries	Other operating expense	148	105
Associate companies	Commission income	7,339	7,619
Associate companies	Interest expense	539	260
Associate companies	Cash Service costs	1,928	1,845
Associate companies	Third party remuneration and fees	3,778	599
Associate companies	Other operating expenses	421	421

Income and expenses, realized by the Group during 2014 and 2013 from transactions with related parties are as follows:

Consolidated Related parties	Type of transaction	As of 31.12.2014	As of 31.12.2013
Parent company	Interest income		
Parent company	Income from fees and commissions	21	93
Parent company	Interest expense	1,734	2,063
Parent company	Other income	967	2,793
Parent company	Other operating expenses	3,605	1,950
Entities under control of Parent company	Interest income	17,958	4,628
Entities under control of Parent company	Income from fees and commissions	1,500	183
Entities under control of Parent company	Expense from fees and commissions	415	-
Entities under control of Parent company	Interest expense	113	321
Entities under control of Parent company	Other income	1,994	2,303
Entities under control of Parent company	Other operating expenses	448	505
Associate companies	Commission income	7,339	7,619
Associate companies	Interest expense	539	260
Associate companies	Cash Service costs	1,928	1,845
Associate companies	Third party remuneration and fees	3,778	599
Associate companies	Other operating expenses	421	421

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 2014 is BGN 606 thousand. (2013: BGN 590 thousand).

Total amount of deposits and current accounts of BD members and their close family (domestic partner, children and dependents), is BGN 5,411 thousand and the amount of loans is BGN 297 thousand.

The items in the consolidated income statement are as follows: Interest and commission income – BGN 18 thousand, Interest and commission expenses – BGN 342 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 AIG Insurance Company AD, UBB ALICO Life 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 AIG Insurance Company AD and UBB ALICO Life Insurance Company), 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 31.12.2014	As of 31.12.2013	As of 31.12.2014	As of 31.12.2013
	Separate	Separate	Consolidated	Consolidated
UBB Balanced Fund	2,475	2,221	2,475	2,221
UBB Premium Shares Fund	2,094	1,774	2,094	1,774
UBB Platinum Bonds Fund	1,495	1,460	1,495	1,460

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, 2014. The separate and consolidated performance is presented below:

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%

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, 2013	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	306,090	2,475	18,708	(1,678)	0.25%
Group	Bulgaria	308,329	2,525	21,669	(2,065)	0.35%

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. A biding offer was received on January 16, 2015. The sale is expected to be completed within the last quarter of 2015. As the Management of UBB is committed to the sale of UBB AIG Insurance Company AD, and the sale is expected to be completed within the next twelve months, the aforementioned joint venture has been reclassified as of December 31, 2014 to non-current assets held for sale (see Note 10A).

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.