DSK Bank Group

Consolidated Financial Statements

For the year ended 31 December 2015

and independent auditors' report

ANNUAL CONSOLIDATED REPORT
ON THE ACTIVITIES

FOR 2015

DSK BANK EAD
Report on the Management and Activity of DSK Bank EAD and the Companies of the Group for the year ending 31 December 2015

Basis of consolidation

As at the end of 2015 DSK Bank EAD has investments in subsidiaries, controls and has significant influence over the financial and operating activity of these companies. The financial statements of the subsidiaries are included in the consolidated financial statements of DSK Group as follows:

- PIC DSK Rodina BGN 10.972 million (99.75%);
- DSK Tours BGN 8.491 million (100%);
- DSK Asset Management BGN 12.061 million (66%);
- DSK Leasing BGN 1.962 million (60.02%);
- DSK Trans Security is 100% ownership of DSK Tours EOOD.

DSK Bank EAD has investments in associates, as follows:

- Cash company BGN 2.490 million (20%).

DSK Bank EAD has no investments but significant influence over the financial and operating activity of the company OTP Factoring Bulgaria and bears entirely the risk from the activity of the company.

DSK Bank Group

DSK Bank EAD

Summary

In 2015 Bulgarian economy continued to be influenced by the effects of the unstable international situation. There was a still weak economic activity tending to slow recovery. This uncertain environment continued to impact on the activity of the whole Banking system, including those of DSK Bank EAD. The lending potential remained very limited also during 2015 which further strengthened the severe competitive environment on the Bulgarian market, whereby banks continued to use their common market approaches. The strong and adequate capital and liquidity position of the banking system was preserved. However, the management of the loan portfolio quality continued, still being strongly influenced by the unfavorable environment, although there are already some indications for a slow recovery.

In 2015 DSK Bank EAD managed to keep its leadership positions both in retail loan and retail deposit portfolio, as well as its stable liquidity and capital position. As at the end of 2015 the Bank takes the second position on the lending market with a share of 13.2% compared to 12.8% by the end of 2014. However, it has to be considered that during the year the Bank wrote-off BGN 50 million and sold about BGN 26 million problem loans to the company OTP Factoring Bulgaria for the purpose of improving the process of problem loan management. On the deposit market the Bank also holds a second place in the banking system with a share of 13.5% compared to 12.5% by the end of 2014. Due to the still limited potential of the lending market, in 2015 DSK Bank EAD continued to optimize the cost of funding. Such policy was followed by most of the big banks on the market, which had a strong liquidity position and lost some market share on the account of banks with more aggressive price behavior in attracting funds. Thus, the Bank kept its stable interest spread of 5.6% (2014: 5.4%), and managed to compensate to a great extend the negative impact on the profitability of the still slowed down lending activity. The net income from banking activity reported an increase of 10.3% compared to 2014 due to an increase in net interest and commission income.

In 2015 profit grew by 35.3% as a result of higher net income from banking activity and lower impairment costs which decreased considerably compared to 2014. As a result of the continuously improving problem loans management process, the Bank succeeded to significantly improve the loan quality dynamic and reported by the end of the year a better than the plan quality. At the same time the highly conservative impairment policy was preserved whereby the allocated impairment for loan loss as of the end of 2015 includes a reasonable buffer in the coverage of the non-performing loans.

The successful management of the operating expenses also contributed to the good performance of the Bank. The cost-to-income ratio (operating expenses/gross operating income) was 36.4% by the end of 2015, which was much below the average level of this ratio in the first group of banks in the banking system of the country. This is a result of the continuing work efficiency improvement, good management of the investment policy and control over the current expenses.

In 2015 the asset quality continued to deteriorate, however with considerably slower rates, which reflected the weak positive economic changes in the operating environment of the Bank during the year, as well as the effective risk management. The Bank considered the management of the loan portfolio in 2015 as successful, taking into account the observed tendencies and the achieved results, by continuing to follow relatively more conservative provisioning policy compared to other banks on the market and the achieved high coverage of 95.6%. The Bank was able to undertake unexpected unfavorable changes on a regional or product level or in a particular risk exposure.

In 2015 DSK Bank EAD continued to offer mainly traditional loan and deposit products to households, keeping its leadership positions in this segment.

Market and credit risks are regularly monitored and evaluated by the respective and responsible units. DSK Bank EAD complies with regulations imposed by external authorities, as well as with internal risk regulations. There is no indication for risk increase in any of the profit centers or products, as well as regarding the balance sheet of the bank in terms of assets quality, liquidity, FX position, trading limits and capital adequacy above the level which the Bank is able to meet.

The performance of the administrative functions is strictly monitored (particularly those related to the interaction with external parties). Procurement is ensured for the entire branch network, whereas most of the supplier contracts are centralized and the orders, supplies and the respective expenses are closely monitored by the Head Office. Reports and other obligations toward external authorities and regulatory bodies are prepared and delivered timely and the compliance with all legislative requirements are monitored by Finance and Planning Division, Legal, and Compliance Departments. The operational risk is monitored and regularly reports are prepared and submitted to the Operational Risk Management Committee measuring the events and the realized losses and the corresponding potential losses, as well as proposing measures for minimization of the operational risk.

General information about the Management and the Structure of the Bank

DSK Bank EAD is a fully licensed bank authorized to conduct all banking operations according to the Bulgarian legislation. It is a universal commercial bank with prevailing activity in retail banking.

DSK Bank EAD has a two-tier management system. The Governing bodies are: General Assembly (GA), Supervisory Board (SB) and Management Board (MB).

In 2015 DSK Bank EAD was managed by a Supervisory Board and a Management Board respectively with the following members:

Supervisory Board

László Bencsik - Deputy Chairman and Chief Financial Officer of OTP Bank
László Wolf - Member of the SB
András Takács - Member of the SB
Gábor Kuncze - Member of the SB
Zoltan Dencs - Member of the SB

Management Board

Violina Marinova - Chairperson of the Management Board and Chief Executive Officer
Diana Miteva - Member of the MB and Executive Director
Dorothea Nikolova - Member of the MB and Executive Director
Yuriy Genov - Member of the MB and Executive Director
Boyan Stefov - Head of division
Margarita Petrova-Karidi - Member of the MB and Executive Director

Participation of Management and Supervisory Board members in the share capital

The Members of the Management and Supervisory Board do not participate in the share capital and do not have any rights to acquire shares and bonds of the company. The remunerations received during the year are according to the management contracts. The Management and Supervisory Board's members do not have any additional contracts with the Bank other than those for management. Information about the participation of Management Board's members in other companies or in their management is collected by the Internal Audit Division and is presented to the Supervisory Board.

The address of the Head Office of DSK Bank EAD is 19 Moskovska str., 1036 Sofia.

As at the end of 31 December 2015 DSK Bank EAD has 9 regional centers, 60 financial centers, 93 branches, 98 affiliated offices and 123 bank offices.

Financial result and profitability

For 2015 DSK Bank reported BGN 339.7 million profit before tax. The increase of 35% compared to 2014 was mainly due to lower impairment expenses and interest expenses, as well as higher fee income.

The profit after tax for 2015 was BGN 305.8 million.

The net interest income amounted to BGN 552.2 million and was higher by BGN 57.3 or 11.6% compared to 2014, mainly due to cost of funds optimization. The interest income decreased by

BGN 0.9 million year-on-year, as interest income from loans to individuals decreased by BGN 26.5 million and those of corporate clients – by BGN 2.7 million. An essential part of this negative effect was the stagnating portfolio volume, as well as the continuing decrease of average benchmark interest rates and strong competition on the lending market. The interest expenses decreased year-on-year by BGN 58.2 million as a result of the measures taken to reduce cost of funds.

The net non-interest income for 2015 amounted to BGN 139.7 million. The increase of 5.5% or BGN 7.2 million compared to 2014 was due to the higher net operating income and net fee and commission income.

The operating expenses stood at BGN 251.6 million, which is higher by BGN 6.4 million or 2.6% compared to 2014. The increase was due to the personnel expenses (an increase of BGN 3.3 million) and to the annual installment paid to the Bank Resolution Fund (BGN 5.37 million), which was introduced for the first time in 2015.

The headcount of the Bank as of 31st December 2015 was 3 788 (2014: 3 729).

The assets per employee ratio increased from BGN 2.748 million as of the end of 2014 to BGN 2.965 million as of the end of 2015. The profit per employee ratio increased also from BGN 62.3 thousand for 2014 to BGN 81.6 thousand for 2015.

Balance sheet indicators

The total assets of DSK Bank EAD as at 31 December 2015 amounted to BGN 11 112.0 million and increased by BGN 1 136.5 million (or 11.4%) compared to 2014.

The market share of the Bank as of 31 December 2015 in the total banking assets in the country was 12.7% (2014: 11.7%).

Interest bearing assets comprised 76.8% relative share of the Bank's total assets.

The net loan portfolio of DSK Bank amounted to BGN 6 242.4 million and reported a decrease of BGN 3.4 million or 0.1% compared to 2014.

Loans to individuals amounted to BGN 4 798.3 million and decreased by BGN 55.5 million (1.1%) compared to the previous year (mainly as a result of the problem loans portfolio, which was written-off or sold to the factoring company OTP Factoring Bulgaria).

At the end of 2015 the market share of the Bank in terms of household loans was 27.2%, in consumer loans and overdrafts – 30.5%, and in mortgage loans – 23.8%. In 2014 the market shares were respectively – 27.3%, 30.4% and 24.1%.

Company loans amounted to BGN 2 329.6 million and increased by BGN 76.0 million (3.4%) compared to 2014.

Loans to the state budget were BGN 9.7 million and grew by BGN 1.2 million compared to 2014.

Impairment allowance of the loan portfolio amounted to BGN 895.2 million, which is an increase of BGN 25.0 million compared to the previous year.

Customer deposits amounted to BGN 9 321.9 million. This represented an annual growth of 16.3% or BGN 1 304.9 million.

Household deposits as at the end of 2015 were BGN 7 107.2 million and increased by BGN 673.9 million or 10.5%.

The market share of the Bank in terms of household deposits as at the end of 2015 was 17.1% (2014: 16.8%).

Company deposits increased by BGN 558.9 million and by the end of the year amounted to BGN 1 768.2 million.

Deposits from the state budget were BGN 143.7 million and decreased by BGN 68.6 million in 2015.

Deposits from financial institutions amounted to BGN 302.8 million, increasing by BGN 140.8 million compared to 2014.

Card transactions

The number of electronic cards issued by DSK Bank as of 31.12.2015 was 1 381.2 thousand. The debit cards amounted to 1 267.9 thousand and the credit cards were 97.0 thousand.

As of December 2015 the Bank operated with 874 ATM devices and 5 207 POS devices. During the year the Bank installed 271 POS devices.

Capital adequacy

The Bank constantly keeps a level of total capital adequacy, sufficient in order to cover the risks from its activity and to comply with the regulatory requirements. As of December 2015 the total capital adequacy ratio was 17.26%. In 2015 DSK Bank EAD provided free capital of 237 million above the minimal capital adequacy requirements and the both capital buffers – capital conservation buffer (BGN 160.3 million) and the systemic risk buffer (BGN 192.3 million).

Credit risk

The main credit risk, to which DSK Bank EAD is exposed, results from the granted loans to clients. As of the end of the year, the loan portfolio of the Bank comprised loans to households (67.2%), company loans (32.6%) and loans to the state budget (0.1%). Within household loans the credit risk is well allocated between consumer loans (52.9%) and mortgage loans.

DSK Bank EAD measures credit risk in compliance with IFRS requirements (officially accepted by the Bulgarian legislation) and according to the internal regulations for assessment and classification of risk exposures and allocation of provisions for impairment loss.

The coverage ratio (ratio of coverage of the total loan portfolio with allocated loan loss impairment) as of December 2015 was as follows:

Total loan portfolio – 12.54%

By portfolio quality groups on the basis of related-parties classification:

- „regular " – 1.42%
- „watch " – 12.54%
- „non-performing " – 29.13%
- „loss " – 76.83%

The coverage of the „non-performing" and „loss" exposures with total allocated loan loss impairment was 84.6%, increasing by 7.3 pp compared to 2014. The risk coming from the activity of the Bank mainly in retail banking is well diversified by product types, collateral types and risk exposures. The relation between the separate exposures is monitored and according to their quality, corrective measures are taken in order to limit the increase of concentration risk. The introduced sector limits for company loans aim at additional improvement of risk portfolio diversification. The Centralized Commission for Problem Loans monitors on a monthly basis the limits compliance and imposes limitations and recommends measures in case of limit violations or indications for such.

As of the end of 2015 the regularly performing credit exposures (incl. related exposures) were 79.5%, as the distribution by products was as follows:

Consumer loans to individuals – 90%, mortgage loans to individuals – 70%, loans to small and medium-sized enterprises – 68% and loans to corporate clients – 80%.

During the entire year continued the work on taking intensified measures for improvement of the process of monitoring and management of the portfolio quality, including improvement in the procedures for monitoring and analysis of problem loans, improvement of the work of the inspectors for problem loans in the branch network, early identification of problem exposures and undertaking intensive actions on determination of the reasons and finding solutions in line with the changed circumstances considering at the same time the interest of the Bank, as well as of the borrowers. For this purpose the Bank cooperates actively with the factoring company OTP Factoring Bulgaria where the process of non-performing loans management continues after they are purchased from the Bank.

Investment program

The investments of DSK Bank during the year amounted to BGN 34.6 million, reporting a decrease of BGN 1.1 million compared to the previous year.

The investments in IT projects were BGN 22.2 million, as their share in the total investments of the Bank was 64% (for 2014 this share was 59 %).

The capital investments during the year were BGN 12.4 million. Investments of BGN 9 million were made in construction related activities aiming at optimization and improvement of the branch network strategic locations, BGN 1.1 million – in visual communication and BGN 0.7 million - in bank security.

<u>PIC DSK Rodina</u>

Pension Insurance Company DSK Rodina is licensed for performing activities on supplementary social insurance. It has registered and manages four pension insurance funds – Universal Pension Fund, Occupational Pension Fund, Voluntary Pension Fund and Voluntary Pension Fund under Occupational Schemes.

For the year ending 2015 DSK Rodina reported a profit after tax of BGN 8 620.0 thousand (2014: BGN 6 020.0 thousand). The revenues from the management of the four pensions funds amounted to BGN 19 790.4 thousand, which represented a growth of BGN 3 868 thousand or 24.3% compared to 2014. At the end of 2015 the number of the insured individuals reached 563 thousand, which represented a growth of 35.9 thousand or 6.8% compared to 2014. The net assets managed by the company reached BGN 1 245 327.5 thousand and reported a growth of 20.4% compared to 2014.

DSK Trans Security

DSK Trans Security is a company, specialized in the field of security, cash collection services and construction of structural cabling systems. The company provides its services mainly to DSK Bank EAD, but at the same time extends its activity and attracts external customers.

As at the end of 2015 DSK Trans Security reported lower profit after tax compared to 2014. The decrease is a result mainly of lower revenues from services provided to DSK Bank on construction of technical security systems.

Regarding the activity "cash pick-up services" DSK Trans Security is a leader on the market, due to its well-trained employees and good technical equipment. At the moment DSK Trans Security is a leading company in the ATM servicing and Cash services.

DSK Tours

The main activity of DSK Tours is related to management of the tourist premises of DSK Bank, hotel and restaurant services, tour operator and travel agency activity. The company manages 16 premises for seaside and mountain tourism, balneology and ecological tourism.

Due to the unfavorable macroeconomic environment in the last few years, the opportunities for developing the business of the company are limited and the revenues are not sufficient to cover the annual depreciation of the premises. Nevertheless, the cash-flow of the company remains positive and sufficient to support the going concern. The reported profit for 2015 was BGN 435 thousand considering the received dividend of BGN 530 thousand from the 100% owned company DSK Trans Security (2014: BGN 770 thousand profit – received dividend BGN 800 thousand). The depreciation expenses amounted to BGN 113 thousand.

The company offers complex tourist services: hotel reservations and organized trips in the country and abroad, specialized spa programs, business meetings, conferences, seminars, seaside and mountain tourism, rent-a-car services, etc.

DSK Asset Management

At the end of 2015 DSK Asset Management manages 10 mutual funds – DSK Money Market Fund and DSK Euro Money Market Fund (MM funds); DSK Standard, DSK Euro Active and DSK Alternative (bond funds); DSK Balance (balanced); DSK Growth (equity); DSK Properties, DSK Stability – European Equities and DSK Stability – German Equities (low risk funds).

2015 financial result after tax was a loss amounting to BGN 13 861 thousand (2014: BGN 4 396 thousand loss), as a result of impairment of receivables.

The revenues of the company from the asset management activity in 2015 amounted to BGN 1 798 thousand and decreased by BGN 631 thousand or 26% compared to 2014.

As at the end of 2015 the total net assets managed by DSK Asset Management were BGN 171 103 thousand (2014: BGN 167 974 thousand).

OTP Factoring Bulgaria

OTP Factoring Bulgaria (OFB) was registered in 2010 with scope of activity - factoring activity, including purchase and collection of receivables. Sole owner of the company's share capital (BGN 250 thousand) is OTP Faktoring Zrt, Hungary, whose majority owner is OTP Bank, Hungary.

The company was established with the aim of improving the management process of DSK Bank's non-performing loans. The collaboration of the company with DSK Bank is related to sales of the bank's problem loans to the company, transferring all benefits and risks, as well as assigned services on problem loans that remain on the balance sheet of the Bank against fee remuneration. Since the activity of the company is entirely related to DSK Bank, it is consolidated in DSK Banking group. The activity of OFB is financed only by loans from DSK Bank. Respectively the risk for the Bank arises from the probability the company to be unable to entirely collect the sold receivables that are the main source for repayment of its liabilities. In this respect, it could not be considered that the Bank has transferred entirely the risks of the sold loans, and in this regard the company is consolidated in the Banking group whereby the exposure of the sold loans is reported in the balance sheet of the Group as if the sale was not accomplished.

DSK Leasing

DSK Leasing was registered in April 2005. In the second half of 2005 a separate leasing company for car leasing named DSK Auto Leasing, 100% owned by DSK Leasing was established with main activity – leasing of cars. In 2007 a second subsidiary leasing company – DSK Leasing Ins was registered. Further in 2014 DSK Leasing registered a 100% subsidiary – DSK Operating Leasing EOOD, specialized in offering operating leasing of cars and transport vehicles.

For the reporting period DSK Leasing Group reported a profit amounting to BGN 2 278 thousand (2014: BGN 5 324 thousand loss, due to impairment of an investment property). The net interest income increased by 25.7% or BGN 927.5 thousand compared to 2014, while the net non-interest income grew by 8.9% or BGN 122.3 thousand.

Associates

Cash Services Company

Cash Services Company was registered in 2007 with shareholders DSK Bank EAD, UniCredit Bulbank, Bulgarian National Bank and United Bulgarian Bank. In 2008 Raiffeisenbank has been incorporated as a shareholder. All shareholders have 20% share of the capital.

At the end of 2015 the company reported a profit after tax amounting to BGN 987 thousand (2014: BGN 768 thousand).

Major goals for 2016

The Bank has defined the following priorities for the business year 2016:

- Continuing the development of the company business activity after the launched in 2014 restructuring of the management in this segment aiming at strengthening the market position

- Expedient management of the sales process with regard to the strong competitive environment and the further decreasing margins
- Development of new sales channels
- Introducing a strategy for attracting young customers.

The Bank will continue as well the effective management of the following processes:

- Activities related to the management of the loan portfolio quality as well as improving the measures and methods within the cooperation with OTP Factoring Bulgaria
- Adequate cost of funds management related to the ongoing weak potential on the lending market and declining market interest rates
- Constant improvement of the customer service quality
- Constant enhancement of the information systems covering all processes in the Bank related to the customer service as well as to the internal administrative, reporting and controlling functions of the institution.

The key issue in 2016 remains the management of the excess liquidity, which is expected to continue to increase during the next year and leads to a deterioration of the net interest margin.

The Report on the Management and the Activity of DSK Bank EAD in 2015 is approved by the Management Board with a protocol №13 on 08.03.2016.

Банка ДСК ЕАД
София
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Violina Marinova
Chief Executive Director

Dorothea Nikolova
Executive Director

INDEPENDENT AUDITOR'S REPORT AND
ANNUAL CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of
DSK Bank EAD

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other

The consolidated financial statements of the Group as of and for the year ended December 31, 2014 were audited by another auditor who expressed an unmodified opinion, dated March 17, 2015.

Other Reports on Legal and Regulatory Requirements - Annual consolidated management report on the activities of the Group according to the Accountancy Act

Pursuant to the requirements of the Bulgarian Accountancy Act, we have read the accompanying Annual consolidated report on the activities of the Group, prepared by the Group's management. The Annual consolidated report on the activities of the Group is not a part of the consolidated financial statements. The historical financial information presented in the Annual consolidated report on the activities of the Group, prepared by the management, is consistent, in all material respects, with the financial information disclosed in the annual consolidated financial statements of the Group as of December 31, 2015, prepared in accordance with IFRS, as adopted by the European Union. Management is responsible for the preparation of the Annual consolidated report on the activities of the Group dated March 08, 2016.

Deloitte Audit OOD

Deloitte Audit OOD

Vasko Raichev
Registered auditor
Proxy of the Statutory Manager Assen Dimov

March 08, 2016
Sofia

Consolidated statement of profit or loss

For the year ended 31 December

In thousands of BGN	Note	2015	2014
Interest income		605 606	604 711
Interest expense		(41 741)	(99 844)
Net interest income	4	**563 865**	**504 867**
Fee and commission income		163 799	145 042
Fee and commission expense		(15 304)	(13 170)
Net fee and commission income	5	**148 495**	**131 872**
Net trading income	6	(1 477)	30 429
Net operating income	7	36 436	988
Operating income		**34 959**	**31 417**
Personnel expenses	8	(104 736)	(100 492)
Depreciation and amortisation	18, 19	(40 331)	(39 608)
Impairment losses	9	(106 697)	(121 160)
Other expenses	10	(134 279)	(134 824)
Share of financial results of associates		16	152
Profit before tax		**361 292**	**272 224**
Income tax expense	11	(36 463)	(28 086)
Profit for the year		**324 829**	**244 138**
Attributable to:			
Equity holders of the parent		320 938	228 159
Non-controlling interest - profit		3 891	15 979

The consolidated statement of profit or loss is to be read in conjunction with the notes from 1 to 30 forming an integral part of the financial statements.

The financial statements were authorised for issue on behalf of DSK Bank EAD on 8 March 2016.

Violina Marinova
Chief Executive Director

Банка ДСК ЕАД
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Dorothea Nikolova
Executive Director

Deloitte Audit OOD
Vasko Raichev
Registered Auditor
8 March 2016

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

Translated from Bulgarian

Consolidated statement of comprehensive income

For the year ended 31 December

In thousands of BGN	**2015**	**2014**
Profit after tax	**324 829**	**244 138**
Items that may be reclassified to profit or loss		
Change in fair value of available for sale investments, net of tax	19 272	(542)
	19 272	(542)
Items that will never be reclassified to profit or loss		
Remeasurements of defined benefit liability	(1 100)	(37)
	(1 100)	(37)
Total comprehensive income	**343 001**	**243 559**
Attributable to:		
Equity holders of the parent	339 110	227 580
Non-controlling interest - profit	3 891	15 979

The consolidated statement of comprehensive income is to be read in conjunction with the notes from 1 to 30 forming an integral part of the financial statements.

The financial statements were authorised for issue on behalf of DSK Bank EAD on 8 March 2016.

Violina Marinova
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Vasko Raichev
Registered Auditor
8 March 2016

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

Consolidated statement of financial position

In thousands of BGN	Note	31-Dec-2015	31-Dec-2014
Assets			
Cash and current accounts with domestic and foreign banks	12	371 914	375 570
Financial assets held for trading	13	94 388	80 032
Loans and advances to banks and balances with the Central Bank	14	3 199 635	2 485 389
Loans and advances to other customers	15	6 229 503	6 229 144
Investments available for sale and held to maturity	16	835 749	412 485
Net receivables from finance lease	17	95 863	74 800
Current tax assets		490	242
Property, plant and equipment and investment property	18	361 097	360 052
Intangible assets	19	35 471	31 174
Other assets	20	40 090	54 816
Total assets		**11 264 200**	**10 103 704**
Liabilities and pension reserves			
Deposits from banks	21	54 343	232 120
Loans from banks and financial institutions	21	170 112	174 032
Deposits from other customers	22	9 310 265	8 002 707
Current tax liabilities		6 382	3 076
Deferred tax liabilities	23	7 323	7 171
Provisions for liabilities	24	12 851	11 664
Other and trading liabilities	25	80 084	86 773
Pension reserves for minimal profitability		11 687	9 735
Total liabilities and pension reserves		**9 653 047**	**8 527 278**
Shareholders' equity			
Share capital	26	153 984	153 984
Reserves	26	1 097 052	1 079 089
Retained earnings	26	337 085	304 530
Total shareholders' equity		**1 588 121**	**1 537 603**
Non-controlling interest		23 032	38 823
Total equity and non-controlling interest		**1 611 153**	**1 576 426**
Total liabilities and equity		**11 264 200**	**10 103 704**

The consolidated statement of financial position is to be read in conjunction with the notes from 1 to 30 forming an integral part of the financial statements.

The financial statements were authorised for issue on behalf of DSK Bank EAD on 8 March 2016.

Банка ДСК ЕАД София 52 2115

Violina Marinova
Chief Executive Director

Dorothea Nikolova
Executive Director

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Vasko Raichev
Registered Auditor
8 March 2016

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

Translated from Bulgarian

Consolidated statement of cash flows
For the year ended 31 December

In thousands of BGN	Note	2015	2014
Net cash flow from operating activities			
Profit before taxation		361 292	272 224
Increase in impairment losses of bad and doubtful debts and other assets	9	106 697	121 160
Depreciation and amortization	18, 19	40 331	39 608
Net effect from operations with investments		11 101	2 336
Net effect from foreign exchange rate revaluation		44 778	25 068
Net interest income		(563 865)	(504 867)
Loss from disposal of noncurrent assets		84	521
Increase in provisions for liabilities		2 826	3 390
Dividends received		589	648
Other non cash changes		(13 652)	19 066
Share of financial results of associates		5 384	(152)
Net cash flow from operating activities before changes in operating assets and liabilities		**(4 435)**	**(20 998)**
Change in operating assets			
Decrease / (increase) in securities held for trading		(7 206)	163 478
(Increase) in loans and advances to banks		(1 112 314)	(10 497)
(Increase) in loans and advances to other customers		(114 932)	(156 742)
Decrease (increase) in other assets		14 614	(12 528)
Change in operating liabilities			
Increase / (decrease) in deposits from banks		(177 768)	63 737
(Decrease) in loans from banks and financial institutions		(3 701)	(62 307)
Increase in deposits from other customers		1 269 469	999 581
(Decrease) in other liabilities		(32 743)	(2 167)
Interest received		586 833	608 499
Interest (paid)		(56 989)	(108 402)
Net cash flow from operating activities		**360 828**	**1 461 654**
Cash flow from investing activities			
(Acquisition) of property, plant and equipment, net		(45 736)	(36 608)
(Increase) in investments		(397 956)	(108 103)
Acquisition of subsidiaries net of cash received		-	(6 920)
Net cash flow from investing activities		**(443 692)**	**(151 631)**
Cash flow from financing activities			
Dividends (paid)		(308 108)	(162 000)
Net cash flow from financing activities		**(308 108)**	**(162 000)**
Prepaid tax		(35 312)	(31 065)
Net increase in cash and cash equivalents		**(426 284)**	**1 116 958**
Cash and cash equivalents at the beginning of period	28	**2 846 252**	**1 729 294**
Cash and cash equivalents at the end of period	28	**2 419 968**	**2 846 252**

The consolidated statement of cash flows is to be read in conjunction with the notes from 1 to 30 forming an integral part of the financial statements.

The financial statements were authorised for issue on behalf of DSK Bank EAD on 8 March 2016.

Violina Marinova
Chief Executive Director

Dorothea Nikolova
Executive Director

София
52

София
Рег. №033
"Делойт Одит" ООД

Deloitte Audit OOD
Vasko Raichev
Registered Auditor
8 March 2016

Translated from Bulgarian

Consolidated statement of changes in equity

In thousands of BGN	Share capital	Retained earnings	General and other reserve	Revaluation reserve	Non-controlling interest	Total
Balance as of 1 January 2014	**153 984**	**232 228**	**982 529**	**97 781**	**18 107**	**1 484 629**
Total comprehensive income						
Net profit for the year	-	228 159	-	-	15 979	244 138
Other comprehensive income						
Change in fair value of available for sale investments, net of tax	-	-	-	(542)	-	(542)
Remeasurements of defined benefit liability	-	-	(37)	-	-	(37)
Total other comprehensive income	-	-	(37)	(542)	-	(579)
Total comprehensive income	**-**	**228 159**	**(37)**	**(542)**	**15 979**	**243 559**
Common control transactions	-	501	-	-	9 737	10 238
Decrease in revaluation reserve from fully depreciated or disposal of land and buildings, net of tax	-	642	-	(642)	-	-
Contributions by and distributions to owners						
Dividends paid	-	(157 000)	-	-	(5 000)	(162 000)
Balance as of 31 December 2014	**153 984**	**304 530**	**982 492**	**96 597**	**38 823**	**1 576 426**
Total comprehensive income						
Net profit for the year	-	320 938	-	-	3 891	324 829
Other comprehensive income						
Change in fair value of available for sale investments, net of tax	-	-	-	19 272	-	19 272
Remeasurements of defined benefit liability	-	-	(1 100)	-	-	(1 100)
Total other comprehensive income	-	-	(1 100)	19 272	-	18 172
Total comprehensive income	**-**	**320 938**	**(1 100)**	**19 272**	**3 891**	**343 001**
Decrease in revaluation reserve from fully depreciated or disposal of land and buildings, net of tax	-	93	-	(93)	-	-
Change from subsidiary derecognition	-	24	(116)	-	(74)	(166)
Contributions by and distributions to owners						
Dividends paid	-	(288 500)	-	-	(19 608)	(308 108)
Balance as of 31 December 2015	**153 984**	**337 085**	**981 276**	**115 776**	**23 032**	**1 611 153**

The consolidated statement of changes in equity is to be read in conjunction with the notes from 1 to 30 forming part of the financial statements.

The financial statements were authorised for issue on behalf of DSK Bank EAD on 8 March 2016.

Violina Marinova
Chief Executive Director

Dorothea Nikolova
Executive Director

Банка ДСК ЕАД
София
52

Deloitte Audit OOD
Vasko Raichev
Registered Auditor
8 March 2016

Специализирано одиторско предприятие
София
Рег. №033
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1. Basis of preparation and legal status

(a) Legal status

DSK Bank EAD as the former State Savings Bank was incorporated on 2 March 1951 in Bulgaria as a centralised deposit accepting institution. Since 1998, when the Act of DSK transformation has been passed, DSK Bank EAD (The "Bank") was transformed into a commercial bank and is allowed to conduct all the transactions stated in art.1 par.2 from the Banking Law in force as of the date of transformation. Later the Bank receives a full banking license to operate as a commercial bank by order No. 220882 of 26 September 2002 issued by the Bulgarian National Bank.

On 26 January 1999 Sofia City Court registered the State Savings Bank as a solely owned joint stock company "DSK Bank", 100% owned by the state. In 2001, pursuant to a court decision the Bank has been transformed to a joint stock company with its capital divided between the Council of Ministers –75% and the Bank Consolidation Company AD - 25%.

On 29 November 2002 following a decision of the Sofia City Court the Bank Consolidation Company acquired 100% of the share capital of DSK Bank.

On 29 October 2003 following a decision of the Sofia City Court OTP Bank, incorporated in Hungary, acquired 100% of the share capital of DSK Bank.

The consolidated financial statements of the Bank Group for the years ended 31 December 2015 comprise the Bank and its subsidiaries and associates (together referred to as the Bank Group).

(b) Statement of compliance

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

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments, trading financial assets, financial liabilities, available-for-sale financial assets and land and buildings that are measured at fair value.

(d) Functional and presentation currency

These financial statements are presented in BGN, which is the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

(e) Use of estimates and judgements

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

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

Management discusses with the Group Audit Committees the development, selection and disclosure of the Group's critical accounting policies and estimates, and the application of these policies and estimates.

(1) Judgements

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is set out below.

Determination of control over Investment and pension funds

The Group acts as a fund manager to a number of investments funds - DSK Properties, DSK Standard, DSK Euro Active, DSK Balance, DSK Grouth, DSK Stability – European Equities, DSK Stability – German Equities, DSK Money Market Fund, DSK Euro Money Market Fund, DSK Alternative. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund (comprising any carried interest and expected management fees) and the investors' rights to remove the fund manager. For all funds managed by the Group, the investors are not able to vote to remove the fund manager without cause, and the Group's aggregate economic interest is insignificant. As a result, the Group has concluded that it acts as agent for the investors in all cases, and therefore has not consolidate these funds.

Universal Pension Fund, Professional Pension Fund, Voluntary Pension Fund, and Voluntary Pension Fund with Occupational Schemes of Rodina Pension Company are excluded from the Consolidated Financial Statements of the DSK Bank Group as these funds are managed by the Rodina Pension Company on behalf of third parties and Rodina Pension Company acts as agent for the investors in all cases.

(2) Assumptions and estimation uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in an adjustment in the year ending 31 December 2016 is set out below in relation to the impairment of financial instruments and in the following notes in relation to other areas:

- Note 3 (f) – determination of the fair value of financial instruments with significant unobservable inputs;
- Note 8 – measurement of defined benefit obligations: key actuarial assumptions
- Note 18 – determination of the fair value of investment property and land and buildings: significant unobservable inputs
- Note19 – impairment testing for goodwill: key assumptions underlying recoverable amount
- Allowances for credit losses and receivables

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 2 (e) *(7)*.

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about the counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances and held-to-maturity investment securities with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired loans and advances and held-to-maturity investment securities, but the individual impaired items cannot yet be identified. In assessing the need for collective loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made 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 allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

(f) Basis of consolidation

(1) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see (g) (3)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

(2) Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(3) Subsidiaries

Subsidiaries are those enterprises controlled by the Bank. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of the subsidiaries are included line by line in the consolidated financial statements from the date control commences until the date the control ceases. All receivables and payables, income and expenses as well as intra-group profits resulting from transactions between Group companies are eliminated unless they are not material. The minority shareholders' proportionate share in the income or expenses of the Group is disclosed separately from shareholders' equity under the item Non-controlling interest.

As of December 31, 2015 DSK Bank owns 99.75 % of the share capital of DSK Rodina Pension Company AD, 100 % of DSK Tours EOOD, 66 % of the share capital of DSK Assets Management AD, 60.02 % of the share capital of DSK Leasing AD possessing 100 % of the share capital of DSK Auto Leasing EOOD, DSK Leasing Insurance Broker EOOD and DSK Operative Leasing, and DSK Trans Security EOOD where DSK Tours EOOD owns 100 % and has control over the financial and operating policies of companies.

As of December 31, 2015 the procedure for cessation and liquidation of DSK Bul-Project OOD, started in 2014 is finalized (74.9 % of the share capital of DSK Bul-Project OOD is owned by the Bank as of December 31, 2014).

The control over DSK Leasing AD is obtained by DSK Bank Group in 2014 through buying 1 837 additional shares and thus increasing the voting interests in the company from 49.1 percent to 60.02 percent. The Group owns the control over DSK Leasing Group (DSK Leasing AD, DSK Auto Leasing EOOD, DSK Leasing Insurance Broker EOOD and DSK Operative Leasing).

DSK Bank Group includes in its consolidated financial statements OTP Factoring Bulgaria EAD without having equity investment. The Bank Group controls OTP Factoring Bulgaria EAD because the Group is exposed to variability of returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Bank Group owns control on both subsidiaries of OTP Factoring Bulgaria – OFB Projects EOOD and Project Company Complex Banya EOOD.

(4) Loss of control

When the Group losses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and the other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(5) Associates

Associates are those enterprises in which the Bank has significant influence, but not control, over the financial and operating policies. Investments in associates are accounted for under the equity method. Equity accounting involves recognition of the Bank's share of the total recognized gains and losses of associates for the year in the income statement. The Bank's interest in the associates is carried in the statement of financial position at an amount that reflects its share of the net assets of the associate.

DSK Bank owns 20 % of the equity in Cash Services Company and has significant influence over the financial and operating policies of the company.

2. Significant accounting policies

(a) Interest income and expenses recognition

Interest income and expenses are recognised in the consolidated income statement using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective interest rate includes all fees paid or received as well as discounts and premiums which are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

In the Consolidated Income Statement interest income and expense include:

- interest on financial assets and liabilities at amortised cost calculated on an effective interest basis;
- interest on available-for-sale investment securities calculated on an effective interest basis.

The interest income related to loans with repayment delay over 180 days are reported as off balance receivables and are not relevant to the formation of the current financial result.

(b) Foreign currency transactions

Transactions in foreign currencies are converted at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, and stated at historical cost, are translated at the foreign exchange rate ruling at that date. Foreign exchange rate differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost are reported at the foreign exchange rate ruling at the date of the transaction.

(c) Fees and commission

Other fees and commission income, including account servicing fees, investment management fees, sales commission, guarantees, and letter of credit fees, are recognised as the related services are performed.

Other fees and commission expenses related mainly to transaction and service fees, which are expensed as the services are received.

(d) Net trading income

Net trading income comprises gains net from losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, and foreign exchange rate differences. Net trading income includes foreign currency exchange rate differences on investment financial assets.

(e) Financial instruments

The financial instruments are reported as financial assets held for trading, available for sale, held to maturity and loans and advances to banks and other customers in the statement of financial position of DSK Bank Group.

(1) Classification

Detailed explanation of financial assets and liabilities classification is represented in note 2 Significant accounting policies – point (f), (g), (h), (i).

(2) Recognition

The Bank Group recognizes financial assets for trading and investments, loans and advances of the Bank Group and financial liabilities at amortised cost on settlement date. All other financial assets and liabilities are recognized on the trade date when the Bank Group becomes a party to the contract for the financial instrument. From that date the Bank Group recognizes all income and expenses related with the fair value changes of the financial instruments.

A financial asset or financial liability is initially measured at fair value. For items not subsequently measured at fair value through profit or loss transaction costs that are directly attributable to its acquisition or issue are included in the fair value at initial recognition.

(3) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, less principal repayments, adjusted with the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, less any reduction for impairment.

(4) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank Group has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that the market participants would take into account when pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred (see 3 (f) (*1*)).

(5) *Derecognition*

The 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 on a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if it does not retain control over the asset. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers in which control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised in its entirety if it meets the criteria for derecognition. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the service.

(6) *Offsetting*

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group’s trading activities.

(7) Impairment

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. In this respect, the Group regards a decline in fair value in excess of 20% to be 'significant' and a decline in a quoted market price that persisted for nine months or longer to be 'prolonged'.

The Group considers evidence of impairment for loans and advances and held-to-maturity investment securities on both specific and collective asset level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment on portfolio basis by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics. In assessing collective impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, and makes an adjustments if current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. The defaulted assets, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows decreased with risk percent according to their classification group discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised directly in equity to profit or loss. The cumulative loss that is written off the equity and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security 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 decreased, with the amount of the reversal recognised in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand and cash deposited with the Central Bank, nostro accounts, and short term highly liquid receivables from banks with initial maturity of up to three months.

(g) Financial assets and liabilities held for trading

Trading assets and liabilities that are measured at fair value through profit or loss are these instruments that the Bank Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit.

Trading assets and liabilities are initially recognised at fair value in the statement of financial position with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequently to their initial recognition except the Group assesses that they are no longer held for the purpose of being sold or repurchased in the near future and if the following conditions are met: if the financial asset would have met the definition of loans and receivables, then it may be reclassified if the Group has the intention and ability to hold the financial assets for foreseeable future or until maturity; if the financial asset would not have met the definition of loans and receivables, then it may be reclassified out of the trading category only in “rare circumstances”.

(h) Investments

Investment securities are initially measured at fair value and subsequently accounted for depending on their classification as either held-to-maturity or available-for-sale. For investment securities measured subsequently not at fair value through profit or loss, incremental direct transaction costs are included in the fair value at initial measurement.

(1) Held-to-maturity investments

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

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification of all held-to-maturity investments: sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset’s fair value; sales or reclassifications after the Group has collected substantially all of the asset’s original principal; sales or reclassifications attributable to non-recurring isolated events beyond the Group’s control that could not have been reasonably anticipated.

(2) Available for sale investments

Available-for-sale investments are non-derivative investments that are not classified as another category of financial assets.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

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

(i) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank Group does not intend to sell immediately or in the near future term. They include loans and advances to banks and loans and advances to customers.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo"), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the statement of financial position.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(j) Property, plant and equipment

The Bank Group applies a policy to measure subsequently land and buildings from propertyat revalued amount under the allowed alternative approach in IAS 16, Property, plant, and equipment.

Items of land and buildings are stated at fair value determined periodically by a professional registered valuer. The revaluation of assets is carried asset by asset based on proportional calculation of the book value of the asset and the accumulated for it depreciation as of the date of revaluation. When the carrying amount of assets is increased as a result of revaluation, the increase is credited directly to equity as revaluation reserve. When the carrying amount of assets is decreased as a result of revaluation, the decrease is recognized as a decrease of previous revaluation reserve and any excess is recognized as an expense in the income statement. Revaluations of land and buildings have been performed in 2002, 2005, and 2012.

Items of fixtures and fittings and other tangible assets are stated in the statement of financial position at their acquisition cost less accumulated depreciation.

Assets acquired by the Bank Group against non-collectable loans are represented in the statement of financial position at lower of cost and net realisable value.

Depreciation is provided on a straight-line basis designed to write down the cost of property, plant, and equipment over their expected useful life.

The following are approximations of the annual rates of depreciation used:

	%
▪ Buildings	2 - 15
▪ Machines and equipment	30
▪ Motor cars	25
▪ Vehicles (without motor cars)	10
▪ Computers, according to their class and useful life	12.5 - 100
▪ Fixtures and fitting and other depreciable fixed assets	10 - 15

Assets are depreciated from the date they are brought into use.

(k) Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from other property is recognised as other income.

(l) Intangible assets

(1) Goodwill

Goodwill arising on acquisitions represents the excess of the cost of the acquisition over the carrying value of the net identifiable assets acquired. Goodwill is presented with intangible assets.

(2) Other intangible assets

Other intangible assets, which are acquired by DSK Bank Group, are stated at cost less accumulated amortization and any impairment losses.

(3) Amortization

Amortization is calculated on a straight-line basis over the expected useful life of the asset. The annual rates of amortization are as follows:

	%
▪ Computer software, according to class and useful life	20 -100

(m) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, land and buildings) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Leased assets

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Assets under contracts of financial leases are reported in statement of financial position as property, plant and equipment and lease liability. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term.

(o) Finance lease receivables

The leasing activity of the Group involves lease of vehicles, industrial equipment, real estate and others, on finance lease contracts. The finance lease contract is an agreement under which the lessor gives the lessee the right of use of a particular asset for an agreed term against a reward. Lease contract is recorded as finance when with the contract the lessor transfers to the lessee all substantial risks and benefits associated with the ownership of the asset.

Typical indicators, considered by the Group for determining if all significant risks and benefits have been transferred include: present value of minimum lease payments in comparison with the fair value of the lease asset at the beginning of the lease contract, the term of the lease contract in comparison with the economic life of the leased out asset and also whether the lessee will acquire ownership over the leased asset at the end of the term of finance lease.

(1) Minimum lease payments

Minimum lease payments are the payments that the lessee will or may be required to make during the term of the lease contract. From the Group's point of view minimum lease payments also include the residual value of the asset guaranteed by a third party, not-related to the Group, provided that such party is financially capable of fulfilling its commitments under the guarantee or under the repurchase agreement. In the minimum lease payments the Group also includes the cost of exercising the option, which the lessee has for the purchase of the asset, as at the beginning of the lease contract it is to a large extent certain that the option will be exercised. Minimum lease payments do not include conditional rents, as well as costs of services and taxes to be paid by the Group and subsequently re-invoiced to the lessee.

(2) Initial and subsequent measurement

Initially the Group recognizes a receivable under finance lease, equal to its net investment, which includes the present value of minimum lease payments and any unsecured residual value for the Group. The present value is calculated by discounting the minimum lease payments due by the inherent to the lease contract interest rate. Initial direct costs are included in the calculation of the claim under finance lease. During the term of the lease contract the Group accrues financial income (income from interest on finance lease) on net investment. Received lease payments are treated as a reduction of net investment (repayment of principal) and recognition of financial income in a manner to ensure a constant rate of return on net investment. Consequently, the net investment in finance lease contracts is presented net, after deduction of provisions for uncollectability (see 2 (e) (*7*)).

(p) Provisions

A provision is recognised in the statement of financial position when DSK Bank Group has a legal obligation as a result of past events or there is present obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(q) Pension reserves

By managing the additional pension assurance Fund, DSK Rodina Pension Company AD guarantees its obligations towards the insured individuals by forming specialized reserves, as stipulated by the provisions of the Social Assurance Code.

(r) Deposits

Deposits are the Group's sources of debt funding.

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date ("repo"), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.

Deposits are initially measured at fair value minus incremental direct costs, and subsequently measured at their amortised cost using the effective interest rate method.

(s) Off-balance sheet commitments

In the ordinary course of its business, the Group enters into off-balance sheet commitments such as guarantees and letters of credit. The Group recognises provision for impairment on off-balance sheet commitments when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and reliable estimate can be made of the obligation.

(t) Taxation

Tax on the profit for the year comprises current tax and deferred tax. Income tax is recorded in the income statement except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates effective or enacted by the statement date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the statement of financial positionliability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entities.

(u) Employee benefits

(1) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay any further amounts. The Government of Bulgaria is responsible for providing pensions in Bulgaria under a defined contribution pension plan. The Group's contributions to the defined contribution pension plan are recognised as an employee benefit expense in income statement in the periods during which services are rendered by employees.

(2) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation with respect to defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value.

The Group has obligation to pay certain amounts to each employee who retires with the Group in accordance with Art.222, § 3 of the Labour Code in Bulgaria. According to these regulations in the LC, when a labour contract of a company's employee, who has acquired a pension right, is ended, the Group is obliged to pay compensations amounted to two gross monthly salaries. In case the employee's length of service in the company equals to or is greater than 10 or more years, as at retirement date, then the compensation amounts to six gross monthly salaries. The Management of the Bank estimates the approximate amount of the potential expenditures for every employee based on a calculation performed by a qualified actuary using the projected unit credit method as at the statement date. The estimated amount of the current year obligation and the main assumptions, on the base of which the estimation of the obligation has been made, is disclosed to the financial statements in note 8.

The Group recognises actuarial gain or loss, arising from defined benefit plans in the statement of comprehensive income.

(3) *Termination benefits*

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(4) *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

The Group recognises as a liability the undiscounted amount of the estimated costs related to annual leave expected to be paid in exchange for the employee's service for the period completed.

(v) Initial application of new amendments to the existing Standards and Interpretations effective for the current financial period

The following new amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current financial period:

- Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)" resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 18, 2014 (amendments are to be applied for annual periods beginning on or after January 1, 2015),
- IFRIC 21 "Levies" adopted by the EU on June 13, 2014 (effective for annual periods beginning on or after June 17, 2014).

The adoption of these amendments to the existing standards and interpretation has not led to any material changes in the Group's financial statements.

Amendments to the existing Standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following amendments to the existing standards issued by IASB and adopted by the EU were in issue but not yet effective:

- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 17, 2014 (amendments are to be applied for annual periods beginning on or after February 1, 2015),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on December 2, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions - adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015),
- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations adopted by the EU on November 24, 2015 (effective for annual periods beginning on or after January 1, 2016).
- Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative – adopted by the EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements - adopted by the EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 15, 2015 (amendments are to be applied for annual periods beginning on or after January 1, 2016).

New Standards and amendments to the existing Standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except from the following new standards and amendments to the existing standards, which were not endorsed for use in EU:

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after January 1, 2018);
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after January 1, 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- IFRS 15 "Revenue from Contracts with Customers" and further amendments (effective for annual periods beginning on or after January 1, 2018),
- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after January 1, 2016).

The Group anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Group in the period of initial application, except for the noted below which might have material effect on the financial statements:

- IFRS 9 "Financial Instruments" uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39;
- IFRS 15 "Revenue from Contracts with Customers" which specifies how and when an IFRS reporter will recognise revenue from contracts with customers, different from financial instruments and other contractual rights or obligations within the scope of IFRS 9, lease and insurance contracts, and other scope exceptions, as well as the required disclosures;
- IFRS 16 "Leases", under which a lessee recognises a right-of-use asset, treated similarly to other non-financial assets and depreciated accordingly and a lease liability.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the Group's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: Financial Instruments: Recognition and Measurement, would not impact the financial statements, if applied as at the reporting date.

3. Risk management disclosures

Below are represented the various risks on which DSK Bank Group is exposed to as well as the approaches taken to manage those risks.

(a) Liquidity risk

Liquidity risk occurs as a result of the necessity to provide general funding for DSK Bank Group's activities and the management of its positions. It includes both the risk of being unable to settle liabilities and the risk of a financial loss caused by forced sale of financial assets in order to provide liquidity.

DSK Bank Group maintains active trading positions in a limited number of derivative and non-derivative financial instruments. Most of DSK Bank Group's derivative trading activities are aimed at offering products to corporate clients at competitive prices. DSK Bank Group uses money and capital market instruments to maintain liquidity and to maximize net trading income.

The goal of liquidity risk management of the Bank Group is to ensure that it will always have sufficient level of liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses from selling liquid assets or expensive financing.

The executive Body, responsible for managing the liquidity is Asset and Liability Committee (ALCO). The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to the total amount of deposits from customers.

	31-Dec-2015	**31-Dec-2014**
Liquidity ratio	28.27%	28.83%

To analyze the liquidity, the Bank Group prepares a maturity table for assets and liabilities, in which the cash flow from different assets and liabilities are distributed in different time bands, according to their payment date.

The following table presents the liabilities of DSK Bank Group distributed by their remaining term to maturity into relevant maturity zones based on undiscounted cash outflows.

Residual contractual maturities of liabilities as of 31 December 2015

In thousands of BGN	Carrying amount	Gross nominal flow	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Without maturity
Liabilities								
Deposits from banks	**54 343**	**54 349**	54 349	-	-	-	-	-
Loans from banks and financial institutions	**170 112**	**171 336**	37	14 453	23 562	108 060	25 224	-
Deposits from other customers	**9 310 265**	**9 339 885**	7 098 328	701 627	1 482 355	57 575	-	-
Current tax liabilities	**6 382**	**6 382**	-	6 382	-	-	-	-
Deferred tax liabilities	**7 323**	**7 323**	-	-	-	7 323	-	-
Provisions for liabilities	**12 851**	**12 851**	-	6 551	2 037	4 263	-	-
Other and trading liabilities	**80 084**	**80 084**	40 013	2 944	11 185	23 818	12	2 112
Pension reserves for minimal profitability	**11 687**	**11 687**	-	-	-	-	-	11 687
Total liabilities	**9 653 047**	**9 683 897**	**7 192 727**	**731 957**	**1 519 139**	**201 039**	**25 236**	**13 799**
Unused loan commitments	-	812 842	83 037	71 524	358 469	213 876	85 936	-
Total liabilities and commitments	**9 653 047**	**10 496 739**	**7 275 764**	**803 481**	**1 877 608**	**414 915**	**111 172**	**13 799**

Residual contractual maturities of liabilities as of 31 December 2014

In thousands of BGN	Carrying amount	Gross nominal flow	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Without maturity
Liabilities								
Deposits from banks	**232 120**	**232 133**	231 266	-	867	-	-	-
Loans from banks and financial institutions	**174 032**	**176 716**	116 613	-	5 594	17 489	37 020	-
Deposits from other customers	**8 002 707**	**8 057 106**	5 712 901	738 592	1 507 734	97 879	-	-
Current tax liabilities	**3 076**	**3 076**	-	3 076	-	-	-	-
Deferred tax liabilities	**7 171**	**7 171**	-	-	-	7 171	-	-
Provisions for liabilities	**11 664**	**11 664**	-	6 667	4 997	-	-	-
Other and trading liabilities	**86 773**	**86 773**	61 824	10 241	2 853	11 517	292	46
Pension reserves	**9 735**	**9 735**	-	-	-	-	-	9 735
Total liabilities	**8 527 278**	**8 584 374**	**6 122 604**	**758 576**	**1 522 045**	**134 056**	**37 312**	**9 781**
Unused loan commitments	-	628 081	66 549	67 388	338 999	107 263	47 882	-
Total liabilities and commitments	**8 527 278**	**9 212 455**	**6 189 153**	**825 964**	**1 861 044**	**241 319**	**85 194**	**9 781**

The tables below set out the remaining expected maturities of the Group's financial assets and liabilities based on their balance sheet amount as at 31 December 2015 and 31 December 2014.

Maturity table of assets and liabilities as of 31 December 2015

In thousands of BGN	**Carrying amount**	**Up to 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Without maturity**
Liabilities							
Deposits from banks	**54 343**	54 343	-	-	-	-	-
Loans from banks and financial institutions	**170 112**	27	14 453	23 470	107 571	24 591	-
Deposits from other customers	**9 310 265**	7 095 208	698 713	1 470 107	46 237	-	-
Current tax liabilities	**6 382**	-	6 382	-	-	-	-
Deferred tax liabilities	**7 323**	-	-	-	7 323	-	-
Provisions for liabilities	**12 851**	-	6 551	2 037	4 263	-	-
Other and trading liabilities	**80 084**	40 013	2 944	11 185	23 818	12	2 112
Pension reserves for minimal profitability	**11 687**	-	-	-	-	-	11 687
Total liabilities	**9 653 047**	**7 189 591**	**729 043**	**1 506 799**	**189 212**	**24 603**	**13 799**
Unused loan commitments	-	83 037	71 524	358 469	213 876	85 936	-
Total liabilities and commitments	**9 653 047**	**7 272 628**	**800 567**	**1 865 268**	**403 088**	**110 539**	**13 799**
Derivatives liabilities							
Trading:	20 834						
Outflow	-	(14 841)	(10 101)	(5 574)	(660 857)	-	-
Inflow	-	14 761	9 750	5 191	630 898	-	-
Total derivatives	**20 834**	**(80)**	**(351)**	**(383)**	**(29 959)**	**-**	**-**
Assets							
Cash and current accounts with domestic and foreign banks	**371 914**	371 914	-	-	-	-	-
Financial assets held for trading	**94 388**	921	3 452	1 950	52 487	34 027	1 551
Loans and advances to banks and balances with the Central Bank	**3 199 635**	2 058 138	967	43 309	1 097 221	-	-
Loans and advances to other customers	**6 229 503**	71 731	168 327	937 378	2 004 079	3 047 988	-
Net receivables from finance lease	**95 863**	2 588	6 296	27 044	59 763	172	-
Investments available for sale and held to maturity	**835 749**	21 819	29 123	186 576	415 299	160 990	21 942
Current tax assets	**490**	490	-	-	-	-	-
Other assets	**40 090**	36 078	233	2 671	1 089	-	19
Total assets	**10 867 632**	**2 563 679**	**208 398**	**1 198 928**	**3 629 938**	**3 243 177**	**23 512**
Derivatives assets							
Trading:	9 119						
Outflow	-	(77 965)	(121 994)	(230 001)	(296 084)	-	-
Inflow	-	78 480	122 923	231 371	301 182	-	-
Total derivatives	**9 119**	**515**	**929**	**1 370**	**5 098**	**-**	**-**

Maturity table of assets and liabilities as of 31 December 2014

In thousands of BGN	Carrying amount	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Without maturity
Liabilities							
Deposits from banks	**232 120**	231 259	-	861	-	-	-
Loans from banks and financial institutions	**174 032**	116 589	-	5 169	17 044	35 230	-
Deposits from other customers	**8 002 707**	2 276 347	730 385	1 500 045	3 495 930	-	-
Current tax liabilities	**3 076**	-	3 076	-	-	-	-
Deferred tax liabilities	**7 171**	-	-	-	7 171	-	-
Provisions for liabilities	**11 664**	-	6 667	4 997	-	-	-
Other and trading liabilities	**83 549**	60 436	10 187	2 170	10 710	-	46
Pension reserves	**9 735**	-	-	-	-	-	9 735
Total liabilities	**8 524 054**	**2 684 631**	**750 315**	**1 513 242**	**3 530 855**	**35 230**	**9 781**
Unused loan commitments	-	66 549	67 388	338 999	107 263	47 882	-
Total liabilities and commitments	**8 524 054**	**2 751 180**	**817 703**	**1 852 241**	**3 638 118**	**83 112**	**9 781**
Derivatives liabilities							
Trading:	3 224						
Outflow	-	(820 136)	(10 879)	(39 939)	(11 764)	(3 912)	-
Inflow	-	818 584	10 820	39 708	11 398	3 912	-
Total derivatives	**3 224**	**(1 552)**	**(59)**	**(231)**	**(366)**	**-**	**-**
Assets							
Cash and current accounts with domestic and foreign banks	**375 570**	375 570	-	-	-	-	-
Financial assets held for trading	**78 433**	424	18 433	19 693	21 791	16 351	1 741
Loans and advances to banks and balances with the Central Bank	**2 485 389**	2 471 495	-	13 707	187	-	-
Loans and advances to other customers	**6 229 144**	108 404	137 706	853 689	2 017 588	3 111 757	-
Net receivables from finance lease	**74 800**	2 269	4 871	21 590	45 922	148	-
Investments available for sale and held to maturity	**412 485**	30 938	940	3 761	339 390	28 234	9 222
Current tax assets	**242**	242	-	-	-	-	-
Other assets	**54 816**	51 846	372	2 432	166	-	-
Total assets	**9 710 879**	**3 041 188**	**162 322**	**914 872**	**2 425 044**	**3 156 490**	**10 963**
Derivatives assets							
Trading:	1 599						
Outflow	-	(504 172)	(22 375)	(63 173)	(11 030)	-	-
Inflow	-	505 070	22 494	63 781	11 148	-	-
Total derivatives	**1 599**	**898**	**119**	**608**	**118**	**-**	**-**

In addition to monitoring the liquidity position, the Bank Group also analyses the stability of the funds attracted from various sources in order to define the expected cash outflows. The analysis is prepared on a regular basis and the information about the changes of depositors' behaviour is reported to the management of the Bank Group.

The Group's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. The principal differences are as follows:

- demand deposits from customers are expected to remain stable or increase
- retail mortgage loans have an average original contractual maturity 24 years but an average expected maturity of 5 years because customers take advantage of early repayment options

As part of the management of liquidity risk, the Group holds liquid assets comprising cash and cash equivalents and debt securities, which can be readily sold to meet liquidity requirements:

Liquidity reserves

In thousands of BGN	**31-Dec-2015**	**31-Dec-2014**
Balances with Central bank	1 557 225	415 840
Cash and balances with other banks	860 671	1 939 443
Unencumbered debt securities	268 097	56 355
Total liquidity assets	**2 685 993**	**2 411 638**

Responsible liquidity management requires avoiding concentration of attracted funds from large depositors. Analysis of attracted funds is made periodically and diversification in the general portfolio of liabilities is observed.

(b) Market risk

Market risk is the risk that changes in market prices – such as interest rates, equity prices, foreign exchange rates – will affect the Group's income or the value of its holdings of financial instruments.

Exposure to market risk is managed in accordance with risk limits set by senior management.

(1) Interest rate risk

DSK Bank Group's activities are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or undergo changes in their interest rates at different times and to a different degree. In cases of assets and liabilities with floating interest rates, DSK Bank Group is exposed to a risk of adverse changes in the basis interest rates (Libor, Euribor, Sofibor), which serve to determine the final interest rates of the customers and the relations with other banks.

Interest rate risk management activities are conducted in the context of DSK Bank Group's sensitivity to interest rate changes. The actual effect will depend on a number of factors, including the degree to which repayments are made earlier or later than the contracted dates as well as variations in the interest rate, caused by the sensitivity to different periods and currencies.

DSK Bank Group analyses the interest risk, by classifying its financial assets and liabilities in time areas according to their sensitivity to the changes of interest rates in different currencies.

Exposure to interest rate risk as of 31 December 2015

In thousands of BGN	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	Over 2 years	Non-interest-bearing	Total
Cash and current accounts with domestic and foreign banks	**34 556**	**-**	**-**	**-**	**-**	**337 358**	**371 914**
Fixed rate	22 311	-	-	-	-	-	22 311
Floating rate	12 245	-	-	-	-	-	12 245
Non-interest bearing	-	-	-	-	-	337 358	337 358
Financial assets held for trading	**-**	**1 993**	**183**	**27 143**	**54 399**	**10 670**	**94 388**
Fixed rate	-	1 993	183	27 143	54 399	-	83 718
Floating rate	-	-	-	-	-	-	-
Non-interest bearing	-	-	-	-	-	10 670	10 670
Loans and advances to banks and balances with the Central Bank	**501 212**	**196 555**	**43 011**	**901 632**	**-**	**1 557 225**	**3 199 635**
Fixed rate	501 212	196 555	43 011	901 632	-	-	1 642 410
Floating rate	-	-	-	-	-	-	-
Non-interest bearing	-	-	-	-	-	1 557 225	1 557 225
Loans and advances to other customers	**5 562 161**	**8 926**	**65 541**	**14 654**	**326 251**	**251 970**	**6 229 503**
Fixed rate	2 330	8 926	65 541	14 654	326 251	-	417 702
Floating rate	5 559 831	-	-	-	-	-	5 559 831
Non-interest bearing	-	-	-	-	-	251 970	251 970
Net receivables from finance lease	**95 863**	**-**	**-**	**-**	**-**	**-**	**95 863**
Fixed rate	-	-	-	-	-	-	-
Floating rate	95 863	-	-	-	-	-	95 863
Non-interest bearing	-	-	-	-	-	-	-
Investment securities	**29 704**	**24 913**	**186 263**	**95 172**	**477 755**	**21 942**	**835 749**
Fixed rate	17 545	24 913	186 110	95 172	477 755	-	801 495
Floating rate	12 159	-	153	-	-	-	12 312
Non-interest bearing	-	-	-	-	-	21 942	21 942
Total interest sensitive assets	**6 223 496**	**232 387**	**294 998**	**1 038 601**	**858 405**	**2 179 165**	**10 827 052**
Fixed rate	543 398	232 387	294 845	1 038 601	858 405	-	2 967 636
Floating rate	5 680 098	-	153	-	-	-	5 680 251
Non-interest bearing	-	-	-	-	-	2 179 165	2 179 165
Deposits from banks	**50 569**	**-**	**-**	**-**	**-**	**3 774**	**54 343**
Fixed rate	50 516	-	-	-	-	-	50 516
Floating rate	53	-	-	-	-	-	53
Non-interest bearing	-	-	-	-	-	3 774	3 774
Loans from banks and financial institutions	**-**	**-**	**62 541**	**9 779**	**97 792**	**-**	**170 112**
Fixed rate	-	-	-	-	-	-	-
Floating rate	-	-	62 541	9 779	97 792	-	170 112
Non-interest bearing	-	-	-	-	-	-	-
Deposits from other customers	**7 127 363**	**688 060**	**1 438 849**	**43 818**	**2 406**	**9 769**	**9 310 265**
Fixed rate	929 312	688 060	1 438 849	43 818	2 406	-	3 102 445
Floating rate	6 198 051	-	-	-	-	-	6 198 051
Non-interest bearing	-	-	-	-	-	9 769	9 769
Total interest sensitive liabilities	**7 177 932**	**688 060**	**1 501 390**	**53 597**	**100 198**	**13 543**	**9 534 720**
Fixed rate	979 828	688 060	1 438 849	43 818	2 406	-	3 152 961
Floating rate	6 198 104	-	62 541	9 779	97 792	-	6 368 216
Non-interest bearing	-	-	-	-	-	13 543	13 543

Exposure to interest rate risk table as of 31 December 2014

In thousands of BGN	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	Over 2 years	Non-interest-bearing	Total
Cash and current accounts with domestic and foreign banks	**10 796**	**-**	**-**	**-**	**-**	**364 774**	**375 570**
Fixed rate	1 011	-	-	-	-	-	1 011
Floating rate	9 785	-	-	-	-	-	9 785
Non-interest bearing	-	-	-	-	-	364 774	364 774
Financial assets held for trading	**176**	**18 113**	**19 419**	**2 149**	**36 835**	**3 340**	**80 032**
Fixed rate	176	18 113	19 419	2 149	36 835	-	76 692
Floating rate	-	-	-	-	-	-	-
Non-interest bearing	-	-	-	-	-	3 340	3 340
Loans and advances to banks and balances with the Central Bank	**2 055 523**	**-**	**12 130**	**-**	**-**	**417 736**	**2 485 389**
Fixed rate	2 055 523	-	12 130	-	-	-	2 067 653
Floating rate	-	-	-	-	-	-	-
Non-interest bearing	-	-	-	-	-	417 736	417 736
Loans and advances to other customers	**5 596 711**	**10 732**	**40 088**	**61 638**	**298 031**	**221 944**	**6 229 144**
Fixed rate	2 119	10 732	40 088	61 638	298 031	-	412 608
Floating rate	5 594 592	-	-	-	-	-	5 594 592
Non-interest bearing	-	-	-	-	-	221 944	221 944
Net receivables from finance lease	**74 800**	**-**	**-**	**-**	**-**	**-**	**74 800**
Fixed rate	-	-	-	-	-	-	-
Floating rate	74 800	-	-	-	-	-	74 800
Non-interest bearing	-	-	-	-	-	-	-
Investment securities	**43 136**	**-**	**2 213**	**211 669**	**146 245**	**9 222**	**412 485**
Fixed rate	29 021	-	2 012	211 669	146 245	-	388 947
Floating rate	14 115	-	201	-	-	-	14 316
Non-interest bearing	-	-	-	-	-	9 222	9 222
Total interest sensitive assets	**7 781 142**	**28 845**	**73 850**	**275 456**	**481 111**	**1 017 016**	**9 657 420**
Fixed rate	2 087 850	28 845	73 649	275 456	481 111	-	2 946 911
Floating rate	5 693 292	-	201	-	-	-	5 693 493
Non-interest bearing	-	-	-	-	-	1 017 016	1 017 016
Deposits from banks	**227 747**	**-**	**860**	**-**	**-**	**3 513**	**232 120**
Fixed rate	227 287	-	860	-	-	-	228 147
Floating rate	460	-	-	-	-	-	460
Non-interest bearing	-	-	-	-	-	3 513	3 513
Loans from banks and financial institutions	**26 342**	**147 690**	**-**	**-**	**-**	**-**	**174 032**
Fixed rate	-	-	-	-	-	-	-
Floating rate	26 342	147 690	-	-	-	-	174 032
Non-interest bearing	-	-	-	-	-	-	-
Deposits from other customers	**7 755 868**	**238 780**	**50**	**-**	**-**	**8 009**	**8 002 707**
Fixed rate	650 310	238 780	50	-	-	-	889 140
Floating rate	7 105 558	-	-	-	-	-	7 105 558
Non-interest bearing	-	-	-	-	-	8 009	8 009
Total interest sensitive liabilities	**8 009 957**	**386 470**	**910**	**-**	**-**	**11 522**	**8 408 859**
Fixed rate	877 597	238 780	910	-	-	-	1 117 287
Floating rate	7 132 360	147 690	-	-	-	-	7 280 050
Non-interest bearing	-	-	-	-	-	11 522	11 522

Financial assets and liabilities in the table above are grouped by the earlier of the next contractual reprising date or maturity date.

The management of interest rate risk is supplemented by monitoring the sensitivity of financial assets and financial liabilities to interest rate scenarios. A change of 200 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

	Profit or loss		**Equity**	
	200 bp increase	**200 bp decrease**	**200 bp increase**	**200 bp decrease**
Effect in thousands of BGN				
31 December 2015				
As at 31 December	586	(586)	(58 436)	58 436
Average for the period	(368)	368	(51 437)	51 437
Maximum for the period	6 421	13 451	(42 252)	58 436
Minimum for the period	(13 451)	(6 421)	(58 436)	42 252
31 December 2014				
As at 31 December	21 182	(21 182)	(1 963)	1 963
Average for the period	15 788	(15 788)	(2 046)	2 046
Maximum for the period	23 027	(6 961)	(545)	4 094
Minimum for the period	6 961	(23 027)	(4 094)	545

(2) *Exchange rate risk*

DSK Bank Group is exposed to exchange rate risk when conducting transactions with financial instruments denominated in foreign currencies.

As a result of the implementation of Currency Board in Bulgaria, the Bulgarian currency rate to the euro is fixed at 1.95583. The national reporting currency is the Bulgarian lev therefore DSK Bank Group’s financial results are affected by fluctuations in the exchange rates between the Bulgarian lev and currencies outside the Euro-zone.

The risk management policy is aimed at limiting the possible losses from negative fluctuations of foreign currencies rates different from euro. DSK Bank Group senior management sets limits on maximum open positions, stop-loss and VaR (Value at Risk) to manage the Bank Group’s exchange rate risk. Bank Group’s strategy is to minimize the impact from the changes of exchange rates on financial results. The net open currency positions are reported to management on a daily basis. The limits for restricting the exchange rate risk are periodically renewed based on analysis of market information and the inner needs of the Bank Group.

The Bank Group applies VaR methodology to measure the exchange rate risk. Basic characteristics of this model are: parametric, 99% level of confidence and 1 day holding period. To work out the correlation matrix the Bank Group uses historical observations of currency rates movement for 251 working days. To weight the observations, the so called model “Risk Metrics for weighting the observations” is used, according to which the last changes receive bigger weight.

The statistics of the model for 2015 and 2014 are as follows:

In thousands of BGN	**2015**	**2014**
At 31 December	109	29
Average for the period	145	41
Maximum for the period	278	75
Minimum for the period	26	4

VaR model has some limitations such as the possibility of losses with greater frequency and with larger amount, than the expected ones. For this purpose the quality of the VaR model is continuously monitored through back-testing the VaR results. To value the currency risk in extreme conditions, stress test is used, based on potential changes of the currency rates.

For monetary assets and liabilities denominated in foreign currencies that are not hedged, DSK Bank Group manages the net exposure by buying and selling foreign currencies at spot rates when considered appropriate.

(c) Credit risk

(1) Credit risk management processes and strategies

DSK Bank Group is subject to credit risk through its trading, lending, and investing activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees.

Credit risk associated with trading and investing activities is managed through DSK Bank Group's counterparty and clients risk management procedures.

The risk that counterparties to both derivative and other instruments might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, DSK Bank Group deals with counterparties with credit rating, which is acceptable to the Bank Group. A system of counterparty limits has been created and is applied.

The table below sets out information about maximum exposure to credit risk:

	Loans and advances to other customers		**Loans and advances to banks and balances with the Central bank**		**Investmentsand financial assets held for trading**		**Off balance sheet commitments**	
In thousands of BGN	**31-Dec-2015**	**31-Dec-2014**	**31-Dec-2015**	**31-Dec-2014**	**31-Dec-2015**	**31-Dec-2014**	**31-Dec-2015**	**31-Dec-2014**
Carrying amount	6 229 503	6 229 144	3 199 635	2 485 389	930 137	492 517		
Amount committed/ guaranteed							1 112 144	900 427

DSK Bank Group's primary exposure to credit risk arises from its loans and advances to customers. In addition, DSK Bank Group is exposed to off balance sheet credit risk through commitments to extend credit and guarantees and letters of credit issued. The Bank Group applies a system for determining client's limits with the aim to reduce the risk. Every risk taking is approved from executive officer or collective body which has the competence to approve the collective exposure toward the client or the client's group. The risk taken depends on the client rating or the assessment of the specific deal using basically statistical models.

Loans and advances to banks and other customers – not impaired

In thousands of BGN	31-Dec-2015		31-Dec-2014	
	to customers*	**to banks***	**to customers***	**to banks***
Past due 0 days	2 306 388	3 199 635	2 301 087	2 485 389
Past due up to 30 days	270 250	-	352 385	-
Past due 31-60 days	60 543	-	74 165	-
Past due 61-90 days	33 896	-	53 429	-
Past due over 90 days	21 825	-	33 015	-
Total	**2 692 902**	**3 199 635**	**2 814 081**	**2 485 389**

*The table above sets out information about loans and advances carried at amortised cost.

Loans and advances to banks and other customers – impaired

In thousands of BGN	31-Dec-2015		31-Dec-2014	
	to customers**	**Net value*****	**to customers****	**Net value*****
Past due 0 days	3 126 458	2 987 196	2 900 659	2 767 349
Past due up to 30 days	308 719	277 600	335 944	297 663
Past due 31-60 days	50 006	36 454	79 850	55 263
Past due 61-90 days	27 446	19 812	39 697	22 922
Past due over 90 days	1 053 937	215 539	1 046 585	271 866
Total	**4 566 566**	**3 536 601**	**4 402 735**	**3 415 063**
incl. individually impaired due to:				
Past due	1 096 307	311 312	1 116 229	343 903
Financial instability	279 809	115 126	267 336	145 856
	1 376 116	**426 438**	**1 383 565**	**489 759**

**The table above sets out information about loans and advances carried at amortised cost.
*** Included in the column *Net value* are loans and receivables carried at amortised cost net of impairment allowance.

The policy of DSK Bank Group is to require that prior to disbursement of loans customers ensure compliance with the conditions precedent and provide collateral/support. Letters of Credit and Letters of Guarantee are also subject to preliminary analysis. The risk assumption contracts specify the parameters of the individual deals (such as amount, tenor, conditions precedent, price, etc.). The collateral coverage for LGs and LCs usually comes to at least 100% of the amount of principal and a year interest and the higher risk requires a higher level of collateral coverage and/or requirement for granting more liquid collaterals.

Collateral held against credit exposures

Type of credit exposure	Principal type of collateral	Percentage of exposure, subject to an agreement, requiring collateral 2015	2014
Advances to banks and other financial institutions			
Repurchase agreements	Quoted securities	over 50	over 50
Loans and advances to banks	None	-	-
Loans to individuals			
Mortgage Loans	Residential or non-residential property	100	100
Consumer Loans	Mortgage, cash and other collateral*	100	100
Credit cards	None	-	-
Loans to corporate customers			
Corporate loans	Mortgage, pledge of whole enterprise, pledge of prperty, plant and equipment, pledge of goods in turnover, pledge of short-term assets, cash, financial and other collateral*	100	100
	Guaranteed on National Guarantee Fund schemes	100	100

* Other collateral includes: promissory note; warranty; pledge of receivable on employment, freelance, and other assimilated to them contracts; pledge of receivable on accounts; life insurance.

The table below sets out information about collateral, of loans and receivable to banks and other customers that have not been impaired, measured at fair value set in accordance with Bank Group policy up to the amount of loans extended.

Collateral held against loans and advances to banks and other customers not impaired

In thousands of BGN	31-Dec-2015	31-Dec-2014
Loans and advances not past due		
Mortgage	1 877 066	1 919 992
Cash collateral	10 612	10 528
Securities	867 615	1 259 076
Other types of collateral	272 230	288 009
	3 027 523	**3 477 605**
Loans and advances past due		
Mortgage	348 755	460 913
Cash collateral	601	833
Other types of collateral	15 628	33 605
	364 984	**495 351**
Total	**3 392 507**	**3 972 956**

The table below sets out information about collateral, of loans and receivable to banks and other customers that have been impaired, measured at fair value set in accordance with Bank Group policy up to the amount of loans extended.

Collateral held against impaired loans and advances to banks and other clients

In thousands of BGN	**31-Dec-2015**	**31-Dec-2014**
Mortgage	407 830	963 609
Cash collateral	948	522
Other types of collateral	3 455 775	3 080 721
Total	**3 864 553**	**4 044 852**

The table below sets out information about collateral, of loans and receivable to banks and other customers both impaired and not impaired, measured at fair value determined in accordance with Bank Group policy up to the amount of loans extended as well as the amortised cost of loans that have no collateral.

Loans and advances to banks and other customers by type of collateral

In thousands of BGN	**31-Dec-2015**	**31-Dec-2014**
Secured by mortgages	2 633 651	3 344 514
Cash collateral	12 161	11 883
Other types of collateral*	4 611 248	4 661 411
Without collateral	3 202 043	1 684 397
Total	**10 459 103**	**9 702 205**

* Other types of collateral comprise securities, tangible collateral, guaranties from credit institutions pledge over receivable and personal guarantees for loans.

Included in loans and advances and collaterals held are the receivables on repurchase agreements. The table below represents the carrying amount of repurchase agreements and the fair value of collateral held.

Repurchase agreements

	31-Dec-2015		**31-Dec-2014**	
In thousands of BGN	**Carrying amount**	**Collateral**	**Carrying amount**	**Collateral**
Advances to banks	917 022	867 615	1 272 153	1 258 518
Total	**917 022**	**867 615**	**1 272 153**	**1 258 518**

Residential mortgage lending

The table below represents credit exposures from housing and mortgage loans to individual customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan to the market value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral.

In thousands of BGN	**31-Dec-2015**	**31-Dec-2014**
Loan to value (LTV) ratio based on market value		
LTV ≤ 50 %	360 193	373 468
50 % < LTV ≤ 70 %	561 843	560 952
70 % < LTV ≤ 90 %	629 973	619 584
90 % < LTV ≤ 100 %	118 683	147 192
100 % < LTV	617 301	648 389
Total	**2 287 993**	**2 349 585**

As of December 31, 2015 and December 31, 2014 the commitments to extend housing or mortgage loans are not significant and therefore ratios are not calculated.

DSK Bank Group provides credits after credibility analysis of the client. It is the Bank Group’s policy that risk assumption is based on detailed analysis of inherent risks. The goal is to assume risks to clients, who are expected to be able to generate the sufficient cash flows for servicing the debt throughout the lifetime of the loans. The collateral is considered to be a second option, while the main factor is related to the customer’s ability to repay the exposure. In cases when the Bank Group accepts physical or financial collateral it strives to ensure that the liquidation value of the collateral covers at least 100% of the principal and all other payables related to it for a period of one year. Except for the cases when personal guarantees have been provided only as a comfort factor, upon accepting the personal guarantee, the bank analyses the ability of the personal guarantee provider to service the respective obligation.

For existing exposures the risks that a default event may occur are subject to ongoing monitoring. If real or potential problems are identified the Bank Group prepares an action plan and takes measures to handle any possible undesirable consequences, debt restructuring including.

For the purpose of disclosures in these financial statements ‘restructured loans’ are defined as loans that have been renegotiated due to a deterioration in the borrower’s financial position, for which the Group has made concessions by agreeing to terms and conditions that are more favorable for the borrowers than the Group had provided initially and that it would not otherwise consider.

Restructured loans

	31-Dec-2015		31-Dec-2014	
Type of restructuring	**gross value**	**impairment loss**	**gross value**	**impairment loss**
In thousands of BGN				
Mortgage Loans to individuals				
Combination	1 958	1 080	2 663	1 335
Debt consolidation loan with mortgage	11 305	2 944	9 950	2 533
Other	231 954	60 091	209 086	53 606
Prolongation	27 504	15 847	31 658	15 133
Suspension	180 549	101 521	206 506	100 433
Consumer Loans to individuals				
Combination	1 278	474	835	386
Debt consolidation loan with mortgage	33 085	10 544	28 869	8 826
Other	111 954	47 107	97 187	42 197
Prolongation	7 398	3 501	7 423	3 538
Suspension	23 340	13 206	22 879	13 296
Loans to corporate customers				
Combination	15 652	4 675	11 825	8 146
Debt consolidation loan with mortgage	2 899	1 207	4 778	1 835
Other	210 957	141 968	247 946	149 941
Prolongation	48 072	20 028	45 821	15 756
Suspension	5 990	4 256	9 781	6 360
Total	**913 895**	**428 449**	**937 207**	**423 321**

DSK Bank Group applies internal systems and methodologies, which would allow it to concentrate on deals and customers, which/who are expected to generate profit during the lifetime of the exposure. An important part of the assessment of the expected profit is played by the calculations of the probability of default (PD).

Quality of the loans and advances to other customers neither past due nor impaired

	31-Dec-2015	31-Dec-2014
In thousands of BGN		
PD category boundaries		
PD ≤ 0.01	858 949	749 741
0.01 < PD ≤ 0.05	1 010 151	1 033 528
0.05 < PD ≤ 0.10	242 367	282 147
0.10 < PD ≤ 0.20	67 877	87 653
0.20 < PD ≤ 0.30	10 051	31 383
0.30 < PD ≤ 0.50	11 947	16 897
0.50 < PD	40 152	19 504
not rated	64 894	80 234
Total	**2 306 388**	**2 301 087**

DSK Bank Group diversifies the undertaken credit risks through the application of sector risk limits. The sector risk limits system is based on a methodology, which takes into account the historical data related to the development of the respective industries. Despite this the methodology for determining of sector limits provides top limit of the maximum share of the total business portfolio which could be allowed as risk in certain industry sector. This limits the concentration risk. Reaching the maximum share leads to application of more restrictive requirements during the process of risk taking (including higher level of approval) or to a decrease of credits in certain industry sector.

Loans and advances to customers by industry sector

	Loans and advances to customers		**Loans and advances to banks**		**Investmentsand financial assets held for trading**	
	31-Dec-2015	**31-Dec-2014**	**31-Dec-2015**	**31-Dec-2014**	**31-Dec-2015**	**31-Dec-2014**
In thousands of BGN						
Sovereign	-	-	-	-	711 416	309 920
State Budget	9 714	8 561	-	-	-	-
International banks for development	-	-	-	-	-	2 012
Banks, incl. the Central Bank	-	-	3 199 635	2 485 389	194 659	174 662
Manufacturing	696 989	688 602	-	-	-	-
Construction	155 918	185 811	-	-	-	-
Agriculture and forestry	152 064	138 263	-	-	-	-
Transport and communications	51 855	62 757	-	-	-	-
Trade and services	558 213	502 881	-	-	-	-
Hotels and catering	141 670	138 968	-	-	-	-
Financial and insurance activities	45 535	14 712	-	-	-	-
Real estate activities	343 389	361 346	-	-	-	-
Other industry sectors	166 237	136 604	-	-	557	135
Individuals	4 937 884	4 978 311	-	-	12	-
Equity investments	-	-	-	-	23 493	10 963
Total	**7 259 468**	**7 216 816**	**3 199 635**	**2 485 389**	**930 137**	**497 692**
Impairment for uncollectability	(1 029 965)	(987 672)	-	-	-	(5 175)
Total	**6 229 503**	**6 229 144**	**3 199 635**	**2 485 389**	**930 137**	**492 517**
Geographical analysis						
Europe	6 227 799	6 227 666	3 199 635	2 483 082	929 997	492 377
Asia	1 590	1 368	-	-	-	-
Africa	2	2	-	-	-	-
North America	75	65	-	2 307	140	140
South America	37	43	-	-	-	-
Total	**6 229 503**	**6 229 144**	**3 199 635**	**2 485 389**	**930 137**	**492 517**

The Group holds trading assets including derivative assets with the aim to manage the risk. In the table below is represented the credit quality of the maximum credit exposure, on the basis of the ratings issued from Moody`s:

In thousands of BGN	31-Dec-2015	31-Dec-2014
Government bonds		
Rated Baa2	52 133	44 235
Rated Baa3	31 585	32 457
Other non-interest bearing securities		
Not rated	1 551	1 741
Fair value of derivatives		
Credit institutions	8 550	1 464
Other counterparties	569	135
Total	**94 388**	**80 032**

In the tables below are represented the trading portfolio assets and investments of the Group according to their maturity and country of registration of the issuer.

Maturity analysis of investments according to country of the issuer as of 31 December 2015

In thousands of BGN	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Without maturity	Total
Financial assets held for trading							
Government securities							
Bulgaria	292	2 418	223	20 569	28 631	-	52 133
Turkey	124	477	359	25 229	5 396	-	31 585
Derivative instruments							
Bulgaria	51	128	389	-	-	-	568
Russia	-	-	4	-	-	-	4
France	11	-	-	-	-	-	11
Hungary	442	429	975	6 690	-	-	8 536
Floating income corporate equity investments							
Bulgaria	-	-	-	-	-	1 551	1 551
Total	**920**	**3 452**	**1 950**	**52 488**	**34 027**	**1 551**	**94 388**
Investments							
Investments available for sale							
Government securities							
Bulgaria	19 455	28 168	388	214 886	160 990	-	423 887
Hungary	2 362	954	-	193 171	-	-	196 487
Floating income corporate equity investments							
Bulgaria	-	-	-	-	-	8 893	8 893
USA	-	-	-	-	-	155	155
Belgium	-	-	-	-	-	81	81
Great Britain	-	-	-	-	-	12 813	12 813
Corporate debt securities							
Hungary	-	-	186 110	-	-	-	186 110
Total	**21 817**	**29 122**	**186 498**	**408 057**	**160 990**	**21 942**	**828 426**

Investments held to maturity							
Government securities							
Bulgaria	2	-	79	7 242	-	-	7 323
Total	**2**	**-**	**79**	**7 242**	**-**	**-**	**7 323**
Total assets	**22 739**	**32 574**	**188 527**	**467 787**	**195 017**	**23 493**	**930 137**

Maturity analysis of investments according to country of the issuer as of 31 December 2014

In thousands of BGN	**Up to 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Without maturity**	**Total**
Financial assets held for trading							
Government securities							
Bulgaria	424	26	19 540	13 312	10 933	-	44 235
Turkey	-	18 407	153	8 479	5 418	-	32 457
Derivative instruments							
Bulgaria	7	-	101	27	-	-	135
France	16	-	-	-	-	-	16
Hungary	1 030	112	306	-	-	-	1 448
Floating income corporate equity investments							
Bulgaria	-	-	-	-	-	1 741	1 741
Total	**1 477**	**18 545**	**20 100**	**21 818**	**16 351**	**1 741**	**80 032**
Investments							
Investments available for sale							
Government securities							
Bulgaria	30 936	940	-	165 570	28 234	-	225 680
Floating income corporate equity investments							
Bulgaria	-	-	-	-	-	9 034	9 034
USA	-	-	-	-	-	140	140
Belgium	-	-	-	-	-	48	48
Corporate debt securities							
Hungary	-	-	1 670	166 353	-	-	168 023
European Investment Bank	-	-	2 012	-	-	-	2 012
Total	**30 936**	**940**	**3 682**	**331 923**	**28 234**	**9 222**	**404 937**
Investments held to maturity							
Government securities							
Bulgaria	2	-	79	7 467	-	-	7 548
Total	**2**	**-**	**79**	**7 467**	**-**	**-**	**7 548**
Total assets	**32 415**	**19 485**	**23 861**	**361 208**	**44 585**	**10 963**	**492 517**

(2) Structure and functions of the Risk Management Unit

The credit risk management of DSK Bank Group is the responsibility of a unit which is independent from the business units and is managed by an Executive Director. The various credit risk management functions are performed by the following sub-units:

- "Corporate Credit Approval" Directorate (having functions related to approval of exposures to corporate clients);
- "Analysis and Approval" Department (having functions related to management of the process of centralized approval of all types of retail loans and approval of valuation and revaluation of residential real estate);
- "Credit Policy and Portfolio Management" Directorate (having functions related to the development and validation of models for credit risk assessment, credit portfolio analysis, methodologies development, credit portfolio reporting);
- "Problem Loans" Directorate (having functions related to organization and coordination and perform activity on problem receivables management);
- "Credit Monitoring" Department (having functions related to implementation of current monitoring of business clients);
- "Control and Administration of Credit Deals to Business Clients" Department (having functions related to implementation of credit utilization control of business clients) and
- "Immovable property" Department (having functions related to carrying out the Bank's policy for sale of property - collaterals on problem loans and management of property acquired from problem loans).

(3) Nature and scope of the systems for risk assessment – models for credit risk assessment

When determining the credit risk of a deal, DSK Bank Group uses statistical and/or expert models to assess the credibility of the client, thus providing a common standard for credit risk assessment. Based on the result from the application of such models, the client or the deal is classified in a certain risk pool.

The credit risk assessment models are developed taking into account the specifics of each customer segment, based mainly on the application of statistical approaches. For client segments, where historical data and/or volumes are insufficient, the Bank Group uses expert models for credit risk assessment. The responsibility for the modelling is with the Credit and Operational Risk Management Division, which is independent from the business divisions.

Currently the models developed and used in the risk management process of DSK Bank Group are three major types:

- Application PD models

The purpose of application PD models is to provide a reliable tool (quantitative measurement) for prediction of the future debt service by customers applying for credit. The Application PD model uses client data, which is available at the point of loan application, such as demographic data, working experience, banking history for individuals or financial data for companies. It is required that all the parameters are met, when the customer applies for a credit.

Calculated PD value represents the probability of default as a percentage from 0 % to 100 % during the 12 month period following the approval.

The application PD models are used for the assessment of probability of default when applying for credit of the following client segments:

  - Individuals, requesting mass products in the retail banking – mortgage backed loans, revolving loans, consumer loans, POS loans

- Retail business clients (standard SMEs)
- Corporate clients- non-standard SMEs and corporate customers

- Behavioural PD models

The purpose of the behavioural PD model is to provide a reliable tool for prediction of the future debt servicing based on the client's behaviour, when using the products of the Bank Group and servicing its debt obligations.

Based on the calculated PD result, which represents the probability of default during the 12 month- period following the calculation, the credits are distributed into pre-defined pools. The probability is expressed as a percentage from 0% to 100%.

The behaviour models have to be used as an analytical tool helping to assess the PD at a portfolio level. It can also be used to identify early warning signals.

The Bank Group has developed behaviour models for the individuals using mass products in the retail banking – mortgage loans, revolving and consumer loans. The Bank Group enforces these types of models for managing of the loan portfolio.

- Models assisting preliminary identification of potential problem loans (Early Warning Signal Models)

The purpose of the model is to distinguish potentially problem loans worsening of which as a result of particular events could probably lead to subsequent deterioration of the exposure of the Bank. When on the basis of the model high probability for deterioration of certain exposures is estimated, the Bank undertakes action connected with more intensive monitoring aiming minimisation of risk.

The expert models for assessment of customers applying for credits are based on the experts' expectations regarding the reasonable parameters to be used, their weights and cut-off levels. Finally a matrix is determined, which provides the basis for pooling the customers into risk groups. The Bank Group uses expert models, when it is impossible to develop a statistical model due to insufficient transactions and/or defaults as well as when brand new products are created or a new segment becomes a target.

DSK Bank Group has an expert model for the municipalities segment, the public sector entities segment and the specialized lending segment. Specialized lending segment model is developed from OTP Bank and approved for all of its subsidiaries.

The credit risk assessment models are subject to periodical review and are updated on an ongoing basis.

(d) Operational risk

Operational risk is the risk of direct or indirect losses, resulting from inadequate or failed internal processes, people and systems errors and control. Operational risk could be risk of operations, risk of information systems and communications, legal risk, human resources risk.

The management of operational risk at DSK Bank Group is coordinated by Operational Risk Management Committee (ORMC). It involves the heads of the major departments of DSK Bank Head Office of DSK Bank. The meetings are held at the end of each quarter, as on these meetings a report is being presented for consideration for the level of operational risk and the planed measures for mitigation of operational risks, identified in the previous quarter. The main focus of ORMC activity is the prevention of operational risks by implementing a comprehensive approach, aiming at limiting preconditions, leading to operational events occurrence.

The responsibility for the development of the Operational risk management system is assigned to Operational Risk Management Department of DSK Bank, an independent from the business units Department within the Credit and Risk management Division, headed by an Executive Director.

DSK Bank Group has a special system to manage operational risk, by gathering data for the operational events. The management of the Bank receives periodically information about the level of operational risk. The system is based on the so-called Risk responsible employees on management positions at Head office and branch network, which are responsible for the management of operational risk in their units, following the decentralized approach of operational risk management at OTP Group.

Potential risks shall be reviewed as part of the business processes and for this reason they shall have to be identified in the self-evaluations of the Group's units, these risks shall be classified on the basis of the standardized taxonomy of operational risks annually.

Prior to the implementation of a new process, new system or new activity, the latter shall be analyzed and evaluated from the operational risk's viewpoint. This evaluation shall be prepared by the unit involved in the implementation, and shall be forwarded to the Operational Risk Management Department for further evaluation and analysis. For the preparation of the evaluation, the Risk Self-Assessment Forms shall be used. In cases when IT systems are implemented, the evaluation shall be made by the unit(s) which has (have) defined the terms of reference

Additionally, the actual level of operational risk is monitored based on Key Risk Indicator system which covered the main risk factors caused the essential operational risk losses and interruption in the critical business processes.

The methodology for potential risk identification is based on decentralised assessment performed by different units, using the methodological support from the Operational Risk Management Department. As part of this process, the so-called scenario analysis are prepared, aimed to assess the potential effect of the occurrence of rare events with adverse effects on the Bank Group's business.

Methodology for stress testing analysing based on Monte Carlo simulations, which helps the assessment of the capital adequacy sufficiency of DSK Bank Group connected to operational risk is developed and implemented.

The developed rules and procedures for monitoring and evaluation of operational risk are in line with the requirements of EU and Bulgarian legislation, the standards of the OTP Group and best banking practice in operational risk management.

Operational risk management includes activities such as identifying and registering the bearers of the operational risk, assessing their size, and determining the capital needed to cover the risk of eventual loss. Currently DSK Bank Group risk exposure to operational risk is monitored both by type of the risk events and by different products.

DSK Bank Group has Business Continuity Plan for reaction in the event of unexpected circumstances, which purpose is to guarantee the recovery for the most important business processes to the preliminary defined level based on the Bank Group needs.

From the beginning of 2014 in power is the received from National Bank of Hungary and Bulgarian National Bank Join Decision which approved DSK Bank to apply the Advanced Measurement Approach for the capital calculation purposes on the individual and also on the consolidated base. The decision was in force from the beginning of 2014.

During the 2015 year there are no registered events, which could potentially threaten the Bank Group activity.

(e) Capital Management

DSK Bank Group's regulatory capital requirements are based on CRD IV.

(1) Regulatory capital

The Group's regulatory capital consists of the sum of the following elements:

- Tier I capital (all qualifies as Common Equity Tier 1 (CET 1) capital) which includes ordinary share capital, related share premiums, and reserves and deductions for goodwill, intangible assets and other regulatory adjustments relating to items that are included in equity or assets but are treated differently for capital adequacy purposes.
- Tier II capital: revaluation reserves from premises used for banking activity and deductions for regulatory adjustments relating to items that are included in equity or assets but are treated differently for capital adequacy purposes.

There are differences between the definition of capital between Basel II and CRD IV.

CRD IV defines the scope of consolidation for regulatory purposes. DSK Bank group has:

- Fully consolidated the following subsidiaries: DSK Leasing Group, DSK Asset Management AD, DSK Rodina Pension Company AD, OTP Factoring Bulgaria EAD, Project Company Complex Banya EOOD, DSK Tours EOOD and its subsidiary DSK Trans Security EOOD which provides services auxiliary to the main banking activities as per the Credit Institutions Act.
- Equity consolidation is applied to the following associates: Cash Services Company AD.

The Bank Group calculates the total capital adequacy (the 'Basel ratio') as a ratio between total own funds for solvency purposes and the total of the risk-weighted assets for credit, market and operational risks. Tier I capital adequacy is the ratio between the Tier I capital and the risk-weighted assets and should be higher than 11.5 %. The total capital adequacy ratio should be higher than 13.5 %.

(2) Capital ratios

Total own funds for solvency purposes

In thousands of BGN	**Basel III 2015**	**Basel III 2014**
Common equity Tier 1 capital		
Ordinary share capital	153 984	153 984
Reserves	982 208	982 208
Minority interest	-	-
Deductions from Common equity Tier 1 capital		
Intangble assets	(34 296)	(29 999)
Goodwill accounted for as intangible asset	(1 175)	(1 175)
Accumulated other comprehensive income	37 140	(673)
Tier 2 instruments of financial sector entities where the institution does not have a significant investment	(21 697)	(23 036)
	1 116 164	**1 081 309**
Tier 2 capital		
Accumulated other comprehensive income	66 049	63 730
Deductions from Tier 2 capital		
Tier 2 instruments of financial sector entities where the institution does not have a significant investment	(50 627)	(34 553)
	15 422	**29 177**
Own funds	**1 131 586**	**1 110 486**

Capital Ratios

	31-Dec-2015	31-Dec-2014
Solvency ratio (%)	17.28%	18.05%
Tier 1 capital ratio (%)	17.05%	17.58%

The policy of the Bank Group management and allocation of capital is determined by Management Board. Allocation of capital between different operations and activities aims to optimise the profitability of the allocated capital. The process is managed by ALCO by reviewing the level of credit, market and operational risks undertaken by the Bank Group. The Bank together with OTP perform internal analysis of the size, type and allocation of the required capital and assess the need of increase in regulatory required capital.

(f) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in the accounting policy. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

(1) Valuation of financial instruments

The Bank Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- Level 3: Valuation techniques using significant unobservable inputs for financial assets and liabilities. In addition in this level are included investments in subsidiaries, associates, and other equity shares stated at cost, that does not have reliable market value.

The fair values of financial assets and financial liabilities which are traded on active markets and for which market information is available are based on quoted market prices or closing prices. The use of real market prices and information reduces the necessity for management assessment and assumptions as well as the uncertainty related to the determination of the fair value. The availability of real market prices and information varies depending on the products and markets and changes based on the specific events and the general financial markets environment. For part of the other financial instruments (Level 2) the Group defines fair value using a measurement method based on net present value (NPV). The calculation of the NPV is based on market yield curves and credit spreads where it is required for the corresponding instrument. The aim of the measurement methods is to define the fair value which reflects the value of the financial instrument as of the reporting date, which would have been defined by direct market players. For equity shares with no observable market prices (Level 3) the Bank accepts that the fair value is the purchase value.

The Group has an established control environment with regard to the fair value measurement. The fair value of the financial instruments is determined independently from the front office by a unit for control of the market risk and the counterparty risk. The specific controls consist of: control of the real price information and performing second measurement using different methods; process of revision and approving of new methods and changes in methods including measurement and back-testing of methods based on real market deals; analysis and research of significant daily dynamics as a result of assessments; revision of significant inside data which is not observed on the market.

The table below analyses financial instruments carried at fair value, by valuation method.

In thousands of BGN	**Level 1: Quoted market prices in active markets**	**Level 2: Valuation techniques - observable inputs**	**Level 3: Valuation techniques - unobservable inputs**	**Total**
31-Dec-2015				
Financial assets held for trading	85 269	9 119	-	94 388
incl. derivatives	-	9 119	-	9 119
Investments available for sale	806 484	13 092	-	819 576
Total	**891 753**	**22 211**	**-**	**913 964**
31-Dec-2014				
Financial assets held for trading	78 433	1 599	-	80 032
incl. derivatives	-	1 599	-	1 599
Investments available for sale	395 715	438	-	396 153
Total	**474 148**	**2 037**	**-**	**476 185**

Equity instruments at the amount of 8 850 thousands of BGN as of 31 December 2015 and 8 784 thousands of BGN as of 31 December 2014 are measured at cost, since their fair values could not be reliably determined.

The following table analyses the fair values of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised:

In thousands of BGN	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Total carrying amount**
Assets					
Cash and current accounts with domestic and foreign banks	-	371 914	-	**371 914**	**371 914**
Loans and advances to banks and balances with the Central Bank	-	3 199 635	-	**3 199 635**	**3 199 635**
Loans and advances to other customers	-	-	6 380 825	**6 380 825**	**6 229 503**
Investments held to maturity	7 777	285	-	**8 062**	**7 323**
Liabilities					
Deposits from banks	-	54 343	-	**54 343**	**54 343**
Loans from banks and financial institutions	-	170 112	-	**170 112**	**170 112**
Deposits from other customers	-	9 315 913	-	**9 315 913**	**9 310 265**

The fair value of Cash equivalents, loans and receivables from banks, loans and deposits from banks is approximately equal to their carrying value because of their short-term maturity.

The fair value of loans to non-financial institutions and other customers is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, market interest rates and forecast analysis. The fair value of the impaired loans with a collateral backing is based on the valuated fair value of the collateral.

To improve the accuracy of the valuation estimate loans are grouped into portfolios with similar characteristics such as product type, borrower type, maturity, currency, collateral type.

The fair value of deposits from customers is estimated using discounted cash flow techniques, applying the rates that are currently offered in the country for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

(2) Financial asset and liability classification

The Group's accounting policy provides scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as "trading", the Group has determined that it meets the description of trading assets and liabilities set out in accounting policy.
- In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy.

4. Net interest income

In thousands of BGN	**2015**	**2014**
Interest income		
Loans and advances to banks	42 537	18 213
Loans and advances to other customers	530 275	565 467
Investments available for sale	32 405	20 585
Investments held to maturity	389	446
Total	**605 606**	**604 711**
Interest expense		
Deposits from banks	(128)	(166)
Loans from banks and financial institutions	(2 658)	(3 267)
Deposits from other customers	(38 955)	(96 411)
Total	**(41 741)**	**(99 844)**
Net interest income	**563 865**	**504 867**

The effect from interest income on individually impaired loans and advances to customers in the income statement is BGN 8 360 thousand for 2015 and BGN 8 712 thousand for 2014.

5. Net fee and commission income

In thousands of BGN	2015	2014
Fee and commission income		
In Bulgarian Leva		
Payment and settlement transactions	40 805	37 588
Credit related deals	23 343	21 765
Deposit related deals	38 914	32 098
Other	33 570	28 324
	136 632	**119 775**
In foreign currencies		
Payment and settlement transactions	16 215	13 216
Credit related deals	7 089	9 050
Deposit related deals	1 574	1 218
Other	2 289	1 783
	27 167	**25 267**
Total	**163 799**	**145 042**
Fee and commission expense		
In Bulgarian Leva	(12 047)	(10 715)
In foreign currencies	(3 257)	(2 455)
Total	**(15 304)**	**(13 170)**
Net fee and commission income	**148 495**	**131 872**

6. Net trading income

In thousands of BGN	2015	2014
Interest rate instruments	5 351	6 213
Foreign exchange trading	(6 140)	24 892
Other	(688)	(676)
Total	**(1 477)**	**30 429**

7. Net operating income

In thousands of BGN	2015	2014
Net income of available-for-sale securities		
Government bonds	(386)	(20)
Corporate bonds	90	(9)
Dividends	589	648
Foreign exchange gain	3 579	(16 013)
Sale of financial assets	(444)	484
Operating lease	5 397	4 672
Other	27 611	11 226
Total	**36 436**	**988**

The net income from sale of financial assets amounting to BGN (444) thousand and BGN 484 thousand for 2015 and 2014 respectively are result from sell of problem loan portfolio.

8. Personnel expenses

In thousands of BGN	**2015**	**2014**
Wages and salaries	(81 801)	(78 262)
Compulsory obligations	(19 412)	(18 802)
Provisions on pension severance payments under Labour Code	(767)	(709)
Other	(2 756)	(2 719)
Total	**(104 736)**	**(100 492)**

According to the pension insurance legislation and the Labour Code after termination of a labour contract of an employee liable to retirement the Bank Group is obliged to pay a severance payment equal to two gross monthly salaries.

The estimated amount of the obligation as at each reporting date and the expenses for retirement compensations recognised are based on an actuarial report (see below information on actuarial assumptions).

In thousands of BGN	**2015**	**2014**
Defined benefit obligations at 1 January	4 909	4 797
Benefits paid by the plan	(564)	(634)
Current service costs	503	494
Interest cost	201	204
Remeasurements:		
Experience adjustments	434	(11)
Actuarial (gains) losses from changes in demographic assumptions	390	5
Actuarial (gains) losses from changes in financial assumptions	338	54
Defined benefit obligations at 31 December	**6 211**	**4 909**

Expense recognised in statement of profit or loss

In thousands of BGN	**2015**	**2014**
Current service costs	503	494
Interest on obligation	201	204
Actuarial (gains) losses	63	11
Total	**767**	**709**

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2015	**2014**
Discount rate at 31 December	2.80%	3.80%
Future salary increases	3.00%	3.00%
Future pension increases	3.00%	3.00%

The average staff in the Group is 4 840 for 2015 and 4 737 for 2014.

9. Impairment losses

In thousands of BGN	2015	2014
Impairment losses for loans and advances to customers and other assets	(678 616)	(661 370)
Reversals of impairment losses of loans and advances to customers and other assets	572 000	549 150
Impairment loss of investment property	107	(5 618)
Impairment loss of inventory	(188)	(3 322)
Total (notes 15 and 20)	**(106 697)**	**(121 160)**

10. Other expenses

In thousands of BGN	2015	2014
Materials, rent, audit and other services	(69 925)	(72 985)
Operating lease expenses	(5 880)	(2 835)
Guarantee Funds instalment	(40 570)	(32 353)
Tax expenses	(12 409)	(12 855)
Provisions for contingent liabilities	(2 911)	(2 617)
Other expenses	(2 584)	(11 179)
Total	**(134 279)**	**(134 824)**

The Group accrues provisions on some of the potential contingent liabilities. The management takes into account the possibility of negative outcome for some of the litigations against the Group.

11. Taxation

In thousands of BGN	2015	2014
Current tax expense	(38 454)	(28 911)
Deferred tax income related to origination and reversal of temporary tax differences	1 991	825
Total	**(36 463)**	**(28 086)**

In thousands of BGN	2015	2014
Net income before income tax	361 292	272 224
Income tax using the statutory corporate tax rate	(37 380)	(27 222)
Tax on permanent tax differences	917	(864)
Income tax expense	**(36 463)**	**(28 086)**
Effective tax rate	10.09%	10.32%

Current taxes are calculated using a tax rate of 10 % for 2015 and 2014.

12. Cash and current accounts with domestic and foreign banks

In thousands of BGN	31-Dec-2015	31-Dec-2014
Cash on hand		
In Bulgarian Leva	286 555	294 990
In foreign currencies	47 725	67 807
Current accounts with domestic and foreign banks		
In Bulgarian Leva	275	958
In foreign currencies	37 359	11 815
Total	**371 914**	**375 570**

Included in cash on hand are cash in transfer balanced and cash at ATM's.

13. Financial assets held for trading

In thousands of BGN	31-Dec-2015	31-Dec-2014
Government securities – Republic of Bulgaria denominated in Bulgarian Leva	22 732	8 745
incl. pledged assets	-	-
Government securities – Republic of Bulgaria denominated in foreign currencies	29 401	35 490
incl. pledged assets	-	-
Foreign issuers debt securities denominated in foreign currencies	31 585	32 457
Other non-interest bearing securities	1 551	1 741
Positive fair value of derivatives	9 119	1 599
Total	**94 388**	**80 032**

Government securities issued by the Bulgarian government comprise securities denominated in BGN and EUR. The BGN denominated government securities earn interest between 1.10 % and 5.00 % and government securities denominated in EUR earn interest between 2.00 % and 4.50 %. Foreign issuers securities denominated in USD earn interest between 6.75 % and 7.50 % and denominated in EUR earn interest between 4.35 % and 5.875 %.

14. Loans and advances to banks and balances with the Central Bank

(a) Analysis by type

In thousands of BGN	31-Dec-2015	31-Dec-2014
Balances with Central Bank		
In Bulgarian Leva	1 554 611	413 071
In foreign currencies	2 614	2 769
Deposits with domestic and foreign banks		
In Bulgarian Leva	20 136	13 014
In foreign currencies	705 252	784 382
Loans under repurchase agreements	917 022	1 272 153
Total	**3 199 635**	**2 485 389**

(b) Geographical analysis

In thousands of BGN	31-Dec-2015	31-Dec-2014
Domestic banks	1 578 981	429 787
Foreign banks	1 620 654	2 055 602
Total	**3 199 635**	**2 485 389**

The current account with the Central Bank is used for direct participation in the money and securities markets and for settlement purposes. Balances with the Central Bank cover a part of minimum required reserves amounting to BGN 764 986 thousand and BGN 613 718 thousand as of 31 December 2015 and 2014 respectively. Minimum reserves are non-interest bearing and are regulated on a monthly basis. Daily fluctuations are allowed. Shortages on monthly basis bear penalty interest.

The Bank purchases financial instruments under agreements to sell them at future dates ("reverse repurchase agreements") and are presented as part of loans and advances to banks.

15. Loans and advances to other customers

In thousands of BGN	31-Dec-2015	31-Dec-2014
Individuals		
In Bulgarian Leva		
Consumer loans	2 265 562	2 145 500
Mortgage loans	1 344 199	1 287 411
In foreign currencies		
Consumer loans	384 329	483 226
Mortgage loans	943 794	1 062 174
Companies		
In Bulgarian Leva		
Working capital loans	758 274	565 868
Investment loans	361 042	292 336
In foreign currencies		
Working capital loans	394 971	478 930
Investment loans	797 583	892 810
State Budget		
In Bulgarian Leva	8 391	7 108
In foreign currencies	1 323	1 453
Less impairment allowances	(1 029 965)	(987 672)
Total loans and advances to other customers	**6 229 503**	**6 229 144**

Impairment allowances of loans and advances to other customers

In thousands of BGN	31-Dec-2015	31-Dec-2014
Balance at 1 January	**987 672**	**1 326 001**
Net change for the year through profit or loss	107 335	111 903
Decrease	(65 042)	(450 232)
Balance at 31 December	**1 029 965**	**987 672**

The interest rates on receivables from loans as at 31 December 2015 are ranged as follows: receivables from individuals from 2.80 % to 41.14 %; receivables from companies from 0.42 % to 14.95 %; receivables from State Budget from 0.50 % to 7.81 %.

In accordance with the policy of DSK Bank in 2015 the sales of problem loans to parties outside the Group are to the amount of BGN 1 482 thousand and impairment allowance of BGN 1 482 thousand respectively.

16. Investments available for sale and held-to-maturity

In thousands of BGN	31-Dec-2015	31-Dec-2014
Investments in associated companies	2 730	2 714
Other equity investments	19 212	6 508
Bulgarian debt securities available for sale	423 887	225 680
Government debt securities included	423 887	225 680
Foreign debt securities available for sale	382 597	175 210
Total investments available for sale	**828 426**	**410 112**
Impairment loss of investment available for sale	-	(5 175)
Balance amount of investment available for sale	**828 426**	**404 937**
Bulgarian debt securities held to maturity	7 323	7 548
Government debt securities included	7 323	7 548
Total investments held to maturity	**7 323**	**7 548**
Total	**835 749**	**412 485**

The assets in the investment portfolio consist of investments held-to-maturity and investments available for sale.

Debt securities held to maturity represent bonds denominated in EUR earning interest at 6.00 %, and denominated in USD earning interest at 0.39928 %. In this group are included securities with floating rate issued by government. Government debt securities issued by Ministry of Finance denominated in BGN earn interest from 0.01 % to 0.04 %.

Domestic debt securities available for sale represent bonds: denominated in BGN earning interest between 1.1 - 5 %; denominated in EUR earning interest between 0.395 - 5.75 %, and denominated in USD earning interest between 0.39928 - 8.25 %. Foreign issuers' debt securities represent government bonds denominated in USD earning interest between 4.00 – 6.25 % and OTP Bank bonds earning interest at 5.875 %.

The equity investments represent shares in domestic companies, financial institutions, Bulgarian Stock Exchange, and also participations in associates. For valuation purposes these assets are classified as available for sale. The investments classified as equity investments and other non-fixed income instruments available for sale are stated at cost, when their fair value cannot be measured reliably.

Impairment losses for available for sale securities include impairment loss for debt securities issued by foreign companies.

Securities held-to-maturity and available for sale pledged as collateral as of 31 December 2015 are blocked in favour of Ministry of Finance on deposits from the State Budget at the amount of BGN 215 246 thousand.

17. Net receivables from finance lease

In thousands of BGN	31-Dec-2015	31-Dec-2014
Gross receivables from finance lease	123 728	85 334
Unrealized financial income	(8 423)	(7 845)
Net minimum lease payments	**115 305**	**77 489**
Impairment	(19 442)	(2 689)
Net receivables from finance lease	**95 863**	**74 800**

Net receivables from finance leases are allocated as follows:

In thousands of BGN	31-Dec-2015	31-Dec-2014
With maturity of up to 1 year	52 878	28 946
With maturity from 1 to 5 years	62 248	48 396
With maturity over 5 years	179	147
Impairment	(19 442)	(2 689)
Net receivables from finance lease	**95 863**	**74 800**

18. Property, plant and equipment and investment property

Movement of property, plant and equipment during the year 2015

In thousands of BGN	Land and buildings	Investment property	IT equipment	Office equipment	Other equipment	Assets under operative leasing	Total
Cost or revalued amount							
As of 31 December 2014	323 871	22 512	103 994	80 468	24 674	18 000	573 519
Additions	5 439	-	85	13	21 859	7 230	34 626
Disposals	(1 620)	-	(15 864)	(1 392)	(1 579)	(1 600)	(22 055)
Transfers	9 628	-	10 270	5 785	(25 683)	-	-
Cost or revalued amount as of 31 December 2015	**337 318**	**22 512**	**98 485**	**84 874**	**19 271**	**23 630**	**586 090**
Depreciation							
As of 31 December 2014	63 124	-	88 530	50 731	6 787	4 295	213 467
Charge for the period	6 322	443	8 934	10 690	749	3 907	31 045
Disposals	(806)	-	(15 843)	(1 356)	(615)	(899)	(19 519)
Depreciation as of 31 December 2015	**68 640**	**443**	**81 621**	**60 065**	**6 921**	**7 303**	**224 993**
Net book value 31 December 2015	**268 678**	**22 069**	**16 864**	**24 809**	**12 350**	**16 327**	**361 097**
Net book value 31 December 2014	**260 747**	**22 512**	**15 464**	**29 737**	**17 887**	**13 705**	**360 052**

Movement of property, plant and equipment during the year 2014

In thousands of BGN	Land and buildings	Investment property	IT equipment	Office equipment	Other equipment	Assets under operative leasing	Total
Cost or revalued amount							
As of 31 December 2013	317 953	-	110 094	74 904	31 064	-	534 015
Subsidiaries acquired during the year	-	29 533	44	32	297	12 954	42 860
Additions	199	-	96	55	20 155	7 785	28 290
Disposals	(2 361)	-	(14 906)	(2 761)	(1 858)	(2 739)	(24 625)
Transfers	8 080	-	8 666	8 238	(24 984)	-	-
Change in fair value	-	(7 021)	-	-	-	-	(7 021)
Cost or revalued amount as of 31 December 2014	**323 871**	**22 512**	**103 994**	**80 468**	**24 674**	**18 000**	**573 519**
Depreciation							
As of 31 December 2013	58 776	-	94 132	44 080	6 146	-	203 134
Subsidiaries acquired during the year	-	960	29	27	269	2 386	3 671
Charge for the period	5 573	443	9 255	9 129	637	3 041	28 078
Disposals	(1 225)	-	(14 886)	(2 505)	(265)	(1 132)	(20 013)
Change in fair value	-	(1 403)	-	-	-	-	(1 403)
Depreciation as of 31 December 2014	**63 124**	**-**	**88 530**	**50 731**	**6 787**	**4 295**	**213 467**
Net book value 31 December 2014	**260 747**	**22 512**	**15 464**	**29 737**	**17 887**	**13 705**	**360 052**
Net book value 31 December 2013	**259 177**	**-**	**15 962**	**30 824**	**24 918**	**-**	**330 881**

In “Land and buildings” are included leasehold improvements to the amount of BGN 2 972 thousand as of 31 December 2015 and BGN 2 669 thousand as of 31 December 2014.

In “Other equipment” are included property, plant and equipment under construction and acquisition of property plant and equipment to the amount of BGN 10 185 thousand as of 31 December 2015 and BGN 16 264 thousand as of 31 December 2014.

The fair value of land and buildings was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. As at 31 December 2015 the fair value of land and buildings is not significantly different than their book value as at the same date. The fair value of land and buildings is categorized as Level 3 based on the inputs of the valuation technique used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Depreciated replacement method The method is based on construction expenses. The value of the property is evaluated as a sum of land value including buildings equipment and infrastructure on it. The value of the land is evaluated on the market analogues adjusting for comparable market costs. The share of the land in the total value depends on its location, possible and actual construction and depreciation of the buildings. The new investment value of buildings is evaluated through adjustment of common production cost for a unit of area with ratios for: physical obsolescence, removable construction defects and damages, functional obsolescence, economic impairment/overestimation, supplement for luxury. *Capitalisation of income method* The fair value is defined from the ability of the property to generate future benefits. The value is estimated through adjustment of the market net annual rental income with a rate for payback period. *Comparative value method* The depreciated recoverable amount is determined using market adjustments by means of factors for economic impairment/overestimation based on the market price of property in particular built-up area and the level of supply and demand. The information used is for selling price of property adjusted with factors for location, size, state etc.	1. Costs of administering the property as percentage of its gross annual income; 2. Rate of return on income from property; 3. Adjusting factors in terms of similar market transactions.	The estimated fair value would increase (decrease) if: • the percentage of administering costs is decreased (increased); • the rates of return are decreased (increased); • the adjusting factors are increased (decreased).

The fair value of investment property was determined by external, independent property valuers, having appropriate recognized professional qualification and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio every 12 months.

The fair value measurement for investment property has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

The following table shows the valuation technique used in the measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Capitalisation of income method The fair value is defined from the ability of the property to generate future benefits. The value is estimated through adjustment of the market net annual rental income with a rate for payback period. *Comparative value method* The depreciated recoverable amount is determined using market adjustments by means of factors for economic impairment/overestimation based on the market price of property in particular built-up area and the level of supply and demand. The information used is for selling price of property adjusted with factors for location, size, state etc.	• Rate of return on income from property; • Adjusting factors in terms of similar market transactions	The estimated fair value would increase (decrease) if: • the rates of return are decreased (increased); • the adjusting factors are increased (decreased)

19. Intangible assets

Movement of intangible assets during 2015

In thousands of BGN	Goodwill	Intangible assets	Assets under construction	Total
Cost or revalued amount				
As of 31 December 2014	2 408	90 802	11 142	104 352
Additions	-	114	13 688	13 802
Disposals	-	(1 484)	(215)	(1 699)
Transfers	-	12 937	(12 937)	-
Cost or revalued amount as of 31 December 2015	**2 408**	**102 369**	**11 678**	**116 455**
Amortization and impairment losses				
As of 31 December 2014	1 233	71 945	-	73 178
Charge for the period	-	9 286	-	9 286
Disposals	-	(1 480)	-	(1 480)
Depreciation as of 31 December 2015	**1 233**	**79 751**	**-**	**80 984**
Net book value 31 December 2015	**1 175**	**22 618**	**11 678**	**35 471**
Net book value 31 December 2014	**1 175**	**18 857**	**11 142**	**31 174**

Movement of intangible assets during 2014

In thousands of BGN	Goodwill	Intangible assets	Assets under construction	Total
Cost or revalued amount				
As of 31 December 2013	2 408	86 173	8 521	97 102
Subsidiaries acquired during the year	-	286	-	286
Additions	-	109	15 064	15 173
Disposals	-	(8 197)	(12)	(8 209)
Transfers	-	12 431	(12 431)	-
Cost or revalued amount as of 31 December 2014	**2 408**	**90 802**	**11 142**	**104 352**
Amortization and impairment losses				
As of 31 December 2013	1 233	68 348	-	69 581
Subsidiaries acquired during the year	-	264	-	264
Charge for the period	-	11 530	-	11 530
Disposals	-	(8 197)	-	(8 197)
Depreciation as of 31 December 2014	**1 233**	**71 945**	**-**	**73 178**
Net book value 31 December 2014	**1 175**	**18 857**	**11 142**	**31 174**
Net book value 31 December 2013	**1 175**	**17 825**	**8 521**	**27 521**

Impairment test

The Group's goodwill arised on acquisition of POK DSK Rodina AD. For the purpose of impairment testing, goodwill is allocated to POK DSK Rodina AD as separate CGU.

The Group prepared the goodwill impairment test of the POK DSK Rodina AD based on discounted cash-flow method (DCF) that calculates the value of the subsidiary by discounting its expected cash-flows. No impairment losses were recognized during 2015 and 2014 because the recoverable amount was determined to be higher then its carring amount.

The key assumptions used in the calculation of the recoverable amount was as follows:

The Group applied cash-flow model with an explicit period between 2015-2019, where for 2015, the actual, accepted annual plans are included and the actual financial strategic plans were used as forecast for the period between 2016 and 2019. A terminal cash flow is then added to the explicit period cash flows based on the cash flow from the last year of the explicit period increased by a long-term growth rate into perpetuity determined as the forecast average real GDP growth rate over the explicit period.

The Bank Group calculated the expected cash-flows for the given period based on the expected after tax profit of POK DSK Rodina AD. The discount factor equals the average yield, achieved on the primary market, of 10-year government bonds issued during 2014 by the Republic of Bulgaria and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of POK DSK Rodina AD. The risk premium equals the sum of the volatility-adjusted country risk premium based on the Moody's sovereign rating that is published and the equity risk premium for a mature equity market as of 31.12.2015, multiplied by the beta for the sector, in which the subsidiary operates.

The value of the subsidiary in the DCF method were than calculated as the sum of the discounted cash-flows of the explicit period and the present value of the terminal cash flow.

20. Other assets

In thousands of BGN	31-Dec-2015	31-Dec-2014
Deferred expenses	8 058	7 238
Materials, spare parts	7 433	12 603
Deficiencies in assets	328	539
Receivables in litigation	3 556	1 900
Acquired collaterals	12 963	5 460
Clearing and bank settlement assets	892	1 319
Other assets	55 340	29 667
Impairment allowances	(48 480)	(3 910)
Total	**40 090**	**54 816**

21. Deposits from banks and loans from banks and financial institutions

In thousands of BGN	31-Dec-2015	31-Dec-2014
Deposits from banks		
Term deposits	50 394	226 839
Current accounts	3 949	5 281
Total deposits from banks	**54 343**	**232 120**
Loans from banks		
Short term loans and loans under repurchase agreements	23 470	-
Long term loans	107 571	138 802
Loans from financial institutions		
Long term loans	39 071	35 230
Total loans from banks and financial institutions	**170 112**	**174 032**

On 28 April 2011 EBRD granted DSK Bank 5-year credit line for energy efficiency and renewable energy to the amount of EUR 10 000 thousand, with two year disbursement term. As of December 31, 2014 the interest rate of the loan is 2.903 % on not repaid principal amounting to EUR 6 571 thousand. As of December 31, 2015 the credit line is fully repaid before the term.

On 20 April 2012 EBRD granted DSK Bank a loan for Residential Energy Efficiency Project to the amount of EUR 5 000 thousand. The loan is fully disbursed and the interest rate as of December 31, 2014 is 3.153 %. As of December 31, 2015 the credit line is fully repaid before the term.

On 25 April 2012 EBRD granted DSK Bank a loan for SME's Energy Efficiency Project to the amount of EUR 10 000 thousand. As of December 31, 2014 EUR 1 714 thousand are disbursed and the interest rate is 3.053 %. As of December 31, 2015 the credit line is fully repaid before the term.

On 05 August 2013 DSK Bank and European Investment Fund (EIF) signed a loan contract for EUR 20 000 thousand. The purpose of the loan is granting preferential interest loans to SME's. As of December 31, 2014 EUR 18 000 thousand are disbursed and the interest rate is 0.833 %. As of December 31, 2015 the loan is fully disbursed and the interest rate is 0.618 %.

In October 2013 OTP Bank Plc grants 3 year loan to DSK Leasing on the amount of EUR 5 000 thousand. As of December 31, 2014 the loan is fully disbursed through three tranches with interest rates 1.62 %, 1.96 %, 1.96 %. In February 2015 OTP Financing Malta Ltd enters as assaignee of the loan. As of December 31, 2015 the interest rates of the tranches are 1.62 %, 1.95 %, 1.96 %.

In December 2014 Merkantil Bank grants to DSK Leasing EUR 5 000 thousand credit line with maturity date 30 June 2015. As of December 31, 2014 the disbursed amount is EUR 2 500 thousand with interest rate 1.53 %. In 2015 the credit line is fully disbursed and contracted amount is rised with EUR 2 000 thousand. The credit line is repaid on the maturity date.

In December 2015 Merkantil Bank grants to DSK Leasing EUR 10 000 thousand new revolving credit line with maturity date 30 June 2016. As of December 31, 2015 the disbursed amount is EUR 7 000 thousand with interest rate 1.08 %.

In July 2015 OTP Financing Malta Ltd grants to DSK Leasing three year loan on the amount of EUR 5 000 thousand. As of December 31, 2015 the loan is fully disbursed with interest rate 1.58 %.

In August 2013 OTP Bank Plc grants 2 year loan to DSK Leasing on the amount of EUR 50 000 thousand. As of December 31, 2014 the loan is fully disbursed with interest rates 1.88 %. In February 2015 OTP Financing Malta Ltd enters as assaignee of the loan. The interest rate is not changed. In November 2015 OTP Financing Malta Ltd signs with DSK Leasing a facility agreement for renewal of EUR 50 000 thousand with 5 year term and it is separated to two loans – EUR 40 000 thousand with floating interest rate and EUR 10 000 thousand with fixed interest rate. As of December 31, 2015 the loans are fully disbursed with interest rates 1.37 % and 1.44 %.

The Bank Group has not had any defaults of principal or interest or other breaches with respect to its liabilities during the periods 2014 and 2015.

22. Deposits from other customers

In thousands of BGN	**31-Dec-2015**	**31-Dec-2014**
Individuals		
In Bulgarian Leva		
Term deposits	1 845 840	1 868 641
Demand deposits	3 236 334	2 703 337
In foreign currencies		
Term deposits	1 065 482	1 081 498
Demand deposits	959 569	779 874
Companies		
In Bulgarian Leva		
Term deposits	103 465	108 213
Demand deposits	838 312	641 439
In foreign currencies		
Term deposits	91 934	123 741
Demand deposits	732 731	334 070
State Budget		
In Bulgarian Leva		
Term deposits	6 706	8 282
Demand deposits	102 616	169 267
In foreign currencies		
Term deposits	5 064	11 989
Demand deposits	29 302	22 723
Financial institutions		
In Bulgarian Leva		
Term deposits	35 198	77 975
Demand deposits	61 304	25 715
In foreign currencies		
Term deposits	3 872	20 632
Demand deposits	192 536	25 311
Total	**9 310 265**	**8 002 707**

The interest rates on deposits as at 31 December 2015 are ranged as follows: deposits from individuals from 0 % to 8.50 %; deposits from companies from 0 % to 4.00 %; deposits from State Budget from 0 % to 2.50 %; deposits from financial institutions from 0 % to 0.50 %.

23. Deferred tax liabilities

Deferred income taxes for 2015 are calculated on all temporary differences under the liability method using a tax rate of 10 %.

Deferred income tax balances are attributable to the following items:

	Assets		**Liabilities**		**Net**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
In thousands of BGN						
Pension severance payments under Labour Code and other personnel liabilities	(1 452)	(1 366)	-	-	(1 452)	(1 366)
Financial assets available for sale	(3 117)	(854)	3 550	1 287	433	433
Fixed assets	(178)	(168)	10 170	10 526	9 992	10 358
Contingent liabilities	(848)	(938)	-	-	(848)	(938)
Unused annual leave and other	(802)	(1 316)	-	-	(802)	(1 316)
Net deferred tax (assets)/liabilities	**(6 397)**	**(4 642)**	**13 720**	**11 813**	**7 323**	**7 171**

Movement in temporary differences during the year:

	Balance as of 31 December	**Recognised in the income statement**	**Recognised in equity**	**Derecognition of subsidiaries**	**Balance as of 31 December**
	2014	**2015**	**2015**	**2015**	**2014**
In thousands of BGN					
Pension severance payments under Labour Code and other personnel liabilities	(1 366)	(86)	-	-	(1 452)
Financial assets available for sale	433	(2 142)	2 142	-	433
Fixed assets	10 358	(366)	-	-	9 992
Contingent liabilities	(938)	90	-	-	(848)
Unused annual leave and other	(1 316)	513	-	1	(802)
Total	**7 171**	**(1 991)**	**2 142**	**1**	**7 323**

24. Provisions for liabilities

In thousands of BGN	31-Dec-2015	31-Dec-2014
Pension severance payments under Labour Code	6 212	4 909
Provisions for contingent liabilities	6 639	6 755
Total	**12 851**	**11 664**

25. Other and trading liabilities

In thousands of BGN	31-Dec-2015	31-Dec-2014
Liabilities for centralisation of State Budget with BNB	8 251	29 244
Liabilities to personnel and management	12 827	12 102
Money transfers for execution	14 584	17 779
Negative fair value of derivatives	20 834	3 224
Deferred income	9 805	10 678
Other	13 783	13 746
Total	**80 084**	**86 773**

26. Shareholders' equity

(a) Face value of registered shares

In thousands of BGN	31-Dec-2015	31-Dec-2014
Ordinary registered voting shares	153 984	153 984

OTP Bank, incorporated in Hungary, is the owner of 100% of the share capital of DSK Bank.

The ultimate shareholders with over 5 % stake of OTP Bank are as follows:

Name	Number of shares	Ownership	Voting rights
Megdet, Timur and Ruszlan Rahimkulov	24 768 412	8.85%	8.97%
Hungarian Oil and Gas Company (MOL)	24 000 000	8.57%	8.69%
Groupama	23 008 418	8.22%	8.33%
Hungarian National Asset Management Inc.	14 091 903	5.03%	5.10%

(b) Retained earnings

Retained earnings comprise accumulated profit and loss from prior periods.

(c) Revaluation reserve

The revaluation reserves comprise the revaluation surplus of assets, available for sale and property, net of the related deferred tax liabilities.

(d) General reserve

General reserve includes statutory reserve according to local regulation and profits transferred as general reserve according to decisions of the General Assembly of shareholders and reserve on remeasurements of defined benefit liability.

27. Contingent liabilities and commitments

(a) Off balance sheet liabilities and commitments

In thousands of BGN	**31-Dec-2015**	**31-Dec-2014**
Litigation against the Group and other contingent liabilities	6 758	6 841
Bank guarantees and letters of credit		
In Bulgarian Leva	159 122	166 611
In foreign currencies	140 180	105 735
	299 302	**272 346**
Commitments for undrawn credit facilities		
In Bulgarian Leva	555 355	441 516
In foreign currencies	257 487	186 565
	812 842	**628 081**
Forward and spot deals - sell		
In Bulgarian Leva	979 812	101 052
In foreign currencies	1 389 002	1 457 792
	2 368 814	**1 558 844**
Other	990	234
Total	**3 488 706**	**2 466 346**

Off balance sheet liabilities on forward and spot sells include currency exchange deals and securities deals.

(b) Contingent liabilities on guarantees and letters of credit

The DSK Bank Group provides financial guarantees and letters of credit to guarantee the performance of commitments of its customers to third parties. These agreements have fixed limits and fixed term of validity.

The amounts represented in the table as guarantees and letters of credit represent the maximum accounting loss that would be recognized in the statement of financial position if counterparties failed completely to perform their obligations as contracted.

These commitments and contingent liabilities have off balance sheet credit risk and only fees and accruals for probable losses are recognized on the statement of financial position until the commitments are fulfilled or expire. The contingent liabilities and commitments are expected to expire without being advanced in whole or in part. Therefore, the amounts are not expected to represent expected future cash flows.

(c) Legal claims and other contingent liabilities connected with legal proceedings

The Legal claims against DSK Bank and other commitment liabilities connected with legal proceedings amount to BGN 6 758 thousand (principal and accrued interest) as of December 31, 2015. For part of these legal claims and contingent liabilities the Bank's management believes that exists the likelihood of unfavourable outcome so provisions at the amount of BGN 6 639 thousand are allocated (Note 24).

(d) Assets pledged as collateral

As of 31 December 2015 DSK Bank Group has pledged Government bonds to the amount of BGN 215 246 thousand as collaterals for funds due to the State Budget. The pledge is registered in the Central Bank in favour of Ministry of Finance under the Low for State Budget of Republic of Bulgaria.

28. Cash and cash equivalents

In thousands of BGN	**31-Dec-2015**	**31-Dec-2014**
Cash on hand	334 280	362 797
Balances with Central Bank	1 557 225	415 840
Receivables from bank with maturity up to 3 months	528 463	2 067 615
Total	**2 419 968**	**2 846 252**

29. Group enterprises

Control of the Group

DSK Bank Group's parent company is the DSK Bank EAD.

Subsidiaries

	Ownership interest %	
	31-Dec-2015	**31-Dec-2014**
DSK Tours EOOD	100.00%	100.00%
DSK Rodina Pension Company AD	99.75%	99.75%
DSK Assets Management AD	66.00%	66.00%
DSK Bul-Project OOD	-	74.90%
DSK Trans Security EOOD *	100.00%	100.00%
DSK Leasing AD **	60.02%	60.02%

*DSK Trans Security EOOD is 100% owned by DSK Tours EOOD.

** DSK Leasing AD owns 100 % of the share capital of DSK Auto Leasing EOOD, DSK Leasing Insurance Broker EOOD and DSK Operative Leasing

On September 30, 2014 the General Meeting of the shareholders of DSK Bul-Project took decision for cessation of the company and opened liquidation proceedings. As of December 31, 2015 the company is liquidated.

Controlled companies without equity investment

Since 2012 DSK Bank includes in its consolidated financial statements OTP Factoring Bulgaria EAD. The Bank controls OTP Factoring Bulgaria EAD, because the Group is exposed to variability of returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

OTP Factoring was incorporated in 2010. The main activity is factoring, including buying and collecting of receivables. The sole owner of the capital (BGN 250 thousand) is OTP Faktoring Zrt, Hungary that is owed from OTP Bank, Hungary.

OTP Factoring Bulgaria EAD owns 100% of the share capital of Project Company Complex Banya EOOD founded in December 2015 and OFB Projects EOOD.

Associates

	Ownership interest %	
	31-Dec-2015	**31-Dec-2014**
Cash Services Company AD	20.00%	20.00%

Net asset value

	31-Dec-2015	**31-Dec-2014**
In thousands of BGN		
Cash Services Company AD	13 654	13 576

The following table analyses, in aggregate the carrying amount and share of profit and OCI of these associates.

In thousands of BGN	**31-Dec-2015**	**31-Dec-2014**
Carrying amount of interests in associates	2 731	2 715
Share of:		
• Profit from continuing operations	197	152
• Other comprehensive income	(2)	(1)
	195	**151**

30. Related party transactions

DSK Bank Group has a controlling related party relationship with its parent company OTP Bank.

DSK Bank Group has a related party relationship with its subsidiaries and associates and with its directors and executive officers and other companies within OTP Bank Group.

The related party transactions as of and for the year ended 31 December 2015 are as follows:

In thousands of BGN

Related party	Type of transaction	2015	2014
Employees	Loans extended	53 273	55 636
Directors and executive officers	Loans extended	8 485	7 305
OTP Bank	Current and deposit accounts in OTP Bank	1 590 747	2 055 509
OTP Bank	Bond issued by OTP Bank	186 110	168 023
OTP Bank	Current and deposit accounts in DSK Bank	685	207
OTP Bank	Fair value of derivatives	(10 979)	(1 439)
OTP Bank	Other liabilities	6	61
OTP Bank	Interest income	59 122	30 855
OTP Bank	Interest expense	72	323
OTP Bank	Fees paid	405	24
OTP Bank	Fees received	74	64
OTP Bank	Liabilities for currency exchange contracts	1 347 507	1 499 487
OTP Bank	Receivables for currency exchange contracts	1 324 489	1 499 177
OTP Bank	Off balance liability on overdraft	1 600	1 600
Other Group members	Current and deposit accounts in Group members	571	264
Other Group members	Interest income	4	1
Other Group members	Interest expense	2 186	2 286
Other Group members	Fees received	53	36
Other Group members	Loans received	131 041	112 460
Other Group members	Receivable from credit line	5 867	4 890

The remuneration of the key management personnel for 2015 includes current income amounting to BGN 4 343 thousand (2014: BGN 4 098 thousand).