ANNUAL DISCLOSURE
YEAR 2014
ON CONSOLIDATED BASIS

Pursuant to Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (Part Eight - Disclosure by Institutions)

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UNITED BULGARIAN BANK AD ("UBB" or the "Bank") is registered in the Republic of Bulgaria, with head office – the city of Sofia, 5 Sveta Sofia Str.

Main shareholder of UBB is National Bank of Greece SA ("NBG"), holder of 99.9% of the registered capital. The Bank holds a full license for performing banking and financial operations in this country and abroad.

1. Scope and Consolidation Methods

This disclosure report has been prepared on a consolidated basis with data as of December 31, 2014 as per Article 70 para.3 of the Law on Credit Institutions.

The subsidiaries and affiliated companies in the corporate structure of UBB as of December 2014 are the following:

Company	Share of the company's capital	Consolidation
UBB Factoring EOOD	100%	Fully consolidated
UBB Asset Management AD	90%	Fully consolidated
UBB Insurance Broker AD	80%	Fully consolidated
UBB ALICO Life Insurance Company AD	30%	Equity Method Investment
UBB AIG Insurance Company *	30%	Equity Method Investment
Cash Services Company AD	20%	Equity Method Investment

*- *In the process of disposal. Process expected to be completed during 2015*

The last three companies are not deducted from the own funds in compliance with Art. 48 and 89 of the Regulation 575/2013 and are included in the RWA at 100% or 250%.

2. Risk Management Policies and Rules

The risk management organizational structure in United Bulgarian Bank AD provides a clear allocation of responsibilities and prevention of conflict of interests on all possible levels.

Risk management functions are allocated at the following three levels:

- *Strategic* – it is performed by the Board of Directors ("BoD") of UBB, which approves the risk strategy of the Bank and implements the principles embedded in it through the BoD Risk Management Committee.

The authorities of the Risk Management Committee ("RMC") include defining and approving the risk and capital strategies, risk profile and tolerance (appetite), changes in the definitions of UBB for various types of risks. The RMC approves the related policies and establishes the internal limits system for the management of different types of risks. The BoD of UBB appoints an Audit Committee that ensures an independent external verification and assessment of the risk management and control systems.

- *Tactical* – performed by the Senior Management through specialized collective bodies, and includes the approval of policies and procedure manuals for managing risk and establishing adequate systems for control of the risks undertaken.

At this level an important role is performed by the Risk Management Division, which identifies, assesses and controls risks, develops appropriate methodologies for that purpose, reports the level of the undertaken risk to the respective managing bodies of the Bank and if necessary offers measures for its limitation. A senior representative from Risk Management Division is a member of all collective management bodies. The Country Risk Manager is directly subordinated both to the Executive Management of the Bank and the BOD's Risk Management Committee, while he keeps a functional reporting line to the NBG Group Chief Risk Officer and Chief Credit Officer.

- *Operational* – performed by the business units and involves risk management in the risk origination point.

The main activities are performed by the individuals who undertake risk on the Bank`s behalf. Risk management at this level is implemented by means of appropriate controls incorporated into the relevant operational procedures and guidelines established by the Senior Management.

Pursuant to UBB Risk Strategy, the risk management model in UBB consists of three lines of defence as follows:

The first line includes *the business units* that are responsible for the assessment and minimization of risk for a certain income level.

The second line of defence is *Risk Management Division*, which identifies controls, assesses risk, provides appropriate tools and methodologies for that purpose, measures the risk-weighted return, reports to the respective Management bodies and proposes measures for risk containment.
Risk Management Division consists of three departments: "Corporate credit risk and classification", "Market risk and capital planning" and " Risk Management of Retail Banking" as well as two independent units "Risk Modelling" and "Operational Risk". In the performance of its functions the Risk Management Division is supported by the Finance Division, Compliance Department, Operations Department, Business Processes and Organization Department, HR Management Department, Security and Guarding Department, IT Department and UBB Chief Economist.

The third line of defence is *the UBB Specialized Internal Audit Department*, which provides independent external review of the risk management system.

Risk Management Division manages and coordinates the overall process on the implementation of the Basel Accord standards at UBB in full coordination with the respective program at NBG Group level. All strategies, policies and procedures for management and analysis of the main types of risk, including that of capital adequacy, have been developed and reconciled with NBG Group. The Bank has taken appropriate actions for the implementation of the new regulatory requirements according to Basel III (CRD IV framework).

Risk management policies handle the definition and analysis of risks, which the Bank undertakes, and determine appropriate limits and control procedures. The policies and the procedures are regularly reviewed to reflect the occurred changes in the market conditions and the offered products and services.

Risk measurement and assessment is performed through utilization of methods based on best banking practices; the accepted methodologies and procedures are regularly reviewed and updated from the involved units/bodies.

There is ongoing and effective monitoring of the risks undertaken by the Bank. Risk Management Division informs the Executive Management of these risks through regular and ad hoc reports to the RMC, ALCO and other relevant committees.

The Specialized Internal Audit Division performs regular reviews of the adequacy and quality of the adopted mechanisms for internal control on risk.

UBB has developed and implemented key policies and rules for risk management including:

- Risk Management Strategy;
- Corporate Credit Policy;
- Retail Risk Credit Policy;
- Market Risk Management Policy and Stop Loss Limit Policy;
- Liquidity Risk Policy;
- Framework for Operational Risk Management;
- Policy for the Management of Interest Rate Risk in the Banking Book;
- Policy on Assessment and Classification of Risk Exposures and Allocation of Specific Provisions for Credit Risk for the purposes of Ordinance №9 of the BNB (cancelled as requirement for capital deduction as of January 01, 2014);
- Rules and Procedures on Bank Counterparty Credit Risk;
- Internal Rules for the Corporate Credit Activity Collaterals' Assessment, Insurance and Management;
- Internal Capital Adequacy Assessment Process (ICAAP) and Rules and Procedures on Capital Adequacy Assessment

The Bank strictly follows the regulatory requirement stating that the target level of Tier I adequacy shall not fall under 11.5% and the Total capital adequacy ratio should not be less than 13.5%. UBB Capital adequacy ratios are well above these limits, standing at 24.22% and 27.44% respectively, as of December 31, 2014.

Key ratios and risk limits are included in the Risk strategy defining Bank's risk tolerance (appetite) to the different risk types.

The overall and effective risk management is also facilitated by the standing internal rules, procedures, methodologies and instructions. Examples include, the "Rules for Investments in Securities and Portfolio Valuation", the "Financial Assets Impairment Provision and Write-off Policy" and the "Internal Rules on Disclosure and Prevention of Conflicts of Interest".

In order to minimize the consequences from possible problems including extreme situations, calamities and failures and in order to ensure business continuity, the Bank has developed the following plans:

- UBB Contingency Funding Plan;
- UBB Business Continuity Plan;

- UBB Recovery Plan.

These plans are developed in accordance with the principles and requirements incorporated in the regulatory framework and the good practice and are consistent with the organizational structure and business of the Bank.

3. Regulatory Capital and Capital Adequacy

3.1. Structure and Elements of Own Funds

The regulatory capital (own funds) includes Tier-I and Tier-II capital, according to Regulation (EU) 575/2013. The table below provides detailed information on the capital position of United Bulgarian Bank.

BGN Thousand	December 31, 2014
Paid up capital instruments	75 964
Retained earnings	1 004 470
Accumulated other comprehensive income	**13 855**
Capital Base Deductions	
Adjustments to CET1 due to prudential filters	(885)
Intangible assets	**(5 132)**
Excess of deduction from AT1 items over AT1 Capital	**(5 621)**
Other transitional adjustments to CET1 Capital	**(10 128)**
TIER I CAPITAL	**1 072 523**
Subordinated debt	142 845
TIER II CAPITAL*	**142 845**
OWN FUNDS (CAPITAL BASE)	**1 215 368**

Tier II Capital is compounded from a Subordinate Term Debt (agreements between UBB AD and NBG S.A., signed in Y2007, 10Y maturity) with nominal amount as of December 31, 2014 at BGN 142 845 thousand.

3.2. Capital Requirements

The Bank fully complies with the Regulation (EU) 575/2013, Directive 2013/36/EU and supervisory requirements of BNB, according to which Tier-I capital and of the Total capital adequacy ratios should be no less than 11.5 % and 13.5 % respectively.

UBB applies Standardized approach for its capital adequacy report for credit, market and operational risk.

The capital requirements (at 8% capital requirements) by exposure classes are as follows:

BGN Thousand	December 31, 2014
FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES AND CVA	**300 407**
Central governments and central banks	0
Regional governments or local authorities	848
Institutions	19 240
Corporates	83 895
Retail exposures	67 986
Exposures secured by real estate property	39 387
Past due items	72 913
Equity	5 339
Other items	10 769
RISK FOR CREDIT VALUATION ADJUSTMENT	30
FOR POSITIONAL, FX AND COMMODITY RISKS	**12 287**
Debt instruments	12 287
Capital instruments	0
FX position	0
FOR OPERATIONAL RISK	**41 578**
OTHER CAPITAL REQUIREMENTS (capital conservation buffer 2.5% and systemic risk buffer 3%)	
TOTAL CAPITAL REQUIREMENTS (including buffers)	
Surplus (+) / Deficit (-) of own funds	**861 096**
Total Capital Adequacy Ratio (%)	27.44%
Tier-I Capital Adequacy Ratio (%)	**24.22%**

The structure of the required capital by types of risk is the following:

Credit risk	84.80%
Market risk	3.47%
Operational risk	11.73%

3.3. Internal Capital Adequacy Assessment Process (ICAAP)

As part of the established ICAAP Framework and following the NBG Group methodologies, the Bank is assessing its individual risk profile on a regular basis.

The main goals of the Internal Capital Adequacy Assessment Process are:

- Identification, measuring and control of all material risks to the Bank;
- Development of appropriate systems for measuring and management of these risks;
- Internal assessment of the capital necessary for covering all these risks (internal capital calculation).

Within the ICAAP process and apart from the regulatory requirements for credit, market and operational risks, the Bank calculates additional capital requirements for credit risk concentration and interest rate risk in the banking book.

BGN Thousand	December 31, 2014
Internal assessment of the capital	**651 409**
incl. Regulatory required (at 13.5%)*	597 833
Credit risk concentration	25 377
Interest rate risk in the banking book	28 198

* including 8% as per Art 112 from Regulations 575/2013 plus 2.5% Capital Conservation and 3% Systemic Risk Buffers

4. Exposure to Counterparty Credit Risk

The counterparty credit risk originates from deals with derivatives, repo deals, deals of lending/ borrowing of securities or commodities, transactions with extended settlement and represents the risk that the counterparty under a particular deal would default prior to the final settlement of the cash flows under the deal.

The Bank has adopted rules and procedures for assessment, management and control of the counterparty risk by countries and banks. All counterparties receive a risk rating category according to their official rating or the derived internal rating. Based on this in conjunction with the accepted methodology, risk limits are set by counterparty, both for total exposure and by products. Risk Management monitors limit utilization on a daily basis.

The receivables from local and foreign banks, the receivables or liabilities for repurchase of securities and the FX deals are assigned a risk weight in accordance with Regulation (EU) 575/2013.

The Bank allocates capital for counterparty credit risk purposes originating under derivatives and repo deals by utilizing the mark-to-market method, pursuant to Art. 274 of Regulation (EU) 575/2013.

Capital requirements for counterparty risk

BGN Thousand December 31, 2014

Exposure Class	Repo Deals	Derivatives	TOTAL:
Exposures to institutions	7	76	83
Exposures to companies	0	364	364
Retail exposures	0	0	0
TOTAL:	**7**	**440**	**447**

5. Capital Buffers

In accordance wirh Ordinance No.8 on Banks' Capital Buffers, UBB allocates capital for Capital Conseravation and Systemic Risk Buffers.

BGN Thousand December 31, 2014

Capital Buffers according to Directive 2013/36/EU and Ordinance No. 8/BNB	**243 562**
incl. Capital Conservation Buffer 2.5%	110 710
Systemic Risk Buffer 3%	132 852

The Bank calculates on monthly basis the capital buffer formed on the residual part of the former regulatory provisions. This buffer is not used for assuming additional credit risk. The amount of the buffer as of December 31, 2014, is BGN 418 626 thousand compared to BGN 568 508 thousand as of December 31, 2013.

6. Exposure to Credit Risk and Dilution Risk

The Bank is exposed to credit risk, which represents the risk that a particular counterparty will not be able to pay in full its obligations when they become due.

All financial assets classified as "loans and receivables", "held to maturity", "available for sale" and "at fair value through Profit or loss" are subject to review for impairment. The Bank makes assessment on each balance sheet date whether there is objective evidence justifying the impairment of a financial asset or a group of financial assets.

In accordance to the International Financial Reporting Standards ("IFRSs") a financial asset (or a group of financial assets) is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("loss event") and that a loss event (or events) has an impact on the estimated future cash flows of the financial asset (or group of financial assets), which impact can be reliably estimated. It is not mandatory to identify a single, discrete event that caused the impairment. Rather, the combined effect of several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, do not result in impairment of financial assets. Objective evidence that a financial asset or group of assets is impaired includes observable data about the following loss events (reference: International accounting standard 39, Paragraph 59):

(a) Significant financial difficulty of the issuer or obligor;

(b) A breach of contract, such as a default or delinquency in interest or principal payments;

(c) The Bank, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Bank would not otherwise consider;
(d) It is becoming probable that the borrower will be declared insolvent or resort to other financial reorganization;
(e) The disappearance of an active market for that financial asset because of financial difficulties;
(f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
    (i) Adverse changes in the payment status of borrowers in the group, or
    (ii) National or local economic conditions that correlate with defaults on the assets in the group.

The Bank estimates credit risk to corporate and retail obligors by using internal ratings and scoring models. These models take into account specific qualitative and quantitative criteria and internal information, as well as such provided by the Central Credit Register. The models facilitate decision-making both for granting new loans and for retail customers collections strategies.

Within the lending process, specific and detailed procedures are applied for monitoring the economic solvency of each project and client or the type and value of any collateral. Depending on the counterparty type and the amount of their total credit exposure with the Bank, the loans are approved by strictly defined Bank bodies or Committees, in accordance with established credit authority levels.

The Bank supervises the concentration of the credit risk on aggregate basis (i.e. with regards to all balance sheet and off-balance sheet exposure). More specifically, the Bank monitors the concentrations of credit risk by industries and by groups of related parties. Regarding the related parties, the Bank monitors the ratio of the groups' credit exposures to the Bank's regulatory capital, in accordance with the Credit Institutions Act, Regulation 575/2013 and Ordinance №7 of BNB.

The Bank classifies its receivables in accordance with the requirements of article 13 of Ordinance №22 of the BNB and the Corporate Credit Policy of the Bank. These classifications are being reviewed and updated on a monthly basis.

The eligible collaterals and corporate or/and personal guarantees to secure credit risk exposures are well defined. The exposures' management includes regular analyses of the borrowers' creditworthiness and ability to repay the obligations, through which, the borrowers' exposure's limits could be changed.

The provision for impairment of loans is reported as a decrease in the balance sheet value of a specific claim, while for the off-balance sheet items, as for example commitments and bank guarantees, the provision is reported under other liabilities. The increase in the provision is made through the recognition of the impairment in the income statement.

The Bank identifies whether there is objective evidence for individual impairment of loans, considered as significant and collective impairment of loans not considered as individually significant. If there is an objective evidence for the impairment of loans the amount of the loss is measured as the difference between the carrying amount of the loans and the present value of the projected future cashflows (excluding future credit losses that have not been incurred) discounted with: a) the original effective interest rate on the loan, if the loan has a fixed interest rate; or b) the current effective interest rate determined under the contract, if the loan has a variable interest rate. Cashflows that may originate from the liquidation of the collateral are also taken into account.

For the purposes of determining the losses from impairment on a portfolio basis (collective impairment), loans and receivables are being grouped based on similar credit risk characteristics. Corporate loans are being grouped based on days of delay (past due), credit product type, economic sector, size of business, type of collateral, or other similar characteristics. Mortgage and consumer loans are grouped by days of delay (past due) or by credit product type. These characteristics are relevant to the estimation of future cash flows for groups of such loans by being indicative of the debtors' ability to pay all amounts due and together with the loss-related historical experience of loans with risk characteristics, simillar with these of the group form the base for calcualtion of the provisions from loans losses.

The historical loss experience should be adjusted, on the basis of observable data, to reflect the effects of current conditions that did not affect the period on which historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.
All impaired loans are reviewed and analyzed as of the date of each financial report and the changes in the assumptions for the projected cash flows against preceding periods are reflected as an increase/decrease in the provisions for losses from impairment through the income statement. The methodology for measuring the impairment of loans and receivables is reviewed by the Bank on a regular basis in order to minimise any differences between the assessed and the actual loss.

A loan considered to be non-collectable, given that all conditions of the Bank's Imapirments Provision and wrtie off policy are satisfied, is written off against the accumulated provisions for impairment. Subsequently recovered amounts for previously written-off loans are recognised as a reduction of the current expense for impairment of loans and receivables in the income statement.

6.1. Total exposures after accounting adjustments and without taking into account the effects of credit risk mitigation.

BGN Thousand December 31, 2014

Exposure classes	Average value of the balance sheet exposures	Balance sheet exposure net of impairment before CRM	Average*** value of the off-balance sheet exposures	Off-balance sheet exposure before credit risk mitigation
Central Governments and Central Banks	85 690	514 141	7	7
Regional Governments or Local Authorities	2 718	16 300	-	0
Institutions	27 160	923 436	430	2 581
Corporates**	1 753	972 973	718	303 886
Retails**	5	1 086 673	3	402 074
Exposures Secured by Real Estate Property**	93	1 238 081	258	67 981
Exposures in Default	36	1 687 773	375	4 050
Equity exposures	2 673	45 438	-	-
Other exposures	315 150*	315 150	-	-
Total	**-**	**6 799 975**	**-**	**780 579**

*As per balance sheet position, average exposure on borrower/exposure level is not applicable
** Borrowers/Exposures could exist in multiple asset classes
*** Average on borrower level

6.2. Loan portfolio distribution by regions

BGN Thousand December 31, 2014

Exposure pre conversion factors per country	Central governments or central banks	Regional governments or local authorities	Institutions	Corporates	Retail	Secured by mortgages on immovable property	Exposures in default	Equity exposures	Other exposures	Total exposures	Total Provisions
BG	514 148	16 310	45 622	1 279 576	1 488 243	1 298 684	1 685 800	45 438	315 150	6 688 971	874 276
MT	0	0	778 835	0	0	0	0	0	0	778 835	0
TR	0	0	42 761	0	0	0	12	0	0	42 773	8
IT	0	0	16 373	0	73	187	0	0	0	16 633	0
GR	0	0	11 955	24	54	483	1 056	0	0	13 572	762
LU	0	0	12 644	0	0	0	0	0	0	12 644	0
GB	0	0	112	0	117	4 177	3 148	0	0	7 554	1 406
DE	0	0	6 865	0	85	305	90	0	0	7 345	0
MK	0	0	4 826	0	4	0	0	0	0	4 830	0
CN	0	0	2 413	0	0	0	0	0	0	2 413	0
AT	0	0	2 295	0	2	94	0	0	0	2 391	0
IE	0	0	0	0	19	858	1 242	0	0	2 119	320

Due to representative purposes 12 largest total exposures out of 35 regions are presented in the table above. The country codes in the first column are as per ISO_3166-1 nomenclature.

6.3. Loan portfolio distribution by industry (Distribution as per NACE 2008 nomenclature)

BGN Thousand December 31, 2014

Exposures	Description	Real estate activities	Wholesale trade, except of motor vehicles and motorcycles	Crop and animal production, hunting and related service activities	Retail trade, except of motor vehicles and motorcycles	Manufacture of food products	Electricity, gas, steam and air conditioning supply	Civil engineering	Accommodation	Financial service activities, except insurance and pension funding	Other	Retail
Corporates	BS	116 771	64 010	36 022	30 588	65 333	100 256	30 187	28 128	84 499	393 570	23 608
	OBS	1 028	56 460	6 620	7 512	16 015	17 833	46 923	688	0	150 393	415
of which: SME (with supp factor)	BS	897	16 985	9 482	3 861	6 860	13 708	0	5 355	0	31 735	0
	OBS	0	10 301	3 866	1 015	697	0	0	219	0	18 295	0
Retail	BS	4 251	45 233	72 227	32 454	5 902	5 539	3 980	1 074	17	97 308	818 688
	OBS	10	25 552	9 329	15 138	3 977	1 253	6 996	1 528	0	42 061	296 230
of which: SME (with supp factor)	BS	4 251	45 233	72 371	32 454	5 902	5 539	3 980	1 074	17	97 308	7
	OBS	10	25 552	9 329	15 138	3 977	1 253	6 996	1 528	0	41 515	151
Secured by Real Estate	BS	58 491	56 109	39 334	39 626	33 437	3 619	7 856	45 640	1 779	178 075	774 116
	OBS	0	8 799	6 983	3 286	8 245	356	6 834	391	0	32 522	564
of which: SME (with supp factor)	BS	24 124	36 032	18 672	29 297	13 651	2 780	3 378	20 014	326	78 607	0
	OBS	0	7 383	3 880	2 934	119	356	527	391	0	14 040	0
In default	BS	236 489	211 621	52 826	75 813	48 504	219	63 992	29 461	3 101	434 154	531 593
	OBS	0	0	339	1 388	0	0	0	0	0	2 324	0
Total	BS	416 001	376 973	200 409	178 481	153 177	109 632	106 016	104 303	89 396	1 103 107	2 148 004
	OBS	1 038	90 811	23 271	27 323	28 237	19 442	60 754	2 607	0	227 300	297 209
	PROV	121 920	124 384	25 153	36 420	18 191	211	40 697	7 872	366	192 825	308 925

6.4. Exposure distribution by residual maturity

BGN Thousand December 31, 2014

Exposure classes	Remaining maturity			Total
	up to 1 year	from 1 to 5 years	over 5 years and without fixed maturity	
Central Governments and Central Banks	302 853	34 125	177 162	514 141
Regional Governments or Local Authorities	596.36162	15 713	-	16 310
Institutions	880 831	42605.40783	-	923 436
Corporates	503 600	248 693	220 679	972 973
Retail	281 563	481 198	323 912	1 086 673
Exposures Secured by Real Estate Property	142 272	280 066	815 743	1 238 081
Past-due Items	557 686	1 019 953	110 135	1 687 773
Equity	-	-	45 438	45 438
Other Items	212 092	-	103 058	315 150
Total	**2 881 493**	**2 122 354**	**1 796 128**	**6 799 975**

7. Disclosure of Encumbered and Unencumbered assets

Encumbered and unencumbered assets of UBB to 31.12.2014 are as follows:

Assets:

BGN Thousand December 31, 2014

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Total Assets	143 742		6 430 862	
Equity instruments			45 443	45 443
Debt securities	132 519	132 519	706 963	706 963
Other assets	11 223		5 678 456	

Unavailable to encumbrance:

Derivatives	1 889
Intangible assets	5 132
Tax assets	2 444
Other assets	26 564
Total	**36 029**

UBB's encumbered assets include:

- blocked government securities in connection with repurchase agreements and borrowed funds of budget organizations; and
- loans to customers in connection with borrowed funds from Bulgarian Development Bank.

Collaterals received:

BGN Thousand		December 31, 2014
	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution		48 961
Equity instruments		
Debt securities		48 961
Other collateral received		
Own debt securities issued other than own covered bonds or ABSs		

Collaterals included government securities received under reverse repos agreements

Encumbered assets/collateral received and associated liabilities:

BGN Thousand		December 31, 2014
	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own-debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**174 419**	**143 742**

Blocking of assets for securing of funds of budget organizations is carried out on the basis of Art. 152 of the Public Finance Act and art. 98 of the Law on State Budget 2015.

Blocking of assets in connection with borrowed funds from Bulgarian Development Bank is carried out on the basis of contracts to pledge receivables on loans, financed by Bulgarian Development Bank.

8. Information about recognized External Credit Assessment Institutions ("ECAIs") and Export Insurance Agencies ("EIA") related to the application of the standardized approach to credit risk

In accordance with Art. 135 & 138 of Regulation (EU) 575/2013of BNB, UBB utilizes ratings assigned by the rating agencies Standard & Poor's, Moody's, and Fitch Ratings.

The credit ratings by recognized ECAIs are equalized to the EU levels of credit quality approved by BNB and the supervisory bodies of the EU member states and are used for risk weights determination in the process of capital adequacy calculation. Where two or more than two credit assessments are available from ECAIs and they correspond to different risk weights, the Bank applies the rules described in Art. 138 of the Regulation (EU) 575/2013.

Ratings of nominated ECAIs are used mainly for exposures to central governments & central banks and exposures to institutions. The largest share as of December 31, 2014 is for the class “Exposures to institutions”. The table below indicates the allocation of exposures to institutions according to the risk weight and the respective credit quality step.

BGN Thousand December 31, 2014

Exposure classes	Credit quality step	Remaining maturity	Risk weight	Exposure before impairment and credit risk mitigation	Exposure after impairment and credit risk mitigation
Institutions	1	up to 3 months	20%	4 332	4 332
	2	up to 3 months	20%	16 499	16 499
	3	up to 3 months	20%	39 476	39 476
	4	up to 3 months	50%	17 815	17 815
		over 3 months	100%	42 605	42 605
	5	up to 3 months	50%	346	346
	6	up to 3 months	150%	11 187	11 187
	non-rated	up to 3 months	20%	791 175	791 175
Total				**923 436**	**923 436**

9. Capital requirements for position risk from instruments in the trading book, and capital requirements for FX, commodity and settlement risk for the overall activity

Position risk refers to the risk of change in the prices of debt and equity instruments in the trading book. It contains two components: specific risk and general position risk. The specific risk represents a risk of a change in the price of a financial instrument as a result of factors related to its issuer or the issuer of the underlying instrument. General position risk is the risk of a change in the price of a financial instrument as a result of factors that are not contingent on the specific characteristics of the instruments, e.g. equity markets or interest rates movements.

With regards to the net positions in debt instruments, capital requirements for specific risk are calculated by currency and in accordance with the position’s category based on the issuer’s credit rating and the residual maturity in compliance with Art. 336 of Regulation (EU) 575/2013.

The Bank applies a maturity-based approach to calculating the general position risk in accordance with Art. 339 of Regulation (EU) 575/2013, by distributing the debt instruments with fixed interest rate according to their residual maturity, and those with floating interest rate, to the next repricing date.

As of December 31, 2014 the Bank has allocated BGN 11 639 thousand in capital for general position risk and BGN 648 thousand in capital for specific risk. The distribution by risk weight and currency is as follows:

Capital requirements for position risks according to risk weights

BGN Thousand December 31, 2014

	BGN		EUR		USD		GBP		Risk weights	Capital require ments
	Long	Short	Long	Short	Long	Short	Long	Short		
General position risk. Maturity based approach										
0 ≤ 1 month	340	29 741	62 587	107 222	71 626	131	55 261	37 502	0.00%	0
> 1 ≤ 3 months	20	0	5 801	0	0	0			0.20%	12
> 3 ≤ 6 months	0	0	8 452	0	18 968	0			0.40%	110
> 6 ≤ 12 months	0	0	172 165	0	0	0			0.70%	1 205
> 1 ≤ 2 (1,9 with coupon below 3%) y	0	0	74	0	0	0			1.25%	1
> 2 ≤ 3 (> 1,9 ≤ 2,8 wih coupon below 3%) y	28 448	0	1 066	0	0	0			1.75%	517
> 3 ≤ 4 (> 2,8 ≤ 3,6 with coupon below 3%) y	88 910	0	6 376	0	845	0			2.25%	2 163
> 4 ≤ 5 (> 3,6 ≤ 4,3 with coupon below 3%) y	32 850	0	29 826	0	1 690	0			2.75%	1 770
> 5 ≤ 7 (> 4,3 ≤ 5,7 with coupon below 3%) y	54 431	0	11 462	0	0	0			3.25%	2 142
> 7 ≤ 10 (> 5,7 ≤ 7,3 with coupon below 3%) y	49 482	0	11 749	0	0	0			3.75%	2 296
> 10 ≤ 15 (> 7,3 ≤ 9,3 with coupon below 3%) y	0	0	31 654	0	0	0			4.50%	1 424
Total	254 482	29 741	341 211	107 222	93 128	131	55 261	37 502		11 639
Specific position risk										
Debt instr. I category (0% cap. requirements)	254 482		267 851		0				0.00%	0
Debt instr. II category			10 774		49 665	0	14 996	0	0.00%	648
with remaining maturity ≤ 6 months			0		24 143		14 996		0.25%	98
with remaining maturity > 6 months and ≤ 24 months			1 933		3 216				1.00%	51
with remaining maturity > 24 months			8 841		22 306				1.60%	498
Debt instr. III category (8% cap. requirements)			0						8.00%	0
Debt instr. IV category (12% cap. requirements)									12.00%	0
Total	254 482		278 625		49 665	0	14 996	0		648

Capital requirements for position risk by currency BGN Thousand

December 31, 2014

	General position risk	Specific risk	TOTAL
BGN	7 026	0	7 026
EUR	4 471	161	4 632
USD	141	449	591
GBP	0	37	37
TOTAL:	**11 639**	**648**	**12 287**

The specific risk for capital instruments is calculated by multiplying the total gross position by 8% in accordance with Art.342 of Regulation (EU) 575/2013, whereas the general risk by multiplying the total net position by 8% pursuant to Art.343 of Regulation (EU) 575/2013. The Bank does not allocate capital for specific and general risk from capital instruments due to the insignificant volume of such instruments in the Bank's trading book.

10. Capital requirements for Foreign Exchange Risk

The Bank calculates capital requirements for FX risk resulting from the both the banking and the trading book, according to the standardized approach, described in Chapter 3 (Art. 351-354) of Regulation (EU) 575/2013, but it has not allocated capital for FX risk, since the amount of the total net open FX position does not exceed 2% of the Bank's own funds.

Capital requirements for foreign exchange risk

BGN Thousand — December 31, 2014

	All positions		Net positions		Capital requirements*
	Long	Short	Long	Short	
Total positions in currencies, other than BGN and EUR	**763 472**	**763 314**	**334**	**176**	-
Currency positions					
EUR**	3 204 905	1 973 847	1 231 058	0	
AUD	125 867	125 858	9	0	
CAD	13 336	13 335	1	0	
DKK	1 160	1 155	5	0	
GBP	80 959	80 666	293	0	
JPY	199	198	1	0	
SEK	1 066	1 118	0	52	
CHF	56 739	56 729	10	0	
TRY	890	911	0	21	
USD	351 391	351 449	0	58	
NOK	567	559	8	0	
NZD	131 291	131 336	0	45	
CNY	7	0	7	0	

* when Net positions exceed 2% of Total Own Funds

** EUR positions are not included in Net Positions

The Bank has no commodity and settlement risk exposures.

11. Internal Models for Market Risk

As per December 31, 2014, UBB does not apply any internal models approach for the calculation of capital requirements for market risk.

UBB uses a Value at Risk ("VaR") model for market risk assessment, on the basis of which it has established a framework of limits to manage FX risk, interest rate risk and equity risk. For the daily calculation of the VaR, the Bank has adopted the internationally recognized variance/covariance methodology, developed by RiskMetrix/ J.P.Morgan with a 99% confidence interval and a 1-day holding period.

The following VaR values were estimated at December 31, 2014 and during the year:

BGN Thousand December 31, 2014

Diversified VaR	VaR Limit	VaR	During 2014		
			min	max	average
Equity	600	303	150	583	276
FX	300	2	0	16	4
Interest Rate	4 000	4 553	288	6 306	1 164
Total	4 000	4 760	335	6 612	1 216

The Total and Interest Rate VaR limits were exceeded in December 2014 due to high volatility of Bulgaria's CDS, after the S&P downgrade of the country credit rating to BB+ but as at present reversed within the approved levels.

The Bank uses a specialized software product for valuation of the market risk. The system allows the execution of valuations and detailed analyses, including not only the main calculation model (VaR), but also detailed analyses of the Trading Book sensitivity towards different risk factors. The usage of appropriate software is a part of the migration preparation towards an internal models based approach in the calculation of the market risk capital requirements.

12. Operational Risk

Operational risk is the risk of losses resulting from inadequate or dysfunctional internal processes, people, systems or external events, including the inherent legal risk.

The Bank has adopted a framework for operational risk management and applies the standardized approach for calculating the capital requirements for operational risk, which amounted to BGN 41 588 thousand in as of December 31, 2014.

The framework for operational risk management is compatible with best practices and conforms to the regulatory requirements. It is an integral part of the overall framework for risk management. All activities and processes that are exposed to operational risk are determined and documented in a standardized list according to the Bank's standards and structure. This allows both for the allocation of risks by processes, and for the distribution of the Bank's activities by regulator-defined business lines.

The Bank requires accurate knowledge of the losses associated with operational risk and creates appropriate management of operational events and the process of loss data collection.
Operational risk events and any losses stemming from them are being identified, recorded and classified in a specialized database.

The operational events register of the Bank is active since 2007. The Bank utilizes a multitude of detailed rules, procedures and forms to fill in the operational events register, with the latter being maintained by "Operational Risk" unit within Risk Management Division of the Bank.

The Bank takes special care to minimize the operational risk in its activities, including by:

- Enhancing on a regular basis the operational standards and procedures for control and reduction of operational risks, as well as its Business Continuity Plan and Disaster Recovery Plan;

- Utilizing insurance policies against operational risks where appropriate;
- Offering to its employees training on operational risk, IT security, fraud and money-laundering, etc.;
- Establishing appropriate Business Continuity Plan and Disaster Recovery Plan, which are being periodically updated to cover extreme events, concerning significant activities throughout the Bank, and to minimize losses in case of business interruption.

The process of operational risk management in the Bank is based on the Standardized approach, using specialized software of the company “Algorithmics”. Parallel to this, preparation is underway for migration to the Advanced Measurement Approach, as such is applied by the parent-company and by some of the larger sub-structures within the Group. By implying such a complex and detailed approach, it is expected that operational events and resulting losses, shall be reduced significantly.

13. Capital instruments in the Banking Book

The capital instruments in the banking book are recognized at fair value (including transaction costs), and subsequently re-measured at fair value. Unrealized gains and losses due to changes in the fair value of these financial assets are reported as changes to equity. Investments in shares of subsidiaries and equity method investments are reported at acquisition cost.

The Bank’s equity participations were as follows as of December 31, 2014:

BGN Thousand December 31, 2014

Capital instruments in the banking book	Balance sheet value	Unrealized gains/ losses
Units in mutual funds	6 063	1 595
Shares	28 665	9 196
Shares in subsidiaries (equity method investments)	10 710	0
TOTAL:	**45 438**	**10 791**

The total amount of investment in shares is reported in the “Equities” exposure class.

As of December 31, 2014, investments in financial sector subsidiaries and equity method investments amounted to BGN 16 773 thousand (including the owned by the Bank, units in three mutual funds - UBB Balanced Fund, UBB Platinum Bonds and UBB Premium Equity Fund) are reported with 250% risk weight in accordance with the Art. 48 and Art. 133, para 2 of Regulation (EU) 575/2013. All other investment in equities is reported with 100% risk weight.

14. Interest Rate Risk in the Banking Book

Interest rate risk relates to the potential unfavorable impact from changes in market interest rates on the Bank’s profit or capital. UBB manages interest rate risk and maintains it within acceptable parameters by striving to maintain an adequate structure of its interest-sensitive assets and liabilities and minimizing any mismatches between those.

The Bank has set a limit on its total exposure to interest rate risk in the banking book and allocates additional internal capital for this risk within the ICAAP.

To accurately assess interest rate risk in the banking book the Bank applies a model based on the change in the economic value of assets, liabilities and off-balance sheet items, in accordance with the amount and the average duration of currency mismatches, resulting from a change in the interest rate levels by 200 basis points.

The interest rate risk is measured separately for each of the main currencies used by the Bank as well as for total exposure. The calculation is based on a gap analysis of the interest-sensitive assets and liabilities over standardized time intervals. All items in the banking book are distributed over such time intervals based on their interest characteristics. The larger portion of the loan portfolio has a floating interest rate and, respectively, falls within the shortest time intervals. Savings and current accounts are generally distributed over the time interval up to 1 month.

The table below shows the sensitivity of the economic value to a parallel shift of the yield curve in all currencies by 200 basis points (per currency in its BGN equivalent) as of December 31, 2014.

BGN Thousand	December 31, 2014
BGN	2 294
EUR	-32 677
USD	2 186
TOTAL	**28 198**

The bank has adopted limits for the maximum exposure amount to this risk type and allocate internal capital for Interest rate risk in the banking book within the ICAAP.

15. Securitisation

There has been no securitization of the Bank’s assets.

16. Internal Ratings Based Approach

The Bank utilizes an internal rating model for corporate obligors developed by the Risk Modelling Unit of Risk Management Division and approved by NBG Group. The model is applied for assessing the creditworthiness of borrowers and for the purpose of ICAAP. It has been in production since Y2009 and in Y2012 it was revised and is in process of implementation.

Currently the Bank has not applied for permission to use the corporate rating model for calculation of the capital requirements as per Regulation (EU) No 575/2013. In accordance to Basel III the banks are allowed to use their internal models for capital requirements calculation after approval by the regulatory authorities.

17. Techniques for Credit Risk Mitigation

The Bank expects repayment of its loan claims primarily from the operational cash flows of the obligors. The collateral is considered as a secondary source for repayment of credit exposures in case the Bank initiate legal actions against the Obligors.

As a matter of principle, the Bank accepts only 1st rank mortgages or pledges. Inferior rank liens can be accepted on an exceptional basis. The first exception is when all superior ones have been registered in favour of the Bank. The second exception is when any superior lien in favor of a third party has been verified as not corresponding to any outstanding claim or such claim, even if existing, will be cancelled or become void soon (max two months) after the registration of the one in favour of the Bank.

The collaterals must fulfil the following conditions in order to be accepted by the Bank:
1. Legal substance – existence of the proper legal and other documentation, proving the ownership right and the fulfilment of the special requirements of the law;
2. Clear identification – the collateral, as supported by its documentation, to be clearly identifiable;
3. Exclusivity of collateral rights – the Bank to be the undisputable holder/bearer of the specific collateral rights;
4. Sufficiency – Sufficient in terms of amounts, ideally exceeding the respective credit exposure in order to cover possible reduction in their realization price, the expenses and time needed for their realization;
5. Liquidity – the collaterals must be possible to be liquidated within a reasonable time in the current market conditions.

The Bank accepts all collaterals that can be used as an alternative source for the repayment of the Bank's lending claims. However, the Bank has a higher appetite for and accepts that only some of them have the qualitative characteristics (secondary market, short liquidation horizon, easily assessed market price, legal processes allowing to the creditor to possess and liquidate them, slow amortization, etc.) permitting to the Bank to assume and calculate a securing value for them. These are:
1. Pledge of deposits ("born receivables under deposit" as per the legal term) with UBB and other banks;
2. Transfer agreement of born receivables (special deposits kept in the Bank's name provided as collateral by the collateral provider) under the Law on Financial Collateral Arrangements;
3. Pledge of receivables under direct, unconditional, irrevocable and full guarantee, issued by first-class local or foreign financial institutions, government and municipalities;
4. Pledge of Multinational bank bonds /investment grade only;
5. Pledge of local government bonds and other local governmental debt titles;
6. Pledge of municipalities bonds;
7. Mortgage on real estate properties and real estate related rights with a recognized market value;
8. Pledge of movable tangible assets – machines, vehicles, equipment, aircrafts, etc.;
9. Pledge of living stock that is fully insured against all risks, the insurance policy is assigned in favour to the Bank and the Bank is referred as loss payee;
10. Marine mortgage;
11. Pledge of non-sensitive goods based on public licensed warehouses titles;

12. Pledge of shares of companies /investment grade only/ and in SE /stock exchange;
13. Pledge of corporate bonds /investment grade only/ and in stock exchanges;
14. Pledge of shipping documents /only sea and railway transport;
15. Pledge of born trade receivables under a contract, by counterparties/payers;
16. Pledge of subsidies and grants by governmental or EU entities, provided that the Bank is in a position to check and has verified in advance that all preconditions set by same entities for the disbursement of the subsidy or grant have been fully met.

The Bank, as a matter of principle, encourages the undertaking of fully collateralized credit risks. A credit risk is considered as fully collateralized when the securing value of the collaterals is at least equal to the corresponding risk. Securing value is defined as the outcome of the multiplication of the market value of a collateral with the corresponding to every collateral co-efficient. The securing value calculated in this way cannot however exceed the liquidation value and the legal right of the Bank over the asset.

Total credit exposures, net of provisions and risk mitigates, and adjusting off-balance sheet positions by risk conversion factors, was as follows at December 31, 2014:

BGN Thousand December 31, 2014

Exposure classes	Balance sheet items	Off-balance sheet items
Central Governments and Central Banks	514 141	3.5
Regional Governments or Local Authorities	16 301	-
Institutions	923 436	866
Corporates	950 510	116 862
Retail	1 017 029	172 719
Exposures Secured by Real Estate Property	1 238 081	26 506
Past-due Items	818 081	2 345
Equity	45 438	-
Other Items	399 985	14 897
TOTAL:	**5 923 002**	**334 198**

18. Leverage

The Bank calculates its leverage ratio in accordance with Art. 429 of Regulation (EU) 575/2013 (CRR) together with the derogation listed under Art. 499 (1). For these purposes the capital measure is calculated and reported both as Tier I capital (fully phased-in definition as per Art. 25 of the CRR) as well as Tier I capital, subject to applicable derogations (transitional definition as defined in Chapter I, II of Part Ten of the CRR). The Bank does not apply the derogations under Art. 499(2) and (3).

During the last year, the Bank has sustained a relatively constant ratio with a yearly average of 14.94 % under the fully phased-in definition and 14.92 % under the transitional definition, against a preliminary EBA target level of 3.0%.

The fluctuations between reporting periods are mainly due to the more dynamic nature of the Trading Book portfolio of the Bank which affected the denominator of the leverage ratio.

BGN Thousand December 31, 2014

LR Sum: Summary reconciliation of accounting assets and leverage ratio exposures	Fully phased-in	Transitional
Total assets as per published financial statements	6 574 604	6 574 604
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0	0
Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure according to Article 429(11) of Regulation (EU) NO. 575/2013	0	0
Adjustments for derivative financial instruments	4 639	4 639
Adjustments for securities financing transactions	465	465
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	727 001	727 001
Other adjustments*	-25 002	-26 896
Leverage ratio exposure	**7 281 707**	**7 279 813**

*Tier I Corrections; Intangible Assets; Other Reconciliation

LR Com: Leverage ratio common disclosure
BGN Thousand December 31, 2014

	On-balance sheet exposures (excluding derivatives and SFTs)	Fully phased-in	Transitional
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	6 567 585	6 567 585
2	Asset amounts deducted in determining Tier I capital	-19 872	-21 766
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	6 547 713	6 545 819
	Derivative exposures		
4	Replacement cost associated with derivatives transactions	1 886	1 886
5	Add-on amounts for PFE associated with derivatives transactions	4 642	4 642
EU-5a	Exposure determined under Original Exposure Method	0	0
6	empty set in the EU		
7	empty set in the EU		
8	empty set in the EU		
9	empty set in the EU		
10	empty set in the EU		
11	**Total derivative exposures (sum of lines 4 to 5a)**	6 528	6 528
	Securities financing transaction exposures		
12	empty set in the EU		
EU-12a	SFT exposure according to Article 220 of Regulation (EU) NO. 575/2013	0	0
EU-12b	SFT exposure according to Article 222 of Regulation (EU) NO. 575/2013	465	465
13	empty set in the EU		
14	empty set in the EU		
15	empty set in the EU		
16	**Total securities financing transaction exposures**	465	465
	Off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	780 579	780 579

18	Adjustments for conversion to credit equivalent amounts	-53 578	-53 578
19	**Total off-balance sheet exposures (sum of lines 17 to 18)**	727 001	727 001
	Capital and Total Exposures		
20	Tier I capital	1 074 417	1 072 523
EU-21a	Exposures of financial sector entities according to Article 429(4) 2nd subparagraph of Regulation (EU) NO. 575/2013	0	0
21	**Total Exposures (sum of lines 3, 11, 16, 19 and 21a)**	7 281 707	7 279 813
	Leverage Ratios		
22	**End of quarter leverage ratio**	14.76%	14.73% %
EU-22a	**Leverage ratio (avg of the monthly leverage ratios over the quarter)**	14.94%	14.92%
	Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased-in	Transitional
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO. 575/2013	0	0

BGN Thousand December 31, 2014

	LR Spl: Split-up of on balance sheet exposures (excluding derivatives and SFTs)	**CRR leverage ratio exposures**
EU-1	Total on-balance sheet exposures (excluding derivatives and SFTs), of which:	6 520 776
EU-2	Trading book exposures	597 774
EU-3	Banking book exposures, of which:	5 923 002
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	514 141
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	16 301
EU-7	Institutions	923 436
EU-8	Secured by mortgages of immovable properties	1 238 081
EU-9	Retail exposures	1 078 410
EU-10	Corporate	972 917
EU-11	Exposures in default	819 128
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	360 588

19. Staff Remuneration Policy and Practices

The remuneration policy encompasses the staff categories under Art.2 of BNB's Ordinance №4, whose remuneration is related to responsibilities and functions that can affect the Bank’s risk profile. It defines the objectives, principles and requirements for determining the remuneration of such personnel and is designed in accordance with the applicable national and European regulators and the remuneration policy of NBG Group.

The policy covers all forms of remuneration /fixed and variable/ as salary and other financial and material incentives, benefits, including benefits related to retirement.

The following staff categories refer to the positions within the range of Art. 2 of Ordinance №4 of BNB:

1. Senior Management;

2. Risk-takers – includes employees who can affect the Bank's risk profile and can make decisions on risk undertaking;
3. Employees, engaged in control functions – includes employees who are in charge of and are responsible for the Bank's controlling activities;
4. All employees whose remunerations are in the same remuneration bracket as staff referred to in Item 1 and 2 and whose activities have a significant material impact on the Bank's risk profile. There are no such employees in the Bank;
5. Other persons whose professional activities have significant impact on the risk profile of the Bank.

The UBB BoD determines the general principles of the Policy and is responsible for its implementation and periodical review.

The BoD establishes UBB Remuneration Committee and approves its composition, rights and responsibilities.

The Remuneration Committee is an independent body whose aim is to assist the BoD during the performance of their obligations of implementation and development of the policy.

The Remuneration Committee is comprised in such way so as to ensure the adoption of competent and independent decisions on the remuneration policies and practices, as well as on the established incentives for management of risk, capital and liquidity.

The Remuneration Committee consists of three non-executive BoD members.

In accordance with the functions and responsibilities, assigned to them in the Policy, the Specialized Internal Audit Department, Risk Management Division, Human Resources Management Department, Compliance Department, Financial Control Department and the CFO assist and monitor the correct implementation of the Policy.

The Policy is based on principles which ensure reliable and effective risk management and discourage undertaking of excessive risk; support to the long-term interests of the Group and the Bank; measures for avoiding conflict of interests; compliance with the set normative requirements for the variable remunerations; independence of the employees, executing control functions; harmonization of employees' individual interests with the business targets of the Bank.

The employees' remunerations are bound to performance and their total amount is based on a combination of the performance appraisal of the individual employee, that of the structural unit, where she/ he works, as well as of the overall results of the Bank, while financial and non-financial criteria shall be taken into consideration upon the individual performance appraisal. The performance results shall be appraised in a multi-year framework, in order to ensure that the assessment process is based on long-term performance.

The Bank ensures a suitable proportion between the fixed and the variable components of the remunerations. A substantial portion, and in any event at least 50% of any variable remuneration shall comprise an aggregate of/ shall consist of an appropriate balance of:
a) shares (e.g. NBG shares or equivalent ownership interests, or share-linked instruments), other instruments, relating to shares, in case the bank is not a publicly-listed company – and equivalent non-cash instruments;

b) other instruments that reflect in an appropriate manner the credit quality of the Bank as a going concern.

Upon payment of variable remuneration a proper performance evaluation shall be ensured within a multi-year period and evaluation of long term results shall be guaranteed within a period in which the main cycle of economic activity and business risks can be considered.

In the event that variable remuneration is provided, payment of at least 40% of such remuneration shall be deferred for at least 3 to 5 years, so as to align such remuneration with the nature and the risks involved in the Bank's activities, as well as the activities of the employee concerned.

With regard to the Executive directors and senior management with remunerations in the same bracket, the ratio shall be at least 60%.

Summary information on the remunerations in the Bank in 2014, detailed per activity type:

Type of activity	Remunerations - %
Investment banking	2.8
Credit activity	22.5
Asset management	0.0
Corporate functions	8.4
Independent control functions	6.1
Other	60.2
Total	100,0

Summary information on the remunerations to the persons under Art.2 of Ordinance №4

a) Amount of the annual remunerations per staff categories and type /fixed and variable:

In percentage:

Staff category	Number of payees	Remunerations- % of the total paid remunerations in the Bank	Of these fixed- %
1. Persons under Art.2, Item 1 of Ordinance 4 of the BNB	9	3,1	100,0
2. Persons under Art.2, Item 2 of Ordinance 4 of the BNB*/	23	3,9	100,0

*/ Excl. the persons falling into this category that are specified in Item 1

b) In 2014 variable remunerations/ bonuses in cash for the persons under Art.2 of Ordinance №4 have not been determined in the Bank.

c) Amount of payments upon recruitment and termination of agreements during the reporting year – No.

Upon request, the Bank may provide the disclosed information on hard copy or other data storage device for further review.