DISCLOSURES 2012

Pursuant to Art. 335-339 of Ordinance № 8 of the BNB on the capital adequacy of credit institutions

UNITED BULGARIAN BANK
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UNITED BULGARIAN BANK AD is registered in the Republic of Bulgaria, with head office – the city of Sofia, 5 Sveta Sofia Str.

Main shareholder of UBB AD is National Bank of Greece, 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 non-consolidated basis with data as of December 31, 2012. UBB do not provide disclosure report on consolidated basis because the assets of the subsidiaries are below 1% of UBB total assets and the subsidiaries do not have significant impact over the bank's risk profile (in compliance with BNB Ordinance №12 – art.8.(1), p.2.).

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 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 risk/reward ratio. The RMC approves the related policies and establishes the internal limits system for management of different types of risks. The Board of Directors of UBB also 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. To ensure that the overall risk and reward relation remains within acceptable levels.

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 before 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 to the Head of NBG Group Risk Management.

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

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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.

Risk Management Division monitors the levels of the undertaken by the Bank credit, market, liquidity and operational risks separately and jointly through its employees in Corporate Credit Risk and Classification Department, Market Risk and Capital Planning Department, Retail Banking Risk Management Department, Risk Modelling Unit and Operational Risk Unit.

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 the capital adequacy, have been developed and reconciled with NBG Group.

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 being regularly reviewed and updated from the involved units/bodies.

There is an ongoing and effective monitoring of the risks undertaken by the Bank, of which the Risk Management Division informs the Executive management through regular and ad hoc reports to the RMC, ALCO.

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 and
- Rules and Procedures on Banks 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.

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The overall and effective risk management is also facilitated by the standing internal rules, procedures, methodologies and instructions, such as: Procedure for Development and Launching of New Products; Rules for Investments in Securities and Portfolio Assessment; Financial assets impairment provision and write-off policy; Internal Rules on Disclosure and Prevention of Conflicts of Interest, etc.

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 the definitions of the Bulgarian National Bank. The table below provides detailed information on the capital position of United Bulgarian Bank.

BGN Thousand

Registered and paid-in capital	**75 964**
Reserves	**1 024 092**
Income for the current year (Audited)	**(40 695)**
Tier I Capital Deductions	
Intangible assets	**(7 472)**
Investments in subsidiaries and associated companies	**(13 487)**
Specific provisions for credit risk	**(429 909)**
TIER I CAPITAL	**608 493**
Reserves from revaluation of real estates	**0**
Subordinated debt	**203 406**
Tier II Capital Deductions	
Specific provisions for credit risk	**(203 406)**
TIER II CAPITAL	**0**
OWN FUNDS (CAPITAL BASE)	**608 493**

3.2. Capital Requirements

The Bank fully complies with the supervisory requirements of BNB, according to which Tier-one capital and of the Total capital adequacy ratios should be no less than 6% and 12% respectively.

UBB applies the standardized approach for its capital adequacy report under Ordinance №8 of the BNB for credit market and operational risk.

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The capital requirements by exposure classes as of December 31, 2012 are as follows:

BGN Thousand

FOR CREDIT RISK, COUNTERPARTY CREDIT RISK, DILUTION RISK AND SETTLEMENT RISK ENTAILED IN FREE DELIVERIES	**283 455**
Central governments and central banks	3 134
Regional governments or local authorities	674
Institutions	3 625
Corporates	140 074
Retail exposures	63 651
Exposures secured by real estate property	28 120
Past due items	30 237
Other items	13 939
FOR POSITIONAL, FX AND COMMODITY RISKS	**7 914**
Debt instruments	7 913
Capital instruments	0
FX position	0
FOR OPERATIONAL RISK	**58 014**
OTHER CAPITAL REQUIREMENTS according to Art.7of Ordinance № 8 of the BNB	**174 691**
GENERAL CAPITAL REQUIREMENTS	**524 073**
Surplus (+) / Deficit (-) of own funds	**84 420**
Total Capital Adequacy Ratio (%)	**13.93%**
Tier-one Capital Adequacy Ratio (%)	**13.93%**

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

Credit risk	81.13%
Market risk	2.27%
Operational risk	16.60%

3.3. Internal Capital Adequacy Assessment Process (ICAAP)

As part of the established ICAAP Framework and following the NBG Group's 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).

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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.

4. Exposure to Counterparty Credit Risk

The counterparty credit risk originates upon 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 its official rating or the derived internal rating. Based on it and 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 risk weight in accordance with Ordinance №8. 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.238 of Ordinance №8.

Capital requirements for counterparty risk BGN Thousand

Exposure Class	Repos Deals	Derivatives	TOTAL:
Exposures to institutions	45	48	93
Exposures to companies	0	197	197
Retail exposures	0	0	0
TOTAL:	**45**	**245**	**290**

5. 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.

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. Dependent 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 positions). More specifically, the Bank monitors the concentrations of credit risk by industries and by groups of related parties. Regarding the latter, the Bank monitors the ratio of the groups' credit exposures to the Bank's capital, in accordance with the Credit Institutions Act and Ordinance №7 of the BNB.
The Bank classifies its receivables in accordance with the requirements of Ordinance №9 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.

All financial assets classified as "loans and advances", "financial assets held to maturity" and "financial assets available for sale" 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.

Loans impairment provisioning should be preformed if there is evidence that the bank will not be able to recover its claims.
Such objective evidence may be known to the Bank facts or events including:

(a) considerable financial difficulty of the issuer or the debtor;
(b) breach of the agreement, such as delay upon payment of due interest or principals;
(c) granting allowances to the borrower due to economic or legal grounds resulting from his/her/its difficulties;
(d) there is a possibility that the borrower will become bankrupt;
(e) the disappearance of an active market for the financial asset; or
(f) data showing that there is a measurable reduction in the projected future cashflows from a specific group of financial assets, including:

- unfavourable changes in the repayment status such as an increase in the number of delayed payments, or
- unfavourable changes in the economic conditions relevant to the assets in question.

The provisions for impairment of loans are 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 provisions are reported in other liabilities. The increase in the provisions is made through recognition of expenses for impairment and uncollectability in the income statement.

If there is an objective evidence for the impairment of loans the amount of the loss is measured as the difference between the balance sheet value of the loans and the present value of the projected future cashflows (less future losses from loans which are yet to originate) discounted with: a) the original effective interest rate on the loan, if the loan has a fixed interest rate; or b) the currently effective interest rate if the loan has a variable/floating 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 advances are being grouped based on similar credit risk characteristics.

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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. The loss-related historical experience is adjusted using current data and trends where appropriate.

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. The methodology for measuring the impairment of loans and advances 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 or such which will not be collected due to expense reasons is written off against the accumulated provisions for impairment. Subsequently recovered amounts under written-off loans are recognised as a reduction of the current expenses for impairment of loans, reported in the income statement.

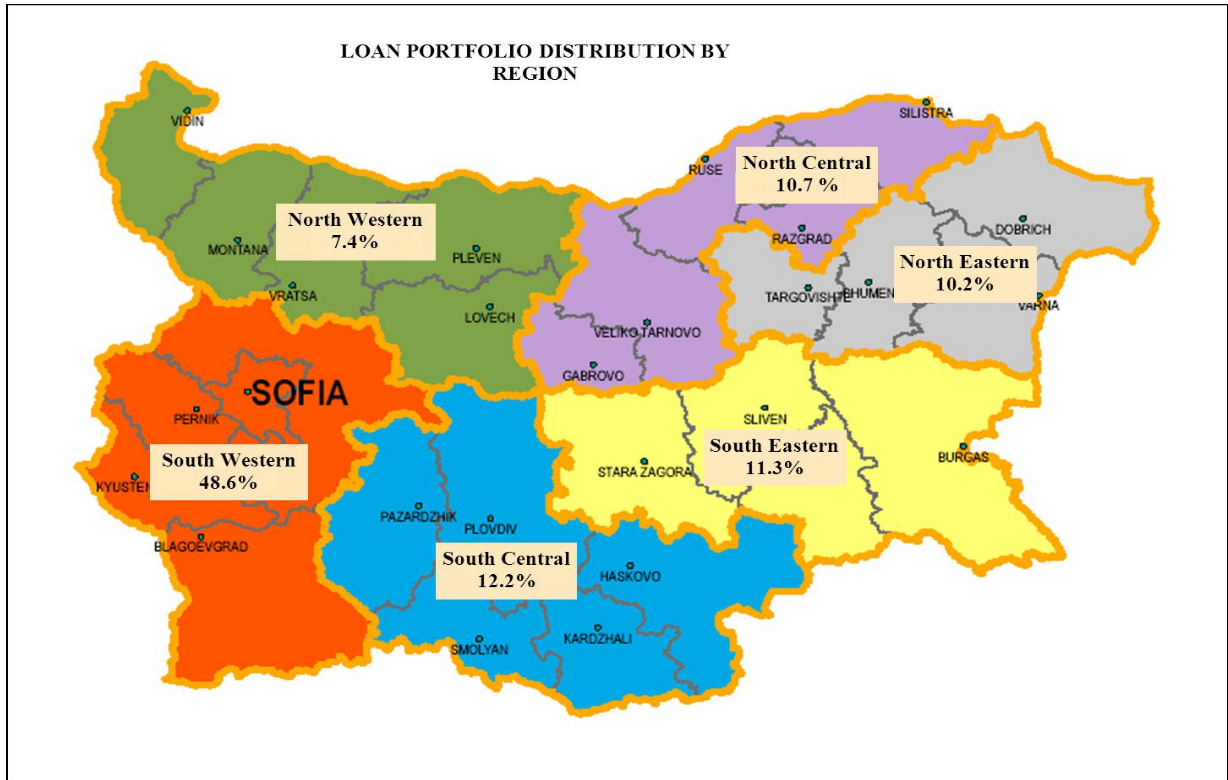
Provided that during a subsequent reporting period the impairment amount decreases and the latter is due to objective circumstances, which have originated after the period of performing the impairment, the impairment amount is adjusted by reducing the corrective account in which the provisions for impairment are being reported and by modifying accordingly the income statement in "net expenses for impairment and uncollectability" of loans and advances.

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

BGN Thousand

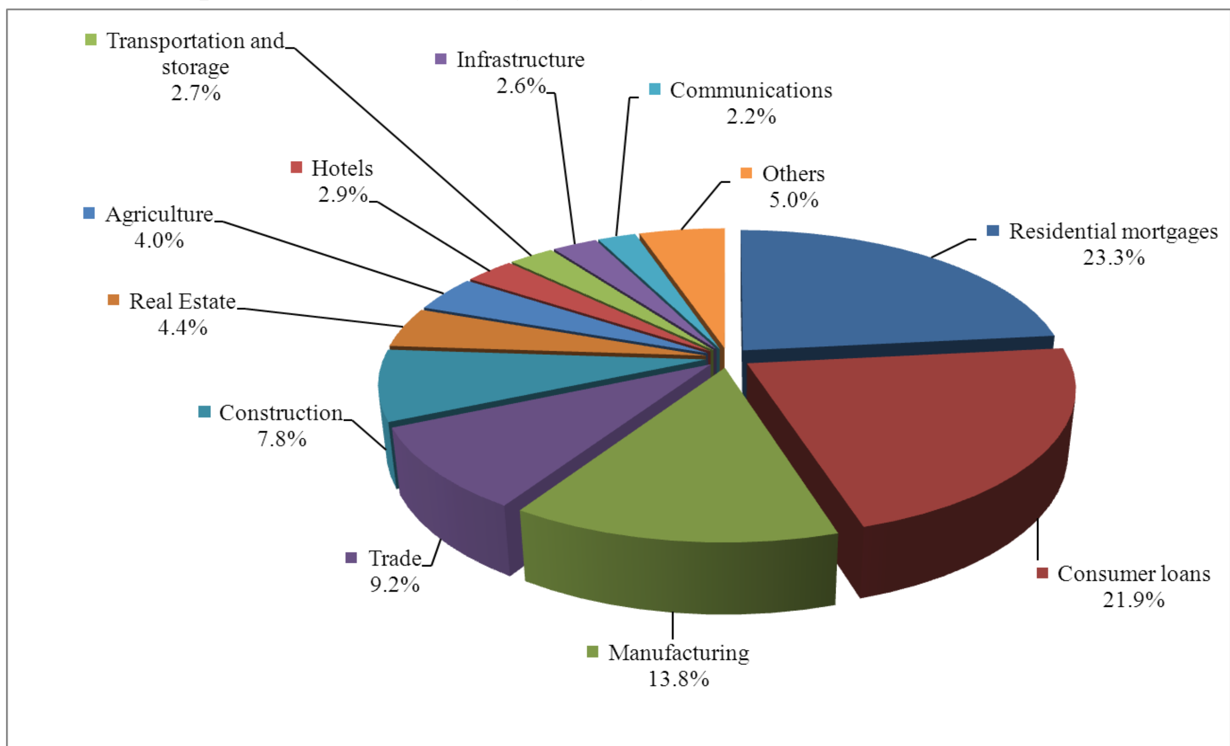
Exposure Class	Average value of the balance sheet exposures by counterparty	Balance sheet items before credit risk mitigation		Average value of the off balance sheet exposures	Off balance sheet items before credit risk mitigation
		Exposure net of impairment before provisions under Ordinance 9	Exposure net of impairment and provisions under Ordinance 9		Exposure after impairment before credit risk mitigation
Central Governments and Central Banks	143 998	719 988	719 988	18	18
Regional Governments or Local Authorities	4 554	22 769	22 769	30	30
Institutions	5 457	174 628	174 628	2 029	12 175
Corporates	342	1 692 621	1 651 268	82	296 333
Retail	4	935 832	933 452	2	274 280
Exposures Secured by Real Estate Property	50	918 264	917 578	56	5 268
Past-due Items	32	1 009 382	420 486	-	0
Other Items	21 503	322 551	322 551	-	0
Total	**-**	**5 796 036**	**5 162 721**	**-**	**588 104**

5.2. Loan portfolio distribution by regions



The loan portfolio's regional distribution is highly correlated to that of the country's GDP.

5.3. Loan portfolio distribution by industry



5.4. Exposure distribution by residual maturity

BGN Thousand

Exposure Class	Remaining maturity			Total
	up to 1 year	from 1 to 5 years	over 5 years (and without fixed maturity)	
Central Governments and Central Banks	592 590	113 096	14 301	719 988
Regional Governments or Local Authorities	78	9 786	12 908	22 771
Institutions	174 628	-	-	174 628
Corporates	943 545	507 371	248 824	1 699 740
Retail	147 448	430 219	365 286	942 954
Exposures Secured by Real Estate Property	16 900	64 762	844 904	926 565
Past-due Items	443 467	1 084 165	180 066	1 707 698
Other Items	205 790	-	116 761	322 551
Total	**2 524 369**	**2 209 399**	**1 768 748**	**6 516 895**

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

In accordance with Ordinance №8 of 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. If credit assessments are available from two ECAIs and they correspond to different risk weights, the Bank applies the more conservative one.

Ratings of nominated ECAI are used mainly for exposures to central governments and central banks and institutions. The largest share as of December 31, 2012 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

Exposure Class	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%	17 238	17 238
	2	up to 3 months	20%	100 880	100 880
	3	up to 3 months	20%	36 861	36 861
	4	up to 3 months	50%	12 138	12 138
	5	up to 3 months	50%	447	447
	6	up to 3 months	150%	532	532
	non-rated	up to 3 months	20%	6 397	6 397
	non-rated	up to 3 months	50%	137	137
Total				**174 628**	**174 628**

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7. 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.276 of Ordinance №8 of the BNB. The Bank applies a maturity-based approach to calculating the general position risk in accordance with Art. 278 of Ordinance №8, 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, 2012 the Bank has allocated BGN 6.7 million in capital for general position risk and BGN 1.2 million in capital for specific risk. The distribution by risk weight and currency is as follows:

Capital requirements for position risk by currency BGN Thousand

	General position risk	Specific risk	TOTAL:
BGN	3 964	0	3 964
EUR	2 549	565	3 114
USD	153	640	793
TOTAL:	**6 666**	**1 205**	**7 871**

Capital requirements for position risks according to risk weights BGN Thousand

	BGN		EUR		USD		Risk weight	Capital requirement
	Long	Short	Long	Short	Long	Short		
General position risk. Maturity based approach								
0 ≤ 1 month	434	48 871	168 125	58 675	150 845	59 834	0.00%	0
> 1 ≤ 3 months	83	0	16 504	0	0	54	0.20%	33
> 3 ≤ 6 months	0	0	8 250	0	24 537	0	0.40%	131
> 6 ≤ 12 months	0	0	8 262	0	0	0	0.70%	58
> 1 ≤ 2 (1.9 for coupon of less than 3%) years	28 647	0	37	0	0	0	1.25%	359
> 2 ≤ 3 (>1.9≤ 2.8 for coupon of less than 3%) years	10 306	0	0	0	0	0	1.75%	180
> 3 ≤ 4 (>2.8≤ 3.6 for coupon of less than 3%) years	7 803	0	19 164	0	0	0	2.25%	607
> 4 ≤ 5 (> 3.6 ≤ 4.3 for coupon of less than 3%) years	31 923	0	0	0	0	0	2.75%	878
> 5 ≤ 7 (>4.3 ≤ 5.7 for coupon of less than 3%) years	26 902	0	30 533	0	0	0	3.25%	1 867
> 7 ≤ 10 (>5.7 ≤ 7.3 for coupon of less than 3%) years	39 941	0	0	0	1 463	0	3.75%	1 553
> 10 ≤ 15 (>7.3 ≤ 9.3 for coupon of less than 3%) years	0	0	22 245	0	0	0	4.50%	1 001
Total	**146 042**	**48 871**	**273 121**	**58 675**	**176 845**	**59 888**		**6 666**
Specific position risk								
Debt instr. I category, table 1 App. IX (0% cap. requir.)	***145 553***		***78 307***		***0***		***0.00%***	***0***
Debt instr. II category, table 1 App. IX			***112 635***		***115 653***		***0.00%***	***1 049***
With remaining maturity ≤ 6 months			95 731		89 652		0.25%	463
With remaining maturity > 6 months and ≤ 24 months			16 904		0		1.00%	169
With remaining maturity > 24 months			0		26 001		1.60%	416
Debt instr. III category, table 1 App. IX (8% cap. requir.)			***1 964***				***8.00%***	***157***
Debt instr. IV category, table 1 App. IX (12% cap. requir.)							***12.00%***	***0***
Total	**145 553**		**192 906**		**115 653**	**0**		**1 206**

The specific risk for capital instruments is calculated by multiplying the total gross position by 4% in accordance with Art. 281 of Ordinance №8, whereas the general risk, respectively, by multiplying the total gross position by 8% pursuant to Art.282 of Ordinance №8. The Bank does not allocate capital for specific risk from capital instruments due to the insignificant volume of such instruments in the bank's trading book.

8. 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 12 of Ordinance №8, 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.

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Capital requirements for foreign exchange risks BGN Thousand

	All positions		Net positions	Capital requirements*
	Long	Short		
Total positions in currencies, other than BGN and EUR	**627 352**	**625 848**	**1 504**	-
Currencies in second stage of EMU	396	372	24	
All other currencies (including CIUs treated as different currencies)	626 956	625 476	1 480	
Currency positions				
EUR**	3 073 973	2 122 891	951 082	
DKK	396	372	24	
GBP	53 610	53 427	183	
SEK	544	528	16	
CHF	41 504	41 461	43	
USD	393 620	392 376	1 244	
CAD	702	704	-2	
AUD	274	260	14	
JPY	79 058	79 054	4	
Other currencies (non EU currencies)***	57 644	57 666	-22	

* when Net positions exceed 2% of Total Own Funds
** EUR positions are not included in Net Positions
*** NOK, TRY и NZD

The Bank has no commodity and settlement risk exposures.

9. Internal Models for Market Risk

As per December 31, 2012 UBB does not apply any internal models approach for the calculation of capital requirements for market risk.

UBB uses a 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 value at risk (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, 2012 and during the year:

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BGN Thousand

Diversified VaR	VaR Limit	28.12.2012	2012		
			min	max	average
Equity	300	109	105	208	289
FX	300	1	0	29	239
Interest Rate	4 000	614	522	2 314	902
Total	4 000	627	566	2 348	1 181

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 – value at risk (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.

10. Exposures to 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 58 million as of December 31, 2012.

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.

Operational events register of the Bank is active since 2007. The bank utilizes 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 implementation of specialized software for operational risk management has been finalized. Together with this, transition to advanced approach for operational risk management is under preparation, the latter being applied by the mother-company and some of the larger subsidiaries of the Group.
By implying such a complex and detailed approach, it is expected that operational events and resulting losses, shall be reduced significantly.

11. 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 associated enterprises are reported at acquisition cost.

The Bank's equity participations were as follows as of December 31, 2012:

BGN Thousand

Capital instruments in the banking book	Balance sheet value
Units in mutual funds	4 768
Shares	23 371
Shares in subsidiaries and associated companies	8 719
TOTAL:	**36 858**

The total amount of investment in shares is reported with 100% risk weight in the “Other items” exposure class. Investments in subsidiaries and associated enterprises, including the owned by the Bank units in three mutual funds (UBB Balanced Fund, UBB Platinum Bonds and UBB Premium Equity Fund) are stated as reduction to the own funds as of December 31, 2012, in accordance with the requirements of Art.6, Para 1 of Ordinance №8.

12. Interest Rate Risk in the Banking Book

Interest rate risk relates to the eventual unfavourable 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 and as 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, 2012.

BGN Thousand

BGN	9 107
EUR	5 004
USD	-2 396
TOTAL	**11 716**

13. Securitization

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

14. 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 models are applied for assessing the creditworthiness of borrowers and for the purpose of ICAAP.

The Bank is working towards being able to apply the internal ratings based approach for capital requirements purposes in accordance with Ordinance №8 of BNB.

15. 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.

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. And 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, 2012:

BGN Thousand

Exposure Class	Balance sheet items	Off balance sheet items
Central Governments and Central Banks	719 988	9
Regional Governments or Local Authorities	22 769	15
Institutions	174 628	5 407
Corporate	1 629 955	118 499
Retail	927 239	133 616
Exposures Secured by Real Estate Property	917 578	2 217
Past-due Items	420 061	-
Other Items	350 501	12 518
Total	**5 162 721**	**272 1**

16. Staff Remuneration Policy and Practices, pursuant to Ordinance №4 of BNB

The remuneration policy establishes the principles and the requirements upon determination of remunerations in the Bank in compliance with the applicable national and European regulations in this field.

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.

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

1. Senior management – includes all positions in the list of the Bank's administrators.

2. Risk-takers – includes employees who can affect the Bank's risk profile and can make decisions on risk undertaking – members of Credit Committee, ALCO, Risk Management Committee, etc.

3. Employees, engaged in control functions – includes employees who are in charge of and are responsible for the Bank's controlling activities and work in Specialized Internal Audit Division (SIAD), Compliance Department, Risk Management Division and Financial Control Department.

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.

The UBB Board of Directors determines the general principles of the Policy and is responsible for its implementation and periodical review, and for this purpose:

1. Approves the Bank's Policy, consistent with the business needs and with the entire system of values and initiatives for the development of the human resources at the Bank.
2. Discusses and adopts decisions on the following:
    - The periodical review and updating of the Policy;
    - The variable remunerations in the Bank, as it ensures that their total amount does not limit the maintenance and improvement of the capital base;
    - The total amount of the bonuses to be granted to the Bank's employees for the respective year upon a proposal of the Remunerations Committee.

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- Determining the level of remunerations and the bonuses to the Executive Directors.
- Refund of paid bonuses;
- Other issues, related to the implementation of the Policy, the excessive risk-taking and measures for avoiding conflicts of interest.

3. Establishes a Remuneration Committee in UBB and approves its members, authorities and responsibilities.

The Remuneration Committee is an independent body whose aim is to assist the Board of Directors during the performance of their obligations regarding the following:

- Implementation and development of the Policy, which aims to ensure the Bank's competitiveness on the labour market in the attracting, motivating and retaining of managers and employees with the highest degree of professionalism and ethics.
- Development of a culture for fair assessment of the efforts and rewarding of the performance, based on long-term results and upon taking into consideration the residual risks;
- Development and maintenance of a clear and consistent system of values and incentives for the development of human resources in compliance with the policy of NBG Group.

The Remuneration Committee is comprised in such way so as to ensure a possibility to make competent and independent decisions on the remuneration policies and practices, as well as on the thus established incentives for management of risk, capital and liquidity. The Remuneration Committee consists of three non-executive BoD members.

The Policy is based on principles which ensure reliable and effective risk management and shall 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 the 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 depending on the staff categories, as the specific proportion is determined in the Internal Rules on Payroll Calculation.

The compensations related to early termination of an agreement, reflect the results achieved over time and are determined in such a manner that they do not encourage failure.

The measurement of the performance results used to calculate the variable remuneration components or groups of variable components includes an adjustment for all types of current and future risks and takes into account the cost for raising capital and the required liquidity.

The remunerations in the Bank may include the following components:

1. Fixed pay (salary – includes remuneration, determined in a labour contract or a management contract, which depends on the assessment for the held position and on the appraisal of the individual performance).
2. Variable pay – includes remunerations, depending on the achievement of the preliminary set specific objectives for the employees, the Bank/ the Group and is bound with the achieved results and the residual risks for the Bank.

The remuneration of the Executive Directors is determined by the Board of Directors.

The remunerations to the remaining employees in the Bank are determined by the Executive Directors

The variable remunerations in the Bank are bound to performance through a combination of the employee's performance appraisal that of the respective structural unit, where she/ he works, as well as of the overall performance of the Bank.

Bonuses, including their deferred portion, are paid depending on the following:

1. The financial performance of the Bank; and
2. The performance of the Bank, the structural unit and the contribution of the respective employee.

Upon occurrence of negative or unsatisfactory financial performance, the bonuses shall be restricted through decreasing their deferred amounts or refunding of such that have already been paid or acquired, if this does not contradict the effective laws. No bonuses are allocated and paid to the non-executive BoD members.

At least 50% of the variable remuneration to the staff pursuant to Art.2 of Ordinance №4 constitutes an aggregation of the following elements:

1. Shares, other share-related instruments;
2. Instruments within the meaning of Art. 3a of Ordinance №8 dated 2006 of the BNB, which reflect adequately the Bank's credit quality as a going concern.

The payment of at least 40% of the variable remuneration to the staff pursuant to Art.2 of BNB's Ordinance №4 is deferred over a period which minimum duration is three years depending on the economic, the nature of the Bank's activity and the risks arising thereof, as well as with the position held by the respective employee. This ratio is minimum 60% for the senior management.

Variable remuneration under deferral arrangements shall be paid on a pro-rata basis or through its gradual increase throughout the deferral period.

For 2012 the Bank does not envisage to pay bonuses and in view of that there are no criteria developed, based on which to determine the entitlement to acquire shares, options and variable remunerations.

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Summary information on the remunerations in the Bank in 2012, detailed per activity type.

Type of activity	Remunerations - %
Branch network	48,51
Operations	13,66
Retail banking	2,77
Corporate banking and Treasury	12,27
Risk management	6,51
General banking management	16,28
Total	100,00

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- %	Of these variable - %
1. Persons under Art.2, Item 1 of Ordinance 4 of the BNB	12	4.39	100	0
2. Persons under Art.2, Item 2 of Ordinance 4 of the BNB*/	223	3.74	100	0

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

b) No variable remunerations were determined in the bank in 2012 for the persons under Art.2 of Ordinance №4 and in view of that they have not received and they are not going to receive such funds, shares, share-related instruments, etc.

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.