UNITED BULGARIAN BANK

A Member of NBG Group

UNITED BULGARIAN BANK AD

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

December 31, 2012

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

ANNUAL SEPARATE REPORT
ON THE ACTIVITIES FOR 2012

ANNUAL REPORT ON UBB'S ACTIVITIES AS OF DECEMBER 31, 2012
(In accordance with Article 33 Law of Accountancy)

I. REVIEW OF 2012 ACTIVITIES

1.1. FINANCIAL PERFORMANCE

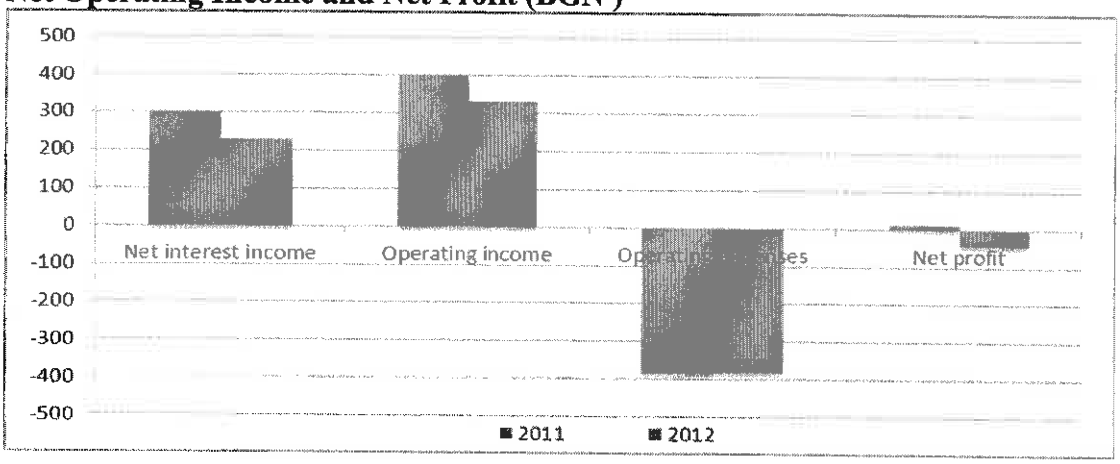
2012 was the fourth consecutive year in which the main challenges for Bulgarian banking sector, including for the United Bulgarian Bank continued to be a difficult economic environment, the growing burden of non-performing loans, weak economic activity, lack of opportunities and conditions for bank growth. At the end of 2012 the share of non-performing and restructured loans for Bulgarian banking system reached 17.8%, including 17.9% for corporate loans and 17.7% for the retail loans. This resulted in high loans impairment costs and significant decrease of the commercial banks profitability.

In addition to the unfavourable for the credit activity external environment, UBB as the largest institution representing the ownership of the Greek banking community in Bulgaria, had to compensate as much as possible the negative impact of the economic crisis in Greece, through the establishment of additional capital and increased liquidity buffers. Considering the overall negative effect of those factors, the Board of Directors focused on two major priorities for the Bank's activities in 2012:

1. Effective and focused work on problematic loans accompanied by most conservative provisioning policy, and
2. Accumulation of additional liquidity from the local market trough escalating of the Bank's deposit base.

In fact, the successful implementation of those objectives had been at significant price - a decline in the loan portfolio, a certain loss of market share and deterioration of the financial results. According to preliminary data UBB reported a loss before tax at the amount of BGN 45.7 on a basis for 2012, mainly due to lower interest income and the significant amount of allocated provisions for impairment of problem loans. In 2013 UBB will continue its efforts towards improving the quality of the loan portfolio, optimizing costs, maintaining optimum liquidity and a strong capital position. Furthermore, UBB will be more active in the credit market in order to gradually recover its leading position in the Bulgarian banking sector.

Net Operating Income and Net Profit (BGN)



Net interest income

In 2012 UBB reported net interest income of BGN 227.1 mln (BGN 300.3 mln. for 2011), thus registering decline of 24.4% y/y due to the continuing negative effect from the global financial and economic crisis on the Bulgarian economy.

[illegible]	[illegible]	[illegible]	[illegible]
Interest income	490,597	417,513	(14.9)
Interest expense	(190,308)	(190,365)	(0.03)
[illegible]	[illegible]	[illegible]	[illegible]

The interest income from loans to individuals decreased by 11.4% y/y and reached BGN 218.8 mln. The interest income from loans to companies amounted to BGN 179.2 mln. and decreased by 22.3% y/y. The interest income from financial institutions accelerated near 2 times (198.2%) y/y. Thus, the total interest income from loans declined by 16.2% y/y. The interest income from money market placements grew 43.8% y/y and reached and BGN 1,428 mln at the end of 2012. Interest income from financial assets at fair value trough profit or loss reached BGN 7.0 mln. and increased by 59.1% y/y. For one year period interest income from financial assets available for sale increased by 25.9% y/y and amounted BGN 8.0 mln.

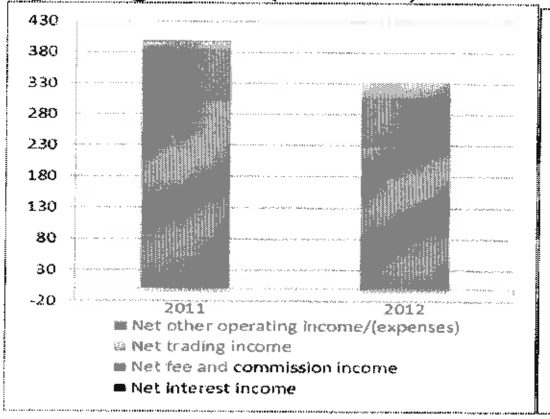
The interest expense declined by 0.03% y/y and at the end of 2012 amounted to BGN 190.4 mln, due to the Group's policy focused on the improvement of the loan portfolios' quality as well as the deposits' base development and the related promotions for the clients. The interest expense on the attracted from other banks resources amounted to BGN 1.8 mln versus BGN 13.2 mln in 2011, representing 0.9% of the total amount of the interest expense and declined by 86.6% y/y. The interest expense on deposits from customers amounted to BGN 176,4 mln as compared to BGN 164.9 mln for the previous year, representing 92.6% of the total interest expense and growing by 6.9% y/y. Interest expenses on credit lines totaled at BGN 8.7 mln and presented 4.6% of total interest expense. The subordinated debt costs amounted to BGN 3.5 mln. and decreased by 30.8% y/y. The relative share of the subordinated debt costs in the total amount of expenses is 1.8%.

Non-interest income

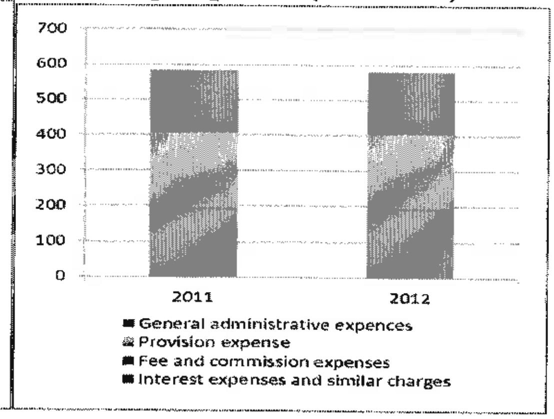
The net fees and commissions income amounted to BGN 78 mln. compared to BGN 82.6 mln. at the end of 2011 and decreased by 5.7% y/y. In structural aspect of decisive importance is the fee income from debit and credit cards, which represented 27.1% of the total income from fees and commissions, which registered a sharp decline of 12.7% y/y. The fees from bank transfers and cash transactions accounted for 21.0% and their decline on annual base was 10.9%. The fees for servicing deposits increased their relative share to 28.4% but decreased by 6.3% y/y. The commissions income from retail and corporate loans grew up marginally by 0.6% due to the lower number of the new loans granted during 2012. The fees and commissions collected from letters of credit and guaranties represented 2.3% and reported 5.2% y/y decline, indicating for the documentary business deterioration.

Net trading income
The total value of the net trading income amounted to BGN 23.5 mln.. and accelerated by 108.2% y/y. The main contribution within this item belongs to profit from interest bearing instruments, which reached BGN 12.5 mln. and increased 7.31 times at the end of 2012. The net profit from currency exchange amounted to BGN 11 mln and increased by 14.6% y/y.

Operating Income (BGN Mio)



Operating Expenses (BGN Mio)



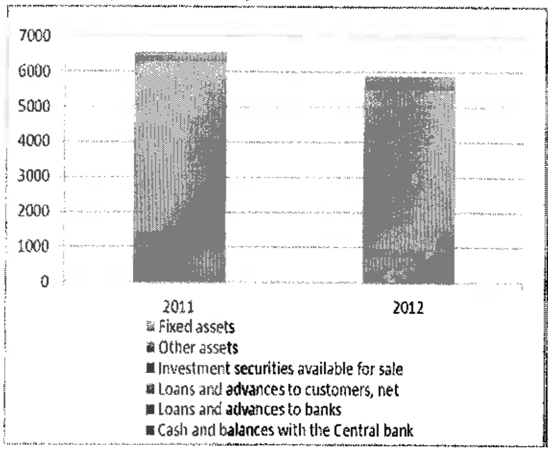
General administrative expense
During the year the UBB's general administrative expense declined by 1.3% y/y and amounted to BGN 172.4 mln. During 2012 the Bank continued exercising its program for optimizing the administrative costs. Thus for one year period the administrative expense declined as follows: by 13.7% for rents, by 10.8% for fees and remuneration to third parties, by 16.9% for tax duties, by 16.1% for subscriptions fees, by 21.4% for audit , legal and other fees. During the year the staff cost has reduced by 2.9% y/y.

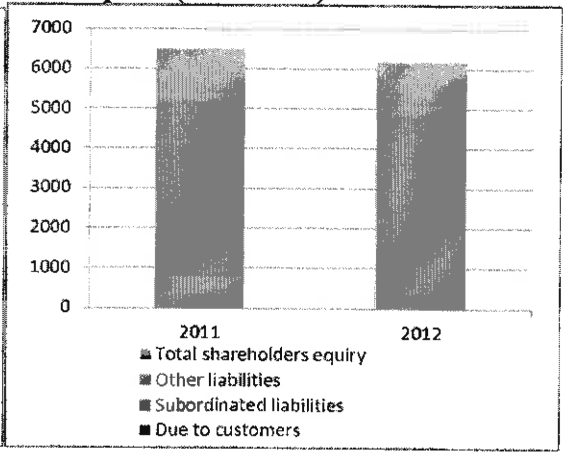
Net allowances for impairment and uncollectability
The unfavorable business environment in the country resulted in extremely high level of the provisions expense. At the end of 2012 the net allowance for impairment and uncollectability decreased by 0.6% y/y to BGN 207.2 mln. as compared to BGN 208.5 mln. as at the end of 2011.

ASSETS AND LIABILITIES

In 2012 the total assets declined by 5.2% y/y to BGN 6,348 mln. as compared to BGN 6,697 mln. in 2011. In structural aspect the main balance sheet positions of the Bank report the following dynamics:

Assets (BGN Mio) **Liabilities and Capital (BGN Mio)**





Cash and cash equivalents

At the end of 2012 the cash and balances with the Central bank amounted to BGN 739.2 mln., including minimum statutory reserves. The maintained required minimum statutory reserves with the BNB in percentage terms were at an optimum level during the year, as follows:

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Dec
Minimum Requered Reseve	872	891	494	519	589
Fulfillment (monthly average)	100%	100%	102%	101%	101%

Due from financial institutions

At the end of 2012 the net amounts due from financial institutions amounted to BGN 221.4 mln.. and decreased by 43% y/y due to the undertaken actions for achieving optimum liquidity.

Financial assets designated at fair value trough profit or loss

At the end of 2012 the trading securities amounted to BGN 470.8 mln were distributed as follows: Bulgarian government securities – 53.1% of the portfolio and other debt instruments – 46.9%.

Loans and advances to customers

Due to the conservative lending approach during 2012 the total value of the loans portfolio decreased sharply. New approvals for economic sectors with higher risk were restricted. The Bank focused on restructuring and collections on problematic exposures, increased cautiousness in lending activities and reduced exposures towards existing customers. Thus, at the end of 2012 the total amount of net loans and advances to customers was BGN 4,552 mln.. (BGN 4,860 mln. as of end 2011), which represented 71.7% of the total assets. Thus the decrease of the net loan portfolio was 6.3% y/y, due to continued wide-spread negative impact of the global crises on the Bulgarian companies, as well as on the households. For one year period the retail loans decreased by 5.8%. The corporate lending segment remained practically flat (0.1% y/y increase only). In 2012 the lending activity was realized in a difficult economic environment and the Bank continued to form provisions for loans, and their registered annual growth was 29.5% against 20.6% y/y in 2011. At the end of 2012 the classified loans with acceptable risk represented 95.48% from those, which are not overdue and are not individually impaired. The loans classified as "watch" represented 3.58%, sub-standard - 0.13%, non-performing - 0.82%. The loan portfolio was diversified across all industries with emphasis on retail banking, small and medium-sized businesses, as well as the dynamically developing sectors of the economy - industry, trade, construction, transportation and communication, etc.

Financial assets available for sale

At the end of 2012 the financial assets available for sale amounted to BGN 197.9 mln and registered a 71.6% y/y increase. In structural aspect they included: 72.75% government bonds, 13.03% corporate bonds, 2.75% corporate shares traded OTC, 9.06% shares in foreign companies and 2.41% shares in mutual funds.

ATTRACTED RESOURCES AND EQUITY

At the end of 2012 the amount of liabilities reached BGN 5,278 mln. compared to BGN 5,593 mln. at the end of 2011 registering a nominal decrease of 5.6% for a period of one year.

Deposits from banks

Funds deposited by banks decreased by 93.3% y/y. At the end of 2012 the deposits from banks amounted to BGN 52.4 mln against BGN 783.8 mln. at the end of 2011. For one year period their relative share of total liabilities decreased from 14% at the end of 20111 to 0.83% at the end of 2012 as a result of the UBB Group's policy towards gradual recovery itself of status of self financing institution.

Deposits from customers

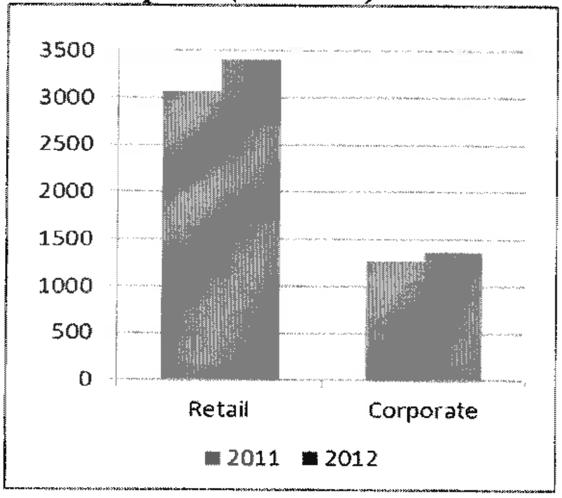
At the end of 2012 client deposits reached BGN 4,758 bn. compared to BGN 4,328 bn. at the end of 2011 and registered 9.9% y/y increase. During the year the deposits of individuals increased by 10.9% y/y due to offered promotions as well as to the attractive conditions of the individuals' segment. For the same period corporate deposits increased by 6.9% y/y. Deposits from government institutions and agencies accelerated by 53.2% y/y. Market conditions, influenced by the crisis in the economy have an impact on deposits of non-bank financial institutions, which declined by 7.4% y/y.

Deposits' Structure

Deposits from clients (BGN'000)	31.12.2011	31.12.2012	Change y/y %
Deposits of individuals	3,062,915	3,397,567	10.93
Deposits of non-bank institutions	187,404	173,546	-7.39
Corpoates deposits	1,001,762	1,070,835	6.89
Deposits from government institutions	75,598	115,856	53.25
TOTAL	*4,327,786*	*4,757,804*	*9.94*

The deposits of individuals continued to dominate in the structure of deposits, representing 71.4% of the deposits portfolio. The dynamics of corporate deposits followed the deterioration in the economic trends and their relative share in the deposits' structure declined to 22.5%. The relative share of deposits from non-bank financial institutions declined to 3.6% and the share of deposits from government institutions and agencies increased to 2.4%.

Clients Deposits (BGN mln)



As of December 31, 2012 UBB has key market positions by holding 10.2% of retail deposits and 7.6% of the corporate deposits on the local market.

Bank Borrowings

At the end of 2012 UBB reported BGN 188.1 mln credit lines from banks, which represented 3% of the borrowed funds.

UBB has signed two long-term credit facilities with the European Bank for Reconstruction and Development (EBRD) for the total amount of EUR 20 million - Energy Efficiency and Renewable Energy Facility (EUR 15 million) and Energy Efficiency Facility (EUR 5 million). All facilities are bound with EBRD Grant schemes for the Bank and its clients. As of December 31, 2012 these loans have a variable interest rate plus margin and their maturity is up to January 2014.

At the end of 2008 UBB signed an agreement with the Bulgarian Development Bank for ten-year loan amounting to BGN 30 million for lending to companies in the private and municipal sector and preexported lending. As of December 31, 2009 the loan has been utilized. The maturity is till December 2018. The obligation is secured with a pledge of receivables from ultimate borrowers, through funding provided under this Agreement, with a total principal amount of BGN 30 mln.

In 2009, UBB has signed a contract with the Bulgarian Development Bank for working capital financing to farmers for EUR 15 million. At December 31, 2009 the entire amount of the loan is utilized. The contract is with maturity till December 2018. The obligation is secured with a pledge of receivables from ultimate borrowers, through funding provided under this Agreement, with a total principal amount of BGN 15 mln.

In 2010, UBB has signed a contract with EBRD at the amount of EUR 150 mln for financing existing or new clients of UBB, including private enterprises, firms, sole proprietors, or other legal entities formed under the laws of the Republic of Bulgaria, as well as individuals registered or otherwise recognised as entrepreneurs in accordance with such laws. As of December 31, 2012 the amount of 75 mln on of the loan is utilized. Utilization deadline is up to two years from the date of the loan contract and maturity date till December, 2014.

Subordinated debt

At the end of 2012 the Bank recorded BGN 254.7 mln subordinated debt, which presented 4% of the borrowed funds on the balance sheet. In October and November 2007 UBB signed two subordinated debt agreements with National Bank of Greece totaling EUR 130 mln. Subordinated debt is used as a supplement to the capital reserves in accordance with the requirements of BNB on capital adequacy. Repayment of subordinated debt is not guaranteed by the Bank in any form. Original maturity of subordinated debt is 10 years. From 2013 begins annual repayment of subordinated debt in both agreements in equal installments in the amount of BGN 50,852 thousand.

Capital and capital adequacy

The capital, owned by UBB shareholders at the end of 2012 amounts to BGN 1,070 mln (2011: BGN 1,108 mln) and provides for maintaining capital adequacy over the Central Bank's regulations' requirements. The total capital adequacy, as well as Tier 1 capital adequacy as of December 31, 2012 amounts to 13.93%.

1.2. BUSINESS DEVELOPMENT

RETAIL BANKING

In 2012 UBB retained its strong and sustainable position in the banking segment for retail loans and deposits. In the retail deposits market with extremely challenging environment, the Bank had significant growth of BGN 336 mln, enhancing liquidity and reaching deposit base of BGN 3.397 bn compared to BGN 3.062 bn at the end of 2011. Despite the promotional lending activities by the major banks, the retail loans market continued to be characterized by overall decrease. UBB's year-end portfolios for mortgage and consumer loans were BGN 1.226 bn and BGN 1.129 bn, respectively. UBB retained its leading position as a bank issuer of international credit and debit cards under the logo of Master Card and VISA. In terms of absolute figures, at the end of 2012 the total portfolio of UBB's cards in circulation accounted for over 1,000,000 with 15 million transactions on an annual basis, while the total volume of transactions surpassed BGN 2,012 mln. Thus throughout the whole 2012, the number of POS transactions of our credit card business grew with 19% and with another 15% for our debit cards. In terms of cards servicing, UBB further expanded its POS network by 6% and ATMs network by 3% and as of the end of 2012 the Bank had over 10,600 POS terminals and 800 ATMs located in key merchants and locations all across the country.

In 2012 UBB's Retail banking was focused on the ongoing development of innovative products and promotional campaigns in all retail categories in an environment of increased competition. We measure our success by the ability of the Bank to anticipate, create and implement products and services that help our customers to achieve their objectives. The Bank launched new saving product „Available Funds" especially designed for customers who want to take advantage of high yield with the option of terminating the contract without losing significant part of the interest. Led by the segmented approach, the Bank introduced new package of accounts exclusively developed to serve the activities of bailiffs. Throughout 2012, UBB's Affluent service model had been further improved, resulting in new attracted customers and volumes. The assets under management from the Affluent Segment, increased with more than 20% on an annual basis. Special UBB Club web page was introduced as a part of the preferential service provided to the Affluent customers, as we recognize that efficient information sharing is one of the main prerequisites for productive partnership with the Affluent segment. In mortgage lending, the Bank introduced lower interest rates equal in BGN and in EUR for the most demanded products and special refinancing offer for external loans with an option for additional cash. In the consumer lending area, new "United loan" was launched targeting external refinancing of unsecured exposures at attractive interest rates levels. Throughout the year the activities of the Bank were supported by constant promotional activities for both existing and new customers with revolving products. In 2012 UBB continued to improve its credit cards business in terms of both security and convenience. UBB's cardholders already benefit from the online payments service 3D Secure by VISA and MasterCard, which assures secure online payments and fraud protection. A major success was the launch of the Multi Merchant Rewarding scheme "UWin" allowing all UBB credit cardholders to benefit from the bank's relationship with key merchants. During the year our customers profited from a range of cash back campaigns related to purchases in gas stations and utility payments. As a strategic goal UBB will strive for continuous improvement in its services and the implementation of new products offers meeting and even exceeding the expectations of our customers.

In 2012, the bank assurance business of UBB was one of the main sources of noninterest income of the bank with a constantly increasing share. "Over the Counter" retail sales of standalone insurance products as saving program "For our Future" and "Health", "Protector" and "Second home" insurances had a significant weight in the annual growth. The successful first year of sales of TPL insurance for motor vehicles opened new business opportunities bundled with Casco Insurance. Further to the above, the expansion in the business of borrowers' insurance is due to a successful upgrade with attractive additional coverage to the core insurance products.

PAYMENT PRODUCTS AND SERVICES

In 2012 the number of electronic banking users reached 154,000, which represent an increase over the previous year at the rate of 9%. In 2012 through this electronic channel are executed 57 % of all payments. Bill payment service maintains a stable growth rate and at the end of 2012 is actively used by 86,000 customers paying 156,000 bills. UBB's market share in money transfers in terms of realized payments through Western union in 2012 is 14%. In 2012 UBB Call Center continue to maintain the highest standard for customer service via alternative channels.

CORPORATE BANKING

In 2012 Corporate banking's main goal was to stabilize the quality and the size of the loan portfolios in an environment of increasing non-performing loans and limited liquidity of the real estate collaterals. Furthermore, we aimed at increasing the momentum of the new loan production, as we believe in the recovery potential of the Bulgarian economy and the good quality of the loans granted under well structured facilities to companies which managed to retain or boost their competitiveness in the current business environment. UBB remained one of the leading banks granting loans for projects under the Competitiveness and the Rural Development Programs financed by EU. In addition, in November 2012 the Bank renegotiated the terms of granting credit under the guarantee scheme for small and medium sized enterprises of JEREMIE initiative. In 2012, the overall size of the lending portfolio decreased by BGN 308 mln. or by 6% y/y, largely reflecting the outcome of sales of non-performing loans and the repayments under exit strategies on risky exposures. Having merely exhausted the further downsizing impact of such actions, we believe that in 2013 UBB will be more active in the credit market in course gradually to recover its leading position in the Bulgarian banking sector.

TREASURY ACTIVITIES

In 2012 the Treasury department continued to be focused on liquidity and maintaining the optimal liquidity ratios by acting on government bond market, FX trading and inter-bank operations. Thus, in 2012 UBB received an honorary award of Ministry of Finance as a primary dealer purchased the most government securities on Bulgarian market. The global lack of liquidity focused the Treasury, as well as the large corporate clients in attracting additional resources and in optimizing their management. The Treasury continued to provide to the institutions, corporations and big private-sector investors with value added deposit products and investment options. At the end of 2012, the deposits from banks declined from EUR 401 mln to EUR 27 mln or by 93% y/y. The reported reduction is entirely due to the contraction of the funding, received in the previous years, by the parent-bank NBG. We consider this as an exceptionally positive development towards a gradual recovery the UBB's status as a self-funding bank, which the institution had until the end of 2006. At the same time, the Bank improved significantly its *Loans /Deposits Ratio* - from 155% in 2009 to 133% at the end of 2010, 112.7% at the end of 2011 and 97% at the end of 2012. Over the year UBB maintained optimum levels of liquidity.

INVESTMENT BANKING

In 2012 the impact of the world economic and financial crisis on financial markets continued to influence the investment banking activities of UBB. UBB's Investment banking department was striving to meet the needs of the bank's current and potential clients through rendering investment intermediation and depository services. All main subdivisions in the investment banking activity registered decent results. Irrespective of the fact that new issuance on the local corporate bonds market remained weak throughout 2012, UBB continued to participate actively on the corporate bonds market by rendering services related to bond restructuring, as well as services in its capacity of a trustee of bondholders. The withdrawal of institutional investors from the bond segment of the BSE-Sofia AD led to a deterioration of the possibilities for Bulgarian companies and municipalities to attract fresh capital. The Investment Banking Department focused mainly on keeping its existing business and successful bond restructuring considering the unfavorable economic environment and the ability of individual issuers to overcome the financial crisis. UBB actively participated in the restructuring of the bond issues of Balkanstroy AD, Erato Holding AD, Eurolease

Auto AD, Farin AD and Hypocredit AD. In 2012 UBB performed the function of a trustee bank for the bondholders of 25 bond issues. The ongoing financial crisis and liquidity concerns in 2012 led to an outflow of institutional investors and a continued decline in blue-chip indexes on the Bulgarian Stock Exchange. In a persistently uncertain environment „Brokerage services" section managed to retain its market positions on the Bulgarian stock market. For the past year UBB in its capacity of investment intermediary succeed to hold its trading volumes on the BSE, where 13,593,572 lots were traded in 2,524 transactions in financial instruments on a regulated market. UBB's clients participated in the privatization of the minority government stake in the local electricity distribution companies on the „Privatization segment" of BSE in 2012. In a highly competitive environment of 62 existing investment intermediaries, UBB's Brokerage services section has managed to maintain its client base and to attract new clients using U-Broker electronic trading platform, with total number of clients reaching 854 in 2012. The Depository services section offers all services allowed under Bulgarian law covering customers from all sectors of Bulgarian capital market. Due to the adverse economic conditions, a number of customers returned their licenses to FSC (Financial Supervision Commission), limited their investment activity and terminated their contracts for depository services with UBB. The Bank has long term contracts for depository services with 76 clients - financial institutions and corporate customers, supervised by the Financial Supervision Commission i.e. management and investment companies, mutual funds, real estate investment trusts (REIT), insurance and life-insurance companies and licensed investment intermediaries. UBB maintains foreign securities custody accounts for its clients through Clearstream Banking SA, Luxembourg. The client base of Depository Services provides an average daily funding for UBB in the amount of BGN 75 mln. UBB performs the services of a custodian bank for the pension funds managed by Pension Insurance Company Doverie, which has a leading market position among Bulgarian pension fund management companies. The total assets of the three pension funds under management are over BGN 1.7 bn as of the end of 2012.

INFORMATION TECHNOLOGIES

In 2012 the IT business was focused on providing optimal operating conditions within the UBB system in terms of hardware and software. During the year 100 PCs were replaced and 50 new were installed. 50 laser printers were replaced. In April 2012 was finalized the joint project with Microsoft Bulgaria for the virtualization and renew of the hardware and software of the electronic banking system. A penetration test was performed by Deloitte Bulgaria EOOD. Following BNB requirements, UBB successfully completed a project aiming creation of the necessary infrastructure in its main Data Center in Sofia and ensuring UBB can start operating independently within 48 hours in case there is an issue with ADC primary and disaster sites. The project's scope covers the following IT systems – Core Banking System T24, SAP FI & HCM, SWIFT. In 2012 the dealers information system used in UBB migrated entirely to the Internet platform - Thomson Reuters Eikon. At the end of the year the main anti-virus software was replaced by McAfee. In 2012 5,941 POS terminals were replaced and the installed new POS terminals were 2,300.

HUMAN RESOURCES MANAGEMENT

In 2012 the process of developing HR rules and procedures at the Bank and their harmonization with the one of NBG Group continued. UBB AD's Training Policy was updated aiming at regulating the employees' training and development process at UBB AD according to the approach applied on a Group level. Effective actions were taken to improve the planning, monitoring and controlling the number and cost of staff and enhanced the bank managers' responsibilities in this area. In the spirit of cooperation UBB HR Management Department shared with their colleagues from NBG Group subsidiaries their great experience in the implementation of Business Partnership Model in human resources. In 2012 the active participation of UBB's HR representatives in different career fairs continued in order to introduce UBB as a reliable employer. The participation in the career fair in London under the auspices of the Ministry of Labour and Social Policy was particularly successful, where the Head of UBB's HR Department met many young people who have completed their university education in England and were interested in the opportunity to build career in Bulgaria. Some of them already finished their traineeship at the bank structures and others are about to do it. HR Management Department has reasons to believe that long-term cooperation has been established between UBB and these successful young people with excellent education from prestigious British universities who actively seek opportunities to work in Bulgaria and see in the face of UBB a reliable and committed employer. In 2012 bank employees participated more than once in different forms of trainings. The training program for UBB employees in 2012 emphasized on training employees from the corporate segment in Branch Network and Head Office. In this regard, at the beginning of the year 20 employees from Head Office (SME and SP, LCC and Corporate Credit Risk departments) passed a specialized training for improvement of professional skills which was presented by a leading international consulting company. Again in early 2012 the implementation of SAP CRR Corporate system was completed successfully and was presented to all employees from the corporate segment in Branch network in one-day software training. For employees from the corporate segment in Branch Network several specialized internal banking trainings were designed and presented by top experts from SME and SP, Corporate Credit Risk, Property Management and UBB Factoring EOOD and Interlease. 2-module training program for internal trainers in the corporate segment in Branch Network (by regions) was developed. Internal trainers were trained by SME managers and by a coach of external consultant company „Communication Experts" on methodologies and techniques for the design, development and presentation of internal banking trainings. The commitment of internal trainers is to keep up-to-date knowledge in their colleagues, explain the practical application of rules, procedures and work instructions for structuring deals, corporate clients' service, etc., and support newly appointed employees in the region. Managers and CBR employees (a total of 111 employees) passed a specialized training to master the techniques in corporate sales under the title "Skills to hold high effective sales meetings with business clients," presented by Vision T Ltd - an external consultant company. Aiming at reinforcing the team and increasing the effectiveness and quality of work at the end of 2012 3-module training for managers from the corporate segment in Head Office and Branch network started. Strong emphasis was also put on the training of employees from the Retail Banking segment. Earlier in 2012 a software training SAP CRM Retail was launched for another 53 branches whose employees gained access to the system for customer relationship management. Within the year all employees from the Retail Banking segment engaged in sales and service of affluent and mass clients (a total of 813 employees) passed training in sales techniques titled “Successful Sales" presented by the best specialists from the Sales Department. All head tellers and tellers (a total of 299 employees) passed a training related to specialized professional knowledge, internal practices and amendments in internal rules. In 2012, the number of pilot courses in e-learning system increased and reached six courses with a total number of 1,531 participants. The official implementation of the system and the use of its full capacity will be concluded in 2013. Last year UBB Training Centre hosted 111 internal banking trainings as well as two international. Trainings of Master Card Europe and Visa Europe were attended by UBB employees and by representatives of other banks and financial institutions from the country and abroad. Throughout 2012 the active development of UBB Traineeship program continued and 192 out of more than 1,100 candidates conducted traineeship in different units and branches and 16 of them has already been hired at different positions in Branch Network and Head Office. The program was enriched by launching a pilot project of long-term traineeship in the corporate segment, aiming at deeper initial practical training for young people with economic education and interest in the corporate banking to start working in this segment in the bank. In order to carry out more qualitative selection for various positions at UBB and to determine the potentiality of employees with regard to their future careers, the bank is now using new tools for appraising personality.

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

There are no important events between the dates of the final balance sheet and the UBB’s Annual Report approval, that require disclosure or adjustment in the Financial Statements.

III. UBB’s FUTURE GROWTH AND DEVELOPMENT IN 2013

I. Macroeconomic assumptions

- 1.8% economic growth with recovery in export and moderate increase in domestic demand
- Still limited credit expansion - up to 4%,
- Deposits growth of 11% y/y, incl. retail deposits of 12% y/y and corporate deposits increase of 8% y/y
- Average CPI of 4.8%
- No material changes in spreads over benchmark interest rates (600-800 bps for loans and 350-500 bps negative spread on deposits);
- Currency Board in place, fixed exchange rate BGN/EUR

II. Key business targets:

Given the continuing macroeconomic adversity in Greece that negatively affects the NBG Group’s access to the international markets UBB‘s attention in 2013 will be placed on:

1. **Liquidity and strong capital position.** In this challenging climate the retention and further expansion of our customer deposit base is of paramount importance. The Bank will be focused to provide the NBG Group adequate liquidity trough individual and corporate customer funds.
2. **Asset Quality.** On the lending side the Bank will put all efforts on assets quality, collections and restructuring.
3. **Expenses.** Cost containment remains a top priority of the bank. The Bank will aim to identify opportunities to further reduce its cost base compared to 2011.
4. **Restore the Bank's market positions.** UBB will be more active in the credit market in course gradually to recover its leading position in the Bulgarian banking sector.

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

Information under Art. 187 "d"

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

As of 31.12.2012, no ordinary registered voting shares had been transferred according to the Central Depository.

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

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

As of 31.12.2012, the shareholders capital is allocated into 75,964,082 ordinary registered voting shares, with nominal value of BGN 1 each.

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

Information under Art. 247

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

The remuneration of the executives - members of the Board of Directors during the year consists of short-term labor remuneration such as salaries and payments, related to social and health insurance contributions, paid annual leave, paid sick-leave. The total amount of remuneration for 2012 was BGN 314 thousands.

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

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

[illegible]	[illegible]	[illegible]
Stilian Petkov Vatev	50 shares	150 shares
Total:	***50 shares***	***150 shares***

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

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

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

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

Stilian Petkov Vatev
Bankservice AD Board of Directors' member
Interlease Board of Directors' Chairman
Interlease Auto Board of Directors' Chairman
UBB – Alico Life Insurance Company (UBB – METLIFE), Chairman of the Board of Directors
UBB – Charitis Insurance and Reinsurance Company (UBB - CHARTIS), Chairman of the Board of Directors
Insurance Broker Board of Directors' member
Representative of the Association of Banks in Bulgaria in European Payment Council

Radka Ivanova Toncheva
Cash Services Company's Board member
Member of the Board of Association of Commercial Banks in Bulgaria
Member of the Board of Fondation "Atanas Burov"

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

Payment of dividends and interest

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

V. BRANCH NETWORK

In 2012 the total number of UBB branch network structural units is 210, including:

- 124 structures, focused in servicing retail and micro business customers;
- 45 structural units, servicing retail, micro and small business;
- 18 structures for retail, micro and SME business;
- 9 Business Centres- specialized structural units, profiled in servicing SME business customers;
- 14 representative offices.

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

VI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) The targets and policy of the Bank related to financial risk management, including hedging policy

UBB actively manages the risks, inherent to its activity, in order to achieve optimal ratio between profitability from operations and the risk that goes along with them. The Bank has developed and applies Risk Management Policy. The Policy is prepared in compliance with the requirements of all effective laws and bylaws, BNB regulations and the directives of the Basel Standards. Being a part of NBG Group, UBB also adheres to the risk management standards, adopted within the Group.

The risk management policy defines the establishment of an organizational structure and internal system of principles, rules, procedures and limits for identification, measuring, assessment and control of the main risk types. All structural units in the Bank work in a strictly regulated environment, not allowing unsubstantiated risk undertaking in the everyday banking operations.

United Bulgarian Bank evaluates as material for its activity and manages with higher priority the credit risk, liquid risk, market risk and operational risk. Risk management functions are organized in three levels:

- Strategic – performed by UBB BoD who approves the risk strategy and appoints the Risk Management Committee, which is responsible for maintaining the bank's activities in compliance with the approved strategy.
- Tactical - performed by UBB's Senior Management through specialized collective bodies, who approve all policies and procedures for managing risks. A main role is dedicated to the Risk Management Division, which identifies, assesses and controls the risk, develops appropriate methodologies, reported to Senior Management and proposes measures for minimizing risk, if needed.
- Operational – it encompasses the different types of LoBs and business units and includes managing risks at their points of creation. Risk management at this

level is performed through appropriate control systems, included in the main procedures and instructions.

An important role for maintaining independent control and assessment of the risk management systems is taken by the Legal Compliance division and the Specialized Internal Audit Division.

b) The Bank's exposure with regard to credit, liquidity, market and operational risk

The exposures of United Bulgarian Bank related to credit, liquidity, market and operational risk and respectively the utilized risk management methods are stated below in a sequence according to their significance for the Bank's activity.

Credit risk

Credit risk is expressed in the possibility the Bank not to receive back funds or income from extended loans and deposits and from the investments made in debt securities and other assets, as it is provisioned in the respective agreements.

The main source of credit risk for the Bank are the loans extended to clients, which, as of 31.12.2012 amounted to BGN 5,273 mln. As of the same date, the total value of depreciation (IFRS provisions) was 721 mln. or 14% of the credit portfolio. The specific provisions (under BNB Ordinance № 9) amounted to BGN 633 mln.

Credit risk management decisions are made in compliance with the strategy and policy in this area, which is regularly reconsidered and defined by the Bank's Board of Directors.

United Bulgarian Bank has adopted and follows Corporate Credit Policy and Retail Credit Policy, which regulate:

- Development and implementation of strict procedures for lending;
- Maintaining adequate credit administration;
- Permanent process of credit risk monitoring, measuring and control.

Detailed procedures are applied in the process of lending, concerning analysis of the economic justifiability of each project, acceptable for the Bank collateral types, control and administration of the used funds.

Corporate credit policy is updated on an ongoing basis and contains new features such as: early-warning system and updated framework for credit risk management, including credit risk assessment by rating system.

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

Retail Credit Policy sets the criteria for approval of all types of credit products for individuals, levels of approval, scoring models in use and their application, The Retail Risk Credit Policy is actualized and ratified on an annual basis by the competent approval bodies.

Depending on their size, loans are approved by credit centers and credit committees for corporate and retail portfolios, according to their competence levels. Above a certain level Risk Management Division is directly involved in the approval of credit transactions and the process of provisioning, and as for the retail portfolio, the approval process is fully integrated within the Risk Management Division.
Regarding the retail portfolio the Bank has set limits for approval of credit parameters as overrides to the Retail Risk Credit Policy and monitors their observation.

The Bank has accepted and follows limits for loan exposure by industries as a percentage of the Bank's regulatory capital. The purpose for these limits is credit portfolio concentration in one or group of related industries to be reduced. The largest sectors in corporate portfolio are construction, wholesale and retail trade, agriculture, food production, infrastructure etc.

In compliance with its policy, the Bank targets the maintaining of low level of credit risk concentration at borrower level. The Bank has approved a limit system and maintains the exposures to one or several connected borrowers within the limit, determined as a percentage of the Bank's regulatory capital.

The Bank makes assessment of the risk exposure, evolving from the loan portfolio by classifying and provisioning loans in it, in compliance with the requirements of IFRS and BNB Ordinance No. 9 on a monthly basis.

The credit expansion in the preceding years and the world financial and economic crisis has affected negatively the credit portfolio quality. In this connection, a large part of the bank's efforts continued to be dedicated to collection and restructuring of underperforming loans, however the bank also focused on generating new lending business and improving profitability.

UBB actively operates on the international financial markets. In order to reduce the risk of default on the obligations on the part of counter party banks and the risk of operations in unstable countries in economic and political aspect, the bank has approved and monitors the observation of limits for this type of exposures. The Bank has no appetite for risk exposures towards bank counterparties with rating - public or internal - less favourable than Ba3 (Moody's) or BB- (S&P/ Fitch). The above restrictions for selection of counterparties presuppose undertaking of medium credit risk arising from transactions on the interbank market.

Liquidity risk

Liquidity risk is the risk the Bank not to have sufficient funds to meet deposits' withdrawal or to pay other maturing obligations. The Bank manages its assets and liabilities in a manner, guaranteeing that it is able to fulfill its day-to-day obligations regularly and without delay, both in a normal banking environment, and under conditions of a crisis.

UBB invests mainly in highly liquid assets and maintains an average of 25% ratio of liquid assets to total liabilities and 30% ratio of liquid assets to customer deposits, because of the accomplished increase in attracted funds from customers and of the reduced lending activity.

UBB's financing structure was also significantly improved as a result of replacing the short-term money market financing towards more stable long term customer financing. Additionally the Bank has attracted subordinated debt from its parent-bank, as well as established long term credit lines from BDB and EBRD provided for energy efficiency projects and agriculture producers' lending.

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

- Risk Management Committee;
- Specialized collective body for liquidity management – Asset and Liability Management Committee (ALCO);
- Liquidity risk policy and Contingency Funding Plan;
- Management information system;

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

While determining acceptable parameters for the liquidity risk value, the Bank reports the volume and nature of operations to date and their projected development; the access to money markets; diversification of liabilities and their volatility, as well as the maturity profile and assets' quality.

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

UBB approved a procedure and is performing regular stress-tests on liquidity risk with aim to evaluate the liquidity risk for the bank in unfavourable economic and market scenario. The stress-tests are based on assumptions with different parameters of shock and their impact on in- and out-flows of funds.

Interest rate risk

This risk is related to possible unfavourable impact to the profit and capital of the bank from the market interest rates.

The Bank's exposure to interest rate risk is relatively small and amounts to only 2% of the regulatory capital.

UBB manages the interest rate risk separately for the Trading Book and the Banking Book portfolios by using respectively the "Value at Risk" method and evaluating the sensitivity of the economic capital to a parallel shift of the interest rates by 200 b.p.

The Bank tries to restrict the interest rate risk and to maintain it within acceptable levels, by maintaining an adequate structure of its interest-sensitive assets and liabilities and minimizing the mismatching between them. The interest rate risk is measured separately for each of the major currencies, in which the bank is active.

Currency risk

This is the risk for the bank to sustain losses due to fluctuations of market prices of different currencies.

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

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

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

Operational risk

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

The Operational risk Management in UBB is based on approved Operational risk management Framework and is documented in policies, instructions and procedures.

The main operational risks, to which the bank is exposed according to the documented activities and processes, are identified and categorized according to the UBB's risk typology. The identified risks are assessed and on this base are developed Action plans in the respective areas, where the risk should be reduced, according to the group standards of NBG.

Adequate system of KRIs and thresholds for them is developed, their trends are analyzed on a monthly basis and in case a threshold is breached a procedure for development of an Action plan is triggered in order to reduce or eliminate the identified negative trends.

For the precise measurement, analysis and forecasting of the operational risk losses, a system for collection of operational loss events, which are stored in a special register, is functioning in the Bank.

The entire operational risk management process was fully automated by implementation of specialized software.

Based on the developed framework and BNB's approval regarding operational risk management, the bank has implemented and applies the Standardized approach for determining the capital requirements for operational risk. Meanwhile the implementation of the advanced approach is being developed, since such is being used by NBG.

Business Continuity Plan

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

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

The BCP is developed in compliance with the regulatory requirements and best practices, taking into consideration the organizational structure and UBB's business functions. The BCP maintenance is implemented through planned or unplanned update activities.

VII. ACTIVITY OF UBB's SUBSIDIARIES AND ASSOCIATE COMPANIES AS OF 31.12.2012

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

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

[illegible]	[illegible]
UBB Assets management	508
UBB Insurance brocker	1,801
UBB Factoring	12,579

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

Changes in the Board of Directors of the Bank

At an Extraordinary General Meeting of Shareholders of UBB AD, held on 18.02.2013 in Sofia have been elected as new members of the Board of Directors of UBB AD Mr. Konstantinos Pavlos Milonas and Mr. Panagiotis George Karandreas.

At an Extraordinary General Meeting of Shareholders of UBB AD held on 04.03.2013 in Sofia have been decided Mr. Dimitrios Anagnostopoulos to be released as a member of the Board of Directors of United Bulgarian Bank AD.

Acquisition of Eurobank Ergasias S.A. by NBG S.A. (the parent company)

On 5 October 2012 NBG S.A. submitted a voluntary offer to acquire all the ordinary registered shares with voting rights of Eurobank Ergasias S.A. ("Eurobank"), which it did not hold at 5 October 2012, at an exchange ratio of 58 new ordinary registered shares with voting rights of the Bank for every 100 shares of Eurobank. On 15 February 2013 NBG had acquired 84,35% of the ordinary share capital and obtained control of Eurobank.

The Eurobank Group offers a full range of banking and financial products and services to households and enterprises also in the Bulgarian financial market. Retail Banking, Corporate Banking, Investment Banking and Asset Management are part of its activities.

The acquisition of Eurobank may lead to restructuring activities in 2013 and subsequent periods, in the markets in which the NBG Group operates. The impact of such restructuring on the financial position of the NBG Group subsidiaries cannot be reliably assessed at this stage.

The enlarged NBG Group is expected to achieve significant annual synergies, benefit from a large branch network in Greece, together with an enhanced presence in South Eastern Europe, with material positions in key regional markets including Bulgaria. Customers will benefit from the enhanced capabilities of the combined group drawing on each bank's competitive strengths, including a wider product offering, improved capacity to lend, and better and more efficient service.

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

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

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

Name: UBB – Chartis Insurance Company
Location: Sofia
Head Office address: Sofia 1000, Oborishte region, 4, Iskar Str.
Number and batch of entry in the commercial register: No 108888, v. 1469, reg. I, p. 179, under company file No 10676 of Sofia City Court according to the inventory of 2006.
Capital: BGN 7,000,000
Participation in the company: 30% or BGN 2,082,000 nominal value of participation

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

Name: Company for Cash Services
Location: Bulgaria, area Sofia (capital), municipality Sofia,
1632 Sofia, region Ovcha kupel, kv. Ovcha Kupel- 2, 16 „Ivan Hadjiiski"Str. tel: 02/ 9560419, fax: 02/ 9560419 e-mail office@dku.bg, www.dku.bg
Number and batch of entry in the commercial register:
No.1 from 10.07.2007 Sofia City Court under No.122002, regulation 1680, page 104, company file No.9568/2007 EIC 175327305
Capital: BGN 10,000,000
Participation in the company: 25% or BGN 2,500,523 nominal value of participation.

Name: UBB Factoring
Location:Bulgaria, area Sofia (capital), municipality Sofia,
Sofia 1040, 5 Sveta sofia str.
Number and batch of entry in the commercial register:
N 20091016151609/16.10.2009
Capital:BGN 1,000,000

Participation in the company: 100% or BGN 1,000,000 nominal value of participation,

Used financial instruments

a) the aims and policy of the company on financial risk management, incl. hedging policy.

In 2012 UBB Asset Management and UBB Balanced Fund, UBB Premium Fund, UBB Platinum Fund and the associated with UBB - UBB Chartis Insurance Company, UBB Alico Life Insurance Company, UBB Factoring, Cash Services Company maintaining current accounts and deposits, used no derivatives for hedging purposes.

b) Exposure of the company with regard to price, credit, liquidity and cash flow risks

The capital exposures of the subsidiaries UBB Insurance Broker, UBB Asset Management, UBB Balanced Fund, UBB Premium Fund, UBB Platinum Fund, UBB Chartis Insurance Company, UBB Alico Life Insurance company, UBB Factoring, Cash Services Company maintaining current accounts and deposits, are reported in compliance with regulations, evolving from the requirements of Regulation N 8 on capital adequacy.

Stilian Vatev
Chief Executive Officer

Radka Toncheva
Executive Director

ОБЕДИНЕНА БЪЛГАРСКА БАНКА АД
* гр. СОФИЯ *

04.04.2013

INDEPENDENT AUDITOR'S REPORT AND
ANNUAL SEPARATE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Deloitte.

Deloitte Audit OOD
UIC 121145199
103, Al. Stambolijski Blvd.
1303 Sofia
Bulgaria

Tel: +359 (2) 80 23 300
Fax: +359 (2) 80 23 350
www.deloitte.bg

Делойт Одит ООД
ЕИК 121145199
бул. „Ал. Стамболийски" 103
София 1303
България

Тел: +359 (2) 80 23 300
Факс: +359 (2) 80 23 350

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
United Bulgarian Bank AD

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of United Bulgarian Bank AD ("the Bank"), which comprise the separate statement of financial position as of December 31, 2012, and the separate income statement, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2012, and of its financial performance and its cash flows for the year then ended in accordance with IFRS, as adopted by the European Union.

Report on Other Legal and Regulatory Requirements - Annual separate report on the activities of the Bank, according to article 33 of the Accountancy Act

Pursuant to the requirements of the Bulgarian Accountancy Act, article 38, paragraph 4 we have read the accompanying Annual separate report on the activities of the Bank prepared by the Bank's management. The Annual separate report on the activities of the Bank is not a part of the separate financial statements. The historical financial information presented in the Annual separate report on the activities of the Bank prepared by the management is consistent, in all material aspects with the financial information disclosed in the separate financial statements of the Bank as of December 31, 2012, prepared in accordance with IFRS, as adopted by the European Union. Management is responsible for the preparation of the Annual separate report on the activities of the Bank, dated April 4, 2013.

Deloitte Audit OOD

Deloitte Audit OOD

Assen Dimov
Statutory Manager

Vasko Raichev
Registered Auditor

Sofia
April 4, 2013

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

UNITED BULGARIAN BANK AD, SOFIA

SEPARATE STATEMENT OF FINANCIAL POSITION
As of December 31, 2012
All amounts are in thousand Bulgarian Levs, except otherwise stated

	Notes	As of 31.12.2012	As of 31.12.2011
ASSETS			
Cash and balances with the Central Bank	4	739,171	1,039,948
Loans and advances to banks	5	221,364	388,593
Loans and advances to customers, net	6	4,551,581	4,859,553
Financial assets at fair value through profit or loss	7	470,848	128,780
Derivative financial instruments	8	1,750	1,578
Financial assets available for sale	9	197,924	115,352
Investments in subsidiaries and associates	10	8,719	8,719
Intangible assets	11	7,472	9,177
Property and equipment	11	61,496	73,917
Deferred tax assets	12	3,944	1,134
Other assets	13	83,473	70,214
TOTAL ASSETS		6,347,742	6,696,965
LIABILITIES			
Due to banks	14	52,389	783,774
Due to customers	15	4,757,804	4,327,679
Derivative financial instruments	8	1,575	1,580
Bank borrowings	16	188,127	212,416
Subordinated liabilities	17	254,668	255,338
Deferred tax liabilities	12	1,542	2,250
Retirement benefit obligations	18	6,259	5,780
Other liabilities	19	15,329	3,826
TOTAL LIABILITIES		5,277,693	5,592,643
NET ASSETS		1,070,049	1,104,322
SHAREHOLDERS' EQUITY			
Share capital	20	75,964	75,964
Retained earnings	22	983,397	1,024,094
Revaluation reserve	23	10,688	4,264
TOTAL SHAREHOLDERS' EQUITY		1,070,049	1,104,322
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		6,347,742	6,696,965
Contingent liabilities and commitments	24	589,872	688,478

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

Stilian Vatev, CEO

Radka Toncheva, Executive Director

April 4, 2013

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

Vasko Raichev
Registered Auditor
Date: April 4, 2013

Assen Dimov
Statutory Manager
Deloitte Audit OOD

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

SEPARATE INCOME STATEMENT
For the year ended December 31, 2012
All amounts are in thousand Bulgarian Levs, except otherwise stated

	Notes	Year ended 31.12.2012	Year ended 31.12.2011
Interest and similar income		417,513	490,597
Interest expenses and similar charges		(190,365)	(190,308)
Net interest income	26	227,148	300,289
Fee and commission income		83,976	89,411
Fee and commission expenses		(6,010)	(6,840)
Net fee and commission income	27	77,966	82,571
Dividend income		3,240	3,415
Net trading income	28	23,502	11,285
Net gains from investment securities available for sale		20	12
Other operating income/(expense), net	29	2,005	(291)
Net allowances for impairment and uncollectability	30	(207,164)	(208,542)
General administrative expenses	31	(172,416)	(174,717)
(LOSS)/PROFIT BEFORE TAXATION		(45,699)	14,022
Income taxes	32	5,004	(2,146)
(LOSS)/PROFIT FOR THE YEAR		(40,695)	11,876
Earnings per share - basic	21	(0.54)	0.16

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

Stilian Vatev, CEO

Radka Toncheva, Executive Director

ОБЕДИНЕНА БЪЛГАРСКА БАНКА АД * гр. СОФИЯ *

April 4, 2013

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

Vasko Raichev
Registered Auditor
Date: April 4, 2013

Assen Dimov
Statutory Manager
Deloitte Audit OOD

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2012
All amounts are in thousand Bulgarian Levs, except otherwise stated

	Year ended 31.12.2012	Year ended 31.12.2011
(LOSS)/ PROFIT FOR THE YEAR	(40,695)	11,876
Other comprehensive income, net of tax		
Revaluation of available for sale financial assets, net of tax	3,206	(816)
Imairment of Investment securities available for sale	3,238	2,201
Net gains from financial assets available for sale	(20)	(12)
Total other comprehensive income, net of tax	6,424	1,373
TOTAL COMPREHENSIVE INCOME, net of tax	(34,271)	13,249

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

Stilian Vatev, CEO

Radka Toncheva, Executive Director

April 4, 2013

ОБОБЩЕНА БЪЛГАРСКА БАНКА АД гр. СОФИЯ

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

Vasko Raichev
Registered Auditor
Date: April 4, 2013

Assen Dimov
Statutory Manager
Deloitte Audit OOD

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

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended December 31, 2012
All amounts are in thousand Bulgarian Levs, except otherwise stated

	Share capital	Retained earnings	Revaluation reserve	Total
BALANCE AS OF JANUARY 1, 2011	75,964	1,012,218	2,891	1,091,073
Profit for the period	-	11,876	-	11,876
Other comprehensive income for the period	-	-	1,373	1,373
BALANCE AS OF DECEMBER 31, 2011	75,964	1,024,094	4,264	1,104,322
Loss for the period	-	(40,695)	-	(40,695)
Other movements	-	(2)	-	(2)
Other comprehensive income for the period	-	-	6,424	6,424
BALANCE AS OF DECEMBER 31, 2012	75,964	983,397	10,688	1,070,049

Retained earnings as of December 31, 2012 include an undistributable part amounting to BGN 983,397 thousand.

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

Stilian Vatev, CEO

Radka Toncheva, Executive Director

April 4, 2013

ОБЕДИНЕНА БЪЛГАРСКА БАНКА АД
* гр. СОФИЯ *

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

Vasko Raichev
Registered Auditor
Date: April 4, 2013

Assen Dimov
Statutory Manager
Deloitte Audit OOD

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

SEPARATE STATEMENT OF CASH FLOWS
For the year ended December 31, 2012
All amounts are in thousand Bulgarian Levs, except otherwise stated

	Notes	Year ended 31.12.2012	Year ended 31.12.2011
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit after taxation		(40,695)	11,876
Adjustments to reconcile profit before taxation to net cash provided by operating activities:			
Allowances for impairment and uncollectability charge for the period		207,164	208,542
Depreciation of property and equipment		16,575	16,507
Amortization of intangible assets		4,606	4,233
Accruals of staff obligations		479	611
Net (gains) on financial assets available for sale		(6,854)	(4,105)
Net loss/(gains) on disposal of fixed assets		1,459	(2,759)
Interest expense on financing activities		3,475	5,027
Accrued income tax expense		(4,160)	(713)
Income from dividends from subsidiaries and associates		(2,698)	(2,296)
		179,351	236,923
Change in operating assets:			
Increase in loans and advances to customers		103,345	682,568
(Increase) /decrease in Financial assets at fair value through P/L		(342,068)	(39,791)
Increase/ (decrease) in Derivatives		(172)	23
(Increase)/ decrease in other assets		(13,899)	8,390
Change in operating liabilities:			
Decrease in amounts due to other banks		(731,385)	(841,904)
Decrease in derivatives		(5)	(1,315)
(Decrease)/ increase in amounts due to other customers		430,125	(73,025)
(Decrease) / increase in other liabilities		11,504	(736)
Income taxes paid		(1,256)	(2,639)
NET CASH FLOWS FROM OPERATING ACTIVITIES		(364,460)	(31,506)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(9,333)	(7,848)
Purchases of intangible assets		(3,468)	(915)
Purchase of financial assets available for sale		(98,870)	(3,227)
Income from sale fixed assets		4,287	5,284
Proceeds from sale and redemption of financial assets available for sale		21,056	6,705
Interest received and dividens from financial assets available for sale		8,518	6,244
Income from dividends from subsidiaries and associates		2,698	2,296
NET CASH FLOWS (USED IN)/ FROM INVESTING ACTIVITIES		(75,112)	8,539
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings		14,669	146,976
Repayments of bank borrowings		(38,958)	-
Repayments of subordinated liabilities		(4,145)	(4,747)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		(28,434)	142,229
NET (DECREASE) /INCREASE IN CASH AND CASH EQUIVALENTS		(468,006)	119,262
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,428,541	1,309,279
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	960,535	1,428,541

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

Stilian Vatev, CEO

Radka Toncheva, Executive Director

April 4, 2013

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

Vasko Raichev
Registered Auditor
Date: April 4, 2013

Assen Dimov
Statutory Manager
Deloitte Audit OOD

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

1. GENERAL

United Bulgarian Bank AD, Sofia ("UBB" or the "Bank") is a joint stock company registered in Bulgaria in September 1992, through the merger of 22 commercial banks. In July 2000 National Bank of Greece S.A. ("NBG") acquired 89.9% of the Bank's capital and on July 20, 2004 it acquired another 10%.

The Bank is managed by Board of Directors which as of 31.12.2012 comprises of the following members:

1) Stilian Petkov Vatev, Chairman of the Bord of Directors and Executive Director of UBB AD
2) Radka Ivanova Toncheva, Executive Director of UBB AD and Board Member
3) Dimitrios Theodosios Anagnostopoulos, Board Member
4) Anastasios Nikiforos Lizos, Board Member
5) Konstantinos Antonios Bratos, Board Member
6) Theodor Valentinov Marinov, Board Member

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

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

In 2012 the Bank's operations were conducted through a Head Office located in Sofia and 196 branches and 14 offices throughout Bulgaria.

Full-time equivalent of employees as of December 2012 was 2,615 (2011: 2,643).

These separate financial statements have been approved for issue by the Board of Directors on April 4, 2013.

2 BASIS OF PRESENTATION

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

The endorsed by the European Union IFRSs may differ from IFRSs as issued by the International Accounting Standards Board ("IASB") if, at any point in time, new or amended IFRSs have not been endorsed by the EU.

At 31 December 2012, there were no unendorsed standards effective for the year ended 31 December 2012, which might affect these financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Bank. Accordingly, UBB'separate financial statements for the year ended 31 December 2012 are prepared in accordance with IFRSs as issued by the IASB.

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

The Bank holds interest in subsidiaries and associates and according IAS 27 "Consolidated and separate financial statements" prepares consolidated financial statements, approved by Board of Directors on April 4, 2013.

2. BASIS OF PRESENTATION (CONTINUED)

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 3.18.

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

Application of IFRS

New standards, amendments and interpretations to existing standards effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- IFRS 7 "Financial Instruments: Disclosures" (Amendment) (effective for annual periods beginning on or after 1 July 2011). The amendment requires certain additional disclosures in relation to transferred financial assets that are not de-recognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred.

The adoption of these amendments to the existing standards has not led to any changes in the Bank's accounting policies.

Standards and Interpretations issued by IASB but not yet adopted by the EU

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015). IFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities, including some hybrid contracts.

  The new standard requires all financial assets to be:
  (a) classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.
  (b) initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs.
  (c) subsequently measured at amortised cost or fair value.
  (d) investments in equity instruments can be designated as "fair value through other comprehensive income" with only dividends being recognized in profit or loss.
  (e) the concept of "embedded derivatives" does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines.

2. BASIS OF PRESENTATION (CONTINUED)

Application of IFRS (continued)

The standard also requires a financial liability to be classified as either at fair value through profit or loss or at amortised cost. For a financial liability designated as at fair value through profit or loss using the fair value option, the change in the liability's fair value attributable to changes in the liability's credit risk is recognised directly in other comprehensive income, unless it creates or increases an accounting mismatch and the amount that is recognised in other comprehensive income is not recycled when the liability is settled or extinguished.

The Bank has not applied this Standard and is currently evaluating the impact of IFRS 9 on its financial statements and the timing of its adoption.

- IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities" (Amendment), (effective for annual periods beginning on or after 1 January 2013). The amendments clarify the transition guidance in IFRS 10. The amendments also provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. The Bank will apply these amendments when it first applies IFRS 10, IFRS 11 and IFRS 12.
- IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 27 "Separate Financial Statements" (Amendment), (effective for annual periods beginning on or after 1 January 2014). These amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. "Investment entity" is defined as an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. The Bank has not applied these amendments.

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

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

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorization of these separate financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 27 "Separate Financial Statements" (Amendment), IAS 28 "Investments in Associates and Joint Ventures" (Amendment) (effective for annual periods beginning on or after 1 January 2014).

  IFRS 10 provides a single consolidation model and builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 replaces the consolidation requirements in IAS 27 "Consolidated and Separate Financial Statements" which now only deals with the requirements for separate financial statements and SIC-12 "Consolidation—Special Purpose Entities".

2. BASIS OF PRESENTATION (CONTINUED)

Application of IFRS (continued)

- IFRS 11 replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-monetary Contributions by Venturers". It requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. Joint arrangements are either joint operations or joint ventures. Unlike IAS 31, the use of "proportionate consolidation" to account for joint ventures is not permitted.

- IAS 28 "Investments in Associates and Joint Ventures" (2011) supersedes IAS 28 "Investments in Associates" and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

- IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.

  The Bank has not applied the above Standards and amendments and is currently evaluating their impact on its financial statements.

- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013). IFRS 13:
  - defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price);
  - sets out in a single IFRS a framework for measuring fair value; and
  - requires disclosures about fair value measurements.

- IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 explains how to measure fair value for financial reporting. It does not require fair value measurements in addition to those already required or permitted by other IFRSs and is not intended to establish valuation standards or affect valuation practices outside financial reporting.

  The Bank has not applied this Standard and is currently evaluating the impact of IFRS 13 on its financial statements.

- IAS 1 "Presentation of Financial Statements" (Amendment) (effective for annual periods beginning on or after 1 July 2012). The amendments require to group together items within OCI that may be reclassified to the profit or loss section of the income statement subsequently. The Bank has not applied this amendment and is currently evaluating its impact on the financial statements.

- IAS 19 "Employee Benefits" (Amendment) (effective for annual periods beginning on or after 1 January 2013). The amendments:
  - eliminate the option to defer the recognition of gains and losses, known as the "corridor method" and require companies to report these changes as they occur. As a result any deficit or surplus in a plan will be included on the statement of financial position;
  - require to include service and finance cost in income statement and remeasurements in other comprehensive income ("OCI");
  - enhance the disclosure requirements for defined benefit plans to provide better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

2. BASIS OF PRESENTATION (CONTINUED)

Application of IFRS (continued)

- modify the accounting for termination benefits including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits. The Bank has not applied this amendment and is currently evaluating its impact on the financial statements.

- IFRS 7 "Financial Instruments: Disclosures" (Amendment) (effective for annual periods beginning on or after 1 January 2013). The amendment requires information about all financial instruments that are set off in accordance with paragraph 42 of IAS 32. The amendment also require disclosure of information about recognized financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The Bank has not applied this amendment and is currently evaluating its impact on the financial statements.

- IAS 32 "Financial Instruments: Presentation" (Amendment) (effective for annual periods beginning on or after 1 January 2014). The amendment provides clarifications on the application of the offsetting rules. The Bank has not applied this amendment and is currently evaluating its impact on the financial statements.

- IAS 12 "Income Tax" (Amendment) (effective for annual periods beginning on or after 1 January 2013). The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in IAS 40 Investment Property. The Bank has not applied this amendment and it is not expected to have an impact on the financial statements, as the Bank does not have investment properties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1. Interest income and expense

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

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

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

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

All amounts are in thousand Bulgarian Levs, except otherwise stated

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2. Fee and commission income and expenses

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

3.3. Foreign currency translation

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

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

Translation differences on non-monetary financial assets are a component of the change in their fair value.

3.3. Foreign currency translation (continued)

Significant exchange rates are as follows:

Currency	31.12.2012	31.12.2011
EUR	1.95583	1.95583
USD	1.48360	1.51158

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

3.4 Financial instruments

(a) Financial assets

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

(b) Financial liabilities and equity instruments

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

The management determines the classification of the financial liabilities of the Bank at the time on their initial recognition on the statement of financial position.

(c) Derivative financial instruments

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4. Financial instruments (continued)

(d) Recognition of financial instruments

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

(e) Regular way purchases and sales of financial assets

"Regular way" purchase and sale of financial assets or liabilities based on contract are those that require delivery within the time frame established by regulation or market convention.

Financial instruments that arise by such contracts are recognised on the settlement date apart from trading and available for sale securities and derivative financial instruments, which are recognised on the trade date. All other purchases and sales of securities held for trading are treated as derivatives until settlement occurs.

(f) Derecognition of financial instruments

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

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

(g) Sale and repurchase agreements

Securities sold subject to a commitment to repurchase them at a predetermined price ('Repos') are retained on the statement of financial position and the counterparty liability is included in amounts due to banks, due to customers or other deposits, as appropriate. Securities purchased under agreement to resell ('Reversed Repos') are recorded as due from other banks or loans and advances to customers, as appropriate.

The difference between sale and repurchase price is treated as interest and accrued over the life of Repos (or Reverse Repos) agreement using the effective interest rate method.

(h) Offsetting of financial instruments

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

(i) Hierarchy of the fair value of financial instruments

The Bank measures the fair value of its financial instruments based on a framework for measuring fair value that categorises financial instruments based on a hierarchy of the inputs to the valuation technique, as discussed below fair values reflecting the significance of the valuation elements.

The hierarchy of the fair value has the following levels:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded on an active exchange market.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4. Financial instruments (continued)

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

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

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

(j) ***Financial assets and liabilities at fair value through profit or loss***
This category has the following two sub-categories:

Trading securities
Trading securities are securities, which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit making exists.

Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

Trading securities held are not reclassified out of the respective category, only in rare circumstances and provided they are no longer held for the purpose of selling in the near term (see Note 9). Respectively, investment trading securities are not reclassified into the trading securities category while they are held.

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

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

- Doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise at asset and liability measurement or profit and loss recognition on different basis; or;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4. Financial instruments (continued)

- A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information of the group is provided internally on that basis to key management personnel, for example the board of directors and chief executive officer.
- The financial instruments contain one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments and would have to be separated if not in this category.

Once included in this category of financial assets and liabilities, the decision is final and they cannot be reclassified into another category.

Measurement
Financial assets and liabilities at fair value through profit or loss (both trading and designated) are initially recognised at fair value and subsequently re-measured at fair value. The determination of fair values is based on quoted market prices, dealer price quotation and pricing models, depending on the nature of the instrument.

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

Dividend income is recognised when the right to receive the payment is established.

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

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

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

Loans and advances that are individually originated in the Bank are recognized when cash is actually

advanced to the borrowers or another financial or non-financial asset is provided to the borrower.

Acquired loans and advances are recognized when a significant part of benefits and risks incidental to ownership are received by the Bank.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4. Financial instruments (continued)

Loans and advances granted by the Bank are presented in the statement of financial position at amortized cost less allowances for impairment and uncollectability.

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

(l) Financial assets available for sale

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

Measurement

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

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

During the period of holding debt instruments, classified as 'available for sale' the Bank recognises interest income by applying the effective interest method. Dividends on equity shares, classified as 'available for sale' financial assets, are recognised and carried to the income statement as 'Dividend income' when the Bank's entitlement to these dividends is estabilished.

(m) Allowances for impairment and uncollectability

All financial assets classified as 'loans and advances', 'held-to-maturity' and 'available for sale' are subject to review for impairment. The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Loans and advances

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4. Financial instruments (continued)

(c) the Bank, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that it would not otherwise consider;
(d) it is probable that the borrower will enter bankruptcy;
(e) the disappearance of an active market for that financial asset because of financial difficulties; or
(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments); or
- national or local economic conditions that correlate with defaults on the assets in the group.

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

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

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

The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics. Corporate loans are grouped based on days in arrears, product type, economic sector, size of business, collateral type and other relevant credit risk characteristics. Mortgages and retail loans are also grouped based on days in arrears or product type. Those characteristics are relevant to the estimation of future cash flows for pools of loans by being indicative of the debtors' ability to pay all amounts due and

together with historical loss experience for loans with credit risk characteristics similar to those in the pool form the foundation of the loan loss allowance computation.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4. Financial instruments (continued)

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

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

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

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in the income statement.

Impaiment losses recognised in income statement for an investment in an equity instrument classified as available for sale are not recovered in income statement.

3.5. Investments in subsidiaries and associates

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

Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Control also exists when the parent owns half or less of the voting power of an entity when there is:
(a) power over more than half of the voting rights by virtue of an agreement with other investors;
(b) power to govern the financial and operating policies of the entity under a statute or an agreement;
(c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or
(d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6. Property and equipment

Property and equipment include land and buildings, leasehold improvements and transportation and other equipment, held by the Bank for provision of services or for administrative purposes.

Property and equipment are presented in the financial statements at historical acquisition cost except those acquired before December 31, 2003, which are presented at deemed cost for purpose of first time adoption of IFRS, less accumulated depreciation and impairment loss.

Property and equipment are initially recorded at cost, which includes all expenses that are required to bring an asset into working condition.

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7. Intangible assets

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

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

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

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

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

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

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

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

3.8. Operating lease

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9. Cash and cash equivalents

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

3.10. Provisions

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

3.11. Fiduciary and trust activities

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

3.12. Employee benefits

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

Short-term employee benefits

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

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

Long- term employee benefits

Defined benefit plans

A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. For defined benefit plans, the pension liability is the present value of the defined benefit obligation at the reporting date minus the fair value of the plan assets, including any adjustments for unrecognised actuarial gains/losses and past service costs. The Bank follows the "corridor" approach of IAS 19 "Employee Benefits" according to which a certain amount of actuarial gains and losses remains unrecognised and is amortised over the average remaining service lives of the employees participating in the plan.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12. Employee benefits (continued)

The defined benefit obligation is calculated by independent actuaries on an annual basis, using the projected unit credit method. The present value of the defined obligation is determined by the estimated future cash outflows using interest rates of government securities, which have terms to maturity approximating the terms of the related liability. Pension costs are charged or credited to the income statement over the service lives of the related employees.

Defined contribution plans

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

3.13. Income taxes

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

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

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

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

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

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

3.14. Related party transactions

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15. Earnings per share

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

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

3.16. Shareholder's equity

The Shareholder's equity of the Bank includes share capital, retained earnings from previous years, defined as reserves, undistributed profits formed from first time adoption of IFRS, revaluation of Financial assets available for sale and the profit for the current year.

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

3.17. Fair value disclosure

Fair value is defined as the amount, for which an asset can be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. It is the policy of the Bank to disclose fair value information on those assets or liabilities, for which published market information is readily available and where the fair value is materially different from their recorded amounts. Sufficient market experience, stability and liquidity do not currently exist for loans and advances to customers and certain other financial assets or liabilities, for which published market information is not readily available. Accordingly, fair value cannot be reliably determined. In the opinion of management, the reported carrying amounts are the most valid and useful reporting value in the circumstances.

3.18. Critical judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amount of assets, liabilities, income and expense in the financial statements of the Bank. Management believes that the judgments, estimates and assumptions used in the preparation of the Bank's financial statements are appropriate given the factual circumstances as of 31 December 2012.

As a result of the global economic crisis different industries and sectors in the Bulgarian economy have marked a decline which causes a material uncertainty and risks for their development in the foreseeable future. The declining rates of economic development increase the risks for the economic environment in which the Bank operates. Therefore, the amount of impairment losses on loans and advances, financial assets available for sale, other financial instruments, as well as the values of other accounting estimates in subsequent reporting periods may differ substantially from those measured and reported in these financial statements. The recoverability of the loans and the adequacy of the recognized impairment losses depend on the financial position of the borrowers and their ability to settle their obligations at contracted maturity in subsequent reporting periods. Bank's management applies the necessary procedures to manage these risks, as disclosed in note 33.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18. Critical judgments and estimates (continued)

Fair value of financial instruments

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

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

Allowance for impairment losses on loans and advances

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

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

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

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

Net current retirement benefit costs

The net current retirement benefit costs are determined by licensed actuaries using assumed discount rates, assumed rates of compensation increase. These assumptions are determined annually.

All amounts are in thousand Bulgarian Levs, except otherwise stated

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18. Critical judgments and estimates (continued)

Useful lives of depreciable assets

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

Impairment of available-for-sale financial assets

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

Income taxes

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

4. CASH AND BALANCES WITH THE CENTRAL BANK

	As of 31.12.2012	As of 31.12.2011
Cash in hand	150,267	167,747
Mandatory reserve with the Central Bank	19,558	782,332
Current account with the Central Bank	569,346	89,869
TOTAL	739,171	1,039,948

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

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

In 2012, cash in hand amounting to 50% of their carrying amount is recognized by BNB as part of the required reserves for regulatory purposes.

5. LOANS AND ADVANCES TO BANKS

	As of 31.12.2012	As of 31.12.2011
Nostro accounts	32,849	29,462
Interbank placements	137,731	355,000
Securities purchased under agreements to resell	46,736	-
Other loans and advances to banks	4,048	4,131
TOTAL	221,364	388,593
Included in cash equivalents (note 25)	221,364	388,593

6. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis by type of customer

	As of 31.12.2012	As of 31.12.2011
Individuals		
Overdrafts	26,066	27,889
Credit cards	174,973	177,583
Mortgages	1,225,854	1,280,410
Consumer loans	953,473	1,041,854
	2,380,366	2,527,736
Corporate entities		
Non-bank financial institutions	104,280	15,082
Corporate customers	2,777,931	2,862,128
Government and agencies	9,862	12,175
	2,892,073	2,889,385
TOTAL LOANS AND ADVANCES, GROSS	5,272,439	5,417,121
Less: allowance for impairment and uncollectability	(720,858)	(557,568)
LOANS AND ADVANCES TO CUSTOMERS	4,551,581	4,859,553
Including loans pledged under bank loans (note 16)	46,267	38,678

(b) Movement of allowances for impairment and uncollectability of loans and advances

	BGN'000
BALANCE AS OF JANUARY 1, 2011	(462,177)
Allowances for impairment and uncollectability charge (Note 34)	(219,850)
Effect from expected cash flows from interests on non-performing loans	672
Loans and advances written off as unrecoverable	123,787
BALANCE AS OF DECEMBER 31, 2011	(557,568)
Allowances for impairment and uncollectability charge	(212,255)
Effect from expected cash flows from interests on non-performing loans	5,518
Loans and advances written off as unrecoverable	43,447
BALANCE AS OF DECEMBER 31, 2012	(720,858)

All amounts are in thousand Bulgarian Levs, except otherwise stated

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As of 31.12.2012	As of 31.12.2011
Government securities	246,039	126,870
Foreign governmentsecurities		
listed on official stock markets	3,746	117
• Including Greek Government bonds	-	117
Debt securities of foreign issuers		
listed on official stock markets	221,059	1,788
Shares		
listed on official stock markets	4	5
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	470,848	128,780

Total financial assets at fair value by type of currency and interest rate are as follows:

As of 31.12.2012

Currency	Fixed interest	Floating interest	Non Interest bearing	Total
BGN	145,525	29	-	145,554
USD	90,376	25,279	-	115,655
EUR	179,261	13,644	-	192,905
GBP	16,734	-	-	16,734
TOTAL	431,896	38,952	-	470,848

As of 31.12.2011

Currency	Fixed interest	Floating interest	Non Interest bearing	Total
BGN	83,006	30	4	83,040
USD	2,313	15,530	-	17,843
EUR	22,785	5,112	-	27,897
TOTAL	108,104	20,672	4	128,780

Trading securities include short-term, medium-term and long-term securities without any significant concentrations in terms of maturity and securities issues.

As of December 31, 2012 securities amounting to BGN 76,472 thousand (2011: BGN 71,626 thousand) are pledged with the Central Bank for the purpose of serving as a collateral against the state funds deposited at the Bank, which are at approximately the same carrying amount.

8. DERIVATIVE FINANCIAL INSTRUMENTS

	31.12.2012			31.12.2011		
	Contract/ notional amount	Fair value		Contract/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Foreign exchange OTC derivatives, incl.:						
Currency forward agreements	372,602	1,393	1,463	258,467	1,190	1,168
Currency swaps	67,715	357	112	104,395	388	412
TOTAL	440,317	1,750	1,575	362,862	1,578	1,580

The concluded contracts for derivative financial instruments include short-term currency forwards and currency swaps. During 2012 and 2011 the Bank has not used derivatives for hedging purposes.

All amounts are in thousand Bulgarian Levs, except otherwise stated

9. FINANCIAL ASSETS AVAILABLE-FOR-SALE

Debt securities available for sale - at fair value	As of 31.12.2012	As of 31.12.2011
Bulgarian government securities	143,991	61,745
Corporate bonds		
Listed on official stock markets	19,226	31,708
Unlisted	6,568	7,390
	25,794	39,098
Equity securities available for sale - at fair value		
Equity securities in local entities		
Unlisted	5,436	5,561
	5,436	5,561
Equity securities in foreign entities		
Listed on official stock markets	5,599	4,231
Unlisted	12,336	128
	17,935	4,359
Equity shares in mutual funds and investment companies	4,768	4,589
TOTAL FINANCIAL ASSETS AVAILABLE-FOR-SALE	197,924	115,352

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

As of 31.12.2012

Currency	Fixed interest	Floating interest	Non Interest bearing	Total
BGN	14,301	-	10,433	24,734
USD	78,346	-	3,379	81,725
EUR	57,913	19,225	14,327	91,465
TOTAL	150,560	19,225	28,139	197,924

As of 31.12.2011

Currency	Fixed interest	Floating interest	Non Interest bearing	Total
BGN	8,302	-	10,149	18,451
USD	34,799	-	4,231	39,030
EUR	25,484	32,258	129	57,871
TOTAL	68,585	32,258	14,509	115,352

Securities available for sale include medium-and long-term securities, with no significant concentrations in terms of maturities and securities issues.

Movements in financial assets available-for-sale

	Financial assets available for sale
BALANCE AS OF JANUARY 1, 2011	119,596
Exchange differences on monetary assets	867
Additions	3,227
Sold/matured during the period	(6,705)
Net change in accrued interest	(805)
Increase changes in fair value	(828)
BALANCE AS OF DECEMBER 31, 2011	115,352
Exchange differences on monetary assets	(911)
Additions	98,870
Sold/matured during the period	(21,056)
Net change in accrued interest	1,364
Increase changes in fair value	4,305
BALANCE AS OF DECEMBER 31, 2012	197,924

All amounts are in thousand Bulgarian Levs, except otherwise stated

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

In 2008 the Bank has reclassified certain financial instruments from financial assets at fair value through profit or loss to available for sale. The following table summarizes the carrying amounts and fair values as of December 31, 2012 (December 31, 2011, respectively) of the securities reclassified in 2008, the fair value gain that would have been recognized in the income statement in 2008 if those securities were not reclassified, and the interest income recognized in the income statement.

Type of instrument	Amount reclassified (fair value at date of reclassification)	Carrying amount at December 31, 2012	Fair value at December 31, 2012	Fair value gain that would have been recognised in P&L in 2012 if not reclassified	Interest income/dividends recognised in P&L in 2012	Impairment (loss) recognised in P&L in 2012
Government securities	33,055	39,841	39,841	692	267	(3,066)
Corporate bonds	32,449	19,032	19,032	(804)	990	
Equity shares in mutual funds	6,664	4,768	4,768	350	-	(172)
	72,168	**63,641**	**63,641**	**901**	**1,513**	**(3,238)**

Type of instrument	Amount reclassified (fair value at date of reclassification)	Carrying amount at December 31, 2011	Fair value at December 31, 2011	Fair value gain that would have been recognised in P&L in 2011 if not reclassified	Interest income/dividends recognised in P&L in 2011	Impairment (loss) recognised in P&L in 2011
Government securities	41,978	45,955	45,366	(1,202)	2,286	-
Corporate bonds	56,339	39,098	39,494	(1,208)	2,922	-
Equity shares in mutual funds	6,664	4,589	4,455	188	-	(2,201)
	104,981	90,642	89,315	(2,222)	5,208	(2,201)

10. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Company name	Country of incorporation	% of ownership	Number of shares	Currency of transaction	Acquisition cost
UBB Factoring EOOD	Bulgaria	100%	10,000	BGN	1,000
UBB Asset Management AD	Bulgaria	90%	636	BGN	636
UBB Insurance Broker AD	Bulgaria	80%	400,000	BGN	400
UBB Chartis Insurance Company AD	Bulgaria	30%	2,082	BGN	2,082
UBB ALICO Life Insurance Company AD	Bulgaria	30%	2,100	BGN	2,100
Drujestvo za Kasovi Uslugi AD	Bulgaria	20%	2,500	BGN	2,501
Total investments in subsidiaries and associates					8,719

In 2012 there are not any changes in Investments in subsdiaries and associates owned by the Bank.

All amounts are in thousand Bulgarian Levs, except otherwise stated

11. INTANGIBLE ASSETS, PROPERTY AND EQUIPMENT

Intangible assets, property and equipment as of December 31, 2012 are as follows:

COST	Land and buildings	Equipment and other assets	**Total property and equipment**	Intangible assets	**Total**
As of January 1, 2012	47,979	164,589	212,568	57,727	270,295
Additions	1,161	8,172	9,333	3,468	12,801
Disposals	-	(11,384)	(11,384)	(6,669)	(18,053)
Transfers	-	-	-	(561)	(561)
Impairment	-	(329)	(329)	-	(329)
As of December 31, 2012	49,140	161,048	210,188	53,965	264,153
Including assets with low cost	-	1,928	1,928	-	1,928
DEPRECIATION/AMORTIZATION					
As of January 1, 2012	28,248	110,403	138,651	48,550	187,201
Charge for 2012	2,703	13,872	16,575	4,606	21,181
Depreciation charged on disposals	38	(6,572)	(6,534)	(6,663)	(13,197)
As of December 31, 2012	30,989	117,703	148,692	46,493	195,185
Including assets with low cost	-	1,928	1,928	-	1,928
NET BOOK VALUE	18,151	43,345	61,496	7,472	68,968

Intangible assets, property and equipment as of December 31, 2011 are as follows:

COST	Land and buildings	Equipment and other assets	**Total property and equipment**	Intangible assets	**Total**
As of January 1, 2011	47,979	163,153	211,132	56,870	**268,002**
Additions	-	7,848	7,848	915	**8,763**
Disposals		(6,412)	(6,412)	(58)	**(6,470)**
As of December 31, 2011	47,979	164,589	212,568	57,727	**270,295**
Including assets with low cost	-	1,870	1,870	-	**1,870**
DEPRECIATION/AMORTIZATION					
As of January 1, 2011	25,706	100,325	126,031	44,375	**170,406**
Charge for 2011	2,542	13,965	16,507	4,233	**20,740**
Depreciation charged on disposals		(3,887)	(3,887)	(58)	**(3,945)**
As of December 31, 2011	28,248	110,403	138,651	48,550	**187,201**
Including assets with low cost	-	1,870	1,870	-	**1,870**
NET BOOK VALUE	19,731	54,186	73,917	9,177	**83,094**

12. DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

	As of 31.12.2012	As of 31.12.2011
Deferred tax assets:		
Tax loss carried forward	2,755	-
Retirement benefit obligations	626	578
Other liabilities unused paid leave	510	140
Provisions for contingent liabilities	53	55
Securities – available for sale	-	361
TOTAL DEFERRED TAX ASSETS	3,944	1,134
Deferred tax liabilities:		
Fixed assets depreciation	1,018	1,726
Investment securities – available for sale	524	524
Total deferred tax liabilities	1,542	2,250
NET DEFERRED TAX LIABILITY	(2,402)	1,116

All amounts are in thousand Bulgarian Levs, except otherwise stated

13. OTHER ASSETS

	As of 31.12.2012	As of 31.12.2011
Assets acquired against debt	32,152	34,690
Receivables from sale of asset	29,972	-
Income tax to be recovered	8,400	5,991
VAT recoverable	603	-
Prepaid expenses	3,388	3,551
Assets by Bank Model Project	-	23,202
Other assets	8,958	2,780
TOTAL	83,473	70,214

Assets acquired against debt

	As of 31.12.2012	As of 31.12.2011
Land	3,941	12
Buildings	27,334	28,855
Machinery and equipment	842	863
Vehicles	-	4,864
Other	35	96
	32,152	34,690

14. DUE TO BANKS

	As of 31.12.2012	As of 31.12.2011
Sight deposits	10,276	5,449
Term deposits	13,366	709,093
REPOS with banks	27,360	68,858
Other due to banks	1,387	374
TOTAL	52,389	783,774
Incl. term deposits of the Parent Company (NBG S.A.)	18,749	702,112

15. DUE TO CUSTOMERS

Analysis by customers

	As of 31.12.2012	As of 31.12.2011
Individuals		
Current/demand accounts	358,449	322,035
Saving accounts	1,020,565	779,071
Term deposits	2,018,553	1,961,809
	3,397,567	3,062,915
Non-bank financial institutions		
Current/demand accounts	121,375	99,464
Term deposits	52,171	70,836
Repo	-	17,104
	173,546	187,404
Corporate entities		
Current/demand accounts	566,326	591,545
Term deposits	504,509	410,217
	1,070,835	1,001,762
Government entities		
Current/demand accounts	97,235	61,375
Term deposits	18,621	14,223
	115,856	75,598
TOTAL	4,757,804	4,327,679

All amounts are in thousand Bulgarian Levs, except otherwise stated

16. BANK BORROWINGS

UBB has signed two long term credit facilities with the European Bank for Reconstruction and Development (EBRD) for total amount of EUR 20 million - Energy Efficiency and Renewable Energy Facility (EUR 15 million) and Energy Efficiency Facility (EUR 5 million). All facilities are bound with EBRD Grant schemes for the Bank and its clients. As of December 31, 2012 these loans have a fluctuating interest rate plus margin and their maturity is up to January 2014.

In December 2010, UBB has signed a contract with EBRD for financing existing or new clients of the UBB, including private enterprises, firms, sole proprietors, or other legal entities formed under the laws of the Republic of Bulgaria, as well as individuals registered or otherwise recognised as entrepreneurs in accordance with such laws for EUR 150 million. As of December 31, 2012 the amount of EUR 75 million of the loan is utilized. The contract is with floating interest rate plus percentage, utilization deadline up to two years from the date of the loan contract and maturity date till December, 2014.

At the end of 2008 UBB signed an agreement with the Bulgarian Development Bank for ten-year loan amounting to BGN 30 million for lending to companies in the private and municipal sector and pre-export lending. As of December 31, 2009 the loan has been utilized. The contract has a fixed interest rate and maturity till December 2018. The obligation is secured with a pledge of receivables from final borrowers, through funding provided under this Agreement, with a total principal amount of BGN 30 million.

In 2009, UBB has signed a contract with the Bulgarian Development Bank for working capital financing to farmers for EUR 15 million. At December 31, 2009 the entire amount of the loan is utilized. The contract is with fixed interest rate and maturity till December 2018. The obligation is secured with a pledge of receivables from final borrowers, through funding provided under this Agreement, with a total principal amount of BGN 15 million.

	As of 31.12.2012	As of 31.12.2011
Credit lines from banks		
In Bulgarian Levs	45,192	45,192
In EUR	142,935	167,224
TOTAL	188,127	212,416

Analysis by utilization

Facilities	Currency	As of 31.12.2012	As of 31.12.2011
Energy efficiency			
Corporate/municipalities	EUR	26,184	21,392
		26,184	21,392
Agriculture	BGN	15,188	15,188
		15,188	15,188
SME finance	BGN	30,004	30,004
	EUR	116,751	145,832
		146,755	175,836
TOTAL		188,127	212,416

All amounts are in thousand Bulgarian Levs, except otherwise stated

17. SUBORDINATED LIABILITIES

Subordinated loans	Carrying amount 2012	Carrying amount 2011	Fair value 2012	Fair value 2011
In EUR	254,668	255,338	254,668	255,338
TOTAL	254,668	255,338	254,668	255,338

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

18. RETIREMENT BENEFIT OBLIGATIONS

	As of 31.12.2012	As of 31.12.2011
Present value of unfunded obligations	7,958	6,065
Unrecognized actuarial losses	(1,699)	(285)
PENSION SCHEMES	6,259	5,780

COMPONENT OF PROFIT AND LOSS CHARGE	As of 31.12.2012	As of 31.12.2011
Current service cost	(295)	(322)
Interest cost on obligation	(361)	(391)
Amortization of unrecognized actuarial loss	-	(73)
Losses on curtailments/settlements	(4)	-
PENSION COSTS - DEFINED BENEFIT PLANS	(660)	(786)

The principal actuarial assumptions used are as follows:

	As of 31.12.2012	As of 31.12.2011
Discount rate	4.00%	6.00%
Rate of compensation increase	5.00%	5.00%
Average future working life	10.81	10.53

Movements in net liabilities in the statement of financial position are as follows:

	As of 31.12.2012	As of 31.12.2011
At beginning of period	5,780	5,169
Benefits paid directly	(181)	(175)
Total expenses recognised in the income statement	660	786
NET LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION	6,259	5,780

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

All amounts are in thousand Bulgarian Levs, except otherwise stated

19. OTHER LIABILITIES

	As of 31.12.2012	As of 31.12.2011
Amounts due to related paries under Funded participation agreement	8,267	-
Creditors and suppliers	5,116	1,570
Other provisions	490	-
Payroll related accruals	124	121
Amounts due to government agencies	64	49
Taxes payable - other than income taxes	-	406
Deferred income	59	56
Provisions for issued letters of guarantees	44	546
Taxes payable - other than income taxes	-	406
Other	1,165	1,078
TOTAL	15,329	3,826

20. SHARE CAPITAL

The total authorized number of ordinary shares at December 31, 2012 and 2011 is 75,964,082 shares with a par value of BGN 1 per share. All issued shares are fully paid, ranked equally and have one voting right each.

21. EARNINGS PER SHARE

	As of 31.12.2012	As of 31.12.2011
(Loss)/Profit for the year	(40,695)	11,876
Weighted average number of ordinary shares outstanding	75,964,082	75, 964,082
EARNINGS PER SHARE	(0.54)	0.16

22. RETAINED EARNINGS

	As of 31.12.2012	As of 31.12.2011
Accummulated prior years' earnings at beginning of period	1,024,092	1,012,218
Other movements	(2)	-
Net (loss)/profit for the period	(40,695)	11,876
TOTAL	983,397	1,024,094

Components of retained earnings are:

	As of 31.12.2012	As of 31.12.2011
General reserves	1,016,434	1,003,661
Net (loss)/profit for the period	(40,695)	11,876
Other	7,658	8,557
TOTAL	983,397	1,024,094

All amounts are in thousand Bulgarian Levs, except otherwise stated

23. REVALUATION RESERVE

	As of 31.12.2012	As of 31.12.2011
Revaluation reserve - AFS investments		
At the beginning of the period	4,264	2,891
Changes in fair value of AFS investmets	3,206	(816)
Impairment losses on AFS investments	3,238	2,201
Net gains/ (losses) transferred to statement of comprehensive income	(20)	(12)
TOTAL	10,688	4,264

24. CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings. As of December 31, 2012 there were several outstanding legal proceedings against the Bank. Management took a decision based on the existing information, that it exists a probability for one of them to suffer losses and the net present value of the probable future cash outflow is amounting to BGN 490 thousand.

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

	As of 31.12.2012	As of 31.12.2011
Undrawn credit commitments	438,328	514,160
Guarantees, documentary and commercial letters of credit	151,544	174,318
TOTAL	589,872	688,478

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

	As of 31.12.2012	As of 31.12.2011
Up to 1 year	4,725	6,218
More than 1 year and less than 5 years	1,466	1,934
TOTAL	6,191	8,152

25. CASH AND CASH EQUIVALENTS

	As of 31.12.2012	As of 31.12.2011
Cash in hand	150,267	167,747
Current account with the Central Bank	569,346	89,869
Mandatory reserve with the Central Bank	19,558	782,332
Loans and advances to banks	221,364	388,593
TOTAL	960,535	1,428,541

All amounts are in thousand Bulgarian Levs, except otherwise stated

26. NET INTEREST INCOME

	Year ended 31.12.2012	Year ended 31.12.2011
A. Interest and similar income		
Loans and advances to banks	1,428	963
Loans and advances to customers		
Loans and advances to financial institutions	3,070	1,027
Loans and advances to individuals	218,828	247,035
Loans and advances to enterprises	179,177	230,814
Financial assets at fair value through profit or loss	7,034	4,421
Investment securities – available for sale	7,976	6,337
TOTAL INTEREST INCOME	417,513	490,597
B. Interest expenses and similar charges		
Due to banks	(1,769)	(13,217)
Deposits of customers		
Deposits of financial institutions	(16,256)	(15,184)
Deposits of individuals	(134,963)	(121,144)
Deposits of enterprises	(25,181)	(28,620)
Bank borrowings	(8,720)	(7,116)
Subordinated liabilities	(3,476)	(5,027)
TOTAL INTEREST EXPENSES	(190,365)	(190,308)
NET INTEREST MARGIN	227,148	300,289

27. NET FEE AND COMMISSION INCOME

	Year ended 31.12.2012	Year ended 31.12.2011
A. Fee and commission income		
Transfer of funds and cash transactions	17,672	19,824
Deposits accounts fees and commissions	23,838	25,445
Credit and debit cards related fees and commissions	22,724	26,042
Loans and advances to customers	7,804	7,757
Guarantees and letters of credit	1,943	2,049
Other fees and commissions	9,995	8,294
	83,976	89,411
B. Fee and commission expenses		
Credit and debit cards related fees and commissions	(4,600)	(4,923)
Transfer of funds	(593)	(711)
Other fees and commissions	(817)	(1,206)
	(6,010)	(6,840)
NET FEE AND COMMISSION INCOME	77,966	82,571

All amounts are in thousand Bulgarian Levs, except otherwise stated

28. NET TRADING INCOME

	Year ended 31.12.2012	Year ended 31.12.2011
Gains on Foreign exchange		
Foreign exchange contracts	13,555	14,081
Position in foreign assets/liabilities	(2,587)	(4,512)
	10,968	9,569
Gains on Interest rate instruments		
Government securities	12,400	1,713
Options	134	2
	12,534	1,715
Equity securities	-	1
NET TRADING INCOME	23,502	11,285

29. NET OTHER OPERATING INCOME/(EXPENSE)

	Year ended 31.12.2012	Year ended 31.12.2011
Loss on disposal of fixed assets, net	(892)	(2,738)
Loss on disposal of intangible assets	(567)	-
Rental income	514	375
Other income, net	2,950	2,072
TOTAL	2,005	(291)

30. NET ALLOWANCES FOR IMPAIRMENT AND UNCOLLECTABILITY

The net charge of allowances for impairment and uncollectability for the year ended December 31, 2012 and 2011 is as follows:

	Year ended 31.12.2012	Year ended 31.12.2011
Loans and advances to customers	(213,716)	(219,852)
Recoveries of written off debts	9,790	13,511
Impairment of Investment securities available for sale	(3,238)	(2,201)
TOTAL	(207,164)	(208,542)

In 2012 the Bank made a decision to impair two corporate bonds with net book value BGN 3,238 thousand as of December 31, 2012 due to non-compliance with the obligations and actions taken to enforce repayment. In 2011 the Bank impaired two mutual funds available-for-sale with net book value BGN 2,201 thousand as of December 31, 2011.

All amounts are in thousand Bulgarian Levs, except otherwise stated

31. GENERAL ADMINISTRATIVE EXPENSES

	Year ended 31.12.2012	Year ended 31.12.2011
Personnel costs	56,795	58,516
Depreciation/Amortization charge	21,181	20,741
Rentals	15,238	17,651
Deposit Insurance Premium	20,840	19,873
Occupancy expenses	16,127	16,863
Third party remuneration and fees	10,312	11,562
Duties and Taxes	10,957	13,193
Marketing and advertisement	4,005	3,743
Telecommunications	3,398	3,599
Insurance costs	2,880	2,983
Stationary - other consumables	3,205	2,809
Business trips	1,504	1,528
Subscriptions - Contributions	94	112
Impairment of assets	3,901	-
Provision for legal cases	490	-
Provision charges for forfeiture of letters of guarantee	(501)	(987)
Other (Audit, consulting, legal fees etc.)	1,990	2,531
TOTAL	172,416	174,717

Personnel costs consists of:	Year ended 31.12.2012	Year ended 31.12.2011
Wages and Salaries	46,959	47,686
Social security costs	6,926	7,194
Accrued bonuses / reintegrated	287	343
Other staff costs	1,035	1,652
Pension costs - defined contribution plans	928	855
Pension costs - defined benefit plans	660	786
Current service cost	295	322
Interest cost	361	391
Net actuarial loss recognized in period	-	73
Loss on curtailment	4	-
TOTAL	56,795	58,516

The expense incurred for external audit services for 2012 was as follows: BGN 209 thousand for audit of the annual financial statements and BGN 222 thousand for other audit-related services..

32. INCOME TAXES

	Year ended 31.12.2012	Year ended 31.12.2011
Current tax expense	(2,755)	1,718
Deferred tax expense/(income) related to origination and reversal of temporary differences	(1,879)	(517)
Tax effects from previous periods	(370)	945
TOTAL	(5,004)	2,146

All amounts are in thousand Bulgarian Levs, except otherwise stated

32. INCOME TAXES (CONTINUED)

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

	Year ended 31.12.2012	Year ended 31.12.2011
(Loss)/Profit before taxation	(45,699)	14,022
Prima facie tax calculated at an applicable tax rate (10% for 2012 and 2011)	(4,570)	1,402
Tax effect of income/(expenses) that are not deductible in determining the taxable profit	(64)	(201)
Tax effects from previous periods	(370)	945
TOTAL	(5,004)	2,146
Effective income tax rate	10.95%	15.30%

Current income tax expense represents the amount of tax to be paid under Bulgarian law at statutory tax rates. Deferred tax income or expense result from the change of carrying amounts of deferred tax assets and deferred tax liabilities. Deferred tax assets and liabilities as of December 31, 2012 and as of December 31, 2011 are calculated using the tax rate of 10%, enacted as of that date to be effective for 2013 and 2012.

33. FINANCIAL INSTRUMENTS RISK MANAGEMENT

By their nature, the Bank's activities are principally related to the use of financial instruments. The Bank accepts deposits from customers at fixed rates and for various periods, and seeks to earn above-average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Bank also seeks to raise its interest margins through lending to commercial and retail borrowers. Such exposures involve not just on-loans and advances; the Bank also enters into guarantees and other commitments such as letters of credit and performance, and other bonds.

Financial instruments may result in certain risks to the Bank. The most significant risks facing the Bank activity:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk
- Risk related to the Greek crisis and the European debt crisis

In terms of risk management the Bank aims to implement and maintain practices consistent with the relevant guidelines and regulations established by the Basel Committee on Banking Supervision Committee of European Banking Supervisors, the Bulgarian National Bank, and all decisions of the competent authorities supervising the Bank and Group companies.

33. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

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

- Board of Directors - determines the strategy for managing the different types of risks;
- Risk Management Committee - approves the capital strategy, risk profile and tolerance (appetite), changes in the definitions of the Bank for various types of risk and risk-return. Management Committee approves credit risk policies, policies for managing market risk, interest rate, liquidity and operational risk. The Committee for Risk Management establishes a system of internal limits for the Bank to manage the various types of risks - market, credit, operational, interest rate, liquidity.
- Audit Committee of the Bank - provides independent external review and evaluation of control systems and risk management;
- The Committee for managing the assets and liabilities (ALCO) - coordinates the management of assets and liabilities and the exercise of centralized control over the liquidity of the bank. The governance role of ALCO is associated with risky situations arising from the structure of the balance sheet.
- Executive Credit Committee - approves credit procedures, internal rules and policies for credit risk of the specialized business units in the bank, including the system of internal limits for credit risk control.
- Specialized Internal Audit Service - apply subsequent independent monitoring of all control systems of various types of risks;
- Risk Management Department - monitors current structure of assets and liabilities of the bank to comply with the predetermined limits by type of risk, assesses the risks identified, implements early warning systems and conducts regular stress tests, assesses capital adequacy for internal and regulatory purposes, regarding the risks undertaken by the Bank risks;
- Regulatory Compliance Department - observe from the Bank of legislation and regulatory requirements.

Credit risk

The Bank is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

The Bank quantifies counterparty risk using internal ratings on the basis of set of qualitative and quantitive criteria. The internal rating of the borrower serves as a basis for calculating anticipated risk. Effective from 2005, the Bank has also used the information supplied by the Central Loan Register operated by the Central Bank and to which banks are required to provide relevant information. Regarding the scoring of retail clients, the Bank generally uses quantitative criteria as well as information supplied by the Central Loan Register.

Basel II allows banks to calculate their regulatory capital requirements using the output of their internal rating systems, subject to supervisory approval. In view of the latter, a working group from Risk Management Department together within the Risk Management Department of NBG, Athens are charged with the development of internal rating and other models under Basel II. The Bank anticipates the new models to be validated by Central Bank at the next reporting periods.

Detailed procedures are applied in the process of lending, which consider analyses of the economic justification of each project, types of collateral acceptable to the Bank, control over the use of extended funds and the administration related to that activity. Depending on their amount, the loans are approved by the credit centers, the Credit Committee and the Executive Credit Committee or the Board of Directors, according to their levels of authority.

33. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

The Bank monitors credit risk concentration on an aggregate basis (i.e., in respect of all on and off balance sheet items). The Bank specifically monitors credit risk concentrations by industry sectors and by groups of related entities. With regard to groups of related entities, the Bank monitors the proportion of credit exposures of the groups to the Bank's capital.

The Bank performs classification for risk purposes of loan receivables and other receivables arising from its financial activities according to local banking regulations. This classification is reviewed and updated on a monthly basis.

Exposure to credit risk is also managed partly by obtaining collateral and corporate and personal guarantees. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate.

The exposure to credit risk is restricted by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers, as well as country limits. The exposure is further restricted by sub-limits covering money market and foreign currency exposures. Actual exposures against limits are monitored on a daily basis.

Market risk

The Bank is exposed to market risks. Market risks arise from open positions in interest and currency rates, all of which are exposed to general and specific market movements. The Bank applies the 'value at risk' methodology ('VaR') to estimate the risk of open currency positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. VaR is a statistically based estimate of the potential loss on the current exposures from adverse market movements. It expresses the "maximum" amount the bank might lose, but only to a certain level of confidence (99%). There is therefore a specific statistical probability (1%) that the actual loss could be greater than the VaR estimates. The VaR model assumes a certain "holding" period until a position can be closed. As the positions of the Bank are small enough in order to be closed within the day, the Bank calculates daily VaR. It also assumes that market movements occurring over this holding period will follow a similar pattern to those that have occurred in the last 75 days. The validity of these assumptions is monitored by comparing daily VaR estimates to the synthetic profit and loss.

The use of VaR estimates does not prevent losses outside these limits in the event of significant market movements.

The Bank manages market risk of all traded debt securities by assessing the effect of a parallel shift of the yield curves by 150 b.p. on their fair value. The method assumes the nearest repricing date as proxy for the modified duration of each security.

The Asset and Liabilities Committee (ALCO) establishes limits as the Bank's maximum exposure to any component of market risk that may be accepted.

33. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Bank manages this risk by establishing and monitoring limits on open positions. In addition to monitoring limits, the Bank uses the 'value at risk' concept for measuring its open positions taken in respect of all currency instruments.

Interest rate risk

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

Liquidity risk

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

The Bank maintains its solvency, i.e. the ability to meet its financial liabilities in a proper manner and in time and manages its assets and liabilities so as to ensure continuous liquidity. Liquidity management is the responsibility of ALCO and is based on Liquidity risk management policy and procedures. Regular meetings of ALCO are held on a monthly basis, during which Bank's liquidity is evaluated and, subsequently, decisions are taken based on the current state of affairs.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs and guarantees. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with high level of certainty. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and in the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Liquidity risk is the risk that the Bank will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Banks's liquidity position is monitored and managed based on expected cash inflows and outflows and adjusting interbank deposits and placements accordingly.

Operational risk

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

33. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Operational risk (continued)

Framework for operational risk management is a set of policies and procedures to monitor, measure and reduce exposure to operational risk of the Bank, including management Strategy for operational risk, Policy and methodology for operational risk management and Riles for their implementation. The Bank has established a special functional structure for operational risk management within the Risk Management Department that is independent of the business and operating units as well as the function of specialized internal audit unit. The unit's responsibility is to determine assessment methods and perform measurement and analysis of operational risk. The responsibility for collecting and reporting information on lost and taking measures to reduce and prevent risks is in the functions of the heads of the operational and functional units within the Bank.

Risk related to the Greek crisis and the European debt crisis

The crisis in the Greek economy resulted in impairment losses recorded in several classes of assets such as Greek government bonds and other loans in Greece which have adversely impacted the financial position, the results of operations, cash flows and regulatory ratios of the NBG S.A in the 2011 and the 2012 financial statements. Furthermore, the crisis has limited the NBG Group's access to liquidity from other financial institutions. The NBG S.A. relies on liquidity facilities provided by the ECB and the Bank of Greece ("BoG") (collectively referred to as the "Eurosystem liquidity facilities").

The ability of the NBG S.A. to continue as a going concern is dependent on raising sufficient funds to restore the NBG S.A. financial position, which is currently negative, and to maintain adequate levels of capital; and on the continuing reliance upon and the continuation of the Eurosystem liquidity facilities.

The NBG Group management's position is that NBG S.A (and the Group) can continue to operate for the foreseeable future given that the specific requirements of Company Law 2190/1920 were covered by the recapitalization plan for Greek banks and that the recapitalization plan for Greek banks forms an integral part of the financial assistance under the second economic adjustment program for Greece, which was ratified by the Greek Parliament on 14 February 2012 and adopted by the Council of the EU (the "Eurogroup") on 21 February 2012 and 13 March 2012 (the "Program").

The Program, which has already been approved by the Troika along with a specific sequence of disbursements, commits funds for the recapitalization plan, amounting up to €50 billion and is now in the implementation phase under the auspices of the Bank of Greece.

Despite the negative global trends in the financial services industry, UBB remained well-capitalized, highly liquid, and primarily funded by domestic deposits. The Bank has no significant exposure to any foreign European government debt. UBB has no significant placements or significant financial commitments with its Parent company. As disclosed in Note 40, as of December 31, 2012 the Bank has received deposits due to its Parent amounting to BGN 18,749 thousand with a maturity of up to 3 months. As at 31.12.2012 the Bank reported a receivable from its Parent amounting to BGN 29,972 thousand according a contract for selling of asset (disclosed in other assets). The recent stress test for internal purposes, performed under strict criteria set by the BNB, demonstrated that the Bank is adequately capitalized and sufficiently liquid, and management believes that any eventual withdrawal of the deposits by the Parent would not affect significantly the liquidity of UBB. In addition, as disclosed in Note 17 and Note 40, the Bank has received a subordinated loan from its Parent amounting to BGN 254,668 thousand as of December 31, 2012 (representing 4.83% of the total liabilities of the Bank). The subordinated term debt is used as supplementary capital reserves to meet the requirements of the Bulgarian National Bank regulations on capital adequacy. The maturity of this debt is until November 2017 and the contractual repayment schedule contains five equal annual payments amounting to BGN 50,852 thousand for the period 2013-2017. The loan cannot be withdrawn by the Parent without the prior consent of the Bulgarian National Bank. The capital base with a capital adequacy ratio of 13.93%, as disclosed in Note 39, enables the Bank to face any reasonably foreseeable adversity. Management believes that the Bank is well positioned to adequately support its business plan over the coming year.

All amounts are in thousand Bulgarian Levs, except otherwise stated

34. LOANS AND ADVANCES – CREDIT RISK ANALYSIS

Loans and advances are summarised as follows:

	As of 31.12.2012		As of 31.12.2011	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Without past due	2,945,106	221,364	3,264,723	388,593
Past due	663,270	-	831,088	-
Past due up to 30 days	415,989	-	*512,195*	-
Past due 30-60 days	153,594	-	*176,161*	-
Past due 60-90 days	93687	-	*142,732*	-
Impaired	1,664,063	-	1,321,310	-
GROSS LOANS	5,272,439	221,364	5,417,121	388,593
Less: allowance for impairment	(720,858)	-	(557,568)	-
NET LOANS	4,551,581	221,364	4,859,553	388,593

Loans past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that are past due but not impaired were as follows:

	As of 31.12.2012			As of 31.12.2011		
	Past due up to 30 days	Past due 30-60 days	Past due 60-90 days	Past due up 30 days	Past due 30-60 days	Past due 60-90 days
Individuals (retail customers)						
Overdrafts	2,252	536	117	131	70	80
Credit cards	3,505	1,257	1,408	4,973	1,906	2,422
Consumer loans	68,552	23,697	19,878	73,448	30,550	35,124
Mortgages	103,347	50,437	41,005	101,978	53,441	33,364
	177,656	75,927	62,408	180,530	85,967	70,990
Corporate loans						
Large customers	102,002	36,430	5,523	172,733	34,538	29,116
SMEs	136,192	41,237	25,655	158,932	55,467	42,181
Micro	139	-	101	-	189	445
	238,333	77,667	31,279	331,665	90,194	71,742
TOTAL	415,989	153,594	93,687	512,195	176,161	142,732

All amounts are in thousand Bulgarian Levs, except otherwise stated

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

Loans and advances to customers according to the allowed past due status and impairment estimating method as of December 31, 2012 and 2011 are as follows:

	Loans and advances to customers						
As of 31.12.2012	Credit Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans	Due from banks
Neither past due nor individually impaired	140,196	632,130	783,923	612,772	776,085	2,945,106	221,364
Past due but not individually impaired	34,777	347,409	251,677	517,964	273,787	1,425,614	-
Individually impaired	-	-	190,254	372,068	339,397	901,719	-
TOTAL Gross	174,973	979,539	1,225,854	1,502,804	1,389,269	5,272,439	221,364
Less: allowance for individually impaired loans	-	-	*(84,031)*	*(196,085)*	*(161,725)*	*(441,841)*	-
Less: allowance for collectively impaired loans	*(27,747)*	*(155,290)*	*(11,973)*	*(83,228)*	*(779)*	*(279,017)*	-
TOTAL Allowance for impairment	(27,747)	(155,290)	(96,004)	(279,313)	(162,504)	(720,858)	-
TOTAL NET LOANS	147,226	824,249	1,129,850	1,223,490	1,226,766	4,551,581	221,364

	Loans and advances to customers						
As of 31.12.2011	Credit Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans	Due from banks
Neither past due nor impaired	141,207	727,024	867,838	752,938	603,215	3,092,222	388,593
Past due but not impaired	36,376	342,720	195,702	596,820	372,253	1,543,871	-
Individually impaired	-	-	216,870	299,599	264,559	781,028	-
TOTAL Gross	177,583	1,069,744	1,280,410	1,649,357	1,240,027	5,417,121	388,593
Less: allowance for individually impaired loans	-	-	*(71,628)*	*(130,011)*	*(97,476)*	*(299,115)*	-
Less: allowance for collectively impaired loans	*(25,621)*	*(137,722)*	*(12,185)*	*(81,876)*	*(1,049)*	*(258,453)*	-
TOTAL Allowance for impairment	(25,621)	(137,722)	(83,813)	(211,887)	(98,525)	(557,568)	-
TOTAL NET LOANS	151,962	932,022	1,196,597	1,437,470	1,141,502	4,859,553	388,593

Loans neither past due nor individually impaired according to their credit quality as of December 31, 2012 and 2011:

	Loans and advances to customers						
Rating As of 31.12.2012	Credit Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans	Due from banks
Satisfactory risk	139,123	622,764	763,401	576,455	704,009	2,805,752	221,364
Watch list	922	6,922	5,656	29,660	67,084	110,244	
Substandard	113	593	475	2,888		4,069	
Unrated	38	1,851	14,391	3,769	4,992	25,041	
TOTAL	140,196	632,130	783,923	612,772	776,085	2,945,106	221,364

	Loans and advances to customers						
Rating As of 31.12.2011	Credit Cards	Consumer	Mortgage	Small business loans	Corporate loans	Total Loans	Due from banks
Satisfactory risk	139,546	715,190	850,107	675,120	549,497	2,929,460	388,593
Watch list	1,322	8,773	7,857	64,048	21,314	103,314	-
Substandard	244	900	1,601	6,455		9,200	-
Unrated	95	2,161	8,273	7,315	32,404	50,248	-
TOTAL	141,207	727,024	867,838	752,938	603,215	3,092,222	388,593

All amounts are in thousand Bulgarian Levs, except otherwise stated

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

Ageing analysis of loans past due but not individually impaired as of December 31, 2012 and 2011:

Time band As of 31.12.2012	Loans and advances to customers					
	Credit Cards	Consumer	Mortgage	Small business loans	Corporate loans	Total Loans
Past due up to 30 days	3,505	70,943	103,347	136,101	88,119	402,015
Past due 31-60 days	1,257	24,233	50,437	30,777	36,430	143,134
Past due 61-90 days	1,408	20,096	40,656	21,967	5,523	89,650
Past due 91-180 days	1,762	16,767	13,969	38,848	21,440	92,786
Past due 180 days- 365 days	1,825	19,587	8,746	56,941	23,892	110,991
Past due 1-2 years	4,340	14,760	3,397	70,525	36,093	129,115
Past due over 2 years	20,680	181,023	31,125	162,805	62,290	457,923
TOTAL	34,777	347,409	251,677	517,964	273,787	1,425,614

Time band As of 31.12.2011	Loans and advances to customers					
	Credit Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans
Past due up to 30 days	4,973	73,530	101,978	157,758	172,733	510,972
Past due 31-60 days	1,908	30,778	53,513	54,786	34,538	175,523
Past due 61-90 days	2,424	35,666	33,403	42,169	29,116	142,778
Past due 91-180 days	2,624	27,248	-	66,669	7,135	103,676
Past due 180 days- 365 days	5,606	24,728	-	61,054	32,986	124,374
Past due 1-2 years	6,928	20,172	-	99,221	55,607	181,928
Past due over 2 years	11,913	130,598	6,808	115,163	40,138	304,620
TOTAL NET	36,376	342,720	195,702	596,820	372,253	1,543,871

Ageing analysis of loans past due and individually impaired as of December 31, 2012 and 2011:

Time band As of 31.12.2012	Loans and advances to customers					
	Credit Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans
Past due up to 30 days	-	-	-	481	13,883	14,364
Past due 31-60 days	-	-	-	10,460	-	10,460
Past due 61-90 days	-	-	349	3,688	-	4,037
Past due 91-180 days	-	-	22,379	7,345	-	29,724
Past due 180 days- 365 days	-	-	13,175	1,238	-	14,413
Past due 1-2 years	-	-	6,378	85,284	68,677	160,339
Past due over 2 years	-	-	147,973	263,572	256,837	668,382
TOTAL	-	-	190,254	372,068	339,397	901,719

Time band As of 31.12.2011	Loans and advances to customers					
	Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans
Past due up to 30 days	-	-	-	1,855	-	1,855
Past due 31-90 days	-	-	-	12	-	12
Past due 61-90 days	-	-	83	438	-	521
Past due 91-180 days	-	-	51,826	5,286	-	57,112
Past due 180 days- 365 days	-	-	41,412	18,844	-	60,256
Past due 1-2 years	-	-	10,477	81,530	29,101	121,108
Past due over 2 years	-	-	113,072	191,634	235,458	540,164
TOTAL	-	-	216,870	299,599	264,559	781,028

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

Analysis of forborn loans broken down by type of products:

Movement of forborne loans 2012	Loans and advances to customers					
	Credit Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans
BALANCE AS OF 31.12.2011	396	174,550	83,328	126,995	109,316	494,585
New forborn assets	140	43,421	35,820	9,698	13,686	102,765
Repayments	(17)	(20,116)	(19,118)	(9,090)	(4,189)	(52,530)
Write- offs	(88)	(397)	(2,037)	-	(14,484)	(17,006)
BALANCE AS OF 31.12.2012	431	197,458	97,993	127,603	104,329	527,814

Movement of forborne loans 2011	Loans and advances to customers					
	Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans
BALANCE AS OF 31.12.2010	79	81,257	34,241	143,144	120,130	378,851
New forborn assets	7,309	130,740	55,893	74,000	4,361	272,303
Repayments	(6)	(6,619)	(976)	(35,585)	(15,175)	(58,36!)
Write- offs	(6,986)	(30,828)	(5,830)	(54,564)	-	(98,208)
BALANCE AD OF 31.12.2011	396	174,550	83,328	126,995	109,316	494,585

Maximum exposures to credit risk before collateral and other credit enhancements

Assets	As of 31.12.2012	As of 31.12.2011
Loans and advances to banks	221,364	388,593
Financial assets at fair value through P/L	470,844	128,775
Derivative financial instruments	1,750	1,578
Loans and advances to customers, net	4,551,581	4,859,553
Investment securities available for sale	169,785	100,843
Financial guarantees	145,399	166,522
Standby letters of credit	4,333	5,774
Commitments to extend credit	438,328	514,160
MAXIMUM EXPOSURES TO CREDIT RISK	6,003,384	6,165,798

Collateral held against loans and advances not impaired

In thousands of BGN	As of 31.12.2012	As of 31.12.2011
Loans and advances not past due		
Mortgage	1,158,859	1,633,371
Cash collateral	15,297	11,758
Securities	-	825
Other types of collateral	1,707,231	1,612,735
	2,881,387	3,258,689
Loans and advances past due		
Mortgage	2,955,473	3,818,804
Cash collateral	22,595	28,286
Securities	-	1,292
Other types of collateral	1,906,711	1,952,105
	4,884,779	5,800,487
TOTAL	7,766,166	9,059,176

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

Collateral held against impaired loans and advances:

In thousands of BGN	As of 31.12.2012	As of 31.12.2011
Mortgage	1,867,627	2,121,630
Cash collateral	3,308	4,097
Other types of collateral	792,503	701,097
TOTAL	2,663,438	2,826,824

35. LOANS AND ADVANCES – INDUSTRY ANALYSIS

Industry Concentration risk - Loans and advances to customers

	As of 31.12.2012		As of 31.12.2011	
Individuals	2,380,366	44%	2,527,736	47%
Construction and real estate development	582,848	11%	719,838	13%
Trade and services (excl. tourism)	880,040	17%	778,711	14%
Industry and mining	418,988	8%	400,177	7%
Small scale industry	414,799	8%	408,307	8%
Transportation and telecommunications	186,415	4%	190,256	4%
Property Brokerage	53,684	1%	129,518	2%
Tourism	115,094	2%	136,476	3%
Energy	80,143	2%	45,922	1%
Services	37,100	1%	32,806	1%
Financial institutions	104,280	2%	15,082	0%
Government	9,863	0%	12,175	0%
Leasing companies	3,623	0%	4,174	0%
Other	5,196	0%	15,943	0%
Total loans and advances, gross	5,272,439	100%	5,417,121	100%
Less: allowance for impairment	(720,858)		(557,568)	
Loans and advances to customers, net	4,551,581		4,859,553	

The next table presents the information of the large exposure of the Bank as for 31 December 2012 and 2011:

	As for December 31, 2012		As for December 31, 2011	
	Amount	*% of Equity*	*Amount*	*% of Equity*
The largest total exposure	73,840	6.89%	97,222	8.80%
Total amount of five largest exposures	377,318	35.19%	377,479	34.18%

36. CURRENCY ANALYSIS

The tables below summarize the exposure to foreign currency exchange rate risk as of December 31, 2012 and 2011. Included in the table are the Bank's assets and liabilities at carrying amounts in thousands BGN, categorized by currency.

As of December 31, 2012	EUR	USD	BGN	Other	Total
ASSETS					
Cash and balances with the Central Bank	310,196	5,113	415,928	7,934	739,171
Loans and advances to banks	65,233	101,762	39,637	14,732	221,364
Loans and advances to customers, net	2,563,272	21,002	1,964,435	2,872	4,551,581
Financial assets at fair value through profit or loss	192,906	115,653	145,556	16,733	470,848
Derivative financial instruments	-	-	1,750	-	1,750
Financial assets available for sale	89,351	83,945	24,628	-	197,924
Investments in subsidiaries and associates	-	-	8,719	-	8,719
Intangible assets	1,548	70	5,854	-	7,472
Property and equipment	342	-	61,154	-	61,496
Deferred tax assets	-	-	3,944	-	3,944
Other assets	32,828	709	49,912	24	83,473
TOTAL ASSETS	3,255,676	328,254	2,721,517	42,295	6,347,742

As of December 31, 2012	EUR	USD	BGN	Other	Total
LIABILITIES					
Due to banks	3,122	16,096	33,053	118	52,389
Due to customers	1,647,515	316,119	91,674	2,702,496	4,757,804
Derivative financial instruments	-	-	1,575	-	1,575
Bank borrowings	142,935	-	45,192	-	188,127
Subordinated liabilities	254,668	-	-	-	254,668
Deferred tax liabilities	-	-	1,542	-	1,542
Retirement benefit obligations	-	-	6,259	-	6,259
Other liabilities	9,141	120	6,045	23	15,329
TOTAL LIABILITIES	2,057,381	332,335	185,340	2,702,637	5,277,693
TOTAL EQUITY	-	-	1,070,049	-	1,070,049
NET BALANCE SHEET POSITION	1,198,295	(4,081)	1,466,128	(2,660,342)	-
CONTINGENT LIABILITIES AND COMMITMENTS	113,456	7,890	(119,336)	-	2,010

All amounts are in thousand Bulgarian Levs, except otherwise stated

36. CURRENCY ANALYSIS (CONTINUED)

As of December 31, 2011	EUR	USD	BGN	Other	Total
ASSETS					
Cash and balances with the Central Bank	819,776	12,937	199,420	7,815	1,039,948
Loans and advances to banks	155,238	198,766	2,856	31,733	388,593
Loans and advances to customers, net	2,564,493	44,999	2,246,774	3,287	4,859,553
Financial assets at fair value through profit or loss	27,894	17,842	83,044	-	128,780
Derivative financial instruments	-	-	1,578	-	1,578
Financial assets available for sale	57,872	39,029	18,451	-	115,352
Investments in subsidiaries and associates	-	-	8,719	-	8,719
Intangible assets	6,292	36	2,849	-	9,177
Intangible assets, property and equipment	337	-	73,580	-	73,917
Deferred tax assets	-	-	1,134	-	1,134
Other assets	1,378	21	68,792	23	70,214
TOTAL ASSETS	3,633,280	313,630	2,707,197	42,858	6,696,965
LIABILITIES					
Due to banks	691,490	13,087	79,162	35	783,774
Due to customers	1,654,259	297,579	2,318,701	57,140	4,327,679
Derivative financial instruments	-	-	1,580	-	1,580
Bank borrowings	167,224	-	45,192	-	212,416
Subordinated liabilities	255,338	-	-	-	255,338
Deferred tax liabilities	-	-	2,250	-	2,250
Retirement benefit obligations	-	-	5,780	-	5,780
Other liabilities	747	94	2,962	23	3,826
TOTAL LIABILITIES	2,769,058	310,760	2,455,627	57,198	5,592,643
TOTAL EQUITY	-	-	1,104,322	-	1,104,322
NET BALANCE SHEET POSITION	864,222	2,870	(852,752)	(14,340)	-
CONTINGENT LIABILITIES AND COMMITMENTS	87,652	3,383	597,443	-	688,478

37. MATURITY ANALYSIS

a) Liquidity analysis

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

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

All amounts are in thousand Bulgarian Levs, except otherwise stated

37. MATURITY ANALYSIS (CONTINUED)

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

As of December 31, 2012	Subject to notice and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years and non-stated maturity	Total
ASSETS						
Cash and balances with Central Bank	739,171	-	-	-	-	739,171
Loans and advances to banks	221,364	-	-	-	-	221,364
Loans and advances to customers, net	471,874	323,597	488,677	351,908	2,915,525	4,551,581
Financial assets at fair value through profit or loss	3	202,157	15,003	101,746	151,939	470,848
Derivative financial instruments	1,750	-	-	-	-	1,750
Investment securities available for sale	28,135	5,680	14,625	122,271	27,213	197,924
Investments in subsidiaries and associates	-	-	-	-	8,719	8,719
Intangible assets	-	-	-	-	7,472	7,472
Property and equipment	-	-	-	-	61,496	61,496
Deferred tax assets	-	-	-	-	3,944	3,944
Other assets	-	-	-	-	83,473	83,473
TOTAL ASSETS	1,462,297	531,434	518,305	575,925	3,259,781	6,347,742
LIABILITIES						
Due to banks	38,460	12,445	1,484	-	-	52,389
Due to customers	1,911,152	698,550	1,910,209	237,893	-	4,757,804
Derivative financial instruments	1,575	-	-	-	-	1,575
Bank borrowings	10,916	-	66,472	110,739	-	188,127
Subordinated liabilities	-	410	50,852	173,406	30,000	254,668
Deferred tax liabilities	-	-	-	-	1,542	1,542
Retirement benefit obligations	-	-	-	-	6,259	6,259
Other liabilities	-	-	-	-	15,329	15,329
TOTAL LIABILITIES	1,962,103	711,405	2,029,017	522,038	53,130	5,277,693
NET LIQUIDITY GAP	(499,806)	(179,971)	(1,510,712)	53,887	3,206,651	1,070,049
CUMULATIVE	(499,806)	(679,777)	(2,190,489)	(2,136,602)	1,070,049	-

All amounts are in thousand Bulgarian Levs, except otherwise stated

37. MATURITY ANALYSIS (CONTINUED)

As of December 31, 2011	Subject to notice and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years and non-stated maturity	Total
ASSETS						
Cash and balances with Central Bank	1,039,948	-	-	-	-	1,039,948
Loans and advances to banks	388,593	-	-	-	-	388,593
Loans and advances to customers, net	523,208	283,939	598,319	980,655	2,473,432	4,859,553
Financial assets at fair value through profit or loss	4	-	1,788	38,029	88,959	128,780
Derivative financial instruments	1,578	-	-	-	-	1,578
Investment securities available for sale	14,509	-	19,351	60,469	21,023	115,352
Investments in subsidiaries and associates	-	-	-	-	8,719	8,719
Intangible assets	-	-	-	-	9,177	9,177
Property and equipment	-	-	-	-	73,917	73,917
Deferred tax assets	-	-	-	-	1,134	1,134
Other assets	-	-	-	-	70,214	70,214
TOTAL ASSETS	1,967,840	283,939	619,458	1,079,153	2,746,575	6,696,965
LIABILITIES						
Due to banks	643,175	854	20,093	119,652	-	783,774
Due to customers	1,813,614	766,649	1,608,965	138,451	-	4,327,679
Derivative financial instruments	1,580	-	-	-	-	1,580
Bank borrowings	7,001	-	71,544	133,871	-	212,416
Subordinated liabilities	-	-	-	-	255,338	255,338
Deferred tax liabilities	-	-	-	-	2,250	2,250
Retirement benefit obligations	-	-	-	-	5,780	5,780
Other liabilities	-	-	-	-	3,826	3,826
TOTAL LIABILITIES	2,465,370	767,503	1,700,602	391,974	267,194	5,592,643
NET LIQUIDITY GAP	(497,530)	(483,564)	(1,081,144)	687,179	2,479,381	1,104,322
CUMULATIVE	(497,530)	(981,094)	(2,062,238)	(1,375,059)	1,104,332	-

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

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

A maturity analysis of financial liabilities that shows the contractual maturities including the interest due over the contracts based on the effective interest rates.

All amounts are in thousand Bulgarian Levs, except otherwise stated

37. MATURITY ANALYSIS (CONTINUED)

As of 31 December 2012	Subject to notice and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years and non-stated maturity	Total
Due to banks	38,463	13,026	1,491	-	-	52,980
Due to customers	1,932,605	732,033	1,978,494	243,879	243,879	5,130,890
Bank borrowings	11,773	11,844	75,695	89,833	31,500	220,646
Subordinated liabilities	241	170	52,372	207,459	-	260,241
Deferred tax liabilities	-	-	-	-	1,542	1,542
Retirement benefit obligations	-	-	-	-	6,259	6,259
Other liabilities	-	-	-	-	15,329	15,329
TOTAL LIABILITIES (contructual maturity dates)	1,983,082	757,073	2,108,052	541,171	298,509	5,687,887

As of 31 December 2011	Subject to notice and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years and non-stated maturity	Total
Due to banks	672,592	854	20,522	122,595	-	816,563
Due to customers	1,900,021	806,176	1,670,747	143,874	143,874	4,664,692
Bank borrowings	7,269	5,688	71,985	99,225	44,093	228,260
Subordinated liabilities	-	1,581	5,803	29,272	295,433	332,089
Deferred tax liabilities	-	-	-	-	2,250	2,250
Retirement benefit obligations	-	-	-	-	5,780	5,780
Other liabilities	-	-	-	-	3,826	3,826
TOTAL LIABILITIES (contructual maturity dates)	2,579,882	814,299	1,769,057	394,966	495,256	6,053,460

b) Interest rate risk analysis

As of December 31, 2012	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
ASSETS							
Cash and balances with Central Bank	-	-	-	-	-	739,171	739,171
Loans and advances to banks	221,364	-	-	-	-	-	221,364
Loans and advances to customers, net	3,188,492	337,225	24,888	35,632	12,412	952,932	4,551,581
Derivative financial instruments	1,750	-	-	-	-	-	1,750
Financial assets at fair value through profit or loss	194,296	16,535	41,051	97,881	121,085	-	470,848
Investment securities available for sale	10,734	9,354	7,576	114,912	27,209	28,139	197,924
Investments in subsidiaries and associates						8,719	8,719
Other assets	-	-	-	-	-		
TOTAL FINANCIAL ASSETS	3,616,636	363,114	73,515	248,425	160,706	1,728,961	6,191,357
LIABILITIES							
Due to banks	26,797	12,445	1,484	-	-	11,663	52,389
Due to customers	1,911,152	698,550	1,910,209	237,893	-	-	4,757,804
Derivative financial instruments	1,575	-	-	-	-	-	1,575
Bank borrowings	22,180	10,043	155,904	-	-	-	188,127
Subordinated liabilities	117,459	137,209	-	-	-	-	254,668
Other liabilities							
TOTAL FINANCIAL LIABILITIES	2,079,163	858,247	2,067,597	237,893	-	11,663	5,254,563
NET INTEREST RATE GAP	1,537,473	(495,133)	(1,994,082)	10,532	160,706	1,717,298	936,794

All amounts are in thousand Bulgarian Levs, except otherwise stated

37. MATURITY ANALYSIS (CONTINUED)

As of December 31, 2011	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
ASSETS							
Cash and balances with Central Bank	-	-	-	-	-	1,039,948	1,039,948
Loans and advances to banks	388,593	-	-	-	-	-	388,593
Loans and advances to customers, net	3,676,444	134,774	56,336	29,489	13,686	948,825	4,859,554
Derivative financial instruments	1,578						1,578
Financial assets at fair value through profit or loss	-	-	20,672	39,817	68,291	-	128,780
Investments in subsidiaries and associates	7,455	13,369	15,952	49,277	14,790	14,509	115,352
Investment securities available for sale	-	-	-	-	-	8,719	8,719
Other assets	-	-	-	-	-		
TOTAL FINANCIAL ASSETS	4,074,070	148,143	92,960	118,583	96,767	2,012,001	6,542,524
LIABILITIES							
Due to banks	643,175	854	20,093	119,652	-	-	783,774
Due to customers	1,807,983	766,649	1,608,965	138,451	-	5,631	4,327,679
Derivative financial instruments	1,580						1,580
Bank borrowings	11,964	9,574	190,878	-	-	-	212,416
Subordinated liabilities	117,815	137,523	-	-	-	-	255,338
Other liabilities	-	-	-	-	-		
TOTAL FINANCIAL LIABILITIES	2,582,517	914,600	1,819,936	258,103	-	5,631	5,580,787
NET INTEREST RATE GAP	1,491,553	(766,457)	(1,726,976)	(139,520)	96,767	2,006,370	961,737

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

c) Effective average interest rate by major currency

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

As of December 31, 2012	EUR	USD	BGN	Other
	%	%	%	%
ASSETS				
Loans and advances to banks	0.028	0.184	0.004	0.228
Loans and advances to customers	6.51	5.37	10.33	-
Financial assets at fair value through profit and loss	2.028	0.403	4.262	0.529
Financial assets available for sale	5.651	7.499	4.709	-
LIABILITIES				
Due to banks	0.1	0.42	0.01	-
Due to customers	3.83	2.95	3.5	1.31
Bank loans	2.96	-	5	-
Subordinated liabilities	0.81	-	-	-

All amounts are in thousand Bulgarian Levs, except otherwise stated

37. MATURITY ANALYSIS (CONTINUED)

As of December 31, 2011	EUR	USD	BGN	Other
	%	%	%	%
ASSETS				
Loans and advances to banks	0.26	0.23	-	0.4
Loans and advances to customers	4.6	4.96	8.54	3.33
Financial assets at fair value through profit and loss	4.57	1.46	4.64	-
Financial assets available for sale	7.23	6.69	6.94	-
LIABILITIES				
Due to banks	4.38	1.71	0.7	-
Due to customers	4.45	3.34	3.92	1.46
Bank loans	4.26	-	5	-
Subordinated liabilities	2.17			

38. FAIR VALUE OF ASSETS AND LIABILITIES DISCLOSURE

Fair value is defined as the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction. Sufficient market experience, stability and liquidity do not currently exist for loans and advances to customers and for certain other financial assets or liabilities, for which published market information is not readily available. Accordingly, their fair values cannot be readily determined. The management believes their carrying amounts are the most valid and useful reporting values under these circumstances.

a) Financial instruments at fair value

The following table summarizes information about the fair value of financial assets and liabilities for 2012 and 2011 measured at fair value in the statement of the financial position of the Bank:

2012	Carrying amount	LEVEL 1: Quoted market price	LEVEL 2: Valuation techniques-market observable inputs	LEVEL 3: Valuation techniques-non-market observable inputs	Fair value not available
ASSETS					
Financial assets at fair value through profit or loss	470,848	470,848	-	-	-
Derivative financial instruments	1,750	1,750	-	-	-
Financial assets available for sale	197,924	136,683	38,701	22,403	137
TOTAL ASSETS	670,522	609,281	38,701	22,403	137
LIABILITIES					
Derivative financial instruments	1,575	1,575	-	-	-
TOTAL LIABILITIES	1,575	1,575	-	-	-

All amounts are in thousand Bulgarian Levs, except otherwise stated

38. FAIR VALUE INFORMATION (CONTINUED)

2011	Carrying amount	LEVEL 1: Quoted market price	LEVEL 2: Valuation techniques- market observable inputs	LEVEL 3: Valuation techniques- non market observable inputs	Fair value not available
ASSETS					
Financial assets at fair value through profit or loss	128,780	128,780	-	-	-
Derivative financial instruments	1,578	1,578	-	-	-
Financial assets available for sale	115,352	55,776	53,887	5,552	137
TOTAL ASSETS	245,710	186,134	53,887	5,552	137
LIABILITIES					
Derivative financial instruments	1,580	1,580	-	-	-
TOTAL LIABILITIES	1,580	1,580	-	-	-

b) Financial instruments not measured at fair value

Management believes that the fair value of certain instruments of the statement of financial position reported at amortized cost, in particular for assets less impairment losses, did not differ significantly from their carrying amount. The reason for this is that the major part of the tools are based on variable rates dependent on the fluctuation of the market and potential change within 1 month. However, impairments on this type of loans are based on discounted future cash flows at the current rate. The Bank has no significant amounts of borrowed funds that are long-term in nature and have fixed interest rates. However, the market interest rates on term deposits are relatively stable. Long-term borrowings bear interest mainly to variable interest rates based on market interest rates with time to change up to three months. Due to these circumstances, management believes that the carrying amount of borrowings referred to in the statement of financial position of the Bank is approximately equal to their fair value. The following table presents the financial instruments carried at amortized cost, less the amount of impairment, where applicable:

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS				
Cash and balances with Central bank	739,171	739,171	1,039,948	1,039,948
Loans and advances to banks	221,364	221,364	388,593	388,593
Loans and advances to customers, net	4,551,581	4,551,581	4,859,553	4,859,553
TOTAL ASSETS	5,512,116	5,512,116	6,288,094	6,288,094
LIABILITIES				
Due to banks	52,389	52,389	783,774	783,774
Due to customers	4,757,804	4,757,804	4,327,679	4,327,679
Long-term borrowings	188,127	188,127	212,416	212,416
Subordinated term debt	254,668	254,668	255,338	255,338
TOTAL LIABILITIES	5,252,988	5,252,988	5,579,207	5,579,207

39 CAPITAL. CAPITAL BASE

The Bank determines its risk-taking capacity on the basis of the capital resources, available for covering losses, generated by the Bank's risk profile. Capital has been classified into capital-at-risk levels according to its capacity for covering losses and its stability.

All amounts are in thousand Bulgarian Levs, except otherwise stated

39 CAPITAL. CAPITAL BASE (CONTINUED)

In accordance with the regulatory framework the Bank allocates capital for observing the capital requirements for credit risk, market risk and operational risk. In 2012 and 2011 UBB applied the standardized approach in relation to credit, market and operational risk.

During the management of its capital-at-risk, the Bank observes the regulatory instructions, as well as its own objectives. The minimum requirements, applicable to Bulgaria, include maintaining of total capital adequacy not less than 12% and tier-one capital adequacy of not less than 6%. The Bank has complied with the regulatory requirements of minimum capital adequacy for 2012 and 2011.

In response to the raving global financial crisis, BNB has officially recommended to Bulgarian banks to reach not later than June 30, 2009 a tier-one capital ratio of minimum 10%. UBB has fulfilled this additional requirement of the regulator.

In accordance with the Bank's risk strategy, the 'risk-return' ratio is managed in such a way, that the tier-one capital adequacy ratio does not fall below 8% in a normal business environment and below 6% under stress-test scenarios (once in a 100 years, 1% probability).

In a long-term perspective, the Bank plans to establish an internal capital adequacy assessment process, which to be subsequently supported by a framework for economic capital management. The established capital-at-risk will be the key to the development of a risk-weighted framework for assessment of the activity, as well as a risk-weighted pricing and client profitability.

Capital base (own funds)

The capital base (own funds) includes Tier-one and Tier-two capital, in accordance with the requirements of the Bulgarian National Bank.

	As of 31.12.2012	As of 31.12.2011
Share capital	75,964	75,964
Statutory reserve	983,397	1,012,218
Total share capital and reserves	1,059,361	1,088,182
Deductions		
Intangible assets	7,472	9,177
Total deductions	(7,472)	(9,177)
TOTAL TIER I CAPITAL	1,051,889	1,079,005
Subordinated term debt	203,406	254,258
TOTAL TIER II CAPITAL	203,406	254,258
Additional deductions from Tier I and Tier II Capital	(646,802)	(606,809)
TOTAL CAPITAL BASE	608,493	726,454

The additional reductions of the capital base are related to participations of the Bank into non-consolidated companies, representing 10% or more of their registered capital and to the amount of the specific provisions for credit risk, as defined in Ordinance 9 of the Bulgarian National Bank. For regulatory purposes these are equally subtracted from the Tier–one and Tier-two capital.

The subordinate term debt includes provided long-term loans by National Bank of Greece with initial value of EUR 130 million (see note 17).

All amounts are in thousand Bulgarian Levs, except otherwise stated

39. CAPITAL. CAPITAL BASE (CONTINUED)

Capital requirements

As of December 31, 2012 and December 31, 2011 the capital requirements for credit, market and operational risks are, as follows:

	As of 31.12.2012	As of 31.12.2011
Capital requirements for credit risk		
Exposures to:		
Central Governments and Central Banks	3,134	1,392
Regional or local authorities	674	787
Institutions	3,625	7,473
Corporates	140,074	149,141
Retail	63,651	71,956
Exposure secured by real estate property	28,120	31,368
Past dues positions	30,237	34,108
Other exposures	13,939	12,590
TOTAL CAPITAL REQUIREMENTS FOR CREDIT RISK	283,454	308,816
Capital requirements for market risk	7,914	3,880
Capital requirements for operational risk	58,014	61,153
Total capital requirements for credit risk, market risk and operational risk	349,382	373,849
Additional capital requirements subject to National Discretions from the Regulator	174,691	186,924
TOTAL REGULATORY CAPITAL REQUIREMENTS	524,073	560,773
Capital base	608,493	726,454
There of Tier I	1,051,889	1,079,005
Free equity	84,420	165,681
TOTAL CAPITAL ADEQUACY RATIO	13.93%	15.55%
TIER I RATIO	13.93%	15.55%

The capital requirements for credit risk cover the credit risk and the risk of dispersion in the Bank's portfolio, the counterparty risk for the overall activity and the settlement risk over the trading portfolio.

Capital requirements for market risk include market risk over a trading portfolio, currency risk for the overall activity and commodity risk for the overall activity.

Capital requirements for operational risk cover the risk of losses, originating from inadequate or ill-functioning internal processes, people and systems or external events, as it also covers legal risk.

40. RELATED PARTY TRANSACTIONS

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

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

All amounts are in thousand Bulgarian Levs, except otherwise stated

40. RELATED PARTY TRANSACTIONS (CONTINUED)

As of December 31, 2012 and 2011 the Banks has performed transactions with the following related parties:

Related parties	Type of relation
National Bank of Greece	Parent company
Interlease AD	Entity under control of Parent company
Stopanska Banka AD	Entity under control of Parent company
Finansbank	Entity under control of Parent company
Ethnoplan	Entity under control of Parent company
NBG Managementservices LTD	Entity under control of Parent company
UBB Asset Management	Subsidiary
UBB Insurance Broker	Subsidiary
UBB Factoring EOOD	Subsidiary
UBB ALICO Life Insurance Company AD	Associate company
UBB Chartis Insurance Company AD	Associate company
DKU AD	Associate company
UBB Balanced Fund	Mutual funds managed by Subsidiary
UBB Premium Shares Fund	Mutual funds managed by Subsidiary
UBB Platinium Bonds Fund	Mutual funds managed by Subsidiary

As of December 31, 2012 and 2011 the Bank outstanding balances are as follows:

Related parties	Type of transaction	As of 31.12.2012	As of 31.12.2011
Parent company	Loans and advances to banks	6,113	3,696
Parent company	Deposits received	18,748	702,112
Parent company	Subordinated term debt	254,668	255,338
Parent company	Amounts receivable on sale of assets	29,972	-
Parent company	Other payments	634	
Entities under control of Parent company	Loans and advances to banks	394	411
Entities under control of Parent company	Loans granted	84,134	
Entities under control of Parent company	Other payments	8,267	-
Entities under control of Parent company	Derivative financial instruments	-	19
Entities under control of Parent company	Deposits received	82	41,289
Entities under control of Parent company	Contingent liabilities	-	9,779
Subsidiaries	Loans granted	11,900	4,098
Subsidiaries	Deposits received	2,056	1,895
Associate companies	Deposits received	12,249	10,702
Associate companies	Assets for Bank – Model project	-	324

All amounts are in thousand Bulgarian Levs, except otherwise stated

40. RELATED PARTY TRANSACTIONS (CONTINUED)

Income and expenses, realized by the Bank during 2012 and 2011 from deals with related parties are as follows:

Related parties	Type of transaction	As of 31.12.2012	As of 31.12.2011
Parent company			
Parent company	Interest expense	4,862	16,329
Entities under control of Parent company	Interest income	494	327
Parent company	Revenue from selling an asset	29,792	-
Entities under control of Parent company	Interest income	1,907	328
Entities under control of Parent company	Income from fees and commissions	208	89
Entities under control of Parent company	Interest expense	771	3,351
Entities under control of Parent company	Other income	18	18
Subsidiaries	Interest expense	223	155
Associate companies	Interest expense	561	443
Associate companies	Cash Service costs	2,177	2,611
Associate companies	Third party remuneration and fees	4,932	4,477
Associate companies	Other operating expenses	421	-

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

The total amount of remuneration for 2012 is BGN 811 thousand (2011: BGN 944 thousand).

Total amount of deposits and current accounts of BD members and their close family members (domestic partner, children and dependants), is of BGN 6,504 thousand and the amount of loans is BGN 358 thousand.

The positions in income statement are as follows: Interest and commission income – BGN 32 thousand, Interest and commission expenses – BGN 613 thousand.

Subsidiary and associated companies. Transactions between UBB, its subsidiaries (UBB Factoring, UBB Asset Management and UBB Insurance Broker), associated companies (UBB Chartis Insurance Company AD, UBB AIG ALICO Life Insurance Company AD and Drujestvo za Kasovi Uslugi AD) and mutual funds managed by UBB Asset Management (UBB Balanced Fund, UBB Premium Shares Fund and UBB Platinum Bonds Fund) are related to maintaining of deposits and current accounts.

The Bank participates in the Mutual funds managed by its subsidiary UBB Asset Management as follows:

Shares in mutual funds managed by the subsidiary UBB Asset Management	As of 31.12.2012	As of 31.12.2011
UBB Balanced Fund	1,876	1,876
UBB Premium Shares Fund	1,403	1,403
UBB Platinum Bonds Fund	1,310	1,310

41. EVENTS AFTER THE REPORTING PERIOD

Changes in the Board of Directors of the Bank

At an Extraordinary General Meeting of Shareholders of UBB AD, held on 18.02.2013 in Sofia have been elected as new members of the Board of Directors of UBB AD Mr. Konstantinos Pavlos Milonas and Mr. Panagiotis George Karandreas.

At an Extraordinary General Meeting of Shareholders of UBB AD held on 04.03.2013 in Sofia have been decided Mr. Dimitrios Anagnostopoulos to be released as a member of the Board of Directors of United Bulgarian Bank AD.

Acquisition of Eurobank Ergasias S.A. by NBG S.A. (the parent company)

On 5 October 2012 NBG S.A. submitted a voluntary offer to acquire all the ordinary registered shares with voting rights of Eurobank Ergasias S.A. ("Eurobank"), which it did not hold at 5 October 2012, at an exchange ratio of 58 new ordinary registered shares with voting rights of the Bank for every 100 shares of Eurobank. On 15 February 2013 NBG had acquired 84,35% of the ordinary share capital and obtained control of Eurobank.

The Eurobank Group offers a full range of banking and financial products and services to households and enterprises also in the Bulgarian financial market. Retail Banking, Corporate Banking, Investment Banking and Asset Management are part of its activities.

The acquisition of Eurobank may lead to restructuring activities in 2013 and subsequent periods, in the markets in which the NBG Group operates. The impact of such restructuring on the financial position of the NBG Group subsidiaries cannot be reliably assessed at this stage.

The enlarged NBG Group is expected to achieve significant annual synergies, benefit from a large branch network in Greece, together with an enhanced presence in South Eastern Europe, with material positions in key regional markets including Bulgaria. Customers will benefit from the enhanced capabilities of the combined group drawing on each bank's competitive strengths, including a wider product offering, improved capacity to lend, and better and more efficient service.