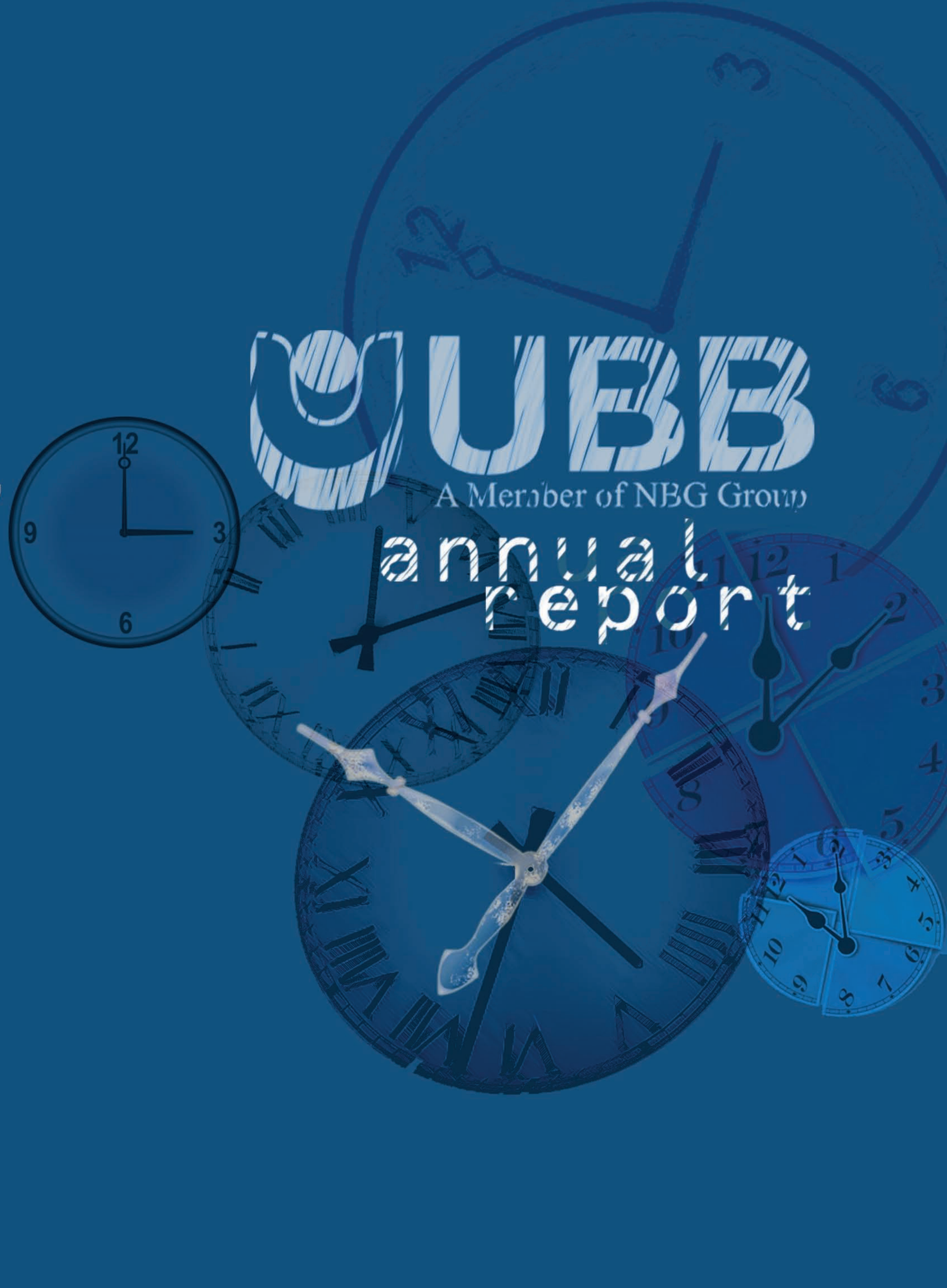
2007

UBB

A Member of NBG Group

annual report



UNITED BULGARIAN BANK
A Member of NBG Group

Annual Report 2007

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Statement Of
The Chairman Of The Board Of Directors

Dear Shareholders,

2007 was yet another very successful year in the development of UBB. The Bank carried on the trend of steady growth at a high rate, keeping up superior levels of profitability and efficiency.

In the environment of an extremely strong competition in the Bulgarian market, UBB reported an impressive increase of 54.8% asset growth and 29.7% pre-tax profit vs. 2006, achieving a pre-tax profit of BGN 205,7 million (EUR 105,1 million) at the end of 2007. Furthermore, ROAE increased to 28.6% and ROAA to a strong level of 3.9%, ranking the Bank among the top performers according to international standards. UBB's cost to income ratio at the end of the year stood at the excellent 37.8%.

The Bank is second in the local market both in corporate and retail lending, achieving during the year considerable market share growth in both segments. The corporate loan portfolio reached BGN 2,661.2 million (EUR 1,360.7 million) at the end of 2007, presenting an increase of 93.7% y/y and a market share of 11.2%. Retail loans also grew by an impressive 69.3%, including mortgage loans at 78.5%, consumer loans at 65.4% and credit cards at 59.6 %. The Bank firmly maintains its second position in the retail market with 18.5% market share in mortgage lending and 18% in consumer loans.

UBB has also a leading position in cards and card related business with a 15% market share in debit cards and nearly 60% in credit cards. At the end of 2007, the Bank has issued more than 1,000,000 debit cards, 350,000 credit cards and was ranked first in the Bulgarian card market.

During 2007 the Bank continued to expand the branch network by opening 56 new branches, reaching the total figure of 229 branches by year end.

UBB has also one of the largest and constantly growing ATM network of 687 units and ended the year with more than 5,600 POS terminals. A big part of the retail business is also channelled via call centre and telemarketing, Internet banking and third party co-operations.

Aiming to enhance its position in SME business during the year, the Bank opened 7 new Business Centres in big cities such as Sofia, Varna, Bourgas, Pleven, Plovdiv and Stara Zagora, offering all types of corporate financing facilities, consultancy and other banking services to the corporate clients using simplified procedures, expertise and superior service quality.

Needless to say that our success in attaining these sustainable results is the outcome of strong and professional management, experienced and committed Bank employees, as well as the strong support of the main shareholder, National Bank of Greece SA.

We remain convinced of the high potential of the Bulgarian market and shall keep on with the successful strategy of sustainable growth for the benefit of the Bank's shareholders, customers, staff and management, aiming at the recognition of United Bulgarian Bank as the most effective and prosperous banking institution in Bulgaria.

Yours sincerely,

Ioannis Pechlivanidis

Chairman of the Board of Directors

General Information

GENERAL INFORMATION

- **Established** in 1992 through the merger of 22 Bulgarian regional commercial banks, the first and most comprehensive consolidation project in the Bulgarian banking sector.

- **Privatized** in 1997, the first privatization of a large state-owned Bulgarian bank.

- **Registered Share Capital: BGN 75,964,082**
The share capital of the Bank is allocated into 75,964,082 registered, ordinary voting shares, at BGN 1 par value each.

- **Main Shareholders:**

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

- **Banking License:**
Full banking license for domestic and overseas banking and financial operations.

- **Ratings:**

FITCH

BBB+ Long Term Foreign Currency
F2 Short Term Foreign Currency
Outlook Stable
Individual C/D
Support – 2
Outlook Stable

Standard & Poor's

BBB Long Term Foreign Currency
A-2 Short Term Foreign Currency
Outlook Stable

- **Over 750 Correspondent Relations**

- **Branch Network: 229** units countrywide

- **Banking Services:**
  - BGN and FX loans
  - BGN and FX deposits
  - FX transactions
  - Prompt and express intra-bank transfers
  - Electronic banking
  - Cash management
  - BGN and FX accounts and traveller's cheques
  - Debit and credit card payments
  - Cash collection operations and depositories
  - Bank guarantees and letters of credit
  - Securities' trading
  - Depository / fiduciary services
  - Investment banking services
  - Western Union transfers

- **Market Position**
  - Third largest Bulgarian bank by assets
  - Seccond in corporate lending
  - Second in domestic retail lending
  - Leader in the card services market and in domestic BGN payments

- **Market share** (as of 31 December 2006 calculated as a percentage of the entire banking sector, according to BNB statistical data):

8%	Corporate deposits
9%	Corporate loans
11%	Deposits to individuals
19%	Consumer Loans
17%	Mortgage loans
15%	Debit Cards
60%	Credit cards
17%	ATMs
18%	POS terminals
10%	Inter-bank transactions

- **Memberships and Others:**
  - Association of Commercial Banks in Bulgaria
  - Bulgarian Stock Exchange
  - Central Securities Depository
  - MasterCard International
  - VISA International
  - JCB
  - S.W.I.F.T.
  - IIF – Institute of International Finance - The Global Association of Financial Institutions
  - BIBA – Bulgarian Industrial and Business Association
  - BBLF – Bulgarian Business Leaders' Forum
  - Licensed primary dealer of government securities
  - Licensed investment intermediary for corporate securities trading
  - Western Union Agent

Business Strategy

BUSINESS STRATEGY

The mission of the NBG Group, as set out in its three-year Business Plan 2007-2009, is:

- To be the leading and most reputable financial institution in Bulgaria, offering a superior service to its customers,
- To become the employer of choice to the benefit of its employees, and
- To deliver superior returns to its shareholders, within an environment of modern and effective corporate governance and a carefully monitored risk management framework.

UBB focuses primarily on developing its retail business, SME financing, insurance and asset management operations - areas that present attractive prospects and in which UBB boasts comparative strengths. UBB aims to consolidate its position in the domestic market by leveraging its large deposit base, one of its key competitive advantages. This enables the Bank to boost its cross-selling potential, particularly with respect to marketing retail and bancassurance products, and to enhance its presence in SME financing and large corporate lending.

To achieve these goals, the Bank has set specific strategic priorities and actions:

Aggressively Expand in all Retail Product Groups: Mortgage Loans, Consumer Loans and Credit cards

- Transfer transaction functionality to the Call Center
- Expand retail sales through mobile direct Sales Force and Third Parties
- Expand alternative channels to boost Mortgages and Credit Cards:
  - promote sales through Real Estate Agencies and Retail Chains
  - ATM and POS network
- Implement in-house collection mechanism and accelerate in-house collections

Corporate & SME

Large Corporate: increase share of business

- Expand innovative products and cross-selling to credit and non-credit customers
- Develop cross-border syndicated loan cooperation with NBG: UBB acting as an agent bank for large projects exceeding EUR 15 mn.
- Design and implement CRM
- Promote financing through the capital markets: corporate bond issues
- Introduce modern investment solutions for the access to the largest international markets and unique benefits

Conquer and keep the leadership in SME market

- Provide additional services for the existing UBB`s credit & non-credit clients
- Create and introduce new SME loan products
- Improvement of efficiency in SME lending
- Exploring and establishing the EU Programs for SMEs together with multilateral (IFC, EBRD) existing facilities.

Aggressive deposit base expansion to ensure the desired growth

- Expand and renovate Branch Network
- Anti cash program
- Introduction of brand new structured products for acquiring a leading share on the domestic deposit market.

Selected Highlights

SELECTED HIGHLIGHTS

	2005	2006	2007
	BGN'000	BGN'000	BGN'000
Performance			
Operating Income	248,532	287,437	377,579
Net Interest Income	180,471	205,448	276,524
Net Profit	98,914	135,127	185,381
Balance Sheet			
Total Assets	3,184,445	3,960,706	6,129,856
Capital	427,133	563,777	749,741
Deposits from Companies and Individuals	2,195,155	2,797,909	3,421,651
Loans to Companies and Individuals, net	2,014,457	2,708,918	4,916,408
Capital Adequacy (%)			
General Capital Adequacy (BIS Tier 1 + Tier 2)	14.5	13.4	14.82
Primary Capital Adequacy	13.8	13	9.92
Capital / Total Assets	13.41	14.23	12.23
Liquidity (%)			
Total Liquidity	31.96	25.93	18.81
Total Loans / Total Deposits	94.45	90.50	104.30
Staff Number as of the end of the period	2,082	2,237	2,635
Inflation[1] (%)	6.5	6.5	12.5
Exchange Rate USD/BGN (31 December)	1,6579	1,4851	1,3312

[1] *Source – National Institute of Statistics.*

BOARD OF DIRECTORS

UBB AD BOARD OF DIRECTORS

Ioannis Georgios Pechlivanidis
Deputy Chairman and Deputy CEO of National Bank of Greece
Chairman of the Board of Directors

Anthimos Konstantinos Thomopoulos
Chief Financial and Chief Operations Officer of National Bank of Greece
Board Member

Agis Ioannis Leopoulos
General Manager International Activities of NBG
Board Member

Alexandros Georgios Tourkolias
General Manager Corporate & Investment Banking of NBG
Board Member

Konstantinos Adamantios Othoneos
Manager of International Network Division B' of NBG
Board Member

Radka Ivanova Toncheva
Executive Director of UBB AD
Board Member

Stilian Petkov Vatev
Chief Executive Officer of UBB AD
Board Member

Economic Environment

ECONOMIC ENVIRONMENT

Real GDP increased by 6.2% y/y in 2007, while the budget forecasts for 2008 are drafted то 6.4%. The main drivers of economic growth will remain private expenditure and investment, which have benefited from the development of the domestic banking sector and expansion in credit availability. This in turn has facilitated the growth in long-term loans and consumer credits.

At the end of 2007 budget surplus accounted for 3.8% of the projected full-year GDP as compared to 3.5% in 2006. The surplus remained significantly above the base-line target of 2% set in the budget programme. In nominal terms, the full-year budget surplus widened by 20.3% y/y to BGN 2.11 bn (EUR 1.08 bn) in 2007. Fiscal revenues grew by nominal 20.1% y/y to BGN 24.1 bn (EUR 12.3 bn). They exceeded the full-year projection by 12.6% and reached a record high share of 43.9% in relation to GDP from 40.8% in 2006. Fiscal expenditures (excl. the installment with the EU budget) rose by nominal 16.9% y/y to 38.9% of GDP or 4.9% above the government plan.

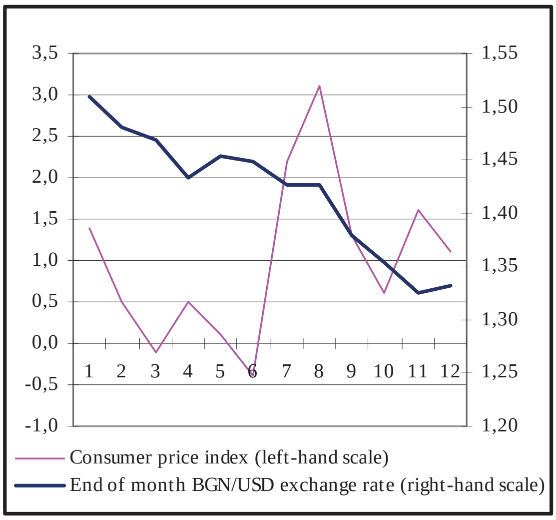
Unemployment rate dropped by 2.21pps y/y to reach 6.91% as of end-2007 from 9.12% y/y as of end-2006. The year-average unemployment dropped to 7.75% y/y from 9.61% a year earlier. The rate of unemployment is likely to fall below 5% in the summer months of 2008 if its annual improvement remains at its current level and pose serious pressure on wages due to labour supply shortages especially in sectors like construction and tourism.

Consumer price inflation accelerated from 6.5% y/y at end-2006 to 12.5% y/y at end-2007 which was the highest end-year rate since the hyperinflation period in 1996 and 1997. In annual average terms, the CPI dynamics indicated a much weaker pace of acceleration to 8.4% in 2007 from 7.3% in 2006 and was below the post-crisis peak of 10.3% reached in 2000. The CPI inflation was nearly 4 times above the initial government projections in end-year terms and two times higher in annual average terms. Roughly two-thirds of the consumer price inflation was generated by weather-related adverse factors in the agricultural sector and related food industries, helped by a huge budget expenditure boost in the last month of the year.

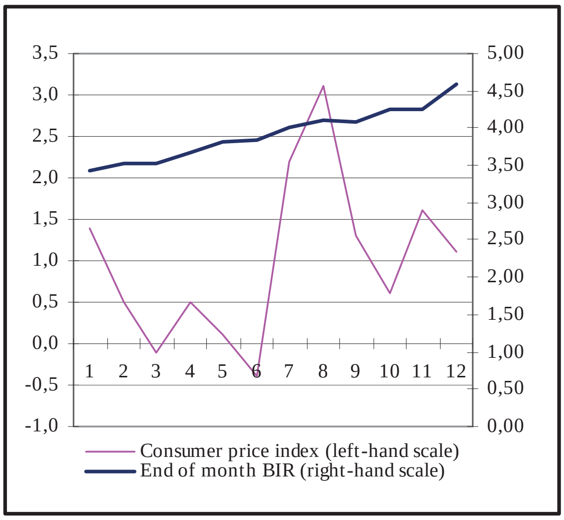
As regards the harmonised index of consumer prices (HICP) used as a main price gauge by ECB, the index accelerated to 11.6% y/y at end-2007 from 6.1% y/y at end-2006. The annual average HICP is estimated at 7.6% - 0.8pps below the national index but more than two times above the line ceiling for the euro adoption price criterion.

The producer price index covering industrial goods traded on the domestic market accelerated to 11.3% y/y at end-2007 from 8% y/y at end-2006. Food producer prices were the main generator of inflation in the summer months of the year. Since September the producer price index began to speed up which was due to the price hikes in metals extraction and processing industry.

Exchange Rate and Inflation



Base Interest Rate and Inflation



The currency board arrangement is expected to remain in place with the BGN fixed to the Euro at the current rate of BGN 1.95583/EUR 1. The exchange rate risk is low in a short term, but could rise in a long term if the current-account deficit continues to increase.

Gross external debt grew by 34.5% y/y to EUR 27.04 bn as of end-2007 or 94.6% of the full-year GDP projection as compared to 80.1% a year earlier. Public debt decreased by 10.1% y/y to EUR 4.0 bn as of end-2007. Public debt (both external and internal) is not likely to grow tangibly in the medium term, as the government is pursuing a policy of fiscal surpluses and budget deficit financing is not an issue. The liabilities of the private sector surged by 47.3% y/y accounting for 85% of the total as of end-2007 and 82% of the projected full-year GDP. Debt servicing accounted for 18.7% of GDP and 29.9% of exports against 17.1% and 27% in 2006. The share of short-term debt rose by 4.1 pps y/y to 34.4% of the total external debt. The rapid increase in the country indebtedness is driven by investment demand mainly and the large presence of foreign investors which helps for increased inter-company transfers. In addition, a big share of the external debt is directly or indirectly linked to investments in real estates by non-residents and follow-up expenses for furnishing and related activities.

Current account (CA) gap widened by 57% y/y to EUR 6.175 bn in 2007, according to Central bank preliminary data. In relative terms, the CA gap accounted for 21.6% of the projected full-year GDP relative to 15.7% in 2006. The widening of the CA deficit resulted from the continued out performance in imports over exports. Merchandise imports (cif) increased by 18.4% y/y in 2007, while exports (fob) lagged behind with a growth of 11.7% y/y. Services were the only item that counterbalanced the worsening of the country's position with the foreign countries during the year. The surplus on the service balance increased by 4.3% y/y to EUR 1.0 bn in 2007. Tourism revenues rose by 10.8% y/y to EUR 2.3 bn staying as a major component in the service balance. Net current transfers decreased by 47% y/y to EUR 350.8 mn. The overall balance of payments improved by 77.2% y/y to EUR 3.2 bn. in 2007 on the back of strong debt and not-debt inflows in the financial account. Despite the deterioration in Bulgaria's external position, significant benefits will accrue from the current high level of imported investment and capital goods. Indeed, the latest trade data provided by the NSI report that in 2007 imports of machinery and transport equipment accounted for 29.4% of the total imports and expanded by 20% y/y, and imports of crude materials (except fuels) constituted 7.5% of total imports and increased by 18.3% y/y. Firms are using their imports of raw materials and equipment to build up production capacity and to take advantage of greater access to European markets. Thus, despite the increasing pressures emanating from current account imbalance, the future income streams generated from investment in domestic production will help to alleviate pressures going forward.

In 2007 financial account posted a record surplus of EUR 9.4 bn., up by 80% y/y. The financial account covers 152.1% of the current account deficit, which has helped to mitigate the destabilizing impact of the growing imbalance. The strength of the financial account owes mainly to substantial FDI inflows, which totaling EUR 5.7 bn. in 2007, increased by 30.3% y/y and covered 92% of the current account gap and 20.3% of the full-year GDP projection. Real estate, renting and business activity constituted 38% of total FDI increasing by some 42% y/y in 2007. Financial intermediation and construction were the other two economic sectors attracting the highest foreign investors' interest.

The total amount of assets managed by 29 commercial banks increased by 40% y/y to reach BGN 59.1 bn (EUR 30.2 bn) as of end-2007 and for the first time since 1990 exceeded the full-year GDP estimate by 7.7 percentage points. The five largest lenders in the country held 56.5% of total assets. The aggregate amount of classified receivables, i.e. those which are not being serviced regularly, accounts for less than 4% of all bank assets. Obviously, the wild competition in crediting has not undermined banks' safety. A proof of this is that the total amount of their equity rose from BGN 4.4 bn to BGN 6.2 bn within a year, or by 41.5%. And it is the equity that should cover all kinds of risks which banks undertake when effecting their operations. The aggregated net profit of the commercial banks rose by 41.6% y/y to BGN 1.144 bn (EUR 584.7mn) in 2007. The growth rate of private sector net loans soared by 64.2% y/y to BGN 36.6 bn (EUR 18.6 bn). In relative terms, they accounted for 66.1% of GDP relative to 45% in 2006. Deposits of private sector (corporate deposits plus deposits of individuals and households) accelerated their growth rate to 42% y/y in 2007 from 34.8% y/y in 2006. The private sector deposits amounted to BGN 39.1 bn (EUR 20 bn) or 71.3% of the projected full-year GDP. The profitability indicators retained the level from the previous year - 1.94% for ROA and 18.42% for ROE as of the end of 2007. Although the share of non-serviced credits increases as compared to a year earlier, the indicators for banks' stability remain at a good level. The Central bank reported also good liquidity and sufficient capital adequacy of 13.8% at the end of 2007 relative to 14.5% a year earlier. BNB increased the minimum required reserves of the commercial banks held at the Central bank by 4pps to 12% of deposits, effective as of September 1. The new measure was introduced as a result of the robust credit growth which raised the overall credit risk of the banking system in the conditions of falling interest rates due to the vigorous competition.

The receivables of Bulgarian leasing companies surged by 83% y/y to EUR 3.7 bn (EUR 1.89 bn) in 2007. The market accounted for 6.6% of the estimated full-year GDP against 4.1% a year earlier. Financial leasing accounts for 98.4% of total claims. The receivables under contracts for financial lease of cars soared by 105.7% to 34.3% of all financial leasing schemes at the end of 2007. Sales of new cars in the country rose 22% to some 52 000 in 2007.

The net assets of the nine private pension companies, which run 27 funds, increased by 52.8% y/y to BGN 2.32 bn (EUR 1.2 bn) in 2007 or 4.2% of the full-year GDP estimate. The number of insured persons rose by 7.5% to 3.4 mn. The weighted average annual return rates for universal, professional and voluntary funds improved to 15.4%, 15.6% and 16.6% in 2007 as compared to 7.4%, 8.5%, and 6.8% a year earlier, respectively. The share of the corporate stocks in the investment portfolios of the funds expanded to 29.9% as compared to 20.6% in the previous year but decreased by 3.9pps on a quarterly basis due to downward corrections in the prices of equities traded on the stock exchange. The savings invested abroad accounted for 18.7% of the total at the end of the year as compared to 8.5% at end-2006. The net assets of private pension funds are expected to increase 2.5 times to BGN 5.7 bn (EUR 2.9 bn) until 2010.

The first European year was successful for the Bulgarian insurance sector. The gross premium revenues of the local insurance companies increased by 19.4% y/y to BGN 1.5 bn (EUR 765.8 mn) in 2007, according to forecasts of Financial supervision commission. The rate of penetration has increased to 2.73% as compared to 2.55% a year earlier. The premium revenues of the general and life insurance companies have risen by 19.2% to BGN 1.26 bn (EUR 646.2 mn) and 21.1% to BGN 234.1 mn (EUR 119.7 mn) respectively. The compensations paid by the general and life insurance companies increased by 25% to BGN 454.4 mn and 13.6% to BGN 77.3 mn, respectively. The competition on the life insurance market has increased as the share of the four largest players has dropped to 67% in 2007 as compared to 73% in 2006.

2007 was extremely successful for the Bulgarian capital market. The market capitalization of the Bulgarian Stock Exchange – Sofia (BSE) increased by near 90% y/y to almost BGN 29 bn (EUR 14.8 bn) as of end-2007. In relative terms, the market capitalisation accounts for 52.8% of the projected full-year GDP versus 31.2% as of end-2006. The annual turnover of the BSE surged by near 200% y/y to BGN 9.95 bn (EUR 5.1 bn). The blue-chip index SOFIX rose by 44.4% y/y to 1767.88 points. The broader BG40 index jumped by 159.2% y/y to 518.06 points as of the end-2007, posting the highest growth of all four indices. The main drivers for the consecutive surge of the stocks over the past few years were the EU entry of Bulgaria, the optimistic expectations for the financial reports of the companies and the strong market demand. The assets of the mutual funds tripled for a year reaching almost BGN 1 bn as of end-2007. Besides, a lot of individual players entered the market and thus the demand exceeded the supply. The cut in the profit tax from 15% to 10%, the acquisitions and the stable economic growth were the other group of factors which drove the rally of the stock exchange and the higher trade volumes. Trade on the BSE has become increasingly varied, as companies from different sectors are getting listed. Financial intermediation and transport and communications accounted for more than two-thirds of the turnover for the past one year.

The initial public offerings (IPO) in Bulgaria marked a 50% year on year growth in 2007. Following Bulgaria's accession to the EU in January 2007, 12 IPOs have been carried out on the BSE. Bulgaria ranks third in IPOs in Central and Eastern Europe, immediately following Poland and Russia.

The total value of assets managed by mutual funds listed on the local stock exchange tripled last year reaching BGN 900 mn (EUR 460.2 mn) against BGN 300 mn (EUR 153.4 mn) in 2006 and less than BGN 100 mn (EUR 51.1 mn) two years ago. The assets, however, dropped marginally by less than percentage point in December after the 7.2% decrease a month earlier due to downward corrections in the prices of equities traded on the local bourse. The asset value accounts for 1.64% of the full-year GDP estimate. The annual growth rate is due both to capital profits and expansion of the clients base. Investments in mutual funds accounted for 3% of deposits as of the end-2007 as compared to 1% at the beginning of the year. More than 65 players are active on the market against 40 a year earlier. Fund managers are optimistic for 2008 as most of them expect similar to last year growth rate.

The Currency board arrangement, the strong FDI inflow, the introduction of flat tax rate and the forthcoming utilization of EU structural funds have improved the business environment in the country and are the main drivers for the stable economic growth over the next few years.

Review of 2007 Activities

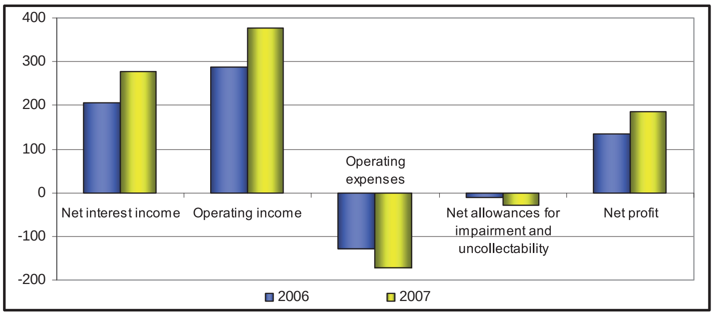
REVIEW OF 2007 ACTIVITIES

FINANCIAL PERFORMANCE

2007 was a year of significant achievement for the UBB. A series of initiatives has improved the level of service provision to our customers, while there were also organizational changes that brought the Bank in line with international best practices. The Bank's financial performance was impressive with strong growth in income, profit and assets, enabling its strong competitive position. The Bank's business strategy was focused with priority on the growth in retail banking. At the same time UBB continued to develop its dominating position in corporate business. At the end of 2007 UBB financial result before taxes is profit of BGN 205,7 mn. The return on equity (ROAE) reports a very high level and reaches 28.6%. The reported return on assets (ROAA) is also rather high 3.9% and ranks the Bank among the best financial institutions according to international standards. UBB efficiency ratio maintains a good trend and towards the end of 2007 was 37.8%.

As recognition of the constant good performance, the respectable management, good reputation of shareholders and strong market positions is the long-term credit rating of the Bank, awarded by Standard & Poor's and Fitch Ratings. S&P has specified UBB long-term rating to BBB and A-2 short-term rating of UBB with stable outlook. The international rating agency Fitch Ratings confirmed UBB long-term rating to BBB+, the short-term to F2 and the individual to C/D.

Net operating income and net profit (BGN mn.)



Net interest income

For 2007 the Bank has generated net interest income of BGN 276,5 mn. (BGN 205,4 mn. for 2006) and thus achieves a growth of 34.6% y/y mainly as a result of the lending activity, good portfolio quality and the optimum management of deposits, the bond issues as well as the Bank's subordinated debt.

Net interest margin	2006 BGN '000	2007 BGN '000	Change (%, y/y)
Interest income	264,070	381,644	44.52
Interest expense	(58,622)	(105,120)	79.32
Net interest income	205,448	276,524	34.60

Interest income from loans to individuals increased by 49.34% y/y and reaches BGN 193,8 mn. Interest income from loans to companies amounts to BGN 171,0 mn. and increased by 51.55 y/y. Thus, the total interest income from loans grows significantly by 44.52% y/y. Interest income from placements on the money market decline by 66.31% y/y as towards the end of 2007 reached BGN 3,8 mn. due to the changes in the policy for attracting funds. The total amount of net trading income amounts to BGN 10,2 mn. and grows by 33.19% y/y.

Interest expense grows by 79.32% y/y as towards the end of 2007 their amount totaled to BGN 105,1 mn. against BGN 58,6 mn. for 2006 as a result of the development of the Bank's market positions, deposits increases and the attracted subordinated debt during the Q4. The interest expense of the deposits for customers amount to BGN 69,9 mn. against BGN 44,7 mn. for the previous year. They represent a total of 66.5% of all interest expense and grow by 56.28% y/y. Expenses on raised long-term resources relate to the servicing of the Bank's bond issues amounted to BGN 11,4 mn. and take 10.87% of the total amount of interest expense. The expenses located for subordinated debt amounted to BGN 2,7 as of year end.

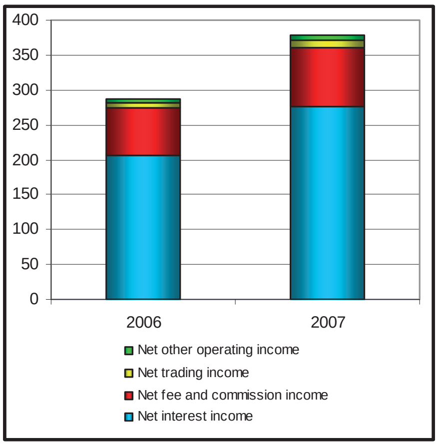
Non-interest income

The net fees' and commissions' income amounts to BGN 84,7 mn. against BGN 68,5 mn. at the end of 2006 In structural aspect of decisive importance is the income from client transfers and cash transactions which account for 24.6% of all non-interest income, as well as the fees for servicing deposits' accounts with 23.36%. The relative share of charges on credit and debit cards is 26.40%, on loans to clients – 16.12%, on guarantees and L/Cs - 3.1% and other tax and commissions 6.40%. Fees and commissions decreased from BGN 7,3 mn. to BGN 4,7 mn. at 2007 end.

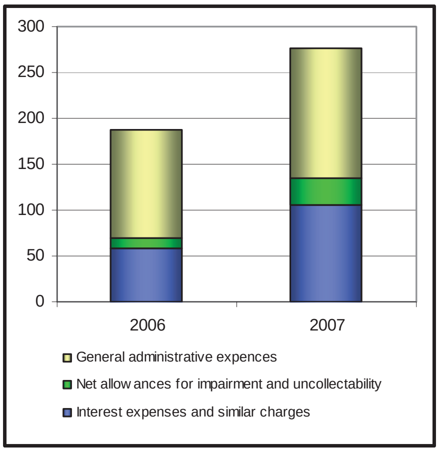
Operating expense

On the cost side the operating expense grew by 20.35% y/y. against 2006. The staff costs grew by BGN 16.57% y/y, duties and taxes increased by BGN 16.71% y/y, while expenses for outsourced services (marketing, advertising, consultancies, operating lease rentals -buildings) grew by 32.26% y/y. Expenses for communication and IT services increased respectively by 13.5% y/y. This reflects mainly from the Bank's branch network organic growth in the course of the year.

Operating income (BGN mn.)



Operating expense (BGN mn.)



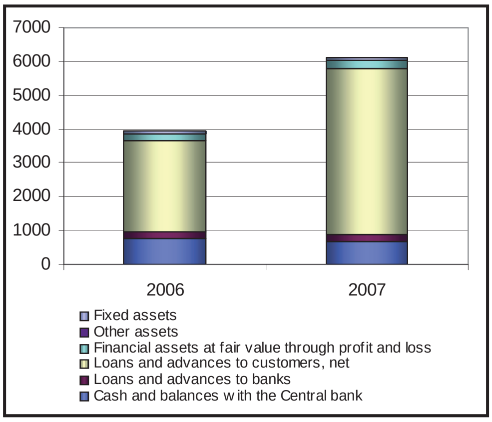
Provision expense

Irrespective of the intensive development of the lending activity for a consecutive year the Bank reports good quality of its loan portfolio. The loan provisions/ total loans ratio decreases from 1.7% as of December 2005 to 1.4 % at the end of 2006 and reached 1.03% at the end of 2007.

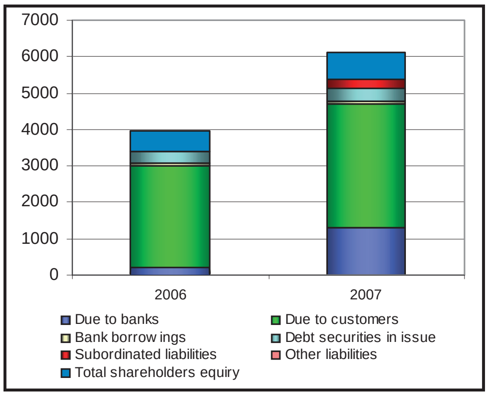
ASSETS AND LIABILITIES

The Bank's total assets grew by 54.76% y/y (BGN 6,130 mn. compared with BGN 3,960 mn., in 2006), primary reflecting the growth in the loan portfolio. In structural aspect the main balance sheet positions of the Bank report the following dynamics:

Assets (BGN mn.)



Liabilities and capital (BGN mn.)



Cash and cash equivalents

At the end of 2007 the cash and balances with the Central bank amounted to BGN 695,5 mn., including minimum statutory reserves. The maintaining of the required minimum statutory reserves with the BNB in percentages was at an optimum level during the year, as follows:

Minimum statutory reserves (%)

Mio BGN	Dec-06	Mar-07	Jun-07	Sep-07	Nov-07	Dec-07
Minimum Req.Reseve	**604.1**	**814.9**	**271.5**	**470.4**	**501.1**	**498.1**
including Penalty	358.1	587.6	-	-	-	-
Fulfillment	100.01%	100.01%	100.02%	100.00%	100.05%	100.01%

Due from financial institutions

At the end of 2007 net amounts due to financial institutions accounted to BGN 176,4 mn. and play a regulating role in the operations on the money market and the Bank's actions for achieving optimum liquidity. The structure of amounts due to financial institutions is covered 26.62% by inter-bank placements, 70.75% by nostro accounts and 2.63% by pledged and other due to banks.

Financial assets fair value trough profit and loss

At the end of 2007 the Bank's trading debt securities amounted to BGN 228,1 mn. distributed as follows: Bulgarian government securities – 65.92% of the portfolio, local corporate securities – 31.28% and foreign government and corporate securities – 2.8%, shares in mutual funds –2.7%.

Loans

The total gross value of loans and advances to customers is BGN 4986,4 mn. and grows by 81.28% against the previous year. Loans to individuals grow by 69.28% y/y, while corporate loans – by 93.25% y/y. The net value of extended loans is BGN 4916,4 mn. (against BGN 2708,9 mn. for 2006) and represents 80.20% of the Bank's assets. Thus UBB increases its net loan portfolio by 81.48% against the previous year. The growth of lending operations has not led to a decline in the quality of the loan book. Loans classified as standard represent 96.93% of the portfolio. Out of the total loan portfolio volume loans, classified as watch are 1.08%, substandard - 0.34%, non-performing - 1.64%. The total amount of specific provisions for revaluation losses is BGN 69,9 mn. and represents 1.4% of the balance sheet amounts receivable (principals and interest).

Loan exposure by industries (BGN'000)

	As of 31.12.2006		As of 31.12.2007	
Industry & mining	179,476	7%	370,605	7%
Small scale industry	346,549	13%	496,684	10%
Trade and services (excl. tourism)	423,203	15%	688,877	14%
Construction and real estate development	213,528	8%	551,747	11%
Energy	6,415	0%	31,668	1%
Tourism	84,825	3%	169,875	3%
Transportation and telecommunications	43,700	2%	176,287	4%
Professionals	19,154	1%	27,780,	1%
Government	1,439	0%	728	0%
Property Brokerage	-	-	97,707	2%
Leasing companies	-	-	27,749	1%

	As of 31.12.2006		As of 31.12.2007	
Financial institutions	1,902	0%	6,337	0%
Other	57,264	2%	16,224	0%
To individuals	1,373,128	50%	2,324,417	47%
Total loans and advances, gross	*2,750,583*	*100%*	*4,986,385*	*100%*
Less: allowance for impairment	*(41,665)*		*(69,977)*	
Loans and advances to customers, net	*2,708,918*		*4,916,408*	

The loan portfolio continued to diversify across all industries with emphasis on retail banking, small and medium-sized businesses, as well as the dynamically developing sectors of the economy.

Deposits and equity

At the end of 2007 the total amount of liabilities reached BGN 5380,1 mn. against BGN 3396,9 mn. at the end of 2006. Their nominal growth y/y is 58.39%, which is entirely due to the development of client deposit base, as well as the debt securities in issues and subordinated debt.

Deposits from financial institutions

Funds deposited by financial institutions grew by 562% y/y. At the end of 2007 those amounted to BGN 1292,0 mn. against BGN 195,3 mn. at the end of 2006. At 2007 end their total amount represents 24% of the total amounts of liabilities. Current accounts in this segment take 10.62%, while time deposits – 83.95%.

Deposits from customers

At the end of 2007 client deposits reached BGN 3421,7 mn. against BGN 2797,9 mn. at the end of 2006. The offering of new products and targeted advertising campaigns brought about a 22.3% y/y growth. Deposits of individuals report a growth of 25.17%, while those of corporate clients – 24.89% and of budget entities – 5.12% for a one-year period.

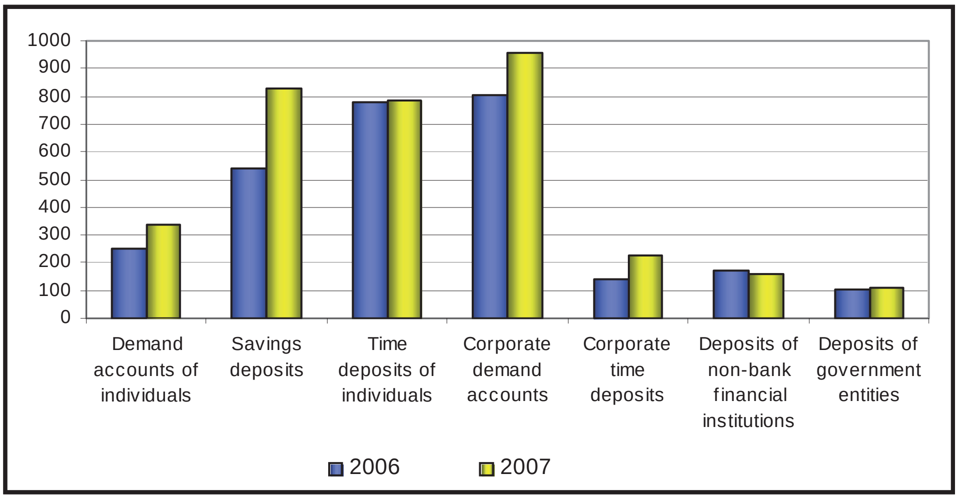
Deposits (BGN 000)

	As of 31.12.2006	As of 31.12.2007	Change (%, y/y)
Financial institutions			
Demand deposits	82,099	50,379	-38,64
Time	90,801	108,372	19,35
	172,900	**159,111**	**-7,98**
Retail customers			
Demand	250,249	335,451	34,05
Savings	542,152	825,690	52,30
Time	779,786	786,816	0,90
	1,572,187	**1,967,957**	**25,17**

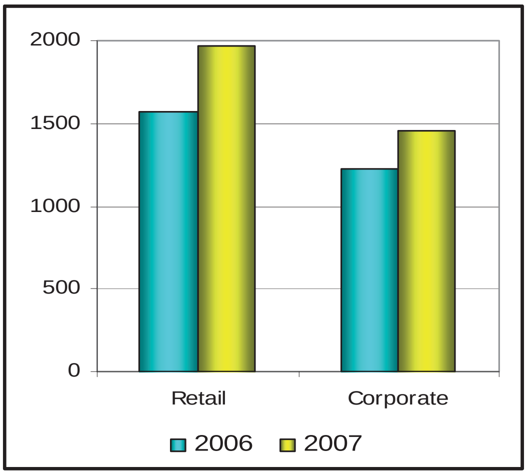
	As of 31.12.2006	As of 31.12.2007	Change (%, y/y)
Corporate entities			
Demand	806,252	958,890	18,93
Time	142,774	226,392	58,57
	949,026	**1,185,282**	**24,89**
Government entities			
Demand accounts	45,926	46,041	0,25
Time	57,870	63,260	9,31
	103,976	**109,301**	**5,12**
TOTAL	***2,797,909***	***3,421,651***	***22,3***

The dynamics of sight and time deposits has an upward and stable trend. The deposits of individuals are of dominating importance, which take 57.5% of the deposits portfolio. The dynamics of corporate deposits follows the growth in the economy and the interest of the business towards term deposit instruments.

Demand and time deposits (BGN mn.)



Structure of deposits by clients (BGN mn.)



UBB has key market positions by holding 11% of retail deposits and 8% of the corporate deposits on the local market.

Debt securities in issue and long-term borrowings

At the end of 2007 the long-term borrowings on the Bank's balance sheet amounted to BGN 319,2 mn. against BGN 318,6 mn. for 2006. The debt securities in issue include mortgage and corporate bond issues in BGN for total value of BGN 120,000 th. – both traded on the Bulgarian Stock Exchange Sofia, as well as EURO note issue for EUR 100,000 traded on the London Stock Exchange. The long-term borrowings include credit lines from the EBRD amounting to BGN 75,753 th.

Subordinated liabilities

UBB has two Subordinated Loan Agreements signed in October and November 2007 with its parent National Bank of Greece for a total amount of EUR 130 mn. The repayment of subordinated debt is not guaranteed in any form. The original maturity of the subordinated loans is 10 years.

Capital and capital adequacy

At the end of 2007 the UBB equity was substantially higher than the previous year (2007: 749,4 mn., 2006: BGN 563,7 mn.) and ensures a level of capital adequacy above the requirements and regulators of the Central Bank. The total capital adequacy of the Bank is 14.82%, while tier-one capital adequacy – 9.92%.

BUSINESS DEVELOPMENT

RETAIL BANKING

Throughout 2007 United Bulgarian Bank continued to strengthen and expand its leading positions in the banking segment for retail loans and products. The total retail lending market share of UBB at the year end came to 18.3%. The annual growth rate of UBB retail loans for 2007 was 69%, where the mortgage loans portfolio of the bank almost doubled its size and reached a volume of BGN 1 040 mn. and the portfolio of the consumer loans grew up to BGN 1 285 mn. UBB retained its leading position as the bank with the biggest number of issued international credit cards under the logo of Master Card, VISA and VISA Electron. In terms of absolute figures the total number of credit cards in circulation issued by UBB exceeded 325 000, representing an increase of 52% on an annual basis and the total portfolio of UBB's cards in circulation went above 1 000 000. The number of transactions with these cards increased by 27% on an annual basis, whereas in terms of volumes the increase was by 40% reaching a total volume of BGN 1 400 mn.

In 2007 significant part of UBB's sales of credit cards, consumer and mortgage loans was via the large number of retail merchants and real estate agencies that have partnership agreements with the Bank. UBB continued to develop successful business with real estate agencies and construction companies enabling the bank to enter the attractive market for "green field construction". UBB further expanded its sales channel of direct sales force agents, engaged with the sale of POS terminals since 2006. Furthermore, during Q2 2007 a team of mobile bankers started operations mainly in the area of selling mortgage loans and providing additional convenience to bank's clients. At the year end the total number of UBB POS terminals exceeded 5600, and the number of its ATMs was above 680. During 2007, UBB also continued to use very efficiently all alternative sales channels, including its telemarketing campaigns and the opportunities of the large number of corporate clients of the Bank, and launched a new channel for sale of consumer loans and credit cards via internet. Thus, in order to facilitate and simplify the process of loan application and approval, during Q3 UBB enabled its clients to submit their applications for consumer loan and credit cards using the bank's Internet site. It is expected that together with the increased penetration of Internet among the population, more people will shift from the traditional banking channels to more time and effort saving ones. For the purpose of providing higher convenience to its customers, at the beginning of Q3 2007 UBB together with some of its largest partnering merchants, introduced to the mass market special schemes for purchasing goods on 6 or 12 interest-free installments. Bank's intention is for 2008 to continue and further develop for its cardholders diverse value-added programs.

In 2007, UBB offered on the market a new generation of deposits "Open Deposit", which is an alternative of the traditional term deposits and provides the customers with high yield and an opportunity to withdraw money from their accounts at any time without breaking the interest. The clients can have an Open Deposit in BGN, EUR, and USD for a period of 1, 3, 6 or 12 months with a minimum amount of BGN 3 000. The Bank launched gold credit card with the logo of VISA and MasterCard in order to satisfy the needs of the heavier spenders among the credit card users. Furthermore, the UBB Gold credit card grants a standard of excellent service and world wide acceptance for our customers, while providing an upper class 24/7 convenience, security, prestige and reliability. The diversity of the high standard of products and services offered by the Bank increased also by the introduction of financial transactions performed by the UBB Call Center, the 3 in 1 product, which consists of current account, Line of Credit and overdraft used via a single card plastic and the mortgage overdraft, which unlike the standard mortgage is an all purpose loan and the borrower is not opted for the total limit upon disbursement.

During 2007 the bancassurance business initiated by the bank during Q4 2006 through it's insurance companies – UBB-AIG Life Insurance Company and UBB-AIG Insurance and Reinsurance company, continued to grow at a fast pace.

The major driving forces for this rapid growth were:

- In Q2, the insurance package Double protection was introduced, specially designed for all credit cardholders of the bank. The package comprises of Life and TPD coverage against accident as well as card and personal documents protection against being lost or stolen. By the end of 2007 more than 95 000 credit cardholders have taken advantage of the insurance package.
- In Q3 mortgage loans offered by the bank were enhanced through the insurance package Home and Family Protection. The product enables new mortgage loans' customers to take advantage of better life and property insurance coverage at preferential price.

For 2008 the bank plans to continue the process of gradual release of new bancassurance and insurance products through out the whole year. Such products will be debit card protection, micro-overdraft protection, selling of stand-alone insurance products, etc.

CORPORATE BANKING

UBB's total lending to large companies, including loans to public sector, rose by 85.5% in 2007 to BGN 988,7 mn. Successful cross-selling initiatives were taken for the promotion of UBB products and services to customers, mainly in the areas of insurance, company cards, company payrolls, treasury and investment banking instruments.

Corporate portfolio	December 2006 BGN 000 000	December 2007 BGN 000 000	Change (%,y/y)
Large corporate clients	533,1	988,7	85.46
Small and medium-size corporate clients	834,0	875,0	4.91
Total	***1 367,1***	***1863,7***	***36.32***

In 2007, growth in lending for small and medium-sized enterprises totaled near 5%. For another year, growth in lending balances went with the significant increase in cross-selling. The offering of integrated packages of products and services to customers not only serves to enhance the value of the customer to the Bank, but also generates value –added for the customer's business and optimum management of his financial needs.

As regards to the credit policy, the Bank endeavored to strengthen its working relationship with business in the energy sector and to support investment programs designed to develop new forms of energy or other innovative investments. In this sense the EBRD and UBB signed an agreement on carbon-dioxide emission reduction. The agreement is worth a total of 3.257 mn. euro, half of which was remitted in advance. The agreement offers a mechanism for providing incentives for the UBB clients implementing projects for energy efficiency and renewable energy sources. EBRD signed the agreement in its capacity as representative of the Netherlands Environmental Assessment Agency and UBB being the bank of six companies trading in emissions (Trakia Gas, Delektra, Viva Agrotex, Zaharni Zavodi, Zebra and Pirinplast). These companies will form a single portfolio for sale of unused CO2 emission allowances and will thus get access to the Joint Implementation mechanism

UBB launched an unsecured overdraft facility Working money. Working Money is aimed at small and medium-sized companies and represent a loan of up to BGN 35,000. Applicants have to present their latest annual tax statement to the bank. The product is a combination of an overdraft on a payment account and an electronic business card (VISA Business Electron). At least 10% of the debt accumulated as at the last day of the month has to be returned within a 15-day period. UBB allocates 5% of the annual service fee for the product for a charity campaign in support of children with growth problems.

UBB was the first local lender to unveil the interest rates on its loans for projects that will apply for EU funding. UBB's bridge loan under the operational programmes comes in local currency and euro. The bottom is 5,000 Bulgarian levs ($3,700/2,600 euro), which should be repaid by the time the borrower gets the grant. The maximum term is 18 months but no less than six months after the deadline for finishing the investment under the financial grant contract. UBB also offers an investment loan at a negotiable interest rate.

TREASURY ACTIVITIES

During the year, the UBB's Treasury was active in government bond and forex trading, inter-bank products, market traded and OTC financial derivatives. It also provided to the institutions, corporations and big private-sector investors with value added deposit products and investment options. In 2007 UBB placed several issues of "Wall street" structured deposit: short-term and long-term. . The short-term "Wallstreet" is a 3-month deposit, that reflects fluctuations in the EUR/USD exchange rate. UBB also provides 3-months and 6-months and 3-years structured deposits. The 3-years long-term "Wallstreet" could be opened with a minimum amount from 1000 EUR or USD. It's components follows the fluctuations of stock and commodity exchange indexes, as well as movements of real estate market index, and base on the relative share of the component are formed portfolios – aggressive, balanced and conservative.

INVESTMENT BANKING

In 2007 the Investment Banking was mainly directed towards servicing and performance of deals, related to the public offering of securities. UBB in its capacity of a Leading Manager or a Co-Manager managed, structured and placed five equity IPOs and one capital increase trough Bulgarian Stock Exchange-Sofia, for the total amount of BGN 165 мн. UBB in its capacity of a Leading Manager or a Co-Manager participates in the structuring and placement of five issues of corporate bonds of total value EUR 20.5 mn. The development of the corporate bonds' market during 2007 led to an increased demand of additional services for issuers, a trustee of bondholders and a servicing bank. In this segment UBB market share is about 70%. In 2007 the new system for online stock exchange trading, introduced in 2006 considerably increase the volume and the number of brokerage deals and lead the Bank to 18 place among 80 investment intermediaries. The market share in the portion of the Bank's depositary services has increased to above 32% of assets, as UBB services thirteen investment companies and contractual funds, three pension funds and twenty four REITs. In 2007 BSE-Sofia rewards UBB the first price among 80 investment intermediaries – "Investment intermediary - main contributor in the development of the Investment Banking in Bulgaria".

COMPLIANCE

The intensive process of harmonization of the Bulgarian legislation with the legal framework of the European Union continued in 2007 as well. Major acts in the sphere of commercial law, regulation of the banking and non-banking financial sector, the activity of the investment imtermediaries and offering of investment services, protection of consumers, tax laws and the laws against money laundering and financing of terrorism were adopted or amended. UBB AD took best efforts for complying its internal policies and procedures with the dynamic and complex legislation related to the activity of banks. The Bank treats compliance as the fundamental rule for managing the business, defines it in correspondence with the applicable laws and good banking practices, aiming at fair and honest activity, which does not contradict the generally accepted social standards. The Bank adheres to the principle for maintaining and management of an efficient compliance program, aiming at the timely detection and prevention of breaches in the regulatory framework. There is an efficient procedure functioning in the Bank for considering clients' complaints, which main purpose is the fair and timely satisfaction of the client's claim and elimination of the reasons, relating to the complaint. The major concern of the Bank's management relates to the strict application of the measures against money laundering and the financing of terrorism. Considerable efforts were made for cooperation with the supervisory, the other administrative and court authorities while implementing their powers.

INFORMATION TECHNOLOGIES

UBB successfully continued to develop or improve the IT systems, ensuring modern channels for customer service. The implemented IT and infrastructure platforms under the Branch Network Expansion Project are optimal in terms of expenses and quality. 45 new bank locations were established, equal to a growth of more than 40% against the previous year. All ATMs and 75% of the POS terminals of the Bank were equipped with acceptance of bank chip cards according to the EMV requirements for card terminals (EMV Acquiring). A successful migration was carried out towards the EMV standard of the connection with the other card operators, as well as a migration of the authorization system was performed towards Visa Europe VAP. The optimization of the IT activities, related to the new card terminals installing, caused a growth of more than 28% for POS and more than 24% for ATM. A process was started in order to upgrade the Bank's telecommunication lines from nX64 (128/256/512Kb/s) to the so-called Intercity MAN (10Mb/s). The range expansion of the VoIP usage within the Bank continues. In 2007 more than 600 IP telephones were installed, as of the year-end their total number exceeded 1800 items covering more than 70% of the Bank's staff. During the elapsed 2007 more than 33% of the Bank's transfers in BGN and FX were ordered through e-banking. The largest share of the above result has the outgoing transfers in BGN - 35.82% of the Bank's transfers in question. In 2007 the outgoing FX transfers through e-banking registered a growth of 58%, while the number of all transfers increased by 16% against 2006. The number of clients was increased by 50% against 2006. According to the recommendations of

BNB, an opportunity for working with a UES certificate was established, as well as for sending a temporary password through SMS for the operations activating. A new option was added enabling the payment of public utilities' bills of BTC, Mtel and Globul from a UBB credit card through e-banking. A new back-up data centre was created and launched. The used technical and technological solutions guarantee in case of a disaster a recovery time objective (RTO) of all main systems of the Bank of less than 2 hours, upon close-to-zero data loss.

BRANCH NETWORK

The Bank finalized the year 2007 with one of the largest and effective working branch networks with 229 bank units. During the year the Bank opened 56 new branches in the largest Bulgarian cities as Sofia, Blagoevgrad, Plovdiv, Haskovo, and Sliven. The clients of the new branches have an access and opportunity to manage their finances in real time, no matter which branch they used to open their account. The main services that customer can take advantage of in the new branches are: payments in Bulgaria, international payments, currency transactions, deposits in BGN and foreign currencies, encashment, card payments, payment accounts for public services, overdraft, loans, credit cards, e-banking and express international transactions through the Western Union system. During the year the Bank opened 7 business centres in Sofia, Varna, Burgas, Pleven, Plovdiv, Stara Zagora, which offers to enterprises and freelancers financing at a most simplified procedure and reply to a credit request in 24 hours. In 2007 average staff productivity improve significantly. Profit per employee increased by near 8% y/y and amounted to EUR 39.1 thousand from EUR 36.3 thousand for the previous year.

HUMAN RESOURCES

In Y 2007 continued the 3-year SocHRat project for transformation in human resources management and development in UBB, designed and launched together with Deloitte Bulgaria. The main purpose of this project is to create an, organizational culture and corporate identity of UBB employees, enhancing the Bank's leading position on the Bulgarian market. Important stages of this project standards which were finalized in Y 2007 are the updated Customer service and training of employees in their implementation; launch of Mystery shopper survey; new arrangement of job positions in the Bank based on evaluation, reflecting changes in functions, due to the dynamic market development; Competency model, which defines the attitudes, needed for all UBB employees in order to be even more effective and successful and Performance evaluation system, based on objectivity of the evaluation and results recognition. In reply to the growth of business needs and the branch network expansion, during Y 2007 UBB team increased with 19% compared to the end of Y 2006, and reached 2747 employees in the end of the year. In order to achieve a more effective integration of new members of our team, in Y 2007 was launched a new Induction training programme for newcomers in the Bank's branches, which since the end of Y 2007 is conducted within the established UBB Training centre – also one of the visible results of the SocHRat project. During the year the total participations in trainings (internal and organized by external companies) were 4200, which means that each employee took part in approximately 2 trainings on the average. The accent in training was in acquiring new sales techniques and skills, in order to meet our customers' high expectations.

SPONSORSHIP ACTIVITIES

Social responsibility projects and a number of cultural events were in the focus of the sponsorship and public relations activities of the Bank in 2007. The total value of grants for sponsorship activities amounted to more than EUR 192 thousand. Donations for charity organizations and causes reached EUR 45 thousand. UBB was among the corporations, who supported Bulgarskata Koleda charity initiative of the Bulgarian President. UBB was acknowledged as one of the big corporations in Bulgaria offering their support to Bulgarian culture. UBB provided the funds for the construction of the model of the Rila Monastery for the "Mini Europe" park in Brussels, where each EU member country exhibits a national architectural symbol. In the sphere of cultural events the bank traditionally supported Apolonia Cultural Festival, Varna Summer, Ruse Musical Days, and the theatrical fest Crossroad Stage in Plovdiv. The Bank supported a number of youngsters' sports clubs during the year, promoting the sports as an alternative of violence and drugs. UBB donated funds to the renovation of a number of religious sites in the country. The community program of the Bank offered support to a large number of local events in many Bulgarian towns and cities. The bank continued its program of donating computer equipment to schools, NGOs, municipal and local community organizations. The bank started the first ever cause-related-marketing campaign in Bulgaria, during which 5% of the annual management fee for its business overdraft "Rabotni pari", was allocated for the treatment of children suffering from Osteogenesis Imperfecta. In 2007 the UBB employees' charity association Obedineni Za Milosurdie, continued its efforts in providing help and medical care for children. Business forums sponsored by the Bank included the 2007 South East European Forum and a number of smaller events throughout Bulgaria.

Information Required Pursuant to Art.187 "d" and Art. 247 of The Code of Commerce

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. 2007, there is no ordinary registered voting shares had been transferred with 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.**

   UBB does not possess own shares.

   As of 31.12. 2007, the Bank's share 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 the Board members during the year:**

   The remuneration of the members of the Board of Directors during the year consists of short-term labor remunerations such as salaries and payments, related to social and health insurance contributions, paid annual leave, paid sick-leave and bonuses. The total amount of remunerations for 2007 is BGN 1,097,000.

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

   Possessed shares:
   Shares BGN 1 (one) each (nominal value)

Names of the Directors	31.12.2007	31.12.2006
Stilian Petkov Vatev	10 shares	10 shares
Total:	***10 shares***	***10 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 company;**
   Board members have no rights related to acquisition of shares and bonds of the company.

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;
   Central depository AD Board of Directors' member;
   Interlease Board of Directors' member;
   Interlease Auto AD Board of Directors' member;
   UBB – AIG Life Insurance Company AD Chairman of the Board of Directors;
   UBB – AIG Insurance and Reinsurance Company AD Chairman of the Board of Directors.

   Christos Alexandros Katsanis
   Interlease AD Deputy Chairman of the Board of Directors;
   Interlease Auto AD Deputy Chairman of the Board of Directors;
   UBB - AIG Life Insurance Company AD Board of Directors' member;
   UBB – AIG Insurance and Reinsurance Company AD Board of Directors' member;
   Greek Business Forum Chairman of the Management Board;
   Bulgarian Investment Forum Management Board member;
   Association of Commercial Banks Management Board member.

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 and the retained profit from revaluation reserve are entirely allocated, by decision of the General Shareholders Meeting, to the general reserves.

Financial Instruments and Risk Management

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.

The risk management in United Bulgarian Bank covers the following main areas:

- Credit risk – the probability a counterparty or a borrower to fail in the fulfilment of the undertaken commitments, under contracts with the Bank, with the terms and conditions specified therein;
- Liquidity risk - the probability of difficulties in payment due to time discrepancy of the incoming and outgoing cash flows;
- Market risk – the probability the Bank to sustain losses as a result of unfavorable changes of exchange rates, market prices and interest rates;
- Operational risk – the probability of direct or indirect losses, resulting from inadequate functioning or disruptions in the performance of internal to the Bank processes, systems or personnel.

Risk management in UBB is based on the principle of centralization and is structured according to the levels of authorities as follows:

- Board of Directors – determines the level of risk undertaking within the framework of the adopted development strategy;
- Specialized collective bodies, approving the framework and the parameters of the Bank's risk management activity:
  - Risk Management Committee;
  - Assets and Liabilities Management Committee;
  - Credit Committee;
  - New Products Committee.
- Executive Directors – control the process of approval and application of adequate policies and procedures within the framework of the adopted Bank's risk management strategy;
- Risk Management Department – performs the operating activity on measuring, monitoring and control of risk exposures.

UBB has an established system of standards, rules and procedures, regulating the activity of all Bank units. The above regulations enable the effective preliminary, current and subsequent control on the operations and the internal processes. The employees are aware of their direct responsibilities and they have the necessary qualification for the performed activity.

Priority in the operating risk management is ensuring the security of the information and the electronic systems, functioning in the Bank, for which specialized standards and procedures have been developed and are applied. There is also an effectively functioning system for physical security and protection.

In compliance with the provisions of the Act on the Measures Against Money Laundering, UBB has worked out and adheres to a system of internal rules, of which all employees are aware.

According to the new capital regulation effective from January 2007, operational risk is also subject to capital requirements, along with credit and market risks.

b) The Bank's exposure with regard to price, credit, liquidity and cash flow risk

The exposures of United Bulgarian Bank related to price, credit, liquidity and cash flow risks are stated below. The influence of risk factors is indicated 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 is the loans extended to clients, which, as of 31.12.2007 amounted to BGN 4965.5 mn. As of the same date, the specific provisions amounted to BGN 70.036 mn., or 1.4% of the loans' amount. A factor, leading to reduction of credit risk, related to the entire lending activity of the Bank, is the loan portfolio diversification.

UBB credit risk management aims at maximizing assets' profitability, while maintaining risk exposure within acceptable parameters.

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 a Credit Policy, which regulates:

- 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, types of collateral acceptable to the Bank, control over the use of extended funds and the administering related to that activity. Depending on their amount, the loans are approved by the credit centers, the Credit Committee, the Executive Credit Committee or the Board of Directors, according their levels of authority. The Bank has adopted limits for credit exposure by sectors of economy and follows their observance. The above limits aim at restricting loan portfolio concentration in one or a group of economic sectors.

As of 31.12.2007 the Bank does not have large exposures, which shows a low level of credit risk concentration by types of borrowers.

	2004	2005	2006	2007
Capital base	237,144	308,438	399,516	791,165
Large exposures	103,821	48,120	94,998	97,485
Ratio	43.78%	15.60%	23,78%	12.32%

On a monthly basis 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 BNB Regulation No. 9.

UBB loan portfolio quality

Exposure	2003	2004	2005	2006	2007
Standard	96,50%	96,52%	94,13%	96,56%	96.93%
Watch	0,90%	1,40%	2,26%	0,99%	1.08%
Substandard	0,30%	0,45%	0,93%	0,42%	0.34%
Nonperforming	2,30%	1,63%	2,68%	2,03%	1.64%

In view of achieving early warning for credit risk increase a limit has been adopted for the maximum total amount of loans in the last two classification groups.

A major innovation of Basel II is that it 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 has been put together within the Risk Management Department, which will be charged with the development of internal rating and other models under Basel II. The Bank projects the new models to be introduced in 2008 and 2009, and – validated by BNB later on.

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 can fulfill its day-to-day obligations regularly and without delay, both in a normal banking environment, and under conditions of a crisis. Cash funds and those on accounts with the Central Bank, as well as nostro accounts and amounts due from Banks represent 11% and 3% respectively of total assets as of 31.12.2007 and are with maturity up to one month and ensure an adequate liquidity level. This is shown in the maturity table presented below.

	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
As of December 31, 2007						
ASSETS Cash and balances with central bank	695,488	-	-	-	-	695,488
Loans and advances to banks	176,364	-	-	-	-	176,364

The liquidity risk management system in UBB includes the following elements:

- Risk Management Committee;
- Specialized collective body for liquidity management – Asset and Liability Management Committee (ALCO);
- Liquidity risk policy and internal rules, including a 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 effects operations. 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 by various currencies.

Liquidity ratios

	2003	2004	2005	2006	2007
BGN and EUR	23,40%	16,85%	23,68%	18,80%	15.41%
USD	64,00%	80,43%	83,52%	83,51%	88.55%
Total liquidity	33,80%	26,39%	31,97%	25,93%	18.81%

The values of these ratios reflect the amount of liquid assets of the bank, which can meet the obligations under the attracted liabilities. A limit has been adopted for the value of the above ratios, which cannot be below 7% for each currency and below 14 for all currencies.

The bank has also agreed long-term credit lines with the following financial institutions:

- EBRD/EU for financing small and medium enterprises – credit line to the amount of EUR 10 mn. and BGN 20 mn., with expiry date July 2009 and July 2011 respectively.
- EBRD – energy efficiency and renewable energy sources – credit line to the amount of EUR 15 mn. and EUR 10 mn., with expiry date July 2009 and July 2011 respectively.
- EBRD – for financing rural regions – credit line to the amount of EUR 10 mn., with expiry date January 2011.
- EBRD/EU Energy Efficiency Facility – credit line to the amount of EUR 5 mn., with expiry date January 2013.
- EIB – 10-years global loan to the amount of EUR 15 mn., with expiry date December 31, 2018

UBB signed a 10-years subordinated loan agreement with NBG for EUR 130 mn.

Interest rate risk

This risk is related to possible unfavorable impact that changes in the market interest rates can have on the profit and capitalization of the bank. UBB manages the interest rate risk and maintains it within acceptable parameters, seeking to maintain adequate structure of its interest-sensitive assets and liabilities and minimize the mismatching between them. The interest rate risk is measured separately for each of the major currencies, in which the bank has active operations and also as total exposure. The measuring is based on an analysis of the mismatching between the interest-sensitive assets and liabilities by standardized time intervals, considering historical trends and stress-test scenarios. A limit is adopted for the maximum amount of the bank's total exposure under this type of risk.

Currency risk

This is the risk, the bank to sustain losses due to fluctuations of market prices of different currencies, which it works with. UBB balance sheet structure includes assets and liabilities, denominated in different currencies.

The assets and liabilities of the bank are mainly in BGN and EUR. Upon the currently effective currency board in this country, upon the fixed exchange rate of BGN to EURO at a rate of 1.95583, 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 with the aim to minimize the possibility of loss in case of unfavorable exchange rates' fluctuations.

The maximum amount of the open positions as percentage of the capital base is regulated by Regulation 8 of BNB.

UBB additionally limits the FX risk, by approving maximum exposure limits, both with regard to balance sheet positions, expressed as mismatching between balance sheet assets, liabilities and off-balance sheet elements denominated in foreign currency, and with regard to daily operations on the financial markets. For defining the above limits, the"Value at Risk" method is used in the on-going process of exposure measuring.

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. Limits include 98 banks and 29 countries, as their minimum rating according to Moody's is Baa3. In Bulgaria UBB maintains active business relations only with first-class banks, according to this country's criteria. The above restrictions for selection of counter parties presuppose undertaking of medium credit risk.

Annual Report of the Daughter UBB's Companies

ANNUAL REPORT OF UBB DAUGHTER COMPANIES

1. **Review of the activity of the companies included in the consolidated report of UBB and main risks for the activity**

   Transactions between UBB, its subsidiaries (UBB Asset Management and UBB Insurance Broker), associated companies (UBB AIG Insurance and Reinsurance Company and UBB AIG Life Insurance Company) and mutual funds managed by UBB Asset Management (UBB Balanced Fund, UBB Premium Fund and UBB Platinium Fund) are related to maintaining Deposits and Current accounts. The Bank has a stake of shares in Mutual funds managed by its subsidiary UBB Assets management.

   Due to customers as of December 31, 2007

   UBB Asset Management – BGN 423 thousand
   UBB Insurance Broker – BGN 169 thousand
   UBB AIG Insurance and Reinsurance Company - BGN 155 thousand
   UBB AIG Life Insurance Company - BGN 79 thousand
   Drujestvo za Kasovi Uslugi - BGN 0 thousand
   UBB Balanced Fund - BGN 1,600 thousand
   UBB Premium Fund - BGN 3,570 thousand
   UBB Platinium Fund - BGN 490 thousand

2. **Important events, occurred after the date of the consolidated financial statement:**

   There are no reported important events, which have occurred after the date the annual report of the Bank.

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 330 000, including:
Share of Diethniki-Athens, member of NBG: 9,09%, or 27 270 shares, each of par value - BGN 1.
UBB participation in the company: 91.91%, or 272 730 shares, each of par value - BGN 1.

Name: UBB BALANCED FUND AD

Location: Sofia
Head Office address: Sofia, 5, St. Sofia Str., Vazrazhdane Municipality
Number and batch of entry into the commercial register: No 87998, v. 1108, reg. I, p. 62, under company file No 11245 of Sofia City Court according to the inventory of 2004.
Capital: BGN 4 055 200.
Participation in the company: BGN 1 460 200

Name: UBB Platinum Fund

Location: Sofia
Head Office address: Sofia, 5, St. Sofia Str., Vazrazhdane Municipality
Capital: 195 477.3389
Participation in the company: 107 508.2971 shares, price of repurchase BGN 9.7667

Name: UBB Premium Fund

Location: Sofia
Head Office address: Sofia, 5, St. Sofia Str., Vazrazhdane Municipality
Capital: 489 538.7900
Participation in the company: 100 121.4562 shares, price of repurchase BGN 9.9848

Name: UBB AIG LIFE Insurance Company AD

Location: Sofia
Head Office address: Bulgaria, Sofia, Triaditza region, postal code 1404, 75 Bulgaria blvd.
Number and batch of entry in the commercial register: No 108941 v. 1469, reg. I, p.143, under company file No 10677 of Sofia City Court according to the inventory dated 29.09.2006.
Capital: BGN 6 000 000.
Participation in the company: BGN 1 800 000

Name: UBB – AIG Insurance and Reinsurance Company AD

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: 5 400 000
Participation in the company: BGN 1 620 000.

Name: UBB Insurance Broker

Location: Sofia
Head Office address: Bulgaria, Sofia 1000, region Vazrajdane, 9 “T. Aleksandroiv” 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: BGN 400 000, 80%

Used financial instruments

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

In 2007 the subsidiary UBB Asset Management and the associates – UBB Balanced Fund, UBB Premium Fund, UBB Platinum Fund and the associated with UBB- UBB AIG Insurance and Reinsurance Company, UBB AIG Life Insurance 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 subsidiary UBB Insurance Broker, UBB Asset Management and the associates – UBB Balanced Fund, UBB Premium Fund, UBB Platinum Fund and the associated with UBB - UBB AIG Insurance and Reinsurance Company, UBB AIG Life – Insurance company, maintaining current accounts and deposits, are reported in compliance with regulations, evolving from the requirements of Regulation N 8 on capital adequacy.

Independent Auditors' Report and Annual Financial Statements

UNITED BULGARIAN BANK AD

ANNUAL REPORT ON THE ACTIVITY
INDEPENDENCE AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

DECEMBER 31, 2007

Unofficial translation of the original in Bulgarian

INDEPENDENT AUDITOR'S REPORT AND ANNUAL FINANCIAL STATEMENTS DECEMBER 31, 2007

Deloitte.

Deloitte Audit Ltd.
103, Al. Stambolijski Blvd.
1000 Sofia
Bulgaria

Tel. +359 (0) 2 802 3300
Fax +359 (0) 2 802 3350
www.deloitte.bg

Делойт Одит ООД
бул. „Ал. Стамболийски" 103
София 1000
България

Фирмено дело 10638/96
при Софийски градски съд
IBAN BG39 INGB 9145 1000 2706 10
SWIFT/BIC INGBBGSF
ИНГ БАНК

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
United Bulgarian Bank AD

Report on the Financial Statements

We have audited the accompanying financial statements of United Bulgarian Bank AD ("the Bank"), which comprise the balance sheet as of December 31, 2007, and the income statement, statement of changes of equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (the EU). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparations and fair presentation of the 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 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 financial statements present fairly, in all material respects, the financial position of Bank as of December 31, 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (the EU).

Other reports on regulatory requirements – Annual report of 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 report of the activities of the Bank, prepared by the Bank's management. The Annual report of the activities of the Bank is not a part of the financial statements. The historical financial information, presented in the Annual report of the activities of the Bank, prepared by management, is consistent, in all material respects, with the annual financial information, disclosed in the financial statements of the Bank as of December 31, 2007, prepared in accordance with the International Financial Reporting Standards. Management is responsible for the preparation of the Annual report of the activities of the Bank, dated March 27, 2008.

Deloitte Audit

Deloitte Audit OOD

Sylvia Peneva
Managing Director
Registered Auditor

March 27, 2008
Sofia

UNITED BULGARIAN BANK AD, SOFIA

BALANCE SHEET
As of December 31, 2007
All amounts are in thousand Bulgarian Levs, except otherwise stated

	Notes	As of 31.12.2007	As of 31.12.2006
ASSETS			
Cash and balances with the Central Bank	4	695,488	750,749
Loans and advances to banks	5	176,364	195,322
Loans and advances to customers, net	6	4,916,408	2,708,918
Financial assets at fair value through profit or loss	7	228,141	205,809
Derivative financial instruments	8	613	746
Investment securities available for sale	9	2,552	1,970
Investments in subsidiaries and associates	10	7,599	4,062
Intangible assets	11	8,745	11,831
Fixed assets	11	86,499	73,050
Deferred income tax assets	17	500	573
Other assets	12	6,677	7,676
TOTAL ASSETS		6,129,586	3,960,706
LIABILITIES			
Due to banks	13	1,292,027	195,321
Due to customers	14	3,421,651	2,797,909
Derivative financial instruments	8	2,539	599
Bank borrowings	15	75,753	64,971
Debt securities in issue	16	319,194	318,628
Subordinated liabilities	18	256,984	-
Current income tax liabilities		3,773	8,926
Deferred income tax liabilities	17	2,404	2,679
Retirement benefit obligations	19	3,434	3,043
Other liabilities	20	2,356	4,853
TOTAL LIABILITIES		5,380,115	3,396,929
NET ASSETS		749,471	563,777
SHAREHOLDERS' EQUITY			
Share capital	21	75,964	75,964
Retained earnings	23	658,102	471,895
Revaluation reserves	24	15,405	15,918
TOTAL SHAREHOLDERS EQUITY		749,471	563,777
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		6,129,586	3,960,706
Contingent liabilities and commitments	25	716,649	546,105

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

Stilian Vatev, CEO

Radka Toncheva, Executive Director

March 27, 2008

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

Sylvia Peneva

Registered Certified Public Accountant:

Date: March 27, 2008

UNITED BULGARIAN BANK AD, SOFIA

INCOME STATEMENT
For the year ended December 31, 2007
All amounts are in thousand Bulgarian Levs, except otherwise stated

	Notes	Year ended 31.12.2007	Year ended 31.12.2006
Interest and similar income		381,644	264,070
Interest expenses and similar charges		(105,120)	(58,622)
Net interest income	27	276,524	205,448
Fee and commission income		89,420	75,746
Fee and commission expenses		(4,660)	(7,282)
Net fee and commission income	28	84,760	68,464
Dividend income		13	141
Net trading income	29	10,387	7,686
Net other operating income	30	5,895	5,698
		377,579	287,437
Net allowances for impairment and uncollectability	31	(29,340)	(10,377)
General administrative expenses	32	(142,490)	(118,397)
		(171,830)	(128,774)
Profit before taxation		205,749	158,663
Income tax expenses	33	(20,638)	(23,536)
PROFIT FOR THE YEAR		185,111	135,127

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

Stilian Vatev, CEO

Radka Toncheva, Executive Director

March 27, 2008

ОБЕДИНЕНА БЪЛГАРСКА БАНКА АД * ГР. СОФИЯ *

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

Sylvia Peneva
Registered Certified Public Accountant
Date: March 27, 2008

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended December 31, 2007
All amounts are in thousand Bulgarian Levs, except otherwise stated

	Share Capital	Retained Earnings	Revaluation reserve	Total
Balance as of January 1, 2006	75,964	336,009	15,160	427,133
Transfer from revaluation reserve for fixed assets sold	-	759	(759)	-
Unrealised gains/losses on available for sale securities (AFS) - net of tax	-	-	782	782
Effect from reduction in tax rates on deferred taxes regarding prior years' revaluations	-	-	735	735
Net income recognised directly in equity	-	759	712	1,517
Profit for the year	-	135,127	-	135,127
Total recognised income and expense	-	135,886	712	136,644
Balance as of December 31, 2006	75,964	471,895	15,918	563,777
Transfer from revaluation reserve for fixed assets sold	-	1,096	(1,096)	-
Unrealised gains/losses on available for sale securities (AFS) - net of tax	-	-	583	583
Net income recognised directly in equity	-	1,096	(513)	583
Profit for the year	-	185,111	-	185,111
Total recognised income and expense	-	186,207	(513)	185,694
Balance as of December 31, 2007	75,964	658,102	15,405	749,471

Retained earnings as of December 31, 2007 include an undistributable part amounting to BGN 471,895 thousand and a distributable part amounting to BGN 186,207 thousand.

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

Stilian Vatev, CEO

Radka Toncheva, Executive Director

March 27, 2008

The accompanying notes are an integral part of these financial statement.

Sylvia Peneva
Registered Certified Public Accountant:
Date: March 27, 2008

STATEMENT OF CASH FLOWS
For the year ended December 31, 2007
All amounts are in thousand Bulgarian Levs, except otherwise stated

	Notes	Year ended 31.12.2007	Year ended 31.12.2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		205,749	158,663
Adjustments to reconcile profit before taxation to net cash provided by operating activities:			
Allowances for impairment and uncollectability charge		29,340	20,259
Allowances for staff obligations		806	566
Depreciation		18,569	17,218
Income from investments		-	(306)
Accrued interest		(4,694)	622
Income taxes paid		(16,864)	(15,929)
Change in deferred taxes		(202)	(2,756)
		232,704	178,337
Change in operating assets:			
(Increase)/decrease in placements with other banks		9,678	(2,190)
(Increase) in loans and advances to customers		(2,221,400)	(713,067)
(Increase) in assets at fair value through profit and loss		(17,681)	(22,918)
(Increase)/decrease in other assets		1,355	(1,630)
Change in operating liabilities:			
Increase in amounts deposits from banks		1,095,333	8,623
Increase in amounts due to other depositors		615,906	597,430
(Decrease) in other liabilities		(9,899)	(4,430)
Increase in Subordinated liabilities		254,258	-
NET CASH PROVIDED BY OPERATING ACTIVITIES		(39,746)	40,155
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(29,155)	(20,696)
Increase of securities available for sale		(3,537	(3,270)
NET CASH USED IN INVESTING ACTIVITIES		(32,692)	(23,966)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in long term debt		5,971	19,860
NET CASH PROVIDED BY FINANCING ACTIVITIES		5,971	19,860
NET INCREASE IN CASH AND CASH EQUIVALENTS		(66,467)	36,049
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		938,319	902,270
CASH AND CASH EQUIVALENTS AT END OF YEAR	26	871,852	938,319

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

Stilian Vatev, CEO Radka Toncheva, Executive Director

March 27, 2008
The accompanying notes are an integral part of these financial statements.

Sylvia Peneva
Registered Certified Public Accountant:
Date: March 27, 2008

1. GENERAL

United Bulgarian Bank AD, Sofia ("UBB" or the "Bank") is a joint stock company registered in Bulgaria in September 1992. 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 has 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 related to nostro accounts transactions, placements with foreign contracting parties, dealing securities portfolio and foreign exchange contracts.

During the period, the Bank's operations were conducted through a head office located in Sofia and 196 branches and 33 offices throughout Bulgaria.

Full-time equivalent of employees as of December 2007 was 2,635 (2006: 2,237).

These financial statements have been approved for issue by the Board of Directors on March 27, 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of presentation

These 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 Commission and applicable in the Republic of Bulgaria.

The Bank applies all new and revised IFRS, issued by the International Accounting Standards Board (IASB) and the interpretations, issued by the International Financial Reporting Interpretations Committee (IFRIC), approved by the European Commission and effective for 2007. The Bulgarian Accountancy Act (the Act), effective for 2007 requires the application of IFRS, adopted by the European Union Commission. Based on the amendments of the Act, effective January 1, 2007 the requirement for compulsory publication of official translation of IFRS, adopted by the Council of Ministers, is cancelled, which allows direct application of the updated version of IFRS. IFRS as adopted by the European Union Commission do not differ from IFRS, issued by the IASB, and are effective for reporting periods ended as of December 31, 2007, except for certain requirements for hedge reporting in accordance with the IAS 39 Financial Instruments: Recognition and Measurement, which has not been adopted by the Commission. The Bank's management believes that if the hedge requirements has been approved by the Commission it would have no effect on these financial statements.

The Bank has chosen not to prepare consolidated Financial Statements as it is practically a wholly-owned subsidiary of NBG which owns 99.9% of the shares and the parent produces consolidated financial statements available for public use that comply with IFRS.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1. Basis of presentation (continued)

The presentation of 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 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 financial statements and the future actual results could differ from those estimates and the differences may be material to the financial statements.

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

Changes of accounting policies arising from the implementation of new IFRS and revised IAS effective from January 1, 2007

The Bank has undertaken a detailed analysis of the revised standards in order to identify and implement the relevant changes. The new IFRS and revisions of the existent IAS applicable to the Bank's operations have been implemented with effect from January 1, 2007. There have been no material effects on the financial statement as a result of the implementation.

Standards applied for the first time in 2007:

- IFRS 7, "Financial Instruments: Disclosures", and a complementary amendment to IAS 1, "Presentation of Financial Statements – Capital Disclosures" (effective from January 1, 2007). IFRS 7 introduces new disclosures to improve the information provided about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. IFRS 7 replaces IAS 30, "Disclosures in the Financial Statements of Banks and Similar Financial Institutions", and the disclosure requirements in IAS 32, "Financial Instruments: Disclosure and Presentation". The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital.

- IFRIC 8, "Scope of IFRS 2" (effective for annual periods beginning on or after May 1, 2006). IFRIC 8 clarifies that IFRS 2 "Share based payments" will apply to any arrangement when equity instruments are granted or liabilities are incurred by the entity, when the identifiable consideration appears to be less than the fair value of the instruments given. It presumes that such cases are an indication that other consideration has been or will be received. The Bank applies IFRIC 8 from January 1, 2007 and it did not have a significant impact on the financial statements.

- IFRIC 9, "Reassessment of Embedded Derivatives (effective for annual periods beginning on or after June 1, 2006). IFRIC 9 requires an entity to assess whether a contract contains an embedded derivative at the date the entity first becomes a party to the contract and prohibits reassessment unless there is a change to the contract that significantly modifies the cash flows. The Bank applies IFRIC 9 from January 1, 2007 and it did not have a significant impact on the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1. Basis of presentation (continued)

- IFRIC 10, "Interim Financial Reporting and Impairment" ("IFRC 10") (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 states that any impairment losses recognized in an interim statement in respect of goodwill under IAS 36 "Impairment of Assets", or certain financial assets under IAS 39 "Financial Instruments: Recognition and Measurement" must not be reversed in subsequent interim or annual financial statements. The Bank applies IFRIC 10 from January 1, 2007 and it did not have a significant impact on the financial statements.

2.2. Interest income and expense

Interest income and expense is recognized in the income statement for all interest bearing financial instruments on a time proportion basis, taking into account of the principal outstanding and 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.

2.3. Fee and commission income

Fees and commissions consist mainly of fees received for cash and money transactions, loans, guarantees and letters of credit. 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.

2.4. Foreign currency translation

Transactions denominated in foreign currencies have been translated into BGN at the exchange rates set by the Bulgarian National Bank at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated at the balance sheet date using the closing rates of exchange of the Bulgarian National Bank.

Foreign exchange 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 are incurred. Translation differences on debt securities and other monetary financial assets re-measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary financial assets are a component of the change in their fair value.

All amounts are in thousand Bulgarian Levs, except otherwise stated

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4. Foreign currency translation (continued)

Significant exchange rates are as follows:

Currency	31.12.2007	31.12.2006
EUR	1.95583	1.95583
USD	1.33122	1.48506

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 rates movements against the Bulgarian Lev reflect their movements against the Euro on the international markets.

2.5. Regular way purchases and sales

In case of regular way purchases and sales of financial assets at fair value through profit or loss, financial assets available for sale as well as derivative financial instruments the Bank uses "trade date" accounting. For all other regular way purchases and sales the Bank uses "settlement date" accounting.

2.6. Loans and advances

Loans originated by the Bank include loans where money is provided directly to the borrower, other than those that are originated with the intent to be sold, in which case they are recorded as assets at fair value through profit and loss or available for sale investment securities.

Loans originated by the Bank are recognized when cash is advanced to borrowers. They are initially recorded at fair value including any transaction costs, and are subsequently valued at amortized cost, using the effective interest rate method.

Loans and advances originated by the Bank are stated in the balance sheet at amortized cost less any allowance for impairment or uncollectability. The amortization is calculated using the effective interest rate, which for most of the loans approximates the contracted interest rate because of the nature of the lending agreements.

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

2.7. Allowances for impairment and uncollectability

Allowances for impairment or uncollectability are determined as the difference between the carrying amount of a financial asset and its estimated recoverable amount.

Allowances for impairment of loans are 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 a loan.

The criteria that the Bank uses to determine that there is objective evidence of an impairement loss include:

- Delinquency in contractual payments of principal or interest;
- Breach of loan covenants or conditions;
- Initiation of legal proceedings with the purpose of loan's repayment or bankruptcy proceedings;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7. Allowances for impairment and uncollectability (continued)

An allowance for loan impairment is reported as a reduction of the carrying amount of a claim on the balance sheet, whereas for an off-balance sheet item such as a commitment, an allowance for impairment loss is reported in other liabilities. Additions to allowances for loans impairment is recorded in impairment losses on loans and advances in the income statement.

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

Cash flows relating to short term loans up to 1 year are not discounted as the possible resulting difference is deemed immaterial. Management determines the expected future cash flows based upon reviews of individual borrowers and loan exposures and other relevant factors including the fair value of collateral, if any. 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 purpose of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics. Loans are grouped based on days in arrears, product type and other relevant credit characteristics. 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 allowances computation. Historical loans 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 historical loss experience is based and to remove the effects and conditions in the historical period that do not exist currently.

Any difference between the carrying amount and recoverable amount of the financial assets (loss on impairment and uncollectability) is charged to the income statement for the period it occurs. 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 (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement as part of impairment losses on loans and advances.

Loans and advances that cannot be recovered are written off and charged against the balance sheet allowances for impairment and uncollectability. Such loans are written off after all necessary legal procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are treated as income by reducing the allowances for uncollectability for the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8. Financial assets and liabilities at fair value through profit or loss

This category has the following two sub-categories:

a) Trading securities

Trading securities are securities, which were 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 taking exists.

Trading securities also include securities sold under sale and repurchase agreements.

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. Respectively, investment securities are not reclassified into the trading securities category while they are held.

b) Financial assets and liabilities designated at fair value through profit or loss

Upon initial recognition the Bank may designate any financial asset or liability as at fair value through profit or loss except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, when either:

(i) It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or

(ii) 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 about the group is provided internally on that basis to key management personnel, for example the board of directors and chief executive officer.

(iii) relates to financial instruments containing one or more embedded derivatives that significantly modify the cash flow resulting from those financial instruments and would have to be separated if not in this 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, as appropriate.

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.

Interest income on interest bearing financial assets and interest expense on interest bearing financial liabilities at fair value through profit and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9. Derivative financial instruments

Derivative financial instruments including foreign exchange contracts, forward rate 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 balance sheet at fair value and subsequently are re-measured at their fair value. All derivatives are carried in assets when favourable to the Bank and in liabilities when unfavourable to the Bank. Fair values are obtained 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 trading income.

A derivative may be embedded in another financial instrument, known as "host contract". In such combinations, 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.

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.

2.10. Investment securities

Investment securities are classified as either available for sale or held to maturity investment securities based on management intention on purchase date.

Available for sale

Securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available for sale. Securities available for sale are those financial assets that are not classified as financial assets held for trading or held-to-maturity investments. Securities available for sale are initially recognised at fair value including transaction costs) and subsequently re-measured at fair value based on quoted bid prices in 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 the changes in the fair value of securities are recognised in the revaluation reserve in shareholders' equity, net of taxes (where applicable), until such investment is sold, collected or otherwise disposed of, or until such investment is determined to be impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10. Investment securities (continued)

When an available for sale investment security 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 gains/losses from financial assets available-for-saleavailable for saleinvestment securities. Gains and losses on disposal are determined using the moving average cost method.

Held to maturity

Held to maturity investment securities consist of securities with fixed or determinable payments, which the management has the positive intent and ability to hold to maturity. Held to maturity investment securities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any fees paid or received and any discount or premium on acquisition.

Interest income earned whilst holding the investment securities is reported as interest income. Dividends received are included in dividend income.

2.11. Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral and the counterparty liability is included in the deposits from banks or customers as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as due from other banks or loans and advances to customers as appropriate. The difference between sale and repurchase prices is treated as interest and is recognized under the effective interest rate method over the life of repurchase agreements using the effective interest rate method.

2.12. Property and equipment

Property and equipment include land and buildings, leasehold improvements and transportation and other equipment, held by the Bank for use in the supply of services or for administrative purposes. Property and equipment are initially recorded at cost, which includes all costs 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.

Lands and buildings comprise mainly branches and offices. Lands and buildings have been revalued to fair value at December 31, 2003 based on calculation by external independent valuers and are carried at revalued amounts less subsequent accumulated depreciation. The frequency of such revaluations is at least once every five years or, if necessary, when the fair value of fixed assets is materially different from their carrying value.

Increases in the carrying value arising from revaluation are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases are charged against the revaluation reserve. All other decreases are charged to the income statement.

All amounts are in thousand Bulgarian Levs, except otherwise stated

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12. Property and equipment (continued)

All fixed assets except land and buildings are carried at cost less accumulated depreciation.

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.

Depreciation of an item of property and equipment is calculated on a straight-line basis over their estimated useful lives. Following change in corporate tax legislation the Bank is allowed to adopt a policy for tax depreciation rates within certain limits set in the Corporate Tax Law. The rates of depreciation applied in 2006 and 2007 are as follows:

	Accounting depreciation rates	Taxation depreciation rates
Buildings	4%	4%
Security facilities	10%	4%
POS Terminals	30%	15%
Equipment	20%	30%
Servers and personal computers	30%	50%
Furniture and related equipment	15%	15%
Cars	20%	25%
Leasehold improvements	Residual lease term	Residual lease term
Software	20%	50%

Gains or losses on disposals are determined by reference to their carrying value and taken into account in determining profit.

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

Foreclosed assets, which consist of properties acquired through foreclosure in full or partial satisfaction of a related loan, are initially measured at cost, which includes transaction costs, and reported under other assets. 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.

2.13. Intangible assets

Intangible assets include computer software and other intangible assets that comprise of separately identifiable intangible items.

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 added to the original cost of the software. Software development costs recognised as assets, are amortised using the straight-line method over their useful lives, not exceeding period of 5 years.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13. Intangible assets (continued)

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

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

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

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

2.14. 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.

2.15. 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 balance sheet 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15. Employee benefits (continued)

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 relating 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.

2.16. Income taxes

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

Deferred income taxes are provided using the balance sheet liability method of accounting, under which deferred tax consequences are recognised for differences between the tax bases 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 net 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 balance sheet date.

2.17. Provisions for liabilities

The amount of provisions for liabilities is recognized as expense and liability when the Bank has present legal or constructive obligations, which have occurred as a result of a past event, and when it is probable that an outflow of resources, embodying economic benefits, will be necessary to settle the obligation and a reasonable estimate of the amount of the resulting loss can be made. Any loss resulting from recognition of provision for liability is recognized in the income statement for the period.

2.18. Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between proceeds net of transaction costs and redemption value at maturity is recognised in the income statement over the period of the borrowings using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19. 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 arms 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.

2.20. Earnings per share

A basic earning 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.

2.21. Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

2.22. Capital management

The Bank defines its risk-bearing capacity as the amount of financial resources that are available for absorbing losses, which may be incurred due to the risk profile of the Bank. Financial resources are classified into Tiers of risk capital according to their ability to absorb losses, ability to waive or defer payments, and permanence. The Bank has raised a certain amount of subordinated debt to help maintain a sufficient level of risk capital.

The Bank calculates, monitors and reports its risk capital for all major risk categories – credit, market and operational risk. In managing its risk capital, the Bank follows regulator-mandated, as well as its own, guidelines and targets. Bulgarian banks must maintain Core Tier I Capital Adequacy Ratio of at least 6%, and Total Risk Capital Adequacy Ratio of at least 12%. The Bank targets a Core Tier I Capital Adequacy Ratio of at least 7%. In addition, the risk-return profile of the Bank is managed in a way that the Core Tier I ratio does not fall below 7% under a severe stress scenario (once in one hundred years, or 1% probability). The Bank also targets a credit risk capital of no more than two-thirds, and market risk capital of no more than 5%, of its total risk capital. For 2006 and 2007 the Bank is in compliance with the regulatory requirements for minimum capital adequacy.

Over the long run, the Bank plans to establish an Internal Capital Adequacy Assessment Process (ICAAP), which shall be subsequently supported and enhanced via an economic capital management framework. The risk capital derived will be the key for developing a risk-adjusted performance measurement framework, as well as risk-adjusted pricing and customer profitability.

3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS EFFECTIVE IN FUTURE PERIODS

- IAS 1, "Presentation of Financial Statements" - revised (effective from January 1, 2009)

3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS EFFECTIVE IN FUTURE PERIODS (CONTINUED)

in two statements (a separate income statement and a statement of comprehensive income). Income tax relating to each component of other comprehensive income should be disclosed. Components of comprehensive income may not be presented in the statement of changes in equity.

Another new requirement is to present a statement of financial position (balance sheet) as at the beginning of the earliest comparative period when the entity applies an accounting policy retrospectively or makes a retrospective restatement. Disclose reclassification adjustments relating to components of other comprehensive income.

The Bank will apply Revised IAS 1 from January 1, 2009.

- IFRS 8, "Operating Segments" (effective from January 1, 2009), which replaces IAS 14 "Segment Reporting", is effective for annual periods beginning on or after January 1, 2009. This standard specifies how an entity should report information about its operating segments, based on information about the components of the entity that management uses in making operating decisions. The Bank will apply this standard for the annual period beginning on 1, January 2009.

- IAS 23 (Amendment), 'Borrowing costs' (effective from January 1, 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The bank will apply IAS 23 (Amended) from January 1, 2009, however management does not expect this amendment to have an impact on the Bank's financial statements.

- IFRIC 11, "IFRS 2 - Group and Treasury Share Transactions" was issued on November 30, 2006 (effective for annual periods beginning on or after March 1, 2007). IFRIC 11 requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if the entity chooses or is required to buy those equity instruments (e.g. treasury shares) from another party, or the shareholder(s) of the entity provide the equity instruments required.

  The Bank will apply IFRIC 11 from 2008, however management does not expect this IFRIC to have a significant impact on the Bank's financial statements.

- IFRIC 12, "Service Concession Arrangements" (effective for annual periods beginning on or after January 1, 2008). IFRIC 12 provides guidance on service concession arrangements by which a government or other public sector entity grants contracts for the supply to public services to private sector operators. IFRIC 12 addresses how service concession operators should apply existing IFRSs to account for the obligations they undertake and the rights they receive in service concession arrangements. The Bank will apply IFRIC 12 from January 1, 2008. Management does not expect IFRIC 12 to have a significant impact on the Bank's financial statements.

- IFRIC 13, "Customer Loyalty Programmes" (effective for annual periods beginning on or after July 1, 2008). IFRIC 13 addresses the accounting treatment by the entity that grants award credits to its customers as part of a sale transaction(s). The Bank is currently evaluating its impact on the Bank's financial reporting.

All amounts are in thousand Bulgarian Levs, except otherwise stated

3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS EFFECTIVE IN FUTURE PERIODS (CONTINUED)

- IFRIC 14 "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective for annual periods beginning on or after January 1, 2008). This interpretation addresses three issues:

  • when refunds or reductions in future contributions should be regarded as 'available' in the context of paragraph 58 of IAS 19 Employee Benefits;

  • how a minimum funding requirement might affect the availability of reductions in future contributions; and

  • when a minimum funding requirement might give rise to a liability.

The Bank is currently evaluating its impact on the Bank's financial reporting.

4. CASH AND BALANCES WITH THE CENTRAL BANK

	As of 31.12.2007	As of 31.12.2006
Cash in hand	197,400	146,698
Mandatory reserve with the Central Bank	479,178	559,368
Current account with the Central Bank	18,910	44,683
TOTAL	695,488	750,749

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

Mandatory reserve is a part of required reserves in Central Bank, which also includes current account with BNB. Cash in hand is not included in minimum reserve for regulatory purposes. 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.

All amounts are in thousand Bulgarian Levs, except otherwise stated

5. LOANS AND ADVANCES TO BANKS

	As of 31.12.2007	As of 31.12.2006
Nostro accounts	124,768	11,987
Interbank placements	46,948	175,356
Pledged amounts	13	7
Other loans and advances to banks	4,635	7,972
TOTAL	176,364	195,322
Included in cash equivalents (note 26)	176,364	187,570

6. LOANS AND ADVANCES TO CUSTOMERS, NET

(a) Analysis by type of customer

	As of 31.12.2007	As of 31.12.2006
Individuals (retail)		
Overdrafts	24,247	18, 874
Credit cards	189,221	118,555
Mortgages	1,039,775	582,477
Consumer loans	1,071,174	653,222
	2,324,417	1,373,128
Corporate entities		
Non-bank financial institutions	6,337	1,902
Corporate customers	2,654,903	1,374,114
Government and agencies	728	1,439
	2,661,968	1,377,455
Total loans and advances, gross	4,986,385	2,750,583
Less: allowance for impairment	(69,977)	(41,665)
Loans and advances to customers, net	4,916,408	2,708,918
Pledged loans under mortgage bonds issued (note 16)	49,733	45,648

6. LOANS AND ADVANCES TO CUSTOMERS, NET (CONTINUED)

(b) Analysis by loan product

	As of 31.12.2007	As of 31.12.2006
Overdrafts		
performing	22,601	17,524
non-performing	1,646	1,350
Less: allowance for impairment	(1,705)	(1,364)
	22,542	17,510
Credit cards	189,221	118,555
Less: allowance for impairment	(6,152)	(3,853)
	183,069	114,702
Mortgages		
performing	1,027,484	572,575
non-performing	12,291	9,902
Less: allowance for impairment	(7,279)	(4,910)
	1,032,496	577,567
Consumer loans		
performing	1,041,434	639,596
non-performing	29,672	13,626
Less:allowance for impairment	(35,816)	(16,800)
	1,035,290	636,422
Corporate loans		
performing	2,621,377	1,344,408
non-performing	27,841	22,780
Less: allowance for impairment	(19,025)	(14,738)
	2,630,193	1,352,450
Securities purchased under agreements to resell	857	1,324
Other loans and advances	11,961	8,943
Loans and advances to customers, net	4,916,408	2,708,918

(c) Movement of allowances for impairment and uncollectability

	BGN'000
BALANCE AS OF JANUARY 1, 2006	(49,260)
Allowances for impairment and uncollectability charge, net	(20,259)
Loans and advances written off as unrecoverable	27,854
BALANCE AS OF DECEMBER 31, 2006	(41,665)
Allowances for impairment and uncollectability charge, net	(44,916)
Loans and advances written off as unrecoverable	16,604
BALANCE AS OF DECEMBER 31, 2007	(69,977)

All amounts are in thousand Bulgarian Levs, except otherwise stated

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As of 31.12.2007	As of 31.12.2006
Bulgarian government securities	146,454	143,686
Foreign government and corporate securities		
Listed	5,098	6,529
Unlisted	1,123	-
	6,221	6,529
Local corporate securities		
Listed	44,823	22,108
Unlisted	24,671	29,317
	69,494	51,425
Shares in Mutual Funds		
Listed	5,972	4,169
	5,972	4,169
TOTAL FINANCIAL ASSETS AT FAIR VALUE	228,141	205,809

Total financial assets at fair value by type of currency is as follows:

	As of 31.12.2007	As of 31.12.2006
In Bulgarian Levs	84,014	72,509
In foreign currencies	144,127	133,300
	228,141	205,809

As of December 31, 2007 and 2006 the Bank has pledged assets as collateral placement in Central Bank for state funds at the amount of BGN 72,966 thousand and BGN 85,053 thousand, respectively.

Nearly all securities in the trading portfolio are debt instruments denominated in BGN, EUR and USD. Nearly all of the trading securities denominated in BGN carry fixed interest coupons and those that carry variable interest are linked to the respective levels of SOFIBOR. Securities denominated in EUR predominantly carry fixed interest coupons. Trading securities denominated in USD are predominantly with variable interest linked to the USD LIBOR. Trading securities include short-term, medium-term and long-term securities without any significant concentrations in terms of maturity and securities issues.

Securities amounting to BGN 72,966 thousand (2006: BGN 85,053 thousand) were 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.

All amounts are in thousand Bulgarian Levs, except otherwise stated

8. DERIVATIVE FINANCIAL INSTRUMENTS

	31.12.2007			31.12.2006		
	Contract/ notional amount	Fair values		Contract/ notional amount	Fair values	
		Assets	Liabilities		Assets	Liabilities
Foreign exchange OTC derivatives	379,708	219	2,407	200,874	445	345
Currency forward agreements	153,464	117	2,248	24,056	28	15
Currency swaps	217,982	56	-	166,509	367	285
Currency options bought	4,140	46	-	5,197	50	-
Currency options embedded	4,122	-	159	5,112	-	45
Index options, incl.	12,976	394	132	7,444	301	254
Index options bought	*8,842*	*394*	-	*3,912*	*301*	-
Index options embedded	*4,134*	-	*132*	*3,532*	-	*254*
	392,684	613	2,539	208,318	746	599

The derivative financial instruments used include short-term currency forwards, currency swaps and currency options and index options. Embedded derivatives are stripped from structured deposits based on EUR/USD currency rate movements or based on movements of stock exchange indices. The embedded derivatives do not significantly modify the cash flows that otherwise would be required by contract. The Bank acts as an intermediary provider of these instruments to certain clients. During 2007 and 2006 the Bank has not used derivatives for hedging purposes.

9. INVESTMENT SECURITIES AVAILABLE FOR SALE

Equity securities available for sale - at fair value	As of 31.12.2007	As of 31.12.2006
Equity securities in local entities		
Listed	168	165
Unlisted	971	991
	1,139	1,156
Equity securities in foreign entities		
Listed	1,285	686
Unlisted	128	128
	1,413	814
	2,552	1,970

All amounts are in thousand Bulgarian Levs, except otherwise stated

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

Movement in AFS investments	As of 31.12.2007
BALANCE AS OF JANUARY 1, 2006	882
- Additions within the period	220
- Gains from changes in fair value	868
BALANCE AS OF DECEMBER 31, 2006	1,970
- Exchange differences on monetary assets	19
- Additions within the period	38
- Disposals within the period	(58)
- Gains from changes in fair value	583
BALANCE AS OF DECEMBER 31, 2007	2,552

10. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Company name	Country of incorporation	% of ownership	Number of shares	Currency of transaction	Acquisition cost	Fair value	Carrying amount
UBB Asset Management	Bulgaria	90%	636	BGN	636	636	636
UBB AIG Insurance and Reinsurance Company	Bulgaria	30%	1,740	BGN	1,902	1,902	1,902
UBB AIG Life Insurance Company	Bulgaria	30%	1,980	BGN	2,160	2,160	2,160
UBB Insurance Broker	Bulgaria	80%	400,000	BGN	400	400	400
Drujestvo za Kasovi Uslugi AD	Bulgaria	25%	2,500	BGN	2,501	2,501	2,501
Total investments in subsidiaries and associates					7,599	7,599	7,599

Movement in investment in subsidiaries and associates	As of 31.12.2007
BALANCE AS OF JANUARY 1, 2006	792
-Additions within the period	3,762
-Disposals	(492)
BALANCE AS OF DECEMBER 31, 2006	4,062
-Additions within the period	3,537
BALANCE AS OF DECEMBER 31, 2007	7,599

All amounts are in thousand Bulgarian Levs, except otherwise stated

11. INTANGIBLE AND FIXED ASSETS

Intangible and fixed assets as of December 31, 2007 are as follows:

COST	Land and Buildings	Equipment and other FA	Total fixed assets	Intangible assets	Total
As of January, 1 2007	50,610	104,057	154,667	45,053	199,720
Additions	1,010	56,549	57,559	4,123	61,682
Disposals	(2,570)	(31,268)	(33,838)	(8,169)	(42,007)
As of December, 31 2007	49,050	129,338	178,388	41,007	219,395
DEPRECIATION					
As of January, 1 2007	18,288	63,329	81,617	33,222	114,839
Charge for 2007	2,200	10,948	13,148	5,420	18,568
Depreciation charged on disposals	(1,120)	(1,756)	(2,876)	(6,380)	(9,256)
As of December, 31 2007	19,368	72,521	91,889	32,262	124,151
NET BOOK VALUE	29,682	56,817	86,499	8,745	95,244

Intangible and fixed assets as of December 31, 2006 are as follows:

COST	Land and Buildings	Equipment and other FA	Total fixed assets	Intangible assets	Total
As of January, 1 2006	51,736	91,051	142,787	43,278	186, 065
Additions	570	40,518	41,088	1,806	42,894
Disposals	(1,696)	(27,512)	(29,208)	(31)	(29,239)
As of December, 31 2006	50,610	104,057	154,667	45,053	199,720
DEPRECIATION					
As of January, 1 2006	16,512	61,427	77,939	27,056	104,995
Charge for 2006	2,268	8,753	11,021	6,197	17,218
Depreciation charged on disposals	(492)	(6,851)	(7,343)	(31)	(7,374)
As of December, 31 2006	18,288	63,329	81,617	33,222	114,839
NET BOOK VALUE	32,322	40,728	73,050	11,831	84,881

12. OTHER ASSETS

	As of 31.12.2007	As of 31.12.2006
Prepaid expenses	3,347	4,294
Assets acquired through foreclosure proceedings	1,136	1,588
Other claims against the state	904	904
Other items	1,290	890
TOTAL	6,677	7,676

13. DUE TO BANKS

	As of 31.12.2007	As of 31.12.2006
Sight deposits	137,336	64,328
Time deposits	1,084,642	130,948
REPOs with banks	69,806	-
Other due to banks	243	45
TOTAL	1,292,027	195,321

The time deposits due to banks include Money Market deposits of the Parent Company (NBG S.A.) amounting to BGN 733,533 thousand as of December 31, 2007.

All amounts are in thousand Bulgarian Levs, except otherwise stated

14. DUE TO CUSTOMERS

Analysis by customers

	As of 31.12.2007	As of 31.12.2006
Retail customers		
Current/demand accounts	355,451	250,249
Saving accounts	825,690	542,152
Time deposits	786,816	779,786
	1,967,957	1,572,187
Non-bank financial institutions		
Current/demand accounts	50,379	82,099
Time deposits	108,732	90,801
	159,111	172,900
Corporate entities		
Current/demand accounts	958,890	806,252
Time deposits	226,392	142,774
	1,185,282	949,026
Government entities		
Current/demand accounts	46,041	45,926
Time deposits	63,260	57,870
	109,301	103,796
TOTAL	3,421,651	2,797,909

15. BANK BORROWINGS

UBB has signed five long term credit facilities with EBRD for total amount of EUR 65 mln.- SME Finance Facility (EUR 20 mln), Energy Efficiency and Renewable Energy Facility (EUR 25 mln), Rural Facility (EUR 10 mln), Energy Efficiency Facility (EUR 5 mln) and Residential Energy Efficiency Credit Line (EUR 5 mln.). All facilities are bound with EC Grant schemes for the Bank and its clients.

In 2007 UBB signed a Global Loan agreement with the European Investment Bank for EUR 15 mln for lending to companies in the private and municipal sector. As of December 31, 2007 the loan has not been utilised.

	As of 31.12.2007	As of 31.12.2006
Credit lines from banks		
In Bulgarian Levs	20,298	21,197
In EURO	55,455	43,774
TOTAL	75,753	64,971

16. BANK BORROWINGS (CONTINUED)

Analysis by utilization

Facilities	Currency	As of 31.12.2007	As of 31.12.2006
Energy efficiency			
Retail (Residential energy efficiency)	BGN	2,186	1,500
Corporate/municipalities	EUR	28,528	17,230
		30,714	18,730
Rural Finance	EUR	9,779	6,044
SME finance	BGN	18,112	19,697
	EUR	17,148	20,500
		35,260	40,197
TOTAL		75,753	64,971

16. DEBT SECURITIES IN ISSUE

	Currency	Date of issue	Date of maturity	Face value in thousands original currency	Interest type	Annual interest rate	Reported value at Dec, 31 2007
Mortgage bond	BGN	12.07.04	12.07.09	40,000	Fixed	6.62%	41,244
Corporate bond	BGN	15.07.05	15.07.08	80,000	Fixed	3.55%	81,215
EURO note	EURO	22.09.05	22.09.08	100,000	Fixed	2.75%	196,735
TOTAL							319,194

Mortgage bonds are collateralized with loans amounting to BGN 49,733 thousand and BGN 45,648 thousand as of December 31, 2007 and 2006, respectively (see note 6).

The two issues denominated in Bulgarian levs are traded on the Bulgarian Stock Exchange Sofia.

The issue price of the EURO Notes is 99.688 per cent of the principle amount. The Notes are traded on the London Stock Exchange.

All amounts are in thousand Bulgarian Levs, except otherwise stated

17. DEFERRED INCOME TAX ASSETS AND LIABILITIES

The amounts of deferred tax assets and liabilities in the balance sheet in respect of each type of temporary differences are as follows:

	As of 31.12.2007	As of 31.12.2006
Deferred tax assets:		
Other liabilities – unused paid leave	34	182
Investment securities - available for sale	58	-
Retirement benefit obligations	343	304
Fixed assets – tax depreciation until 2000	65	87
Total deferred tax assets	500	573
Deferred tax liabilities:		
Investment securities - available for sale	87	87
Fixed assets revaluation	1,285	1,472
Fixed assets tax depreciation	1,032	1,120
Total deferred tax liabilities	2,404	2,679
NET DEFERRED TAX LIABILITY	1,904	2,106

Aggregate deferred tax liability relating to items credited to revaluation reserves in equity:		
Opening	1,559	2,365
Changes in fair value of AFS investmets	-	87
Transfer to retained earnings for fixed assets sold	(187)	(158)
Reduction in tax rate	-	(735)
Closing	1,372	1,559

18. SUBORDINATED LIABILITIES

Subordinated loans	Carrying amount 2007	Carrying amount 2006	Fair value 2007	Fair value 2006
In EUR	256 984	-	256 984	-
TOTAL	256 984	-	256 984	-

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. As of December 31, 2007 the loans have been fully disbursed.

All amounts are in thousand Bulgarian Levs, except otherwise stated

19. RETIREMENT BENEFIT OBLIGATIONS

	As of 31.12.2007	As of 31.12.06
Present value of unfunded obligations	5,045	4,217
Unrecognized actuarial gains / (losses)	(1,611)	(1,174)
Pension schemes	3,434	3,043

COMPONENT OF PROFIT AND LOSS CHARGE	As of 31.12.2007	As of 31.12.2006
Current service cost	(198)	(150)
Interest cost on obligation	(190)	(151)
Amortization of unrecognized net gain/(loss)	(65)	-
Gains/(losses) on curtailments / settlements	-	(8)
Pension costs - defined benefit plans	(453)	(309)

The principal actuarial assumptions used were as follows:

	As of 31.12.2007	As of 31.12.2006
Discount rate	5.50%	4.50%
Rate of compensation increase	5.50%	4.50%
Average future working life	10.94	11.5

Movements in net Liability in Balance Sheet is as follows:

	As of 31.12.2007	As of 31.12.06
At beginning of period	3,043	2,854
Benefits paid directly	(62)	(120)
Total expenses recognised in the Income Statement	453	309
Net Liability in the Balance Sheet	3,434	3,043

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.

20. OTHER LIABILITIES

	As of 31.12.2007	As of 31.12.2006
Creditors and suppliers	1,679	2,300
Payroll related accruals	318	1,515
Taxes payable - other than income taxes	244	625
Dividend payable	37	50
Amounts due to government agencies	71	307
Other	7	56
TOTAL	2,356	4,853

All amounts are in thousand Bulgarian Levs, except otherwise stated

21. SHARE CAPITAL

The total authorized number of ordinary shares at December 31, 2007 and 2006 was 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.

22. EARNINGS PER SHARE

	As of 31.12.2007	As of 31.12.2006
Net profit for the year	185,111	135,127
Weighted average number of ordinary shares outstanding	75,964,082	75,964,08 2
EARNINGS PER SHARE	2,44	1.78

23. RETAINED EARNINGS

	As of 31.12.2007	As of 31.12.2006
Accummulated prior years' earnings at beginning of period	471,895	336,009
Net profit for the period	185,111	135,127
Transfer from revaluation reserve for fixed assets sold	1,096	759
TOTAL	658,102	471,895

Components of retained earnings are:

	As of 31.12.2007	As of 31.12.2006
General reserves	471,895	328,533
Net profit for the period	185,111	135,127
Other/Undistributed earnings	1,096	8,235
TOTAL	658,102	471,895

24. REVALUATION RESERVE

	As of 31.12.2007	As of 31.12.2006
Revaluation reserve - Fixed Assets	14,040	15,136
Revaluation reserve - AFS investments	1,365	782
	15,405	15,918

The movements in revaluation reserves are as follows:

	As of 31.12.2007	As of 31.12.2006
a) Revaluation reserve - AFS investments		
At the beginning of the period	782	-
Changes in fair value of AFS investmets	583	869
Defferred tax	-	(87)
At December, 31	1,365	782
b) Revaluation reserve - Fixed Assets		
At the beginning of the period	15,136	15,160
Transfers to retained earnings	(1,096)	(759)
Change of deferred taxes resulting from reduction in tax rate	-	735
At December, 31	14,040	15,136

All amounts are in thousand Bulgarian Levs, except otherwise stated

25. CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings. As of December 31, 2007 there were several outstanding legal proceedings against the Bank. Management believes that no provision should be made as professional advice indicates that it is unlikely that any material loss will eventuate.

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

	As of 31.12.2007	As of 31.12.2006
Undrawn credit commitments	429,138	210,147
Guarantees, documentary and commercial letters of credit	287,511	335,958
TOTAL	716,649	546,105

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 31.12.2007	As of 31.12.2006
Up to 1 year	1,619	6,150
More than 1 year and less than 5 years	26,928	23,198
More than 5 years	10,544	23,054
TOTAL	39,091	52,402

26. CASH AND CASH EQUIVALENTS

	Year ended 31.12.2007	Year ended 31.12.2006
Cash and money in transfer	197,400	146,698
Current account with the Central Bank	18,910	44,683
Mandatory reserve with the Central Bank	479,178	559,368
Loans and advances to banks	176,364	187,570
	871,852	938,319

27. NET INTEREST INCOME

	Year ended 31.12.07	Year ended 31.12.06
Interest and similar income		
Loans and advances to banks	3,828	11,364
Loans and advances to customers		
Loans and advances to financial institutions	751	273
Loans and advances to individuals	193,848	129,813
Loans and advances to enterprises	171,021	112,846
Financial assets at fair value through profit or loss	12,196	9,774
	381,644	264,070
Interest expenses and similar charges		
Due to banks	(21,056)	(2,684)
Deposits of customers		
Deposits of financial institutions	(6,708)	(3,743)
Deposits of individuals	(40,093)	(26,230)
Deposits of enterprises	(19,416)	(12,059)
Long term borrowings	(3,687)	(2,698)
Debt securities in issue	(11,434)	(11,208)
Subordinated liabilities	(2,726)	-
	(105,120)	(58,622)
NET INTEREST MARGIN	276,524	205,448

All amounts are in thousand Bulgarian Levs, except otherwise stated

28. NET FEE AND COMMISSION INCOME

	Year ended 31.12.2007	Year ended 31.12.2006
A. Fee and commission income		
Transfer of funds and cash transactions	22,017	20,866
Deposits accounts fees and commissions	20,892	21,943
Credit and debit cards related fees and commissions	23,619	19,821
Loans and advances to customers	14,418	8,342
Guarantees and letters of credit	2,747	2,696
Other fees and commissions	5,727	2,078
	89,420	75,746
B. Fee and commission expenses		
Credit and debit cards related fees and commissions	(2,343)	(2,406)
Transfer of funds	(1,603)	(2,364)
Other fees and commissions	(714)	(2,512)
	(4,660)	(7,282)
FEE AND COMMISSION INCOME, NET	84,760	68,464

29. NET TRADING INCOME

	Year ended 31.12.2007	Year ended 31.12.2006
Gains/(losses) on Foreign exchange		
- Foreign exchange contracts	16,208	10,726
- Options	(59)	5
- Position in foreign assets/liabilities	(5,294)	(2,471)
	10,855	8,260
Gains/(losses) on Interest rate instruments		
- Government securities	(494)	(599)
- Corporate debt securities	116	(131)
	(378)	(730)
Gains/(losses) on Index options	(240)	-
Gains/(losses) on other Interest rate instruments	-	(7)
Gains/(losses) on Equities	150	163
NET TRADING INCOME	10,387	7,686

30. NET OTHER OPERATING INCOME

	Year ended 31.12.2007	Year ended 31.12.2006
Gains on disposal of fixed assets, net	4,412	2,661
Rental income	175	232
Reimbursed legal expenses on loans proceedings	-	1,931
Other	1,308	874
	5,895	5,698

All amounts are in thousand Bulgarian Levs, except otherwise stated

31. NET ALLOWANCES FOR IMPAIRMENT AND UNCOLLECTABILITY

The net charge of allowances for the year ended December 31, 2007 and 2006 is as follows:

	Year ended 31.12.2007	Year ended 31.12.2006
Loans and advances to customers	(44,916)	(20,259)
Recoveries of written off debts	15,576	9,882
TOTAL	(29,340)	(10,377)

32. GENERAL ADMINISTRATIVE EXPENSES

	Year ended 31.12.2007	Year ended 31.12.2006
Personnel costs	42,210	36,209
Duties and Taxes	10,068	8,622
Telecommunications	3,952	3,482
Rentals	9,312	4,907
Insurance costs	4,720	2,893
Occupancy expenses	11,093	11,193
Third party remuneration and fees	8,533	6,241
Traveling expenses	1,349	1,108
Promotion and advertisement	10,685	6,292
Subscriptions - Contributions	116	89
Stationary - other consumables	3,695	3,152
Other (Audit, consulting, legal fees etc.)	7,077	7,813
Depreciation/Amortization expenses	18,569	17,218
Deposit Insurance Premium	11,111	9,178
TOTAL	142,490	118,397

33. TAXATION

	Year ended 31.12.07	Year ended 31.12.06
Current tax expense	20,840	24,323
Deferred tax expense related to origination and reversal of temporary differences	(202)	(514)
Deferred tax income resulting from reduction in tax rate	-	(273)
TOTAL TAX EXPENSE	20,638	23,536

All amounts are in thousand Bulgarian Levs, except otherwise stated

33. TAXATION (CONTINUED)

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

	Year ended 31.12.07	Year ended 31.12.06
Profit before tax	205,749	158,663
Prima facie tax calculated at an applicable tax rate (10% for 2007 and 15% for 2006)	20,575	23,799
Tax effect of expenses that are not deductible in determining the taxable profit	50	10
Transfer from temporary differencies to permanent	13	-
Tax effect from change in the tax rate	-	(273)
TOTAL TAX EXPENSE	20,638	23,536

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, 2007 and as of December 31, 2006 are calculated using the tax rate of 10%, enacted as of that date to be effective for 2007 and 2008.

34. 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 theses 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-balance sheet 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 include:

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 counterpart 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 for which banks are required to provide relevant information. In arriving at the scoring of retail clients, the Bank generally uses quantitative criteria as well as information supplied by the Central Loan Register.

34. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

A major innovation of Basel II is that it 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 has been put together within the Risk Management Department, which will be charged with the development of internal rating and other models under Basel II. The Bank projects the new models to be introduced in 2008 and 2009, and – validated by Central Bank later on.

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

The Bank monitors credit risk concentration on an aggregate basis (i.e., in respect of all on and off balance sheet positions). 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 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.

34. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

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

The Bank manages interest rate risk of all traded debt securities by assessing the effect of a parallel shift of the yield curves by 150 b.p. on the economic value of the securities portfolio. The method assumes the nearest reprising 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.

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 fulfil 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.

All amounts are in thousand Bulgarian Levs, except otherwise stated

34. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

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.

35. LOANS AND ADVANCES – CREDIT RISK ANALYSIS

Loans and advances are summarised as follows:

	Year ended 31.12.2007		Year ended 31.12.2006	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Neither past due nor impaired	4,411,890	176,364	2,337,991	195,322
Past due but not impaired	492,831	-	356,780	-
Past due up to 30 days	407,860	-	301,629	-
Past due 30-60 days	71,190	-	46,422	-
Past due 60-90 days	13,781	-	8,729	-
Impaired	81,664	-	55,812	-
GROSS LOANS	4,986,385	176,364	2,750,583	195,322
Less: allowance for impairement	(69,977)	-	(41,665)	-
NET LOANS	4,916,408	176.364	2,708,918	195,322

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:

	Year ended 31.12.2007			Year ended 31.12.2006		
	Past due up 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	531	129	69	92	49	54
Credit cards	9,087	4,577	1,885	9,841	1,826	870
Consumer loans	22,496	6,031	1,897	56,084	13,196	5,228
Mortgages	93,350	17,407	3,772	52,285	7,623	2,254
	125,464	28,144	7,623	118,302	22,694	8,406
Corporate loans						
Large customers	119,066	21,717	5,744	62,044	5,531	1
SMEs	154,181	20,548	170	121,191	18,197	323
Micro	9,149	781	244	-	-	-
Public sector	-	-	-	93	-	-
	282,396	43,045	6,158	183,328	23,728	324
TOTAL	407,860	71,190	13,781	301,630	46,422	8,730

All amounts are in thousand Bulgarian Levs, except otherwise stated

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

Loans and advances to customers that are neither past due nor impaired - past due loans include all balances to payments overdue by one day or more as of December 31, 2007 and 2006:

Year ended 31.12.2007	Loans and advances to customers						Due from banks
	Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans	
Neither past due nor impaired	172,934	929,470	912,867	980,725	1,315,781	4,311,777	176,364
Past due but not impaired	16,287	134,633	114,617	186,015	151,603	603,155	-
Individually impaired	-	31,319	12,291	22,515	5,327	71,452	-
TOTAL Gross	189,221	1, 095 ,422	1, 039,775	1,189,255	1,472,711	4,986,384	176,364
Less: allowance for individually impaired loans	-	(30,979)	(3,621)	(2,433)	(240)	(37,273)	-
Less: allowance for collectively impaired loans	(6,152)	(6,542)	(3,658)	(15,366)	(985)	(32,703)	-
TOTAL Allowance for impairment	(6,152)	(37,521)	(7,279)	(17,799)	(1,225)	(69,976)	-
TOTAL NET LOANS	183,069	1,057,901	1,032,496	1,171, 456	1,471,486	4,916,408	176,364

Year ended 31.12.2006	Loans and advances to customers						Due from banks
	Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans	
Neither past due nor impaired	107,631	582,423	510,416	684,933	462,366	2,347,769	195,322
Past due but not impaired	10,924	74,697	62,159	139,802	67,574	355,156	-
Individually impaired	-	14,976	9,902	17,670	5,110	47,658	-
TOTAL Gross	118,555	672,096	582,477	842,405	535,050	2,750,583	195,322
Less: allowance for individually impaired loans	-	(14,385)	(2,664)	(11,658)	(1,082)	(29,789)	-
Less: allowance for collectively impaired loans	(3,853)	(3,779)	(2,246)	(1,738)	(260)	(11,876)	-
TOTAL Allowance for impairment	(3,853)	(18,164)	(4,910)	(13,396)	(1,342)	(41,665)	-
TOTAL NET	114,702	653,932	577,567	829,009	533,708	2,708,918	195,322

Loans neither past due nor individually impaired according to their credit quality as of December 31, 2007 and 2006:

Rating Year ended 31.12.2007	Loans and advances to customers						Due from banks
	Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans	
Satisfactory risk	162,723	928,734	911,916	978,159	1,314,181	4,295,713	176,364
Watch list	10,211	550	843	2,393	1,600	15,597	-
Substandard	-	186	108	173	-	467	-
Unrated	-	-	-	-	-	-	-
TOTAL	172,934	929,470	912,867	980,725	1,315,781	4,311,777	176,364

All amounts are in thousand Bulgarian Levs, except otherwise stated

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

Rating Year ended 31.12.2006	Loans and advances to customers						Due from banks
	Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans	
Satisfactory risk	107,631	582,143	509,818	683,377	462,366	2,345,335	195,322
Watch list	-	229	519	842	-	1,590	-
Substandard	-	51	79	714	-	844	-
Unrated	-	-	-	-	-	-	-
TOTAL NET	107,631	582,423	510,416	684,933	462,366	2,347,769	195,322

Ageing analysis of loans past due but not individually impaired as of December 31, 2007 and 2006:

Time band Year ended 31.12.2007	Loans and advances to customers						Due from banks
	Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans	
Past due up to 30 days	9,255	103,869	96,117	164,008	129,660	502,909	-
Past due 31-60 days	4,694	21,998	14,996	21,494	21,943	85,125	-
Past due 61-90 days	2,338	8,766	3,504	513	-	15,121	-
Past due 91-180 days	-	-	-	-	-	-	-
Past due 180 days- 365 days	-	-	-	-	-	-	-
Past due 1-2 years	-	-	-	-	-	-	-
Past due over 2 years	-	-	-	-	-	-	-
TOTAL	16,287	134,633	114,617	186,015	151,603	603,155	-

Time band Year ended 31.12.2006	Loans and advances to customers						Due from banks
	Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans	
Past due up to 30 days	1,871	56,175	52,284	121,284	62,043	293,657	-
Past due 31-60 days	899	13,244	7,623	18,197	5,531	45,494	-
Past due 61-90 days	8,154	5,278	2,252	321	-	16,005	-
Past due 91-180 days	-	-	-	-	-	-	-
Past due 180 days- 365 days	-	-	-	-	-	-	-
Past due 1-2 years	-	-	-	-	-	-	-
Past due over 2 years	-	-	-	-	-	-	-
TOTAL NET	10,924	74,697	62,159	139,802	67,574	355,156	-

Loans and advances to customers that are neither past due nor impaired - past due loans include all balances relating to overdue payments excluding those that satisfy the following conditions:

- payments are overdue by less than 30 days;
- and the amount that is overdue is less than BGN 100 for Credit Cards and Consumer loans, BGN 200 for Mortgages and BGN 1,000 for Corporate loans.

All amounts are in thousand Bulgarian Levs, except otherwise stated

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

Year ended 31.12.2007	Loans and advances to customers						Due from banks
	Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans	
Neither past due nor impaired	172,934	985,544	948,734	981,285	1,315,781	4,404,278	176,364
Past due but not impaired	16,287	78,559	78,750	185,455	151,603	510,654	-
Individually impaired	-	31,319	12,291	22,515	5,327	71,452	-
TOTAL Gross	189,221	1,095,422	1,039,775	1,189,255	1,472,711	4,986,384	176,364
Less: allowance for individually impaired loans	-	(30,979)	(3,621)	(2,433)	(240)	(37,273)	-
Less: allowance for collectively impaired loans	(6,152)	(6,542)	(3,658)	(15,366)	(985)	(32,703)	-
TOTAL Allowance for impairment	(6,152)	(37,521)	(7,279)	(17,799)	(1,225)	(69,976)	-
TOTAL NET LOANS	183,069	1,057,901	1,032,496	1,171,456	1,471,486	4,916,408	176,364

Year ended 31.12.2006	Loans and advances to customers						Due from banks
	Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans	
Neither past due nor impaired	107,692	614,136	530,584	689,981	462,366	2,404,759	195,322
Past due but not impaired	10,863	42,984	41,991	134,754	67,574	298,166	-
Individually impaired	-	14,976	9,902	17,670	5,110	47,658	-
TOTAL Gross	118,555	672,096	582,477	842,405	535,050	2,750,583	195,322
Less: allowance for individually impaired loans	-	(14,385)	(2,664)	(11,658)	(1,082)	(29,789)	-
Less: allowance for collectively impaired loans	(3,853)	(3,779)	(2,246)	(1,738)	(260)	(11,876)	-
TOTAL Allowance for impairment	(3,853)	(18,164)	(4,910)	(13,396)	(1,342)	(41,665)	-
TOTAL NET	114,702	653,932	577,567	829,009	533,708	2,708,918	195,322

Loans neither past due nor individually impaired disclosed according to their credit quality

Rating Year ended 31.12.2007	Loans and advances to customers						Due from banks
	Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans	
Satisfactory risk	162,723	984,440	947,504	978,289	1,314,181	4,387,137	176,364
Watch list	10,211	785	1,031	2,640	1,600	16,267	-
Substandard	-	319	199	356	-	874	-
Unrated	-	-	-	-	-	-	-
TOTAL	172,934	985,544	948,734	981,285	1,315,781	4,404,278	176,364

All amounts are in thousand Bulgarian Levs, except otherwise stated

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

Rating Year ended 31.12.2006	Loans and advances to customers						Due from banks
	Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans	
Satisfactory risk	107,692	613,770	529,797	687,890	462,366	2,401,515	195,322
Watch list	-	287	609	1, 134	-	2,030	-
Substandard	-	79	178	957	-	1,214	-
Unrated	-	-	-	-	-	-	-
TOTAL NET	107,692	614,136	530,584	689,981	462,366	2,404,759	195,322

Ageing analysis of loans past due but not individually impaired

Time band Year ended 31.12.2007	Loans and advances to customers						Due from banks
	Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans	
Past due up to 30 days	9,255	47,795	60,250	164,008	129,660	410,968	-
Past due 31-60 days	4,694	21,998	14,996	21,088	21,943	84,719	-
Past due 61-90 days	1,086	8,346	3,504	101	-	13,037	-
Past due 91-180 days	1,252	387	-	258	-	1,897	-
Past due 180 days- 365 days	-	6	-	-	-	6	-
Past due 1-2 years	-	27	-	-	-	27	-
Past due over 2 years	-	-	-	-	-	-	-
TOTAL	16,287	78,559	78,750	185,455	151,603	510,654	-

Time band Year ended 31.12.2006	Loans and advances to customers						Due from banks
	Cards	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans	
Past due up to 30 days	1,810	24,462	32,116	121,284	62,043	241,715	-
Past due 31-60 days	899	13,244	7,623	13,259	5,531	40,556	-
Past due 61-90 days	8,154	5,022	2,184	151	-	15,511	-
Past due 91-180 days	-	218	68	60	-	346	-
Past due 180 days- 365 days	-	38	-	-	-	38	-
Past due 1-2 years	-	-	-	-	-	-	-
Past due over 2 years	-	-	-	-	-	-	-
TOTAL NET	10,863	42,984	41,991	134,754	67,574	298,166	-

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

Collateral held against loans and advances not impaired

In thousands of BGN	As of 31.12.2007	As of 31.12.2006
Loans and advances not past due		
Mortgage	5,567,350	2,924,080
Cash collateral	21,345	22,286
Securities	17,198	23,033
Other types of collateral	2,891,341	2,219,425
	8,497,234	5,188,823
Loans and advances past due		
Mortgage	660,742	354,744
Cash collateral	1,998	2,694
Securities	8,042	10,514
Other types of collateral	560,781	470,870
	1,231,563	838,822
Total	9,728,797	6,027,645

Collateral held against impaired loans and advances:

In thousands of BGN	As of 31.12.2007	As of 31.12.2006
Mortgage	90,055	63,403
Cash collateral	660	1,195
Other types of collateral	61,363	54,506
Total	152,078	119,104

36. LOANS AND ADVANCES – INDUSTRY ANALYSIS

Industry Concentration risk- Loans and advances to customers

	As of 31.12.2007		As of 31.12.2006	
	370,605	7%		
Industry and mining	496,684	10%	179,476	6%
Small scale industry	688,877	13%	346,549	13%
Trade and services (excl. tourism)	551,747	11%	423,203	15%
Construction and real estate development	31,668	1%	213,528	8%
Energy	169,875	3%	6,415	0%
Tourism	176,287	4%	84,825	3%
Transportation and telecommunications	27,780	1%	43,700	2%
Professionals	728	0%	19,154	1%
Government	97,707	2%	1,439	0%
Property brokerage	27,749	1%	-	-
Leasing companies	6,337	0%	-	-
Financial institutions	12,756	0%	1,902	0%
Other	2,324,417	47%	57,264	2%
To individuals	4,986,385	100%	1,373,128	50%
Total loans and advances, gross			2,750,583	100%
Less: allowance for impairment	(69,977)		(41,665)	
Loans and advances to customers, net	4,916,408		2,708,918	

37. CURRENCY ANALYSIS

The table below summarizes the exposure to foreign currency exchange rate risk as of December 31, 2007. Included in the table are the Bank's assets and liabilities at carrying amounts in thousand Bulgarian Levs, categorized by currency.

As of December 31, 2007	EUR	USD	BGN	Other	Total
ASSETS					
Cash and balances with the Central Bank	514,977	10,082	164,094	6,335	695,488
Loans and advances to banks	121,892	7,627	37,668	9,177	176,364
Loans and advances to customers, net	2,195,623	12,665	2,708,119	1	4,916,408
Financial assets at fair through profit or loss	82,858	61,269	84,014	-	228,141
Derivative financial instruments	285	155	173	-	613
Investment securities available for sale	129	1,285	1,138	-	2,552
Investments in subsidiaries and associates	-	-	7,599	-	7,599
Intangible assets	-	-	8,745	-	8,745
Fixed assets	-	-	86,499	-	86,499
Deferred income tax assets	-	-	500	-	500
Other assets	45	10	6,622	-	6,677
TOTAL ASSETS	2,915,809	93,093	3,105,171	15.513	6,129,586
LIABILITIES					
Due to banks	1,005,836	21,336	264,568	287	1,292,027
Due to customers	1,355,107	261,867	1,766,702	37,975	3,421,651
Derivative financial instruments	100	192	2,247	-	2,539
Long term borrowings	55,455	-	20,298	-	75,753
Debt securities in issue	196,735	-	122,459	-	319,194
Subordinated liabilities	256,984	-	-	-	256,984
Current income tax liabilities	-	-	3,773	-	3,773
Deferred income tax liabilities	-	-	2,404	-	2,404
Retirement benefit obligations	-	-	3,434	-	3,434
Other liabilities		44	2,312	-	2,356
TOTAL LIABILITIES	2,870,217	283,439	2,188,197	38,262	5,380,115
TOTAL EQUITY	-	-	749,471	-	749,471
NET BALANCE SHEET POSITION	45,592	(190,346)	167,503	(22,749)	-
NET OFF-BALANCE SHEET POSITION	(72,162)	190,210	(143,796)	(22,749)	(48,497)
CONTINGENT LIABILITIES AND COMMITMENTS	159,885	2,910	553,854	25,748	716,749

All amounts are in thousand Bulgarian Levs, except otherwise stated

37. CURRENCY ANALYSIS (CONTINUED)

As of December 31, 2006	EUR	USD	BGN	Other	Total
ASSETS					
Cash and balances with the Central Bank	584,641	11,326	146,709	8,073	750,749
Loans and advances to banks	42,360	39,246	80,519	33,197	195,322
Loans and advances to customers, net	1,057,050	21,757	1,630,107	4	2,708,918
Financial assets at fair through profit or loss	71,979	61,320	72,510	-	205,809
Derivative financial instruments	301	50	395	-	746
Investment securities available for sale	129	686	1,155	-	1,970
Investments in subsidiaries and associates	-	-	4,062	-	4,062
Intangible assets	-	-	11,831	-	11,831
Fixed assets	-	-	73,050	-	73,050
Deferred income tax assets	-	-	573	-	573
Other assets	26	14	7,636	-	7,676
TOTAL ASSETS	1,756,486	134,399	2,028,547	41,274	3,960,706
LIABILITIES					
Due to banks	61,424	7,054	126,831	12	195,321
Due to customers	981,975	301,148	1,477,942	36,844	2,797,909
Derivative financial instruments	254	45	300	-	599
Long term borrowings	43,774	-	21,197	-	64,971
Debt securities in issue	196,271	-	122,357	-	318,628
Current income tax liabilities	-	-	8,926	-	8,926
Deferred income tax liabilities	-	-	2,679	-	2,679
Retirement benefit obligations	-	-	3,043	-	3,043
Other liabilities	13	49	4,791	-	4,853
TOTAL LIABILITIES	1,283,711	308,296	1,768,066	36,856	3,396,929
TOTAL EQUITY	-	-	563,777	-	563,777
NET BALANCE SHEET POSITION	472,775	(173,897)	(303,296)	4,418	-
NET OFF-BALANCE SHEET POSITION	(88,679)	117,346	(30,632)	(213)	(2,178)
CONTINGENT LIABILITIES AND COMMITMENTS	228,966	155,640	138,499	23,000	546,105

38. 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 balance sheet date 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.

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.

All amounts are in thousand Bulgarian Levs, except otherwise stated

38. MATURITY ANALYSIS (CONTINUED)

	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
As of December 31, 2007						
ASSETS						
Cash and balances with Central Bank	695,488	-	-	-	-	695,488
Loans and advances to banks	176,364	-	-	-	-	176,364
Loans and advances to customers, net	937,414	215,524	630,937	2,154,281	978,252	4,916,408
Financial assets at fair through profit or loss	9,880	3,611	15,994	115,031	83,625	228,141
Derivative financial instruments	613	-	-	-	-	613
Investment securities available for sale	-	-	-	-	2,552	2,552
Investments in subsidiaries and associates	-	-	-	-	7,599	7,599
Intangible assets	-	-	-	-	8,745	8,745
Fixed assets	-	-	-	-	86,499	86,499
Deferred income tax assets	-	-	-	-	500	500
Other assets	-	-	-	-	6,677	6,677
TOTAL ASSETS	1,819,759	219,135	646,931	2,269,312	1,174,449	6,129,586
LIABILITIES						
Due to banks	1,292,027	-	-	-	-	1,292,027
Due to customers	2,847,954	252,452	248,518	72,727	-	3,421,651
Derivative financial instruments	2,539	-	-	-	-	2,539
Bank borrowings	484	-	43,405	31,864	-	75,753
Debt securities in issue	2,554	-	276,640	40,000	-	319,194
Subordinated liabilities	2,726	-	-	-	254,258	256,984
Current income tax liabilities	-	-	-	-	3,773	3,773
Deferred income tax liabilities	-	-	-	-	2,404	2,404
Retirement benefit obligations	-	-	-	-	3,434	3,434
Other liabilities	-	-	-	-	2,356	2,356
TOTAL LIABILITIES	4,148,284	252,452	568,563	144,591	266,225	5,380,115
NET LIQUIDITY GAP	(2,328,525)	(33,317)	78,368	2,124,721	908,224	749,471
CUMULATIVE	(2,328,525)	(2,361,842)	(2,283,474)	(158,753)	749,471	-

All amounts are in thousand Bulgarian Levs, except otherwise stated

38. MATURITY ANALYSIS (CONTINUED)

As of December 31, 2006	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	750,749	-	-	-	-	750,749
Loans and advances to banks	184,848	7,752	-	-	2,722	195,322
Loans and advances to customers, net	72,157	81,955	476,212	1,566,029	512,565	2,708,918
Financial assets at fair through profit or loss	143,327	50	-	62,432	-	205,809
Derivative financial instruments	445	-	-	301	-	746
Investment securities available for sale	-	-	-	-	1,970	1,970
Investments in subsidiaries and associates	-	-	-	-	4,062	4,062
Intangible assets	-	-	-	-	11,831	11,831
Fixed assets	-	-	-	-	73,050	73,050
Deferred income tax assets	-	-	-	-	573	573
Other assets	-	-	-	-	7,676	7,676
TOTAL ASSETS	1,151,526	89,757	476,212	1,628,762	614,449	3,960,706
LIABILITIES						
Due to banks	188,402	6,874	-	-	45	195,321
Due to customers	1,457,057	227,630	345,229	757,523	10,470	2,797,909
Derivative financial instruments	300	45	-	254	-	599
Long term borrowings	7,864	-	6,485	50,622	-	64,971
Debt securities in issue	2,556	-	1,488	314,584	-	318,628
Current income tax liabilities	-	-	-	-	8,926	8,926
Deferred income tax liabilities	-	-	-	-	2,679	2,679
Retirement benefit obligations	-	-	-	-	3,043	3,043
Other liabilities	-	-	-	-	4,853	4,853
TOTAL LIABILITIES	1,656,179	234,549	353,202	1,122,983	30,016	3,396,929
NET LIQUIDITY GAP	(504,653)	(144,792)	123,010	505,779	584,433	563,777
CUMULATIVE	(504,653)	(649,445)	(526,435)	(20,656)	563,777	-

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.

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 create losses in the event that unexpected movements arise.

All amounts are in thousand Bulgarian Levs, except otherwise stated

38. MATURITY ANALYSIS/ contractual maturity dates (continued)

A maturity analysis for financial liabilities that shows the contractual maturities including into amounts the interest due to the end of the contracts.

As of 31 December 2007	Subject to notice and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 yrs	Over 5 years and non-stated maturity	Total
Due to banks	1,291,208	-	1, 113	-	-	1,292,321
Due to customers	1,999,338	321,233	484, 713	629,441	-	3,434,725
Long term borrowings	484	-	43, 405	31,864	-	75,753
Debt securities in issue	6,605	2,478	286, 941	41,546	-	336,024
Subordinated liabilities	2,726	2,242	23, 538	53,800	254,258	336,564
Current income tax liabilities	-	-	-	-	3,773	3,773
Deferred income tax liabilities	-	-	-	-	2,404	2,404
Retirement benefit obligations	-	-	-	-	3,434	3,434
Other liabilities	-	-	-	-	2,356	2,356
TOTAL LIABILITIES (contructual maturity dates)	3,300,361	325,953	839,710	756,651	266,225	5,487,354

As of 31 December 2006	Subject to notice and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 yrs	Over 5 years and non-stated maturity	Total
Due to banks	195,369	7	-	-	-	195,376
Due to customers	2, 493,595	294,807	18,291			2,806,693
Long term borrowings	7,864		6,485	50,622	-	64,971
Debt securities in issue	6,605	2,437	11,358	333,304	-	353,704
Subordinated liabilities	-	-	-	-	-	-
Current income tax liabilities	-	-	-	-	8,926	8,926
Deferred income tax liabilities	-	-	-	-	2,679	2,679
Retirement benefit obligations	-	-	-	-	3,043	3,043
Other liabilities	-	-	-	-	4,853	4,853
TOTAL LIABILITIES (contructual maturity dates)	2,703,433	297,251	36,134	383,926	19,501	3,440,245

All amounts are in thousand Bulgarian Levs, except otherwise stated

38. MATURITY ANALYSIS (continued)

b) Interest rate risk analysis

As of December 31, 2007	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	-	-	-	-	-	695,488	695,488
Loans and advances to banks	176,364	-	-	-	-	-	176,364
Loans and advances to customers, net	4,315,557	61,535	463,291	25,475	20,178	30,372	4,916,408
Financial assets at fair through profit or loss	5,186	30,347	63,784	64,765	58,081	5,978	228,141
Investment securities available for sale	-	-	-	-	-	7,599	7,599
Investments in subsidiaries and associates	-	-	-	-	-	2,552	2,552
Other assets	-	-	-	-	-	6,677	6,677
TOTAL FINANCIAL ASSETS	4,497,107	91,882	527,075	90,240	78,259	748,666	6,033,229
LIABILITIES							
Due to banks	1,292,027	-	-	-	-	-	1,292,027
Due to customers	2,544,049	316,834	474,218	86,550	-	-	3,421,651
Bank borrowings	14,445	-	43,405	17,903	-	-	75,753
Debt securities in issue	-	-	278,045	41,149	-	-	319,194
Subordinated liabilities	118,608	138,376	-	-	-	-	256,984
Other liabilities	-	-	-	-	-	2,355	2,355
TOTAL FINANCIAL LIABILITIES	3,969,129	455,210	795,668	145,602	-	2,355	5,367,964
NET INTEREST RATE GAP	527,978	(363,328)	(268,593)	(55,362)	78,259	746,310	665,264

As of December 31, 2006	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	-	-	-	-	-	750,749	750,749
Loans and advances to banks	184,848	7,752	-	-	2,722	-	195,322
Loans and advances to customers, net	2,383,499	30,201	233,609	19,335	16,517	25,757	2,708,918
Financial assets at fair through profit or loss	34,853	21,437	15,175	68,698	61,467	4,179	205,809
Investment securities available for sale	-	-	-	-	-	1,970	1,970
Investments in subsidiaries and associates	-	-	-	-	-	4,062	4,062
Other assets	-	-	-	-	-	7,676	7,676
TOTAL FINANCIAL ASSETS	2,603,200	59,390	248,784	88,033	80,706	794,393	3,874,506
LIABILITIES							
Due to banks	188,402	6,874	-	-	-	45	195,321
Due to customers	1,864,090	440,921	214,683	265,300	-	12,915	2,797,909
Long term borrowings	-	-	-	64,971	-	-	64,971
Debt securities in issue	-	-	-	318,628	-	-	318,628
Other liabilities	-	-	-	-	-	4,853	4,853
TOTAL FINANCIAL LIABILITIES	2,052,492	447,795	214,683	648,899	-	17,813	3,381,682
NET INTEREST RATE GAP	550,708	(388,405)	34,101	(560,866)	80,706	776,580	492,824

All amounts are in thousand Bulgarian Levs, except otherwise stated

38. MATURITY ANALYSIS (CONTINUED)

The Bank's interest rate exposures are, amongst other methods monitored and managed using interest rate sensitivity reports, however the monetary assets and liabilities are able to 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, 2007	EUR %	USD %	BGN %	Other %
ASSETS				
Due from banks	-	3.67	2.99	4.01
Loans and advances to customers	7.64	7.26	9.99	-
Financial assets at fair value through profit and loss	7.00	5.84	5.03	-
LIABILITIES				
Due to banks	4.71	3.79	4.81	5.41
Due to customers	2.09	2.41	2.32	1.09
Bonds issue	2.86	-	4.60	-
Subordinated liabilities	5.29	-	-	-

As of December 31, 2006	EUR %	USD %	BGN %	Other %
ASSETS				
Due from banks	3.64	5.20	2.75	3.56
Loans and advances to customers	8.01	9.90	10.50	-
Financial assets at fair value through profit and loss	5.61	5.38	5.80	-
LIABILITIES				
Due to banks	2.70	0.02	2.50	-
Due to customers	1.63	2.10	1.90	0.63
Bonds issue	2.86	-	4.60	-

39. 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 the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank is controlled by a Board of Directors, representing the major shareholder of the Bank. A number of banking transactions are entered into with related parties in the normal course of business. These include 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

39. RELATED PARTY TRANSACTIONS (CONTINUED)

Amounts due to and from the NBG Group entities and related income and expenses are as follows:

NATIONAL BANK OF GREECE	As of 31.12.2007	As of 31.12.2006
NOSTRO ACCOUNTS AND LOANS AND ADVANCES TO BANKS	572	-
Interest income earned	8	74
Loans sold	44,593	85,861
LORRO ACCOUNTS AND DEPOSITS FROM BANKS	5,549	2,008
Time deposit with banks	733,553	-
Subordinated liabilities	256,984	-
Interest expense on accounts and deposits	9,641	7
Interest expense on Subordinated debt	2,726	

INTERLEASE AD	As of 31.12.2007	As of 31.12.2006
LOANS AND ADVANCES TO CUSTOMERS	4,107	5,045
Interest income earned	43	244
Commission income earned	230	273
DUE TO CUSTOMERS	2,591	6,280
Interest expense on deposits	142	95

ALL OTHERS NBG GROUP ENTITIES	As of 31.12.07	As of 31.12.06
NOSTRO ACCOUNTS AND LOANS AND ADVANCES TO BANKS	134	133
LORRO ACCOUNTS AND DEPOSITS FROM BANKS	211	335
OTHER LIABILITIES	911	911

All amounts are in thousand Bulgarian Levs, except otherwise stated

39. RELATED PARTY TRANSACTIONS (CONTINUED)

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

The total amount of remuneration for 2007 is BGN 1,097 thousand. (2006: BGN 1,219 thousand).

Total amount of deposits and current accounts of members of Board of Directors and their close members of family (domestic partner, children and dependants),is BGN 5,704 thousand and the amount of loans is BGN 236 thousand.

The positions in Income Statement are as follows: Interest and commission incomes – BGN 11 thousand, Interest and commission expenses – BGN 195 thousand.

Subsidiary and associated companies. Transactions between UBB, its subsidiaries (UBB Asset Management, and UBB Insurance Broker), associated companies (AIG Insurance and Reinsurance Company, UBB AIG Life Insurance Company and Drujestvo za Kasovi Uslugi AD) and mutual funds managed by UBB Asset Management (UBB Balanced Fund, UBB Premium Fund and UBB Platinium Fund) are related to maintaining Deposits and Current accounts. The Bank has a stake of shares in Mutual funds managed by its subsidiary UBB Asset Management.

Due to customers	As of 31.12.2007
UBB Asset Management	423
UBB Insurance Broker	169
UBB AIG Insurance and Reinsurance Company	155
UBB AIG Life Insurance Company	79
UBB Balanced Fund	1,600
UBB Premium Fund	3,570
UBB Platinium Fund	490

Shares in mutual funds manged by the subsidiary UBB Asset Management as of December 31, 2007	As of 31.12.2007
UBB Balanced Fund	2,864
UBB Premium Fund	1,947
UBB Platinium Fund	1,161

Corporate Governance

CORPORATE GOVERNANCE

As a part of its long-term objectives the Bank is committed to the principles and implementation of good corporate governance. The Bank recognizes the valuable contribution that strong corporate governance makes to business prosperity and to ensure accountability to its shareholders.

The Board ensures, that the Bank is managed in a way, that maximizes long-term shareholders' value and that also takes into account the interests of all its shareholders, bondholders and the other stakeholders.

In accordance with the Corporate Governance Programme the Bank has been established an active and transparent process of strategic decision making.

The Code of UBB officers' Ethics and special internal rules clearly define and handle the prevention of conflicts of interest and the bank secrecy security.

In 2007 was established an Audit Committee, which members are independent experts in finance and banking. Although the establishment of such a Committee is not a legal requirement with this act UBB continues to develop the principles of good corporate governance and Basel Committee on Banking Supervision recommendations.

The Board of Directors

The Bank places considerable emphasis on the appointments of Directors, and the essential role in adding value to the Bank's strategic decision making, as well as in monitoring the Bank's progress.

Communication with Shareholders

The Bank is committed to the equitable treatment of all its shareholders. In so far as practicable, the Bank ensures equality of access to information for all shareholders. Shareholders are provided with full year accounts to help them keep up to date on the performance and progress of the Bank. The General Meeting of Shareholders provides an opportunity for shareholders to ask questions to the Directors.

The Bank believes, that full disclosure and transparency in its operations are in the interests not only of its own good governance, but also in the interests of a sound and stable banking sector. The Bank's communication policy reflects this belief.

Performance Reporting and Internal Financial Control

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

- identification and management of key business risks,
- the safeguarding of assets against unauthorized use,
- the maintenance of proper accounting records and reliability of financial information used for publication, and
- compliance with legal and regulatory requirements.

It should be noted that such financial control systems could provide only reasonable and not absolute assurance against material misstatements or losses.

Financial Control, Data Processing and Monitoring

Financial and other authorization limits have been set and procedures for approving capital expenditure have been established. The Board approves strategic plans and detailed annual budgets and reviews monthly performance against these budgets.

The internal audit function monitors the internal financial control system across all branches and departments of the Bank and reports directly to the Board of Directors.

A functioning procedure, through which all UBB employees can inform about issues concerning incorrect representation of accounting information or information on the basis of which the independent financial audit takes place or reports to the supervisory bodies are established.

Statement of Management Responsibilities

STATEMENT OF MANAGEMENT RESPONSIBILITIES

The Bulgarian National Bank encourages the management to prepare financial statements in accordance with International Accounting Standards.

In preparing these financial statements the management should ensure that:

- accounting policies have been suitably selected and applied consistently,
- judgments and estimates are reasonable and prudent, and
- International Accounting Standards have been followed, subject to any material items disclosed and explained in the financial statements.

Management confirms that they have complied with the above requirements in preparing the financial statements.

Management is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the Bank. It is also responsible for safeguarding the assets of the bank and, hence, for taking reasonable steps for the preparation and detection of fraud and other irregularities.

Additional Information

ADDITIONAL INFORMATION

GENERAL CUSTOMER INFORMATION

Head Office

5, Sveta Sofia St., 1000 Sofia, Bulgaria
Tel.: (00359 – 2), 811 + Ext, Fax: (00359 – 2) 988 08 22, Telex: 25 092
E-mail: info@ubb.bg
Web site : http://www.ubb.bg
Swift: UBBSBGSF

Mr. Andrei Nikolov
Head of Corporate Banking Department
Ext.: 2333
e-mail: nikolov_a@ubb.bg

Mr. Ivan Koutlov
Head of Treasury Department
Ext.: 2421
e-mail: koutlov_I@ubb.bg

Mr. Alexander Georgiev
Head of Retail Banking Department
Ext.: 2355
e-mail: georgiev_a@ubb.bg

Mr. Nikolay Nedkov
Head of Card Center Department
Ext.: 2658
e-mail: nedkov_n@ubb.bg

Ms. Polina Kancheva
Head of Branch Management Department
Ext.: 2645
e-mail: kancheva_p@ubb.bg

Mr. Angel Kalinov
Head of Large Corporates Credit Center and Financial Institutions
Ext.: 2341
e-mail: kalinov _a@ubb.bg

Mrs. Boyka Vasileva
Head of Investment Banking Department
Ext.: 3750
e-mail: vasileva_bo@ubb.bg

Mr. Jivko Hristov
Head of Information Technology Department
Ext.: 3340
e-mail: hristov_j@ubb.bg

Mrs. Elena Ivanova
Head of Secretariat Department
Ext.: 2330
e-mail: ivanova_e@ubb.bg