ANNUAL DISCLOSURE
YEAR 2016
ON CONSOLIDATED BASIS

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

CONTENT

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

Main shareholder of UBB is National Bank of Greece SA ("NBG"), holder of 99.9% of the registered capital. The Bank holds a full license for performing banking and financial operations in this country and abroad. In December 2016, KBC Bank NV announced the acquisition of 99.9% of the shares of United Bulgarian Bank (UBB) from NBG, which was concluded on 13 June 2017.

1. Scope and Consolidation Methods

This disclosure report has been prepared on a consolidated basis with data as of December 31, 2016, as per Article 70 para.3 of the Law on Credit Institutions.

The subsidiaries and affiliated companies in the corporate structure of UBB as of December 2016 are the following:

Company	Share of the company's capital	Consolidation
UBB Factoring EOOD	100%	Fully consolidated
UBB Asset Management AD	91%	Fully consolidated
UBB Insurance Broker AD	80%	Fully consolidated
UBB Metlife Life Insurance Company AD*	30%	Equity Method Investment
Cash Services Company AD	20%	Equity Method Investment

*as of 07.06.2017 UBB hold 60% of the shares.

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

2. Risk Management Policies and Rules

The Bank aims at adopting best practices regarding risk governance, taking into account all relevant guidelines and regulatory requirements. The Bank's risk governance framework is organized at three levels:

Strategic – Risk management is first and foremost the responsibility of the Board of Directors (BoD), which approves the risk management framework of the Bank, the risk strategy and appetite and the risk management policies, assisted by the BoD Risk Management Committee (RMC).

Tactical – The Senior Management has the responsibility of implementation of the Risk Management Framework, approved by the Board of Directors, across the organisation. The overall responsibility for the development, maintenance, reporting and general oversight of risk management, as well as the verification that the undertaken by the Bank risks remain within the limits approved by the BoD/RMC, lies with the Risk Management Function, headed by the Country Risk Manager (CRM). The CRM reports to the RMC and to the Bank's CEO and, whenever he considers necessary, he has direct access to the Risk Management Committee's Chairman. The Risk Management Function and its Head are actively involved in senior management risk-related committees.

Operational – it encompasses the different lines of Business and business units and refers to the management of risks at the point of their creation. The risk framework for this level provides for the creation and maintenance of appropriate control systems, detailed in specific procedures and instructions.

The risk management model in UBB consists of three lines of defense:

1) The first line includes the business units that are responsible for the application of the risk management framework when the undertaking of risks is considered.

2) The second line of defense is Risk Management Division, which proposes and arranges for the implementation of the Bank risk management framework, identifies controls, assesses risks, provides appropriate tools and methodologies for that purpose, may estimate the risk-weighted return and reports to the respective management bodies. Another key component of the second line of defense is the Compliance Department, which ensures that the Bank operates with integrity and in compliance with applicable laws, regulations, supervisory requirements and Bank's internal acts.

3) The third line of defense is the UBB Internal Audit, which provides independent external review of the risk management systems.

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

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

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

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

The Specialized Internal Audit Division performs regular audits of the adequacy and quality of the adopted mechanisms of internal controls.

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

- Risk Management Strategy (Risk Management Policy and Risk Appetite Statement);
- Corporate Credit Policy;
- Retail Risk Credit Policy;
- Small Business Lending Credit Policy
- Market Risk Management Policy and Stop Loss Limit Policy;
- Liquidity Risk Policy;
- Framework for Operational Risk Management;
- Interest Rate Risk in the Banking Book Management Policy;
- Rules and Procedures on Bank Counterparty Credit Risk;
- Internal Rules for the Corporate Credit Activity Collaterals' Assessment, Insurance and Management;
- Internal Capital Adequacy Assessment Process (ICAAP) Framework and
- Rules and Procedures on Capital Adequacy Assessment.

The Bank strictly follows the regulatory requirement stating that the target level of Tier I adequacy shall not fall under 11.5% and the Total capital adequacy ratio should not be less than 13.5%. UBB Capital adequacy ratios are well above these limits, standing at 23.32% and 24.32% respectively, as of December 31, 2016.

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

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

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

- Contingency Funding Plan;
- Business Continuity Plan;
- Recovery Plan.

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

3. Regulatory Capital and Capital Adequacy

3.1. Structure and Elements of Own Funds

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

BGN Thousands	31 December 2016
Paid up capital instruments	**75 964**
Retained earnings	**872 725**
Accumulated other comprehensive income	**30 716**
Capital Base Deductions	
Adjustments to CET1 due to prudential filters	**(1 756)**
Intangible assets	**(6 890)**
Excess of deduction from AT1 items over AT1 Capital	**(4 480)**
Other transitional adjustments to CET1 Capital	**(9 530)**
TIER I CAPITAL	**956 749**
Subordinated debt	**41 003**
TIER II CAPITAL*	**41 003**
OWN FUNDS (CAPITAL BASE)	**997 752**

Tier II Capital is compounded from a Subordinate Term Debt (agreements between UBB AD and NBG S.A., signed in Y2007, 10Y maturity) with nominal amount as of December 31, 2016 at BGN 50 882 thousand.

3.2. Capital Requirements

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

UBB applies Standardized approach for its capital adequacy report for credit, market and operational risk. The capital requirements (at 8% capital requirements) by exposure classes are as follows:

BGN Thousands	31 December 2016
FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES AND CVA	**270 610**
Central governments and central banks	0
Regional governments or local authorities	456
Institutions	5 770
Corporates	85 807
Retail exposures	67 370
Exposures secured by real estate property	37 525
Past due items	59 309
Collective investment undertakings (CIU)	534
Equity	2 857
Other items	10 772
Risk for credit valuation adjustment	209
FOR POSITIONAL, FX AND COMMODITY RISKS	**16 765**
Debt instruments	16 765
Capital instruments	0
FX position	0
FOR OPERATIONAL RISK	**40 900**
OTHER CAPITAL REQUIREMENTS (capital conservation buffer 2.5% and systemic risk buffer 3%)	**225 689**
GENERAL CAPITAL REQUIREMENTS	**553 964**
Surplus (+) / Deficit (-) of own funds	**669 477**
Total Capital Adequacy Ratio (%)	**24.32%**
Tier-one Capital Adequacy Ratio (%)	**23.32%**

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

Credit risk	82.43%
Market risk	5.11%
Operational risk	12.46%

3.3. Internal Capital Adequacy Assessment Process (ICAAP)

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

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

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

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

BGN Thousands		31 December 2016
Internal assessment of capital		**660 172**
Including:	*regulatory required*	*328 275*
Add. Capital ICAAP:	*credit risk concentration*	25 638
	interest rate risk in the banking book	80 570
Including Capital Buffers according to Directive 2013/36/EU and Ordinance No. 8/BNB		*225 689*
incl.	Capital Conservation Buffer 2.5%	102 586
	Systemic Risk Buffer 3%	123 103

4. Exposure to Counterparty Credit Risk

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

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

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

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

Capital requirements for counterparty risk

BGN Thousand — December 31, 2016

Exposure Class	Repos Deals	Derivatives	TOTAL:
Exposures to institutions	3	70	73
Exposures to companies	0	41	41
Retail exposures	0	0	0
Total:	**3**	**111**	**114**

5. Capital Buffers

In accordance wirh Ordinance No.8 on Banks' Capital Buffers, UBB allocates capital for Capital Conseravation and Systemic Risk Buffers. The countercyclical capital buffer rate applicable to credit risk exposures in the Republic of Bulgaria was set by BNB at 0% for the last quarter of 2016.

BGN Thousands	31 December 2016
Capital Buffers according to Directive 2013/36/EU and Ordinance No. 8/BNB	**225 689**
incl. Capital Conservation Buffer 2.5%	*102 586*
Systemic Risk Buffer 3%	123 103

The Bank calculates on monthly basis the capital buffer formed on the residual part of the former regulatory provisions. This buffer is not used for assuming additional credit risk. The amount of the buffer as of December 31, 2016, is BGN 213 637 thousand compared to BGN 303 583 thousand as of December 31, 2015.

6. Exposure to Credit Risk and Dilution Risk

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

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

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

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

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

(c) The Bank, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Bank would not otherwise consider;

(d) It is becoming probable that the borrower will be declared insolvent or resort to other financial reorganization;

(e) The disappearance of an active market for that financial asset because of financial difficulties;

(f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

(i) Adverse changes in the payment status of borrowers in the group, or

(ii) National or local economic conditions that correlate with defaults on the assets in the group.

The Bank estimates credit risk to corporate and retail obligors by using internal ratings and scoring models. These models take into account specific qualitative and quantitative criteria and internal information, as well as commercial information available in the Central Credit Register. The models facilitate the decision-making both when considering granting new loans and the development of retail collection strategies.

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

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

The Bank classifies its receivables in accordance with the requirements of Chapter Three of BNB's Ordinance 22 – "Submitting and correcting information in the Central Credit Register" and the Corporate Credit Policy of the Bank and the Corporate Credit Policy of the Bank. These classifications are being reviewed and updated on a monthly basis.

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

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

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

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

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

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

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

BGN Thousands | 31 December2016

Exposure classes	Average* value of the balance sheet exposures	Balance sheet exposure net of impairment before CRM	Average* value of the off-balance sheet exposures	Off-balance sheet exposure after impairment before credit risk mitigation
Central Governments and Central Banks	399 189.7	1 197 569.0	-	-
Regional Governments or Local Authorities	2 140.8	6 402.5	200.0	200.0
Institutions	6 012.8	204 434.0	1 138.3	5 691.6
Corporates**	2 106.3	1 000 777.0	933.1	347 103.2
Retail**	5.3	1 032 369.2	3.2	392 317.1
Exposures Secured by Real Estate Property**	67.7	1 143 420.0	259.4	78 090.8
Exposures in Default	40.2	675 772.3	6.4	1 943.4
Exposures in the form of units and shares in CIUs	2 224.7	6 674.0	-	-
Equity exposures	1 630.1	24 451.0	-	-
Other exposures	299 879.0***	299 879.0	-	-
Total	**-**	**5 591 748.0**	**-**	**825 346.0**

*** Average on borrower level**

**** Borrowers could exist in multiple asset classes (i.e. Corporate and SREP)**

***** As per Balance Sheet position, average exposure on borrower/exposure level is not applicable**

6.2. Loan portfolio distribution by regions

BGN Thousands 31 December 2016

Exposure pre conversion factors per country	Central governments or central banks	Regional governments or local authorities	Institutions	Corporates	Retail	Secured by mortgages on immovable property	Exposures in default	Exposures in the form of units or shares in CIUs	Equity exposures	Other exposures	Total exposures	Total Provisions
BG	1 197 569	6 622	7 510	1 192 172	1 430 793	1 180 565	1 347 901	6 674	15 705	299 879	**6 685 389**	681 790
DE	0	0	173 178	0	49	0	105	0	0	0	**173 332**	3
RS	0	0	165	139 471	1	0	0	0	0	0	**139 637**	0
RO	0	0	683	17 412	0	36 430	1	0	0	0	**54 526**	1
GB	0	0	0	0	243	2 733	2 699	0	4 881	0	**10 556**	1 474
AT	0	0	7 460	0	6	75	0	0	0	0	**7 542**	0
CH	0	0	7 288	0	0	0	0	0	0	0	**7 288**	0
LU	0	0	1 240	0	0	0	0	0	3 758	0	**4 999**	0
IT	0	0	2 685	0	98	91	45	0	0	0	**2 919**	32
CA	0	0	2 255	0	12	106	0	0	0	0	**2 373**	0
GR	0	0	1 135	0	192	121	452	0	0	0	**1 900**	363
IE	0	0	0	0	43	490	1 292	0	0	0	**1 825**	436

Due to representative purposes 12 largest total exposures out of 39 regions are presented in the table above. The country codes in the first column are as per ISO_3166-1 nomenclature.

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

BGN Thousands — 31 December 2016

Exposures	Description	Wholesale trade, except of motor vehicles and motorcycles	Real estate activities	Crop and animal production, hunting and related service activities	Manufacture of food products	Manufacture of coke and refined petroleum products	Retail trade, exc. of motor vehicles and motorcycles	Electricity, gas, steam and air conditioning supply	Financial service activities, except insurance and pension funding	Construction of buildings	Other	Retail
Corporates	Drawn	100 835	28 583	55 814	50 107	139 471	17 140	124 021	133 239	13 630	338 390	1 364
	Undrawn	67 994	2 934	10 119	30 422	0	32 408	3 890	7 828	20 313	168 611	2 583
o/w: SME with supp factor	Drawn	13 910	4 723	8 164	5 387	0	9 864	15 967	0	1 980	27 977	0
	Undrawn	9 133	2 934	619	9 279	0	5 281	2 690	0	7 934	33 418	0
Retail	Drawn	33 799	810	59 920	7 544	0	27 776	1 998	0	4 099	80 751	822 865
	Undrawn	27 845	7	9 313	2 394	0	12 627	1 157	0	2 487	51 032	285 454
o/w: SME with supp factor	Drawn	33 799	810	59 920	7 544	0	27 776	1 998	0	4 099	80 751	0
	Undrawn	27 845	7	9 313	2 394	0	12 627	1 157	0	2 487	51 032	0
Secured by Real Estate	Drawn	60 483	79 582	23 908	39 441	0	37 505	673	0	43 789	223 290	634 748
	Undrawn	10 862	0	4 536	4 393	0	5 528	0	0	15 900	36 841	30
o/w: SME with supp factor	Drawn	30 959	8 631	12 941	11 039	0	31 172	408	0	5 915	78 321	0
	Undrawn	7 589	0	3 287	2 229	0	4 987	0	0	9 171	26 982	0
In default	Drawn	162 355	196 899	57 972	43 988	59	56 112	9 522	1 526	45 891	397 879	378 793
	Undrawn	81	427	118	0	0	0	0	0	0	619	698
Total	Drawn	357 473	305 873	197 614	141 080	139 529	138 534	136 214	134 765	107 410	1 040 311	1 837 769
	Undrawn	106 783	3 368	24 087	37 208	0	50 563	5 047	7 828	38 701	257 103	288 765
	Provision	88 358	113 595	25 118	20 563	43	25 373	153	1 233	24 934	195 751	189 113

6.4. Exposure distribution by residual maturity

BGN Thousands 31 December 2016

Exposure classes	Remaining maturity			TOTAL
	up to 1 year	from 1 to 5 years	over 5 years and without fixed maturity	
Central Governments and Central Banks	583 075	19 595	594 899	1 197 569
Regional Governments or Local Authorities	740	5 882	-	6 622
Institutions	209 918	207.189926	-	210 126
Corporates*	627 453	499 138	223 107	1 349 698
Retail*	447 300	620 489	364 089	1 431 879
Exposures Secured by Real Estate Property*	259 102	147 866	814 542	1 221 511
Exposures in Default	1 151 175	70 502	131 263	1 352 939
Exposures in the form of units and shares in CIUs	-	-	6 674	6 674
Equity exposures	-	-	24 451	24 451
Other exposures	182 826	-	117 053	299 879
Total	**3 461 590**	**1 363 679**	**2 276 079**	**7 101 348**

* Exposures could exist in multiple asset classes (i.e. Corporate and SREP)

7. Disclosure of Encumbered and Unencumbered assets

The encumbered and unencumbered assets of UBB to 31.12.2016 are as follows:

A. Assets

BGN Thousands 31 December 2016

		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
		010	040	060	090
010	**Assets of the reporting institution**	65 389		6 771 751	
030	Equity instruments	-	-	31 127	31 127
040	Debt securities	65 389	65 389	1 663 495	1 663 495
120	Other assets	-		5 077 129	

B. Not eligible for encumbrance:

Derivatives	356
Intangible assets	6 890
Tax assets	3 026
Other assets	12 390
TOTAL	**22 662**

UBB's encumbered assets include blocked government securities in connection with repurchase agreements, borrowed funds of budget organizations and concluded credit line with EBRD.

C. Collaterals received:

BGN Thousand December 31, 2016

	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution		142 576
Equity instruments		
Debt securities		142 576
Other collateral received		
Own debt securities issued other than own covered bonds or ABSs		

Collaterals include government securities received under reverse repos agreements.

D. Encumbered assets/collateral received and associated liabilities:

BGN Thousand December 31, 2016

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own-debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**50 464**	**65 389**

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

Blocking of assets in connection with borrowed funds from EBRD is carried out on the basis of contract between the UBB and EBRD.

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

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

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

Ratings of nominated ECAIs are used mainly for exposures to central governments & central banks and exposures to institutions. The largest share as of December 31, 2016 is for the class “Exposures to institutions”. The table below indicates the allocation of exposures to institutions according to the risk weight and the respective credit quality step.

BGN Thousands 31 December 2016

Exposure Class	Credit quality step	Remaining maturity	Risk weight	Exposure before impairment and credit risk mitigation	Exposure after impairment and credit risk mitigation
Institutions	1	up to 3 months	20%	4 973	4 973
	2	up to 3 months	20%	78 230	78 230
		over 3 months	50%	88 012	88 012
	3	up to 3 months	20%	24 770	24 770
	4	up to 3 months	50%	920	920
	5	up to 3 months	50%	0	0
	6	up to 3 months	150%	939	939
	non-rated	up to 3 months	20%	6 571	6 571
		up to 3 months	100%	20	20
Total				**204 434**	**204 434**

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

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

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

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

As of December 31, 2016 the Bank has allocated BGN 14 484 thousand in capital for general position risk and BGN 2 281 thousand in capital for specific risk. The distribution by risk weight and currency is as follows:

A. Capital requirements for position risks according to risk weights

BGN Thousand | December 31, 2016

	BGN		EUR		USD		GBP		Risk weights	Capital requirements
	Long	Short	Long	Short	Long	Short	Дълга	Къса		
General position risk. Maturity based approach										
0 ≤ 1 month	20 426	0	118 864	48 294	165 890	343	13 918	0	0.00%	0
> 1 ≤ 3 months	10	0	219 155	164	96 463	4 893	34 239	0	0.20%	691
> 3 ≤ 6 months	0	0	3 652	1 709	15 177	946	0	0	0.40%	66
> 6 ≤ 12 months	0	0	2 898	2 160	2 319	0	0	0	0.70%	23
> 1 ≤ 2 (1,9 with coupon below 3%) years	44 358	0	3 848	0	1 938	0	0	0	1.25%	627
> 2 ≤ 3 (> 1,9 ≤ 2,8 wih coupon below 3%) years	37 416	0	24 273	0	10 606	0	0	0	1.75%	1 265
> 3 ≤ 4 (> 2,8 ≤ 3,6 with coupon below 3%) years	71 145	0	6 220	0	0	0	0	0	2.25%	1 741
> 4 ≤ 5 (> 3,6 ≤ 4,3 with coupon below 3%) years	21 501	0	28 675	0	3 904	0	0	0	2.75%	1 487
> 5 ≤ 7 (> 4,3 ≤ 5,7 with coupon below 3%) years	41 208	0	40 501	0	6 503	0	0	0	3.25%	2 867
> 7 ≤ 10 (> 5,7 ≤ 7,3 with coupon below 3%) years	109 971	0	67 005	97 792	3 059	0	0	0	3.75%	3 682
> 10 ≤ 15 (> 7,3 ≤ 9,3 with coupon below 3%) years	0	0	35 534	0	0	0	0	0	4.50%	1 599
> 15 ≤ 20 (> 9,3 ≤ 10,6 with coupon below 3%) years	0	0	8 329	0	0	0	0	0	5.25%	437
Total	**346 035**	**0**	**558 954**	**150 119**	**305 858**	**6 182**	**48 157**	**0**		**14 484**
Specific position risk										
Debt instr. I category (0% cap. requirements)	***346 035***		***202 384***		***0***				***0.00%***	***0***
Debt instr. II category	***0***		***250 514***		***257 049***				***0.00%***	***2 281***
with remaining maturity ≤ 6 months	0		222 981		211 192				0.25%	1 200
with remaining maturity > 6 months and ≤ 24 months	0		9 864		5 664				1.00%	155
with remaining maturity > 24 months	0		17 668		40 194				1.60%	926
Debt instr. III category (8% cap. requirements)	***0***		***0***		***0***				***8.00%***	***0***
Debt instr. IV catgegory (12% cap. requirements)	***0***		***0***		***0***				***12.00%***	***0***
Total	**346 035**		**452 898**		**257 049**	**0**	**0**	**0**		**2 281**

B. Capital requirements for position risk by currency

BGN Thousand | December 31, 2016

	General position risk	Specific risk	TOTAL:
BGN	8 864	0	8 864
EUR	4 650	939	5 589
USD	901	1 228	2 129
GBP	68	114	183
TOTAL:	**14 484**	**2 281**	**16 765**

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

10. Capital requirements for Foreign Exchange Risk

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

Capital requirements for foreign exchange risk

BGN Thousand | December 31, 2016

	All positions		Net positions		Capital requirements *
	Long	Short	Long	Short	
Total positions in currencies, other than BGN and EUR	**559 155**	**559 297**	**843**	**985**	-
Currency positions					
EUR**	3 386 494	1 806 039	1 580 455	0	
AUD	169	172	0	3	
CAD	2 757	2 751	6	0	
DKK	968	935	33	0	
GBP	62 598	62 439	159	0	
JPY	185	184	1	0	
SEK	494	494	0	0	
CHF	9 269	9 249	20	0	
TRY	1 400	1 401	0	1	
USD	478 908	479 889	0	981	
NOK	1 762	1 750	12	0	
NZD	17	16	1	0	
CNY	628	17	611	0	

* when Net positions exceed 2% of Total Own Funds
** EUR positions are not included in Net Positions

The Bank has no commodity and settlement risk exposures.

11. Internal Models for Market Risk

As per December 31, 2016, UBB does not apply an internal models approach for the calculation of capital requirements for market risk.

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

The following VaR values were estimated at December 31, 2016 and during the year:

BGN Thousand December 31, 2016

Diversified VaR	VaR Limit	31.12.2016	2016		
			min	max	average
Equity	600	47	18	666	121
FX	300	2	0	13	4
Interest Rate	6 000	4 266	3 470	7 651	4 800
Total	6 000	4 276	3 490	7 631	4 790

12. Operational Risk

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

The Bank has adopted a framework for operational risk management and applies the standardized approach for calculating the capital requirements for operational risk, which amounted to BGN 40 900 thousand in as of December 31, 2016.

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

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

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

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

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

The process of operational risk management in the Bank is based on the Standardized approach, using specialized software of the company "Algorithmics".

13. Capital Instruments in the Banking Book

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

The Bank's equity participations were as follows as of December 31, 2016:

BGN Thousand December 31, 2016

Capital instruments in the banking book	Balance sheet value	Unrealized P&L
Units in mutual funds	6 674	2 145
Shares	14 308	266
Shares in subsidiaries and associated companies	10 142	0
Total:	**31 124**	**2 411**

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

As of December 31, 2016, investments in financial sector subsidiaries and equity method investments amounted to BGN 7 511 thousand are reported with 250% risk weight in accordance with the Art. 48 and Art. 133, para 2 of Regulation (EU) 575/2013. All other investments in equities are reported with 100% risk weight.

14. Interest Rate Risk in the Banking Book

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

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

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

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

The table below shows the sensitivity of the economic value to a parallel shift of the yield curve in all currencies by 200 basis points (per currency in its BGN equivalent) as of December 31, 2016.

BGN Thousand	December 31, 2016
BGN	-1 156
EUR	-81 948
USD	2 535
TOTAL	**80 570**

The Bank has adopted limits for the maximum exposure amount to this risk type and allocates internal capital for interest rate risk in the banking book within the ICAAP.

15. Securitisation

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

16. Internal Ratings Based Approach

The Bank utilizes an internal rating model for corporate obligors developed by the Risk Modelling Unit of Risk Management Division and approved by NBG Group. The model is applied for assessing the creditworthiness of borrowers and for the purpose of ICAAP on group level.

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

17. Techniques for Credit Risk Mitigation

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

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

The collaterals must fulfil the following conditions in order to be accepted by the Bank:

1. Legal substance – existence of the proper legal and other documentation, proving the ownership right and the fulfilment of the special requirements of the law;
2. Clear identification – the collateral, as supported by its documentation, to be clearly identifiable;

3. Exclusivity of collateral rights – the Bank to be the undisputable holder/bearer of the specific collateral rights;
4. Sufficiency – Sufficient in terms of amounts, ideally exceeding the respective credit exposure in order to cover possible reduction in their realization price, the expenses and time needed for their realization;
5. Liquidity – the collaterals must be possible to be liquidated within a reasonable time in the current market conditions.

The Bank accepts all collaterals that can be used as an alternative source for the repayment of the Bank's lending claims. However, the Bank has a higher appetite for and accepts that only some of them have the qualitative characteristics (secondary market, short liquidation horizon, easily assessed market price, legal processes allowing to the creditor to possess and liquidate them, slow amortization, etc.) permitting to the Bank to assume and calculate a securing value for them. These are:

1. Pledge of deposits ("born receivables under deposit" as per the legal term) with UBB and other banks;
2. Transfer agreement of born receivables (special deposits kept in the Bank's name provided as collateral by the collateral provider) under the Law on Financial Collateral Arrangements;
3. Pledge of receivables under direct, unconditional, irrevocable and full guarantee, issued by first-class local or foreign financial institutions, government and municipalities;
4. Pledge of Multinational bank bonds /investment grade only;
5. Pledge of local government bonds and other local governmental debt titles;
6. Pledge of municipalities bonds;
7. Mortgage on real estate properties and real estate related rights with a recognized market value;
8. Pledge of movable tangible assets – machines, vehicles, equipment, aircrafts, etc.;
9. Pledge of living stock that is fully insured against all risks, the insurance policy is assigned in favour to the Bank and the Bank is referred as loss payee;
10. Marine mortgage;
11. Pledge of non-sensitive goods based on public licensed warehouses titles;
12. Pledge of shares of companies /investment grade only/ and in SE /stock exchange;
13. Pledge of corporate bonds /investment grade only/ and in stock exchanges;
14. Pledge of shipping documents /only sea and railway transport;
15. Pledge of born trade receivables under a contract, by counterparties/payers;
16. Pledge of subsidies and grants by governmental or EU entities, provided that the Bank is in a position to check and has verified in advance that all preconditions set by same entities for the disbursement of the subsidy or grant have been fully met.

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

Total credit exposures, net of provisions and risk mitigates (eligible as per Regulation 575/2013), and adjusting off-balance sheet positions by risk conversion factors, was as follows at December 31, 2016:

BGN Thousands 31 December 2016

Exposure Class	Balance sheet Items	Off-balance sheet Items
Central governments and central banks	1 197 569	2 934
Regional governments or local authorities	6 402	40
Public Sector Entities	366	0
Multilateral development banks	35 530	0
Institutions	206 906	2 277
Corporates	985 156	123 719
Retail exposures	1 016 110	196 769
Exposures Secured by Real Estate Property	1 143 420	32 936
Exposures in Default	669 284	1006
Exposures in the form of units and shares in CIUs	6 674	0
Equity exposures	24 451	0
Other exposures	299 879	0
TOTAL:	**5 591 747**	**359 681**

18. Leverage

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

During the last year, the Bank has sustained an average leverage ratio of 15.44% (fully phased-in definition) against a preliminary EBA target level of 3.0% and average of 16.68% for 2015. The ratio reaches a first marked decrease during the second quarter of the year due to increase in the bank portfolio of BGN 260 mln - balances with BNB, as well as an increase in the trade portfolio of BGN 72 mln in securities (BGN 31 mln government bonds and BGN 41 mln short term bank securities). During that reporting period, the ratio decreased from 16.77% as of March 2017 to 15.68% as of June 2016 (denominator effect). A second decrease is observed as of end-of-year, when the Bank paid a dividend to NBG in the amount of BGN 260 mln (numerator effect). The decrease in the capital base is partly compensated by a decrease in the banking portfolio of BGN 349 mln (mainly -BGN 286 mln balances with BNB, -BGN 133 mln credit portfolio and +BGN 40 mln Other Items). The leverage ratio changes from 15.80% as of September 2016 to 13.51% as of December 2016.

BGN Thousands 31 December 2016

	LRSum: Summary reconciliation of accounting assets and leverage ratio exposures	Fully phased-in	Transitional
1	Total assets as per published financial statements	6 837 140	6 837 140
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0	0
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	0	0
4	Adjustments for derivative financial instruments	2 102	2 102
5	Adjustments for securities financing transactions "SFTs"	86	86
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	360 502	360 502
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	0	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	0	0
7	Other adjustments*	-15 554	-29 564
8	**Total leverage ratio exposure**	**7 184 276**	**7 170 266**

*Tier I Corrections; Adjustment for derivative financial instruments; Intangible Assets

LR Com: Leverage ratio common disclosure

BGN Thousands 31 December 2016

	On-balance sheet exposures (excluding derivatives and SFTs)	Fully phased-in	Transitional
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	6 693 393	6 693 393
2	(Asset amounts deducted in determining Tier 1 capital)	(8 646)	(22 656)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	6 684 747	6 670 737
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	338	338
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	2 102	2 102
EU-5a	Exposure determined under Original Exposure Method	0	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0	0
8	(Exempted CCP leg of client-cleared trade exposures)	0	0
9	Adjusted effective notional amount of written credit derivatives	0	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	0
11	**Total derivative exposures (sum of lines 4 to 10)**	2 440	2 440

	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	136 501	136 501
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0
14	Counterparty credit risk exposure for SFT assets	86	86
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	0	0
15	Agent transaction exposures	0	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0	0
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	136 587	136 587
	Off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	825 346	825 346
18	(Adjustments for conversion to credit equivalent amounts)	(464 844)	(464 844)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	360 502	360 502
	Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0	0
	Capital and Total Exposures		
20	**Tier 1 capital**	**970 759**	**956 749**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**7 184 276**	**7 170 266**
	Leverage Ratio		
22	**Leverage ratio**	**13.51%**	**13.34%**
	Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased-in	Transitional
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	0	0

BGN Thousands 31 December 2016

	LRSpl: Split-up of on balance sheet exposures (excluding derivatives and SFTs)	CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives and SFTs), of which:	6 829 894
EU-2	Trading book exposures	1 238 146
EU-3	Banking book exposures, of which:	5 591 748
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	1 197 569
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	6 402
EU-7	Institutions	204 434
EU-8	Secured by mortgages of immovable properties	1 143 420
EU-9	Retail exposures	1 032 369
EU-10	Corporate	1 000 777
EU-11	Exposures in default	675 773
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	331 004

19. Staff Remuneration Policy and Practices

The remuneration policy encompasses the staff categories under Art.2 of BNB's Ordinance №4 of 2010 on the Requirements for the Remuneration in Banks, whose remuneration is related to responsibilities and functions that can affect the Bank’s risk profile. It defines the objectives, principles and requirements for determining the remuneration of such personnel and is designed in accordance with the applicable national and European regulators and the remuneration policy of NBG Group. The policy covers all forms of remuneration /fixed and variable/ as salary and other financial and material incentives, benefits, including benefits related to retirement.

The following staff categories refer to the positions within the range of Art. 2 of Ordinance №4 of BNB:
1. Senior management;
2. Risk-takers – includes employees who can affect the Bank’s risk profile and can make decisions on risk undertaking;
3. Employees, engaged in control functions – includes employees who are in charge of and are responsible for the Bank’s controlling activities;
4. All employees whose remunerations are in the same remuneration bracket as staff referred to in Item 1 and 2 and whose activities have a significant material impact on the Bank’s risk profile. There are no such employees in the Bank;
5. Other persons whose professional activities have significant impact on the risk profile of the Bank. There are no such employees in the Bank.

The UBB Board of Directors determines the general principles of the Policy and is responsible for its implementation and periodical review. The Board of Directors establishes UBB Remuneration Committee and approves its composition, rights and responsibilities.

The Remuneration Committee is an independent body whose aim is to assist the Board of Directors during the performance of their obligations of implementation and development of the policy.
The Remuneration Committee is comprised in such way so as to ensure competent and independent decisions on the remuneration policies and practices, as well as on the established incentives for management of risk, capital and liquidity. The Remuneration Committee consists of three non-executive BoD members.

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

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

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

The Bank ensures a suitable proportion between the fixed and the variable components of the remunerations. Upon payment of variable remuneration a proper performance evaluation shall be ensured within a multi-year period and evaluation of long term results shall be guaranteed within a period in which the main cycle of economic activity and business risks can be considered.

In the event that variable remuneration is provided, payment of at least 40% of such remuneration shall be deferred for at least 3 to 5 years, so as to align such remuneration with the nature and the risks involved in the Bank's activities, as well as the activities of the employee concerned. With regard to the Executive directors and senior management with remunerations in the same bracket, the ratio shall be at least 60%.

Summary information on the remunerations in the Bank in 2016, detailed per activity type.

Type of activity	Remunerations - %
Investment banking	2.7
Credit activity	21.1
Asset management	0.0
Corporate functions	8.9
Independent control functions	6.3
Other	61.0
Total	100,0

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

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

In percentage

Staff category	Number of persons	Remunerations- % of the total paid remunerations in the Bank	Of these fixed- % of the total amount of the remunerations in the Bank	Of these variable - % of the total amount of the remunerations in the Bank
1. Persons under Art.2, Item 1 of Ordinance 4 of the BNB	8	3.86	2.82	1.04
2. Persons under Art.2, Item 2 of Ordinance 4 of the BNB*/	4	0.79	0.63	0.17

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

a) The variable remunerations shown above shall be paid according to a scheme for a period of 4 years as 40% of them to be paid in the first year and the remaining 60% to be deferred in equal parts for the remaining years. The deferred amounts shall be subject to reduction in case the risk indicator Common Equity Tier 1 is less than a certain level.

b) Amount of payments upon recruitment and termination of agreements during the reporting year – no.

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