EUROBANK ERGASIAS S.A.

CONSOLIDATED PILLAR 3 REPORT

FOR THE THREE MONTHS ENDED

31 MARCH 2018

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1. Introduction – General Information

Eurobank Ergasias S.A. (the "Bank" or the "Group") is a credit institution based in Greece and is supervised on a stand alone and consolidated basis by the European Central Bank (ECB) and the Bank of Greece (BoG). The Group is one of the four systemic banks in Greece, operating in key banking product and service markets. The Group offers a wide range of financial services to the retail and corporate clients. It has a strategic focus in Greece in fee-generating activities, such as asset management, private banking, equity brokerage, treasury sales, investment banking, leasing, factoring, real estate and trade finance. The Group is also among the leading providers of banking services and credit to SMEs, small businesses and professionals, large corporates and households.

Eurobank has an international presence in six countries outside of Greece, with operations in Romania, Bulgaria, Serbia, Cyprus, Luxembourg and the United Kingdom.

On 3 April 2018, Eurobank and Banca Transilvania (BT) concluded all the remaining actions and fulfilled all the conditions precedent for the completion of the transfer of the shares held by the Group in Bancpost S.A., ERB Retail Services IFN S.A. and ERB Leasing IFN S.A. to BT. Prior to this, BT has obtained the relevant regulatory approvals from both the National Bank of Romania and the Romanian Competition Authority for the acquisition. Further information in relation to the completion of the disposal is provided in the Condensed Consolidated Interim Financial Statements note 12.

1.1 Regulatory framework

The general Basel III framework is structured around three mutually reinforcing pillars:

- Pillar 1 defines the minimum regulatory capital requirements, based on principles, rules and methods specifying and measuring credit, market and operational risk. These requirements are covered by regulatory own funds, according to the rules and specifications of CRR.
- Pillar 2 addresses the internal processes for assessing overall capital adequacy in relation to risks Internal Capital Adequacy Assessment Process - ICAAP and Internal Liquidity Assessment Process ILAAP). Pillar 2 also introduces the Supervisory Review & Evaluation Process (SREP), which assesses the internal capital adequacy of credit institutions.
- Pillar 3 deals with market discipline by developing a set of quantitative and qualitative disclosure requirements, which allow market participants to assess key pieces of information on the scope of application, capital, risk exposures, risk assessment processes and hence the capital adequacy and the internal liquidity adequacy of credit institutions.

According to the CRD IV provisions (with gradual implementation until 2019):

- Minimum Common Equity Tier 1 (CET1) ratio: 4.5%;
- Minimum Tier 1 ratio: 6%;
- Minimum Total Capital ratio: 8%
- Furthermore, banks are required to gradually create a capital conservation buffer of 2.5% until 1 January 2019 (0.625% on 1 January 2016, 1.25% on 1 January 2017 and 1.875% on 1 January 2018) beyond the existing minimum capital. Conservation buffer is a capital buffer of 2.5% of total risk exposures that needs to be met with an additional amount of CET1 capital.

As a result the minimum ratios which must be met, including the capital conservation buffer, and which shall apply from 1 January 2019 are:

a) Minimum CET1 capital ratio 7%; and
b) Total capital adequacy ratio 10.5%.

Additional capital buffers that CRD IV introduces are the following:

a) Countercyclical buffer. The purpose of this buffer is to counteract the effects of the economic cycle on banks' lending activity, thus making the supply of credit less volatile and possibly even reduce the probability of credit bubbles or crunches. Credit institutions are required under the CRD IV to build up an additional buffer of 0 - 2.5%

of CET1 during periods of excess credit growth, according to national circumstances. According to BoG Executive Committee Acts, issued during 2017, the countercyclical buffer was set at 0%. On 11.12.2017 BoG issued the Executive Committee Act No. 127, where the countercyclical buffer is also set as 0% for the first quarter of 2018.

b) Global systemic institution buffer (G-SIIs). CRD IV includes a mandatory systemic risk buffer of CET1 for banks that are identified by the relevant authority as globally systemically important, which is not applicable to Greek banks.

c) Other systemically important institutions buffer. On 25.4.2016, European Banking Authority (EBA) published the first list of Other Systematically Important Institutions (O-SIIs) in the EU. O-SIIs are those institutions which are deemed systematically relevant in addition to G-SIIs, already identified. This list reflects also the additional capital buffers that the relevant authorities have set for the O-SIIs. The identification of institutions as O-SIIs is based on 2015 data and going forward updated lists of O-SIIs will be disclosed on an annual basis, along with the definition of any CET1 capital buffer requirements which may need to be set.

1.2 Regulatory developments

During the first quarter of 2018 European Commission published the Delegated Regulation 2018/171 on supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the materiality threshold for credit obligations past due.

In March 2018, BCBS published the second set of frequently asked questions (FAQs) on the Basel 3 Standardised approach for measuring counterparty credit risk exposures and the second set of FAQs on the revised market risk standard. Especially about the second publication the questions and answers address clarifications of the standardised approach, the internal models approach and the scope of application of the standard.

Regarding the countercyclical buffer, BOG issued the Executive Committee Acts No.127 and 135, where the countercyclical buffer is also set as 0% for the first and second quarter of 2018.

2018 Eurobank Stress Test Results

On 5 May 2018, the ECB announced the results of the ST for the four Greek systemic banks, including Eurobank. Based on feedback received by the Single Supervisory Mechanism (SSM), the ST outcome along with other factors that have been assessed by the Supervisory Board (SB) of the SSM, pointed to no capital shortfall and no capital plan needed for the Bank as a result of the exercise.

Under the adverse scenario, the Bank’s total capital adequacy ratio (CAD), including the effect of Tier 2 securities, issued in January 2018, is 9.5%, and the Core Tier 1 Capital (CET1) ratio is 6.8%. These ratios would be ca. 40 bps higher, at 9.9% and 7.2% respectively, if the positive impact from the sale of the Romanian disposal group (completed in early April 2018) was taken into account. The capital depletion stood at €3.4 bn (8.7ppts, excluding the negative impact of 250 bps related to the phase-out of grandfathered preference shares). Under the baseline scenario, the Bank is capital accretive, with CAD and CET1 ratios increasing at 19.3% and 16.6%, respectively. These ratios would be ca. 40 bps higher if the positive impact from the sale of Romanian disposal group was included.

The Bank’s performance in the ST confirms that it remains resilient to external shocks. The Bank’s total capital and overall solid performance, allows it to further streamline efforts on the implementation and delivery of its business priorities, focusing on effective management and rapid decrease of stock of non-performing exposures in line with its plans, as well as providing financing to its clients, to the Greek economy and the region. The above business priorities, along with additional initiatives associated with the restructuring, transformation or optimization of operations, in Greece and abroad will generate or release further capital and/or reduce risk weighted assets, contributing to the further strengthening of the Group’s capital position.

1.3 Scope of pillar 3

The purpose of Pillar 3 report is to provide updated information the Group's risk management practices, risk assessment processes and regulatory capital adequacy ratios.

Introduction – General Information

Pillar 3 disclosures consist of both qualitative and quantitative information and are provided on a consolidated basis. They have been prepared in accordance with Part 8 of the Capital Requirements Regulation within CRD IV (Regulation 2013/575/EU) and according to the regulatory consolidation framework, which is described in the following section.
In December 2016 EBA published EBA/GL/2016/11 guidelines on revised Pillar 3 disclosures requirements to improve the consistency and comparability of institutions' regulatory disclosures. These guidelines are applied from 31 December 2017. Even though these guidelines do not change the substance of the regulatory disclosures, they update the presentational aspect of disclosures by introducing the use of specific tables for qualitative information and templates for quantitative information. Moreover, the guidelines harmonise the frequency of disclosures and update the list of requirements to be considered for more frequent disclosures.

1.3.1 Location, timing and frequency of disclosures

Pillar 3 disclosures are provided on a quarterly basis, following the relevant recommendation of EBA Guidelines 2016/11, which do not change the approach in the EBA Guidelines 2014/14 but update the list of requirements to be considered for more frequent disclosures.

Pillar 3 disclosures are provided with reference date (corresponding period) the close of the previous quarter and in conjunction with the date of publication of the financial statements. Equivalent disclosures made by the Group under accounting, listing or other requirements are deemed to constitute compliance with the requirements of the aforementioned Regulation (EU) No 575/2013 (Part Eight) taking into consideration any existing relevant implementing Regulations as well as the European Banking Authority (EBA) guidelines.

They are provided in a designated location on the Bank's website (www.eurobank.gr/en/group/investor-relations/financial-results) in chronological order and cover both quantitative and qualitative information.

Quantitative information, which is included in the Group's Consolidated Financial Statements, is also provided at the above location. In this way, the Bank secures easy access of the market participants to continuous and complete information without cross-reference to other locations or media of communication.

The information contained in the Pillar 3 Disclosures has been verified by the Audit Committee.

1.4 Regulatory versus accounting consolidation

In 2017 the regulatory consolidation, applied for reporting to the regulatory authorities, followed the principles used for the accounting consolidation.

According to CRD IV, holdings in insurance companies and financial institutions that the Bank has a significant investment, must be deducted from Common Equity Tier 1 (CET1) in case the total investment exceeds 10% of the aggregate amount of CET1 before certain deductions. Amount which is not deducted, is risk weighted by 250%.

On 4 August 2016, the Group in line with the Bank's restructuring plan, completed the sale of 80% of Eurolife ERB Insurance Group Holdings S.A. Hence, as of that date, the company and its subsidiaries (ERB Insurance Services S.A., Eurolife ERB General Insurance S.A., Eurolife ERB Life Insurance S.A., Diethnis Ktimatiki S.A., Eurolife ERB Asigurari De Viata S.A. and Eurolife ERB Asigurari Generale S.A.) are not consolidated and the retained 20% interest in Eurolife is recognised both for regulatory and accounting consolidation purposes, as an associate. Consequently, there is no difference between regulatory and accounting consolidation.

ERB Hellas Funding Ltd and ERB Hellas Plc are included in the calculation of the non-consolidated capital requirements and regulatory own funds of the Bank (solo consolidation).

List of all subsidiary undertakings can be found in the Condensed Consolidated Interim Financial Statements note 15.

Introduction – General Information

The table below shows the Group's regulatory and accounting Balance Sheet as at 31 March 2018 and 31 December 2017.

	Ref.	31 March 2018 Balance sheet per published financial statements and per regulatory consolidation € million	31 December 2017 Balance sheet per published financial statements and per regulatory consolidation € million
Assets			
Cash and Balances with central banks		1,902	1,524
Due from credit institutions		2,033	2,123
Securities held for trading		92	49
Derivative financial instruments		1,701	1,878
Loans and advances to customers		36,094	37,108
Investment securities		6,997	7,605
Investments in associaties and joint ventures		152	156
Property, plant and equipment		387	390
Investment property		288	277
Intangible assets	*a*	158	152
Deferred tax asset		4,891	4,859
of which deferred tax assets that rely on future profitability	*b*	39	33
of which deferred tax credit		3,972	3,952
of which deferred tax assets arising from temporary differences	*c*	880	874
Other assets		1,809	1,724
Assets of disposal group classified as held for sale		2,008	2,184
Total assets		**58,512**	60,029
Liabilities			
Due to central banks		7,080	9,994
Due to credit institutions		5,266	3,997
Derivative financial instruments		1,719	1,853
Due to customers		35,260	33,843
Debt securities in issue		1,510	549
Other liabilities		804	684
Liabilities of disposal group classified as held for sale		1,827	1,959
Total liabilities		**53,466**	52,879
Equity		-	-
Ordinary share capital		655	655
Share premium		8,054	8,055
Reserves and retained earnings		(3,708)	(2,556)
of which cash flow hedge reserves	*d*	(38)	(40)
Preference shares		-	950
Total equity attributable to shareholders of the Bank		**5,001**	7,104
Preferred securities	*e*	43	43
Non controlling interests	*f*	2	3
Total equity	*g*	**5,046**	7,150
Total equity and liabilities		**58,512**	60,029

2. Capital Management

2.1 Regulatory Capital

The table below shows the composition of the Group's regulatory capital as at 31 March 2018 and 31 December 2017.

Regulatory capital is calculated according to CRD IV.

	Ref.	31 March 2018 € million	31 March 2018 [1] € million	31 December 2017 € million
Total equity	g	5,046	5,046	7,150
Less: Preferred securities	e	(43)	(43)	(43)
Non controlling interests	f	(2)	(2)	(3)
Total equity attributable to shareholders of the Bank		**5,001**	**5,001**	7,104
Regulatory adjustments				
Part of interim or year-end profit not eligible		(35)	-	-
Cash flow hedge reserves	d	38	38	40
Adjustments due to IFRS 9 transitional arrangements		1,012	1,012	(13)
Intangible assets	a	(158)	(158)	(122)
IRB shortfall of credit risk adjustments to expected losses		(11)	(11)	(31)
Deferred tax assets that rely on future profitability (unused tax losses)	b	(39)	(39)	(26)
Deferred tax assets arising from temporary differences (amount above 10% threshold)	c	(148)	(145)	(51)
Other regulatory adjustments		1	1	(14)
Common Equity Tier I capital		**5,660**	**5,698**	6,887
Preferred Securities subject to phase-out	e	17	17	21
Regulatory adjustments				
Intangible assets	a	-	-	(30)
Impairment allowances shortage over expected losses		-	-	(4)
Other regulatory adjustments		-	-	13
Total Tier I capital		**5,677**	**5,715**	6,887
Tier II capital - subordinated debt		950	950	-
Fixed assets' revaluation reserve		-	-	13
IRB Excess of impairment allowances over expected losses eligible		36	36	15
Total Regulatory Capital		**6,664**	**6,702**	6,915
Risk Weighted Assets		**38,617**	**38,625**	38,387
Ratios				
Common Equity Tier I [2]		**14.7%**	**14.8%**	17.9%
Tier I [2]		**14.7%**	**14.8%**	17.9%
Total Capital Adequacy Ratio [2]		**17.3%**	**17.4%**	18.0%

[1] *Including interim profits € 35 million.*

[2] *The pro-forma Common Equity Tier 1, Tier 1 and Total Capital Adequacy ratios as at 31 March 2018, with the completion of the disposal of the Romanian subsidiaries classified as held for sale would be 15.1%, 15.2% and 17.8%, respectively.*

The Group's CET1 as at 31 March 2018, based on the full implementation of the Basel III rules in 2024 (fully loaded CET1), would be 11.7% (31 December 2017: 14.9%), while the respective, pro-forma ratio with the completion of the disposal of the Romanian subsidiaries classified as held for sale would be 12.0%.

As depicted in table above, CET1 capital has decreased during the 1st quarter 2018, mainly due to CRD IV transitional rules for 2018 (including the redemption of Law 3723/2008 preference shares), the decrease of OCI from market valuation of investment securities and IFRS9 impact.

Capital Management

The disclosure below has been prepared using the format set out in Annex VI of the "Commission Implementing Regulation (EU) No 1423/2013 of 20 December 2013 laying down implementing technical standards with regard to disclosure of own funds requirements for institutions according to Regulation (EU) No 575/2013 of European Parliament and of the Council".

		31 March 2018 Current period € million	31 March 2018 Full impact € million	2017 Current period € million	2017 Full impact € million
Common Equity Tier 1 (CET1) Capital: instruments and reserves					
1	Capital instruments and the related share premium accounts	8,709	8,709	8,711	8,711
2	Retained earnings	(11,628)	(11,628)	(10,551)	(10,551)
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	7,920	7,920	7,995	7,995
	Public sector capital injections grandfathered until 1 January 2018	-	-	950	-
5	Minority interests (amount allowed in consolidated CET1)	-	-	-	-
5a	Independently reviewed interim profits net of any foreseeable charge or dividend			-	-
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**5,001**	**5,001**	7,104	6,155
Common Equity Tier 1 (CET1) capital: regulatory adjustments					
8	Intangible assets (net of related tax liability) (negative amount)	(158)	(158)	(122)	(152)
9	Part of interim or year-end profit not eligible	(35)	(35)	-	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(39)	(39)	(26)	(32)
11	Fair value reserves related to gains or losses on cash flow hedges	38	38	40	40
12	Negative amounts resulting from the calculation of expected loss amounts	(11)	(1)	(31)	(39)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	-	-	-
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	-	(1)	(1)
20	Adjustments due to IFRS 9 transitional arrangements	1,012	-	-	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in art. 38 (3) are met) (negative amount)	(148)	(397)	(51)	(274)
22	Amount exceeding the 15% threshold (negative amount)	-	-	-	-
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	-	-	-
25	of which: deferred tax assets arising from temporary differences	-	-	-	-
25a	Losses for the current financial year (negative amount)	-	-	-	-
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	-	-	-
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	-		(13)	-
	Of which: difference from revaluation reserves of fixed assets	-		(13)	-
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-		(13)	-
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**659**	**(591)**	(217)	(458)
29	**Common Equity Tier 1 (CET1) capital**	**5,660**	**4,410**	6,887	5,697
Additional Tier 1 (AT1) capital: instruments					
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	17	-	21	-
36	**Additional Tier 1 (AT1) capital instruments before regulatory adjustments**	**17**	**-**	21	-
Additional Tier 1 (AT1) capital: regulatory adjustments					
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-	-	(34)	-
	Of which: goodwill and intangible assets (net of related tax liability)	-	-	(30)	-
	Of which: shortfall of provision to expected losses	-	-	(4)	-
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	**-**	(34)	-
44	**Additional Tier 1 (AT1) capital**	**17**	**-**	-	-
45	**Tier 1 capital (T1 = CET1 + AT1)**	**5,677**	**4,410**	6,887	5,697

Capital Management

		31 March 2018 Current period € million	31 March 2018 Full impact € million	2017 Current period € million	2017 Full impact € million
Tier 2 (T2) capital: instruments and provisions					
46	Capital instruments and the related share premium accounts	950	950	-	-
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-	-	-	-
	Public sector capital injections grandfathered until 1 January 2018	-	-	-	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests not included in row 5 or 34) issued by subsidiaries and held by third parties	-	-	-	-
49	of which: instruments issued by subsidiaries subject to phase out	-	-	-	-
50	Credit risk adjustments	36	98	18	18
51	**Tier 2 (T2) capital before regulatory adjustments**	**986**	**1,048**	18	18
Tier 2 (T2) capital: regulatory adjustments					
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-	-	(4)	-
	Of which shortfall of provision to expected losses	-	-	(4)	-
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	-	-	13	-
	Of which: difference from revaluation reserves of fixed assets	-	-	13	-
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	**-**	9	-
58	**Tier 2 (T2) capital**	**986**	**1,048**	27	18
59	**Total Capital (TC = T1 + T2)**	**6,664**	**5,458**	6,914	5,715
60	**Total risk weighted assets**	**38,617**	**38,035**	38,387	38,138
Capital ratios and buffers					
61	Common Equity Tier 1	**14.7%**	11.6%	17.9%	14.9%
62	Tier 1	**14.7%**	11.6%	17.9%	14.9%
63	Total capital	**17.3%**	14.3%	18.0%	15.0%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	**9.3%**	**6.3%**	10.0%	7.0%
Amounts below the thresholds for deduction (before risk weighting)					
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions	44	44	44	44
73	Direct and indirect holdings by the institution of CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	131	131	135	135
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in 38 (3) are met)	581	481	697	597
Applicable caps on the inclusion of provisions on Tier 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	-	-	-	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	-	-	-
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	98	98	18	18
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	16,416	16,416	16,206	16,206
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)					
80	Current cap on CET1 instruments subject to phase out arrangements	-	-	-	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-	-	-
82	Current cap on AT1 instruments subject to phase out arrangements	40%	-	50%	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	17	-	21	-

2.2 IFRS 9 capital impact

Regarding IFRS 9 adoption from 1.1.2018 and according to Regulation (EU) 2017/2395 of the European Parliament and the Council, a five year transition period is introduced, which allows banks to add back to their CET 1 capital 95% of IFRS 9 impact in 2018 and 85%, 70%, 50% and 25% in the subsequent four years. The full impact is expected as of 1 January 2023.

The Group has elected to apply the phase in approach for mitigating the impact of IFRS 9 transition on the regulatory capital.

Table 3: EU IFRS-FL: Template on the comparison of Institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs.

	31 March 2018
Available capital	**€ million**
Common Equity Tier 1 (CET1) capital	5,660
Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4,410
Tier 1 capital	5,677
Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4,410
Total capital	6,664
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5,458
Risk weighted assets	
Total risk-weighted assets	38,617
Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	38,035
Capital ratios	
Common Equity Tier 1 (as a percentage of risk exposure amount)	**14.7%**
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**11.6%**
Tier 1 (as a percentage of risk exposure amount)	**14.7%**
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**11.6%**
Total capital (as a percentage of risk exposure amount)	**17.3%**
Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**14.3%**
Leverage ratio	
Leverage ratio total exposure measure	61,207
Leverage ratio	9.28%
Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7.27%

2.3 Capital requirements under Pillar 1

The table below shows the Group's risk weighted assets (RWAs) and capital requirements as at 31 March 2018 and 31 December 2017. The minimum capital requirements under Pillar 1 are calculated as 8% of RWAs.

Table 4: EU OV1 – Overview of RWAs

	31 March 2018 RWAs € million	31 December 2017 RWAs € million	31 March 2018 Minimum capital requirements € million
Credit risk (excluding CCR)	**32,108**	31,815	**2,569**
Of which the standardised approach	15,801	15,723	1,264
Of which the foundation IRB (FIRB) approach	8,479	8,564	678
Of which the advanced IRB (AIRB) approach	7,620	7,379	610
Of which equity IRB under the simple risk-weighted approach or the IMA	208	149	17
Counterparty Credit Risk	**755**	620	**60**
Of which mark to market	111	149	9
Of which original exposure	-	-	-
Of which the standardised approach	468	330	37
Of which internal model method (IMM)	-	-	-
Of which risk exposure amount for contributions to the default fund of a CCP	-	-	-
Of which CVA	176	141	14
Settlement risk	-	-	-
Securitisation exposures in the banking book (after the cap)	**23**	27	**2**
Of which IRB approach	23	27	2
Of which IRB supervisory formula approach (SFA)	-	-	-
Of which internal assessment approach (IAA)	-	-	-
Of which standardised approach	-	-	-
Market risk	**820**	726	**66**
Of which the standardised approach	156	85	12
Of which IMA	664	641	53
Large exposures	-	-	-
Operational risk	**3,122**	3,122	**250**
Of which basic indicator approach	-	-	-
Of which standardised approach	3,122	3,122	250
Of which advanced measurement approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	**1,789**	2,077	**143**
Floor adjustment	-	-	-
Total	**38,617**	38,387	**3,089**

3. Credit Risk

The following table shows the main changes in capital requirements of credit risk exposures under the IRB approach as at and 31 March 2018 and December 2017:

Table 5: EU CR8 – RWA flow statements of credit risk exposures under the IRB approach

	31 March 2018		31 December 2017	
	RWA amounts € million	Capital requirements € million	RWA amounts € million	Capital requirements € million
RWAs as at the end of the previous reporting period	15,944	1,275	15,252	1,220
Asset size	98	8	43	3
Asset quality	(306)	(25)	(1,196)	(96)
Model updates	-	-	884	71
Methodology and policy	390	31	1,141	91
Acquisitions and disposals	-	-	-	-
Foreign exchange movements	(29)	(2)	(200)	(16)
Other	2	-	20	2
RWAs as at the end of the reporting period	**16,099**	**1,287**	15,944	1,275

As per full year, asset quality improvements on the performing portfolio counterbalance the RWAs on the defaulted to a great extent. Asset size RWAs increase derives from Corporate.

4. Market Risk

The following table summarises the components of the capital requirement, under the IMM approach applied by the Bank as at 31 March 2018 and December 2017:

Table 6: EU MR2-B – RWA flow statements of market risk exposures under the IMA

	31 March 2018						
	VaR € million	Stressed VaR € million	IRC € million	Comprehensive risk measure € million	Other € million	Total RWAs € million	Total capital requirements € million
RWAs at previous quarter end	143	411	87	-	-	641	51
Regulatory adjustment	-	-	-	-	-	-	-
RWAs at the previous quarter-end (end of the day)	143	411	87	-	-	641	51
Movement in risk levels	12	2	10	-	-	23	2
Model updates/changes	-	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
RWAs at the end of the reporting period (end of the day)	155	413	97	-	-	664	53
Regulatory adjustment	-	-	-	-	-	-	-
RWAs at the end of the reporting period	**155**	**413**	**97**	**-**	**-**	**664**	**53**

	31 December 2017						
	VaR € million	Stressed VaR € million	IRC € million	Comprehensive risk measure € million	Other € million	Total RWAs € million	Total capital requirements € million
RWAs at previous quarter end	137	417	43	-	-	596	47
Regulatory adjustment	-	-	-	-	-	-	-
RWAs at the previous quarter-end (end of the day)	137	417	43	-	-	596	47
Movement in risk levels	6	(6)	45	-	-	45	4
Model updates/changes	-	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
RWAs at the end of the reporting period (end of the day)	143	411	87	-	-	641	51
Regulatory adjustment							
RWAs at the end of the reporting period	143	411	88	-	-	641	51

5. Counterparty Risk

5.1 Definition

Counterparty risk is the risk that a counterparty in an off balance sheet transaction (i.e. derivative transaction) defaults prior to maturity and the Bank has a claim over the counterparty (the market value of the contract is positive for the Bank).

5.2 Mitigation of counterparty risk

To reduce the exposure towards single counterparties, risk mitigation techniques are used. The most common is the use of closeout netting agreements (usually based on standardised ISDA contracts), which allow the bank to net positive and negative replacement values in the event of default of the counterparty.

Furthermore, the Bank also applies margin agreements (CSAs) in case of counterparties. Thus, collateral is paid or received on a daily basis to cover current exposure. In case of repos and reverse repos the Bank applies netting and daily margining using standardised GMRA contracts.

5.3 RWA flow statements of CCR exposures under IMM

Table 7 EU CCR7 - RWA flow statements of CCR exposures under the IMM is not included as the Bank does not use an internal model for the calculation of the RWAs of CCR exposures.

6. Leverage ratio

The new regulatory framework has introduced the leverage ratio as a non-risk based measure which is intended to restrict the build-up of excessive leverage from on and off balance sheet items in the banking sector.

The leverage ratio is defined as Tier 1 capital divided by the total exposure measure.

The bank submits to the regulatory authorities the leverage ratio on quarterly basis and monitors the level and the factors that affect the ratio.

The level of the leverage ratio with reference date 31.03.2018 on consolidated basis was at 9,28 % (2017 11.09%), according to the transitional definition of Tier 1 capital, significantly over the 3% minimum threshold applied by the competent authorities. The decrease of the level of leverage ratio is mainly due to CRD IV transitional rules for 2018 (including the redemption of Law 3723/2008 preference shares), the decrease of OCI from market valuation of investment securities and IFRS9 impact.

In the table below, the detailed disclosures on the Group's leverage ratio are presented with reference date 31 March 2018 and 31 December 2017.

Summary reconciliation of accountng assets and leverage ratio exposures

	31/3/2018 € million	31/12/2017 € million
Total assets as per published financial statements	58,512	60,029
Adjustment for entities which are consolidated for accountng puroses but are outside the scope of regulatory consolidation	-	-
Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting frameworkbut excluded from the leverage ratio exposure measure to article 429(11)of Regulation (EU)NO 575/2013	-	-
Adjustments for derivative financial instruments	(219)	(339)
Adjustments for securities financing transactions	2,102	1,669
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1,425	1,413
(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-	-
(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	-	-
Other adjustments	(613)	(642)
Total leverage ratio exposure	**61,207**	62,130

Leverage Ratio

Leverage ratio common disclosure

	CRR leverage ratio exposures 31/3/2018 € million	CRR leverage ratio exposures 31/12/2017 € million
On - balance sheet exposures (excluding derivatives and SFT's)		
On-balance sheet items (excluding derivatives and SFT's, but including collateral)	56,576	57,721
Asset amounts deducted in determining Tier I capital	(319)	(217)
Total on-balance sheet exposures (excluding derivatives and SFT's)	**56,257**	57,504
Derivative exposures	-	
Replacement cost associated with derivatives transactions	1,161	1,287
Add-on amounts for PPE associated with derivatives transactions	262	257
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
(Exempted CCP leg of client-cleared trade exposures)	-	-
Adjusted effective notional amount of written credit derivatives	-	-
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	
Total derivative exposures	**1,423**	1,544
Securities financing transaction exposures		
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-	-
(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
Counterparty credit risk exposure for SFT assets	2,102	1,669
Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-	-
Agent transaction exposures	-	-
(Exempted CCP leg of client-cleared SFT exposure)	-	-
Total securities financing transaction exposures	**2,102**	1,669
Off-balance sheet exposures		
Off-balance sheet exposures of gross notional amount	4,554	4,532
Adjustments for conversion to credit equivalent amounts[1]	(3,130)	(3,119)
Total off-balance sheet exposures	**1,425**	1,413
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance		
(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-	-
(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-	-
Capital and Total Exposures	-	
Tier I capital	5,677	6,887
Total leverage ratio exposures	61,207	62,130
Leverage Ratio	-	
Leverage Ratio	**9.28%**	11.09%
Choise on transitional arrangements and amount of derecognised fidiciary items	-	
Choice on transitional arrangements for the definition of capital measure	**Transitional**	Transitional
Amounts of derecognised fiduciary items in accordance with the Article 429(11) of Regulation (EU) NO 575/2013		

[1] Total off-balance sheet items exposures presented in accordance with Article 111 (1) of Regulation (EU) No 575/2013 (standardised approach).

Leverage Ratio

Split-up on balance sheet exposures (excluding derivatives and SFT's)

	CRR leverage ratio exposures 31/3/2018 € million	CRR leverage ratio exposures 31/12/2017 € million
Total on-balance sheet exposures (excluding derivatives and SFT'S) of which:	56,576	57,721
Trading book exposures	-	-
Banking book exposures of which:	56,576	57,721
Covered bonds	143	100
Exposures treated as sovereigns	13,311	13,744
Exposures to regional goverments,MOB, international organisations and PSE NOT treates as sovereigns	-	-
Institutions	2,506	2,460
Secured by mortgages of immovable properties	11,529	11,925
Retail exposures	5,290	5,463
Corporate	11,844	11,737
Exposure in default	8,876	9,161
Other exposures (eg equity, securitisations and other non-credit obligation assets)	3,078	3,130