EUROBANK ERGASIAS S.A.

CONSOLIDATED PILLAR 3 REPORT

FOR THE NINE MONTHS ENDED

30 SEPTEMBER 2019

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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 Bulgaria, Serbia, Cyprus, Luxembourg, United Kingdom and Romania.

Romanian disposal group
In April 2018 the sale of the Romanian disposal group, (Bancpost S.A., ERB Retail Services IFN S.A. and ERB Leasing IFN S.A) which was the major part of the Group's operations in Romania was completed. Further information in relation to the completion of the disposal is provided in the Interim Consolidated Financial Statements note 13.

Acquisition of Piraeus Bank Bulgaria A.D. by Eurobank Bulgaria A.D.
On 7 November 2018, the Bank announced that it has concluded an agreement with Piraeus Bank S.A. for the acquisition of Piraeus Bank Bulgaria A.D., a subsidiary of Piraeus Bank, by Eurobank's subsidiary in Bulgaria, Eurobank Bulgaria A.D.. In June 2019, the Transaction was completed, following the receipt of the relevant regulatory approvals. Further information is provided in the Interim Consolidated Financial Statements note 31.

Merger of Eurobank with Grivalia
On 26 November 2018, the Boards of Directors ("BoD") of the Bank and Grivalia Properties REIC ("Grivalia") announced that they unanimously decided to commence the Merger of the two companies by absorption of Grivalia by Eurobank (the "Merger").

On 7 February 2019, the European Commission (DG Competition) decided that the Merger is in line with Eurobank's commitments and State Aid rules considering that the strengthening of its capital base through the Merger will enable Eurobank to significantly reduce its non-performing loans in the near future.

On 22 February 2019, the BoD of the Bank and Grivalia approved the Draft Merger Agreement for the absorption of Grivalia by the Bank according to the provisions of the Greek Laws 2166/1993 and 2515/1997, as in force as well as the applicable Company Law.

On 5 April 2019, the Extraordinary General Meeting of the shareholders of the Bank resolved, among others, (a) the approval of the Merger of the Bank with Grivalia by absorption of the latter by the former, (b) the approval of the Draft Merger Agreement, as it was approved by the BoD of the merging companies and (c) the increase of the share capital of the Bank by € 197.3 million.

The Merger was approved on 17 May 2019 by the Ministry of Finance and Development and was registered, on the same day, in the General Commercial Registry. The trading of the 1,523,163,087 new common voting shares of nominal value € 0.23 each was initiated at Athens Exchange on 23 May 2019.

As a result of the Merger, Fairfax group, which before held 18.40% and 54.02% in Eurobank and Grivalia, respectively, becomes the largest shareholder in the merged entity with a 33.03% shareholding. Further information in relation to the completion of the Merger is provided in the Interim Consolidated Financial Statements note 31.

Other significant events
In June 2019, the Bank announced that it has entered into a binding agreement with an international investor for the sale of 95% of the mezzanine and junior notes of a securitization of a residential mortgage loan portfolio of ca. € 2 bn gross book value (Project Pillar comprising primarily NPEs). The Bank would retain a) 100% of the senior notes of net carrying amount of € 1,073.4 million (face value: € 1,044 million), b) 5% of the mezzanine notes of carrying amount of €

5.4 million (face value: € 15.5 million) and c) junior notes of issue price of € 1 (initial principal amount of € 645 million). Further information is provided in the Interim Consolidated Financial Statements note 15.

The capital requirements of the retained notes recognized on 30.9.2019 are calculated under the Securitisation standardised approach, based on Regulation 2017/2401 and relevant ECB decision.

As at 30 September 2019 and taking into account the above transaction, the Group NPEs at amortized cost have been reduced to € 13.8 bn, driving the NPE ratio to 31.1% (31 December 2018: 37%).

Going forward, the Bank is continuing actively the negotiations towards completing the next two steps of its plan, specifically, a) the sale of 20% of the mezzanine and junior notes of a securitization of a mixed assets portfolio of NPEs with a gross book value of ca. € 7.5 bn (Project Cairo) and b) the sale of a majority stake in Financial Planning Services S.A. (FPS), the licensed 100%-owned loan servicer of Eurobank (Project Europe). Further information is provided in the Interim Consolidated Financial Statements note 24.

Corporate Transformation – Hive down

In the context of the NPE reduction acceleration plan, as announced in November 2018, the BoD of the Bank ("Demerged Entity") on 28 June 2019 decided the initiation of the hive down process of the banking business sector of Eurobank and its transfer to a new company-credit institution that will be established ("the Beneficiary").

On 31 July 2019, the BoD of the Bank approved the Draft Demerger Deed through the aforementioned hive down and establishment of a new company-credit institution, pursuant to Article 16 of Law 2515/1997 and Articles 57 (3) and 59-74 of Law 4601/2019, as currently in force. In particular, the demerger will involve the hive-down of the banking business sector of Eurobank, to which the assets and the liabilities, as described on the transformation balance sheet of the hived-down sector as at 30 June 2019 ("Transformation Date"), are included. All actions that will take place after the Transformation Date and will concern the hived down sector shall be treated as occurring on behalf of the Beneficiary.

The Demerged Entity will maintain activities and assets that are not related to the main banking activities but are mainly related to the strategic planning of the administration of non-performing loans and the provision of services to the Group companies and third parties. Furthermore, the Demerged Entity will retain: a) 95% of the mezzanine and junior notes of Projects Pillar and Cairo, b) the preferred securities and c) participations in certain subsidiaries including Be Business Exchanges S.A. and real estate companies related to projects Pillar and Cairo.

Upon the completion of the demerger (i.e. the date of registration with the General Commercial Registry of the relevant approval by the competent Authority), the following shall take place: a) The Beneficiary will be incorporated and the Demerged Entity shall become the shareholder of the Beneficiary by acquiring all the shares issued by the Beneficiary and b) the Beneficiary substitutes the Demerged Entity, by way of universal succession, to all the transferred assets and liabilities, as set out in the transformation balance sheet of the hived down sector and formed up to the completion of the demerger.

As of 9 August 2019, the Draft Demerger Deed of the Bank, is available on its website as well as the website of the General Commercial Registry.

The completion of the demerger, which is expected to take place in the first quarter of 2020, is subject to the required by the Law approval of the General Meeting of the shareholders of the Bank as well as the receipt of all necessary approvals by the competent Authorities.

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 maintain in addition to the Common Equity Tier 1 capital a capital conservation buffer equal to 2.5 % (from 1 January 2019) of their total risk exposure amount calculated.

As a result, the minimum ratios which must be met, including the capital conservation buffer, and which 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, the countercyclical buffer was set at 0% for 2019.
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 20.03.2019 European Banking Authority (EBA) published the updated 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 2018 data and the list is disclosed on an annual basis, along with the definition of any CET1 capital buffer requirements which may need to be set. In case of higher capital requirements, these become applicable at least one year after the publication of the O-SIIs list, to give institutions enough time to adjust to the new buffer requirements.

   The EBA methodology has been applied to compute the scores for all the institutions operating in Greece using consolidated data. Based on the above scoring system, all Greek O-SIIs are classified in bucket 4 which corresponds to a capital buffer of 1% which will be phased in until 2022. The date of activation was 1 January 2016 and BoG's Executive Committee Act- 151/30.10.2018 set the O-SII buffer for Greek Institutions for the year 2019 at 0.25%

1.2 Regulatory developments

On 25 February 2019 BCBS published the Minimum capital requirements for market risk. The revised market risk framework will take effect as of 1 January 2022.

On 17 April 2019, the European Parliament and the Council published the Regulation (EU) 2019/630 amending Regulation (EU) 575/2013 as regards minimum loss coverage for non performing exposures (NPEs).

On the basis of a common definition of non-performing loans, the proposed new rules introduce a "prudential backstop" that is, a minimum loss coverage for the amount banks need to set aside to cover losses caused by future loans that turn to non-performing . Different coverage requirements will apply depending on the classification of the NPEs as "unsecured" or "secured" and whether the collateral is movable or immovable.

The prudential backstop will be applied at an exposure-by-exposure level. For unsecured NPEs, a calendar of three years should apply, while for NPEs secured by immovable collateral and residential loans guaranteed by an eligible protection provider, a calendar of nine years should apply. For other secured NPEs a calendar of seven years should apply in order to build up full coverage.

Insufficient provisions for NPEs will require corresponding deductions from the Bank's CET 1 capital (Pillar 1 measure).

The table below shows the level of minimum loss coverage (in %) which should be applied to exposures from the first until the last day of a given year following its classification as NPE:

At the year	Unsecured	Secured by immovable property	Secured by credit protection	Secured - Export Credit Agencies exposures
1	-	-	-	-
2	-	-	-	-
3	35%	-	-	-
4	100%	25%	25%	-
5		35%	34%	-
6		55%	55%	-
7		70%	80%	-
8		80%	100%	100%
9		85%		
10		100%		

On 7 June 2019, the following were published in the Official Journal of the EU (OJ):

- Regulation (EU) 2019/876 of the European Parliament and of the Council amending the Capital Requirements Regulation as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements (CRR II); and
- Directive (EU) 2019/878 of the European Parliament and of the Council amending the Capital Requirements Directive IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (CRD V).

CRR II and CRD V has entered into force on 27 June 2019. The CRR II rules will follow a phased implementation with significant elements entering into force in 2021.

2020 EU – wide stress test

An EU - wide stress test has been announced by the European Banking Authority (EBA) to be launched at the beginning of 2020 to assess the resilience of EU banks to an adverse economic shock. This is initiated and coordinated by the EBA, in close cooperation with the European Systemic Board (ESRB), the competent Authorities (including the Single Supervisory Mechanism – SSM) and the European Central Bank (ECB).

The 2020 EU-wide stress test consists of two stress-testing exercises – the EBA EU-wide stress test and the ECB SREP stress test – the results of which will be factored into its overall assessment within the 2020 Supervisory Review and Evaluation Process (SREP).

The scope of the 2020 ECB SREP stress test will complement the 2020 EBA EU-wide stress test in order to address those ECB supervised entities which are not included in the 2020 EBA EU-wide stress test.

Eurobank will participate in the ECB SREP stress test of 2020. The exercise is expected to be launched at the beginning of 2020 and to be concluded at the end of July 2020.

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.

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. According to these guidelines, for templates that require the disclosure for current and previous reporting periods, the previous reporting period is always referred to as the last data disclosed according to the frequency of the template. When the disclosure is being reported for the first time, the data of the previous period is not required.

In December 2018 EBA published EBA/GL/2018/10 guidelines, which include enhanced disclosure formats for credit institutions for disclosures related to non-performing exposures, forborne exposures and foreclosed assets. Some templates are applicable to significant credit institutions that have a gross NPE ratio of 5% or above, as is the case for Eurobank.

Even though these guidelines apply from 31 December 2019, institutions under the scope of application of the templates subject to the 5% gross NPE have to comply with the guidelines prior to the disclosure reference date.

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.

Pillar 3 disclosures 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

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 Interim Consolidated Financial Statements note 17.

Introduction – General Information

The table below shows the Group's regulatory and accounting Balance Sheet as at 30 September 2019 and 30 June 2019.

Table 1: Regulatory and accounting Balance Sheet

Balance sheet per published financial statements and per regulatory consolidation	Ref.	30 September 2019 € million	30 June 2019 € million
Assets			
Cash and Balances with central banks		3.319	3.311
Due from credit institutions		3.738	3.056
Securities held for trading		126	119
Derivative financial instruments		2.721	2.351
Loans and advances to customers		36.977	35.828
Investment securities		7.662	7.097
Investments in associaties and joint ventures		238	211
Property, plant and equipment		780	787
Investment property		1.116	1.113
Intangible assets	*a*	425	419
Deferred tax asset		4.808	4.861
of which deferred tax assets that rely on future profitability	*b*	2	3
of which deferred tax credit		3.853	3.886
of which deferred tax assets arising from temporary differences	*c*	953	972
Other assets		2.116	2.092
Assets of disposal group classified as held for sale		-	1.150
Total assets		**64.026**	62.395
Liabilities			
Due to central banks		1.250	1.250
Due to credit institutions		6.744	6.639
Derivative financial instruments		3.310	2.736
Due to customers		42.308	41.344
Debt securities in issue		2.590	2.762
Other liabilities		1.250	1.265
Total liabilities		**57.452**	55.996
Equity			
Ordinary share capital		852	852
Share premium		8.053	8.053
Reserves and retained earnings		(2.352)	(2.548)
of which cash flow hedge reserves	*d*	(49)	(47)
Preferred securities	*e*	21	42
Total equity	*f*	**6.574**	6.399
Total equity and liabilities		**64.026**	62.395

2. Capital Management

2.1 Regulatory Capital

The table below shows the composition of the Group's regulatory capital as at which is calculated according to CRD IV rules.

Table 2: Regulatory capital

	Ref.	30 September 2019 [1] € million	30 September 2019 € million	30 June 2019 € million
Total equity	*f*	6.574	6.574	6.399
Less: Preferred securities	*e*	(21)	(21)	(42)
Regulatory adjustments				
Part of interim or year-end profit not eligible		-	(56)	-
Cash flow hedge reserves	*d*	49	49	47
Adjustments due to IFRS 9 transitional arrangements		897	897	897
Fixed assets' revaluation reserve		-	-	-
Intangible assets	*a*	(425)	(425)	(419)
of which Goodwill		(223)	(223)	(223)
IRB shortfall of credit risk adjustments to expected losses		(86)	(86)	(81)
Deferred tax assets that rely on future profitability (unused tax losses)	*b*	(2)	(2)	(3)
Deferred tax assets arising from temporary differences (amount above 10% threshold)	*c*	(198)	(204)	(237)
Prudent Valuation Adjustments		(11)	(11)	(10)
Other regulatory adjustments		(13)	(13)	(13)
Common Equity Tier I capital		**6.764**	**6.702**	6.538
Preferred Securities subject to phase-out	*e*	-	-	-
Regulatory adjustments		-	-	
Total Tier I capital		**6.764**	**6.702**	6.538
Tier II capital - subordinated debt		950	950	950
Fixed assets' revaluation reserve		-	-	-
IRB Excess of impairment allowances over expected losses eligible		6	6	104
Total Regulatory Capital		**7.720**	**7.658**	7.592
Risk Weighted Assets		**41.596**	**41.582**	41.162
Ratios				
Common Equity Tier I		**16,3%**	**16,1%**	15,9%
Tier I		**16,3%**	**16,1%**	15,9%
Total Capital Adequacy Ratio		**18,6%**	**18,4%**	18,4%

[1] Including interim profits (1/7/2019-30/9/2019) € 56 million.
[2] The Group's CET1 as at 30 September 2019, based on the full implementation of the Basel III rules in 2024 (fully loaded CET1), including interim profits would be 14.1% (30 June 2019: 13.7%).

As depicted in table above, CET1 capital has increased during the 3rd quarter 2019, mainly due to the increase in Other Comprehensive Income from the improved GGBs market valuation.

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.

Available capital	**30 September 2019[1]** **€ million**	**30 September 2019** **€ million**	30 June 2019 € million	31 March 2019 € million
Common Equity Tier 1 (CET1) capital	6.764	6.702	6.538	5.296
Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5.827	5.765	5.596	4.324
Tier 1 capital	6.764	6.702	6.538	5.308
Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5.827	5.765	5.596	4.324
Total capital	7.720	7.658	7.592	6.298
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6.876	6.814	6.649	5.377
Risk weighted assets				
Total risk-weighted assets	41.596	41.582	41.162	39.144
Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	41.314	41.300	40.884	38.863
Capital ratios				
Common Equity Tier 1 (as a percentage of risk exposure amount)	**16,3%**	**16,1%**	15,9%	13,5%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**14,1%**	**14,0%**	13,7%	11,1%
Tier 1 (as a percentage of risk exposure amount)	**16,3%**	**16,1%**	15,9%	13,6%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**14,1%**	**14,0%**	13,7%	11,1%
Total capital (as a percentage of risk exposure amount)	**18,6%**	**18,4%**	18,4%	16,1%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**16,6%**	**16,5%**	16,3%	13,8%
Leverage ratio				
Leverage ratio total exposure measure	67.441	67.726	66.299	60.789
Leverage ratio	**10,03%**	**9,90%**	9,86%	8,73%
Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**8,83%**	**8,70%**	8,64%	7,16%

[1] Including interim profits (1/7/2019-30/9/2019) € 56 million.

2.3 Capital requirements under Pillar 1

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

Table 4: EU OV1 – Overview of RWAs

	30 September 2019 RWAs € million	30 June 2019 RWAs € million	**30 September 2019 Minimum capital requirements € million**
Credit risk (excluding CCR)	**33.739**	34.668	**2.699**
Of which the standardised approach	17.357	17.503	1.389
Of which the foundation IRB (FIRB) approach	8.852	8.477	708
Of which the advanced IRB (AIRB) approach [(1)]	7.115	8.284	569
Of which equity IRB under the simple risk-weighted approach or the IMA	415	404	33
Counterparty Credit Risk	**685**	629	**55**
Of which mark to market	176	123	14
Of which original exposure	-	-	-
Of which the standardised approach	415	414	33
Of which internal model method (IMM)	-	-	-
Of which risk exposure amount for contributions to the default fund of a CCP	-	-	-
Of which CVA	94	92	8
Settlement risk	-	-	-
Securitisation exposures in the banking book (after the cap)	**1.054**	16	**84**
Of which IRB approach	14	16	1
Of which IRB supervisory formula approach (SFA)	-	-	-
Of which internal assessment approach (IAA)	-	-	-
Of which standardised approach [(1)]	1.040	-	83
Market risk	**1.019**	866	**82**
Of which the standardised approach	249	240	20
Of which IMA	770	626	62
Large exposures	-	-	-
Operational risk	**3.175**	3.175	**254**
Of which basic indicator approach	-	-	-
Of which standardised approach	3.175	3.175	254
Of which advanced measurement approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	**1.910**	1.808	**153**
Floor adjustment	-	-	-
Total [(2)]	**41.582**	41.162	**3.327**

[(1)]The decrease of the RWAs in Advanced IRB and the increase of the RWAs in the Securitisation standardised approach compared to 30 June 2019 is due to the transaction of Pillar securitisation. The capital requirements of the loans up to 30.6.2019 were calculated under the IRB approach, whereas the retained notes recognized on 30.9.2019 are calculated under the Securitisation standardised approach, based on Regulation 2017/2401 and relevant ECB decision.

[(2)] Total RWAs have increased mainly as a result of increased lending volumes and increased volatility of the interest rates.

3. Credit Risk

In June 2008, the Group received the approval of BoG to use the Internal Ratings Based (IRB) approach to calculate the capital requirement for credit risk. Therefore, with effect from 1 January 2008 the Group applies:

- The Foundation IRB approach to calculate risk weighted assets for the corporate loans' portfolio of Eurobank Ergasias S.A. in Greece
- The Advanced IRB for the majority of the retail loans' portfolio of the Bank, i.e. mortgages, small business lending, credit cards and revolving credits in consumer lending.
- From September 2009 the Foundation IRB approach was applied for the corporate loans' portfolio of Eurobank Ergasias Leasing S.A. in Greece.
- From March 2010 the Advanced IRB approach was applied for the Bank's portfolio of personal and car loans.

The implementation of IRB covers 74.7% of the Group's lending portfolio excluding portfolio segments which are immaterial in terms of size and risk profile as well as, permanent exemptions.

There is a permanent exemption from the IRB approach, up to 10% of Risk Weighted Assets, for which the Standardised approach is applied. In addition to the exemption of up to 10% of Risk Weighted Assets, permanent exemption has been granted for the following exposure classes as prescribed in the CRD:

- exposures to/or guaranteed by central governments and central banks;
- exposures to/or guaranteed by credit and financial institutions; and
- exposures to administrative bodies and non-commercial undertakings.

The following table shows the main changes in capital requirements of credit risk exposures under the IRB approach as at 30 September 2019:

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

	30 September 2019	
	RWA amounts € million	Capital requirements € million
RWAs as at 30 June 2019	16.761	1.340
Asset size	267	21
Asset quality	64	5
Model updates	-	-
Methodology and policy	-	-
Acquisitions and disposals	(1.204)	(96)
Foreign exchange movements	77	6
Other	2	-
RWAs as at 30 September 2019	**15.967**	**1.276**

Note:
Asset size: Under this item the changes in RWAs due to the changes in EAD are reported. These changes can be due to new originations or repayments of the loans.
Asset quality: The changes to the RWAs due to the borrower risk (i.e. rating grade migration) are reported under this item.
Model updates: The changes to the RWAs due to updates in risk parameters following the annual validation process or regulatory reviews.
Methodology and policy: Under this item, the changes in RWAs for defaulted exposures are presented. In line with the positive evolutions in the Greek macro-environment and the recent developments in the legal framework, the Bank has re-assessed the appropriate ELbe estimates by examining the most appropriate macro coefficients that affect ELbe.
Foreign exchange movements: The changes to the RWAs due to the foreign currency translation movements are reported.
Other: Under this item the changes in RWAs due to other factors that are used in the calculation of RWAs are reported. These, for example, include changes in total sales of the corporate borrowers and maturity of exposures.

The RWAs movement is driven by the increased new production volumes related to the corporate portfolio and the derecognition of mortgage loans due to Pillar securitisation transaction.

4. Market Risk

The Bank uses its own internal Value at Risk (VaR) model to calculate capital requirements for market risk in its trading book, for the Bank's activities in Greece. The Bank received the official validation of its model for market risk by the BoG in July 2005. The model is subject to periodic review by the regulator.

In 2011, the Bank updated its models and systems in order to fully comply with the BoG Governor's Act 2646/2011 for the trading book capital. The Bank calculates the capital for stressed VaR and IRC (incremental risk capital charge) since 31.12.2011.

For the measurement of market risk exposure and the calculation of capital requirements for the Bank's subsidiaries in Greece and in International operations, the Standardised approach is applied.

Furthermore, the Bank calculates and monitors the market risk of the banking book for its operations in Greece on a daily basis using the internal VaR model. For its operations abroad, Eurobank applies sensitivity analysis, whereas the VaR methodology is applied on a monthly basis.

The following table summarises the components of the capital requirement, under the IMM approach applied by the Bank as at 30 September 2019:

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

	30 September 2019						
	VaR	Stressed VaR	IRC	Comprehensive risk measure	Other	Total RWAs	Total capital requirements
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
RWAs at 30 June 2019	88	323	216	-	-	626	50
Regulatory adjustment	-	-	-	-	-	-	-
RWAs at the previous quarter-end (end of the day)	88	323	216	-	-	626	50
Movement in risk levels	25	124	(6)	-	-	144	11
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)	113	447	210	-	-	770	61
Regulatory adjustment	-	-	-	-	-	-	-
RWAs at 30 September 2019	**113**	**447**	**210**	**-**	**-**	**770**	**61**

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 30 September 2019 on consolidated basis was at 9.90% (30 June 2019: 9.86%) according to the transitional definition of Tier 1 capital, significantly over the 3% minimum threshold applied by the competent authorities.

In the table below, the detailed disclosures on the Group's leverage ratio are presented with reference date 30 September 2019 and 30 June 2019:

CRR Leverage Ratio - Disclosure Template

Summary reconciliation of accountng assets and leverage ratio exposures

	30 Septemer 2019 **€ million**	30 June 2019 € million
Total assets as per published financial statements	64.026	62.395
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	(481)	(385)
Adjustments for securities financing transactions	2.019	1.993
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1.602	1.529
(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	559	767
Total leverage ratio exposure	**67.726**	66.299

Leverage Ratio

Leverage ratio common disclosure

	30 September 2019 CRR leverage ratio exposures € million	30 June 2019 CRR leverage ratio exposures € million
On - balance sheet exposures (excluding derivatives and SFT's)		
On-balance sheet items (excluding derivatives and SFT's, but including collateral)	61.912	60.854
Asset amounts deducted in determining Tier I capital	(48)	(43)
Total on-balance sheet exposures (excluding derivatives and SFT's)	**61.864**	60.811
Derivative exposures		
Replacement cost associated with derivatives transactions	1.958	1.681
Add-on amounts for PPE associated with derivatives transactions	283	287
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	**2.241**	1.968
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	2.019	1.992
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	**2.019**	1.992
Off-balance sheet exposures		
Off-balance sheet exposures of gross notional amount	4.685	4.609
Adjustments for conversion to credit equivalent amounts[1]	(3.083)	(3.080)
Total off-balance sheet exposures	**1.602**	1.529
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	6.702	6.538
Total leverage ratio exposures	67.726	66.299
Leverage Ratio		
Leverage Ratio	**9,90%**	9,86%
Choise on transitional arrangements and amount of derecognised fidiciary items	**-**	-
Choice on transitional arrangements for the definition of capital measure	**Transitional**	Transitional

Leverage Ratio

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

	30 September 2019	30 June 2019
	CRR leverage ratio exposures € million	CRR leverage ratio exposures € million
Total on-balance sheet exposures (excluding derivatives and SFT'S) of which:	61.912	60.854
Trading book exposures	0	-
Banking book exposures of which:	61.912	60.854
Covered bonds	172	171
Exposures treated as sovereigns	15.261	14.821
Exposures to regional goverments,MOB, international organisations and PSE NOT treates as sovereigns	0	-
Institutions	3.942	3.372
Secured by mortgages of immovable properties	11.393	11.693
Retail exposures	4.857	4.870
Corporate	13.225	12.842
Exposure in default	7.780	8.946
Other exposures (eg equity, securitisations and other non-credit obligation assets)	5.283	4.138