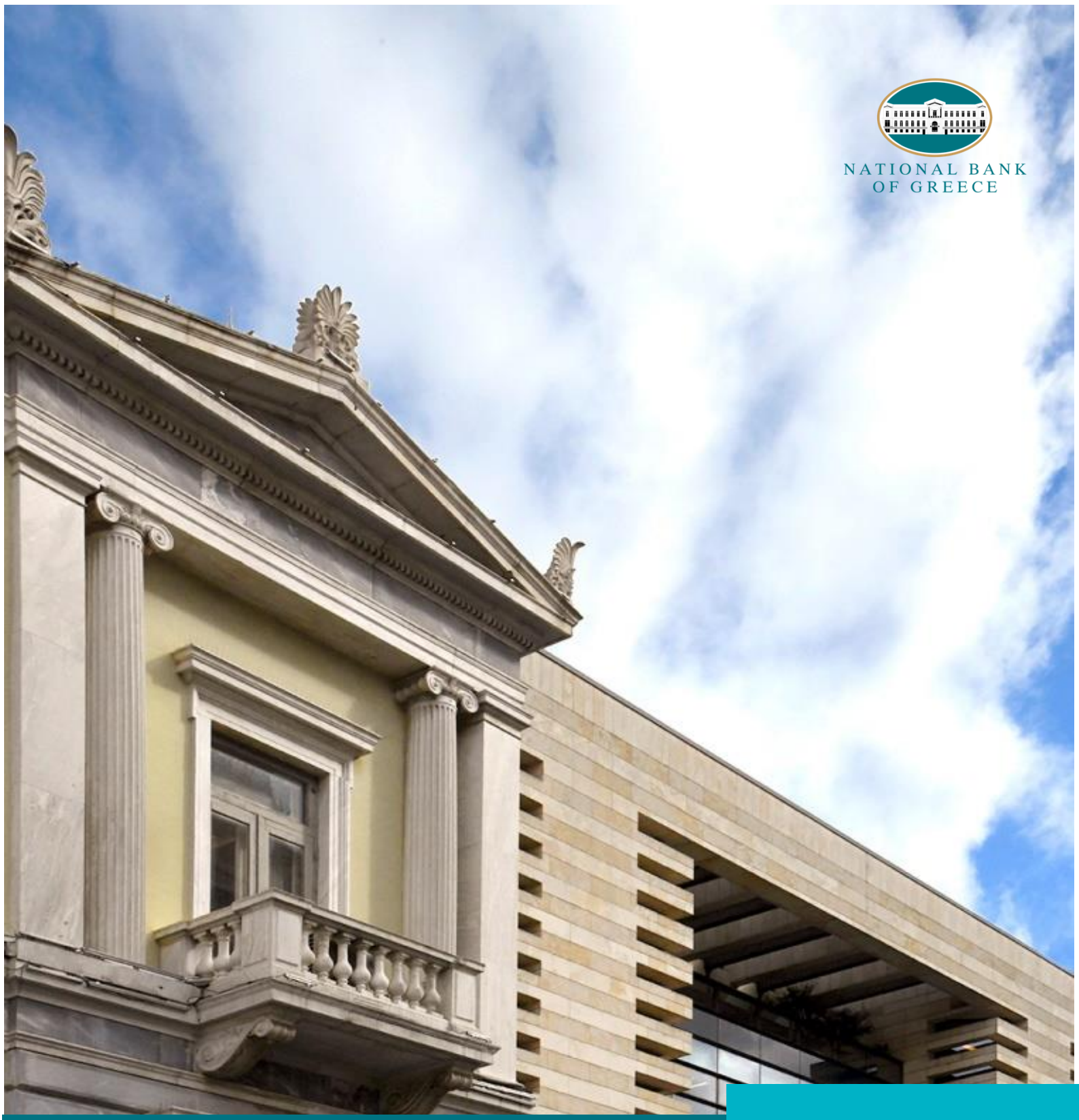

NATIONAL BANK OF GREECE

# Pillar III Disclosures on a consolidated basis

March 2021

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# 1 INTRODUCTION & GENERAL INFORMATION

National Bank of Greece (the "Bank" or "NBG") is a financial institution subject to Greek and EU banking legislation. It was founded in 1841 and operated both as a commercial bank and as the official state currency issuer until 1928, when Bank of Greece was established. NBG has been listed on the Athens Stock Exchange since 1880.

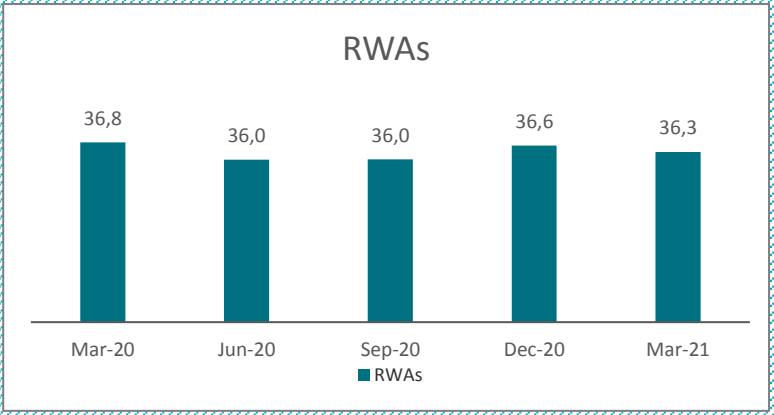
The Bank focuses on complying fully with the regulatory requirements and ensures that these requirements are strictly and consistently met in all countries where NBG Group (the "Group") operates.

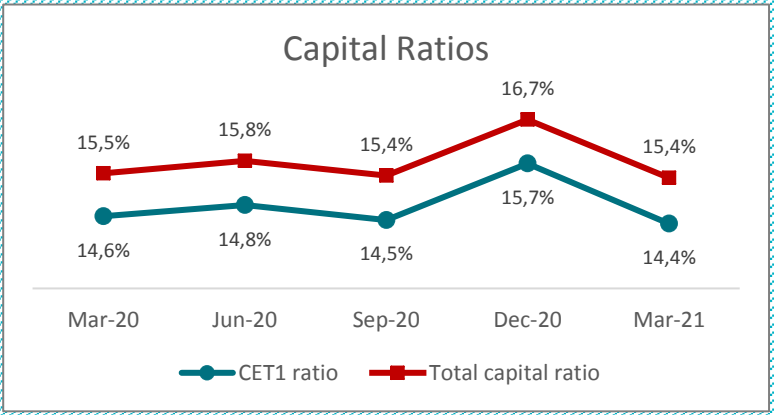
NBG Group offers a wide range of financial services, including retail and corporate banking, asset management, real estate management, financial, investment and insurance services. The Group operates in Greece, the United Kingdom, South-eastern Europe (including Cyprus and Malta) and Egypt.

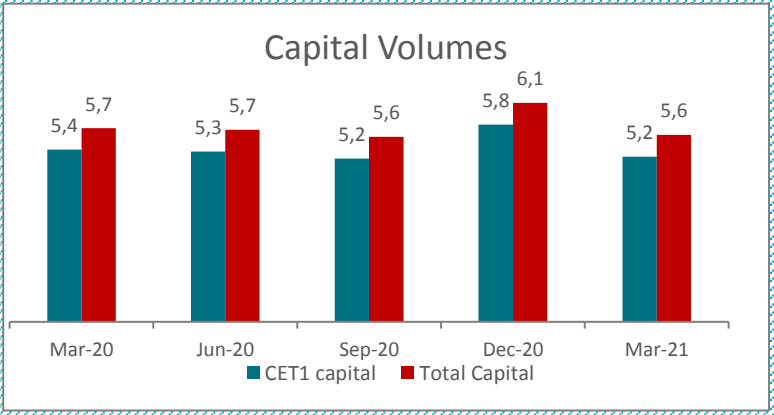
The Bank, as an international organization operating in a rapidly growing and changing environment, acknowledges its Group's exposure to banking risks and the need for these risks to be managed effectively. Risk management forms an integral part of the Group's commitment to pursue sound returns for its shareholders, maintaining the right balance between risks and reward in the Group's day-to-day operations, in its balance sheet and in the Group's capital structure management.

## Highlights

- CET1 ratio and Total Capital ratio at 14.4% and 15.4% respectively reflecting the impact of IFRS9 transitional arrangements for 2021. Nevertheless, proforma CET1 ratio and Total Capital ratio (including profit for the period) at 16.1% and 17.1% respectively mainly due to gains in March 2021.
- RWAs dropped by €0.3billion mostly due to Credit RWAs drop as a result of Project Icon deconsolidation (disposal of a non-performing, predominantly secured, corporate loan portfolio in the context of NBG's NPE deleveraging strategy). Slight increase of Market RWAs. Operational RWAs remained stable.



## 1.1 Pillar III Disclosure Policy

Pillar III complements the minimum regulatory capital requirements (Pillar I) and the Internal Capital and Liquidity Adequacy Assessment Processes (ICAAP/ILAAP, i.e. Pillar II). NBG is committed to publicly disclose information in compliance with EU Regulation 575/2013 of the European Parliament and of the Council, as well as all applicable additional EU Regulations and EBA Guidelines, and to have adequate internal processes and systems in place to meet these disclosure requirements.

The Bank has established a Pillar III Disclosures Policy that describes the scope, the principles and the content of public disclosures under Pillar III. Moreover, the Policy defines the relevant disclosures' governance, including the assessment of the appropriateness of the disclosures, their verification and frequency. Disclosures on a consolidated basis provide (inter alia) information on capital structure, capital adequacy, risk profile, and the processes in place for assessing and managing risks.

The Bank is firmly committed to best practices regarding public disclosures and recognizes that Pillar III provides an additional layer of market information and transparency, hence contributing to financial stability. Additional information for investors and other stakeholders (regarding e.g. the members of the management body, the Corporate Governance Code etc) is to be found in the Bank's website www.nbg.gr.

The objectives of the Pillar III Disclosures are:

- To provide investors and other stakeholders with the appropriate, complete, accurate and timely information that they reasonably need to make investment decisions and informed judgements of NBG Group;
- To foster and facilitate compliance with all applicable legal and regulatory requirements.

The Pillar III Disclosures Policy:

- Formulates the disclosure framework, including frequency, location, monitoring and verification process for disclosures;
- Defines the authorities and responsibilities for the management of the Pillar III process;
- Articulates the principles for identifying information that is material, confidential and proprietary;
- Raises awareness of the Bank's approach to disclosure among the Board of Directors, Senior Management and Employees.

# 2 REGULATORY FRAMEWORK & RECENT DEVELOPMENTS

## 2.1 Regulatory Framework

### 2.1.1 The Main Pillars

Several steps have been made towards the European Banking Union (mandatory for all euro area States). The following are the Banking Union's constituent elements:

A. The ***Single Supervisory Mechanism*** that places the ECB as the central prudential supervisor of financial institutions in the euro area. Since November 2014 NBG Group's supervision is assigned directly to the ECB, as NBG is classified as one of the significant banking groups of the Eurozone;

B. The ***Single Resolution Mechanism ("SRM")*** that implements the EU-wide Bank Recovery and Resolution Directive (BRRD – *see next paragraph*) in the euro area. The centralized decision-making is built around the Single Resolution Board ("SRB") and the relevant National Resolution Authorities;

C. The ***Single Rulebook***, a single set of harmonized prudential rules for institutions throughout the EU. Its three basic legal documents are:

- **CRD IV:** Directive 2013/36/EU of the European Parliament and Council *"on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms"*, transposed into Greek legislation by virtue of Law 4261/2014;
- **CRR** (Capital Requirements Regulation): Regulation (EU) No. 575/2013 of the European Parliament and Council *"on prudential requirements for credit institutions and investment firms"*, which is legally binding and directly applicable in all Member States; and
- **BRRD**: Directive 2014/59/EU of the European Parliament and Council *"establishing a framework for the recovery and resolution of credit institutions and investment firms"*, transposed into Greek legislation by virtue of article 2 of Law 4335/2015.

These documents are complemented by numerous Implementing Technical Standards (ITS), Regulatory Technical Standards (RTS), Guidelines (GL) and Recommendations issued by the European Banking Authority, which specify particular aspects of the CRD IV, the CRR and the BRRD and aim at ensuring harmonization in specific areas. EBA's Technical Standards have to be endorsed by the European Commission (EC) and become EU Regulations in order to be legally binding and directly applicable in all Member States.
The CRD IV and the CRR constitute the "Basel III" regulatory framework in the EU.

D. ***Deposit Guarantee Schemes***: Directive 2014/49/EU of the European Parliament and Council "on deposit guarantee schemes" (DGSD), transposed into Greek legislation by virtue of Law 4370/2016. A common European Deposit Insurance Scheme (EDIS) is intended to be a pillar of the Banking Union. The EC put forward a relevant proposal in November 2015. However, a common system for deposit protection has not yet been established. Work has started on a roadmap for beginning political negotiations. In December 2018, the European Council stated that it will establish a High-level working group with a mandate to work on next steps. The High-level group should report back by June 2019. On 8 August 2019, EBA published its opinion on the implementation of the Deposit Guarantee Schemes Directive (DGSD) in the EU. The opinion proposes changes in relation to the current provisions on transfers of DGS contributions between DGSs, DGSs' cooperation with various stakeholders, the current list of exclusions from eligibility, current provisions on eligibility, depositor information, the approach to third country branches' DGS membership, the implications of the recent review of the three European Supervisory Authorities (ESAs), and cross-references to other EU regulations and EU directives. The opinion proposed no changes, for example, to the current coverage level of EUR 100,000, provisions on home-host cooperation, cooperation agreements, or the cooperation between the EBA and the European Systemic Risk Board (ESRB).

### 2.1.2 EU package of Risk Reduction Measures: CRR2 / CRD5 / BRRD2 / SRMR2

On November 23rd, 2016, the EC presented a comprehensive package of reforms aimed at amending CRR, CRD IV, as well as the BRRD and the SRM. The package, known as "CRR2/CRD5", was submitted to the European Parliament and the Council for their consideration and adoption. The Banking Package includes prudential standards adopted by the Basel Committee on Banking Supervision and by the Financial Stability Board (FSB), while its main objective is to reduce risk in the EU banking system.

The Banking Package comprises two regulations and two directives, relating to:

- bank capital requirements (amendments to regulation 575/2013 and directive 2013/36/EU);
- the recovery and resolution of banks in difficulty (amendments to directive 2014/59/EU and regulation 806/2014).

The Banking Package strengthens bank capital requirements and reduces incentives for excessive risk taking, by including a binding leverage ratio, a binding net stable funding ratio and setting risk sensitive rules for trading in securities and derivatives. In addition, it contains measures to improve banks' lending capacity and facilitate a greater role for banks in the capital markets, such as:

- reducing the administrative burden for smaller and less complex banks, linked in particular to reporting and disclosure requirements;
- enhancing the capacity of banks to lend to SMEs and to fund infrastructure projects.

The banking package also contains a framework for the cooperation and information sharing among various authorities involved in the supervision and resolution of cross-border banking groups.

In 20th May 2019 the relevant legislation 2019/876 was published, and entered into force on 27 June 2019.

This marks a milestone in the completion of the Banking Union, in the finalization of the post-crisis regulatory agenda, and in the implementation of international standards. Building on the existing rules, this set of adopted measures addresses the remaining challenges to financial stability, while strengthening the global competitiveness of the EU banking sector. This package had already made subject of an agreement during the inter-institutional negotiations with the Council of the EU.
The main focus areas of Risk Reduction Measures Package are illustrated below:

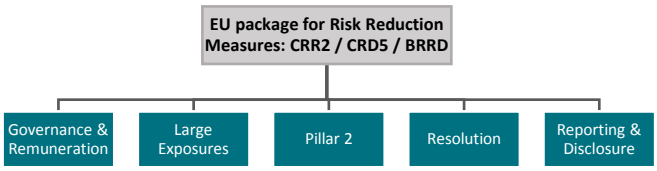



**Figure 1**: EU package of Risk Reduction Measures

The approved agreement on the package of reforms implements components of the Basel III framework, including the following key aspects:

- Proposal for CRR 2 covers the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, the Standardized Approach for counterparty credit risk (SA-CCR), market risk and the fundamental review of the trading book (FRTB), exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and amends European Market Infrastructure Regulation (EMIR or EU Regulation No 648/2012).
- Proposal for CRD 5 is on exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers, and capital conservation measures.
- Proposal for SRMR 2 is about loss-absorbing and recapitalization capacity for credit institutions and investment firms.
- Proposal for BRRD 2 is on loss-absorbing and recapitalization capacity of credit institutions and investment firms and it amends Directive 98/26/EC, Directive 2002/47/EC, Directive 2012/30/EU, Directive 2011/35/EU, Directive 2005/56/EC, Directive 2004/25/EC, and Directive 2007/36/EC.

However, it excludes the package of Basel reforms that was agreed on 7 December 2017 by the Basel Committee on Banking Supervision (BCBS) often referred to as 'Basel IV'.

## 2.2 Recent Regulatory Developments 2021

### SSM Supervisory priorities for 2021

The establishment of supervisory priorities each year provides an important mechanism for coordinating supervisory actions across the Single Supervisory Mechanism (SSM) in a harmonized, effective and proportionate way. A clear set of supervisory priorities transparently communicated to the public contributes to enhancing the supervisory impact on banks and the overall level playing field.
The supervisory priorities for 2021 draw on an assessment of the key risks and vulnerabilities in the banking sector. So far the coronavirus (COVID-19) pandemic has been an unprecedented event affecting the real economy and testing the resilience of European banks. Uncertainty about the ultimate depth and breadth of the overall impact of the pandemic remains high in the short to medium term.
ECB Banking Supervision assesses risks on an ongoing basis and may adapt its supervisory priorities and actions in line with developments in the economic environment in which the supervised institutions operate. Against this background, ECB Banking Supervision will be focusing its upcoming supervisory efforts on four priority areas that have been materially affected by the current crisis. The four priority areas for 2021 are:

- credit risk management;
- capital strength;
- business model sustainability;
- governance.

In addition, further supervisory activities related to other medium and longer-term structural risks to European banks, beyond the impact of the COVID-19 pandemic, will be carried out in 2021. Supervisors will also focus on banks' alignment with expectations set out in the ECB Guide on climate-related and environmental risks, prudential risks emanating from money laundering, cyber and digitalization risks and banks' preparedness for the final stages of the implementation of Basel III. Depending on how the crisis develops, specific supervisory activities may be adjusted and tailored according to banks' specific risk profiles.

### Reporting & Disclosure

The EBA works on harmonizing and improving the reporting framework since its inception in 2011 with the first reporting framework to be published in 2013. Since then, the EBA reporting framework has evolved over the years with its latest release to have been published on 22 December 2020 (reporting framework 3.0). The EBA reporting framework 3.0 comprises amendments linked to the CRR2/CRD5, BRRD2 and IFR and is expected to apply from 30.06.2021. The main changes compared to the previous version of the EBA reporting framework relate to the new ITS on supervisory reporting replacing Regulation (EU) No 680/2014, as well as to the new ITS on disclosure and reporting on MREL and TLAC. The EBA also published Implementing Technical Standards (ITS) on institutions' Pillar 3 public disclosures. The Pillar 3 ITS on institutions' public disclosures have been developed to foster consistency across supervisory reporting. The EBA has updated the mapping of quantitative disclosure data and supervisory reporting, which aims at facilitating institutions' compliance and improving the consistency and quality of the information disclosed. The EBA also published a file summarising the frequency at which each type of institution should disclose each template and table, in accordance with the CRR2.

The first reporting and disclosure reference date will be 30 June 2021.

The disclosure ITS optimize the Pillar 3 policy framework for credit institutions by providing a single overarching package that brings together all previous pieces of regulation and incorporates all prudential disclosures, thus facilitating implementation by institutions and improving clarity for users of such information.

The above ITS were supplemented with EBA ITS of August 2020 as regards certain adjustments introduced with CRR 'quick fix', which is part of a series of measures taken by European institutions to mitigate the impact of the COVID-19 pandemic on institutions across the Member States.

In May 2020, the European Banking Authority (EBA) published its final draft Implementing Technical Standards (ITS) on specific reporting requirements for market risk. These ITS introduce the first elements of the Fundamental Review of the Trading Book (FRTB) into the EU prudential framework by means of a reporting requirement.

The ITS are expected to apply from September 2021.

The specific reporting requirements for market risk include a thresholds template, providing insights into the size of institutions' trading books and the volume of their business subject to market risk, and a summary template, reflecting the own funds requirements under the alternative standardized approach for market risk (MKR-ASA). Those reporting requirements will become part of version 3.1 of the EBA reporting framework.

On February 2021, the Joint Committee of the three European Supervisory Authorities (EBA, EIOPA and ESMA – ESAs) delivered to the European Commission (EC) the Final Report, including the draft Regulatory Technical Standards (RTS), on the content, methodologies and presentation of disclosures under the EU Regulation on sustainability-related disclosures in the financial services sector (SFDR).

The proposed RTS aim to strengthen protection for end-investors by improving Environmental, Social and Governance (ESG) disclosures to them on the principal adverse impacts of investment decisions and on the sustainability features of a wide range of financial products. This will help to respond to investor demands for sustainable products and reduce the risk of greenwashing.

On 1 March 2021, the European Banking Authority (EBA) launched a public consultation on draft implementing technical standards (ITS) on Pillar 3 disclosures on Environmental, Social and Governance (ESG) risks. The draft ITS put forward comparable disclosures that show how climate change may exacerbate other risks within institutions' balance sheets, how institutions are mitigating those risks, and their green asset ratio on exposures financing taxonomy-aligned activities, such as those consistent with the Paris agreement goals.

Disclosure of information on ESG risks is a vital tool to promote market discipline, allowing stakeholders to assess banks' ESG related risks and sustainable finance strategy.

On March 11th 2021 the EBA published a discussion paper on the feasibility study of an integrated reporting system to outline possible options around the main building blocks of a possible integrated system including a single data dictionary and single reporting system across supervisory, resolution and central bank statistical data.

## EU-wide Stress Test 2021

Stress testing has become an essential tool for supervisors to understand and assess firms' risks, vulnerabilities and risk management capabilities. As concerns about crystallisation of significant cyclical economic risks grow, scrutiny of stress testing outcomes is likely to increase.

On 29 January 2021, the EBA launched the 2021 EU-wide stress test and released the macroeconomic scenarios. The adverse scenario is based on a narrative of a prolonged COVID-19 scenario in a 'lower for longer' interest rate environment, in which negative confidence shocks would prolong the economic contraction. The EBA expects to publish the results of the exercise by 31 July 2021.

The exercise assesses the impact of an adverse macroeconomic scenario on the solvency of EU banks. The stress test allows supervisors to assess if banks' capital buffers, which have been accumulated in recent years, are sufficient to cover losses and support the economy in stressed times. Moreover, the exercise fosters market discipline through the publication of consistent and granular data at a bank-by-bank level, which is crucial particularly at times of increased uncertainty in the markets. The results of the exercise are an input to the Supervisory Review and Evaluation Process (SREP).

The EU-wide stress test is conducted on a sample of 50 EU banks – 38 from countries under the jurisdiction of the Single Supervisory Mechanism (SSM) – covering roughly 70% of total banking sector assets in the EU and Norway, as expressed in terms of total consolidated assets as of end 2019.

Given the specific macroeconomic conditions caused by the COVID-19 pandemics coupled with a high degree of uncertainty, this year, the focus on the different objectives depends on the conditions closer to the publication date. The outcome might also provide valuable input to make informed decisions on possible exit strategies from the flexibility measures granted to banks due to the COVID-19 crisis, or on the need for additional measures, should the economic conditions deteriorate further.

## New Securitization framework

The general framework for securitizations comprises two main Regulations issued by the European Parliament and the Council of the EU namely:

- Regulation (EU) 2017/2402 in reference to a general framework for securitization, creating a specific framework for simple, transparent and standardized ("STS") securitizations, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012. Securitization is an important element of well-functioning financial markets, while soundly structured securitizations are an important channel to diversify sources and allocate risk more widely within the Union. The newly established framework for STS securitizations is in effect from January 1st, 2019 and applies only to securitizations taking place after this date, irrespective of the institution's status as originator or investor.
- Regulation (EU) 2017/2401 amending Regulation the CRR on prudential requirements for credit institutions and investment firms.

Many complementary directives and guidelines have been published since, such as:

- Opinion on the regulatory treatment of securitisations of non-performing exposures (NPE). Securitisations can play an instrumental role in reducing NPE stocks in credit institutions' balance sheets but such a role may be hindered by certain provisions in the EU law securitisation framework. This Opinion recommends various amendments to the Capital Requirements Regulation (CRR) as well as to the Securitisation Regulation to remove the identified constraints. (EBA, November 2019)
- Guidelines on the determination of the weighted average maturity (WAM) of the contractual payments due under the tranche of a securitization transaction, as laid down in the CRR, aiming to ensure that the methodology applicable for the determination of the WAM for regulatory purposes is sufficiently transparent and harmonized in order to increase consistency and comparability in the own funds held by institutions. (EBA, May 2020)
- Proposals for developing a simple, transparent and standardized (STS) framework for synthetic securitization. (EBA, May 2020)
- Final report on the Guidelines on securitization repository data completeness and consistency thresholds to provide clarity for market participants and securitization repositories (SRs) on the accepted levels of No-Data (ND) options contained in the securitization data submitted to SRs. (ESMA, July 2020)
- Technical amendment to Capital treatment of securitizations of non-performing loans. These transactions are subject to different risk drivers compared to securitizations of performing assets. Consistent with this, recent observations in which the securitized portfolio consisted mostly of non-performing loans shed light on potential risk weight miscalibration. (BIS, November 2020)

On March 31st, 2021 the European Parliament and the Council released Regulation (EU) 2021/558 amending Regulation (EU) No 575/2013 as regards adjustments to the securitization framework to support the economic recovery in response to the COVID-19 crisis.

# 3 REGULATORY OWN FUNDS & PRUDENTIAL REQUIREMENTS

In June 2013, the European Parliament and the Council of Europe issued Directive 2013/36/EU and Regulation (EU) No 575/2013, (known as Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR) respectively), which incorporate the key amendments that have been proposed by the Basel Committee for Banking Supervision (known as Basel III). Directive 2013/36/EU has been transported into Greek Law by virtue of Greek Law 4261/2014 and Regulation (EU) No 575/2013 has been directly applicable to all EU Member States since 1 January 2014 and certain changes under CRD IV were implemented gradually.

## 3.1 Structure of own funds

**Regulatory capital**, according to CRR rules falls into two categories: Tier 1 and Tier 2 capital. Tier 1 capital is further divided into Common Equity Tier 1 (CET1) capital and Additional Tier 1 capital.

**CET1 capital** includes the Bank's ordinary shareholders' equity, share premium, reserves and retained earnings and minority interest allowed in consolidated CET1.

The following items are deducted from the above:

- positive or negative adjustments in the fair value of financial derivatives used for cash flow hedging;
- fair value gains and losses arising from the institution's own credit risk related to derivative liabilities;
- prudent valuation adjustment calculated according to article 105 of Regulation (EU) No 575/2013;
- goodwill and intangibles;
- deferred tax assets not arising from temporary differences;
- deferred tax assets arising from temporary differences; and
- significant investments that exceed 10%/17.65% of CET1 filter.

**Tier 2 capital** includes the issuance of a Tier 2 note, totalling €398 million.

NBG Group's regulatory capital structure is presented in the following table. In Q1 2021 CET1 capital decreased to €5,240 million, mainly due to the IFRS9 transitional arrangements for 2021, i.e. 50% instead of 70% add back of ECL provisions for the static component.

The main features of capital instruments issued by the Group are presented in Table 2.

**Table 1:** Own Funds Structure

| Group's Own Funds Structure *(€ mio)* | *$Q_1$2021* | *$Q_1$2021** | *$Q_4$2020* |
|---|---|---|---|
| **Shareholders' Equity per balance sheet** | **5,477** | 5,477 | **5,059** |
| **Non-controlling interests** | **11** | 11 | **10** |
| *Non-controlling interests per balance sheet* | *20* | *20* | *19* |
| *Non-controlling interests not recognized in CET1* | *(9)* | *(9)* | *(9)* |
| **Regulatory Adjustments** | **259** | 816 | **1,116** |
| *Profit for the period* | *(557)* | | |
| *IFRS9 transitional arrangements* | *853* | *853* | *1,139* |
| *Own credit risk* | *(38)* | *(38)* | *(35)* |
| *Prudent valuation adjustment* | *(11)* | *(11)* | *(12)* |
| *Cash flow hedging reserve* | *28* | *28* | *40* |
| *Other* | *(16)* | *(16)* | *(16)* |
| **Deductions** | **(507)** | (409) | **(435)** |
| *Goodwill and intangibles* | *(178)* | *(178)* | *(189)* |
| *Significant Investments* | *0* | *0* | *0* |
| *Deferred tax assets that rely on future profitability (excluding those arising from temporary differences)* | *(2)* | *(2)* | *(1)* |
| *Deferred tax assets that rely on future profitability and arise from temporary differences* | *(327)* | *(229)* | *(245)* |
| **Common Equity Tier 1 Capital (CET1)** | **5,240** | 5,895 | **5,750** |
| **Additional Tier 1 Capital (AT1)** | **0** | 0 | **0** |
| **Total Tier 1 Capital** | **5,240** | 5,895 | **5,750** |
| **Capital instruments and subordinated loans eligible as Tier 2 Capital** | **399** | 399 | **398** |
| **Deductions** | **(50)** | (50) | **(50)** |
| *Subordinated loans of financial sector entities where the institution has a sign. Inv. in those entities* | *(50)* | *(50)* | *(50)* |
| **Tier 2 Capital** | **349** | 349 | **348** |
| **Total Regulatory Capital** | **5,589** | 6,244 | **6,098** |

** including profit for the period*

**Table 2:** Capital Instruments main features

| Capital instruments' main features template | | | € mio |
|---|---|---|---|
| 1 | Issuer | National Bank of Greece, S. A. (Greece) | National Bank of Greece S.A. |
| 2 | Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement | GRS003003035 | XS2028846363 |
| 3 | Governing law(s) of the instrument | Greek | English law, save that subordination provisions applicable to the Notes and provisions on statutory loss absorption powers will be governed by, and construed in accordance with, the laws of the Hellenic Republic |
| | *Regulatory treatment* | | |
| 4 | Transitional CRR rules | Common Equity Tier 1 | Tier2 |
| 5 | Post-transitional CRR rules | Common Equity Tier 1 | Tier2 |
| 6 | Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type (types to be specified by each jurisdiction) | Ordinary Shares | Tier 2 |
| 8 | Amount recognized in regulatory capital (currency in million, as of most recent reporting date) | 2,744 | 400 |
| 9 | Nominal amount of instrument | 2,744 (914,715,153 shares @ €3.00 each) | 400 |
| 9a | Issue price | - | 100% |
| 9b | Redemption price | - | 100% |
| 10 | Accounting classification | Share Capital | Liability |
| 11 | Original date of issuance | Various | 18/07/2019 |
| 12 | Perpeptual or dated | Perpetual | Dated |
| 13 | Original maturity date | - | 18/07/2029 |
| 14 | Issuer call subject to prior supervisory approval | N/A | Yes |
| 15 | Optional call date, contingent call dates, and redemption amount | N/A | 18/07/2024 |
| 16 | Subsequent call dates, if applicable | N/A | No. Call date is one-off |
| | *Coupons / dividends* | | |
| 17 | Fixed or floating dividend/coupon | N/A | Fixed Coupon |
| 18 | Coupon rate and any related index | N/A | 8.25%. MS (-0.214%) + Reset Margin (+8.464%) |
| 19 | Existence of a dividend stopper | N/A | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | partially discretionary | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | partially discretionary | Mandatory |
| 21 | Existence of step up or other incentive to redeem | No | No |
| 22 | Noncumulative or cumulative | Non cumulative | Non-Cumulative |
| 23 | Convertible or non-convertible | Non convertible | Non-Convertible |
| 24 | If convertible, conversion trigger (s) | N/A | N/A |
| 25 | If convertible, fully or partially | N/A | N/A |
| 26 | If convertible, conversion rate | N/A | N/A |
| 27 | If convertible, mandatory or optional conversion | N/A | N/A |
| 28 | If convertible, specifiy instrument type convertible into | N/A | N/A |
| 29 | If convertible, specifiy issuer of instrument it converts into | N/A | N/A |
| 30 | Write-down features | No | No |
| 31 | If write-down, write-down trigger (s) | N/A | N/A |
| 32 | If write-down, full or partial | N/A | N/A |
| 33 | If write-down, permanent or temporary | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism | N/A | N/A |
| 35 | Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument) | Additional Tier 1 | The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank at all times (i) pari passu without any preference among themselves and pari passu with all other present and future subordinated and unsecured obligations of the relevant Issuer which rank or are expressed to rank pari passu with the Subordinated Notes,(ii) junior to present and future obligations of the relevant Issuer in respect of Unsubordinated Notes and Unsubordinated MREL Notes (and all other present and future obligations of the relevant Issuer which rank or are expressed to rank pari passu with Unsubordinated Notes and Unsubordinated MREL Notes) and Senior Non-Preferred Notes (and all other present and future obligations of the relevant Issuer which rank or are expressed to rank pari passu with Senior Non-Preferred Notes) and any other obligations of the relevant Issuer which rank or are expressed to rank senior to the Subordinated Notes, including (where the relevant Issuer is the Bank) deposits of the Bank and (iii) in priority to present and future subordinated and unsecured obligations of the relevant Issuer (A) which rank or are expressed to rank junior to the Subordinated Notes and (B) in respect of the share capital of such Issuer. |
| 36 | Non-compliant transitioned features | No | No |
| 37 | If yes, specifiy non-compliant features | N/A | N/A |

## 3.2 IFRS 9 impact on own funds

On 12 December 2017 the European Parliament and the Council of the European Union adopted Regulation (EU) 2017/2395 (the "Regulation"), which amended Regulation 575/2013 with Article 473a, allowing credit institutions to gradually apply the impact of the application of IFRS 9 to own funds.

In particular, upon adoption of IFRS 9, credit institutions are allowed to include in the Common Equity Tier 1 capital (CET1), a portion of the increased ECL provisions over a 5-year transitional period starting in 2018. The portion of ECL provisions that can be included in CET1 should decrease over time down to zero to ensure the full implementation of IFRS 9, after the end of the transitional period.

In addition, in accordance with paragraph (4) of the Regulation, if the ECL provisions for Stages 1 and 2 incurred after the first adoption of IFRS 9 are increased, credit institutions are allowed to include the increase in the transitional arrangements.

The percentages of recognition in CET1 of the increased ECL provisions during the 5-year transition period are as follows:

- 0.95 during the period from 01/01/2018-31/12/2018
- 0.85 during the period from 01/01/2019-31/12/2019
- 0.70 during the period from 01/01/2020-31/12/2020
- 0.50 during the period from 01/01/2021-31/12/2021
- 0.25 during the period from 01/01/2022-31/12/2022

The Group has decided to apply the transitional arrangements set out in Article 1 of the aforementioned Regulation, including the provisions of paragraph (4), during the transitional period.

According to the amendments of IFRS9 transitional arrangements the transitional period is extended in order to mitigate the impact on own funds from the potential sudden increase in ECL allowance. More specifically, the reference date for any increase in ECL allowance (the "dynamic component"), is moved to 1 January 2020 and the CET1 add-back percentages for the new ECL provisions recognized in 2020 are set to:

- 1.00 during the period from 01/01/2020 – 31/12/2021
- 0.75 during the period from 01/01/2022 – 31/12/2022
- 0.50 during the period from 01/01/2023 – 31/12/2023
- 0.25 during the period from 01/01/2024 – 31/12/2024.

Furthermore, the calculation of the RWAs according to the reduction of the ECL provisions by the scaling factor (sf) is replaced by the application of a standard risk weight of 100% to the amounts added back to CET1 capital.

The table below presents a comparison of own funds, capital ratios and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs.

**Table 3:** IFRS 9 impact

*€ mio*

| Comparison of own funds, capital ratios and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs | Q1 21 | Q4 20 | Q3 20 | Q2 20 | Q1 20 |
|---|---|---|---|---|---|
| **Available capital (amounts)** | | | | | |
| Common Equity Tier 1 (CET1) capital | 5,240[1] | 5,750 | 5,209[2] | 5,322[3] | 5,351[4] |
| Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 4,387[1] | 4,611 | 4,082[2] | 4,181[3] | 4,247[4] |
| Tier 1 capital | 5,240 | 5,750 | 5,209 | 5,322 | 5,351 |
| Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 4,387 | 4,611 | 4,082 | 4,181 | 4,247 |
| Total capital | 5,589[1] | 6,098 | 5,557[2] | 5,668[3] | 5,695[4] |
| Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 4,735[1] | 4,959 | 4,429[2] | 4,528[3] | 4,591[4] |
| **Risk-weighted assets (amounts)** | | | | | |
| Total risk-weighted assets | 36,322 | 36,617 | 35,984 | 35,962 | 36,758 |
| Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 35,875 | 36,045 | 35,426 | 35,392 | 36,309 |
| **Capital ratios** | | | | | |
| Common Equity Tier 1 (as percentage of risk exposure amount) | 14.43%[1] | 15.70% | 14.48%[2] | 14.80%[3] | 14.56%[4] |
| Common Equity Tier 1 (as percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 12.23%[1] | 12.79% | 11.52%[2] | 11.81%[3] | 11.70%[4] |
| Tier 1 (as percentage of risk exposure amount) | 14.43% | 15.70% | 14.48% | 14.80% | 14.56% |
| Tier 1 (as percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 12.23% | 12.79% | 11.52% | 11.81% | 11.70% |
| Total capital (as percentage of risk exposure amount) | 15.39%[1] | 16.65% | 15.44%[2] | 15.76%[3] | 15.49%[4] |
| Total capital (as percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 13.20%[1] | 13.76% | 12.50%[2] | 12.79%[3] | 12.64%[4] |
| **Leverage ratio** | | | | | |
| Leverage ratio total exposure measure | 73,354 | 72,095 | 67,515 | 67,112 | 62,500 |
| Leverage ratio | 7.14% | 7.98% | 7.72% | 7.93% | 8.56% |
| Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 6.02% | 6.45% | 6.10% | 6.28% | 6.85% |

**1** *including profits for the period, CET1 capital and Total Capital are 5,895mio and 6,244mio respectively, resulting to CET1 and Total Capital ratios of 16.12% and 17.08% respectively. Moreover, without the application of IFRS 9 or analogous ECLs transitional arrangements, CET1 and Total Capital stand at 5,042mio and 5,391mio respectively, resulting to 13.96% and 14.92% CET1 and Total Capital ratios.*

**2** *including profits for the period, CET1 capital and Total Capital are 5,752mio and 6,100mio respectively, resulting to CET1 and Total Capital ratios of 15.89% and 16.85% respectively. Moreover, without the application of IFRS 9 or analogous ECLs transitional arrangements, CET1 and Total Capital stand at 4,624mio and 4,972mio respectively, resulting to 12.98% and 13.95% CET1 and Total Capital ratios.*

**3** *including profits for the period, CET1 capital and Total Capital are 5,746mio and 6,092mio respectively, resulting to CET1 and Total Capital ratios of 15.91% and 16.87% respectively. Moreover, without the application of IFRS 9 or analogous ECLs transitional arrangements, CET1 and Total Capital stand at 4,605mio and 4,951mio respectively, resulting to 12.95% and 13.93% CET1 and Total Capital ratios.*

**4** *including profits for the period, CET1 capital and Total Capital are 5,708mio and 6,052mio respectively, resulting to CET1 and Total Capital ratios of 15.47% and 16.41% respectively. Moreover, without the application of IFRS 9 or analogous ECLs transitional arrangements, CET1 and Total Capital stand at 4,604mio and 4,948mio respectively, resulting to 12.63% and 13.58% CET1 and Total capital ratios.*

## 3.3 Capital requirements under Pillar I

### New Definition of Default

The EBA Guidelines on definition of default, published in September 2016, with the intention of harmonizing its application among European Financial institutions and improving consistency in the way these institutions estimate regulatory requirements to their capital positions, apply from 1 January 2021.

The three main pillars for the identification of the new DoD are:

- **New Days Past Due counting:** The DPD start to count when both relative and absolute materiality thresholds are breached.
- **New Default 90+:** A delinquency default event shall be deemed to have occurred when both materiality limits are exceeded for more than 90 consecutive days, while the exit criterion is a 3-month probation period for the non-forborne exposures
- **Unlikeliness to Pay Criteria**
  - Default definition is fully aligned with the NPE criteria;
  - Exposures in non-accrued status are directly transferred to a Default/NPE status;
  - Assessment of the loss of a sale of a credit financial obligation; and
  - Avoidance of Restructuring Solutions with low impact in Net Present Value (NPV).

The Bank in 2020 completed all necessary actions and tasks, and as of the first day of the application of the new DoD, is aligned with the changes enforced by the new DoD Regulation.

The impact of the new DoD during the first quarter of 2021 is almost neutral in terms of NPE.

### Overview of RWAs

The table below presents the risk exposure amounts (or Risk Weighted Assets - RWAs) and the capital requirements at Group level under Pillar I as of 31.03.2021 and 31.12.2020, according to the CRR/CRD IV regulatory framework. The capital requirements under Pillar I are equal to 8% of the risk exposure amounts.
Total RWAs are broken down in 88.1% Credit (including Counterparty Credit Risk), 4.5% Market and 7.4% Operational Risk RWAs respectively.
On a quarterly basis total RWAs dropped by €0.3billion mostly due to Credit RWAs stemming mainly from the deconsolidation of Project Icon following the finalization of the relevant sale, partially offset by the application of the new DoD.
Slight increase of Market RWAs. Operational RWAs remained stable.

**Table 4: EU OV1** - Overview of RWAs

| Overview of RWAs | RWAs | | Minimum Capital Requirements |
|---|---|---|---|
| | 31.03.21 | 31.12.20 | 31.03.21 |
| **Credit risk (excluding CCR)** | **31,816** | **32,162** | **2,545** |
| *Of which the standardized approach* | 31,816 | 32,162 | 2,545 |
| *Of which the foundation IRB (FIRB) approach* | | | |
| *Of which the advanced IRB (AIRB) approach* | | | |
| *Of which equity IRB under the simple risk-weighted approach or the IMA* | | | |
| **CCR** | **260** | **327** | **21** |
| *Of which mark to market* | 151 | 213 | 12 |
| *Of which original exposure* | | | |
| *Of which the standardised approach* | 13 | 13 | 1 |
| *Of which internal model method (IMM)* | | | |
| *Of which risk exposure amount for contributions to the default fund of a CCP* | | | |
| *Of which CVA* | 96 | 100 | 8 |
| **Settlement risk** | | | |
| **Securitization exposures in the banking book (after the cap)** | | | |
| *Of which IRB approach* | | | |
| *Of which IRB supervisory formula approach (SFA)* | | | |
| *Of which internal assessment approach (IAA)* | | | |
| *Of which standardised approach* | | | |
| **Market risk** | **1,552** | **1,434** | **124** |
| *Of which the standardised approach* | 526 | 484 | 42 |
| *Of which IMA* | 1,025 | 950 | 82 |
| **Large exposures** | | | |
| **Operational risk** | **2,695** | **2,695** | **216** |
| *Of which basic indicator approach* | | | |
| *Of which standardised approach* | 2,695 | 2,695 | 216 |
| *Of which advanced measurement approach* | | | |
| **Amounts below the thresholds for deduction (subject to 250% risk weight)** | **1,652** | **1,736** | **132** |
| Floor adjustment | | | |
| **Total** | **36,322** | **36,617** | **2,906** |

## 3.4 Leverage Ratio

Leverage ratio is calculated in accordance with the methodology set out in article 429 of the regulation (EU) No 575/2013 of the European Parliament and of the Council, as amended by European Commission delegated Regulation 62/2015 of 10 October 2014. It is defined as an institution's capital measure divided by that institution's total leverage exposure measure and is expressed as a percentage. The Group submits to the competent authority the leverage ratio on a quarterly basis. The following table includes the summary of the Group's leverage ratio with reference dates 31.03.2021 and 31.12.2020 (amounts in € mio):

**Table 5:** Leverage ratio

| Leverage Ratio | Q1 21 | Q4 20 |
|---|---|---|
| **Tier I** | 5,240 | 5,750 |
| **Total Exposure Measure** | 73,354 | 72,095 |
| **Leverage Ratio** | **7.14%** | **7.98%** |

As of 31 March 2021, Group leverage ratio, according to the transitional definition of Tier I and the EU Regulation 62/2015, dropped to 7.14% (vs 7.98% as of 31 December 2020), still exceeding the proposed minimum threshold of 3%. Its decline is mainly driven by Tier 1 capital along with total leverage exposures rise, attributed to increase of Debt securities and Deposits to Central Banks partially offset by decrease in Securities Financing transactions and Derivatives.

# 4 MARKET RISK

The main changes in the Market Risk RWAs under the internal model approach are presented in the table below:

**Table 6: EU MR2-B** – RWA flow statements of market risk expsoures under the IMA (€ mio)

| | | VaR | SVaR | IRC | Comprehensive risk measure | Other | Total RWAs | Total capital requirements |
|---|---|---|---|---|---|---|---|---|
| **1** | **RWAs as of December 31, 2020** | **240** | **710** | **-** | **-** | **-** | **950** | **76** |
| *1a* | *Regulatory adjustment* | 159 | 474 | - | - | - | 634 | 51 |
| *1b* | *RWAs at the previous quarter-end (end of the day)* | 80 | 236 | - | - | - | 317 | 25 |
| 2 | Movement in risk levels | (24) | 46 | - | - | - | | |
| 3 | Model updates/changes | | | - | - | - | | |
| 4 | Methodology and policy | | | - | - | - | | |
| 5 | Acquisitions and disposals | | | - | - | - | | |
| 6 | Foreign exchange movements | | | - | - | - | | |
| 7 | Other | (1) | (0.3) | - | - | - | | |
| *8a* | *RWAs at the end of the reporting period (end of the day)* | 55 | 282 | - | - | - | 337 | 27 |
| *8b* | *Regulatory adjustment* | 178 | 509 | - | - | - | 688 | 55 |
| **8** | **RWAs as of March 31, 2021** | **234** | **791** | **-** | **-** | **-** | **1,025** | **82** |

***Table 6: EU MR2-B** – RWA flow statements of market risk expsoures under the IMA (€ mio) 31.12.2020*

| | | VaR | SVaR | IRC | Comprehensive risk measure | Other | Total RWAs | Total capital requirements |
|---|---|---|---|---|---|---|---|---|
| **1** | **RWAs as of September 30, 2020** | **268** | **606** | **-** | **-** | **-** | **874** | **70** |
| *1a* | *Regulatory adjustment* | 181 | 391 | - | - | - | 572 | 46 |
| *1b* | *RWAs at the previous quarter-end (end of the day)* | 87 | 215 | - | - | - | 302 | 24 |
| 2 | Movement in risk levels | (1) | 30 | - | - | - | | |
| 3 | Model updates/changes | | | - | - | - | | |
| 4 | Methodology and policy | | | - | - | - | | |
| 5 | Acquisitions and disposals | | | - | - | - | | |
| 6 | Foreign exchange movements | | | - | - | - | | |
| 7 | Interest Rate Volatilities | (5) | (8) | - | - | - | | |
| *8a* | *RWAs at the end of the reporting period (end of the day)* | 80 | 236 | - | - | - | 317 | 25 |
| *8b* | *Regulatory adjustment* | 159 | 474 | - | - | - | 634 | 51 |
| **8** | **RWAs as of December 31, 2020** | **240** | **710** | **-** | **-** | **-** | **950** | **76** |

The Market Risk RWAs, based on the Internal Model Approach, moderately increased in the first quarter of the year, mainly due to the change in the structure of the exposures in the Trading Book, which caused an increase in the sVaR.

# List of abbreviations

| Abbreviation | Definition | Abbreviation | Definition |
|---|---|---|---|
| **AFS** | Available for Sale | **GL** | Guidelines |
| **A-IRB** | Advanced Internal Ratings Based (Approach) | **IAS** | International Accounting Standards |
| **AML** | Anti-Money Laundering | **ICAAP / ILAAP** | Internal Capital / Liquidity Adequacy Assessment Process |
| **ATHEX** | Athens Exchange | **IFRS** | International Financial Reporting Standards |
| **BAC** | Board Audit Committee | **IMA** | Internal Model Approach |
| **BCBS** | Basel Committee on Banking Supervision | **IRB** | Internal Ratings Based (approach) |
| **BoG** | Bank of Greece | **ITS** | Implementing Technical Standards |
| **BoS** | Board of Supervisors (EBA) | **LR** | Leverage Ratio |
| **bps** | Basis Point | **ML** | Money Laundering |
| **BRC** | Board Risk Committee | **MREL** | Minimum Requirements for Own Funds & Eligible Liabilities |
| **BRRD** | Bank Recovery and Resolution Directive | **NBG** | National Bank Of Greece, S.A |
| **CCR** | Counterparty Credit Risk | **NCA** | National Competent Authority |
| **CET1** | Common Equity Tier 1 | **NPE** | Non Performing Exposure |
| **CRD** | Capital Requirements Directive | **NPL** | Non Performing Loan |
| **CRR** | Capital Requirements Regulation | **NPV** | Net Present Value |
| **CVA** | Credit Valuation Adjustment | **OCR** | Overall Capital Requirement |
| **DGSD** | Deposit Guarantee Schemes Directive | **OR** | Operational Risk |
| **dpd** | days past due | **P2R** | Pillar 2 Requirement |
| **DoD** | Definition of Deafult | **PD** | Probability of Default |
| **DTA** | Deferred Tax Asset | **PE** | Performing Exposures |
| **DTC** | Deferred Tax Credit | **RTS** | Regulatory Technical Standards |
| **EAD** | Exposure at Default | **RWA** | Risk Weighted Assets |
| **EBA** | European Banking Authority | **SA** | Standardized Approach |
| **EC** | European Commission | **SEC** | Securities and Exchange Commission |
| **ECAI** | External Credit Assessment Institutions | **SFDR** | Sustainable Finance Disclosure Regulation |
| **ECB** | European Central Bank | **SPV** | Special Purpose Vehicle |
| **ECL** | Expected Credit Losses | **SR** | Securitization Repositories |
| **EDIS** | European Deposit Insurance Scheme | **SRB** | Single Resolution Board |
| **EFSF** | European Financial Stability Facility | **SREP** | Supervisory Review and Evaluation Process |
| **EL** | Expected Loss | **SRM** | Single Resolution Mechanism |
| **ERBA** | External Ratings Based Approach | **SSM** | Single Supervisory Mechanism |
| **ESA** | European Supervisory Authorities | **ST** | Stress Test |
| **ESG** | Environmental, Social & Governance | **STS** | Single, Transparent, Standardized (securitization) |
| **ESM** | European Stability Mechanism | **sVaR** | Stressed Value at Risk |
| **ESMA** | European Securities & Markets Authority | **TF** | Terrorist Financing |
| **ESRB** | European Systemic Risk Board | **TLAC** | Total Loss Absorbing Capacity |
| **EU** | European Union | **TLTRO** | Targeted Long-Term Refinancing Operations |
| **FI** | Financial Institution | **UTP** | Unlikeliness to Pay |
| **F-IRB** | Foundation internal ratings-based (approach) | **VaR** | Value at Risk |
| **FRTB** | Fundamental Review of the Trading Book | **WAM** | Weighted Average Maturity |