MARFIN BANK (ROMANIA) S.A.

Report regarding disclosure and transparency requirements related to the Year 2018

As per the NBR Regulation no. 5/2013 regarding the prudential requirements for credit institutions and EU Regulation no. 575/2013, both with the subsequent modifications

90-92, Emanoil Porumbaru street, Floors 3-6, district 1, Bucharest, Romania
Mailing address: P.O.Box 22-155, RO, Bucharest
Tel: (4021) 206 42 00, Fax (4021) 206 42 83
CUI 10556861, J40/4436/1998, Banking Register No. RB-PJR-40-044/18.02.1999.
Social Capital RON 281.328.290.

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1. GENERAL ASPECTS

The present Report has been drawn up with the purpose to meet the requirements to ensure an adequate level of transparency, by publishing the significant information on Marfin Bank (Romania) SA (hereinafter referred to as the Bank)' risk profile and strategy, as per the provisions of NBR Regulation no. 5/2013 regarding the prudential requirements for credit institutions with the further modifications and of the EU Regulation 575/2013 on prudential requirements for credit institutions and investment firms with the further modifications.

The information included in this document is related to the year 2018 and have as reference date the date of 31.12.2018.

The following disclosure requirements provided by the EU Regulation 575/2013 are not applicable at the bank level:

- art 73 - Distributions on own funds instruments, paragraph (6) disclosure of the broad market indices on which their capital instruments rely
- art.439 - Exposure to counterparty credit risk
- art 441 - Indicators of global systemic importance
- art 443 - Unencumbered assets
- art 444 - Use of ECAIs
- art 447 - Exposures in equities not included in the trading book
- art 448 - Exposure to interest rate risk on positions not included in the trading book
- art 449 - Exposure to securitisation positions
- art 452 - Use of the IRB Approach to credit risk
- art 454 - Use of the Advanced Measurement Approaches to operational risk
- art 455 - Use of Internal Market Risk Models

2. INFORMATION UNDER THE BANK'S PROPERTY AND CONFIDENTIAL INFORMATION

As per the EU Regulation 575/2013 on prudential requirements for credit institutions and investment firms with the further modifications, related to the definition of the information under bank's property, as well as of the confidential information, the following information are:

Bank's property (their disclosure may produce material and/or competition related damages in case of their publishing):

- The general business strategy;
- The way to determine and monitor the bank's risk profile;
- The internal regulation system (strategies, policies, plans, norms, manuals, procedures);
- The detailed description of the limits system used at the risk management;
- Any other strategic information.

Confidential (their disclosure may produce material and image damages for the Bank, for clients, providers and business partners):

- Information included in the contracts concluded with the clients and other business partners or providers of the Bank;
- Any kind of information on the architecture and functions of the IT system used by the Bank;
- Any information on the clients, business partners or providers without their express consent.

Considering the above, all the information included in this report is significant within the meaning of art. 432, point 2 of the Regulation 575/2013.

3. INFORMATION REGARDING THE ADMINISTRATION FRAMEWORK OF THE ACTIVITY IN MARFIN BANK (ROMANIA) SA

The administration framework of the Bank (bank governance) is regulated through the Constitutive Deeds, internal procedures and manuals and the Internal Regulation Manual and it refers to responsibilities of the management from the perspective of establishing the business objectives and the risk administration strategy and the risk profile, ways of organizing the activities, assigning responsibilities and competencies, establishing the reporting lines and the related information, as well as the organization of the internal control system.
The Internal Regulation Manual defines, in compliance with the legal requirements and the corporate governance principles, the following:

- The organization structure of the Bank;
- The duties and responsibilities of the Executive Managers of the Bank;
- The responsibilities of the Board of Administration, Management Committee, Audit Committee, Risk Management Committee, Assets and Liabilities Management Committee and other Committees of the Bank;
- The objectives and responsibilities of each department of the Bank's Head Office, the duties and responsibilities of the departments' managers;
- The responsibilities of the branches and agencies, the duties and responsibilities of the Network Department;
- Principles of internal control (the culture of internal control, risk assessment, control activities and segregation of duties, information and communication, monitoring and remediation of the deficiencies) as well as the organization of the internal control functions.

The administration framework of the Bank is adapted to the nature, extension and complexity of the performed activity.

3.1 The bank committees, their responsibilities and structure

Responsibilities and operational terms of the Committees established as instruments for achieving management's objectives, are detailed within bank's Internal Regulation Manual and Organizational Chart.
The structure of the Bank's Committees is as follows:

Management Committee
The Management Committee is composed from all executive managers of the Bank and which are

assigned by the General Shareholders Assembly or the Board of Administrators and approved by the National Bank of Romania and is the main organizational body responsible for the Bank's executive management under the Board of Administrators (BoA).

Risk Management Committee
The Committee is appointed by the Board of Administrators, is composed of at least three non-executive members (which did not hold and currently do not hold an executive position), out of which one is independent.
The committee members must have the knowledge, competencies and adequate expertise in order to fully understand and to monitor the strategy for the management of significant risks and the risk appetite of the bank.
The attributions and responsibilities of the Committee are the following:

- To advise BoA on the current and future global risk appetite and risk management strategy of the bank and to assist BoA in overseeing the implementation by the Management Committee of the respective strategy;
- To verify whether the prices of the assets and liabilities products granted to the customers fully consider the business model and the bank's risk management strategy. If prices do not adequately reflect the risks according to business model and risk management strategy, Risk Management Committee must submit a plan to remedy the situation;
- To verify whether the incentives offered by the remuneration policy take into account the risks, capital, liquidity and the likelihood and timing of profits, in order to support the establishment of sound remuneration policies and practices

Assets and Liabilities Management Committee (ALCO)

- Analyses the Balance Sheet with a view in achieving efficient allocation and utilization of all assets and liabilities and to ensure their prudent management.
- Achieves the efficiency in the use of capital by enhancing return on risk weighted assets and net profits, in a context of clearly defined growth policy.
- Monitors and frequently review the following risks of the Bank and ensure their prudent management (credit risk, interest rate risk, liquidity risk, funding risk, portfolio and equity risk).
- Monitors the external environment and to measure the impact on profitability of factors such as:
  - Interest rate volatility/ trends/ stress/ tests/ sensitivity/ VaR.
  - Market liquidity.
  - Exchange rate volatility/ trends/ stress tests/ sensitivity/ VaR.
  - Monetary and fiscal policies and other economic developments.
  - Competition and market strategies and market shares.
- Monitors department/ product profitability.
- Monitors department/ product profitability, including capital allocation and cost;
- Examines the liquidity position of the Bank through internal reports;
- Performs various liquidity simulations using Liquidity Analysis Simulator.
- Proposes appropriate actions in cases of deviations from the targeted liquidity ratios.

Audit Committee
The Committee is appointed by the Board of Administrators, is composed of at least three non-executive directors, one of which is independent. The Chairman of the Committee must be independent and shall

have knowledge and experience in applying the accounting principles and internal control process.
The Audit Committee is mainly responsible for:

- **a)** monitoring the effectiveness of internal control, internal audit and risk management;
- **b)** supervising the internal auditors and financial auditors;
- **c)** recommending the approval of the management or the shareholders for appointing, remuneration and revocation of the external auditors;
- **d)** analysing and approving the audit's range and the frequency of the internal audit engagements;
- **e)** analysing the internal audit reports;
- **f)** verifying the timely adoption by the top management of the corrective measures in order to remediate the weaknesses related to control, non-compliance with the legal and regulation frame, policies, as well as with other issues identified by the auditors.

The Audit Committee shall oversee the establishment of accounting policies by the Bank.

Nomination Committee

Is appointed by the Board of Administrators; it is composed of at least three non-executive directors.
The attributions and responsibilities of the Committee are as follows:

- identify and recommend to the approval of the management body, candidates to occupy the vacant positions within the management body, to assess the balance of knowledge, skills, diversity and experience within the management body and prepare a description of the roles and abilities with a view to appoint an individual on a particular position and assess the expectations as regards the time allocated to that end;
- to assess on a regular basis, but at least once a year, the structure, size, composition and performance of the management body and make recommendations to the management body with respect to any changes;
- to assess on a regular basis, but at least once a year, the knowledge, skills and experience of each member of the management body and of the management body as a whole and report to the management body accordingly;
- to review on a regular basis the policy of the management body as regards the selection and appointment of members of senior management and make recommendations to the management body.
- to decide with respect to a target concerning the representation of the male or female gender, poorly represented in the structure of the management body and draw up a policy concerning the means for increasing the number of these individuals in the structure of the management body in order to achieve the target concerned.
- to contribute actively also to the fulfilment of the Bank's responsibilities concerning the adoption of internal policy on assessment of the adequacy of the members of the management body and of key function holders as per the legal provisions.
- to take into account, if possible and on an ongoing basis, the need to ensure that the decision-making process of the management body is not dominated by any individual or small group of individuals in a manner prejudicing the interests of the Bank as a whole.

Classified Loans Committee

Analyses the situation of the customers which meet the criteria to be registered as problematic clients, and address appropriate measures.

Information Security Committee & Access Control Committee

- Propose strategic and tactical direction for security initiatives and activities;
- Ensure security initiatives (existing and future) are aligned with, and enable, business objectives;
- Define and propose for approval the Applications Access Control Rights Policy.

Business Continuity & Crisis Management Committee

Ensure the control, maintenance and review of the business continuity plan that will be installed in the bank, as well as the enforcement of corrective measures in case of detection of weaknesses.

Health and Safety at Work Committee

Analyse and make proposals regarding the safety and health at work and plan of prevention and protection, according to internal rules.

3.2 Corporate governance

Marfin Bank Romania SA has developed and permanently updated an internal system of corporate governance with the purpose to follow the fulfilment of the interests of all relevant parties: shareholders, employees, providers, administrators, and clients etc., being a mechanism for monitoring the Bank's actions, policies and decisions.

The Bank's corporate governance framework has the following principal elements:

- The Bank's constitutive deed – document that defines the Bank's object of activity, the relations between the shareholders, the management and administration bodies and the competences granted to them, as well as the main directions on the representation, control and financial administration;
- The management frame, periodically evaluated and properly revised, containing the concept on the bank's structure and organization (at level of Head Office and of the branches/ agencies network), management bodies and management levels, as well as the related principles and functioning rules;
- The internal regulation procedure
- The internal control system with the 3 components, i.e. the internal audit, compliance and risk management activities;
- The Policy for Management of Significant Risks
- The Strategy for Management of Significant Risks
- The Policy and Procedure for Operational Risk
- The Fraud Management Policy
- The Compliance Policy
- The Conflicts of Interest Policy
- The Whistleblowing Policy
- The Code of Ethics
- The system of delegating the authority limits for decision and signing of the patrimony related documents
- The communication principles with shareholders, clients, employees, public and regulatory institutions.

The Policy for Management of Significant Risks

The policy regarding the management of significant risks was concluded in order to settle the general frame for the management of significant risks within the Bank, according to the provisions of the EGO no. 99/2006 with its further amendments of the regulations issued by the European Parliament and Council, of the NBR Norms Regulations and of all the Internal Procedures of the Bank.

The following types of significant risks are treated: credit risk (including concentration risk and risk arising from currency lending to unhedged borrowers), residual risk, foreign exchange risk, interest rate risk in the banking book, liquidity risk, operational risk, legal risk and reputational risk, compliance risk, information security risk, strategic and business risk, risk due to outsourcing activities, excessive leverage risk, uncontrollable risk, securitization risk and settlement risk.

The Strategy for Management of Significant Risks

The strategy regarding the management of significant risks was concluded in order to establish the risk profile of the Bank and to settle the general frame for the management of significant risks within the Bank, according to the provisions of the EGO no. 99/2006, as further amended, of the NBR Norms and Regulations, of the European Directives and regulations and of all the Internal Procedures of the Bank.

In order to establish the significant risks, the Bank performed a comprehensive internal risk assessment, as an integral part of the Internal Capital Adequacy Assessment Process.

Through this process all material risks of the Bank along with the relevant management activities were identified.

In order to monitor and mitigate the significant risks, the Bank has established internal limits which are permanently monitored.

The Policy and Procedure for Operational Risk

The procedure has the role to establish the methodology for the management of the operational risk, meaning the identification, assessment and control of such risk.

In order to achieve the objectives set for an efficient management of operational risks, the Bank has established the following modalities, in accordance with the methodology based on risk identification:

- Risk and control self-assessment (RCSA) workshops
- Risk awareness training programs
- Collection of Operational Loss Data (Operational Loss Database)
- Setting up of key risk indicators (KRIs)

A key characteristic of proper Operational Risk Management is that it involves the entire spectrum of Bank's activities.

Hence, the management of Operational Risk is the responsibility of all managers and staff members of the Bank (risk ownership).

The Fraud Management Policy

The purpose of the current Policy is to set out the basic principles underlying the management of fraud risk within the Bank.

The underlying aim is to minimize the impact of possible fraud related losses.

Fraud risk is an important risk facing the bank and financial institutions in general, particularly in the current economic environment.

The risk of fraud is one of the most important risks facing a bank both in terms of potential number of events as well as total cost. A serious fraud incident can damage an organization severely, not only in terms of direct monetary loss but also in terms of reputation, trust, loss of morale, loss of business and other indirect/ opportunity costs. A fraud incident may severely impact customer perceptions, lead to regulatory penalties and constraints and lead to significant time and resource impacts on investigations and incident management.

Fraud can originate from a multitude of sources within and outside an organization.
Although no organization can assume that its internal controls and other safeguards can provide total protection from the risk of fraud, such controls should be as effective and as comprehensive as possible to mitigate this important risk.
It is generally accepted that individuals who commit fraud do so when three factors are present: opportunity, pressure and rationalization.

The Compliance Policy
Through the Compliance Policy it is followed to promote of an honest and professional conduct and to ensure the compliance with the laws, regulations, rules and professional standards, as well as with the Bank's internal procedures on the employees' conduct, in order to protect the bank's integrity.
The Board of Administration is responsible to ensure the compliance with the applicable regulatory framework and with the Bank's internal procedures. Also, it is responsible to supervise the management of the compliance risk and to establish a permanent and efficient compliance function. With the support of the Compliance Department that ensures a periodical information, the Board of Administration is responsible that all the problems related to the non-compliance with the compliance policy are solved by the bank management efficiently and in due time. Also, monitors and annually evaluated the implementation of the annual plan drawn up by the Compliance Department.

The Code of Ethics
The Code of Ethics has as purpose to maintain a correct and positive behaviour between the bank employees and establishes the necessary framework of rules that the employees must comply with, being aware that their actions reflect their personal image as well their colleagues and Bank in general.
The Code of Ethics is periodically revised and approved by the Board of Administration that is responsible to ensure this is observed.

The Conflicts of Interest Policy
The purpose of this document is to ensure the compliance with the legal framework and to protect the bank's reputation, by establishing the basic requirements to identify and manage the conflicts of interest, the access control to information, as well as the control and proper revising of the transactions performed in own name.
For this purpose, the policy establishes the necessary measures to prevent the conflicts of interest that may negatively affect the bank's or the clients' interests (such measures include the possibility to refuse performing a certain transaction or offering certain services), protecting the clients' interests in all the activities and keeping the confidentiality of information at all levels, observing the transparency and integrity in the market.
Through this policy, with the purpose to avoid the conflicts of interests, the members of the Board of Administration and the Bank's Administrators commit themselves to declare any significant interest they may have with transactions and/ or areas having impact on the bank's activity.

The whistleblowing policy
The purpose of this policy is to establish the general framework on the working flows and communication to employees of specific instructions on the incidents of non-compliance with the internal procedures, as well as to provide guidelines for approaching the reports on third parties related whistleblowing cases.
The bank commits itself to observe the highest standards of honesty, openness, transparency and responsibility. Thus, at the Board of Administration level, it was approved this Policy in order to ensure the framework for employees, directors, agencies and contracting parties in order to bring to the superior management's attention the activities that are defined as illegal behaviour or professional negligence.

4. APECTS REGARDING THE STRATEGY AND ORGANISATIONAL STRUCTURE OF THE BANK

4.1 Bank Strategy

Marfin Bank business strategy was built based on the business model that includes main targeted market segments.
Marfin Bank (Romania) S.A. is a small to medium universal bank having as at 31.12.2018 the 22nd position in the Romanian Banking System with 0.44% market share.
The Bank provides a complete range of products and services to private individuals, small and medium-sized enterprises (SMEs) and large companies, via banking outlets, as distribution channels.
Marfin Bank (Romania) SA customers includes Romanian companies as well as subsidiaries of foreign Groups on Corporate Business and Romanian individuals and foreign citizens on Retail Banking Business.
In Romania Marfin Bank operates through a network that covers 22 cities across the country.

The following elements represent the foundation of Marfin bank's Strategy.
1. Building long-term added value for shareholders, employees and clients will be achieved by providing high quality services through well trained and dedicated professionals who work in an environment which enable them to excel.

2. Culture and values;
- Honesty and integrity;
- Credibility;
- Fairness and respect;
- High Quality Service;
- Staff Professionalism;
- Social responsibility.

4.2 Shareholders' Structure

In 2018, major changes occurred in the bank's shareholding, as the ownership of the former shareholder of the bank, i.e., Cyprus Popular Bank Public Co Ltd Cyprus (99.535052%) was taken over by Barniveld Enterprises Limited. Thus, by letter no. FG 235/12.03.2018, the National Bank of Romania informed that it did not oppose the plans of Barniveld Enterprises Limited to hold a direct qualified ownership of 99.535052% of the subscribed and paid in share capital of Marfin Bank (România) SA, or the plans of Gem Force Investments Limited and Mr. Ioannis Vardinogiannis to hold indirect qualified ownership of 99.535052% of the subscribed and paid in share capital of the credit institution.

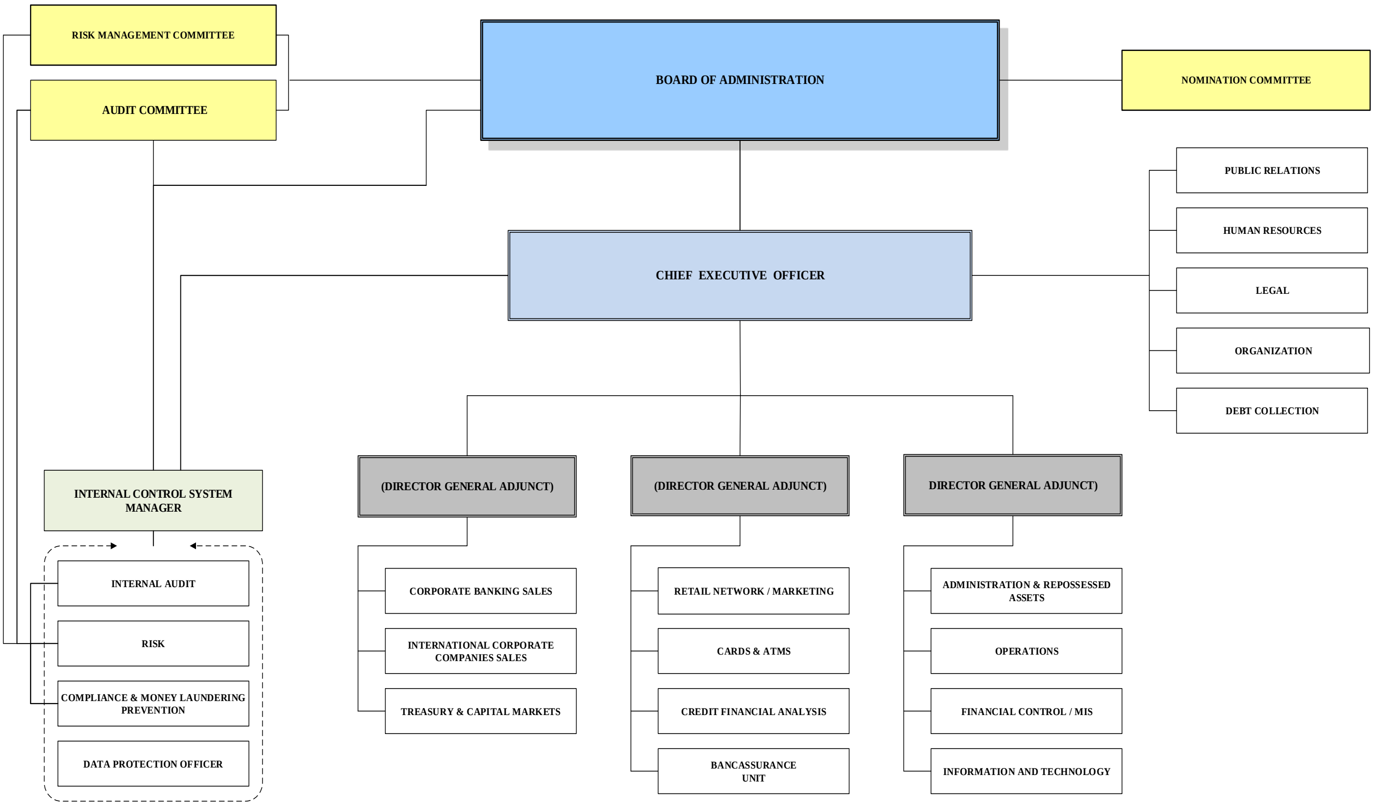
Also in 2018, the share capital was increased by EUR 30 million through the conversion of the subordinated debts in amount of EUR 30 million classified as Tier 2 equity, according to the Decision of the General Meeting of Shareholders of 28.08.2018. Barniveld Enterprises Limited took over from Bank of Cyprus the subordinated loans in amount of EUR 30 million (at nominal value) in the process of authorization of the new shareholder, and full payment was made from the personal funds of Barniveld Enterprises Limited on 30.08.2018.
The share capital of the Bank at 31.12.2018 registered with the Trade Register was RON 421,143,290.

4.3 Organisational Structure of Marfin Bank (Romania) SA

The organizational structure of the Bank is approved by the Board of Administration, is transparent and elaborated in such way as to promote the effectiveness and the prudency of the Bank. Thus, the organizational structure as well as the administration structures and lines are clearly defined and transparent in relation with the bank employees and National Bank of Romania.

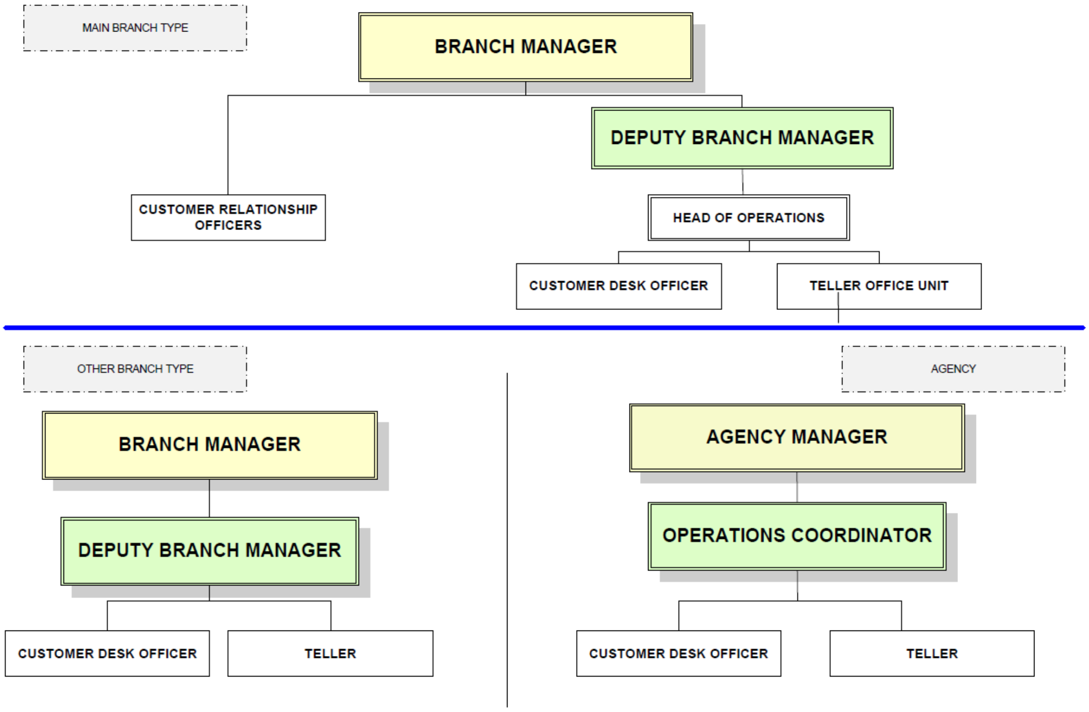
The organizational structure of the Bank ensures an adequate flow of information which allows the proper information of the management structure with regard to the risks associated to the activities of the Bank, the information of the bank managers as well as of the personnel in respect of the bank strategies and established policies and procedures, the exchange of information between various structures of the bank for which the respective information is relevant.

In respect of the organisational structure (valid from 17.04.2019) and the organization of the activities, the model is characterized by departments, organized in units, these being coordinated by the deputy executive managers, as represented below:



***Management Committee consists of Chief Executive Officer and Directori Generali Adjuncti**

Also, the Bank Network included in 2018 a number of 30 branches and agencies in Romania, with the following organizational structure:



4.4. Organization of the management structure

The management structure of the bank consists of a Management Committee (which provides the management function of the Bank) and the Board of Administration (which provides the supervisory function of the Bank).

The management structure of Marfin Bank (Romania) SA is represented by the administration and the management bodies of the Bank, which were established in accordance with the legal provisions and the Constitutive Deeds of the Bank.

Regarding the bodies with supervisory function, Marfin Bank (Romania) SA is managed on the basis of a unitary system, the supervisory body being the Board of Administration, with duties and responsibilities detailed in the Bank's Constitutive Deeds, Internal Regulation Manual and the Committees Procedure.

4.4.1 Supervisory function bodies

The Board of Administration (approved by the National Bank of Romania) consists of four members appointed by the General Assembly of the Shareholders. The Board of Administration approves the Bank's strategy, products and new services to be offered, internal procedures, organization of the Bank and its development in accordance with the strategy in force. The Board of Administration approves the annual budget and monitors the Bank's financial results and the activity of the Directors.

The Board's activity is governed by the provisions of Company Law no. 31/1990 as amended and supplemented, regulations issued by the National Bank of Romania, internal norms and procedures of the Bank, including but not limited to the Internal Regulation Manual and the Regulation of the Board of Administration.

As of 31.12.2018, the Board was composed of the following Members:

Kleovoulos Alexandrou	Chairman
Antonios Mouzas	Member
Georgios Athanasopoulos	Member
Theodor Cornel Stanescu	Member

The Board members have participated actively and effectively in the exercise of their responsibilities during 2018, the Board holding 19 meetings, resulting at least a monthly meetings frequency. Meetings were held with the participation of membership required for the meeting according to the legal provisions in force and the Bank's Constitutive Deeds.

4.4.2 Management function bodies

Regarding the bodies with management function, they are represented by the Management Committee which consists of Bank's Directors, respectively one CEO and two Deputy CEOs which are appointed by the General Assembly of the Shareholders and approved by the National Bank of Romania. The CEO and the two Deputy CEOs hold also the position of Members of the Board of Administration of the Bank. The Meetings of the Management Committee are very frequent, the Committee having responsibilities for the management of the current activity of the Bank.

As of 31.12.2018, the structure of the Management Committee was the following:

- Mr. Antonios Mouzas CEO
- Mr. Georgios Athanasopoulos Deputy CEO
- Mr. Theodor Cornel Stanescu Deputy CEO

The duties and responsibilities of the bodies that provide the management function, respectively the Directors members of the Management Committee are detailed in the Bank's Constitutive Deeds, the Regulation of the Management Committee and the Internal Regulation Manual.

4.4.3 Number of mandates held by the members of the management structure

Members of the Bank's management structure hold the following mandates:

- The Chairman of the Board holds a non-executive mandate (as chairman of the board);
- Each of the Board members holds one non-executive mandate, with the exception of the CEO and Deputy CEO who, in addition to a non-executive mandate (as a member of the board) hold also an executive mandate (as CEO of the bank and Deputy CEO of the bank).

Members of the management structure hold, at collective level, the knowledge, skills and adequate experience to be able to understand bank activities, including its major risks so they can take decisions being fully informed on all aspects of which must decide according to their competences.

4.4.4 The recruitment policy for the selection of members of the management structure and the knowledge, skills and their effective expertise

The activities related to recruitment and selection of the employees and the members of the management structure are performed in accordance with current Romanian legislation and practices, the collective agreement (if available) and bank`s policies and procedures, and in a manner which ensures the suitability and integrity of the new recruit.

When establishing the composition of the Board of Administration members and Executive Management of the Bank are taken into account the requirements and criteria provided by the applicable legislation for the companies, as well as special legal provisions for credit institutions, taking into account that there is always an adequate number of members and an appropriate structure which contains a sufficiently wide range of relevant professional experience.

The BOA members and Executive Management of the Bank must have, collectively, knowledge, skills and experience to be able to understand the activities of the bank, including their major risks and to decide in full knowledge on all aspects according to their competencies.

The members of The BOA and Executive Management of the Bank are evaluated, pursuing the fulfilment of the conditions and criteria mentioned above, provided that a future revaluation of the members' adequacy is performed when certain events take place that request this action.

The Bank has a Board of Administration whose members are appointed by the General Shareholders Assembly and which exercises all the duties and competencies stipulated by the law on the trading companies and banking legislation, with the purpose of performing the bank object of activity.

The persons appointed as members to the BOA must have reputation and experience adequate to the nature, extent and complexity of the Bank's activity as well as to the assigned responsibilities, in order to ensure a sound and prudent bank management.

They must have an academic degree in related fields such as economics, finance, accounting or legal etc., as well as experience directly relating to the Bank's activities. The persons appointed must be fluent in the English language.

The Executive Management and the members of the Board of Administration must be approved by the National Bank of Romania prior to exercising their responsibilities, according to the legal requirements issued in this respect.

The persons appointed to the Executive Management and as members to the BOA must have good knowledge of the strategy, practices, policies of the Bank, as well as, the legislation and regulations in force in the financial-banking sector.

They must be able to take decisions and make their own judgments to be reliable, objective and independent

4.4.5 The policy regarding the diversity in the selection of members of the management structure, objectives and any relevant targets set out in the policy, and the extent to which they achieved the objectives and the respective targets

Ethnicity, age and gender diversity, sustained by meritocracy represent a key focus for the employment and the same principle is applied to the composition of our Board of Administrators and Executive Management.
The persons appointed as members to the BOA and Executive Management must have reputation and experience adequate to the nature, extent and complexity of the Bank's activity as well as to the assigned responsibilities, in order to ensure a sound and prudent bank management

All Board of Administration/ Executive Management appointments are based on meritocracy with the prime consideration being to maintain and enhance the overall effectiveness of the Board and Management. Within this, we recognize that gender diversity, is an important factor to take into consideration.

The selection of female candidates to join the Board of Administrators/Executive Management will be dependent on the pool of female candidates with the necessary attributes: knowledge of the strategy, practices, policies of the Bank, as well as, the legislation and regulations in force in the financial-banking sector.

The ultimate decision will be based on merit and contribution the chosen candidate will bring to the Board of Administrators/ Executive Management.
The recruitment policy is based on gender diversity, proven also by women proportion in the Bank: 60% of head office managerial positions are managed by women and 59% of the branches are managed by women. The Bank is committed to increasing the proportion of women within the executive positions.

We believe that diversity, including gender diversity, is a very important factor which reflects in the Bank's performance and effectiveness. In this respect, within the Board of Directors from 17th of April, 2019, the updated version of the Gender Diversity Policy has been approved, in which has been set a target to appoint at least one feminine person in the Bank's management body.

4.4.6 Organization of the Internal Control Functions

The Bank's internal control system is structured as follows:

The first level of controls is implemented as such to ensure the fact the bank's activities and current operations are correctly performed, as per the legislation and internal procedures. The controls are done by the structures where the daily activities are performed, i.e. agencies, branches, business and support units.

The second level of control is represented by:

- **a)** The Risk Control Function (ensures the identification, risk management and compliance with the risk policies);
- **b)** The Compliance Function (identifies, evaluates, monitors and reports the compliance risks

related to the activities performed at the bank level).

The third level of controls is represented by the Internal Audit Function that ensures that the Bank policies and procedures are observed within all activities and structures, revises policies, processes and control mechanisms so as the latter to remain sufficient and adequate for the activity performed in the Bank.

The bank's internal control functions are independent from the business lines they monitor and control.

The departments where the internal control functions are performed, i.e. the Internal Audit Department, the Compliance Department and the Risk Management Department have a separate subordination line, being coordinated by a person that is a not a member of the management structures, i.e. the Internal Control Manager.
Also, one of the main organization principles of the Bank's internal control system includes the direct involvement of the Board of Administration and Executive Managers in organizing and managing the internal control system.

Thus, the Management Committee is responsible to ensure the independence of the 3 internal control functions, to ensure that these have an adequate number of qualified staff with an appropriate authority and which benefits from a continuous training, as well as that the personnel of these functions has access to proper data and support systems and to internal and external information, necessary to perform their responsibilities.

The internal control functions are obliged to report the results of the permanent and periodical controls that they perform to the Executive Managers and to the Board of Administration. With respect to the findings of the internal control functions, the Bank Management is requesting efficiently and in due time adequate measures to solve the identified findings.

5. OBJECTIVES AND POLICIES OF THE BANK REGARDING RISK MANAGEMENT

The Bank acknowledges the need for good management and control of risks, for which the Risk Management Department was established in order to adequately measure, analyse, manage and control the risks involved in all its activities. The main responsibilities of Risk Management Department are:

- Development and review of the risk management strategy and decisional process related to the management of significant risks;
- Analysis of transactions with affiliated parties, in order to identify and adequately assess the current and potential risks that they may cause to the Bank;
- Identification of risks generated by the complexity of the legal structure of the Bank;
- Assessment of significant changes;
- Measurement and internal risk assessment;
- Assuring that all identified risks can be effectively monitored by the operational units, periodical monitoring of actual risk profile of the bank and assessment in relation with the strategic objectives and risk tolerance/appetite of the bank;

- Aspects related to not approved exposures, meaning independently analysing any breach or non-compliance with the strategies, the risk tolerance/appetite, or risk related limits, taking adequate measures against fraudulent internal or external behaviour and violation of the code of ethics.

5.1 Strategy of Marfin Bank Romania SA regarding Risk Management

In order to determine significant risks, the Bank performs a comprehensive internal evaluation of the risks, as part of the Internal Capital Adequacy Assessment Process. During this process all significant risks of the Bank were identified, together with relevant management activities. Based on the above assessment, the following risks are considered to be significant: credit risk, residual risk, concentration risk, credit risk related to foreign currency lending to unhedged debtors, market risk, interest rate risk the banking book, liquidity risk, operational risk, compliance risk, information security risk, legal risk and business and strategic risk.

5.2 Policies regarding the risk management for each risk category

The policy regarding the management of significant risks regulates the general frame for the management of significant risks within the Bank, according to the provisions of the EGO no. 99/2006 and its further amendments, the regulations issued by the European Parliament and Council, the NBR Norms and Regulations and the Internal Procedures of the Bank.

5.2.1 Credit Risk

Regarding the Credit Risk management, from the perspective of identifying, assessing and monitoring the process, the Bank applied starting with 01.01.2008 the Standardized Approach and seeks after the improvement and the amendment of the internal procedures and policies with reference to the credit activity, based on the Regulation (EU) no 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, the Norms and Regulations of the National Bank of Romania, especially those of Regulation no. 5/2013 regarding prudential requirements for credit institutions and its further amendments and other NBR Regulations regarding the credit risk for the credit institutions.

Credit risk management has as object the limitation of losses caused by the depreciation of debtor's situation. A permanent information to the management regarding the result of the process of the loan portfolio and off-balance sheet exposures quality analysis is needed, in order to detect and correct those with potential problems in due time.

The analysis of the loan portfolio and off-balance sheet exposures is a permanent process which includes two stages: the first stage is for the prevention of the risk generating events and takes place before taking the decision of financing potential clients, being followed by the credit risk monitoring stage which takes place after the loan financing and until the full repayment.

One of the methods used by the bank in order to diminish credit risk is loan portfolio diversification and avoidance of excessive risk exposure, by limiting the concentrations on activity sector of the debtor, duration of facility, type of facility, residence of the debtor, company size, geographic area, type of product, currency loan, financial performance of the debtor, the real beneficiary of the debtor and the collateral type for legal entities and the concentrations on the type of product and the geographic area for private individuals.

The Bank monitors the exposures towards a client or group of connected clients and exposures towards affiliated persons.
The Bank also monitors the exposures to issuers of letters of guarantee collaterals (credit institutions). The Bank monitors the volume of restructured exposures.

Another method of risk mitigation is the registration of depreciation adjustments in order to cover potential losses and to ensure a reserve for banking risks. The depreciation adjustments are booked in order to cover possible exposures which, after analysing the financial performance of the debtors and the indebtedness degree, present uncertainty related to their repayment.

The Bank uses also as a method of mitigating the credit risk partially or totally transferring the risk towards the client through partially financing the acquisition, partially financing the project, insurance policies for buildings and construction site in case of a construction project, assignment of debtor's income and/or constitution of collateral deposits for partially or totally covering the debtor's payment obligations or towards the collateral issuers through letters of guarantee and/or collateral deposits.

5.2.2 Market Risk

Regarding the Market Risk management, from the perspective of identifying, assessing and monitoring the process, the Bank applied starting with 01.01.2008 the Standardized Approach.
The market risk management includes position monitoring and limit control, identification, measurement and monitoring of market risks, i.e. FX risk, interest rate risk, etc., including country and counterparty risk, analysis and monitoring of market conditions relating to the above risks.

The Bank prevents the appearance of the market risk by:

- Minimizing the systematic risk component from market risk by maintaining a hedged position on maturities and currencies, and increasing of portfolio quality;
- Minimizing the unsystematic risk component from market risk by expanding the clients' portfolio.

The Bank uses as techniques for mitigating of the market risk the following:

- continuous monitoring of the FX position and the relevant movements of the currency market;
- setting up open position limits for both intraday and overnight purposes;
- ensuring compliance with the established limits, i.e. individual exposure limit from FX operations;
- monitoring maturity limits, total borrowing limit,;
- periodical re-evaluation of the trading limits;
- respecting the procedure for positions reconciliation of the accounts involved in the FX position (NOSTRO, internal accounts).

For limiting and mitigating the market risk, the Bank establishes, according to the market environment and the Bank's risk appetite, limits for FX exposure per currency.

The currency risk management is performed in a specific framework, which includes:

- The transactions' performing and the risk management in the Treasury & Capital Markets Department;
- The processing and the control of the transactions in the Treasury Back-Office Department;
- The analysis, the monitoring and the risk control of the transactions in the Risk Management Department;

Currency risk management is typically performed via foreign currency position management.

The objective of the interest rate risk management is to increase the Bank's profit with the condition to maintain interest rate risk exposure within authorized limits.

The methods used for managing the interest rate risk are based on the reprising GAP analysis through the relevant GAP report and on the Stress Testing on interest rate. The GAP method shows the net difference between assets and liabilities on a specific date for certain predetermined time periods, i.e. up to 1 month, 1-2 months, 2-3 months, 3-4 months, 4-5 months, 5-6 months, 6-9 months, 9-12 months, 1-3 years, 3-5 years, 5-10 years, over 10 years.

5.2.3 Liquidity Risk

As part of the Bank's Liquidity management strategies, the Bank aims to:

- Maintain a diversified and stable funding base;
- Establish strong and lasting relationships with depositors;
- Avoid the excessive reliance on any one counterparty or any one product or funding market;
- Maintain a government securities portfolio to be used in case of liquidity needs to access Lombard facility with NBR ,to access the NBR Repo facility, to sell in the market, or use them into repurchase agreement with current banking counterparties.;
- Obtaining a stand-by liquidity agreement to access it in case of liquidity problems;
- Perform currency swaps operations to cover specific liquidity needs on certain currencies;
- Have the knowledge over the accrued amount on interest rate sensitive assets and over the roll-overed deposits;
- Know the applicable market haircuts to liquidate the assets positions under stressed conditions.

Assets and Liabilities Committee has the responsibility to monitor the liquidity of the bank and its evolution on each category of assets and liabilities.

The Treasury Department has the responsibility to monitor and to assure the day to day liquidity of the bank's operations.

In considering liquidity risk, in addition to the contingency measures in case of liquidity crisis, the level of the stable deposit base was monitored.

For monitoring the impact of the liquidity risk, the bank employs the following methodologies:

- monitors the Liquidity Gap Report;
- monitors regulatory and internal liquidity indicators;
- monitors the Large Providers of Funds.

A set of early warning indicators is calculated and monitored daily.

The bank's objective regarding the liquidity risk is to maintain an adequate liquidity level provided that the necessary resources are ensured to support the budget objectives. For the purpose of maintaining adequate liquidity levels, the bank aims to maintain the liquidity ratio, calculated as per NBR norms, at values above 1.25, and the LCR ratio at a level above 100%.

Two new regulatory liquidity indicators have been introduced in 2014 – the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). A minimum level of 100% for LCR was imposed for each significant currency and for total.
The levels registered by the Bank as of 31st of December 2018 were as follows:
- LCR: 417.63%%
- NSFR: 95.55%

Are presented below the data related to LCR in accordance with EBA Guide EBA/GL/2017/01:

million RON		**Total unweighted value (average)**				**Total weighted value (average)**			
Quarter ending on (DD Month YYY)		31.03. 2018	30.06. 2018	30.09. 2018	31.12. 2018	31.03. 2018	30.06. 2018	30.09. 2018	31.12. 2018
						TOTAL ADJUSTED VALUE			
21	LIQUIDITY BUFFER					665.32	627.66	606.14	478.98
22	TOTAL NET CASH OUTFLOWS					279.64	243.18	222.51	116.29
23	LIQUIDITY COVERAGE RATIO (%)					242.59%	258.23%	272.42%	421.19%

5.2.4 Operational Risk

Regarding the Operational Risk management, from the perspective of identifying, assessing and monitoring the process, the Bank applied starting with 01.01.2008 the Basic Indicator Approach.
Internal regulations regarding operational risk are intended to establish this risk management framework within the Bank to meet legislative requirements in force.
The Bank's operational risk management is based on a quantitative and qualitative approach offering a more comprehensive perception of risks arising from activities undertaken within each process.
The main objective of operational risk management refers to:

- Defining and implementing specific policies and procedures;
- Obtaining bank-wide transparency regarding risk management arising from improper operation or implementation of processes, systems or due to human errors, external events or legal uncertainties, and to obtain information about possible losses associated therewith;
- Defining and implementing stress test scenarios for operational risk;
- Optimization of operational risk management, permanent following of risk / return approaches;
- Strengthen and increase efficiency identification and assessment method of operational risks, to mitigate these risks and improve the Bank's risk profile;

- Prevention of events and minimizing losses through effective monitoring and control in the permanent monitoring;
- Raising awareness and incorporation of operational risk management processes daily:
- Increasing the quality of services offered to clients;
- Reducing capital requirement for operational risk in the context of improving operational efficiency and customer service quality;
- Increased credibility in relationships with customers, rating agencies, shareholders and regulators.

In order to achieve the targets set for the effective management of operational risk, the Bank established according to the methodology based on identifying, measuring, reporting/ monitoring and risk management, the following methods:

- Risk identification through training sessions conducted to raise awareness of the effects of operational risk through self-assessment and risk control measures (RCSA) and recording events/ collection data regarding losses - identifying and reporting operational risk events;
- Reporting/ monitoring risks through early warning system based on key indicators for measuring risks;
- Risk management by:
  - Avoiding risk - by failure to engage in significant risk-bearing activities or difficult to monitor and predicting future events that may cause the loss and the prevention of loss events - e.g. interruption of risky activities;
  - Mitigating risk by preventing or specific impact of a particular event; ex. intensifying the control actions, restructuring processes, replacing IT systems, contingency management;
  - Transfer risk to third parties through insurance policies and outsourcing contracts;
  - Acceptance of risk;
  - The process of escalation and continuation of the activity/ crisis management.

5.3 Information on the structure and organization of the risk management function

The risk management function, part of the Bank's internal control system is exercised in the Risk Management Department, which reports to Board of Directors and has functional subordination reporting to the General Director for daily activities. During 2018, within the Risk Management Department have carried out its activity eight employees, organized within the following units: Credit Risk Unit, Market Risk, Operational Risk, Credit Appraisal Unit and Information Security Unit.

Risk Management Department informs monthly Board of Directors and the Bank Management, and on a quarterly basis or whenever necessary the Risk Management Committee, on the significant risks to which the Bank is exposed.

In 2018 three Risk Management Committee meetings were held regarding the monitoring of risks.

5.4 Transactions with affiliated entities

Affiliated entities include at least:

- **a.** any entity in which the Bank holds control;
- **b.** any entity in which the Bank has holdings in the capital;
- **c.** any entity which holds control on the Bank;
- **d.** any entity in which the entities mentioned at point c. either holds control or has holdings in the capital;
- **e.** shareholders possessing qualifying holdings in the Bank's capital;
- **f.** any entity in which the entities mentioned at point e), either holds control or has holdings in the capital;
- **g.** members of the Bank's management body, as well as relevant key management personnel, together with:
  - entities which those have/possess direct or indirect interests in and;
  - close members of their family, who may be expected to influence or be influenced by them in their dealings with the Bank -they may include: the individual's domestic partner and children; children of the individual's domestic partner; dependents of the individual or of the individual's domestic partner.

A number of banking transactions with affiliated parties were performed in the normal course of operations and were concluded at the market price.

6. THE BASIS OF CONSOLIDATION OF THE BANK

The basis of prudential consolidation of Marfin Bank Romania (SA) as of 31.12.2018 included only Marfin Bank Romania SA 100%.
The financial statements are individual, according to international and Romanian accounting standards.
The responsible authority for supervision on individual basis of the Bank is National Bank of Romania.

Template 1: UE LI1 allows identification of the differences between the accounting and prudential consolidation perimeters and puts in correspondence the categories of items presented in the financial statements with the regulated risk categories.

	a	b	c	d	e	f	g
			Carrying values of items				
	Carrying values as reported in published financial statements	Carrying values under the scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances at central banks	235,209,031.00	235,209,031.00	511,127,495.00	-	-	-	-
Placements to banks	336,899,935.00	336,899,935.00	103,551,989.00	-	-	-	-
Loans to customers	822,328,798.00	822,328,798.00	834,317,944.00	-	-	-	-
Held-to-maturity financial investments	307,186,317.00	307,186,317.00	252,253,855.00	-	-	-	-
Receivables regarding the current tax on profit	2,972,170.00	2,972,170.00	428,025.00	-	-	-	-
Receivables regarding the deferred tax on profit	10,948,417.00	10,948,417.00	6,569,050.00	-	-	-	4,379,367.00
Available-for-sale financial investments	3,676,803.00	3,676,803.00	3,676,803.00	-	-	-	-
Intangible assets	2,376,937.00	2,376,937.00	-	-	-	-	2,376,937.00
Tangible assets	7,536,508.00	7,536,508.00	7,536,508.00	-	-	-	-
Other financial assets	31,432.00	31,432.00	31,432.00	-	-	-	-
Other assets	270,118,000.00	270,118,000.00	270,118,000.00	-	-	-	-
Total assets	**1,999,284,348.00**	**1,999,284,348.00**	**1,989,611,101.00**	**-**	**-**	**-**	**6,756,304.00**
Liabilities							
Deposits from banks	66,748,373.00	-	-	-	-	-	66,748,373.00
Deposits from customers	1,633,693,431.00	1,633,693,431.00	17,428,529.00	-	-	-	1,616,264,902.00
Subordinated debts	-	-	-	-	-	-	-
Other financial liabilities	3,586,089.00	3,586,089.00	-	-	-	-	3,586,089.00
Other liabilities	2,571,517.00	2,571,517.00	-	-	-	-	2,571,517.00
Provizioane pentru riscuri si cheltuieli	2,271,727.00	2,271,727.00	-	-	-	-	2,271,727.00
Total liabilities	**1,708,871,137.00**	**1,642,122,764.00**	**17,428,529.00**	**-**	**-**	**-**	**1,691,442,608.00**

Template 2: EU LI 2 presents the main sources of differences between the accounting values presented in the financial statements and the exposure values used for regulatory purposes.

	a	b	c	d	e
		Items subject to			
	Total	Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value mount under the scope of regulatory consolidation (as per template EU LI1)	1,999,284,348.00	1,992,528,044.00			
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	-	-			
Total net ampunt under the regulatory scope of consolidation	1,999,284,348.00	1,992,528,044.00			
Off-balance-sheet amounts	182,758,455.00	46,661,290.00			
Differences in valuations	-	-			
Differences due to differente netting rules than those already included in row 2	-	-			
Differences due to consideration of provisions	-	-			
Differences due to prudential filters	(4,379,367.00)	(4,379,367.00)			
Differneces du eto intangibles	(2,376,937.00)	(2,376,937.00)			
Exposures amounts considered for regulatory	**2,175,286,499.00**	**2,032,433,030.00**	**-**	**-**	**-**

7. SIGNIFICANT INFORMATION REGARDING THE FINANCIAL AND OPERATIONAL RESULTS

The significant information regarding the financial results of the bank for the year 2018 are presented in the annual individual Financial Statements prepared in accordance with IFRS, which are published on the bank's web-site and contain the following main elements:

- Balance sheet
- Income statement
- Cash flows
- Movements of the equity
- Notes

As at the end of the year 2018, the level of the key-indicators registered by the bank was presented in the annual individual Financial Statements for the year 2018 prepared in accordance with IFRS, which are published on the bank's web-site.

8. INFORMATION REGARDING THE OWN FUNDS

The components elements of the Total own funds as well as the main objectives of the Bank in this respect are mentioned in the note 3.7 from the annual individual Financial Statements for the year 2018 published on the bank's web-site.

The Own Funds of the Bank consist of Tier1 and Tier 2 items. The Tier 1 capital of an institution consists of the sum of the Common Equity Tier 1 capital and Additional Tier 1 capital of the bank.

Common Equity Tier 1 items of the bank consist of the following:

- share capital
- retained earnings;
- other reserves (legal, general banking risk, etc.);

Bank deducts from the Tier 1 items the following:

- carried losses
- intangible assets
- deferred tax assets

Bank does not have Tier 2 items. The subordinated debts that were qualified in previous years as Tier 2 instruments have been converted into share capital.

Subject to the legislation in force, bank shall at all times satisfy the following own funds requirements:

- Common Equity Tier 1 capital ratio of 8.69 %;
- Tier 1 capital ratio of 11.59 %;
- Total capital ratio of 15.46 %.

Bank shall calculate the capital ratios as follows:

- Common Equity Tier 1 capital ratio is the Common Equity Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount;
- Tier 1 capital ratio is the Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount;
- Total capital ratio is the own funds of the institution expressed as a percentage of the total risk exposure amount.

Total risk exposure amount shall be calculated as the sum of:

- the risk weighted exposure amounts for credit risk
- the own funds requirements, determined for foreign-exchange risk;
- the own funds requirements, determined for operational risk;

Moreover, as of January 1, 2016 the provisions of Order No. 12/2015 of the National Bank of Romania on the capital conservation buffer and the anti-cyclic capital buffer are applied so that credit institutions must meet the requirements of maintaining a capital buffer equal to a certain percentage of the total value of exposure to risk as follows: 0.625% applicable in 2016, 1.250% applicable in 2017 and 1.875% applicable in 2018.

In this context, as outlined at article 355 of the Guidelines on Common Procedures and Methodologies for the Supervisory Review and Evaluation Process (SREP) of Credit Institutions issued by the European Banking Authority, the Overall Capital Requirement (OCR) consists of the TSCR requirement, the buffer requirements set out in the Capital Requirements Directive and the additional own funds requirements to cover macro-prudential risks.

Also, according to the provisions of Order no. 4 / 09.05.2018 of the National Bank of Romania, starting 30 June 2018, credit institutions must meet the requirements for maintaining a systemic risk capital buffer in accordance with the methodology set out in the annex to the Order (2% in the case of Marfin Bank Romania SA).

Consequently, the overall capital requirement for Total Tier 1 equity (Tier 1 ORC) is composed of the TSCR requirement for the Tier 1 equity ratio and the capital buffer requirements (capital buffer applicable in 2018 at a rate of 1.875%, or capital buffer for 2% systemic risk at consolidated level as of 30.06.2018).

Reconciliation of the Common Tier 1 and Supplementary Tier 1, as well as elements of Tier 2, prudential filters and deductions applicable in line with articles 32-35, 36, 56, 66 and 79, from Regulation UE 575/2013, of the Total Own Funds with the elements of the Financial Statements of the Bank is presented in the Appendix 5 of the present report.

90-92, Emanoil Porumbaru street, Floors 3-6, district 1, Bucharest, Romania
Tel: (4021) 206 42 00, Fax (4021) 206 42 83
CUI 10556861, J40/4436/1998, Banking Register No. RB-PJR-40-044/18.02.1999.
Social Capital RON 421,143,290.

9. INFORMATION RELATED TO THE CAPITAL ADEQUACY

9.1. Capital requirements

The capital requirements are calculated using the approaches defined by the European Committee through specific regulations for credit risk, market risk and operational risk. The Bank uses the standardized approach to determine the minimum capital requirements for credit risk. The calculation of capital requirements is conducted in accordance with Regulation 575 / 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms with subsequent modifications and NBR Regulation No. 5 / 12.20.2013 on prudential requirements for credit institutions with subsequent modifications.
The Bank determines minimum capital requirements, where applicable, for the trading, counterparty and currency risk in accordance with Regulation 575 / 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms with subsequent modifications.
In order to determine the minimum capital requirement for operational risk, the Bank adopted the basic indicator approach. The calculation of capital requirements is conducted under the provisions of Regulation 575 / 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms with subsequent modifications.

The table below shows the total risk weighted assets of MARFIN BANK (Romania) SA as of 31.12.2018:

Template 4: EU OV1 – Overview of RWAs

			RWA		Capital requirements
			31.12.2018	**31.12.2017**	**31.12.2018**
	1	Credit risk (excluding CCR)	**983,275,539**	**775,566,664**	**62,045,333**
Article 438 (c) and (d)	2	Of which the standardised approach	983,275,539	775,566,664	62,045,333
Article 438 (c) and (d)	3	Of which the foundation IRB (FIRB) approach	0		0
Article 438 (c) and (d)	4	Of which the advanced IRB (AIRB) approach	0		0
Article 438 (d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	0		0
Article 107 Article 438 (c) and (d)	6	CCR	0		0
Article 438 (c) and (d)	7	Of which mark to market	0		0
Article 438 (c)	8	Of which original exposure	0		0

and (d)					
	9	Of which the standardised approach	0		0
	10	Of which internal model method (IMM)	0		0
Article 438 (c) and (d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	0		0
Article 438 (c) and (d)	12	Of which CVA	0		0
Article 438 (e)	13	Settlement risk	0		0
Article 449 (o) and (i)	14	Securitisation exposures in the banking book (after the cap)	0		0
	15	Of which IRB approach	0		0
	16	Of which IRB supervisory formula approach (SFA)	0		0
	17	Of which internal assessment approach (IAA)	0		0
	18	Of which standardised approach	0		0
Article 438 (e)	19	Market risk	0		0
	20	Of which the standardised approach	0		0
	21	Of which IMA	0		0
Article 438 (e)	22	Large exposures	0		0
Article 438 (f)	23	Operational risk	**91,146,943**	**121,168,825**	**7,291,755**
	24	Of which basic indicator approach	91,146,943	121,168,825	7,291,755
	25	Of which standardised approach	0		0
	26	Of which advanced measurement approach	0		0
Article 437 (2), Article 48 and Article 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)	0		0
Article 500	28	Floor adjustment	0		0
	29	**Total**	**1,074,422,482**	**896,735,489**	**85,953,799**

Anti-cyclic shock buffer of the credit institution's specific capital

The anti-cyclic capital buffer is a macro-prudential tool for preventing and limiting excessive credit growth and indebtedness to the nongovernmental sector.

Credit institutions shall maintain a specific countercyclical buffer, equivalent to the institution's total exposure amount, multiplied by the weighted average of the rates of the countercyclical damping. This buffer shall consist of own basic Tier 1 holdings in addition to the requirements imposed by Regulation (EU) No. 575/2013.
The rate of the counter-cyclical buffer of the credit institution shall be equal to the weighted average of the rates of the anti-cyclical buffer applied in the jurisdictions in which the relevant credit exposure of the credit institution is located.
For the purpose of calculating the weighted average, credit institutions shall apply to each rate of buffer applicable in a jurisdiction the ratio obtained by reporting its total own funds requirements for credit risk corresponding to exposures located in that jurisdiction to total own funds requirements for the credit risk related to all its relevant credit exposures.
For the year 2018, the rate of the anti-cyclic buffer imposed by the National Bank of Romania for exposures located in Romania was 0%.

Table 1
Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

		General credit exposures		Trading book exposures		Securitisation exposures		Own funds requirements				Weightings for own funds requirements	Countercyclical buffer
		Exposure value for SA	Exposure value for IRB approach	Sum of long and short position of the trading book	Exposure value in the trading book for internal models	Exposure value for SA	Exposure value for IRB approach	Of which: general credit exposures	Of which: trading book exposures	Of which: securitisation exposures	Total		
		010	020	030	040	050	060	070	080	090	100	110	120
010	Breakdown by country												
	Romania	1,871,542,806						72,704,333			72,704,333	92.43%	0.00%
	Belgium	243,752						12,819			12,819	0.02%	0.00%
	Cyprus	367,457						13,744			13,744	0.02%	0.00%
	France	5,000						150			150	0.00%	0.00%
	Germany	260,309						7,429			7,429	0.01%	0.00%
	Greece	227,201,393						4,467,501			4,467,501	5.68%	0.00%
	Hungary	99,998						-			-	0.00%	0.00%
	Italy	139,336						885			885	0.00%	0.00%
	Switzerland	71,149,606						1,138,394			1,138,394	1.45%	0.00%
	Netherlands	266,010						7,323			7,323	0.01%	0.00%
	United States	3,985,837						309,465			309,465	0.39%	0.00%
	Israel	24,997						-			-	0.00%	0.00%
020		2,175,286,501						78,662,043			78,662,043		

Table 2
Amount of institution-specific countercyclical capital buffer

Row		Column
		010
010	Total risk exposure amount	1,074,422,482
020	Institution-specific countercyclical capital buffer rate	0.0000%
030	Institution-specific countercyclical capital buffer	-

9.2 Internal Capital Adequacy Assessment Process ("ICAAP")

According to Basel III Capital Adequacy Framework, Pillar I sets the ways of measuring risks, especially credit, market and operational risks and aims to the alignment of the capital requirements with the risks undertaken.
The above rules are completed by Pillar II, which sets the requirements for monitoring, assessing and controlling all material risks to which credit institutions are exposed. Those requirements are associated with the Internal Capital Adequacy Assessment Process (ICAAP) applied by credit institutions.

The Bank recognizes the importance of an effective Internal Capital Adequacy Assessment Process (ICAAP). The development and implementation of ICAAP aims at ensuring the adequacy of the credit institutions' own funds for covering the various types of material risks which they are exposed to, as a result of their business activities.

The ICAAP objectives are:

- the proper identification, measurement, control and overall assessment of all material risks;
- the development of the appropriate systems for the measurement and management of those risks;
- the internal evaluation of the capital required for the mitigation of risks ("internal capital").

In this respect, the bank has developed an internal regulatory framework respectively the Policy regarding the Internal Capital Adequacy Assessment Process (ICAAP).

The bank performed the ICAAP exercise for the year 2018 by estimating the relevant internal capital for all major risk types. The ICAAP contains the following:

- Risk profile assessment
- Risk measurement and internal capital adequacy assessment
- Stress testing development, analysis and evaluation
- ICAAP reporting framework
- ICAAP documentation

The Bank has recognized and analysed under the ICAAP the following risks to which it is exposed, including also the regulatory risks (for which the capital requirement may be adjusted/differently approached): credit risk including the concentration risk on debtor/group of debtors learn and on activity sector, residual risk and foreign currency risk related to borrowers exposed to currency risk, operational risk, market risk - currency risk , liquidity risk, interest rate risk in the banking book, strategic and business risk, reputational risk, compliance risk and other uncontrollable risks. Internal capital requirements are computed per each risk type, then summed up for all the risks and compared with the assessed internal capital. Calculations were based on the methodologies that have already been developed in the ICAAP Framework. Results showed that the bank has sufficient capital to cover the material risks that it is exposed to in its business activities, registering a level of the total capital adequacy ratio of 16.28% above the limit established through the ICAAP Policy.

9.3 Stress testing Policy

The Bank performs stress testing for the following significant risk categories:

- Credit risk (including credit concentration risk);
- Market risk (foreign exchange and interest rate risk);
- Liquidity risk;
- Operational risk;
- Reputational risk.

Stress testing complements other risk management tools used by the Bank, its main role being to assist the management body in assessing their view of risks, identifying risk concentrations or taking/planning mitigating actions.

The objectives of the stress testing process as an integrated process of the risk management framework are as follows:

- Assess the possible financial impact of extreme but plausible events in relation to the Bank's risk appetite;
- Identify underlying causes of potential extreme events (control failures etc.);
- Check the reasonableness of the Bank's risk (internal) capital calculations;
- Identify main risk drivers and inter-dependences between risk drivers and the business cycle;
- Forward looking tool for the ICAAP/ capital planning process;
- Setting/ assessment of the appropriateness of the system of risk limits used / risk profile;
- Develop/ enhance contingency capital and funding plans;
- Take pre-emptive action to protect the Bank.

The measures that the management body could implement when considering the Bank's risk exposure compared to the risk appetite/ risk tolerance or business strategy or objectives in the context of the stress testing process are:

- Reviewing the set of limits, especially for the risks which are subject to regulatory limits;
- Implementation/ enhancement of risk mitigation techniques;
- Reducing exposures or business in specific sectors, countries, regions or portfolios;
- Reconsidering the funding policy;
- Reviewing capital adequacy;
- Implementing contingency plans.

Regarding **credit risk**, for the stress testing exercise, the current IFRS 9 impairment methodology for estimation of probability of default was used in order to obtain stressed values. The PD curve is obtained by forecasting the shift between the TTC and PIT matrices, driven by the current economic position and forecasted macroeconomic variables. The EBA adverse macroeconomic GDP stress scenarios (https://www.esrb.europa.eu/mppa/stress/shared/pdf/esrb.20180131_EBA_stress_test_scenario__macrofinancial.en.pdf?43a5f3c6c04f2daa03bd950b55d8897b) were used for Romania in order to build stressed PD curves.

For the LGD parameter, the collateral values for RRE and CRE were adjusted using the EBA stressed scenarios for these asset classes, as mentioned in the following document: https://www.esrb.europa.eu/mppa/stress/shared/pdf/esrb.20180131_EBA_stress_test_scenario__macrofinancial.en.pdf?43a5f3c6c04f2daa03bd950b55d8897b

For staging, the stress testing assumption was that the probability of an exposure to move from one stage to another is closely linked to the change in the probability of default from one period to another. Hence, we shift the transition rates with a standard normal variable. When the probability of default increases, more exposures will move from st2 to st3 and from st1 to st3 and less will stay in the previous stage or move back to stage 1 (stage 3 was assumed to be an absorbing stage, according to the EBA stress testing methodology i.e., no cure possible).

In developing **operational risk** stress test scenarios, were considered the following categories of events:

- Business disruption due to a power outage
- Damage or destruction of Head Office following an earthquake
- Automatic Clearing House (ACH) payments system interruption
- Errors registered under IT Applications - ATMs
- Internal fraud events
- Increase of litigations and losses of the bank.

For the **foreign exchange risk** stress testing exercise, the Bank analyses the effects of foreign exchange rates fluctuations and open currency position increase, in the form of potential loss and supplementary capital requirements for the corresponding open currency position, with final impact on solvability.
In order to conduct stress tests for the **interest rate risk in the banking book**, the Bank analyses the effects of interest rates changes using scenarios based on standard regulatory methodology (changing of economic value) and scenarios based earnings perspective.
For the purpose of the **liquidity risk** stress testing exercise, the Bank uses the underlying scenario and assumptions that are embedded in the Liquidity Coverage Requirement (LCR) as per the EU Capital Requirements Regulation (CRR). As per the regulatory proposals (Basel 3 text), the underlying scenario for the LCR entails a combined idiosyncratic (institution specific) and market-wide shock.
Also, the Bank assesses the potential impact of the stress tests scenarios performed during the annual business plan process on the level of the leverage indicator.

10. COUNTERPARTY CREDIT RISK EXPOSURE

In order to have an efficient management of counterparty credit risk, the Bank has established a set of counterparty limits. The list of counterparty limits is maintained and updated at Risk Management Department level. In order to implement the new counterparty limits or increase existing limits, the approval of the Board of Administrators is required. Limits monitoring is performed by Risk Management Department which reports to bank management.

Counterparty limits are established based on an analysis that also includes counterparty credit rating of financial institutions. Ratings are provided by external rating agencies, namely Moody's known, Standard & Poor's and Fitch. The set of limits is reviewed in accordance with the bank workload and financial market conditions.
Please note that at the end of 2018 the Bank held no derivatives financial instruments / trading portfolio.

11. ADJUSTMENTS FOR CREDIT RISK (EXPECTED CREDIT LOSSES)

11.1 Definitions and general information

The exposures to non-financial Customers are classified under 3 (three) stages considering the below criteria:

	Exposures	Individually/Collectively assessed
1	Stage 1	If, at the reporting date, the credit risk on the financial instrument has not increased significantly since initial recognition
2	Stage 2	If, at the reporting date, the credit risk on the financial instrument has increased significantly since initial recognition. The indicators representing significant increase in credit risk are: Quantitative indicators: • Days past due - more than 30 days past due since origination compared with the reporting date; • Risk class - downgrade by at least one notch in risk since origination compared with the reporting date; Qualitative indicator: Forborne exposures
3	Stage 3	Defaulted exposures

Based on the IFRS 9 exemption of "low credit risk", the Bank & Sovereign exposures which are investment grade are classified as STAGE 1 and the Bank & Sovereign exposures which are not investment grade are classified as STAGE 2 and are assigned a lifetime probability of default.

11.2 Expected credit loss calculation (Adjustments for impairment)

11.2.1 Expected credit loss for non-financial Customers

As of 2018, the expected credit losses for loans portfolio were calculated according to IFRS 9 principles. The bank has elaborated its own policy regarding impairment of financial assets for the purposes of preparing MBR's individual financial statements in accordance with IFRS.

- According to the internal Procedure, the Bank has calculated 3 categories of expected credit losses: Stage 1: if, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank measured the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses;
- Stage 2: If, at the reporting date, the credit risk on a financial instrument has increased significantly since initial recognition, the Bank measured the loss allowance for that financial instrument at an amount equal to lifetime expected credit losses;
- Stage 3: expected credit losses for defaulted exposures;

11.2.2 Bank & Sovereign exposures

The Bank had as at 31.12.2018 exposures to Banks (money markets and other deposits) domestic & foreign, as well as bonds issued by the Romanian State. The expected credit losses for Banks & Sovereign exposure were calculated according to IFRS 9 principles

According to the internal Procedure, the Bank has calculated 2 categories of expected credit losses:

- Stage 1: for exposures in stage 1 to which a 12 Month probability of default is assigned for ECL calculations;
- Stage 2: for exposures in stage 2 to which a lifetime probability of default is assigned for ECL calculations;

11.3 Credit risk mitigation techniques

The Bank employs a comprehensive collateral management process based on documented procedures along with appropriate credit risk mitigation techniques. This thesis is also supported by the fact that appropriate procedures for loan and collateral documentation/administration are in place. Moreover the Legal Department controls and provides advice on collaterals accepted by the Bank along with general legal assistance in collateral administration in terms of documentation and alignment with laws and regulatory requirements.

Also, for the purpose of managing the credit risk, the Bank fulfils the following legal requirements:

- Ensures that the collateral are legally enforceable in all jurisdictions which are relevant at the time of the conclusion of the credit agreement;
- Ensures that the collateral contracts are valid, i.e. all legal requirements for concluding the contracts are met.

The collateral revaluation is performed during the collateral periodic reviews. The evaluation methods used are compliant with the International Evaluation Standards and internal regulations corresponding to the collateral evaluation processes. As per the provisions of the internal procedure, the Bank performs regular revaluation of the immovable assets by approved external evaluators. The frequency for regular revaluation of immovable properties is stipulated as 3 years for residential properties and 1 year for all other properties.

The Bank accepts all types of collaterals according to the internal Procedures and NBR Norms.

The collaterals accepted by the Bank are personal and real: mortgages on immovable properties: residential properties, commercial properties and lands, mortgages on movable properties: on current accounts, on collateral deposits, on equipment, assignments of: insurance policies, rental contracts, Sale-Purchase contracts, commercial contracts, payment instruments, letters of guarantee from financial institution and other types of collaterals easy to be evaluated and slightly sensitive to the economic evolutions and possible to enforce taking into consideration the market frame.

In accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, Marfin Bank Romania (SA) accepts the following instruments for mitigation of credit risk:

- Unfunded credit protection (guarantees) from: central administrations and central banks, regional administrations and local authorities, credit institutions;
- Funded credit protection: cash deposits, debt securities and material collaterals: residential and commercial real estate properties, other physical collaterals.

11.3.1 Revaluation of material collaterals

The estimation of the market value of the collaterals accepted by the bank is performed according to the stipulations of the "Guide for evaluation of collaterals on lending" issued by ANEVAR (Romanian National Valuators Association) and the provisions of International Financial Reporting Standards, in compliance with the requirements from NBR regulations (Regulation no. 16/2012 and Regulation no.5/2013 with its further amendments).

The estimation of the market value (equal to the fair value) of collaterals is performed periodically in order to:

- deduct the collaterals value from the exposure within the computation of necessary credit risk provisions;
- recognize the value of collaterals that can be taken into account as credit risk mitigation, when determining the risk weighted value of exposures, in order to compute the minimum capital requirements for credit risk.

The values of the collaterals have to be monitored frequently as follows:

a) in case of residential real estates the valuation has to be performed at least once at every three years and for the commercial real estates the valuation has to be performed once per year.

b) in case of tangible goods the valuation has to be performed at least once per year.

In addition, valuation of collaterals may be necessary during the validity of the loan in certain specific cases (when are analysed operations of replacing existing exposures or when are analysed new operations having joint collaterals with other existing loans), according to Bank's regulations. The valuation of collaterals is performed by external valuators or internal valuators of the bank, members of ANEVAR (Romanian National Valuators Association).

Information on exposure value covered by financial collateral, other collateral, guarantees and credit derivatives are understood as information on outstanding secured exposures and the secured amount within those exposures. Related information as of 31.12.2018 are presented below:

Template 18: EU CR3 – CRM techniques – Overview

		Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	1,174,379,963	693,720,221	644,606,189	49,114,032	0
2	Total debt securities	307,186,317	0	0	0	0
3	**Total exposures**	**1,481,566,280**	**693,720,221**	**644,606,189**	**49,114,032**	**0**
4	out of which	5,232,267	52,341,931	52,341,931	0	

	defaulted						0

Template 19: EU CR4 – Standardised approach – Credit risk exposure and CRM effects

		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	Exposure classes	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
1	Central governments or central banks	507,327,272	0	537,983,167	364,136	12,148,381	2.26%
2	Regional governments or local authorities	0	0	0	0	0	0.00%
3	Public sector entities	0	0	0	0	0	0.00%
4	Multilateral development banks	0	0	0	0	0	0.00%
5	International organisations	0	0	0	0	0	0.00%
6	Institutions	301,326,795	66,694	301,326,795	1,092,357	60,537,186	20.02%
7	Corporates	307,687,262	82,812,284	307,687,262	29,148,658	329,711,379	97.88%
8	Retail	209,819,541	99,810,529	187,519,752	16,021,665	133,258,439	65.47%
9	Secured by mortgages on immovable property	245,658,424	0	228,746,997	0	76,582,151	33.48%
10	Exposures in default	57,505,250	68,948	84,205,197	46,198	61,248,620	72.70%
11	Items associated with particularly high risk	0	0	0	0	0	0.00%
12	Covered bonds	0	0	0	0	0	0.00%
13	Claims on institutions and corporates with a short-term credit assessment	35,570,168	0	35,570,168	0	17,785,084	50.00%
14	Collective investments undertakings	0	0	0	0	0	0.00%
15	Equity exposures	0	0	0	0	0	0.00%
16	Other exposures	327,633,334	0	327,633,334	0	292,004,300	89.13%
17	**Total**	**1,992,528,046**	**182,758,455**	**2,010,672,672**	**46,673,014**	**983,275,539**	**47.79%**

11.4 General quantitative information on credit risk

Template 7: EU CRB-B – Total and average net amount of exposures

		Net value of exposures at the end of the period	Average net exposures over the period
15	**Total IRB approach**	**0**	**0**
16	Central governments or central banks	507,327,272	673,702,139
17	Regional governments or local authorities	0	0
18	Public sector entities	0	0
19	Multilateral development banks	0	0
20	International organisations	0	0
21	Institutions	301,393,489	134,622,972
22	Corporates	390,499,546	400,122,757
23	*Of which: SMEs*	*291,590,798*	*327,281,940*
24	Retail	309,630,070	226,704,321
25	*Of which: SMEs*	*193,570,180*	*118,902,859*
26	Secured by mortgages on immovable property	245,658,424	246,901,683
27	*Of which: SMEs*	*45,274,134*	*43,777,969*
28	Exposures in default	57,574,198	72,794,378
29	Items associated with particularly high risk	0	0
30	Covered bonds	0	0
31	Claims on institutions and corporates with a short-term credit assessment	35,570,168	28,746,596
32	Collective investments undertakings	0	0
33	Equity exposures	0	0
34	Other exposures	327,633,334	315,595,130
35	**Total standardised approach**	**2,175,286,501**	**2,099,189,975**
36	**Total**	**2,175,286,501**	**2,099,189,975**

Template 8: EU CRB-C – Geographical breakdown of exposures

		Europe	Romania	Other European countries	Other geographical areas	Total
6	**Total IRB approach**	**0**	**0**	**0**	**0**	**0**
7	Central governments or central banks	507,327,272	507,327,272			**507,327,272**
8	Regional governments or local authorities	0				**0**
9	Public sector entities	0				**0**
10	Multilateral development banks	0				**0**
11	International organisations	0				**0**
12	Institutions	301,393,489	40,081,148	261,312,341		**301,393,489**
13	Corporates	390,499,546	390,449,554	49,992		**390,499,546**
14	Retail	309,396,682	307,615,601	1,781,081	233,388	**309,630,070**
15	Secured by mortgages on immovable property	245,557,780	244,653,767	904,013	100,644	**245,658,424**
16	Exposures in default	57,574,198	57,458,931	115,267		**57,574,198**
17	Items associated with particularly high risk	0				**0**
18	Covered bonds	0				**0**
19	Claims on institutions and corporates with a short-term credit assessment	35,570,168		35,570,168		**35,570,168**
20	Collective investments undertakings	0				**0**
21	Equity exposures	0				**0**
22	Other exposures	323,956,531	323,956,531		3,676,803	**327,633,334**
23	**Total standardised approach**	**2,171,275,666**	**1,871,542,804**	**299,732,862**	**4,010,835**	**2,175,286,501**
24	**Total**	**2,171,275,666**	**1,871,542,804**	**299,732,862**	**4,010,835**	**2,175,286,501**

Exposures less than or equal to 0.5% of total exposures have been included in "Other European countries" and "Other geographical areas".
The column "Other European Countries" groups together exposures in the following countries: Belgium, France, Greece, Cyprus, Germany, Netherlands, Italy and Hungary.
The column "Other geographical areas" groups together exposures in the following countries: Israel and United States of America.

Template 9: EU CRB-D – Concentration of exposures by industry or counterparty types

		Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas, steam and air conditioning supply	Water supply	Construction	Wholesale and retail trade	Transport and storage	Accommodation and food service activities	Information and communication	Real estate activities	Professional, scientific and technical activities	Administrative and support service activities	Public administration and defence, compulsory social security	Education	Human health services and social work activities	Arts, entertainment and recreation	Other services	Total
6	**Total IRB approach**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
7	Central governments or central banks														307,186,317					307,186,317
8	Regional governments or local authorities																			0
9	Public sector entities																			0
10	Multilateral development banks																			0
11	International organisations																			0
12	Institutions																			0
13	Corporates			89,177,696			24,561,936	96,535,728				76,550,249							60,825,517	347,651,127
14	Retail	5,749,987		15,910,916			18,825,263	67,303,334		935,836	4,635,688	50,955,394							26,921,811	191,238,230
15	Secured by mortgages on immovable property	1,197,654		1,174,622			1,931,673	18,693,912		120,860	1,023,662	14,408,791							3,872,649	42,423,825
16	Exposures in default	0		16,288,345			1,308,756	12,284,610		0		7,802,136							5,532,583	43,216,431
17	Items associated with particularly high risk																			0
18	Covered bonds																			0

19	Claims on institutions and corporates with a short-term credit assessment																			0
20	Collective investments undertakings																			0
21	Equity exposures																			0
22	Other exposures														10,313,438					10,313,438
23	**Total standardised approach**	**6,947,641**	**0**	**122,551,580**	**0**	**0**	**46,627,628**	**194,817,585**	**0**	**1,056,696**	**5,659,351**	**149,716,570**	**0**	**0**	**317,499,755**	**0**	**0**	**0**	**97,152,560**	**942,029,367**
24	**Total**	**6,947,641**	**0**	**122,551,580**	**0**	**0**	**46,627,628**	**194,817,585**	**0**	**1,056,696**	**5,659,351**	**149,716,570**	**0**	**0**	**317,499,755**	**0**	**0**	**0**	**97,152,560**	**942,029,367**

The exposures reported above are presented net of exposures to "Financial and insurance assets "in amount of RON 584,506,837, exposures to "Households" in amount of RON 331,430,400 and RON 317,319,896 exposures that cannot be associated to a specific counterparty.

Template 10: EU CRB-E – Maturity of exposures

		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
6	**Total IRB approach**	**0**	**0**	**0**	**0**	**0**	**0**
7	Central governments or central banks		315,910,407	191,416,865	0	0	507,327,272
8	Regional governments or local authorities						0
9	Public sector entities						0
10	Multilateral development banks						0
11	International organisations						0
12	Institutions		301,326,795	0	0	0	301,326,795
13	Corporates	0	188,544,730	39,201,046	79,941,486	0	307,687,262
14	Retail	0	51,967,252	30,336,658	127,515,631	0	209,819,540
15	Secured by mortgages on immovable property	0	21,297,969	23,283,139	201,077,315	0	245,658,423
16	Exposures in default	0	36,568,577	9,680,847	11,255,827	0	57,505,250
17	Items associated with particularly high risk						0
18	Covered bonds						0
19	Claims on institutions and corporates with a short-term credit assessment		35,570,168	0	0	0	35,570,168
20	Collective investments undertakings						0
21	Equity exposures						0
22	Other exposures		320,096,826	7,536,508	0		327,633,334
23	**Total standardised approach**	**0**	**1,271,282,723**	**301,455,062**	**419,790,259**	**0**	**1,992,528,045**
24	**Total**	**0**	**1,271,282,723**	**301,455,062**	**419,790,259**	**0**	**1,992,528,045**

Template 11: EU CR1-A – Credit quality of exposures by exposure class and instrument

		Gross carrying values of						Net values
		Defaulted exposures (a)	Non-defaulted exposures (b)	Specific credit risk adjustment (c)	General credit risk adjustment (d)	Accumulated write-offs	Credit risk adjustment charges of the period	(a+b-c-d)
15	**Total IRB approach**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
16	Central governments or central banks	0	507,705,386	378,114	0	0	189,658	507,327,272
17	Regional governments or local authorities	0	0	0	0	0	0	0
18	Public sector entities	0	0	0	0	0	0	0
19	Multilateral development banks	0	0	0	0	0	0	0
20	International organisations	0	0	0	0	0	0	0
21	Institutions	0	301,431,486	37,997	0	0	42,502	301,393,489
22	Corporates	0	394,205,789	3,706,243	0	5,569,570	15,423,299	390,499,546
23	*Of which: SMEs*	*0*	*294,200,680*	*2,609,882*	0	5,569,570	*14,063,218*	*291,590,798*
24	Retail	0	312,107,175	2,477,105	0	0	13,152,552	309,630,070
25	*Of which: SMEs*	*0*	*194,404,801*	*834,621*	0	0	*2,151,180*	*193,570,180*
26	Secured by mortgages on immovable property	0	248,148,016	2,489,592	0	0	4,244,580	245,658,424
27	*Of which: SMEs*	*0*	*45,475,858*	*201,724*	0	0	*294,630*	*45,274,134*
28	Exposures in default	102,376,287	0	44,802,089	0	8,962,054	21,461,633	57,574,198
29	Items associated with particularly high risk	0	0	0	0	0	0	0
30	Covered bonds	0	0	0	0	0	0	0
31	Claims on institutions and corporates with a short-term credit assessment	0	35,710,653	140,485	0	0	875,055	35,570,168
32	Collective investments undertakings	0	0	0	0	0	0	0

90-92, Emanoil Porumbaru street, Floors 3-6, district 1, Bucharest, Romania
Mailing address: P.O.Box 22-155, RO, Bucharest
Tel: (4021) 206 42 00, Fax (4021) 206 42 83
CUI 10556861, J40/4436/1998, Banking Register No. RB-PJR-40-044/18.02.1999.
Social Capital RON 281.328.290.

33	Equity exposures	0	0	0	0	0	0	0
34	Other exposures	0	408,773,846	81,140,512		0	0	327,633,334
35	**Total standardised approach**	**102,376,287**	**2,208,082,351**	**135,172,137**	**0**	**14,531,624**	**55,389,280**	**2,175,286,501**
36	**Total**	**102,376,287**	**2,208,082,351**	**135,172,137**	**0**	**14,531,624**	**55,389,280**	**2,175,286,501**
37	Of which: Loans	102,307,339	1,717,771,430	134,803,734	0	14,531,624	55,212,545	1,685,275,035
38	Of which: Debt securities	0	307,554,720	368,403	0	0	176,735	307,186,317
39	Of which: Off-balance-sheet exposures	68,948	182,756,201	0	0	0	0	182,825,149

Template 12: EU CR1-B – Credit quality of exposures by industry or counterparty types

		Gross carrying values of		Specific credit risk adjustment (c)	General credit risk adjustment (d)	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures (a)	Non-defaulted exposures (b)					(a+b-c-d)
1	Agriculture, forestry and fishing	0	6,971,605	23,963.89	-	-	53,324	6,947,641
2	Mining and quarrying	0	0		-	-	-	0
3	Manufacturing	23,316,807	107,676,603	8,441,829.59	-	5,569,570	14,531,929	122,551,580
4	Electricity, gas, steam and air conditioning supply	0	0		-	-	-	0
5	Water supply	0	0		-	-	-	0
6	Construction	2,322,475	45,511,989	1,206,835.27	-	-	695,056	46,627,628
7	Wholesale and retail trade	18,097,475	183,488,944	6,768,834.39	-	7,330,701	4,859,694	194,817,585
8	Transport and storage	0	0	0.00	-	-	-	0
9	Accommodation and food service activities	1,185,910	1,057,379	1,186,592.71	-	-	76,127	1,056,696
10	Information and communication	0	5,683,225	23,874.63	-	-	29,302	5,659,351
11	Real estate activities	19,637,225	143,201,413	13,122,067.53	-	726,536	7,949,703	149,716,570
12	Professional, scientific and technical activities	0	0	0.00	-	-	0	0
13	Administrative and support service activities	0	0	0.00	-	-	0	0

14	Public administration and defence, compulsory social security	0	317,499,755	0.00	-	-	176,735	317,499,755
15	Education	0	0	0.00	-	-	0	0
16	Human health services and social work activities	0	0	0.00	-	-	0	0
17	Arts, entertainment and recreation	0	0	0.00	-	-	0	0
18	Other services	12,207,225	92,095,506	7,150,170.53	-	-	2,406,679	97,152,560
19	**Total**	**76,767,116**	**903,186,419**	**37,924,168.53**	**-**	**13,626,808**	**30,778,550**	**942,029,367**

The exposures reported above are presented net of exposures to "Financial and insurance assets" in amount of RON 584,506,837, exposures to "Households" in amount of RON 331,430,400 and RON 317,319,896 exposures that cannot be associated to a specific counterparty.

Template 13: EU CR1-C – Credit quality of exposures by geography

		Gross carrying values of		Specific credit risk adjustment (c)	General credit risk adjustment (d)	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures (a)	Non-defaulted exposures (b)					(a+b-c-d)
1	Europe	102,376,288	2,204,071,213	135,171,834	-	14,531,624	56,766,126	2,171,275,666
2	Romania	102,215,681	1,904,272,519	134,945,396	-	14,531,624	56,746,626	1,871,542,804
3	Other European countries	160,607	299,798,694	226,438	-	-	19,500	299,732,862
4	Other geographical areas	-	4,011,138	303	-	-	131	4,010,835
5	**Total**	**102,376,288**	**2,208,082,351**	**135,172,137**	**-**	**14,531,624**	**56,766,257**	**2,175,286,501**

Template 14: EU CR1-D – Ageing of past-due exposures

		Gross carrying values					
		≤ 30 days	**> 30 days ≤ 60 days**	**> 60 days ≤ 90 days**	**> 90 days ≤ 180 days**	**> 180 days ≤ 1 year**	**> 1 year**
1	Loans	91,112,328	20,699,731	17,672,527	6,424,852	13,685,545	51,059,409
2	Debt Securities	0	0	0	0	0	0
3	**Total exposures**	**91,112,328**	**20,699,731**	**17,672,527**	**6,424,852**	**13,685,545**	**51,059,409**

Template 15: EU CR1-E – Non-performing and forborne exposures

		Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
			Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing exposures		On non-performing exposures	Of which forborne exposures
						Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		
010	Loans	307,554,720	0	0	0	0	0	0	(368,403)	0		0	0	0
020	Debt Securities	1,404,499,924	1,311,257,357	47,673,123	93,242,567	93,242,567	93,242,567	58,539,815	(9,392,919)	(1,631,411)	(35,737,317)	(22,162,354)	57,505,250	82,419,173
030	Off-balance-sheet exposures	182,758,455	0	0	68,948	68,948	0	0	(505,790)	0	(34,474)	0	0	0

Template 16: EU CR2-A – Changes in the stock of ECL

		Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1	Opening balance	56,273,780	0
2	Increases due to amounts set aside for estimated loan losses during the period	54,282,065	0
3	Decreases due to amounts reversed for estimated loan losses during the period	(42,439,109)	0
4	Decreases due to amounts taken against accumulated credit risk adjustments	(14,715,180)	0
5	Transfers between credit risk adjustments	0	0
6	Impact of exchange rate differences	73,473	0
7	Business combinations, including acquisitions and disposals of subsidiaries	0	0
8	Other adjustments	0	0
9	**Closing balance**	53,475,029	0
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	(3,322,561)	0
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	635	0

Template 17: EU CR2-B – Changes in the stock of defaulted and impaired loans and debt securities

		Gross carrying value defaulted exposures
1	**Opening balance**	**142,913,484**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	12,962,779
3	Returned to non-defaulted status	(7,438,757)
4	Amounts written off	(14,531,624)
5	Other changes	(31,529,595)
6	**Closing balance**	**102,376,287**

90-92, Emanoil Porumbaru street, Floors 3-6, district 1, Bucharest, Romania
Mailing address: P.O.Box 22-155, RO, Bucharest
Tel: (4021) 206 42 00, Fax (4021) 206 42 83
CUI 10556861, J40/4436/1998, Banking Register No. RB-PJR-40-044/18.02.1999.
Social Capital RON 281.328.290.

12. MARKET RISK EXPOSURE

MARFIN BANK (ROMANIA) S.A. does not have a trading portfolio. Consequently, the Bank does not calculate capital requirements for market risk related to trading portfolio. The only capital requirements relating to market risk are those for open foreign currency position, which are calculated in accordance with Regulation 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms with subsequent amendments. Due to the fact that the total net open currency position was less than 2% of the bank's own funds no capital requirements (Pillar 1) were necessary for currency risk at 31.12.2018.

The Bank uses the exposure method (Value at Risk) for monitoring currency risk. VaR values are used internally as a tool for risk management. Risk Management Department calculates daily VaR for the open foreign currency position using a confidence interval of 99% and holding period of 1 day. VaR calculation is done on the assumption that variations of individual risk factors (exchange rates) have a normal distribution. The average daily VaR indicator for the last three months and annualized values of VaR are also calculated.

13. EQUITY EXPOSURES NOT INCLUDED IN THE TRADING BOOK

Shares that are not included in the trading portfolio are included in banking book portfolio. Investments in shares included in banking book portfolio are recognized at their fair value as follows:

Share	Issuer	Currency	Acquisition Cost	Fair Value (RON equivalent)
Shares	Biroul de Credit	RON	6,381.10	31,431.84
Shares	Visa Inc.	USD	-	3,130,800.60
Shares	Visa Inc.	EUR	-	546,002.87

14. INTEREST RATE RISK

For the purposes of monitoring and reporting the potential impact of interest rate risk, Risk Management Department is responsible for drafting the report on the spread between interest rates. The report aims to assess interest rate risk in terms of earnings (unrealized earnings / loss in the event of a change in the yield curve across all maturities and for each significant currency from the balance sheet) and also from the economic value perspective (changes of economic value).

Interest rate risk in terms of earnings variation due to changing of interest rates curves by a shock of +/- 200 basis points is +/- RON 7,572,868. Values are calculated for a period of one year with monthly buckets in order to reduce errors, balance sheet items are treated at book value, net of provisions.

The potential change of bank's economic value is calculated using the methodology set out in NBR Regulation 5/2013. This involves parallel changing (increase or decrease) of interest rates with 200 basis points for all maturities.

On 31.12.2018 the potential change of Bank's economic value as a result of changing interest rates levels with standard shock of 200 basis points is RON 7,952,018, representing 2.83of the bank's own funds. The calculation is performed by adding weighted net positions, in absolute value, calculated for different currencies.
The Bank has no trading portfolio.

15. LEVERAGE EFFECT

Leverage effect is a financial technique which has as scope the improvements of the ROE. The leverage ratio is calculated in order to reduce the bank's liabilities through the set-up of a minimum level of the equity versus the bank's assets.

The leverage effect makes a connection between the ROA and ROE. Its multiplier effect on the ROE is known as "leverage effect".

The calculation mode and the items included is similar with the solvency ratio but in a simplified manner based on accounting data, not adjusted in terms of risk. The scope of monitoring this ratio is to control the risk of an inflated balance sheet.

The leverage ratio has two objectives: first is to limit the excessive leverage effect and the second to action as a protective mechanism for the capital requirements.

Leverage ratio = Capital (Tier 1)/Total exposures (not-adjusted) > 6%

Bank monitors the level and the modifications of leverage ratio, and also the associated risk as part of the ICAAP process.
Regulation UE 575/2013, established uniform rules regarding the general prudential requirements as follows:

- own funds requirements regarding the quantifiable items, uniform and standardized of credit risk, market risk, operational risk and settlement risk
- requirements regarding the limitation of large exposures
- requirements regarding the liquidity, regarding the quantifiable items, uniform and standardized of the liquidity risk
- reporting requirements regarding the own funds, large exposures, liquidity and leverage effect
- requirements regarding the information publishing.

Leverage effect represents the relative dimensions of assets items and off-balance sheet items in relation to the own funds of the bank.
The associated risk of excessive leverage effect means the risk resulted from the vulnerability towards an leverage effect which can lead to not-estimated measures to correct the business plan.

Leverage effect is defined as: „capital requirements" (numerator), divided at "level of exposure" (nominator). The leverage ratio shall be calculated as bank's capital measure (Tier 1 capital) divided by bank's total exposure measure (the sum of the exposure values of all assets and off-balance sheet items) and shall be expressed as a percentage.

Bank shall determine the exposure value of off-balance sheet items, in accordance with following conversion factors:

- the conversion factor to be applied to the nominal value for undrawn credit facilities, which may be cancelled unconditionally at any time without notice, is 10
- the conversion factor for medium/low risk trade finance related off-balance sheet items is 20 %;
- the conversion factor for medium risk trade finance related off-balance sheet items is 50 %;
- the conversion factor for all other off-balance sheet items is 100 %.

The level of the Leverage ratio calculated for the end of 2018 is presented in the list with the key-indicators from the annual individual Financial Statements for the year 2018 prepared in accordance with IFRS, which are published on the bank’s web-site.

16. REMUNERATION POLICY

The basic principles of the remuneration framework applied within the Bank are defined in the Remuneration Policy. The Policy is accessible and applicable to all employees of the Bank, and it is characterised by clarity and transparency, based on the Bank`s long term objectives and strategy and general results, values and long-term interests including the Bank`s control environment.

16.1 Incentives and remuneration/ compensation structure of the Bank

The remuneration within Marfin Bank (Romania) SA contains:

- A fixed part - represented by the paid annual salary
- A variable part – represented by the incentives/ bonuses

The fixed remuneration (annual salary) is the Salary and other regular earnings, in the form of regular monetary payments, which remunerate the proper performance of employee, in terms of his professional competences at the level set in the annual performance indicators.

The variable remuneration is a combination of remuneration schemes intended to:

a) Increase employee engagement in the achievement of the Bank’s long-term objectives,
b) Recognize employee performance over a long-term basis while discouraging excessive risk taking,
c) Encourage employees to take into account the long term interests of the institution’s shareholder,
d) Ensure a fair distribution of the extra value between shareholders and employees and,
e) Retain and attract high performers.

The variable remuneration involves the following:

Cash Bonus Scheme (Distributed as Exceptional or Normal), which takes the form of cash payment.

There are two types of cash payments within the Cash Bonus Scheme in Marfin Bank Romania (SA):

- Exceptional Cash Bonus - this is distributed to employees of the Identified and Non-Identified

(Special) Groups

- Normal Cash Bonus - this is distributed to employees in the Non-Identified (Regular Group) who have an appraisal score that reflects excellent, very good and good performance

Guaranteed variable remuneration is not part of prospective remuneration plans.
Variable Compensation is subject to vesting, claw back and malus criteria. Variable remuneration may be retracted at its entire value or partially in the case of a proved fraud or when performance evaluation is based on the information of further possibility of being inconsistently incorrect.

16.2 Information related to compensation policies and practices tor those categories of staff whose professional activities have a significant impact on the risk profile

The credit institution decided to establish a Nomination Committee, formed by the members of the Management Body of the Bank that do not have an executive function in the credit institution, in charge to periodically evaluate, at least once a year, the knowledge, competencies and work experience of each member of the Management Body of the Bank and of the Management Body of the Bank as a whole, and report to the latter accordingly.

16.2.1 Information on the relationship between the total remuneration and performance

The Remuneration Policy within the Bank is connected with the Performance Appraisal Procedure.
Thus, the performance appraisal process is properly formalized and transparent for employees.
According to Performance Appraisal Procedure, the performance appraisal system focuses on the following two basic elements:

- Results: The extent to which quantitative and qualitative goals, which flow from and are aligned with the team objectives and the strategic goals of the Bank, are realized. Individual goals are directly linked with the employee’s Job Description and to the Key Performance Indicators of the job.
- Behaviours: These are directly related to and flow from predetermined Competencies (Shared Competencies: Customer Service Orientation, Teamwork & Cooperation, Compliance with Procedures, Flexibility, Initiative and Achievement Orientation), and Management Competencies: Developing Others, Leadership, Impact & Influence and Change Management).

In view of the above, the performance appraisal system assesses both the degree to which the individual achieves results – “WHAT” – as well as “HOW” these results are achieved.

16.2.2 Design features of the remuneration system

The fixed remuneration system within the Bank it is based on the following criteria:

- Job Evaluation – value of job position.
- Potential of the employee.
- Market Value.
- Fixed compensation paid by competition for similar job positions and employee abilities.
- Collective Agreements (where applicable)
- Local employment legislation (Labour Code).

The variable compensation is a combination of compensation schemes intended to:

a) Increase employee engagement in the achievement of the Bank’s long-term objectives,

b) Recognize employee performance over a long-term basis while discouraging excessive risk taking,
c) Encourage employees to take into account the long term interests of the institution,
d) Ensure a fair distribution of the extra value between shareholders and employees and,
e) Retain and attract high performers.

Measuring performance used to calculate variable remuneration components or pools of variable remuneration components includes an adjustment for all types of current and future risks and takes into account the cost of capital and liquidity necessary.

Variable Compensation is subject to vesting, claw back and malus criteria which include the following:

- When there is evidence of misbehaviour or serious error by the staff member (e.g. breach of code of conduct and other internal rules, especially concerning risks and compliance) from which have resulted loses for the Bank;
- When the Bank and/or the organizational structure in which the staff member works registers low or negative financial performance;
- When the employee leaves the Bank;
- When there are significant changes in the Bank's economic or regulatory capital base;
- When staff failed to observe proper standards of good reputation, and experience;
- Manipulation of results / window dressing practices.

16.2.3 The relationship between the fixed and the variable remuneration

In case of Identified Staff, respectively the Executive Members of the Board of Administration, Members of the Management Committee, the rapport between the fixed and the variable remuneration is established as follows:

- The maximum ratio on the variable component in relation to the fixed component is set at 100%.
- At least 40% of the variable component (up to 60% for very large amounts) is deferred over a period of 3 years and vested on a pro rata basis of 1/3 per year.

In case of Identified Staff – Internal Control Functions, other staff deemed to have a significant impact on the risk profile of the bank:

- The maximum ratio on the variable component in relation to the Fixed Component is set at **50%.**
- At least 40% of the variable component is deferred over a period of 3 years and vested on a pro-rata basis of 1/3 per year.

As regards the first deferred part, it must not be exercised within 12 months of the start of the deferral period. The deferral period ends when entitlement to the variable remuneration was granted or if the amount was reduced to zero because of a malus agreement.

16.2.4 Information regarding the performance criteria underpinning the right to shares, options or other variable components of remuneration

The Bank has not granted in 2018 shares, options or other variable component related to the variable remuneration component.

16.2.5 Variable remuneration

- Must not be paid by means or methods that are not in accordance with the Bank organizational culture, long-term objectives and strategy and internal control framework
- Has to be aligned with the risk strategy of the Bank, the size of the Bank and its internal organization and activities
- Starts from assessing the Bank's performance and organizational structure in which it operates and the individual performance.
- Does not limit the Bank`s capacity to strengthen its capital base / liquidation in order for it to comply with the prudential requirements of the regulator on capital ratios and liquidity;
- It is not paid through means or methods that facilitate the circumvention of the regulations in force
- Allocation of variable compensation components will be made taking into account all current and future risks
- It should not exceed 100% of the fix component of total remuneration for each identified staff
- In case of misconduct, the Bank may decide to cancel granting it, depending on the type of offense.

16.2.6 Aggregate quantitative information on remuneration, per field of activity

Consolidated remuneration within the Bank (Gross RON):	Average no of beneficiaries	01.01.2018 - 31.12.2018
Marfin Bank (Romania) SA	226	27,603,511

16.2.7 Aggregated quantitative information on remuneration to the members of the management and members of staff whose actions have a significant impact on the risk profile of the institution

Marfin Bank (Romania) SA (Gross RON):	No of beneficiaries	01.01.2018 -31.12.2018
Fixed remuneration - members of the management function	4	1,881,143
Variable remuneration - members of the management function	4	0
Fixed remuneration - members of the staff with significant impact	23	6,995,446
Variable remuneration - members of the staff with significant impact	23	0

The Bank has not paid variable remuneration during the financial year 2018 to the members of the management function and to those staff whose actions have a significant impact.

The deferred, due and unpaid remuneration was not granted within the Bank in 2018.

The deferred remuneration paid and lowered expanded via performance adjustments it was not granted within the Bank in 2018.

Within the Bank were not granted payments related to new hires, but the Bank paid compensatory payments to 2 (two) employees for the termination of employment contracts during the financial year 2018.

The Bank did not grant any payments related to the termination of the labour contract as retirement allowance to its employees.

16.2.8 Number of employees who received a remuneration of EUR 1 million or more per financial year

The Bank had no employees during the financial year 2018 to benefit from a remuneration of EUR 1 million or more per financial year, broken down by salary foresee of EUR 500,000 for remuneration between EUR 1 million and EUR 5 million and foresee salary EUR 1 million for remuneration greater than or equal to EUR 5 million.

Annex 1

The Statement of Marfin Bank (Romania) SA Management regarding the risk profile of the bank in 2018

Developing a solid culture regarding risk management represents one of the main strategic objectives of Marfin Bank (Romania) SA, this being promoted at the level of each line of activity having responsibilities related to risk management and risk control, as well as at the level of operational structures and each person within the institution.
Risk management includes determining, for all activities conducted by the Bank, of the **risk appetite**, ensuring business continuity conditions are sound and prudent. The sizing target risk profile is made annually, considering market conditions and macroeconomic, past performance (historical) and strategy Marfin Bank (Romania) SA timeframe immediately following (12 months). In 2018, Marfin Bank (Romania) SA assumed the following levels of risk:

Risk category	**Level**
Credit risk	Medium
Residual risk	Medium
Credit concentration risk	Medium
FX lending risk	Low
Market risk (FX all books)	Low
IRRBB	Low
Funding liquidity risk	Low to medium
Operational risk	Low to medium
Compliance risk	Medium
Reputational risk	Low to medium
Settlement risk	Low
Strategic & business risk	Medium to high
Withdrawal liquidity risk	Low to medium
Excessive Leverage risk	Low

In order to fulfil the strategic objectives regarding the risk appetite of the Bank, its levels have been transposed into a wide set of operational limits for general and specific risk management indicators.
The credit risk identification occurs when new borrowing transactions are initiated or during the existing transaction. The Bank identifies credit risk derived from counterparty quality and from its credit products. In this respect there were established indicators for the distribution of the credit portfolio by geographical areas, sectors of activity, duration, product types, type of residence, currency, financial performance, beneficial owner, collateral type.
The general and specific indicators were periodically monitored during 2018, the Bank being within the risk appetite assumed.

The indicators mentioned above were monitored periodically during the year 2018.

We mention the following key indicators, at 31.12.2018:

Key Indicator	Level
Total (Regulatory) Capital Ratio	24.93%
Equity Tier 1 ratio	24.93%
Non-performing exposures ratio (EBA definition)	6.64%
Forbearance ratio for loans and advances	7.56%
Weight of FX denominated exposures to unhedged borrowers in total loan portfolio	26.06%
Annualized 3M average of daily FX VaR as a % of own funds	0.09%
Change in economic value as a % of own funds (NBR methodology)	2.94%
Minimum liquidity ratio for buckets under 1 year	3.29
Quick Liquidity	50.95%
LCR	417.63%
NSFR	95.55%
Total financial losses following legal sanctions or authorities penalties, due to infringement of all legal provisions in force during 2018(RON)	1.625
Number of complaints received during 2018	33
Business VaR as % of own funds	6.05%
Regulatory Leverage Ratio	13.21%

MBR was a member of the Laiki Group. During the analyzed period, the Laiki Group was in the process of liquidation under the control of a designated court administrator.

During 2018, the majority shareholder of the Bank changed into Barniveld Enterprises Limited, Nicosia, Cyprus.

The Bank’s exposure towards related parties as of 31.12.2018 is presented in the table below:

RON

Related parties	Gross exposure	Depreciation adjustments	Net exposure
Key function position within the Bank	2,395,294.00	2,550.00	2,392,744.00
Management of the Bank/of the related parties	209,000.00	73.00	208,927.00
MARFIN LEASING IFN SA	30,720,118.00	118,854.00	30,601,264.00
MARFIN BANK (ROMANIA) S.A.	66,694.00	0.00	66,694.00
INVESTMENT BANK OF GREECE	160,462,999.00	29,713.00	160,433,286.00
TOTAL	**193,854,105.00**	**151,190.00**	**193,702,915.00**

90-92, Emanoil Porumbaru street, Floors 3-6, district 1, Bucharest, Romania
Tel: (4021) 206 42 00, Fax (4021) 206 42 83
CUI 10556861, J40/4436/1998, Banking Register No. RB-PJR-40-044/18.02.1999
Social Capital RON 421,143,290

Annex 2

The Statement of Marfin Bank (Romania) SA
Management regarding the adequacy of the risk administration framework in 2018

In compliance with the NBR Regulation no. 5/20.12.2013 regarding prudential requirements for credit institutions with the further modifications, and, more specific, with regards to the requirements stipulated by article 435, lit e.) from the Regulation no. 575/2013 of the European Parliament and Council dated 26.06.2013, regarding prudential requirements for credit institutions and investment companies, with the subsequent modifications, through the present statement, the Management of Marfin Bank (Romania) SA certify that the existing systems for risk management are adequate taking into consideration the risk profile and the strategy of the institution.

The risk administration framework is one of the basic components of the management framework for the Bank, being adapted to the structure of the institution, activity, and the nature and complexity of the risks inherent in the business model. This ensures the effective and prudential management of the Bank, inclusively segregation of duties within the organization, prevention of conflict of interests and, in the same time, follow up the strategic objectives of risk to be placed in the target risk profile of the bank.

MARFIN BANK (ROMANIA) S.A.

Annex 3

The Statement of the Marfin Bank (Romania) SA Management for 2018, regarding the activities which are not usually performed or are not transparent

In compliance with the requirement of the National Bank of Romania Regulation no. 5/2013 regarding prudential requirements for credit institutions with further modifications, more specific with the article 672, respectively with regards to the requirements stipulated by the article 9, the Management of Marfin Bank (Romania) SA certifies that the Bank is not involved in activities that are not usually performed or are not transparent.

90-92, Emanoil Porumbaru street, Floors 3-6, district 1, Bucharest, Romania
Tel: (4021) 206 42 00, Fax (4021) 206 42 83
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Social Capital RON 421,143,290

Annex 4

The Statement of Marfin Bank (Romania) SA Management regarding the measures adopted to ensure adequate and efficient corporate governance in 2018

In compliance with the requirements of the Regulation no. 575/2013 of the European Parliament and Council dated 26.06.2013, regarding prudential requirements for credit institutions and investment companies, with the subsequent modifications, through the present statement, the Management of Marfin Bank (Romania) SA certifies that the Bank permanently analyses its activity in terms of corporate governanace, adopting adequate and efficient measures.

In this respect, Marfin Bank (Romania) SA has developed and updated an internal governance system with the purpose to ensure that all parties interests are fullfiled: shareholders, employees, providers, administrators, customers etc, a system considered to be a mechanism for monitoring the actions, policies and decisions of the Bank.

90-92, Emanoil Porumbaru street, Floors 3-6, district 1, Bucharest, Romania
Tel: (4021) 206 42 00, Fax (4021) 206 42 83
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MARFIN BANK (ROMANIA) S.A.

Annex 5

Report regarding disclosure and transparency requirements related to the Year 2018

Reconciliation between Common Equity Tier 1, Additional Tier 1 and Tier 2 capital instruments, prudential filters and deductions applied according to articles 32-35, 36, 56, 66 and 79 and the balance sheet items of the audited financial statements of the bank

		31.12.2018		31.12.2017	
	Common Equity Tier 1 capital: instruments and reserves	(A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013	(A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
1	Capital instruments and the related share premium accounts	457,314,748		317,499,748	
	of which: Instrument type 1	457,314,748		317,499,748	
	of which: Instrument type 2				
	of which: Instrument type 3				
2	Retained earnings	(193,187,328)		(197,906,416)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	8,741,557		7,640,095	
3a	Funds for general banking risk	7,568,064		7,568,064	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1				
	Public sector capital injections grandfathered until 1 January 2018				
5	Minority Interests (amount allowed in consolidated CET1)				
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	9,976,171		5,706,618	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments reglementare**	**290,413,212**		**140,508,109**	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)				
8	Intangible assets (net of related tax liability) (negative amount)	(2,376,937)		(1,132,870)	
9	Empty Set in the EU				
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)	(4,379,367)		(3,284,525)	
11	Fair value reserves related to gains or losses on cash flow hedges				
12	Negative amounts resulting from the calculation of expected loss amounts				
13	Any increase in equity that results from securitised assets (negative amount)				
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing				
15	Defined-benefit pension fund assets (negative amount)				
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)				
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)				
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)				
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)				
20	Empty Set in the EU				
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative				
20b	of which: qualifying holdings outside the financial sector (negative amount)				
20c	of which: securitisation positions (negative amount)				
20d	of which: free deliveries (negative amount)				
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)				
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				
24	Empty Set in the EU				
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)	(2,609,539)		(2,433,306)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment				

26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468				
	Of which: …filter for unrealised loss 1				
	Of which: …filter for unrealised loss 2				
	Of which: …filter for unrealised gain 1				
	Of which: …filter for unrealised gain 2				
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR				
	Of which: …				
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)			(2,703,442)	
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**(9,365,843)**		**(9,554,143)**	
29	**Common Equity Tier 1 (CET1) capital**	**281,047,369**		**130,953,966**	
	Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts				
31	of which: classified as equity under applicable accounting standards				
32	of which: classified as liabilities under applicable accounting standards				
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1				
	Public sector capital injections grandfathered until 1 January 2018				
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties				
35	of which: instruments issued by subsidiaries subject to phase out				
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	-		-	
	Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)				
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)				
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)				
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold net of eligible short positions) (negative amount)				
41	Regulatory adjustments applied to additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)				
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			(283,217)	
	Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc	-		(283,217)	
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013				
	Of which items to be detailed line by line, e.g. Reciprocal cross holdings in Tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc				
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	-		(2,420,225)	
	Of which: …possible filter for unrealised losses				
	Of which: …possible filter for unrealised gains				
	Of which: … prudential filters			(2,420,225)	
	Of which: … favourable conditions operations	-		-	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)				
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**		**(2,703,442)**	
44	**Additional Tier 1 (AT1) capital**	-		-	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**281,047,369**		**130,953,966**	
	Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	-		186,388,000	
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 and AT1 instruments not included in rows 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				
51	**Tier 2 (T2) capital before regulatory adjustments**	**-**		**186,388,000**	

	Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)				
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)				
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)				
54a	Of which new holdings not subject to transitional arrangements				
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements				
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)				
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)				
56a	Residual amounts deducted from Tier 2capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013				
	Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc				
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013				
	Of which items to be detailed line by line, e.g. reciprocal cross holdings in at1 instruments, direct holdings of non significant investments in the capital of other financial sector entities, etc				
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR				
	Of which: …possible filter for unrealised losses				
	Of which: …possible filter for unrealised gains				
	Of which: …prudential filters	-		(2,389,085)	
	Of which: …unrealised gains out of fair value evaluation				
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**		**(2,389,085)**	
58	**Tier 2 (T2) capital**	**-**		**183,998,915**	
59	**Total capital (TC = T1 + T2)**	**281,047,369**		**314,952,881**	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013(i.e. CRR residual amounts)	1,074,422,482		896,735,489	
	Of which: …items not deducted from CET1 (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liablity, indirect holdings of own CET1, etc)				
	Of which: …items not deducted from AT1 items (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc)				
	Items not deducted from T2 items (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own t2 instruments, indirect holdings of non significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)				
60	Total risk weighted assets	1,074,422,482		896,735,489	
	Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	26.16%		14.60%	
62	Tier 1 (as a percentage of risk exposure amount)	26.16%		14.60%	
63	Total capital (as a percentage of risk exposure amount)	26.16%		35.12%	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	3.875%		1.250%	
65	of which: capital conservation buffer requirement	1.875%		1.250%	
66	of which: countercyclical buffer requirement	2.00%		0.00%	
67	of which: systemic risk buffer requirement				
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer				
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	17.47%		6.55%	

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)				
73	Direct and indirect holdings by the institution of the CET 1 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)				
74	Empty Set in the EU				
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)				
Applicable caps on the inclusion of provisions in 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)				
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach				
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				
83	— Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)				
84	— Current cap on T2 instruments subject to phase out arrangements				
85	— Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)				

Accounting balance sheet and Own Funds reconciliation

	Accounting balance	Amounts relevant for Own Funds purposes
ASSET ITEMS		
Intangible assets	2,376,937.00	(2,376,937.00)
Deferred tax assets	10,948,417.00	(4,379,367.00)
LIABILITIES		
Share capital	457,314,748.00	457,314,748.00
Reserves	14,441,013.00	12,130,451.00
Valuation reserves	1,868,608.00	1,569,631.00
Carried forward result	(193,187,328.00)	(193,187,328.00)
Net Profit (Loss) for the year	9,976,171.00	9,976,171.00
Total Own Funds		281,047,369.00

Annex 6

Report regarding disclosure and transparency requirements related to the Year 2018

Reconciliation of the leverage ratio total exposure measure to the relevant information in published financial statements

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		Applicable Amount	
		31.12.2018	**31.12.2017**
1	Total assets as per published financial statements	2,182,042,805	2,036,083,189
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation		
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)		
4	Adjustments for derivative financial instruments		
5	Adjustment for securities financing transactions (SFTs)		
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	(127,236,626)	(43,516,358)
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)		
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)		
7	Other adjustments		(9,478,783)
8	**Leverage ratio total exposure measure**	2,054,806,179	1,983,088,048

Table LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		31.12.2018	**31.12.2017**
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	1,999,284,350	1,969,057,180
2	(Asset amounts deducted in determining Tier 1 capital)	(6,756,304)	(4,700,612)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	1,992,528,046	1,964,356,568
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)		
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)		
EU-5a	Exposure determined under Original Exposure Method		
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework		
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)		
8	(Exempted CCP leg of client-cleared trade exposures)		
9	Adjusted effective notional amount of written credit derivatives		
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
11	**Total derivatives exposures (sum of lines 4 to 10)**		
SFT exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions		
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
14	Counterparty credit risk exposure for SFT assets		
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013		
15	Agent transaction exposures		
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)		
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**		
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	182,758,455	62,247,838
18	(Adjustments for conversion to credit equivalent amounts)	(127,236,626)	(43,516,358)
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	55,521,829	18,731,480
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)			
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))		
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))		

Capital and total exposure mesure			
20	**Tier 1 capital**	281,047,369	130,953,966
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	2,048,049,875	1,983,088,048
Leverage ratio			
22	**Leverage ratio**	13.72%	6.60%
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU-23	Choice on transitional arrangements for the definition of the capital measure		
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013		

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		CRR leverage ratio exposures	
		31.12.2018	**31.12.2017**
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	1,999,284,350	1,964,356,568
EU-2	Trading book exposures		
EU-3	Banking book exposures, of which:		
EU-4	Covered bonds		
EU-5	Exposures treated as sovereigns	507,327,272	731,119,507
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns		
EU-7	Institutions	336,896,963	103,551,988
EU-8	Secured by mortgages of immovable properties	245,658,424	271,506,584
EU-9	Retail exposures	209,819,541	146,434,804
EU-10	Corporate	307,687,262	327,253,398
EU-11	Exposures in default	57,505,250	84,344,988
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	334,389,638	300,145,299