

Alpha Bank Group
Pillar III Disclosures Report for
March 31, 2019



Contents

1	Introduction	3
1.1	<i>General Information</i>	3
1.2	<i>Regulatory Framework</i>	3
2	Capital Management	5
2.1	<i>Capital Adequacy Ratios</i>	5
2.2	<i>IFRS 9 impact</i>	6
2.3	<i>Capital requirements under Pillar I</i>	8
3	Leverage	9
4	Market Risk-IMA approach	10

Index of Tables

Table	ID	Description	Section	Page
Capital Management				
1		Own funds structure	2.1	5
2	-	Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs	2.2	7
3	OV1	Overview of RWAs	2.3	8
Leverage				
4	-	Summary information on leverage ratio	3	9
Market Risk				
5	MR2-B	RWA flow statements of market risk exposures under the IMA	4	10

1 Introduction

This Report provides Pillar III disclosures on the consolidated level of Alpha Bank as required by the regulatory framework for capital and liquidity, established by the Basel Committee on Banking Supervision, also known as Basel 3.

The 31.3.2019 Pillar III Report provides an update to the risk weighted assets, own funds, leverage ratio & market risk information which have a quarterly disclosure frequency in line with the recommendations provided by the European Banking Authority (“EBA”) in its “Final Report on the Guidelines on Disclosure Requirements under Part Eight of Regulation (EU) No 575/2013” (“EBA Guideline”, EBA/GL/2016/11, version 2*) and based on uniform disclosures regarding the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds that were published in January 2018 (EBA Guideline, EBA/GL/2018/01).

1.1 General Information

Alpha Bank is one of the leading banks of the Greek privately owned banking sector and constitutes a consistent point of reference for over 130 years. The Bank offers a wide range of high-quality financial products and services, including retail banking, SMEs and corporate banking, asset management and private banking, distribution of insurance products, investment banking, brokerage and real estate management.

The Parent Company of the Group, Alpha Bank, which was founded in 1879 by John F. Kostopoulos, has its headquarters at 40 Stadiou Street, Athens, and is registered in the Register of Companies with number 6066/06/B/86/05.

Alpha Bank is active in the Greek and international banking market, with presence in the United Kingdom, Cyprus, Albania, and Romania.

1.2 Regulatory Framework

Since November 2014, Alpha Bank having been assessed as “Other Systemically Important Institution” (O-SII) is directly supervised by the European Central Bank (ECB) and the Single Supervisory Mechanism (SSM). The SSM is a system of financial supervision composed of the ECB and national competent authorities (NCAs). The applicable banking regulatory framework in the European Union, the Basel 3 capital framework, was implemented by the “Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms” (Capital Requirements Regulation, or “CRR”) published on June 27, 2013, in combination with the “Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms” (Capital Requirements Directive 4, or “CRD 4”) published on June 27, 2013 that has been transposed into the Greek legislative framework by the Law 4261/2014. The framework on prudential requirements and prudential supervision is effective from 1st January 2014.

The aforementioned framework sets the minimum own funds requirements as follows:

- 4.5% for the Common Equity Tier I ratio (CET 1)
- 6% for the Tier I ratio
- 8% for the Total Capital Adequacy ratio

On top of the minimum own funds requirements, capital buffers are gradually implemented starting from 1.1.2016.

In particular for 2019:

- Capital Conservation buffer to 2.5% (maximum level)
- O-SII buffer (Other systemically important institutions buffer) from 1% to 3%
- Countercyclical buffer from 0% to 2.5%

Regarding O-SII buffer, the Bank of Greece conducts a scoring process, yearly, based on the consolidated FINREP/COREP data. According to this process the Bank, should comply with a buffer of 1% by 2022, applying 0.25% phase-in percentages starting from 2019.

For 2019 the Bank of Greece, as National Competent Authority, set the countercyclical buffer at zero per cent (0%).

2 Capital Management

2.1 Capital Adequacy Ratios

The following table presents the analysis of Own funds structure

Table 1: Own funds structure		(in Euro million)		
Type	31.3.2019	31.3.2019¹	31.12.2018	
Share capital	463	463	463	
Share premium	10.801	10.801	10.801	
Accumulated other comprehensive income (and other)	-3.027	-3.027	-3.094	
<i>Reserves & Retained Earnings</i>	-3.167	-3.167	-3.164	
<i>AFS reserves</i>	139	139	71	
Adjustments due to IFRS 9 transitional adjustments	1.020	1.020	1.140	
Minority interest (transitional)	0	0	0	
PVA	-9	-9	-8	
Common Equity Tier 1 capital before regulatory	9,248	9,248	9,303	
Period Profit	0	28	41	
Intangible assets	-409	-409	-400	
DTA amortization	-740	-737	-671	
Irrevocable payment Commitment	-9	-9	0	
Regulatory adjustments applied to CET 1 due to insufficient additional tier 1 and tier 2 to cover deductions	0	0	0	
Total regulatory adjustments to Common Equity Tier 1	-1,158	-1,127	-1,029	
Common equity tier 1 capital (CET1)	8,090	8,121	8,273	
Hybrid instruments (limit 25 % of Tier I)	15	15	15	
Additional Tier I before regulatory adjustments	15	15	15	
Hybrid instruments transitional	-11	-11	-9	
(-) Goodwill/Intangible investments	0	0	0	
<i>of which deductible from Additional Tier I</i>	-11	-11	-9	
<i>of which deductible from CET1</i>	0	0	0	
Total regulatory adjustments to additional Tier I	-11	-11	-9	
Additional Tier I	5	5	6	
Tier I Capital (CET1 + AT1)	8,095	8,125	8,279	
Subordinated loan	1	1	1	
Hybrid instruments (transitional)	11	11	9	
Tier II capital before regulatory adjustments	11	11	10	
Total regulatory adjustments to Tier II	0	0	0	
Tier II capital	11	11	10	
Total Capital (TC = Tier I + Tier II)	8,106	8,136	8,289	
Total RWA	47,830	47,837	47,640	
Common equity tier 1 Ratio	16.9%	17.0%	17.4%	
Tier I Ratio	16.9%	17.0%	17.4%	
Capital Adequacy Ratio (Tier I + Tier II)	16.9%	17.0%	17.4%	

¹ Including interim profits € 27 million

On 8 February 2019, the ECB informed Alpha Bank that since 1st March 2019 the minimum limit for the Overall Capital Requirement (OCR) is 13.75%, increased by 0.875%, due to the fully phased-in capital conservation buffer and the gradual increase of the O-SII buffer.

The OCR is composed by the minimum own funds requirements (8%), according to article 92(1) of the CRR, the additional Pillar II own funds requirements (P2R), according to article 16(2) (a) of the Regulation 1024/2013/ EU, and the combined buffer requirements (CBR), according to article 128(6) of the Directive 2013/36/EU.

The above minimum ratio should be maintained on a phase-in basis under applicable transitional rules of the CRR/CRD IV, at all times.

2.2 IFRS 9 impact

On 12 December 2017, the EU adopted Regulation No 2395/2017 of the European Parliament and of the Council amending EU Regulation 575/2013, as regards transitional arrangements to mitigate the impact of the introduction of IFRS 9 on regulatory capital and leverage ratios. The new Regulation inserts a new article 473a in CRR which introduces a 5-year transitional period which allows banks to add to the CET1 ratio the post-tax amount of the difference in provisions that will result from the transition to the new IFRS 9 in relation to the provisions that would have been recognized at 31.12.2017 in accordance with IAS 39 ("Static" amount). The weighting factors were set per year at 0.95 in 2018, 0.85 in 2nd, 0.7 in 3rd, 0.5 in 4th and 0.25 in the last year.

Alpha Bank has decided to make use of Article 473a of the above Regulation and will apply the transitional provisions for the calculation of Capital Adequacy on both a standalone and consolidated basis.

The table below shows a comparison of own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9.

Table 3: Comparison of own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 (in Euro million)					
Available capital (amounts)	31.3.2019	31.12.2018	30.9.2018	30.6.2018	31.3.2018
Common Equity Tier 1 (CET1) capital	8,090	8,273	8,762	8,891	8,875
CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,541	6,525	7,090	7,296	7,321
Tier 1 capital	8,095	8,279	8,768	8,897	8,881
Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,541	6,525	7,096	7,302	7,327
Total capital	8,106	8,289	8,778	8,906	8,891
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,556	6,540	7,106	7,311	7,337
Risk-weighted assets (amounts)					
Total Risk-weighted assets	47,830	47,640	48,150	48,079	48,684
Total Risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	46,921	46,588	47,097	47,257	47,710
Capital ratios					
Common Equity Tier 1 ratio (%)	16.9%	17.4%	18.2%	18.5%	18.2%
CET1 ratio (%) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13.9%	14.0%	15.1%	15.4%	15.3%
Tier 1 ratio (%)	16.9%	17.4%	18.2%	18.5%	18.2%
Tier 1 ratio (%) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13.9%	14.0%	15.1%	15.5%	15.4%
Total ratio (%)	16.9%	17.4%	18.2%	18.5%	18.3%
Total ratio (%) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.0%	14.0%	15.1%	15.5%	15.4%
Leverage ratio					
Leverage ratio total exposure measure	62,293	62,015	61,283	59,703	59,481
Leverage ratio	12.99%	13.35%	14.31%	14.90%	14.93%
Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10.74%	10.82%	11.88%	12.54%	12.64%

2.3 Capital requirements under Pillar I

The Group calculates and reports to the designated authorities its capital requirements (Pillar I RWAs) according to the provisions of the CRR and implementing the Technical Standards developed by the EBA on a solo and consolidated basis.

The approaches adopted for the calculation of the capital requirements under Pillar I are determined by the general policy of the Group in conjunction with factors such as the nature and type of risks the Group undertakes, the level and complexity of the Group's business and other factors such as the degree of readiness of the information and software systems.

Capital Requirements are calculated using the following approaches:

- **Credit Risk:** The Group follows the Standardized Approach (STA). The advanced method is used for the valuation of financial collateral.
- **Operational Risk:** The Group follows the Standardized Approach (STA).
- **Market Risk:** A Value at Risk (VaR) model developed at a bank level for the significant exposures and approved by the Bank of Greece. Additionally, the Bank uses the Standardized approach to calculate Market Risk for the remaining, non-significant exposures.

The following template summarises RWA and minimum capital requirements by risk type.

Minimum capital requirement is calculated at 8% of RWA.

Risk Category	RWAs		Minimum capital requirements
	31.3.2019	31.12.2018	31.3.2019
Credit risk (excluding CCR)	40,469	40,455	3,238
Of which the standardised approach	40,469	40,455	3,238
CCR	502	420	40
Of which mark to market	457	135	37
Of which risk exposure amount for contributions to the default fund of a CCP	0	0	0
Of which CVA	46	50	4
Settlement risk	0	0	0
Securitisation exposures in the banking book (after the cap)	94	89	8
Of which standardised approach	94	89	8
Market risk	934	886	75
Of which the standardised approach	12	19	1
Of which IMA	923	867	74
Large exposures	0	0	0
Operational risk	3,812	3,812	305
Of which basic indicator approach	0	0	0
Of which standardised approach	3,812	3,812	305
Amounts below the thresholds for deduction (subject to 250% risk weight)	2,018	1,978	161
Total	47,830	47,640	3,826

3 Leverage

The leverage ratio is defined as Tier 1 capital divided by the total exposure measure and it is a binding requirement from the beginning of 2018. The 'risk of excessive leverage' means the risk resulting from an institution's vulnerability due to leverage or contingent leverage that may require unintended corrective measures to its business plan, including distressed selling of assets which might result in losses or in valuation adjustments to its remaining assets.

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

The following table summarises the Group's leverage ratio as of 31.3.2019:

Table 4: Summary information on leverage ratio (in Euro million)	
Tier I Capital	8,095
Leverage Ratio Total Exposure Measure	62,293
Leverage Ratio	13.0%

The level of the leverage ratio with reference date 31.3.2019 on consolidated basis was at 13%, according to the transitional definition of Tier 1 capital, significantly higher than the 3% minimum threshold.

4 Market Risk-IMA approach

A flow statement explaining the variations in the market RWAs is displayed in the following table.

Table 5a: EU MR2-B – RWA flow statements of market risk exposures under the IMA (in Euro million)

	VaR	SVaR	Total RWAs	Total capital requirements
RWAs at 31.12.2018	202	665	867	69
<i>Regulatory adjustment²</i>	144	472	616	49
RWAs at the previous quarter-end (end of the day)	59	193	251	20
Movement in risk levels	26	-14	12	1
Model updates/changes	1	4	5	0
Other	-1	0	-1	0
RWAs at 31.12.2018 (end of the day)	84	183	267	21
<i>Regulatory adjustment</i>	200	456	656	52
RWAs at 31.3.2019	284	639	923	74

Table 5b: EU MR2-B – RWA flow statements of market risk exposures under the IMA (in Euro million)

	VaR	SVaR	Total RWAs	Total capital requirements
RWAs at 30.9.2018	204	676	880	70
<i>Regulatory adjustment</i>	143	485	628	50
RWAs at the previous quarter-end (end of the day)	61	191	251	20
Movement in risk levels	2	1	1	0
Model updates/changes	0	1	1	0
Other				
RWAs at 31.9.2018 (end of the day)	59	193	251	20
<i>Regulatory adjustment</i>	144	472	616	49
RWAs at 31.12.2018	202	665	867	69

² The regulatory adjustment takes into account the Bank's multiplier in terms of the Internal Model which is embedded in the calculation of the RWAs.