Alpha Bank

Consolidated Pillar III Disclosures

September 30, 2019

ALPHA BANK

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Abbreviation	Definition
BoG	Bank of Greece
CBR	Combined Buffers Requirements
CET1	Common Equity Tier 1
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected Credit Loss
EU	European Union
GL	Guidelines
IFRS	International Financial Reporting Standards
IMA	Internal Model Approach
NCA	National Competent Authorities
OCR	Overall Capital Requirement
O-SII	Other Systemically Important Institution
RWA	Risk Weighted Assets
SME	Small & Medium Enterprises
SSM	Single Supervisory Mechanism
SVaR	Stressed Value at Risk
TSCR	Total SREP Capital Requirements
VaR	Value at Risk

1 Introduction

This Report includes the Pillar III disclosures of Alpha Bank on the consolidated level. The 30.9.2019 Pillar III Report provides information in line with the recommendations of 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*), based also 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) and non – performing and forborne exposures (EBA Guideline, EBA/GL/2018/10).

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 140 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. The Bank is subject to the Greek banking and accounting law and regulation and is supervised by the European Central Bank (ECB) and the Single Supervisory Mechanism (SSM).

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

2 Pillar III disclosures Overview

2.1 Background

Alpha Bank's Pillar III Report is prepared in accordance with the requirements laid down in Part Eight of the "Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms" (Capital Requirements Regulation, or CRR) and 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 IV, or CRD IV).

In January 2015, the Basel Committee on Banking Supervision published the Revised Pillar III Disclosure Requirements, followed by the publication, in December 2016, of the EBA Final Guidelines on disclosure requirements. These Guidelines provide banks with guidance in attaining compliance with the CRR 575/2013 and with the Basel Committee, and are effective from 31.12.2017. Alpha Bank incorporated the enhancements to the extent possible.

Approval and publication

In accordance with the Group's internal governance framework, a "Pillar III Disclosures Policy" has been developed and implemented that ensures consistent and continuous compliance with the disclosure requirements of the regulatory framework (CRR 575/2013, article 431(3)) and best practices.

The adopted policy sets the minimum content of public disclosures presented.

The Bank with the aim to apply, at all times, best practices and cover any new regulatory requirements, revises its disclosure policy on an annual basis or when deemed necessary and updates the extent and type of information provided at each disclosure date accordingly.

The Bank publishes the Pillar III report via its website, within the applicable deadlines. The data included in this report may be different than the respective accounting data, mainly due to differences between the regulatory consolidation and the accounting consolidation and/or differences in the definitions used. However, the Group's financial statements, used together with Pillar III disclosures, complement market participants' information and enhance transparency.

The disclosures included within this report were verified and approved internally in line with the Disclosures Policy which is approved by the Board. Business Units attest to the accuracy and of their data submissions. Consistency checks and reconciliations are performed with accounting and regulatory data. The information in this report is subject to the same level of internal control processes as the information provided by the Group for its financial reporting.

2.2 Single Supervisory Mechanism (SSM)

Since November 2014, Alpha Bank has been assessed as "Other Systemically Important Institution" (O-SII) and, as such, is directly supervised by the ECB in accordance with the SSM framework.

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 (EU), the Basel 3 capital framework, was implemented by the "Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms" (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" (CRD IV) 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 January 1, 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

The maintenance of capital buffers additional to the CET1 capital are required. In particular:

- Capital Conservation buffer stands at 2.5%
- Bank of Greece through Executive Acts set the following capital buffers:
  - Other systemically important institutions (O-SII) buffer, which will gradually rise to 1% from 1.1.2019 to 1.1.2022. For 2019, the O-SII buffer stands at 0.25%.
  - Countercyclical capital buffer 0% for the third quarter of 2019.

3 Capital Management

The Group's Capital Strategy commits to maintain sound capital adequacy both from economic and regulatory perspective. It aims at monitoring and adjusting Group's capital levels, taking into consideration capital markets' demand and supply, in an effort to achieve the optimal balance between the economic and regulatory considerations.

Alpha Bank remains focused on the efficient implementation of its NPE strategy, the NPE plan for 2019-2021 and any potential institutional solutions to reduce further the NPEs of the Greek banking system, are considered crucial as they will have significant impact on the Group's sound capital, profitability and sustainable strategy. The overall Group's Risk and Capital Strategy sets specific risk limits, based on management's risk appetite, as well as thresholds to monitor whether actual risk exposure deviates from the limits set.

The objectives of the Group's capital management policy are to ensure that the Group has sufficient capital to cover the risks of its business, to support its strategy and to comply with regulatory capital requirements, at all times.

3.1 EBA Stress testing

In 2020, a stress test will be carried out for European banks. The European Banking Authority (EBA) will supervise the test for the largest European banks and the ECB will coordinate the test for the banks that are not included in the first category. The results of the tests will be factored in the 2020 Supervisory Review and Assessment Process (SREP). Both tests will take place at the highest level of consolidation, under a common methodology that will be finalized by the end of 2019 according to an EBA announcement. Following relevant notification by the ECB, Alpha Bank will participate in the test, which is expected to begin in early 2020, with its results being announced by July 2020.

3.2 IFRS 9 Capital Impact

On 12 December 2017, the EU adopted Regulation No 2395/2017of 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)	**30.9.2019**	**30.6.2019**	**31.3.2019**	**31.12.2018**	**30.9.2018**
Common Equity Tier 1 (CET1) capital	8,662	8,454	8,090	8,273	8,762
CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,110	6,903	6,541	6,525	7,090
Tier 1 capital	8,666	8,459	8,095	8,279	8,768
Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,110	6,903	6,541	6,525	7,096
Total capital	8,677	8,469	8,106	8,289	8,778
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,125	6,918	6,556	6,540	7,106
Risk-weighted assets (amounts)					
Total Risk-weighted assets	48,105	47,562	47,830	47,640	48,150
Total Risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	47,185	46,632	46,921	46,588	47,097
Capital ratios					
Common Equity Tier 1 ratio (%)	18.0%	17.8%	16.9%	17.4%	18.2%
CET1 ratio (%) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.1%	14.8%	13.9%	14.0%	15.1%
Tier 1 ratio (%)	18.0%	17.8%	16.9%	17.4%	18.2%
Tier 1 ratio (%) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.1%	14.8%	13.9%	14.0%	15.1%
Total ratio (%)	18.0%	17.8%	16.9%	17.4%	18.2%
Total ratio (%) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.1%	14.8%	14.0%	14.0%	15.1%
Leverage ratio					
Leverage ratio total exposure measure	62,821	63,341	62,293	62,015	61,283
Leverage ratio	13.8%	13.4%	13.0%	13.4%	14.3%
leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	11.6%	11.1%	10.7%	10.8%	11.9%

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3.3 Own Funds

The following table presents the analysis of Own funds structure:

Table 2: Own funds structure	(in Euro million)		
Type	**30.9.2019**	**30.9.2019 (1)**	**30.6.2019**
Share capital	463	463	463
Share premium	10,801	10,801	10,801
Accumulated other comprehensive income (and other reserves)	- 2,653	- 2,653	- 2,812
Reserves & Retained Earnings	- 3,159	- 3,159	- 3,158
AFS reserves	506	506	345,959
Adjustments due to IFRS 9 transitional adjustments	1,021	1,021	1,021
Minority interest (transitional)	0	0	0
PVA	- 10	- 10	- 9
Common equity tier 1 capital before regulatory adjustments	**9,623**	**9,623**	**9,464**
Period Profit	82	90	82
Intangible assets	- 442	- 442	- 434
DTA amortization	- 593	- 592	- 648
Irrevocable payment Commitment	- 9	- 9	- 9
Regulatory adjustments applied to common equity tier 1 due to insufficient additional tier 1 and tier 2 to cover deductions	-	-	-
Total regulatory adjustments to common equity tier 1	**- 961**	**- 953**	**- 1,010**
Common equity tier 1 capital (CET1) (1)	**8,662**	**8,671**	**8,454**
Hybrid instruments	15	15	15
Additional Tier I before regulatory adjustments	**15**	**15**	**15**
Hybrid instruments transitional	- 11	- 11	- 11
(-) Goodwill/Intangible investments	-	-	-
of which deductible from Additional Tier I	- 11	- 11	- 11
of which deductible from CET1	-	-	-
Total regulatory adjustments to additional Tier I	- 11	- 11	- 11
Additional Tier I	**5**	**5**	**5**
Tier I Capital (CET1 + AT1)	**8,666**	**8,675**	**8,459**
Subordinated loan	1	1	1
Hybrid instruments (transitional)	11	11	11
Tier II capital before regulatory adjustments	**11**	**11**	**11**
Total regulatory adjustments to Tier II	- 0	- 0	- 0
Tier II capital	**11**	**11**	**11**
Total Capital (TC = Tier I + Tier II)	**8,677**	**8,686**	**8,469**
Total RWA	**48,105**	**48,107**	**47,576**
Common equity tier 1 Ratio	**18.0%**	**18.0%**	**17.8%**
Tier I Ratio	**18.0%**	**18.0%**	**17.8%**
Capital Adequacy Ratio (Tier I + Tier II)	**18.0%**	**18.1%**	**17.8%**

(1) Including interim profit of € 8 million

3.4 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 that 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 is used, 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.

Table 4: EU OV1 – Overview of RWAs			(in Euro million)
Risk Category	**RWAs**		**Minimum capital requirements**
	30.9.2019	**30.6.2019**	**30.9.2019**
Credit risk (excluding CCR)	**40,314**	**40,139**	**3,225**
Of which the standardised approach	40,314	40,139	3,225
CCR	**470**	**413**	**38**
Of which mark to market	433	378	35
Of which risk exposure amount for contributions to the default fund of a CCP	-	-	-
Of which CVA	38	35	3
Settlement risk	**-**	**-**	**-**
Securitisation exposures in the banking book (after the cap)	**111**	**112**	**9**
Of which standardised approach	111	112	9
Market risk	**1,200**	**974**	**96**
Of which the standardised approach	11	9	1
Of which IMA	1,189	965	95
Large exposures	**-**	**-**	**-**
Operational risk	**3,812**	**3,812**	**305**
Of which basic indicator approach	-	-	-
Of which standardised approach	3,812	3,812	305
Amounts below the thresholds for deduction (subject to 250% risk weight)	**2,199**	**2,112**	**176**
Total	**48,105**	**47,562**	**3,848**

4 Leverage

The leverage ratio is defined as Tier 1 capital divided by the total exposure measure and it is a binding requirement since 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 the leverage ratio to the regulatory authorities quarterly and monitors the level and the factors that affect the ratio.

As presented in the following table, the consolidated leverage ratio with reference date 30.9.2019 stood at 13,8% according to the transitional definition of Tier 1 capital, significantly higher than the 3% minimum threshold.

Table 5: Summary information on leverage ratio	(in Euro million)
Tier 1 capital	8,666
Leverage ratio total exposure measure	62,821
Leverage ratio	13.8%

5 Market Risk-IMA approach

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

Table 6a: 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 30.6.2019	**297**	**669**	**965**	**77**
Regulatory adjustment (2)	209	467	675	54
RWAs at the previous quarter-end (end of the day)	**88**	**202**	**290**	**23**
Movement in risk levels	11	124	135	11
Bond Prices Movements	7	25	32	3
Other	- 17	-	- 17	- 1
RWAs at 30.9.2019 (end of the day)	**89**	**351**	**439**	**35**
Regulatory adjustment (2),(3)	164	585	749	60
RWAs at 30.9.2019	**253**	**936**	**1,189**	**95**

Table 6b: 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 31.3.2019	**284**	**639**	**923**	**74**
Regulatory adjustment (2)	200	456	656	52
RWAs at the previous quarter-end (end of the day)	**84**	**183**	**267**	**21**
Movement in risk levels	1	0	2	0
Bond Prices Movements	2	19	21	2
Other	- 0	-	- 0	- 0
RWAs at 30.6.2019 (end of the day)	**88**	**202**	**290**	**23**
Regulatory adjustment (2)	209	467	675	54
RWAs at 30.6.2019	**297**	**669**	**965**	**77**

(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.

(3) The difference in the RWAs is due to the increase in nominal value of the underlying Greek Government bonds during the rollover of the Total Return with the Group Subsidiary Alpha Life as of 28 June 2018. The position is reflected on the RWAs at the previous quarter-end (end of the day) figure, however it is not reflected on the RWAs at 30.6.2019 which takes into account the average VaR and SVaR during the second quarter.