

Alpha Bank

Consolidated Pillar III Disclosures



March 31, 2020



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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 31.3.2020 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).

Unless otherwise stated amounts are presented in Euro million and capital adequacy data include the audited full year profits.

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 aiming to ensure 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 European Central Bank (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 since 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 2020, the O-SII buffer stands at 0.50%.
 - Countercyclical capital buffer 0% for the first quarter of 2020.

Supervisory Review and Evaluation Process (SREP)

According to Council Regulation 1024/2013, ECB conducts annually a Supervisory Review and Evaluation Process (SREP) in order to set prudential and other qualitative requirements to banking institutions.

This process evaluates the:

- Sustainability and viability of business model
- Adequacy of governance and risk management
- Assessment of risk to capital and
- Assessment of risks to liquidity and funding

The minimum capital requirements are determined by the ECB following the assessment of the institution’s risk profile.

For 2020, the minimum limit for the Overall Capital Requirement (OCR) was set to 14%, increased by 0.25%, due to the gradual increase of the O-SII buffer in accordance with a decision that was notified to the Bank on 10 December 2019. The OCR also includes the Pillar 2 requirement (P2R) of 3.0%.

As per the recently announced regulatory measures by EBA and ECB, in view of the COVID-19 outbreak, capital regulatory thresholds for European banking institutions have been relaxed. Specifically, on 12 March 2020, the European Central Bank (ECB) and the European Banking Authority (EBA) announced the following relaxation measures for the minimum capital and liquidity requirements for Banks in the Eurozone:

- Banks are temporarily allowed to operate below the level the Capital Conservation Buffer (CCB) and the Countercyclical Buffer (CCyB),



- Furthermore, the upcoming change under the CRD5 regarding the P2R buffer was brought forward allowing its partial coverage by Additional Tier 1 (AT1) capital and Tier 2 (T2) capital.

Taking into consideration the recent announcements that allow the Bank to operate temporarily at levels below the abovementioned ones, the minimum limit for the Overall Capital Requirement (OCR) is set at 11.5%.



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 2020-2022 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 the regulatory capital requirements, at all times.

3.1 EBA Stress testing

EU-wide stress test is primarily focused on the assessment of the impact of risk drivers on the solvency of banks. Banks are required to stress a common set of risks (credit risk – including securitisations – market risk and counterparty credit risk, operational risk – including conduct risk). The EU – Stress Test is a biannual exercise. However due to the outbreak of COVID – 19 (Coronavirus) and its global spread, EBA decided to postpone until 2021 the EU-wide Stress Test Exercise of 2020 to allow banks to focus on and ensure continuity of their core operations. For 2020, the EBA will carry out an additional EU-wide transparency exercise in order to provide updated information on banks' exposures and asset quality to market participants.

3.2 IFRS 9 Capital 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 applies the transitional provisions for the calculation of Capital Adequacy on both standalone and consolidated basis.

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

Table 1: 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)	31.03.2020	31.12.2019	30.9.2019	30.06.2019	31.3.2019
Common Equity Tier 1 (CET1) capital	7,840	8,495	8,662	8,454	8,090
CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,567	6,943	7,110	6,903	6,541
Tier 1 capital	7,843	8,499	8,666	8,459	8,095
Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,567	6,943	7,110	6,903	6,541
Total capital	8,354	8,510	8,677	8,469	8,106
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,081	6,958	7,125	6,918	6,556
Risk-weighted assets (amounts)					
Total Risk-weighted assets	47,617	47,483	48,105	47,562	47,830
Total Risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	46,876	46,600	47,185	46,632	46,921
Capital ratios					
Common Equity Tier 1 ratio (%)	16.5%	17.9%	18.0%	17.8%	16.9%
CET1 ratio (%) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.0%	14.9%	15.1%	14.8%	13.9%
Tier 1 ratio (%)	16.5%	17.9%	18.0%	17.8%	16.9%
Tier 1 ratio (%) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.0%	14.9%	15.1%	14.8%	13.9%
Total ratio (%)	17.5%	17.9%	18.0%	17.8%	16.9%
Total ratio (%) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.1%	14.9%	15.1%	14.8%	14.0%
Leverage ratio					
Leverage ratio total exposure measure	66,020	63,386	62,821	63,341	62,293
Leverage ratio	11.7%	13.2%	13.8%	13.4%	13.0%
Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10.0%	11.0%	11.6%	11.1%	10.7%

3.3 Own Funds

The following table presents the analysis of Own funds structure:

Table 2: Own funds structure		(in Euro million)	
Type	31.03.2020	31.12.2019	
Share capital	463	463	
Share premium	10,801	10,801	
Accumulated other comprehensive income (and other reserves)	- 2,837	- 2,754	
Adjustments due to IFRS 9 transitional adjustments	841	1,021	
Minority interest (transitional)	0	0	
PVA	- 8	- 9	
Common equity tier 1 capital before regulatory adjustments	9,260	9,522	
Period Profit	- 10	94	
Intangible assets	- 484	- 456	
DTA amortization	- 917	- 656	
Irrevocable payment Commitment	- 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	- 1,420	- 1,028	
Common equity tier 1 capital (CET1) (1)	7,840	8,495	
Hybrid instruments	15	15	
Additional Tier I before regulatory adjustments	15	15	
Hybrid instruments transitional	- 12	- 11	
(-) Goodwill/Intangible investments	-	-	
<i>of which deductible from Additional Tier I</i>	- 12	- 11	
<i>of which deductible from CET1</i>	-	-	
Total regulatory adjustments to additional Tier I	- 12	- 11	
Additional Tier I	3	5	
Tier I Capital (CET1 + AT1)	7,843	8,499	
Subordinated loan	500	1	
Hybrid instruments (transitional)	12	11	
Tier II capital before regulatory adjustments	512	11	
Total regulatory adjustments to Tier II	1	- 0	
Tier II capital	511	11	
Total Capital (TC = Tier I + Tier II)	8,354	8,510	
Total RWA	47,617	47,483	
Common equity tier 1 Ratio	16.5%	17.9%	
Tier I Ratio	16.5%	17.9%	
Capital Adequacy Ratio (Tier I + Tier II)	17.5%	17.9%	

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).
- **Credit Valuation Adjustment (CVA):** The Group follows the Standardized Approach (STA).
- **Counterparty Credit Risk (CCR):** The Group follows the Standardized Approach (STA).
- **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.

The figures below are calculated according to the reporting submissions to the regulator.

Risk Category	RWAs		Minimum capital requirements
	31.03.2020	31.12.2019	31.03.2020
Credit risk (excluding CCR)	40,214	39,733	3,217
Of which the standardised approach	40,214	39,733	3,217
CCR	407	386	33
Of which mark to market	374	359	30
Of which risk exposure amount for contributions to the default fund of a CCP	-	-	-
Of which CVA	33	27	3
Settlement risk	-	-	-
Securitisation exposures in the banking book (after the cap)	73	125	6
Of which standardised approach	73	125	6
Market risk	1,279	1,513	102
Of which the standardised approach	10	14	1
Of which IMA	1,268	1,499	101
Large exposures	-	-	-
Operational risk	3,557	3,557	285
Of which basic indicator approach	-	-	-
Of which standardised approach	3,557	3,557	285
Amounts below the thresholds for deduction (subject to 250% risk weight)	2,064	2,146	165
Total	47,594	47,459	3,808



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 31.03.2020 stood at 11.7% according to the transitional definition of Tier 1 capital, significantly higher than the 3% minimum threshold.

Table 4: Summary information on leverage ratio		(in Euro million)
Tier 1 capital		7,740
Leverage ratio total exposure measure		66,020
Leverage ratio		11.7%

5 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 31.12.2019	307	1,192	1,499	120	
<i>Regulatory adjustment (1)</i>	222	912	1,134	91	
RWAs at the previous quarter-end (end of the day)	85	280	365	29	
Movement in risk levels	- 2	- 2	- 5	- 0	
Bond Prices Movements	- 3	- 9	- 12	- 1	
Other	38	-	38	3	
RWAs at 31.03.2020 (end of the day)	118	269	386	31	
<i>Regulatory adjustment (1)</i>	192	690	882	71	
RWAs at 31.03.2020	309	959	1,268	101	

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 30.9.2019	253	936	1,189	95	
<i>Regulatory adjustment (1)</i>	164	585	749	60	
RWAs at the previous quarter-end (end of the day)	89	351	439	35	
Movement in risk levels	- 2	- 5	- 2	- 0	
Bond Prices Movements	- 0	- 2	- 2	- 0	
Other	- 1	- 64	- 70	- 6	
RWAs at 31.12.2019 (end of the day)	85	280	365	29	
<i>Regulatory adjustment (1)</i>	222	912	1,134	91	
RWAs at 31.12.2019	307	1,192	1,499	120	

(1) 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.