



**Alpha Bank Group**  
**Pillar III Disclosures of the year 2015**  
(In accordance with Regulation (EU) 575/2013)



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## **1 General Information**

### **1.1 Introduction**

The Alpha Bank Group is one of the leading Groups of the financial sector in Greece, with a strong presence in the Greek and international banking market. The Group 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. Costopoulos, 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 operates under the approval of Greek Republic and is subject to the Greek banking and accounting law and the regulation and supervision by the Single Supervisory Mechanism (SSM).

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 with strong position in the Greek banking system and a wide Network in Greece has one of the highest capital ratios in Europe providing a substantial shield against the Greek Financial Crisis repercussions. Following the two consequent (in 2014 and 2015) Comprehensive Assessments (CAs) conducted by the ECB and EBA including both an Asset Quality Review (AQR) and a Stress Test regarding the capital adequacy of European and Greek Banks respectively.

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

With consistency and credibility, Alpha Bank supports individual and business clients contributing to the country's economic recovery.

Following, the acquisition of Citibank's Greek Retail Banking Operations in 2014 the Bank proceeded to a successful recapitalization in 2015 and in March 2016 finalized a transaction regarding the sale of its Bulgarian branch. The recapitalization of the Bank by Euro 2,563 million, which took place on 24.11.2015, led to the change of the shareholders base, due to the significant oversubscription of the required private sector participation. The vast majority of Alpha Bank's shareholder base is composed now of private shareholders while the Hellenic Financial Stability Funds holds a participation at c. 11%.

In addition, the Bank as part of its restructuring plan commitments with regards to non core asset deleveraging, announced in February 17, 2016 the launch of the sale process for the Hilton Athens hotel, while the sale of its F.Y.R.O.M. operations is expected to be completed, by the end of H1 2016.

## 1.2 Regulatory and Legal Framework

Alpha Bank Group, is supervised by the Single Supervisory Mechanism (SSM) according to the new “Capital Adequacy Framework”, widely known as Basel III, as formalized through the EU directive 2013/36, as transposed by the Greek law 4261/2014 and the EU Regulation 575/2013. The framework is effective since 1st January 2014.

### **Single Supervisory Mechanism (SSM)**

The ECB undertook its new supervisory tasks in November 2014. The establishment of the Single Supervisory Mechanism (SSM) is the first step towards the creation of a European Banking Union including components such as a Single Rule Book for the financial services, a new common framework for deposit protection and a single bank resolution mechanism. To this direction ECB was conferred to conduct the prudential supervision of the significant European banks with the Council Regulation 1024/2013.

### **National legal Framework (Laws 4335/2015, 4340/2015 and 4346/2015)**

- **Law 4335/2015**

On 23.7.2015, Law 4335/2015 was voted that incorporates European Directive 2014/59 (BRRD) in relation to recovery and resolution of credit institutions and investment firms. The Directive established a set of rules to deal with banking crises across the EU, in order to avoid significant adverse effects on financial stability and to ensure that shareholders and creditors (including unsecured depositors) will share the burden of a potential recapitalization and/or the liquidation of troubled banks.

In accordance with Law 4335/2015 the Bank of Greece (BoG) is designated as the resolution authority and has the power to apply resolution tools and exercise resolution powers. In this context BoG has the authority to establish the level of the Minimum Requirement of “Own Funds and Eligible Liabilities” (MREL) for each Greek bank.

The main resolution tools provided by the Law in cases where an institution is considered insolvent or under imminent insolvency threat, are the following:

- the sale of business tool,
- the bridge institution tool,
- the asset separation tool (the legal framework states that this tool should be applied only in conjunction with other resolution tools), and
- the bail-in tool (write-down or/and conversion of capital instruments and liabilities which is effective from 1.1.2016).

These tools may be applied individually or in any combination.

However, Law 4335/2015 provides that in cases of exceptional systemic crisis the Ministry of Finance has the ability to provide extraordinary financial support through state financial stabilization measures.

- **Law 4340/2015**

According to the Capital Requirements Regulation, applicable to all European banks, the amount of DTAs that “rely on future profitability” is not eligible for inclusion in the capital base.

However, Greek Law 4303/2014 provides that DTAs that have been or will be recognized due to the debit difference arising from the PSI, the accumulated provisions and other credit risk general losses, that are associated with amounts that existed up to 31 December 2014, can, from 2016 onwards, be converted into a final and settled claim against the State, if, the accounting result for the period, after taxes, is a loss, based on the audited and approved financial statements by the Ordinary Shareholders' General Meeting. As a result, the aforementioned DTAs are not deducted from Common Equity Tier I capital but they are assigned a risk weight of 100%, thereby improving an institution's capital position.

In April 2015, the European Commission announced that it requested information from financial institutions in Spain, Italy, Portugal and Greece, regarding their treatment of DTAs under their national laws.

As a consequence a revision of the legal national framework was introduced by Law 4340/2015. Under the new legislation, the amount of DTA that may be converted into a final and settled claim against the State is limited to the amount related to the debit difference arising from the PSI, and the provisions for credit risk which were accounted until 30 June 2015. In addition, the application of the law was postponed for one year. In December 2015 the DTAs which are treated according to the up-mentioned legal framework amounted to Euro 3,417.1 million and constituted the 78.1% of the Group's total DTAs and the 6.5% of its total risk weighted assets. The Group's CET I stands at 16,7% as of 31.12.2015 while in 2024, assuming the fully loaded Basel III implementation and the current legal provisions, is estimated at 16%. If the positive impact of the legislation is not taken into consideration, the CET I ratio is estimated at 10.7%.

The same Law (4340/2015) also sets out that the conditions under which the Hellenic Financial Stability Fund (HFSF) may provide precautionary recapitalization support to Greek banks are a) the coverage of the Capital Requirements for Existing Losses (base scenario) and b) the Mandatory Burden Sharing measures on the holders of capital instruments and other liabilities. The "Mandatory Burden Sharing" measures are imposed on holders of equity instruments, hybrid and subordinated notes and senior debt instruments and include the power of the Greek Cabinet to impose either a write-down of the value of such instruments or their conversion into equity.

- **Law 4346/2015**

Following the provisions of the 3<sup>rd</sup> M.O.U signed on August 11<sup>th</sup> 2015, Law 4346/2015 which, among other things, extended the HFSF's initial duration, to June 30, 2020, set the minimum requirements regarding Governance of the HFSF and of the Greek financial institutions, and provided that the HFSF has the right to evaluate the corporate governance framework of the Bank and its Board of Directors members.

### **European Commission (Directorate General for Competition)**

Pursuant to the request by the Directorate General for Competition of the European Commission (the "DGComp") dated September 21, 2015, the Bank has revised its restructuring plan to reflect the current conditions of the - at that time - upcoming recapitalization of the Bank. The revised restructuring plan, pre-approved by the HFSF and according to the 26.11.2015 press release of the European Commission, has been approved by the DGComp.

The European Commission has also found the revised restructuring plan of Alpha Bank to be in line with EU state aid rules. It concluded that the measures already implemented as part of the bank's existing restructuring plan, in addition to those envisaged in the amended plan, will enable Alpha Bank to return to viability in line with EU state aid rules.

The Restructuring Plan provides for a continuation of restructuring and rationalization measures that the Group has already undertaken. These measures include among others rationalization of operational expenses and cost of deposits in Greece, balance sheet strengthening, de-leveraging of foreign activities and strengthening of monitoring and risk management framework.

### **Monitoring Trustee**

As part of the Stabilization Program, the Hellenic Republic undertook a series of commitments towards the European Commission regarding Greek banks under the restructuring, including the appointment of a monitoring trustee, who acts on behalf of the European Commission and aims to ensure the compliance of the Bank and its subsidiaries with the aforementioned commitments (the “Monitoring Trustee”) which are in force during the period of the restructuring plan which has been agreed and approved by the EU. The Monitoring Trustee is responsible for the compliance of the Bank with legislation of Societe Anonyme (Greek Codified Law 2190/1920), the corporate governance provisions and in general the banking regulatory framework, and monitors the implementation of the restructuring plan and the organizational structure of the Bank in order to ensure that the internal audit and risk management departments of the Bank are fully independent from commercial networks. The Monitoring Trustee may attend, as an observer, the meetings of the Board of Directors, the Executive Committee and other important Committees of the Bank, including Internal Audit Committee and Risk Management Committee. Furthermore, the Monitoring Trustee monitors the commercial practices of the Bank, with a focus on credit policy and deposit policy. Accordingly, the Monitoring Trustee attends the meetings of the credit committees of the Bank as an observer, and monitors the development of the loan portfolio, the maximum amount that can be granted to borrowers, the transactions with related parties and other relevant matters. Furthermore, he monitors the management policy of legal cases of the Bank.

On 16 January 2013, the Bank (following European Commission’s approval) appointed Mazars LLP as its Monitoring Trustee.

### **1.3 Compliance with the disclosure requirements of CRR / CRD IV**

The Bank considers that effective governance structures, transparency and disclosure of data are essential for the purposes of promoting market discipline and enhancing financial stability. In this context, the Bank has set a robust internal governance framework, including adequate, efficient and strong internal control and risk management systems.

The internal control system includes a number of policies, among which “ the internal disclosures policy”, which has been designed and implemented in order to ensure consistent and continuous compliance with the Pillar 3 disclosure requirements of the new regulatory framework (CRR 575/2013, article 431(3)) and best practices.

The adopted policy, aiming at providing investors and depositors with accurate information about the Bank’s financial status, sets the minimum content of public disclosures (on a consolidated basis), which:

- Provide information on capital structure, capital adequacy, the overall risk management framework of the Group, as well as the processes and policies in place to assess and manage these risks.
- Explain the calculation framework and the technical criteria relating to capital adequacy figures.

- Provide also an accurate view of the remuneration policy of the Bank and its subsidiaries.

It is noted that 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.

Furthermore, the disclosures policy aims to:

- Adopt best practices for regulatory disclosures.
- Set the principles to identify information that is material, confidential and proprietary.
- Assure prompt and accurate disclosures.
- Define roles and responsibilities for the management of the Pillar 3 process.
- Define the means and frequency of the disclosures.

Based on the above policy, the Bank publishes the Pillar 3 report via its website annually, within the applicable deadlines for the publication of the annual financial statements.

The Bank updates the extent and type of information provided at each disclosure date, and revises its disclosure policy on an annual basis or when deemed necessary.

## **1.4 Group's Governance**

Regarding the Group Governance framework, the Board of Directors (BoD) has the overall responsibility for the continuous and uninterrupted operations of the Bank and other Group entities. The overall Governance framework is included in the Board's of Directors Annual Management Report as at 31.12.2015 disclosed together with the Group's Annual Report on 3.3.2016 in its web site.

The Board of Directors of the Bank has fifteen (15) Members with the following breakdown:

- Four (4) Executive members, which include the Managing Director and three General Managers of the Bank.
- Five (5) Non-Executive Members.
- Six (6) Non-Executive Independent Members.

The Members of the Board of Directors have as a whole specialized knowledge in finance, audit and risk management.

The committees of the Board of Directors are the following:

- Audit Committee.
- Risk Management Committee.
- Remuneration Committee.
- Corporate Governance and Nominations Committee.

The composition of the Corporate Governance and Nominations Committee is determined by the Board of Directors. Currently, the Corporate Governance and Nominations Committee comprise four Members, out of who two (2) are Non-Executive Independent Members. One of the Independent Members is appointed as Chairman. The Members of the Committee have the required expertise and experience.

The Corporate Governance and Nominations Committee ensures that the composition, structure and operation of the Board of Directors meet all the requirements of the legal, supervisory and regulatory frameworks, pursues the application of international corporate governance best practices, formulates the nomination policy regarding candidate Members of the Board of Directors and submits relevant recommendations to the Board of Directors. It ensures the nomination of candidate Members of the Board of Directors through an effective and transparent procedure establishes the conditions required for securing smooth succession and continuity in the Board of Directors through the appropriate composition and supervises the application of the above policies and practices as well as their implementation procedures.

In particular, according to the Nomination Policy for candidate Members of the Board of Directors, the Members should:

- Be acknowledged for their character and integrity,
- Have experience in leadership and management, preferably in an upper management position in a reputable company, organization or educational institution,
- Possess financial knowledge or other professional or business experience, related to the activities of the Bank and the Group,
- Have demonstrated ability of thought and constructive collective operation in a team environment, and
- Especially:
  - The Non-Executive Members of the Board of Directors should ensure upon their appointment that they have sufficient time to perform their duties,
  - The Independent Non-Executive Members should meet the requirements of independence provided for by law and the Corporate Governance Code of Alpha Bank.

The Board of Directors, through the Corporate Governance and Nominations Committee:

- Reviews the current composition of the Board in light of the different business sectors and geographical areas served by the Bank and the Group and the interaction of the candidate with them.
- Assesses the different individual experiences, education, skills, background and other attributes and characteristics of the candidate Member and compares them with those of the other Board Members, along with other factors.
- Assesses the balance of knowledge, qualifications, experience, skills, views, as well as gender within the Board of Directors, so as to rule with perspicuity on the role and skills that the candidate Members must have, aiming at the proper and effective functioning of the Board of Directors and of the Bank.

The Committee ascertained that the composition, structure and operation of the Board of Directors meet all the requirements of the relevant legal, supervisory and regulatory frameworks and are aligned with the corporate governance principles and the provisions of the Articles of Incorporation of the Bank.

The Risk Management Committee of the Bank and the Group, established in 2006, convened fourteen (14) times during the year 2015.

The composition of the Risk Management Committee is determined by the Board of Directors. Currently, the Risk Management Committee comprises four (4) Members, out of whom three (3) are Non-Executive Independent Members. One of the Members is appointed Chairman. All the

Members of the Committee have knowledge of the financial sector, and possess experience in the banking sector, especially in risk undertaking and management and in equity management.

The Risk Management Committee recommends to the Board of Directors the risk undertaking and capital management strategy and defines the principles of managing risk with regard to identifying, forecasting, measuring, monitoring and managing risk.

It assesses the adequacy and effectiveness of the risk management policy and procedures of the Bank and the Group, in terms of the:

- Undertaking, monitoring, and management of risks (market, credit, interest rate, liquidity, operational, other substantial risks) per category of transactions and customers per risk level (i.e. country, profession, and activity).
- Determination of the applicable maximum risk appetite on an aggregate basis for each type of risk and further allocation of each of these limits per country, sector, currency, business unit, etc.
- Establishment of stop-loss limits or of other corrective actions.

The Committee ensures communication among the Internal Auditor, the External Auditors, the Supervisory Authorities and the Board of Directors on risk management issues.

The Committee keeps minutes and informs in writing the Board of Directors on the results of its work. The Chairman of the Committee also informs the Board of Directors on the work of the Committee, in the context of the Board of Directors meetings.

The Chairman of the Risk Management Committee submits to the Board of Directors a report on the operations, recommendations and findings of the Committee, once a year or more frequently if, in the opinion of the Committee, issues arise which require the acknowledgement and actions of the Board of Directors.

## **2 Accounting and Regulatory consolidation**

### **2.1 Consolidation for financial reporting purposes**

The consolidated financial statements include the parent company Alpha Bank, its subsidiaries, associates and joint ventures. The financial statements of the entities that are used to prepare the consolidated financial statements have been prepared as at 31.12.2015 and the accounting policies applied in their preparation, when necessary, were adjusted to ensure consistency with the Group accounting policies.

#### **Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group takes into account the following factors, in assessing control:

- power over the investee,
- exposure or rights to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect the amount of the investor's return.

In cases of structured entities where the voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements (i.e. securitization vehicles or mutual funds), the Group assesses the existence of control based on the following:

- the purpose of the entity and the contractual rights of the parties involved,
- the risks to which the investee was designed to be exposed, the risks it was designed to pass on to the parties involved with the investee and the degree of exposure of the Group to those risks,
- indications of a special relationship with the entity, which suggests that the Group has more than a passive interest in the investee.

Furthermore, regarding the structured entities that are managed by the Group, the Group assesses if it acts as principal or an agent based on the extent of its decision – making authority over the entity's activities, the rights of third parties and the degree of its exposure to variability of returns due to its involvement with the entity.

The Group, based on the above criteria, controls structured entities established for the securitization of loan portfolios.

#### **Associates**

Associates are entities over which the Group has significant influence but not control.

Significant influence is generally presumed to exist when the Group holds, directly or indirectly, more than 20% of the share capital of the company concerned without having control or joint control, unless the ownership of more than 20% does not ensure significant influence, e.g. due to lack of representation of the Group in the company's Board of Directors or due to the Group's non-participation in the policy making process.

Investments in associates are accounted for by the equity method of accounting.

### **Joint Ventures**

The Group applies IFRS 11 which deals with the accounting treatment of interests in joint arrangements. All joint arrangements in which the Group participates and has joint control are joint ventures, which are accounted for by using the equity method.

A more detailed description of the financial principles applied for consolidation is mentioned in the Group Annual Financial Reports, whereas a detailed list of all Group subsidiaries, associates and joint ventures, as well as the Group's ownership interest in them is provided in note 38 of the Group Annual Financial Report as of 31.12.2015.

## **2.2 Consolidation for regulatory purposes**

Consolidation for regulatory purposes follows the principles set by the law 4261/2014 and the regulatory framework (CRR 575/2013).

The regulatory consolidation is conducted in accordance with the accounting consolidation, with the exception of the following cases:

- Hotels and other companies that do not belong to the financial sector are consolidated through the equity method.
- Insurance and reinsurance companies that are not deducted from Common Equity Tier 1 are risk weighted at 250%.
- Investments in financial sector entities where participation exceeds 10% that are not deducted from Common Equity Tier 1 are risk weighted at 250%.

There are no current or foreseen material practical or legal impediments to the prompt transfer of capital resources or repayment of liabilities among Alpha Bank S.A. and its subsidiaries.

A full list of Alpha Bank Group's subsidiaries and associates is included in Appendix 1.

### 3 Capital Adequacy Framework

The Bank, as a systemically important bank, is supervised from November 2014 by the SSM, according to the EU regulations (1024/2013, 360/2014, 468/2014 and 433/2015) Supervision is carried out in accordance with Basel III as specified in the CRR together with the CRD IV, as incorporated in Greek Law 4261/2014.

The Capital Management and Banking Supervision Division is the responsible Unit for the preparation of all regulatory reports and is the point of contact for the communication with the SSM.

The supervisory framework consists of three fundamental pillars:

- Pillar I, that specifies the calculation of minimum capital requirements. The Bank reports to the SSM through the Bank of Greece its capital requirements on a solo and consolidated basis in accordance with the Implementing Technical Standards developed by the EBA. The minimum capital requirements coupled with the calculation of Own funds lead to the calculation of the Capital Adequacy Ratio.
- Pillar II, that sets the principles, criteria and processes required for assessing the adequacy of capital, taking into consideration all risks with a forward looking perspective, as well as of the risk management systems.
- Pillar III, that aims at increasing transparency and market discipline sets the disclosure requirements of key information regarding the exposure of financial institutions to key risks as well as the processes applied for their measurement, monitoring and management.

The capital adequacy framework, apart from the above, defines the capital instruments which constitute the regulatory own funds and addresses other significant regulatory issues such as monitoring and control of large exposures, open foreign exchange position, liquidity risks and leverage, the internal control system, including risk management system and regulatory reporting and disclosures.

The approaches adopted for the calculation of the capital requirements under Pillar I (advanced or standardized methodologies) 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.

The calculation of the credit risk weighted assets and capital requirements of the Bank and the Group is performed in accordance with the current regulatory framework, and is supported by a specialized centralized IT system (ACM), which processes the granular data of the Bank and its Subsidiaries. The system is used for the calculation of the calculation of credit risk capital requirements of the Subsidiaries according to their local regulatory framework. It also supports the production of various regulatory reports on solo and consolidated basis (e.g. large obligors, country risk).

With respect to the infrastructure required for the Basel III environment and the possible adoption of a more efficient capital calculation process, Alpha Bank has upgraded the ACM system for credit RWA calculation.

### 3.1 Alpha Bank's approach to Pillar I

Alpha Bank Group calculates Capital Requirements using the following approaches:

- **Credit Risk:** The Group follows the Standardized Approach (STA). The advanced method is used for the valuation of financial collaterals. The calculations on a solo and consolidated basis are performed using the ACM system of SUNGARD.
- **Operational Risk:** The Group follows the Standardized Approach (STA). However, some non-significant subsidiaries, which currently calculate their capital requirements using the Basic indicator Approach (BIA), they will gradually apply the STA approach as well.
- **Market Risk:** A Value at Risk (VaR) Model that has been developed at a bank level for the significant exposures, it has been approved by the BoG. Additionally, the Bank uses the Standardized approach to calculate Market Risk for the remaining, non-significant exposures.

### 3.2 Pillar II

The Pillar II assessment consists of three processes, the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) which are conducted by the credit institution itself, followed by the Supervisory Review Evaluation Process (SREP) that is conducted by the competent regulatory authority.

The ICAAP / ILAAP processes are integral parts of the Internal Control System (ICS) of the Group. They are aligned with the best practices and the general principles and requirements set by the regulatory Framework, including guidelines provided by SSM and/ or EBA, mainly aiming to:

- The identification, analysis, monitoring and the overall assessment of risks.
- The improvement of various systems/ procedures/ policies related to the assessment and management of risks.
- The estimation of the necessary level of Internal Capital required for the coverage of all risks and for Capital planning purposes taking also into consideration the Group's Risk appetite.
- The estimation of the funding sustainability under normal and stressed conditions.

The level of the internal capital required to cover the risks which the Group is willing to undertake in one to three year's horizon, is assessed according to the business plan (base case scenario). Additionally, the Group's resilience to extreme systemic or market stress scenarios is assessed by applying severe but plausible shocks should these occur.

The ICAAP / ILAAP frameworks are based on key principles such as responsibility, proportionality, risks' materiality and forward looking stance.

The main risks addressed in the ICAAP / ILAAP are the following:

- Business/ Strategic Risk
- Credit Risk including concentration risk, residual risk, specialized lending, fx lending risk currency risk in the banking book and sovereign risk

- Market risk
- Operational risk
- Reputation risk
- Interest rate risk in the banking book
- Liquidity risk, funding risk (including cost of funding), funding sustainability
- Other risks (such as counterparty risk, leverage risk, settlement risk)

The Group's ICAAP and ILAAP reports mainly include:

- The Group's macro overview and recent market developments.
- The business plan/ model
- The funding plan
- The ICAAP and ILAAP framework and procedures.
- The analysis of risks and respective controls (including definition, identification, assessment, measurement, monitoring, reviewing, reporting, capital and/or liquidity impacts).
- The internal capital overview
- The assessment of liquidity buffers to cover the required funding sustainability
- The capital planning and allocation
- Stress testing

### **3.3 Group's Capital Adequacy**

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

The overall Group 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 desired optimum.

### **3.3.1 Main developments and changes impacting capital adequacy**

#### **3.3.1.1 Comprehensive Assessment and successful Recapitalization**

According to the Agreement for Financial Support to be provided by the European Stability Mechanism (ESM) in the 3<sup>rd</sup> quarter of 2015 a Comprehensive Assessment (CA) was conducted for the four Greek systemic credit institutions by the SSM in order to determine the impact, from the deterioration of the Greek economy, on their financial position as well as any capital needs. The 2015 Comprehensive Assessment was performed during the third quarter of 2015 and included both an AQR (Asset Quality Review) and a stress test.

The minimum capital threshold for the baseline scenario was set at 9.5% of a Common Equity Tier I capital ratio and of 8% for the adverse scenario respectively. Although the 2015 CA was based on the methodology applied for the 2014 Comprehensive Assessment conducted by the ECB for all of the banks that it supervises, the parameters and assumptions applied in 2015 were more adverse due to the economic circumstances that were prevailing at the time of the exercise. The 2015 Comprehensive Assessment was conducted with a reference date of June 30, 2015. As part of the AQR a portfolio of Greek loans was reviewed in terms of credit risk, adequacy of collateral coverage, provisioning levels and management practices. In the context of the stress test, the SSM conducted, with the support of appointed financial advisors, an estimation of the future impairment losses of the Group's loans with a 2.5 year horizon, for a baseline and an adverse macroeconomic scenario. In addition, the SSM took into consideration the financial projections and estimations of future profitability made by the financial institutions, based on commonly accepted levels of macroeconomic indices for the base scenario, while the development of the macroeconomic figures in the adverse scenario was configured by the ECB.

The Comprehensive Assessment ("CA") results were announced on 31.10.2015. The Group registered the lowest adjustment after tax among Greek peers in the Asset Quality Review ("AQR"), with only a 3.1% CET ratio impact or Euro 1.7 billion. In addition, in the Stress Test, the Bank registered a negligible capital shortfall of Euro 263 million under the baseline scenario and Euro 2,743 million under the adverse scenario, while achieved the highest CET1 in the sector post adjustments in both scenarios. This performance was achieved despite the repayment of preference shares of Euro 940 million, in 2014, and the hurdle rates of 9.5% and 8%, respectively, for the base and adverse scenarios. The capital shortfall, according to the adverse scenario, was reduced at a later stage to Euro 2,563 million by the Single Supervisory Mechanism (SSM), taking into account mitigating actions of Euro 180 million.

#### **Successful Recapitalization**

The Group covered the total of its capital needs of Euro 2,563 million, post mitigating actions, through an exchange offer for securities issued and share capital increase of the Bank with cash.

Specifically, on 28.10.2015 the Bank announced separate invitations to holders of all outstanding series of securities issued by the Group's subsidiaries, Alpha Credit Group Plc, Emporiki Group Finance Plc and Alpha Group Jersey Limited to offer all outstanding securities for exchange with non-transferable receipts issued by the Bank (Liability Management Exercise). The Proposal concerned Tier I and Tier II securities amounting to a total of Euro 100.9 million and senior securities of Euro 985.1 million. The total amount of securities offered for exchange stood at Euro 1,086 million, while the total offers accepted for exchange amounted to Euro 1,011 million.

Furthermore, on 24.11.2015, the Bank completed a private placement to Greek and international institutional investors of Euro 1,552 million.

Following the LME and the private placement, the total funds raised amounted to Euro 2,563 million, fully addressing the adverse case of the CA, materially improving the quality of the Bank's capital structure.

### **3.3.1.2 Other developments**

The financial performance of the Group was influenced from the following:

- Group deposits recorded severe outflows, mainly in Greece during H1 of Euro 10.6 billion, affected by the increased uncertainty at the sovereign level while, deposit mix has shifted towards core deposits. However, following the imposition of capital controls, balances are on a steady normalization path, while in Q4 2015, the Group recorded inflows of Euro 1 billion stemming mainly from corporates increasing our deposits base to Euro 31.4 billion. Loan to Deposit Ratio, at the end of December 2015 for the Group, stood at 147% and in Greece, at 146%.
- The Group increased its coverage to 69% at the end of December 2015, following Loan Loss Provisions of Euro 3 billion for 2015, fully reflecting the AQR adjustment of Euro 1.7 billion. Accumulated on-balance sheet provisions stood at Euro 15.8 billion at the end of 2015, corresponding to 26% of gross loans.
- Net Interest Income in 2015 stood at Euro 1,931.7 million, stable y-o-y (+0.6%), as the benefit from the ongoing reduction of time deposit cost, throughout 2015, was offset, firstly by the burden from the higher dependence on ELA following the significant deposit outflows that occurred in H1 2015 and secondly from the reduction of net loan balances by Euro 3.4 billion y-o-y.
- Net fee and commission income stood at Euro 314.7 million, down by 5.8% y-o-y as fragile economic environment and imposition of capital controls, adversely affected business economic activities, customer loans restructuring efforts as well as contribution from brokerage.
- Operating expenses (excluding extraordinary items and integration costs) were down by 7.6% y-o-y adjusted for the acquisition of Citibank's retail operations in Greece to Euro 1,153.8 million, beating target of Euro 1.2 billion annual cost bases for 2015.

## 3.4 Own Funds

### 3.4.1 Own Funds structure

The Group has high quality capital since 99% of the total capital as of 31.12.2015 is Common Equity Tier 1 (CET1). Following the successful recapitalization of November 2015, which was fully covered by private investors, the Group has a clear share capital structure, without CoCos or preference shares, with private sector holding at 89% and HFSF ownership at 11%.

It should be noted that there is a transitional period of five (5) to ten (10) years for the full implementation of the provisions of the CRR 575/2013 that depends on the different type of adjustments concerned. The impact of these provisions is estimated to c. 70 bps on the CET1 capital base.

On 31.12.2015 the Bank's share capital amounts to Euro 461,064,360.00 divided to 1,536,881,200 ordinary, registered, with voting rights shares with nominal value of Euro 0.30 and a share premium of Euro 10,790,869,872.46. Further analysis on the share capital and share premium is provided in notes 32 and 33 of the Annual Financial Report of 2015, respectively.

**Additional Tier I capital** mainly consists of hybrid securities. Following the tender offers of 2012, 2013 and 2015, the remaining amount is very limited standing at Euro 15.2 million.

**Tier II capital** consists of:

- Subordinated loan, which is amortized according to the transitional provisions of CRR 575/2013.
- The portion of hybrid instruments deducted from CET1 is included in Tier II, according to transitional provisions.

Further details of the characteristics consisting Tier I and Tier II capital are provided in note 27vii and 36 of the Group Annual Financial Report of 2015.

The following table presents the analysis of Own funds structure, as defined in CRR 575/2013:

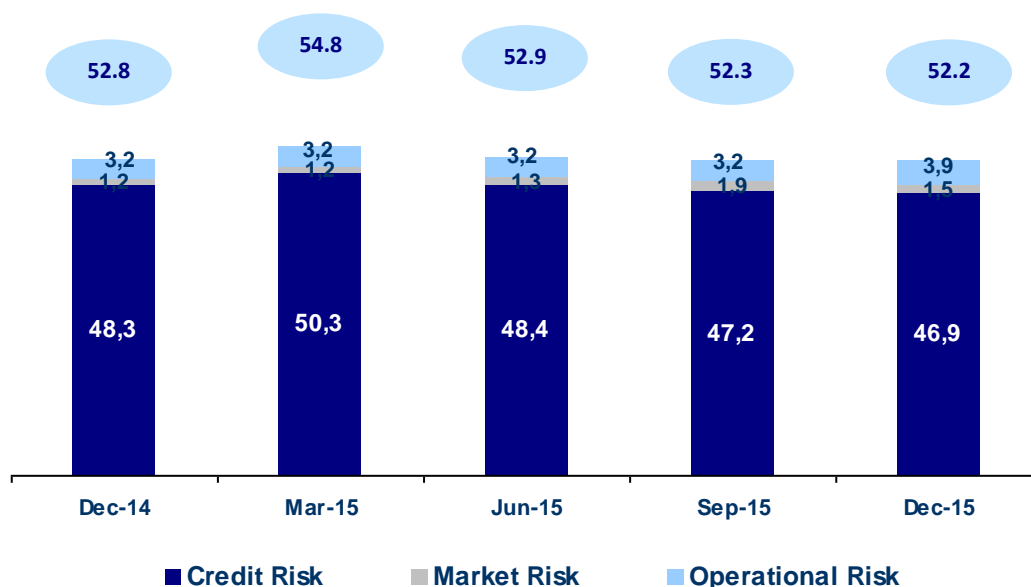
**Table 1**

Own funds structure		(in Thousands of Euro )	
Type	31.12.2015	31.12.2014	
Share Capital	461,064	3,830,718	
Share Premium	10,790,870	4,858,216	
Accumulated other comprehensive income (and other reserves)	-704,461	-485,055	
Reserves & Retained Earnings	-723,340	-355,283	
AFS reserves	18,879	-129,771	
Minority interest	281	259	
Minority interest (40%)	12,046	15,547	
Preference shares	0	0	
<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>10,559,800</b>	<b>8,219,686</b>	
Period Result	-1,369,963	-308,707	
Intangible assets (40%)	-121,821	-58,364	
DTA that relies on future profitability (40%)	-195,401	-92,209	
Other deductible items	0	0	
Regulatory adjustments applied to CET1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-172,069	-205,140	
<b>Total regulatory adjustments to CET1</b>	<b>-1,859,254</b>	<b>-664,421</b>	
<b>CET1 capital</b>	<b>8,700,546</b>	<b>7,555,266</b>	
Hybrid instruments (limit 25 % of Tier 1)	15,231	31,464	
<b>Additional Tier I (AT1) before regulatory adjustments</b>	<b>15,231</b>	<b>31,464</b>	
Hybrid instruments (30%)	-4,569	-3,146	
(-)Intangible assets	-182,731	-233,458	
<i>of which deductible from AT1</i>	-10,662	-28,318	
<i>of which deductible from CET1</i>	-172,069	-205,140	
Total regulatory adjustments to AT1	15,231	31,464	
<b>Additional Tier 1</b>	<b>0</b>	<b>0</b>	
<b>Tier 1 Capital (CET1 + AT1)</b>	<b>8,700,546</b>	<b>7,555,266</b>	
Core Tier 2 instruments	0	664	
Subordinated loan (30%)	85,363	188,216	
Hybrid instruments (30%)	4,569	3,146	
Other deductible items			
<b>Tier 2 capital before regulatory adjustments</b>	<b>89,932</b>	<b>192,026</b>	
Total regulatory adjustments to Tier 2	-25,609	-18,822	
<b>Tier 2 capital</b>	<b>64,323</b>	<b>173,204</b>	
<b>Total Capital ( Tier1 + Tier 2)</b>	<b>8,764,869</b>	<b>7,728,470</b>	

### 3.4.2 Group's Capital requirements

As mentioned above, Alpha Bank has undertaken several actions in order to enhance its balance-sheet and financial performance as well. These actions have also contributed to the reduction of the RWAs and the strengthening of the capital adequacy ratios.

The following diagram presents the evolution of the RWA of the Group during the year 2015:



The following table presents the minimum capital requirements (8% over the RWAs) for Credit, Market and Operational Risk, including those derived from Credit Valuation Adjustment.

**Table 2**

Capital Requirements for Credit, Market and Operational risks of Euro)		(in thousands	
Exposure type	31/12/2015	31/12/2014	
Central governments and central banks / Regional governments and local authorities	406,443	193,175	
International organisations	0	0	
Financial Institutions	43,497	113,325	
Corporate customers	913,450	983,360	
Retail customers	343,899	438,082	
Secured by mortgages on immovable property	393,063	444,378	
Securitization Positions	7,660	16,321	
Collective Investment Organization Units	575	729	
Exposures in default	1,397,144	1,440,920	
Other items	244,518	237,405	
<b>Total Capital Requirements for Credit Risk</b>	<b>3,750,251</b>	<b>3,867,695</b>	
Specific risks of equities and traded debt instruments	93	278	
Foreign Exchange Risk	27,116	8,355	
General risks of equities and traded debt instruments - VaR	21,742	17,790	
General risks of equities and traded debt instruments -Stressed VaR	50,390	44,823	
<b>Total Capital Requirements for Market Risk</b>	<b>99,341</b>	<b>71,246</b>	
<b>Total Capital Requirements for Operational Risk</b>	<b>308,486</b>	<b>257,802</b>	
<b>Total Capital Requirements for Credit Valuation Adjustment</b>	<b>21,382</b>	<b>25,636</b>	
<b>Total Capital Requirements</b>	<b>4,179,460</b>	<b>4,222,378</b>	

Credit risk capital requirement represents c.90% of total capital requirements and it remains at the same levels in both years due to increased impairments in 2015 and the treatment of DTA according to the implementation of Law 4340/2015.

### 3.4.3 Capital ratios

**Table 3**

Capital Adequacy Ratios (%)		
Capital Type	31.12.2015	31.12.2014
<b>CET1</b>	8,700,546	7,555,266
<b>Tier 1 Capital</b>	8,700,546	7,555,266
<b>Tier 2 Capital</b>	64,323	173,204
<b>Total Regulatory Capital for C.A.R. calculation</b>	8,764,869	7,728,470
<b>Risk Weighted Assets</b>	52,243,245	52,779,725
<b>Capital Ratios</b>		
<b>CET1 Ratio</b>	<b>16.7%</b>	<b>14.3%</b>
<b>Tier 1 Ratio</b>	<b>16.7%</b>	<b>14.3%</b>
<b>Capital Adequacy Ratio (Tier 2 + Tier 2)</b>	<b>16.8%</b>	<b>14.6%</b>

## **4 Risk Management**

### **4.1 Risk Management Framework and Principles**

The Group has established a comprehensive risk management framework, which has evolved over time and takes into account the common European legislation and banking system rules, the regulatory principles and supervisory guidance and the best international practices. This risk management framework is implemented in the course of day-to-day business enabling corporate governance to remain effective.

The Group's focus throughout 2015 was to maintain the highest operating standards, ensure compliance with regulatory risk rules and retain confidence in the conduct of its business activities through sound provision of sustainable financial services.

Taking also into consideration the new regulatory (Basel III implementation) and supervisory (SSM) background, the Group strengthens the internal governance and strategy of risk management and redefines its business model, in order to achieve full compliance with the increased regulatory requirements and the guidelines relating to the governance of data risks, data collection and data incorporation in the required reports towards the management and supervisory authorities.

Specifically, the Group develops, taking into account the nature, the scale and the complexity of its business as well as the risk profile, the risk management strategy around the following three lines of defense, which constitute a critical factor of its efficient operation:

- The business line; the first line of defense with “ownership” of risk whereby it acknowledges and manages the risk that it incurs in conducting its activities.
- The risk management function and the compliance function, independent from each other as well as from the first line of defense; the second line of defense and their function is complementary in conducting banking business of the first line of defense in order to ensure objectivity in decision making, measuring the effectiveness of these decisions in terms of risk conditions and compliance with the existing legislative and regulatory framework involving internal regulations and ethical standards and the total view and evaluation of the total risk exposure of the Bank and the Group.
- The internal audit function independent from the first and second lines of defense; the third line of defense that conducts risk-based and general audits and reviews to provide assurance to the board that the overall governance framework, including the risk governance framework, is effective and that policies and processes are in place and consistently applied.

The Group Risk Management Framework, as a structural part of the Group's corporate and risk governance framework, is based upon the following guiding principles:

- Development of a sound Group risk culture, that incorporates risk awareness, risk taking and risk management and control in the decisions of management and employees during the day-to-day activities taking into account their impact on the risks they assume.
- Definition of the Group risk appetite framework (RAF), which is articulated via the risk appetite statement (RAS) and establishes the individual and aggregate levels and types of

risk that the Bank is willing to assume in advance of and in order to achieve its strategic business activities within its risk capacity.

- Definition of the Group risk policy that is adherent to the RAS and is supported by appropriate control procedures and processes.
- Development of the processes to ensure that all material risks and associated risk concentrations are identified, measured, limited, controlled, mitigated and reported on a timely and comprehensive basis.
- Monitoring of risk limits with alignment to the Group business goals.
- Transparency promoted through clear communication lines.
- Contributing staff with an active role in Risk Management. The staff is equipped with all the necessary skills and means which are necessary for effective Risk Management and understands its roles and responsibilities related to the Group Risk Management Framework.
- Full documentation of all processes related to risk identification, measurement, monitoring, reporting and control/mitigation.
- Providing adequate information to Group and Business Unit Management.

#### **4.1.1 Risk Governance Structure**

The Board of Directors of the Bank as well as the Executive Management and the Committees of the Bank have separate and distinct roles in providing the final and ultimate levels of defense ensuring the effective implementation of the group-wide risk management framework and policies within the Group.

The Board has the overall responsibility for the Bank's business strategy and financial soundness, internal organization and overall corporate governance structure and practices as well as the oversight of the Risk Management framework and the compliance with the regulatory requirements.

To this end, it ensures that the executive management carries out appropriately and effectively the Bank's activities in a manner consistent with the business strategy, the risk profile and the risk appetite, while at the same time it oversees that the management is escalating risk issues and involves the appropriate board committees in a timely manner.

The Group Risk Management Unit has been assigned with the responsibility of implementing the Group Risk Management Framework, according to the directions of the Group Risk Management Committee and operates independently from any executing processes.

The Risk Management Committee which convenes on a monthly and/or an ad hoc basis, recommends to the Board of Directors the risk undertaking and capital management strategy and defines the principles of managing risk with regard to identifying, forecasting, measuring, monitoring and controlling risk. It ensures the development of an in-house risk management system and evaluates reports submitted by the Chief Risk Officer. It provides for the conduct of at least annual stress tests and is informed of the sections of the report prepared by the external auditors pertaining to risk management as provided by the supervisory authorities.

The Risk Management Committee evaluates the adequacy and effectiveness of the risk management policy and procedures of the Bank and the Group, in terms of:

- Undertaking, monitoring, and management of risks (market, credit, interest rate, liquidity, operational, other risks) per category of transactions and customers per risk level (e.g. country, profession and activity)
- Determination of the applicable maximum risk appetite on an aggregate basis for each type of risk and further allocation of each of these limits per country, sector, currency, Business Unit, etc. and
- Establishment of stop-loss limits or of other corrective actions.

The Risk Management Committee ensures communication among the internal auditor, the external auditors, the supervisory authorities and the Board of Directors on risk management issues.

Furthermore, the risk management functions that provide an overarching risk control framework for a more comprehensive and effective identification and handling of all risk types linked to the Group's risk appetite are supported by the following Committees: the Assets-Liabilities Management Committee, the Credit Risk Committee and the Operational Risk Committee.

Under the supervision of the General Manager – Group Chief Risk Officer the following Risk Management Divisions operate within the Group and have been assigned with the responsibility of implementing the risk management framework, according to the directions of the Risk Management Committee:

- Market and Operational Risk Division
- Wholesale Banking Credit Risk Division
  - Wholesale Banking Credit Risk Methodologies Development Division
  - Wholesale Banking Credit Risk Analysis Division
- Retail Banking Credit Risk Division
  - Retail Banking Credit Risk Methodologies Development Division
  - Retail Banking Credit Risk Analysis Division
- Wholesale Credit Division-Greece
- Wholesale Credit Division- International
- Retail Credit Division

#### **4.1.2 Firm-wide Risk Management Framework**

The risk management programs of the Group subsidiaries conform in all material respects to the Bank's risk management framework.

Within this firm-wide risk governance and management framework, each Risk and Credit Unit of the International Network adapts its risk management framework and policy to the local regulatory and legal requirements while, at the same time, being coherent with those of the Bank, as established in the risk governance framework.

The Group Credit Policies and Procedures take into account the prevailing institutional framework set by legislation, regulations, ministerial decrees/decisions, etc. and along with the internally defined and established key risk principles and guidelines they ensure that credit facilities are granted soundly and managed properly and that they promote a unified approach on how business financing should be conducted.

To this end, dedicated regional Risk and Credit Division Managers of the International Network have been appointed to establish the enterprise risk management coverage and have a direct reporting line into the Group Chief Risk Officer.

During 2015, in the light of the ongoing developments in the domestic and international macroeconomic environment and the effectively adjusted regulatory framework, the Group enhanced the special risk framework for the management of loans in arrears and non-performing exposures (NPEs), which has been developed pursuant to the Implementing Regulation (EU) 2015/227/09.01.2015 and the Bank of Greece Executive Committee Acts No 42/30.05.2014 and 47/09.02.2015 and established an independent arrears and NPEs management (ANPEM) function as well as the independent monitoring bodies represented by the Arrears and Troubled Assets Committees.

## **4.2 Risk Profile**

The Group, based on its strong reputation, its excellent organization, its well trained staff, its longstanding relationships with its customer base and its conservative Risk Policy, is successfully operating up to date adjusting itself to the prevailing circumstances.

The Group's critical focus throughout 2015 was to maintain its risk profile in line with its risk strategy, ensuring the safe and sound functioning of the daily business operations and supporting the strategic management initiatives with a view on a balanced risk-return approach.

## **4.3 Risk Management Policies**

The Group Risk Strategy is based on the Risk Policies & Procedures defined by the Group Risk Management Committee and approved by Alpha Bank S.A. Board of Directors. These Policies & Procedures are applied –or will be applied- by all members of the Group, taking into account the local regulatory requirements.

- Risk Policies & Procedures include all central rules of conduct for handling risks and are set out in specific Manuals for each risk. These are reviewed regularly and adapted whenever necessary by the RMU of the Group and approved by the Group Risk Management Committee.
- The guiding principles are effectively communicated to all organizational levels in order to build a uniform understanding of risk management objectives.
- Internal Audit is responsible for providing an independent review of the integrity of the overall risk management processes and ensuring the appropriateness and effectiveness of the controls applied.

## **5 Credit Risk**

### **5.1 General information**

Credit risk is the risk that a borrower or counterparty fails to meet their contractual obligations in a timely manner, thus resulting to a financial loss for the Group.

The definition of assets and other exposures a) past due and b) non-performing are described in note 41.1 of the Group annual financial report as of 31.12.2015.

According to the CRR 575/2013 definition, any of the following events triggers a default status:

- The institution considers that the obligor is unlikely to pay its credit obligations to the institution.
- The obligor is past due more than 90 days on any material credit obligation to the institution.

The Bank constantly assesses whether there is evidence of impairment in accordance with the general principles and methodology set out in IAS 39 and the relevant implementation guidance.

Moreover, assets categorized as retail, could be further assigned to buckets according to the following criteria:

- Borrower risk characteristics.
- Transaction characteristics, including product and collateral type.
- Exposure associated risks.

#### **Wholesale Banking Portfolio**

The Group has defined as “significant for individual assessment” all loans to obligors that are managed by the Wholesale Banking Unit.

The individual assessment for impairment is performed by the Wholesale Banking Unit and is approved by the Wholesale Banking Credit Division.

Significant Loans are assessed individually if one of the following conditions is met:

- Clients with rating D, D0, D1, D2 and E (default zone).
- Clients with Rating CC- and C (high risk zone).
- Significant deterioration in the industry outlook in which the borrower operates.
- Negative items (e.g. payment orders, bounced cheques, auctions, bankruptcies, overdue payments to the State, to Social Security Funds, or to employees).
- Occurrence of unexpected, extreme events such as natural disasters, fraud, etc.

- Interventions and actions by regulatory bodies/local authorities against the borrower (e.g. Athens Stock Exchange, Hellenic Capital Market Commission).
- Breach of contractual terms and conditions.
- Adverse changes in the shareholders' structure or the management of the company or serious management issues/ problems.
- Significant adverse changes in cash flows potentially due to ceased cooperation with a key/major customer, significant reduction in demand of a main product or service, ceased cooperation with a key/major supplier or suppliers cut credit, etc.
- Significant deterioration in the debtor's key financial ratios (i.e. a decrease in own funds due to substantial operating losses, a deterioration in the debt service coverage ratio, etc.) as well as a deterioration in the value of its future expected cash flows.

The Group assesses whether objective evidence for individual assessment for impairment exists.

A collective assessment should be performed for exposures as follows:

- Exposures that have been individually assessed and were found not to be impaired on an individual basis- the impairment allowance was zero, are subsequently assessed for impairment on a collective basis, after they are grouped in pools based on common credit risk characteristics.
- Exposures with no impairment triggers events and therefore, are assessed collectively in pools formed based on similar credit risk characteristics. The future cash flows of a group of exposures that are collectively evaluated for impairment are calculated on the basis of the estimated contractual cash flows the exposures in the group and historical loss experience for exposures with credit risk characteristics similar to those in the group. Indicatively, some categories in terms of credit risk characteristics are the estimated default probabilities or credit ratings, the collateral coverage and type of coverage, days in arrears, etc.

The pre-condition that there must be a need for objective evidence in order for the loss to be recognized and effectively the impairment loss to be indicated on individual loans, may lead to a delay in the recognition of a loan's impairment, which has already occurred. Within this context and in accordance with IAS39, it is appropriate to recognize impairment losses for those losses "which have been incurred but have not yet been reported" (Incurred but Not Reported - IBNR).

### **Retail Portfolio**

For the Retail Banking portfolios, loans are assessed per portfolio on an individual basis if they have at least one product in arrears more than 30 days or if they have at least one forbore product or if they have a trigger event, as described below, and they also meet the following limits:

- Consumer Loans accounts with total balance of more than Euro 500 thousand.
- Mortgage Loans accounts with total balance of more than Euro 2 million.
- Business Loans accounts with total balance of more Euro 850 thousand.

### **Individuals**

- Customers over 90 days in arrears.
- Customers 30-89 days delinquent.
- Customers with forbore products.
- Unemployed Customers.
- Deceased Customers.
- Unforeseen, extreme events such as fraud, natural disasters, etc.
- Customers who are freelancers or personal company holders and stop their business activity due to retirement.
- Customers who are freelancers or personal company holders and have suffered a significant deterioration of their financial situation, either due to poor management or because of bad reputation, either due to termination of important business partnerships or because of a deterioration in the industry in which they operate.
- Customers who are representatives of the company and their business have filled for inclusion in Article 99.
- Customers who are representatives of the company and their business are over 90 days in arrears (rating D, D0 or D1 or D2 or E) or CC- or C rating.
- Customers who are representatives of the company and their business have detrimental (e.g. payment orders, denounced checks, auctions, bankruptcies, overdue amounts to the State, overdue amounts to Social Security or employees - work lien).
- Customers who are representatives of the company and there are interventions and actions from the regulatory authorities over their companies (e.g. ASE, SEC).
- Customers who are representatives of the company and in their companies are observed significant negative changes in the cash flows, which may be due to e.g. termination of cooperation with key customers, a significant reduction in demand of commodities or services, discontinuation of credit from suppliers, etc.
- Customers who are representatives of the company and their companies operate in industries where there is observed significant deterioration in the prospects of the industry (considering the five sectors with the most significant annual deterioration according to the risk sector classification from the Risk Analyst).
- Customers with impairment in the previous control, for whom any of the above criteria applies.
- Customers with detrimental (e.g. payment orders, denounced checks, auctions, bankruptcies, overdue amounts to the State, overdue amounts Social Security or employees - work lien).

**Small businesses**

- Customers who are over 90 days in arrears or their rating is D, D0 or D1 or D2 or E.
- Customers 30-89 days delinquent.
- Customers rated CC- and C.
- Significant deteriorating prospects of the borrower industry (considering the five sectors with the most significant annual deterioration according to the risk sector classification from the Risk Analyst).
- Customers with impairment in the previous control, for whom any of the above criteria applies.
- Customers with detrimental (e.g. payment orders, denounced checks, auctions, bankruptcies, overdue amounts to the State, overdue amounts Social Security or employees - work lien).
- Unforeseen, extreme events such as fraud, natural disasters, etc.
- Interventions and actions from the regulatory authorities against the borrower (e.g. ASE, SEC).
- Breach of contract or credit terms and conditions.
- Adverse changes in the ownership structure or management of the business or serious administrative problems.
- Negative changes in the cash flows, which may be due to e.g. termination of cooperation with key customers, a significant reduction in demand of commodities or services, discontinuation of credit from suppliers, etc.

The specific trigger events for the collective assessment for the Retail Banking are the following:

- Accounts unlikely to pay that are up to 89 days past due.
- Accounts 30-89 days delinquent.
- Accounts over 90 days in arrears.
- Accounts of borrowers who experience financial difficulty and whose contractual terms have been modified (forborne exposures).
- Accounts with partial charge off.

Collective Impairment Assessment is applied to loans which do not meet the conditions for individual assessment once they are classified based on similar credit risk characteristics. In addition, exposures for which there has not been calculated any loss during the individual assessment, are assessed on a collective basis, once they are incorporated into groups based on similar credit risk characteristics.

In order to effectively manage credit risk, the Group has developed specific methodologies and credit risk measurement systems in accordance with regulatory and Basel II requirements while incorporating banking industry best practices. These methodologies and systems are continuously evolving to provide the Business Units with timely and effective support in the decision making process and to avoid possible adverse consequences for the Group.

The Credit Risk Committee assesses the adequacy and the efficiency of the credit risk management policy and procedures at Bank and Group level as regards undertaking, monitoring and management of credit risk per business line (Wholesale Banking, Retail Banking, and Wealth Management/Private Banking), geographic area, product, activity, sector, etc., and resolves on the planning of the required corrective actions. The Credit Risk Committee convenes regularly every quarter.

### **Preparation for the Internal Ratings Based (IRB) approach**

The Group is preparing its operational and system infrastructure in line with the requirements of the Internal Ratings Based approach for credit risk. The credit risk management framework currently in place consists of a set of governance rules, policies and procedures, as well as rating/scoring systems, covering the whole range of the Group's portfolio, which are under continuous review and enhancement so as to:

- Include any updates issued by the regulatory authorities.
- Reflect the risk that is embedded during current economic recession.
- Facilitate the portfolio management and the decision making processes.
- Contribute in the prevention from any potential negative effect in the Group's financial results.

In this respect, 2015 is considered a cornerstone year for the Group, since the following actions have been completed:

- Multiple core-banking systems migration: upon the merger of ex-Emporiki Bank and ex-Citibank (Greek branch) a set of system migrations has been accomplished successfully both in Retail and Wholesale Banking portfolios.
- Operational migration: The process of the operational migration of ex-Emporiki Bank and ex-Citibank (Greek branch) with the processes of Alpha Bank has been completed. To this extent, the Alpha Bank processes have been updated in order to ensure equivalent risk management practices.
- Rating/ Scoring systems update: the Wholesale Banking rating systems and mortgage scoring systems have been updated and redeveloped in order to include the population of ex-Emporiki Bank and ex-Citibank (Greek branch).
- Review and ongoing validation of rating models: the Wholesale Banking credit rating models as well as the Retail Banking models have been reviewed and validated against the most recent regulatory requirements. Based on the results, the Bank is currently enhancing its large corporate and mid corporate credit risk rating models.
- Data-warehouse development: the IT infrastructure has been developed for the Wholesale Banking portfolio which is under ongoing monitoring, and is under implementation phase for

retail portfolio, in order to collect and maintain key data for risk management and risk modeling purposes.

The key priorities for the current year include the following:

- Continuation of the efforts for the development and improvement of the necessary data infrastructure of the Bank and the Group.
- Advancement in the development and validation processes for the Wholesale Banking credit risk rating models, as well as the Retail Banking scoring models.
- Development of scoring models for the Small Business portfolio.
- Enhancement of capital calculation engine for the calculation of capital requirements.
- Review and compliance of the credit risk management framework with the abovementioned changes and updates.

## 5.2 Disclosures with respect to Credit Risk and Asset Quality of Bank's exposures

The tables below (4-7) show the geographical break down of the Group's credit exposures, impairment losses and non-performing loans that are over 90 days past-due per portfolio, as disclosed for IFRS purposes as well as the average balances:

**Table 4**

Table 4a: Loans and Advances to Customers, Impaired Loans and Impairment Allowance by Product Line, Industry and Geographical Region (in Thousands of Euro )						
31.12.2015	Greece			Rest of Europe		
	Gross Amount	Impaired Amount	Accumulated Impairment Allowance	Gross Amount	Impaired Amount	Accumulated Impairment Allowance
<b>Retail Lending</b>	<b>30,410,431</b>	<b>17,203,511</b>	<b>7,939,908</b>	<b>4,454,304</b>	<b>2,092,923</b>	<b>983,642</b>
Mortgage	17,152,831	7,638,418	2,536,564	3,686,925	1,730,714	770,048
Consumer	5,228,208	3,605,993	2,134,921	644,481	300,347	180,791
Credit Card	1,373,287	496,290	367,283	52,034	16,016	12,864
Other (incl. SBL)	6,656,105	5,462,810	2,901,140	70,864	45,846	19,938
<b>Corporate Lending</b>	<b>20,698,289</b>	<b>9,293,941</b>	<b>5,472,439</b>	<b>5,038,887</b>	<b>2,637,925</b>	<b>1,388,811</b>
Financial Institutions	127,279	42,541	40,724	103,332	21,298	19,282
Manufacturing	5,549,886	2,268,877	1,386,501	388,216	192,157	112,345
Construction and Real Estate Development	3,240,735	1,952,745	1,049,997	3,149,523	1,914,941	964,878
Wholesale and retail trade	4,751,358	2,634,396	1,719,212	602,477	219,640	120,401
Transportation	279,881	137,611	74,973	91,969	26,911	14,180
Shipping	1,835,080	279,881	97,988	830	0	3
Hotels / Tourism Services and Other sectors	1,600,774	567,477	269,353	267,865	119,354	37,174
	3,313,296	1,410,413	833,691	434,675	143,624	120,548
<b>Public Sector</b>	<b>1,297,581</b>	<b>43,775</b>	<b>42,127</b>	<b>115,423</b>	<b>0</b>	<b>1,872</b>
<b>Total</b>	<b>52,406,301</b>	<b>26,541,227</b>	<b>13,454,474</b>	<b>9,608,614</b>	<b>4,730,848</b>	<b>2,374,325</b>



Table 4b: Loans and Advances to Customers, Impaired Loans and Impairment Allowance by Product Line, Industry and Geographical Region (in Thousands of Euro )

31.12.2014	Greece			Rest of Europe		
	Gross Amount	Impaired Amount	Accumulated impairment allowance	Gross Amount	Impaired Amount	Accumulated impairment allowance
<b>Retail Lending</b>	<b>29,531,908</b>	<b>15,114,793</b>	<b>6,233,094</b>	<b>4,564,844</b>	<b>1,852,234</b>	<b>923,622</b>
Mortgage	17,323,762	7,035,237	1,790,568	3,661,315	1,486,438	698,247
Consumer	4,983,187	3,195,947	1,729,675	767,291	307,123	193,318
Credit Card	1,453,441	384,477	340,746	66,190	18,234	13,806
Other (incl. SBL)	5,771,518	4,499,132	2,372,105	70,048	40,439	18,251
<b>Corporate Lending</b>	<b>21,471,575</b>	<b>8,469,235</b>	<b>4,426,855</b>	<b>5,308,423</b>	<b>2,516,032</b>	<b>1,167,553</b>
Financial Institutions	78,720	46,265	42,152	49,893	21,011	18,319
Manufacturing	5,722,190	2,131,734	1,111,870	490,583	161,308	104,260
Construction and Real Estate	3,487,586	1,690,696	839,538	3,244,593	1,822,816	750,951
Development	5,050,577	2,457,238	1,376,945	631,346	215,689	132,558
Whole sale and retail trade	360,835	202,312	109,058	67,830	19,148	11,125
Transportation	1,885,752	167,404	52,459	1,235	0	6
Shipping	1,655,810	533,060	245,305	216,059	107,877	40,597
Hotels / Tourism	3,230,105	1,240,526	649,528	606,884	168,183	109,737
Services and Other sectors						
<b>Public Sector</b>	<b>1,323,714</b>	<b>33,407</b>	<b>28,232</b>	<b>136,872</b>	<b>0</b>	<b>995</b>
<b>Total</b>	<b>52,327,197</b>	<b>23,617,435</b>	<b>10,688,181</b>	<b>10,010,139</b>	<b>4,368,266</b>	<b>2,092,170</b>

Table 5

Table 5a: Impaired and Past-due Loans and Advances to Customers by Business Line (in Thousands of Euro )

31.12.2015	Not impaired Loans and Advances		Impaired Loans and Advances		Total gross amount
	Neither past due nor impaired	Past due but not impaired	Individually assessed	Collectively assessed	
<b>Retail Lending</b>	12,330,901	3,237,400	908,770	18,387,664	34,864,735
<b>Corporate Lending</b>	12,505,883	1,299,427	11,429,594	502,272	25,737,176
<b>Public Sector</b>	1,367,302	1,927	42,574	1201	1,413,004
<b>Total</b>	<b>26,204,086</b>	<b>4,538,754</b>	<b>12,380,938</b>	<b>18,891,137</b>	<b>62,014,915</b>

Table 5b: Impaired and Past-due Loans and Advances to Customers by Business Line (in Thousands of Euro )

31.12.2014	Not impaired Loans and Advances		Impaired Loans and Advances		Total gross amount
	Neither past due nor impaired	Past due but not impaired	Individually assessed	Collectively assessed	
<b>Retail Lending</b>	13,444,529	3,685,196	413,966	16,553,061	34,096,752
<b>Corporate Lending</b>	14,985,433	809,298	10,566,801	418,466	26,779,998
<b>Public Sector</b>	1,426,070	1,109	33,407	-	1,460,586
<b>Total</b>	<b>29,856,032</b>	<b>4,495,603</b>	<b>11,014,174</b>	<b>16,971,527</b>	<b>62,337,336</b>

**Table 6**

Table 6a: Geographical break down of credit exposures, impairment losses and non-performing loans (in Thousands of Euro )				
31.12.2015				
	Cyprus	Romania	Serbia	Albania
<b>Gross Loans</b>	<b>5,284,729</b>	<b>2,814,087</b>	<b>708,338</b>	<b>368,454</b>
Mortgages	2,469,216	956,326	181,052	66,929
Consumer Credit	278,185	269,108	113,013	20,157
Businesses	2,537,328	1,588,653	414,274	281,369
<b>NPL Ratio</b>	<b>45,56%</b>	<b>16,42%</b>	<b>22,33%</b>	<b>18,16%</b>
<b>Impairment Losses</b>	<b>267,284</b>	<b>45,978</b>	<b>41,017</b>	<b>7,710</b>

Table 6b: Geographical break down of credit exposures, impairment losses and non-performing loans (in Thousands of Euro )						
31.12.2014						
	Cyprus	Romania	Bulgaria	Serbia	Albania	FYROM
<b>Gross Loans</b>	<b>5,062,691</b>	<b>2,927,160</b>	<b>652,056</b>	<b>720,693</b>	<b>371,749</b>	<b>70,460</b>
Mortgages	2,352,969	882,551	152,829	188,238	67,813	12,864
Consumer Credit	269,518	289,134	74,512	120,184	16,237	22,374
Businesses	2,440,204	1,755,475	424,715	412,271	287,699	35,222
<b>NPL Ratio</b>	<b>38.2%</b>	<b>15.3%</b>	<b>26.6%</b>	<b>18.6%</b>	<b>27.8%</b>	<b>25.7%</b>
<b>Impairment Losses</b>	<b>423,185</b>	<b>119,725</b>	<b>7,530</b>	<b>7,599</b>	<b>4,681</b>	<b>-785</b>

**Table 7**

Table 7a: Geographical breakdown of average balances (in Thousands of Euro )			
01.01.2015 - 31.12.2015	Greece	Other countries	Total
Housing	17,217,949	3,695,018	<b>20,912,967</b>
Consumer/Credit cards/Other retail	6,480,294	757,524	<b>7,237,818</b>
Corporate	28,861,073	5,246,270	<b>34,107,343</b>
<b>Total Loans</b>	<b>52,559,315</b>	<b>9,698,813</b>	<b>62,258,128</b>

Table 7b: Geographical breakdown of average balances (in Thousands of Euro )			
01.01.2014 - 31.12.2014	Greece	Other countries	Total
Housing	17,316,348	3,682,172	<b>20,998,520</b>
Consumer/Credit cards/Other retail	6,333,454	888,729	<b>7,222,183</b>
Corporate	28,774,734	5,967,990	<b>34,742,724</b>
<b>Total Loans</b>	<b>52,424,536</b>	<b>10,538,891</b>	<b>62,963,427</b>

The following table shows the allocation into time bands of the cash flows arising from all Alpha Bank assets, as disclosed for IFRS purposes.

**Table 8**

Allocation into time bands of the cash flows arising from all Group's assets (in Thousands of Euro )						
31.12.2015						
Assets	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 1 year	Total
Cash and balances with Central banks	1,730,327	0	0	0	0	1,730,327
Due from banks	1,420,989	331,911	4,636	24	218,713	1,976,273
Financial assets at fair value through profit or loss	1,888	0	0	0	891	2,779
Derivative financial instruments	793,015	0	0	0	0	793,015
Loans and advances to customers	2,886,348	2,039,558	1,799,782	2,854,971	36,605,457	46,186,116
Investment Securities	0	0	0	0	0	0
- Available-for-sale	4,816,465	0	0	0	978,019	5,794,484
- Held to maturity	0	0	6,112	0	73,597	79,709
-Loans and receivables					4,289,482	4,289,482
Investments in subsidiaries, associates and joint ventures	0	0	0	0	45,771	45,771
Investment property	0	0	0	0	623,662	623,662
Property, plant and equipment	0	0	0	0	860,901	860,901
Goodwill and other intangible assets	0	0	0	0	342,251	342,251
Deferred tax assets	0	0	0	0	4,398,176	4,398,176
Other assets	61,986	125,854	185,959	375,394	761,032	1,510,225
Non current assets held for sale	0	390,862	272,201	0	0	663,063
<b>Total Assets</b>	<b>11,711,018</b>	<b>2,888,185</b>	<b>2,268,690</b>	<b>3,230,389</b>	<b>49,197,952</b>	<b>69,296,234</b>
31.12.2014						
Assets	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 1 year	Total
Cash and balances with Central banks	2,019,017	0	0	0	0	2,019,017
Due from banks	1,971,078	523,483	9	1,188	275,981	2,771,739
Financial assets at fair value through profit or loss	1,809	0	0	0	2,380	4,189
Derivative financial instruments	1,148,476	0	0	0	0	1,148,476
Loans and advances to customers	2,893,123	2,097,020	1,933,524	3,351,777	39,281,541	49,556,985
Investment Securities	0	0	0	0	0	0
- Available-for-sale	2,630,649	0	0	0	3,057,637	5,688,286
- Held to maturity	1,872	0	732	17,503	290,711	310,818
-Loans and receivables					4,299,101	4,299,101
Investments in subsidiaries, associates and joint ventures	0	0	0	0	46,383	46,383
Investment property	0	0	0	0	567,212	567,212
Property, plant and equipment	0	0	0	0	1,083,348	1,083,348
Goodwill and other intangible assets	0	0	0	0	331,424	331,424
Deferred tax assets	0	0	0	0	3,689,446	3,689,446
Other assets	56,197	113,724	168,497	337,966	688,682	1,365,066
Non current assets held for sale	51,384	0	0	2,587	0	53,971
<b>Total Assets</b>	<b>10,773,605</b>	<b>2,734,227</b>	<b>2,102,762</b>	<b>3,711,021</b>	<b>53,613,846</b>	<b>72,935,461</b>

The following table presents the allowance for impairment losses:

**Table 9**

Allowance for impairment losses	(in Thousands of Euro )
<b>Balance 1.1.2014</b>	<b><u>6.956.134</u></b>
<b>Changes for the period 1.1 - 31.12.2014</b>	
Impairment losses for the year from continuing operations	1.917.192
Impairment losses for the year from discontinued operations	6.876
Change in present value of the allowance account	513.998
Loans written-off during the year	-565.521
Reclassification to provisions from contingent liabilities	775
Transfer of accumulated provisions to assets held for sale	-3.223
Foreign exchange differences	4.046
<b>Balance 31.12.2014</b>	<b><u>8.830.277</u></b>
<b>Changes for the period 1.1 - 31.12.2015</b>	
Impairment losses for the year from continuing operations	3.047.307
Change in present value of the allowance account	547.996
Transfer of accumulated provisions to assets held for sale	-109.943
Loans written-off during the year	-348.663
Foreign exchange differences	54.781
<b>Balance 31.12.2015</b>	<b><u>12.021.755</u></b>

The following table presents impairment losses and provisions to cover credit risk.

**Table 10**

Impairment losses and provisions to cover credit risk	(in Thousands of Euro )	
	<b>31.12.2015</b>	<b>31.12.2014</b>
Impairment losses on loans and advances to customers	3,047,307	1,917,192
Impairment losses with credit institutions	2,552	
Provisions to cover credit risk relating to off-balance sheet items	-10,708	-51,430
Recoveries	-19,345	-18,725
<b>Total</b>	<b>3,019,806</b>	<b>1,847,037</b>

### 5.3 Disclosures for portfolios subject to Standardized Approach

Alpha Bank Group uses the available credit ratings from Moody's Investors Service, Standard & Poor's Ratings Services and Fitch Ratings, which have been approved from Bank of Greece as eligible External Credit Assessment Institutions (ECAIs) for the use of their credit ratings in regulatory capital calculation (Decision 250 / 25.9.2007). Credit ratings of the above rating agencies are used, where available, for all Group portfolios.

Credit ratings are assigned to credit quality bands. Then, credit quality bands are assigned to the corresponding risk weights per portfolio type, as described in detail in CRR 575/2013.

**Table 11**

Assignment of the credit ratings of the eligible ECAI's to credit quality steps			
Credit Quality Band	Standard & Poor's Ratings Service	Moody's Investor Services	Fitch Ratings
1	AAA to AA-	Aaa to Aa3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below

The asset classes for which ECAIs ratings are used are the following:

- Exposures to Central Governments and Central Banks.
- Exposures to Financial Institutions.
- Exposures to Multilateral Development Banks.

For all other asset classes, credit quality bands are assigned to the corresponding risk weights per exposure type, as described in detail in CRR 575/2013.

If for a specific exposure there are two available ratings then the rating leading to the higher risk weight is selected. In case, that there are more than two available ratings, initially the two ratings leading to the lower risk weights are chosen and then from the aforesaid two choices is selected the one corresponding to the higher risk weight.

Since June 2012, Alpha Bank applies Standardized Comprehensive Method in order to improve Risk Weighted Assets, resulting, for this purpose, additional financial collaterals are recognized.

The following table shows the Group's credit exposures, after subtracting impairment, before any credit risk mitigation, for regulatory purposes.

Credit exposures for regulatory purposes before any credit risk mitigation are differentiated from equivalent balances presented in IFRS balance sheet, due to the following:

- Different basis of consolidation.
- Integration of the off-balance sheet exposures (e.g. non-utilized, uncommitted undrawn facilities) and potential future exposures for derivative financial instruments, as well as inclusion of repos' collaterals.

**Table 12**

Credit exposures (on and off balance sheet) net of impairment for regulatory purposes before any credit risk mitigation		
(in thousands of Euro )		
Exposure type	31.12.2015	31.12.2014
Central governments and central banks / Regional governments and local authorities	10,936,451	10,537,420
International organisations	4,298,767	4,329,040
Financial Institutions	1,828,725	5,219,985
Corporate customers	13,978,529	15,304,822
Retail customers	7,427,933	9,158,072
Secured by mortgages on immovable property	12,716,336	14,231,825
Securitization Positions	7,660	29,773
Collective Investment Organisation Units	7,190	9,115
Exposures in default	17,475,147	16,963,412
Other items	5,466,765	5,218,062
<b>Total</b>	<b>74,143,503</b>	<b>81,001,526</b>

Table 13 below presents the net Exposure at default (EAD) i.e net of impairments on and off balance sheet credit exposures, after credit risk mitigation, where the respective risk weights of the standardized approach are applied, broken down by supervisory risk weights (according to CRR 575/2013).

The credit exposures shown in the table below do not include intangible assets and participations in insurance companies that are deducted from regulatory own funds.

**Table 13**

On and off balance sheet Exposures net of impairments, after CRM and CCF, broken down by supervisory risk weights according to credit quality steps (in Thousands of Euro )								
31/12/2015								
Exposure Type	0%	10-20%	35%	50%	75%	100%	≥ 150%	Total
Central governments and central banks / Regional governments and local authorities	7,286,948	62,501	0	0	0	3,870,923	479,035	<b>11,699,406</b>
International organisations	4,298,767	0	0	0	0	0	0	<b>4,298,767</b>
Financial Institutions	231,121	802,565	0	279,627	0	195,042	32,232	<b>1,540,586</b>
Corporate customers	0	0	0	267	0	10,905,183	373,518	<b>11,278,968</b>
Retail customers	0	0	0	0	5,988,562	0	0	<b>5,988,562</b>
Secured by mortgages on immovable property	0	0	8,399,043	4,191,037	0	0	0	<b>12,590,080</b>
Securitization Positions	0	0	0	0	0	0	7,660	<b>7,660</b>
Collective Investment Organisation Units	0	0	0	0	0	7,190	0	<b>7,190</b>
Exposures in default	0	0	0	0	0	15,123,025	1,560,847	<b>16,683,872</b>
Other items	2,386,447	43,318	0	0	0	3,027,800	8,200	<b>5,465,765</b>
<b>Total</b>	<b>14,203,283</b>	<b>908,383</b>	<b>8,399,043</b>	<b>4,470,930</b>	<b>5,988,562</b>	<b>33,129,163</b>	<b>2,461,492</b>	<b>69,560,856</b>
31/12/2014								
Exposure Type	0%	10-20%	35%	50%	75%	100%	≥ 150%	Total
Central governments and central banks / Regional governments and local authorities	10,023,899	70,413	0	0	0	488,735	764,748	<b>11,347,795</b>
International organisations	4,329,040	0	0	0	0	0	0	<b>4,329,040</b>
Financial Institutions	227,744	2,678,496	0	347,109	0	421,490	190,531	<b>3,865,371</b>
Corporate customers	0	14,563	0	17	0	12,161,932	117,785	<b>12,294,297</b>
Retail customers	0	0	0	0	7,525,145	0	0	<b>7,525,145</b>
Secured by real estate property	0	0	9,295,076	4,817,110	0	0	0	<b>14,112,186</b>
Securitization Positions	0	9,354	0	0	0	0	20,419	<b>29,773</b>
Collective Investment Organisation Units	0	0	0	0	0	9,115	0	<b>9,115</b>
Past Due Items	0	0	0	0	0	12,677,414	3,554,616	<b>16,232,029</b>
Other items	2,225,241	58,616	0	0	0	2,917,665	15,270	<b>5,216,792</b>
<b>Total</b>	<b>16,805,924</b>	<b>2,831,442</b>	<b>9,295,076</b>	<b>5,164,236</b>	<b>7,525,145</b>	<b>28,676,350</b>	<b>4,663,368</b>	<b>74,961,542</b>

## **6 Credit risk mitigation**

Credit risk mitigation techniques reduce exposure value and expected loss. According to CRR 575/2013, only specific types of credit risk mitigation are eligible for capital adequacy calculation purposes.

Moreover, Bank of Greece sets additional criteria which should be satisfied during the collateral management process (market value monitoring, insurance, legal validity) and the terms and conditions of the relevant agreements.

### **6.1 Collateral valuation and management policies and procedures**

Collateral can be used in order to hedge the Credit Risk created in case a customer or counterparty to a financial instrument fails to meet their contractual obligations.

Collaterals are holdings or rights of every type provided to the Bank by its debtors or third parties to be used as additional funding sources in case of claim liquidation.

The main collateral types held for retail customers are mortgages, cash, mutual funds and sovereign securities (repos, bonds). Additionally, in case of real estate loans maximum Loan to Value (LTV: loan amount to property commercial value) limits have been set, depending upon loan purpose and collateral. The amount the customer contributes to the asset being financed is a very important factor during the loan approval process since it directly affects customer's repayment ability.

As far as wholesale customers are concerned, loan repayment depends upon the viability and growth perspectives of the company, the servicing ability of the company and its owners, the circumstances prevailing at the sectors and markets they are active in, as well as unexpected factors, positively or negatively affecting their operation.

In case the debtor is a private individual, the Group seeks to have him insured against death and severe injuries.

As far as on and off balance sheet netting is concerned, this is conducted only in case there are ISDA agreements.

The Bank estimates collateral value based upon the potential cash flows which will be received in case of liquidation.

During the estimation process the following are taken into consideration:

- Asset quality.
- Commercial / market value.
- Potential difficulties in liquidation.
- Time required for liquidation.
- Liquidation associated costs.
- Existing weights on real estate properties (mortgages, confiscations).

- Potential senior claims which might occur during the liquidations of corporate assets (government, state organizations, and employees).

The above parameters are taken into consideration while estimating collateral value factors, expressed as a percentage of the market, nominal or weighted collateral value, depending upon collateral type.

Real estate property and equipment valuation is carried out through Alpha Astika Akinita A.E., a Group company.

Valuation of those collaterals which cannot be performed through a Group company is assigned to other, approved, companies.

Regarding the rest of the companies of Alpha Bank Group, apart from the general principles applying to the Group as a whole, additional clauses also exist. To specify, as far as leasing contracts are concerned, apart from the leased property, Alpha Leasing might request additional collateral. Moreover, Factoring customers are subject to collateral limits depending upon debtor's creditworthiness and reexamined according to the Bank's Policy regarding loans to corporate customers.

## **6.2 Description of the main collateral types eligible for Pillar I calculations**

There are two broad categories of collateral: guarantees / credit derivatives and physical collaterals.

Guarantees are the most common collateral type of the first category. A guarantee is a legally enforceable relationship between the Bank and the borrower, through which the guarantor assumes the responsibility of paying the debt. It is documented and presupposes the existence of another legally enforceable relationship between the Bank and the borrower (loan).

The most common types of guarantors are: private individuals, companies, financial institutions, Hellenic State and Credit Guarantee Fund for Small and Very Small Enterprises (KYA & ETEAN).

The most common types of physical collateral are: mortgages on real estate properties and collaterals on commodities and cheques or claims and receivables.

Physical collateral value is estimated on a regular basis; in case of exceptional/unforeseen events, additional valuation can take place. In case of significant negative changes at collateral values, the Bank seeks to restore the loan to collateral value ratio to the desired levels.

To further improve the effect of credit risk mitigation, the Bank requests that all mortgages are insured and the compensation is assigned to the Bank. The same might apply, on a case by case basis, on other physical collaterals as well.

The following table presents the exposure value covered through eligible financial collateral and guarantees / credit derivatives for each asset class, based on regulatory standards:

**Table 14**

Market Value of eligible collaterals and guarantees (in thousands of Euro)			
31.12.2015			
Exposure type	Covered through financial collateral	Covered through Real Estate Property	Covered through guarantees / credit derivatives
Financial Institutions	306,942	0	0
Corporate customers	461,688	0	267,309
Retail customers	280,637	0	319,309
Secured by real estate property	0	33,486,834	0
Exposures in default	230,146	21,986,756	295,796
Other items	9	0	243
<b>Total</b>	<b>1,279,422</b>	<b>55,473,590</b>	<b>882,657</b>
31.12.2014			
Exposure type	Covered through financial collateral	Covered through Real Estate Property	Covered through guarantees / credit derivatives
Financial Institutions	1,835,856	0	0
Corporate customers	320,307	0	349,506
Retail customers	344,433	0	300,302
Secured by real estate property	0	38,385,532	0
Exposures in default	277,480	19,539,126	321,440
Other items	205	0	367
<b>Total</b>	<b>2,778,282</b>	<b>57,924,658</b>	<b>971,614</b>

Details regarding credit risk mitigation and specifically the periodic revaluation of physical collateral are included in Note 41.1 of the Annual Report 2015.

## 7 Counterparty credit risk (CCR)

Counterparty credit risk is the risk of default of a counterparty before the final settlement of all existing transactions' cash flows. An economic loss would occur if the portfolio of transactions with the counterparty has a positive economic value to the Group at the time of counterparty default. According to CRR 575/2013 the term transaction refers to:

- Over the counter (OTC) derivative transactions, such as FX or interest rate derivative transactions.
- Repurchase transactions, securities or commodities lending or borrowing transactions or margin lending transactions.
- Long settlement transactions.

Alpha Bank Group only has the first two types of transactions.

The exposures generating counterparty credit risk are monitored on a daily basis. The Group has set limits per counterparty group, per counterparty and per product.

In order to reduce counterparty credit risk exposure, Alpha Bank Group uses two types of bilateral contracts as far as financial products transactions of financial institutions are concerned, which are:

- ISDA (International Swap and Derivatives Association): defines the general terms governing the conduct of bilateral contracts on derivatives, such as FX Swaps, Interest Rate Swaps, Cross Currency Swaps, etc. CSA (Credit Support Annex), which is an annex to ISDA, defines the conditions under which collateral is exchanged in the context of these derivatives transactions.
- GMRA (Global Master Repurchase Agreement): defines the terms for conducting transactions of interbank lending backed by securities and defines the conditions under which collateral is exchanged in the context of these transactions e.g. Repurchase Agreement, Securities Lending, Collateralized Loan.

Under these contracts (ISDA & CSA, GMRA) contracting parties are obliged to exchange any negative valuation that concerns the sum of all the underlying transactions. Consequently Alpha Bank Group exchanges required collateral as these are mentioned in the contracts and therefore the existing counterparty credit risk is minimized.

The amount of collateral required is calculated on a regular basis and agreed between counterparties. For transactions that are governed by these contracts, the risk of loss for the Alpha Bank Group is the potential difference between the current value of the collateral and the market value of transactions. As a result, frequent settlement of any difference with collateral exchange eliminates the risk of losses due to counterparty credit risk.

As far as repos and reverse repos are concerned, where Alpha Bank Group exchanges securities for cash for a specific period of time, they are included in counterparty limits as they involve counterparty credit risk. The maximum potential loss of the Group is capped by the difference between the market value of securities held (or assigned) and the respective interbank transaction. Through GMRA Contracts, the aforementioned risk is minimized with the exchange of required collateral.

As far as the derivative transactions with other (non-financial institution) counterparties are concerned, the resulting risk exposure is taken into account as part of the Credit exposure against the customer according to the Credit Policy in force.

The table below exhibits the gross exposure, the netting effect, the collateral received and the net total exposure in derivative instruments.

**Table 15**

Counterparty credit risk exposure before and after the application of netting and risk mitigation (in Thousands of Euro)					
31.12.2015					
	Gross exposure	Netting effect	Current exposure after netting	Collateral received	Total exposure after netting and CSA application
OTC-products & Repos - Reverse Repos <sup>1</sup>	1,295,171	-666,887	628,284	-35,452	592,832
31.12.2014					
	Gross exposure	Netting effect	Current exposure after netting	Collateral received	Total exposure after netting and CSA application
OTC-products & Repos - Reverse Repos <sup>1</sup>	3,021,845	-711,497	2,310,348	-154,437	2,155,911

<sup>1</sup> As far as repo – reverse repo products are concerned, the interbank transaction and the underlying bond market value have been taken into consideration.

Alpha Bank Group has adopted the Mark to Market Method, according to which, as described in article 274, section 3 of CRR 575/2013, the exposure value of each contract is calculated as the sum of the current replacement cost of the contract, given it is positive, and the potential future exposure. The potential future exposure is estimated after multiplying the nominal value with a weight, the size of which depends upon the contractual remaining maturity and the underlying asset.

According to CRR 575/2013 Article 381, financial institutions are required to calculate the own funds requirements for Credit Valuation Adjustment (CVA Risk).

The CVA reflects the current market value of the counterparty credit risk to the institution. Own Funds requirements for CVA risk, are calculated for all derivative transactions with financial institutions all OTC derivative instruments but excluding credit derivatives. CVA risk capital requirements are cited in paragraph 3.4.3.

## 8 Market Risk

Market risk is the risk of reduction in economic value arising from unfavorable changes in the value or volatility of interest rates, foreign exchange rates, stock exchange indices, equities and commodities.

Market risk management is conducted in accordance with policies and procedures that have been developed and are implemented by all Group companies.

Group Risk Management Committee is responsible for supporting and supervising the Market Risk management framework and ensuring the application of all the necessary measures to identify, estimate, monitor and control this type of risk. Group ALCO is responsible for approving the guidelines, the strategy and the organizational structure as far as Market Risk is concerned. The Treasury and Balance Sheet Management Committee is responsible for structuring proposals for decisions on Treasury and Asset Liability Management issues to be made by Group ALCO, or exceptionally by the Group Executive Committee, if immediate decision-making is required.

Market Risk is controlled through the establishment and implementation of a well-structured set of limits, according to the Group Market Risk Tolerance while satisfying the relevant customer needs.

The Value at Risk (VaR) approach, used for the calculation of market risk regulatory capital, uses the historical simulation methodology (market risk capital requirements are cited paragraph 3.4.3). Depending upon the time required for portfolio liquidation, a holding period of 1 to 10 days is used. To calculate VaR an observation period of 2 years and a 99% confidence level are used.

In order to investigate any extreme market situations, market risk stress tests are performed on the Available for Sale (AFS) and Trading (TRD) portfolios. Stress Tests are performed by creating scenarios ('what if' hypothesis) to estimate the losses that may occur on the positions from potential unfavorable substantial movements/shocks in the market and in order to identify potential concentration risk within the portfolios.

Stress Tests may be carried out at any time on any position, however they are carried out on a regular basis at the end of every month on the AFS and TRD portfolios and the results are reported to the Group Risk Management, ALCO, and Treasury and Balance Sheet Management Committees.

Typical stress scenarios consider the following changes in risk factors:

### **Interest rates:**

+/-200bp (up/down) parallel movement

+50bp (0 to 1 year); +150bp (1 to 5 years); + 300bp (5-10 years); (up – steepening)

-0bp (0 to 1 year); -100bp (1 to 5 years); -200bp (5-10 years); (down – flattening)

### **FX rates:**

+/- 30% against EUR (worst case - depending on the overall position of the portfolio)

**Prices** (e.g. equities and indices):

+/-30% (depending on the portfolio position)

**Volatilities:**

-/+ 50% (depending on the portfolio position)

The VaR estimated during 2014 for the Bank trading portfolio, including the FX position due to participations, is given in the following table:

**Table 16**

VaR		(in Thousands of Euro )	
<b>10 Day VaR</b>		<b>VaR</b>	<b>Stressed VaR</b>
<b>31.12.2015</b>		6.1	13.7
Average VaR		6.7	15.3
Maximum VaR		11.1	25.4
Minimum VaR		4.0	10.0

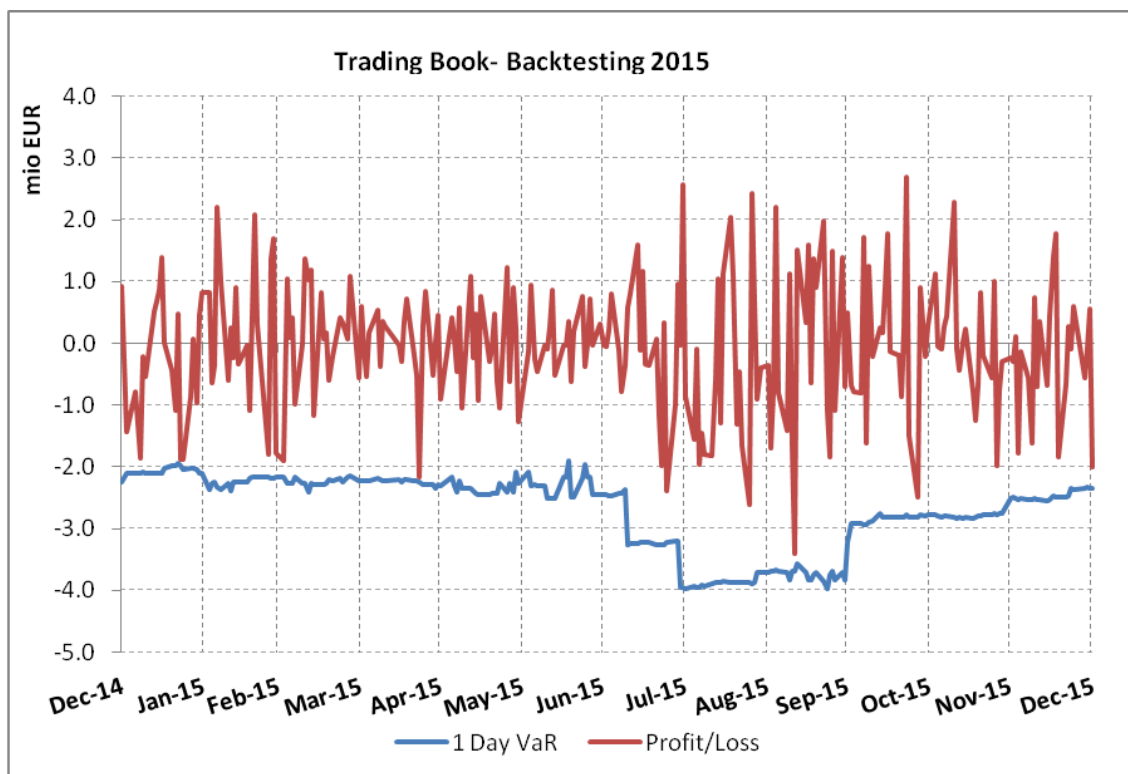
The Bank is exposed to interest rate risk, foreign exchange risk and price risk. The trading portfolio VaR allocated to the above risk factors during 2015 is given in the following table:

**Table 17**

Allocated VaR		(in Thousands of Euro )		
		<b>Interest Rate</b>	<b>Foreign Exchange</b>	<b>Price</b>
<b>31.12.2015</b>		0.2	6.1	0.1
Average VaR		0.4	6.6	0.07
Maximum VaR		1.0	11.1	0.1
Minimum VaR		0.1	3.1	0.05

Additionally, VaR model validation (backtesting) is performed on a daily basis. Both actual and hypothetical backtesting are conducted in order to comply with the regulatory requirements. In terms of the hypothetical backtesting process the daily VaR at a 99% confidence level is compared to the buy-and-hold profit and loss, e.g. the profit and loss impact if the trading portfolio is held constant at the end of the day and re-priced the following day considering the daily change in the underlying risk factors, excluding realized trading revenue, net interest, fees and commissions. Moreover, actual backtesting is performed by comparing the daily VaR at 99% confidence interval with the actual daily profit/loss of the Bank's trading portfolio. In both tests, based on a 99% confidence level of the VaR model, the losses would be expected to exceed the VaR of the portfolio two to three days in any one year. Periods of unstable market conditions could increase the number of backtesting exceptions.

The evolution of daily VaR vs daily buy-and-hold profit and loss for the trading portfolio during 2015 is given below:



In 2008, the Bank of Greece validated the Bank's internal model for VaR and approved its application in order to calculate the capital requirements for market risk.

Alpha Bank Group is in compliance with Bank of Greece requirements regarding the systems and controls through which the requirement for the provision of accurate and reliable valuation results is satisfied with, as described in Appendix VII of Directive 2591/20.8.2007.

## 8.1 Standardized approach for market risk

Capital charges for specific risk are calculated with the Standardized approach. Alpha Bank Group uses also the Standardized approach for the measurement of market risk exposure and capital requirements of all its subsidiaries. The following table summarizes the capital requirements for market risk per risk factor based on Standardized approach at December 2015 and 2014.

**Table 18**

Capital requirements for Market Risk with Standardized approach	(in Thousands of Euro )	
	31.12.2015	31.12.2014
Specific risk of traded debt instruments	0	0
Shares	93	278
CVA	21,390	25,636
Foreign exchange risk	27,116	8,355
<b>Total</b>	<b>48,600</b>	<b>34,269</b>

## 9 Operational Risk

The Group acknowledges the need for managing the operational risk that stems from its business activities, as well as the need for holding adequate capital, in order to absorb potential losses related with this type of risk.

The calculation of capital requirements for operational risk is performed in accordance with the Standardized Approach of the Capital Requirements Regulation of 27.6.2013. Specifically, the Group's gross operating income for 2013, 2014 and 2015 is split into eight business lines. The capital requirement for operational risk is the average, over these three years, of the risk-weighted gross income. The risk weighted gross income is calculated each year across the business lines by using specific beta factors.

In particular, the respective capital charges on a Group basis are presented in the following table:

**Table 19**

Capital Charges for Operational Risk			(in Thousands of Euro)
	Avg 2013-2015	Business line beta	Capital Requirements
<b>Capital Requirements for Operational Risk</b>			<b>308,486</b>
<b>Basic Approach Indicator</b>		<b>0.15</b>	<b>4,188</b>
<b>Standardised Approach</b>			<b>304,297</b>
<i>For the Standardised Approach:</i>			
Corporate Finance	4,107	0.18	739
Trading & Sales	27,973	0.18	5,035
Retail Brokerage	32,706	0.12	3,925
Commercial Banking	1,106,782	0.15	166,017
Retail Banking	1,028,172	0.12	123,381
Payments and Settlement	11,186	0.18	2,014
Agency Services	4,589	0.15	688
Asset Management	20,820	0.12	2,498

Additionally, the Group complies with the qualitative criteria required for this approach. Within this context and in order to achieve effective operational risk management, the Group has adopted and implemented an Operational Risk Framework which focuses on the following areas:

- Operational risk events management and collection, including management of Lawsuits filed against the Group.
- Operational risk identification and assessment, through a risk and control self assessment process as well as other assessment techniques.
- Definition and monitoring of Key Risk Indicators.
- Operational Risk Reporting.

- Operational risk mitigation approaches, including both the implementation of Action Plans that improve the existing internal control environment as well as Insurance Policies covering specific types of events and impacts.

The Framework is continuously reviewed and various initiatives have been introduced in order to improve it. It is supported by an appropriate organizational structure with clear roles and responsibilities under the core assumption that the prime responsibility for operational risk management remains with the organizational units throughout the Group. In particular the Group's Operational Risk Management Policy adheres to the following principles:

- **Applicability:** The Operational Risk Management Policy is applied to all levels within the Group. Certain modifications may be required at country level in compliance with the local regulatory environment.
- **Accountability:** The Bank and Group Company Units are responsible for managing their operational risk in line with the operational risk management policy. To this extent, they are the owners of the operational risks associated with their activities and they are supported by the Operational Risk Units in the identification, assessment, monitoring and mitigation of their risks.
- **Compliance:** The Group Operational Risk Unit ensures that the Group adheres to the regulatory requirements set by the Group's Regulators. The Operational Risk Units of the Group Companies ensure compliance with the regulatory requirements applicable in their jurisdiction.
- **Transparency and Information Dissemination:** Operational Risk Management is an integral part of the Group's activities. Identification and management of operational risk are performed so as to maintain a constant flow of information and enhance the decision-making process. Transparency and information dissemination is supported by appropriate tools so that Operational Risk Units can generate and provide adequate reports.
- **Risk Mitigation and Transfer:** The Group's primary defenses against operational risk are its policies, procedures and internal controls. The Group provides its Employees with training on operational risk issues, in order to increase their awareness and understanding of operational risks. In addition, insurance policies are used for the partial transfer of certain types of operational risk.

The Group has introduced specific committees and roles that ensure proper implementation of the above mentioned policy.

- **Operational Risk Committee,** which is delegated by the Risk Management Committee to supervise operational risk management activities. Operational Risk Committees are also established in the Group Companies.
- **Group Operational Risk Unit and Operational Risk Units in the Group Companies.** The Group Operational Risk Unit develops the appropriate tools, processes, procedures and techniques relevant to operational risk management, monitors the implementation of appropriate action plans for its mitigation at Group level and submits reports to the relevant Committees and Senior Management of the Group. The Group Companies' Operational Risk Units implement the operational risk framework at the Company and local level and ensure its compliance with the national laws and regulations. In addition to the above, the Risk Units of the Banking Entities have the responsibility to co-



ordinate and support the implementation of the operational risk framework by the other Group Companies of the same jurisdiction, in accordance with the guidelines provided by the Group Operational Risk Unit.

- Bank Units and Group Company Units, which manage their operational risks and are responsible for the implementation of the Operational Risk Policy. In addition to their own operational risks, some Units may be delegated to manage or have an oversight role in specific areas of operational risk (e.g. Compliance Units, Information Security Units, Physical Security Units, Business Continuity Plan Units). All Units appoint an Operational Risk Coordinator i.e. an Officer with experience and knowledge of the Unit's operations and activities and has the seniority to work closely with other Officers of the Unit. The coordinator is appointed by the Manager and is mainly responsible for providing information and support, raising awareness among the Delegates of the Unit on operational risk issues and participating actively in the implementation of the operational risk management processes/actions within the Unit.
- Internal Audit Unit, which provides an independent review of the integrity, appropriateness and effectiveness of the overall risk management process. In addition, it provides assurance that the internal controls and operational risk mitigation practices implemented by the Units are sufficient and appropriate for the type and complexity of risk-taking activities.

Currently the Group is working towards the gradual implementation of more Advanced Measurement Approaches (AMA) for Operational Risk. This will require the development of a robust internal calculation model as well as the enhancement of the policies, procedures and systems for operational risk management. Within this context the Group has scheduled specific initiatives under the general "AMA Compliant" project. The main objectives for the years 2016-2018 are as follows:

- Development of an AMA internal statistical model for capital calculation. The model will initially be used for benchmarking purposes, in order to assess the adequacy operational risk capital calculated under the standardized approach, as well as a means of introducing a more advanced approach for sensitivity analysis, stress testing of the various types of operational risks (indicatively fraud risk, system risk, employment practices risk and process management risk) and for evaluating the contribution of the Group's insurance policies to the operational risk capital calculations.
- Improvement of the processes implemented for operational risk events management and collection. These processes include (indicatively) lawsuits management and credit risk related events management as well as the provisioning and accounting policies and procedures.
- Redesigning the operational risk assessment approach in order to enhance the current methods and introduce adequate procedures for specific categories of operational risk like the Conduct risk, the Fraud risk, the Information Systems Risk, the Model risk and the Outsourcing risk.
- Redesigning the Group's operational control framework by introducing specific metrics like Key Risk Indicators or similar methods of monitoring the Internal Control Factors in the core banking activities.

Additionally, the Group focuses on the continuous improvement of the fraud risk management procedures. To this end the Fraud risk management policy and procedures will be revised and the Fraud detection techniques will be enhanced during 2016.

Finally, the Group has established a Business Continuity Management System (BCMS) Framework, which ensures that the business processes continue in the event of a disaster or serious incident. BCMS was certified on 2012 with BS25999 at the Bank level, and on 2013 with ISO22301, expanding also the certification scope to specific Group Companies. Apart from the procedures that have been developed, which require the system to be internally audited at least twice per year, the BCMS is subject to regular external audits by the several delegated authorities and bodies.

## 10 Equity exposures not included in the trading book

Alpha Bank Group equity exposures not included in the trading book are equity exposures of the Available for Sale portfolio (AFS).

This category is measured at fair value. Changes in fair value are recognized directly in equity until the financial asset is sold, where upon, the cumulative gains and losses previously recognized in equity are recognized in profit or loss.

The financial assets included in this category are reviewed at each balance sheet date to determine whether there is any indication of impairment. A significant or prolonged decline in their fair value below their acquisition cost is considered as an objective evidence of impairment. Alpha Bank Group considers as “significant” a decrease of over 20% compared to the cost of the investment. Respectively, “prolonged” is a decrease in the fair value below amortized cost for a continuous period exceeding one year. The above criteria are assessed in conjunction to the general market conditions. In case of impairment, the cumulative loss already recognized in equity is reclassified in profit and loss.

The fair value of AFS investments in shares that are quoted in active markets is determined on the basis of the quoted prices. For those not quoted in an active market, fair value is determined, where possible, using valuation techniques and taking into consideration the particular facts and circumstances of the shares’ issuers.

**Table 20**

Equity exposures not included in the trading book		(in Thousands of Euro )	
Type	Book value 31.12.2015	Book value 31.12.2014	
Listed	149,482	20,040	
Non-listed	37,670	53,884	
<b>Total</b>	<b>187,152</b>	<b>73,924</b>	

The total amount of realized gains/losses from the disposal of AFS equity instruments for the year 2015 is Euro 3.2 million losses. The net amount of unrealized gains in the Group’s equity as at 31 December 2015 is Euro 11.3 million. During the year 2015, the Group has recognized impairment amounting to Euro 9.2 million which is analyzed to Euro 2.4 million relating to listed shares and Euro 6.8 million to non-listed.

## **11 Interest Rate Risk in the Banking Book**

### **11.1 Interest Rate Risk Definition**

The interest rate risk in the banking book is the risk to earnings and/or economic value arising from adverse movements in interest rates. There are four main sources of interest rate risk:

- Repricing risk that arises from timing differences in the maturity and repricing of Alpha Group's assets, liabilities and off balance sheet.
- Yield curve risk that arises when unexpected shifts of the yield curve have adverse effects on Alpha Group's earnings and underlying economic value.
- Basis risk that arises from imperfect correlation in the adjustment of the interest rates earned or paid on different instruments with otherwise similar repricing characteristics.
- Optionality that arises from embedded options in Alpha Group's assets and liabilities or off balance sheet portfolios.

### **11.2 Interest Rate Risk Framework**

Alpha Group aims to maximize its profitability in line with its risk appetite and business objectives. Therefore, it recognizes the need to provide a sound framework for the identification, estimation, monitoring, controlling and reporting of interest rate and foreign exchange risks in the Banking Book, in a consistent manner across the Group.

Interest rate risk management for the Banking Book is performed on a monthly basis and according to Asset and Liability Management Policies & Procedures which have been adopted at Group level.

Interest rate and Foreign Exchange risk management for the Banking Book is performed through effective and timely identification and the estimation of their effects on Alpha Group's earnings and economic value.

### **11.3 Interest Rate Risk Identification and Assessment**

For interest rate risk assessment and monitoring the following estimation techniques in line with EBA guidelines are used:

- Static Gap analysis for each currency.
- Scenario analysis for each currency.

When performing Interest Rate Static Gap Analysis, Group assets and liabilities are allocated into time buckets according to their repricing date for variable interest rate instruments, or according to their maturity date for fixed rate instruments. Assets or Liabilities with no specific repricing schedule (such as revolving loans or savings and sight deposits), are allocated into time buckets according to a specific statistical model, as well as qualitative and quantitative business analysis. Alpha Group Interest Rate Gap Analysis results at 31.12.2015 and 31.12.2014 are presented in Tables 21a and 21b respectively:

**Table 21**

Table 21a: Interest Rate Gap Analysis								(in Thousands of Euro )
31.12.2015								
	< 1 Month	1 to 3 Months	3 to 6 months	6 to 12 months	1 to 5 Years	> 5 Years	Non-Interest bearing	Total
Assets	26,758,416	8,727,141	8,071,476	1,485,855	9,158,194	5,854,547	9,240,605	69,296,234
Liabilities	31,248,704	5,396,163	5,866,767	2,284,717	9,476,137	4,224,596	1,744,814	60,241,898
Equity	0	0	0	0	0	0	9,054,336	9,054,336
Total Liabilities and Equity	31,248,704	5,396,163	5,866,767	2,284,717	9,476,137	4,224,596	10,799,150	69,296,234
Gap	-4,490,288	3,330,978	2,204,709	-798,862	-317,943	1,629,951	-1,558,545	0
<b>Cumulative Gap</b>	-4,490,288	-1,159,310	1,045,399	246,537	-71,406	1,558,545	0	0

Table 21b: Interest Rate Gap Analysis								(in Thousands of Euro )
31.12.2014								
	< 1 Month	1 to 3 Months	3 to 6 months	6 to 12 months	1 to 5 Years	> 5 Years	Non-Interest bearing	Total
Assets	31,367,226	9,980,172	8,920,771	2,754,164	10,689,506	1,556,817	7,666,805	72,935,461
Liabilities	28,306,887	8,600,861	8,403,809	7,226,617	9,465,473	1,667,597	1,557,667	65,228,911
Equity	0	0	0	0	0	0	7,706,550	7,706,550
Total Liabilities and Equity	28,306,887	8,600,861	8,403,809	7,226,617	9,465,473	1,667,597	9,264,217	72,935,461
Gap	3,060,339	1,379,311	516,962	-4,472,453	1,224,033	-110,780	-1,597,412	0
<b>Cumulative Gap</b>	<b>3,060,339</b>	<b>4,439,650</b>	<b>4,956,612</b>	<b>484,159</b>	<b>1,708,192</b>	<b>1,597,412</b>	<b>0</b>	<b>0</b>

Based on the Interest Rate Gap, a sensitivity analysis under stress test conditions with regards to the Net Interest Income (NII) is examined on a monthly basis. In particular, the typical stress scenario assumes a 100 bps parallel shift on interest rates for exposures not included in the trading book. For the 100 bps reduction scenarios, the change applied is up to -100bps, wherever the relevant interest rate permits this downwards movement (interest rate level should be up to zero). The corresponding results are the following:

**Table 22**

Sensitivity Analysis - Group Alpha Bank		(in Thousands of Euro )
Interest rate changes scenarios (yield curve parallel shift)	Net interest income sensitivity (1 year period)	
-100	-9.2	
100	+ 14.4	

#### 11.4 Interest Rate Risk Monitoring

- Alpha Bank Group has adopted an adequate, timely and accurate information system in order to monitor and report risk in line with its policies and regulatory requirements.
- Group ALM and countries' local Treasuries are responsible for managing Alpha Group's positions in compliance with any established limits and escalating any significant issues with respect to the Group's interest rate and foreign exchange positions to Group ALCO and local ALCOs respectively. In addition, Group ALM Unit provides support and input to Group ALCO, regarding Alpha Group's balance sheet management issues.
- The Group Risk Management Unit /Asset Liability Risk Management consolidates the information received from countries' local Risk Management Units and communicates a summary report to Group ALCO.

## 12 Liquidity Risk

### Definition

Liquidity is the risk arising from the Group's inability to meet its obligations as they become due, or fund new business, without incurring substantial losses as well as the inability to manage unplanned contraction or changes in funding sources. Liquidity risk also arises from the Group's failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value. Liquidity risk is also a Balance Sheet risk, since it may arise from banking book activities.

### Structure

Alpha Bank has set a well-defined organizational structure for the Bank and the Group, with clear roles and responsibilities for the relevant staff and Business Units, concerning all types of ALM activities, including liquidity risk management.

The Risk Management Committee has assigned the overall responsibility for liquidity risk management to the Group ALCO, which oversees the operations of the relevant business units.

### Liquidity Management

Liquidity management is performed through the timely identification of liquidity needs, identification of all available sources to cover these needs, and obtaining liquidity through the most cost-effective way for the Group. Details regarding liquidity risk and funding structure of the Group are included in note 41.3 of the Group Annual Financial Report 2015.

The most important areas under constant monitoring are static liquidity gap, funding structure, evolution and relevant cost, loan-to-deposits ratio, loan disbursements, collateral status, evolution of maturity mismatches and funding needs under stress test conditions.

Both Bank and Subsidiaries monitor closely the evolution of short and long term funding. Respective reports are produced on a daily basis. Furthermore, special attention is given to the monitoring of Liquidity assets and other balance sheet assets that can be used for additional funding.

Alpha Bank calculates and monitors LCR on a monthly basis, however, LCR is not considered an appropriate ratio to address liquidity risk especially for Greek banks as they are experiencing a system wide crisis for an extended period.

Alpha Bank performs a Static Liquidity Gap analysis per currency at a solo and consolidated level on a monthly basis. According to Liquidity Gap analysis, cash flows arising from all assets and liabilities are estimated and allocated into time buckets based on their maturity date, with the exception of accounts without contractual maturity (e.g. demand customer deposits, rollover working capital loans, etc.) which are allocated to time bands according to a specific statistical model, as well as qualitative and quantitative business analysis.

Group Liquidity Gap Analysis results at 31.12.2015 and 31.12.2014 are presented in Tables 23a and 23b respectively:

**Table 23**

Table 23a: Liquidity Gap Analysis (in Thousands of Euro )						
31.12.2015						
	Total	<1 month	1 to 3 months	3 to 6 months	6 to 12 months	>1 year
Assets	69,296,234	11,711,018	2,888,185	2,268,690	3,230,389	49,197,952
Liabilities	60,241,898	31,146,675	4,911,023	3,309,356	2,553,447	18,321,397
Equity	9,054,336					9,054,336
Total Liabilities and Equity	69,296,234	31,146,675	4,911,023	3,309,356	2,553,447	27,375,733
<b>Liquidity Gap</b>		<b>-19,435,657</b>	<b>-2,022,838</b>	<b>-1,040,666</b>	<b>676,942</b>	<b>21,822,219</b>

Table 23b: Liquidity Gap Analysis (in Thousands of Euro )						
31.12.2014						
	Total	<1 month	1 to 3 months	3 to 6 months	6 to 12 months	>1 year
Assets	72,935,461	10,773,605	2,734,227	2,102,762	3,711,021	53,613,846
Liabilities	65,228,911	26,415,679	7,844,996	5,831,436	6,988,665	18,148,135
Equity	7,706,550	0	0	0	0	7,706,550
Total Liabilities and Equity	72,935,461	26,415,679	7,844,996	5,831,436	6,988,665	25,854,685
<b>Liquidity Gap</b>	<b>0</b>	<b>-15,642,074</b>	<b>-5,110,769</b>	<b>-3,728,674</b>	<b>-3,277,644</b>	<b>27,759,161</b>

The Group has also developed a Contingency Funding Plan as well as a Recovery Plan along with a respective Early Warning Indicators scheme and its corresponding limits, in order to identify liquidity issues and monitor liquidity or funding risk. The Group Risk Management Unit and the countries' local Risk Management Units monitor these indicators against their established limits and report any limit breaches to the appropriate levels of management.

In addition to that, for the monitoring of liquidity risk, stress tests are performed on a weekly basis, in order to evaluate the impact of potential adverse market conditions on Bank's and Subsidiaries' Liquidity. These stress tests are performed according to the approved, during 2015, Group's policy for "Liquidity Buffer and Liquidity Stress Scenarios".

## 13 Encumbered and Unencumbered Assets

### Information on Group Asset Encumbrance

The Group is funded through unsecured and secured funding lines. Secured funding lines may involve encumbrance of (a) the assets of the Group, (b) any collateral received by the Group and (c) own debt instruments issued and held by the Group.

The overall Group's asset encumbrance through 2015 has increased as an effect of the macroeconomic adverse environment.

Main sources of encumbrance as of 31.12.2015, prioritized by matching liability amount, are the following:

- Central Bank funding
- Securitizations
- Repo transactions
- Derivative transactions

Given the nature and source of funding or transaction that requires Group's assets to be encumbered, the Group utilises collateral agreements with the respective counterparties, where the terms and conditions clearly stipulate the Group's and the counterparty's rights and obligations on collateral posted. Where relevant, widely accepted market standardised agreements are utilized, such as GMRAs, ISDAs and CSAs in the relevant transactions that these apply.

Throughout 2015, Central Bank funding has increased, while repo transactions of the Group have decreased, both mainly due to the general macroeconomic environment.

Derivative transactions have remained fairly stable, while funding stemming from securitization has decreased due to the amortizing nature of the transaction.

The main asset categories that were encumbered as of 31.12.2015, prioritized by carrying amount, are the following:

- Credit claims
- Debt securities issued by general governments
- Securitization
- Loans on demand

The majority of asset encumbrance is coming from the assets of the Bank.

Assets that are not considered encumberable as of 31.12.2015 amounted to 12,6% of the Group Assets and mainly include investment property, intangibles, tax assets, non-current assets and disposal groups classified as held for sale. The relevant percentage for 31.12.2014 amounted to 10,6%.

As of 31.12.2015 the Group did not use as collateral any received instrument, whereas own securities issued and held by the Group of nominal amount € 9.223 mio. were encumbered.

As of 31.12.2015, the overall overcollateralization of secured liabilities of the Group is at the level of 48%<sup>1</sup>, with average haircut of around 32%. The respective percentage for 31.12.2014 was 29%. The increase is attributed mainly to the use of Emergency Liquidity Assistance mechanism.

Further details regarding asset pledged can be found in note 37 “*Contingent Liabilities and Commitments*” par. e “*Assets Pledged*” of the published annual report of the Group for the period from 1.1. to 31.12.2015.

**Table 24**

Table 24a		(in Thousands of Euro )		
<b>31.12.2015</b>				
<b>A. Assets</b>				
	Carrying amount of encumbered assets	Fair Value of encumbered assets	Carrying amount of unencumbered assets	Fair Value of unencumbered assets
Group Assets	37,385,614		30,901,431	
Equity Instruments	0	0	203,225	203,225
Debt Instruments	7,558,286	7,633,519	2,222,012	2,221,236
Other Assets	0		8,753,672	
<b>B. Collateral Received</b>				
	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance		
Collateral received	0	0		
Equity Instruments	0	0		
Debt Instruments	0	0		
Other Collateral Received	0	0		
Own debt securities issued other than own covered bonds or ABS	9,222,600			

<sup>1</sup> Considering as unencumbered the Group assets that correspond to E.L.A liquidity buffer.

Table 24b		(in Thousands of Euro )		
31.12.2014				
A. Assets				
	Carrying amount of encumbered assets	Fair Value of encumbered assets	Carrying amount of unencumbered assets	Fair Value of unencumbered assets
Group Assets	15,394,249		56,493,111	
Equity Instruments	0	0	90,656	90,656
Debt Instruments	6,971,073	7,042,353	3,105,180	3,104,445
Other Assets	0		7,727,128	
B. Collateral Received				
	Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
Collateral received	60,535		2,850	
Equity Instruments	0		0	
Debt Instruments	60,535		2,850	
Other Collateral Received	0		0	
Own debt securities issued other than own covered bonds or ABS	8,661,031		0	

Table 24c		(in Thousands of Euro )	
C. Encumbered Assets / Collateral Received and matching liabilities			
		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	31.12.2015	26,526,933	46,608,214
	31.12.2014	18,681,842	24,115,815

## 14 Leverage

The new regulatory framework has introduced a supplementary non-risk based measure to contain the build-up of leverage in the banking system. 'Leverage' means the relative size of an institution's assets and off-balance sheet obligations compared to its own funds.

The leverage ratio is an additional measure that will become a binding measure in 2018. The Bank monitors the level and changes in its leverage ratio as well as leverage risk as part of its internal capital adequacy assessment process (ICAAP).

The level of the Group's leverage ratio stands at 12.3% as of 31.12.2015 while at year end 2014 the ratio was 10.2% far beyond the benchmark of 3% implying that the Bank is not taking on excessive and unsustainable leverage risk. It is noted that '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.

## **15 Remuneration Policy**

Alpha Bank has established a remuneration policy, which is applied within the Bank and the Group, and is in accordance with the Corporate Governance principles. The policy complies with the regulatory framework and is designed taking into account each unit's size, internal structure, nature and complexity of activities.

The remuneration policy:

- Complies with the values, the business strategy and targets and with the long-term best interest of the Group.
- Motivates personnel for exceptional results within the framework of the performance management system, and at the same time discourages excessive assumption of risk and minimizes situations that do not comply with the sound and consistent risk management.
- Correlates Bank's and Group Companies' Human Resources compensation with the risks that they undertake and manage.

### **15.1 Principles of Remuneration Structuring**

The remuneration system fully complies with the labor legislation, the Collective Labor Agreements (National, Sector, Corporate) as well as with the Supervisory and Regulatory Authorities, and consists of the following components:

- Fixed remuneration.
- Variable remuneration. The variable part of the total compensation is optional and provided through bonuses or other financial incentives formats that may differ on a year to year basis. Personal efficiency, according to specific assessment criteria and achievement of goals of the Unit and of the Bank as a whole, is taken into account in order to proceed to the aforementioned reward payment.

The balance between fixed and variable remuneration is a major priority in order to assure not only market competitiveness but also the minimization of risk assumption.

The ratio between the fixed and variable remuneration components is aimed to be:

- Motivating, towards goals' achievement.
- Flexible, adjusting to market's trends.
- Insightful, reckoning present and future risks. The principle of non-excessive assumption of risk in particular, is assured through the existing Committees / Approval Echelons which are legislated bodies that operate on the basis of specific procedures.

- Proactive, having the options of deferring a substantial portion of the variable remuneration component over an appropriate period of time, readjusting and future non-payment or/and clawback.

Due to recent years' financial and regulatory events, the Bank has not awarded variable remuneration since 2008.

## 15.2 Remuneration Committee

The Bank has established the Management Remuneration Committee since 1995, under the Board of Directors' decision of 23.11.1995.

Broadening of the responsibilities of the Committee was ratified under the Board of Directors' decision of 31.5.2012 in accordance with Bank of Greece Governor's Act 2650/2012.

The Remuneration Committee operates within a regulatory framework, and expresses specialized and independent opinion by making recommendations to the Board of Directors for:

- The compensation and benefits policies.
- The compensation of specific positions holders.
- Their implementation within the Bank and the Group Companies.

The Board of Directors approves the remuneration policy.

The Remuneration Committee consists of four Non Executive Members of the Board of Directors. Three of the members, including the Chairman, are Independent. The following table presents the composition of the Committee:

Remuneration Committee (2015)	
Chairman	Pavlos A. Apostolides
Member	Ioannis K. Lyras
Member	Ibrahim S. Dabdoub
Member	Panagiota S. Iplixian

In 2015, the Remuneration Committee convened twice.

### **15.3 Other relevant Stakeholders/Parties**

The Human Resources Division, the Compliance Division and the Internal Audit Division are also involved in the development, implementation, review and control of the Remuneration Policy, depending on their responsibilities. Certain issues related to the Remuneration Policy may be outsourced to Consultants, specialized in the HR compensation field.

### **15.4 Quantitative – Qualitative Remuneration data**

Having regard to Law 4261/2014 provisions and Commission Delegated Regulation (EU) No 604/2014, which defines regulatory technical standards, the staff whose professional activities have a material impact on the institution's risk profile has been identified, in collaboration with a consulting firm, with respect to qualitative and appropriate quantitative criteria.

The remuneration data of the Personnel in total, as well as according to its risk profile categorisation, are submitted to BoG yearly, within the set deadline, in the form of the IB18-IB24 templates.

## 16 Appendices

### 16.1 Appendix I – Group’s subsidiaries and associates

The following tables list Alpha Bank Group’s subsidiaries and associates, according to the consolidation method followed for regulatory purposes.

Group subsidiaries and associates which are fully consolidated for regulatory purposes			
Company	Country of incorporation	31.12.2015 (%)	31.12.2014 (%)
<b>Banks</b>			
Alpha Bank London LTD	U.K.	100.00	100.00
Alpha Bank Cyprus LTD	Cyprus	100.00	100.00
Emporiki Bank Cyprus Ltd	Cyprus		100.00
Alpha Bank Romania S.A.	Romania	99.92	99.92
Alpha Bank AD Skopje	F.Y.R.O.M.	100.00	100.00
Alpha Bank Srbija A.D.	Serbia	100.00	100.00
Alpha Bank Albania SH.A.	Albania	100.00	100.00
<b>Leasing Companies</b>			
Alpha Leasing A.E.	Greece	100.00	100.00
Alpha Leasing Romania IFN S.A.	Romania	100.00	100.00
ABC Factors A.E.	Greece	100.00	100.00
Diners Club Greece A.E.P.P.	Greece		100.00
<b>Investment Banking</b>			
Alpha Finance A.E.P.E.Y.	Greece	100.00	100.00
SSIF Alpha Finance Romania S.A.	Romania	100.00	100.00
Alpha A.E. Ventures	Greece	100.00	100.00
Alpha A.E. Ventures Capital Management - AKES	Greece	100.00	100.00
Emporiki Ventures Capital Developed Markets Ltd	Cyprus	100.00	100.00
Emporiki Ventures Capital Emerging Markets Ltd	Cyprus	100.00	100.00
<b>Asset Management</b>			
Alpha Asset Management A.E.D.A.K.	Greece	100.00	100.00

Group subsidiaries and associates which are fully consolidated for regulatory purposes			
Company	Country of incorporation	31.12.2015 (%)	31.12.2014 (%)
<b>Special Purpose and Holding Entities</b>			
Alpha Group Ltd	Cyprus	100.00	100.00
Alpha Credit Group Plc	U.K.	100.00	100.00
Alpha Group Investments Ltd	Cyprus	100.00	100.00
Ionian Holdings A.E.	Greece	100.00	100.00
Ionian Equity Participations Ltd	Cyprus	100.00	100.00
Emporiki Group Finance Plc	U.K.	100.00	100.00
AGI – BRE Participations 1 Ltd	Cyprus	100.00	100.00
AGI – RRE Participations 1 Ltd	Cyprus	100.00	100.00
Katanalotika Plc	U.K.		
Epihiro Plc	U.K.		
Irida Plc	U.K.		
Pisti 2010-1 Plc	U.K.		
Alpha Shipping Finance Ltd	U.K.		
AGI – RRE Athena Ltd	Cyprus	100.00	100.00
AGI – RRE Poseidon Ltd	Cyprus	100.00	100.00
AGI – RRE Hera Ltd	Cyprus	100.00	100.00
Umera Ltd	Cyprus	100.00	100.00
AGI-BRE Participations 2 Ltd	Cyprus	100.00	100.00
AGI-BRE Participations 3 Ltd	Cyprus	100.00	100.00
AGI-BRE Participations 4 Ltd	Cyprus	100.00	100.00
Alpha Real Estate Services Ltd	Cyprus	100.00	100.00
AGI-RRE Ares Ltd	Cyprus	100.00	100.00
AGI-RRE Venus Ltd	Cyprus	100.00	100.00
AGI-RRE Artemis Ltd	Cyprus	100.00	100.00
AGI-BRE Participations 5 Ltd	Cyprus	100.00	100.00

Group subsidiaries and associates which are fully consolidated for regulatory purposes			
Company	Country of incorporation	31.12.2015 (%)	31.12.2014 (%)
AGI-RRE Cleopatra Ltd	Cyprus	100.00	100.00
AGI-RRE Hermes Ltd	Cyprus	100.00	100.00
AGI-RRE Arsinoe Ltd	Cyprus	100.00	100.00
AGI-SRE Ariadni Ltd	Cyprus	100.00	100.00
Zerelda Ltd	Cyprus	100.00	100.00
AGI-Cypre Alaminos Ltd	Cyprus	100.00	100.00
AGI-Cypre Tochini Ltd	Cyprus	100.00	100.00
AGI-Cypre Evagoras Ltd	Cyprus	100.00	100.00
AGI-Cypre Tersefanou Ltd	Cyprus	100.00	100.00
AGI-Cypre Mazotos Ltd	Cyprus	100.00	100.00
AGI-Cypre Ermis Ltd	Cyprus	100.00	100.00
<b>Other Companies</b>			
Alpha Trustees Ltd	Cyprus	100.00	100.00
Emporiki Management A.E.	Greece	100.00	100.00
<b>Real Estate and Hotel</b>			
Alpha Astika Akinita A.E.	Greece	93.17	93.17
Emporiki Development and Real Estate Management A.E.	Greece	100.00	100.00
Alpha Real Estate D.O.O. Beograd	Serbia	93.17	93.17
Alpha Astika Akinita D.O.O.E.L. SKOPJE	F.Y.R.O.M.	93.17	93.17
Alpha Real Estate Bulgaria E.O.O.D.	Bulgaria	93.17	93.17
Alpha Astika Real Estate Services S.R.L	Romania	93.17	93.17
Chardash Trading E.O.O.D.	Bulgaria	93.17	93.17
Alpha Investment Property Chalandriou A.E.	Greece	100.00	100.00
Alpha Investment Property Attikis A.E.	Greece	100.00	100.00
Alpha Investment Property Attikis II A.E.	Greece	100.00	100.00
Alpha Investment Property Amarousion I A.E.	Greece	100.00	100.00

Group subsidiaries and associates which are fully consolidated for regulatory purposes			
Company	Country of incorporation	31.12.2015 (%)	31.12.2014 (%)
Alpha Investment Property Amarousion II A.E.	Greece	100.00	100.00
AGI-RRE Participations 1 S.R.L.	Romania	100.00	100.00
AGI-BRE Participations 1 E.O.O.D.	Bulgaria	100.00	100.00
Stockfort Ltd	Cyprus	100.00	100.00
Romfelt Real Estate S.A.	Romania	98.86	95.89
AGI-RRE Zeus S.R.L.	Romania	100.00	100.00
AGI – RRE Athena S.R.L.	Romania	100.00	100.00
AGI – RRE Poseidon S.R.L.	Romania	100.00	100.00
AGI – RRE Hera S.R.L.	Romania	100.00	100.00
AGI-BRE Participations 2 E.O.O.D.	Bulgaria	100.00	100.00
AGI-BRE Participations 2BG E.O.O.D.	Bulgaria	100.00	100.00
AGI-BRE Participations 3 E.O.O.D.	Bulgaria	100.00	100.00
AGI-BRE Participations 4 E.O.O.D.	Bulgaria	100.00	100.00
SC Cordia Residence S.R.L.	Romania	100.00	100.00
HT-1 E.O.O.D.	Bulgaria	100.00	100.00
A.P.E. Fixed Assets A.E.	Greece	72.20	72.20
AGI-RRE Venus S.R.L.	Romania	100.00	100.00
AGI-RRE Cleopatra S.R.L.	Romania	100.00	100.00
AGI-RRE Hermes S.R.L.	Romania	100.00	100.00
SC Carmel Residential S.R.L.	Romania	100.00	100.00
Alpha Investment Property Neas Kifisias A.E.	Greece	100.00	100.00
Alpha Investment Property Kallirois A.E.	Greece	100.00	100.00
Alpha Investment Property Livadias A.E.	Greece	100.00	100.00
AGI-SRE Ariadni DOO	Serbia	100.00	
Asmita Gardens SRL	Romania	100.00	
Alpha Investment Property Kefalariou A.E.	Greece	100.00	

Group subsidiaries and associates which are fully consolidated for regulatory purposes			
Company	Country of incorporation	31.12.2015 (%)	31.12.2014 (%)
Ashtrom Residents S.R.L.	Romania	100.00	
AGI-BRE Participations 5 E.O.O.D.	Bulgaria	100.00	
Cubic Center Development S.A.	Romania	100.00	
Alpha Investment Property Neas Erythraias A.E.	Greece	100.00	
Anaplasi Plagias A.E.	Greece	100.00	

Group associates non consolidated for regulatory purposes and their participation is weighted at 250%			
Company	Country of incorporation	31.12.2015 (%)	31.12.2014 (%)
<b>Insurance</b>			
Alpha Insurance Ltd	Cyprus		100.00
Alphalife A.A.E.Z.	Greece	100.00	100.00
<b>Other Companies</b>			
Alpha Bank London Nominees Ltd	U.K.	100.00	100.00
Flagbright Ltd	U.K.	100.00	100.00
<b>Asset Management</b>			
ABL Independent Financial Advisers Ltd	U.K.	100.00	100.00
<b>Investment Banking</b>			
ALC Novelle Investments Ltd	Cyprus	33.33	33.33

Group associates consolidated in equity for regulatory purposes			
Company	Country of incorporation	31.12.2015 (%)	31.12.2014 (%)
<b>Insurance</b>			
Alpha Insurance Agents A.E.	Greece	100.00	100.00
Alpha Insurance Brokers S.R.L.	Romania	100.00	100.00
<b>Other Companies</b>			
Alpha Supporting Services A.E.	Greece	100.00	100.00
Kafe Alpha A.E.	Greece	100.00	100.00
Evisak A.E.	Greece	85.71	85.71
Real Car Rental A.E.	Greece	100.00	100.00
<b>Associates</b>			
AEDEP Thessalias and Stereas Ellados	Greece	50.00	50.00
Bank Information Systems S.A.	Greece	23.77	23.77
Propindex A.E.Δ.A.	Greece	35.58	35.58

Group associates consolidated in equity for regulatory purposes			
Company	Country of incorporation	31.12.2015 (%)	31.12.2014 (%)
OLGANOS A.E.	Greece	30.44	30.44
<b>Real Estate and Hotel</b>			
Ionian Hotel Enterprises A.E.	Greece	97.27	97.27
Oceanos A.T.O.E.E.	Greece	100.00	100.00
<b>Joint Ventures</b>			
Cardlink A.E.	Greece		50.00
Alpha -TANEO A.K.E.S.	Greece	51.00	51.00
A.P.E. Commercial Property A.E.	Greece	72.20	72.20
A.P.E. Investment Property A.E.	Greece	72.80	72.80
Rosequeens Properties Ltd	Cyprus	33.33	33.33
Rosequeens Properties S.R.L.	Romania	33.33	33.33

Group subsidiaries consolidated through solo consolidation			
Company	Country of incorporation	31.12.2015 (%)	31.12.2014 (%)
<b>Special Purpose and Holding Entities</b>			
Alpha Group Jersey Ltd	Jersey	100.00	100.00