Alpha Bank

Consolidated Pillar III Disclosures,

31 March 2021

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

1 Introduction

1.1 General Information

Alpha Bank is one of the leading banks of the Greek privately owned banking sector and constitutes a consistent point of reference for over 140 years. The Bank offers a wide range of high-quality financial products and services, including retail banking, SMEs and corporate banking, asset management and private banking, distribution of insurance products, investment banking, brokerage and real estate management.

The Parent Company of the Group, Alpha Bank, which was founded in 1879 by John F. Kostopoulos, has its headquarters at 40 Stadiou Street, Athens, and is registered in the Register of Companies with number 6066/06/B/86/05. The Bank is subject to the Greek banking and accounting law and regulation and is supervised by the European Central Bank (ECB) and the Single Supervisory Mechanism (SSM).

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

2 Pillar III disclosures Overview

2.1 Background

Alpha Bank's Pillar III Report is prepared in accordance with the requirements laid down in Part Eight of the "Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms" (Capital Requirements Regulation, or CRR) and the "Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms" (Capital Requirements Directive IV, or CRD IV).

2.1.1 Disclosures enhancements

In January 2015, the Basel Committee on Banking Supervision (BCBS) published the Revised Pillar III Disclosure Requirements, followed by the publication, in December 2016, of the EBA Final Guidelines on disclosure requirements. These Guidelines provide banks with guidance in attaining compliance with the CRR and with the Basel Committee, and are effective from 31 December 2017. Alpha Bank incorporated the enhancements to the extent possible.

In December 2018 EBA published guidelines that specify the common content and uniform disclosure formats for the information on NPEs, forborne exposures and foreclosed assets that credit institutions should disclose. Proportionality is embedded in the guidelines based on two criteria – the significance of the credit institution and the level of NPEs – and there is a set of templates that needs to be disclosed only by significant credit institutions with a gross NPL ratio of 5% or above.

Following the outbreak of the COVID-19 pandemic and the response of governments across the globe and in the EU states by implementing measures to support borrowers, additional reporting and disclosures requirements were introduced on 2 June 2020. The specific requirements take into account the Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (date of publication 2 April 2020).

2.1.2 Approval and publication

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

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

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

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

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

2.2 Supervision and Regulatory Framework

Single Supervisory Mechanism (SSM)

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

The SSM is a system of financial supervision composed of the ECB and national competent authorities (NCAs).

The applicable banking regulatory framework in the European Union (EU), the Basel 3 capital framework, was implemented by the "Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms" (Capital Requirements Regulation, or "CRR") published on June 27, 2013, in combination with the "Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms" (Capital Requirements Directive 4, or "CRD 4") published on June 27, 2013 that has been transposed into the Greek legislative framework by the Law 4261/2014. The framework has been amended by the Regulation (EU) 2019/876 (CRR II) of 20 May 2019 and the Directive (EU) 2019/878 (CRD V) of 20 May 2019. The latter has been transposed into the Greek legislative framework by the Law 4799/2021. The framework on prudential requirements and prudential supervision is effective from January 1, 2014.

For the calculation of capital adequacy ratio the above framework is followed.

Regarding the capital ratios the following minimums apply:

- Besides the 8% capital adequacy limit, there are applicable limits of 4.5% for CET 1 ratio and 6% for Tier 1 ratio, respectively
- The maintenance of capital buffers additional to the CET1 capital are required. In particular the Combined Buffer Requirement (CBR) consisting of:
  - the Capital conservation buffer which stands at 2.5% and
  - the following capital buffers set by the Bank of Greece through Executive Committee Acts:
    - Countercyclical capital buffer equal to "zero percent" (0%) for 2021
    - Other systemically important institutions (O-SII) buffer, which will gradually rise to "one percent" (1%) from 1.1.2019 to 1.1.2023. For 2021, the O-SII buffer stands at 0.5%.

Supervisory Review and Evaluation Process (SREP)

According to Council Regulation 1024/2013, ECB conducts annually a Supervisory Review and Evaluation Process (SREP) to assess the risk profiles of the institutions under its remit.

This process evaluates the:

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

Following the assessment the ECB determines the minimum capital requirements and sets qualitative requirements to each of the banking institutions.

On 28 December 2020, the ECB informed Alpha Bank that since 31st January 2021 the minimum limit for the Overall Capital Requirement (OCR) remains unchanged from 2020 at 14%.The OCR also includes the Pillar 2 requirement (P2R) of 3.0%.

Measures taken for the banks to tackle Covid-19 pandemic during 2020

As the economic effects of the coronavirus (COVID-19) started becoming apparent, the ECB, the European Banking Authority (EBA) and the European Commission (EC), announced a number of measures to ensure that the banks they supervise will continue to fulfil their role in funding the real economy.

Specifically, on 12 March, the ECB and the EBA announced the following relaxation measures for the minimum capital requirements for Banks in the Eurozone:

- Banks are temporarily allowed to operate below the level of capital defined by the Capital Conservation Buffer and the Countercyclical Buffer. In addition, on 28 July 2020, the ECB announced through a press release that financial institutions are allowed to operate below the aforementioned thresholds at least up to the end of 2022. Furthermore, the change expected in January 2021 under CRD V regarding the composition of the Pillar 2 requirement (P2R) buffer was brought forward allowing the (P2R) to be covered by Additional Tier 1 (AT1) capital by 18.75% and Tier 2 (T2) capital by 25% and not only by CET 1.
- In addition, ECB expects that banks will use the positive effects of these measures to support the economy and therefore it expects that banks will not to pay dividends or buy back shares during COVID-19 pandemic, at least until 1 October 2020. In addition, banks are not expected to increase variable remuneration.

The European Commission decided to revise the existing regulatory framework by bringing forward regulations that would normally come with the CRR2/CRDV framework as well as provide a greater flexibility to the phase-in of the impact of the IFRS 9 on capital. The revised framework was published in the Official Journal of the European Union as at June 22, 2020.

In 26 June 2020, the Bank of Greece under an Executive Committee Act determined the capital buffer of systemically important institutions (O-SII) at 0,50%, maintaining stable for 2021 and extending consequently the existing phasing-in period. The third and the fourth phases have been delayed by 12 months each and will apply starting from 1 January 2022 and 1 January 2023 respectively. This decision is in the context of the response to Covid19 pandemic in order to mitigate the subsequent financial impact.

In 22 December 2020, EU Regulation 2176/2020 of the Council of 12 November 2020, amending EU Regulation 241/2014 concerning the deduction of software assets from CET1 capital, was published in the Official Journal of the European Union.

2.3 Significant Developments

2.3.1 Capital Issuances

On March 4th 2021, Alpha Bank placed a Euro 500 million Tier 2 bond aiming to maintain strong capital ratios and ample buffers over the minimum capital requirements. The subordinated bond has a 10.25-year maturity and is callable anytime between year 5 and year 5.25 with a coupon of 5.5%. The bond is listed on the Luxembourg Stock Exchange – EuroMTF Market.

2.3.2 Stress Test

EU-wide stress test is primarily focused on the assessment of the impact of risk drivers on the solvency of banks. Banks are required to stress a common set of risks (credit risk – including securitisations – market risk and counterparty credit risk, operational risk – including conduct risk). The EU – Stress Test is a biannual exercise. However due to the outbreak of COVID – 19 (Coronavirus) and its global spread, EBA decided to postpone until 2021 the EU-wide Stress Test Exercise of 2020 to allow banks to focus on and ensure continuity of their core operations.

On 29 January 2021 the European Banking Authority (EBA) launched the 2021 EU-wide Stress Test. This year's Stress Test will provide valuable input for assessing the resilience of the European banking sector. Alpha Bank participates in the exercise the results of which are expected to be published by 31 July 2021.

3 Capital Management

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

3.1 Capital Ratios

The Capital Adequacy Ratio is the result of the Group's regulatory capital (own funds) over its Risk-Weighted Assets (RWAs). Regulatory capital includes CET1 capital (share capital, reserves, and minority interests), additional Tier 1 capital (hybrid securities) and Tier 2 capital (subordinated debt). RWAs include the credit risk of the banking book, the market risk of the trading book, the operational risk, the counterparty credit risk/CCR and credit valuation adjustment/CVA.

At the end of March 2021, Alpha Bank's CET1 stood at Euro 7.1 billion, RWAs amounted to Euro 44.3 billion resulting in a CET1 ratio of 16.0%, down by 126 bps q-o-q, mainly due to the period losses and the application of IFRS9 transitional arrangements for 2021

Deferred Tax Assets (DTAs) at the end of March 2021 stood at Euro 5.3 billion with the eligible amount to be converted to tax credit claims at Euro 3.0 billion.

Table 1a: Capital Adequacy Ratios (%)		**(in Euro million)**
Capital Type	**31.03.2021**	**31.12.2020**
CET1	7,086	7,827
Tier 1 Capital	7,087	7,830
Tier 2 Capital	1,013	512
Total Regulatory Capital for C.A.R. calculation	8,100	8,342
Risk Weighted Assets	44,296	45,369
Capital Ratios		
CET1 Ratio	**16.0%**	**17.3%**
Tier 1 Ratio	**16.0%**	**17.3%**
Capital Adequacy Ratio (Tier 1 + Tier 2)	**18.3%**	**18.4%**

The above-mentioned ratios include the audited year-end profits. The following table presents the capital ratios if the profits for FY 2020 were not included:

Table 1b: Capital Ratios without profits for FY 2020	31.03.2021
CET1 Ratio	15,8%
Tier 1 Ratio	15,8%
Capital Adequacy Ratio (Tier 1 + Tier 2)	18,1%

3.2 IFRS 9 Capital Impact

On December 12, 2017 the EU adopted Regulation No 2395/2017of the European Parliament and of the Council amending EU Regulation 575/2013, as regards transitional arrangements to mitigate the impact of the introduction of IFRS 9 on regulatory capital and leverage ratios. The new Regulation inserts a new article 473a in CRR 575/2013 which introduces a 5-year transitional period which allows banks to add to the CET1 ratio the post-tax amount of the difference in provisions that resulted from the transition to the IFRS 9 in relation to the provisions that have been recognized at 31.12.2017 in accordance with IAS 39 ("Static" amount). The weighting factors were set per year at 0.95 in 2018, 0.85 in 2019, 0.7 in 2020, 0.5 in 2021 and 0.25 in 2022.

On June 24, 2020 as a response to the COVID-19 pandemic the EU adopted Regulation No 2020/873 of the European Parliament and of the Council amending Regulations (EU) No 575/2013 and (EU) 2019/876. The Regulation introduced a new 5-year transitional period for the impairment losses that occurred due to the COVID-19 pandemic. According to the revised 473a article, institutions are allowed to fully add back to their CET 1 capital any increase in the expected credit loss provisions that they recognize in 2020 and 2021 for their financial assets that are not credit-impaired and new transitional factors introduced for the remaining period. The weighting factors were set at 1.00 for the first two years (2020 and 2021), 0.75 in 2022, 0.5 in 2023 and 0.25 in 2024.

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

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

Table 2: Comparison of own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 (in Euro million)					
Available capital (amounts)	**31.03.2021**	**31.12.2020**	**30.09.2020**	**30.06.2020**	**31.03.2020**
Common Equity Tier 1 (CET1) capital	7,086	7,827	7,909	7,941	7,840
CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,171	6,554	6,564	6,592	6,567
Tier 1 capital	7,087	7,830	7,912	7,944	7,843
Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,171	6,554	6,564	6,592	6,567
Total capital	8,100	8,342	8,424	8,456	8,354
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,186	7,069	7,078	7,107	7,081
Risk-weighted assets (amounts)					
Total Risk-weighted assets	44,296	45,369	46,054	46,289	47,617
Total Risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	43,499	44,254	44,866	45,098	46,876
Capital ratios					
Common Equity Tier 1 ratio (%)	16.0%	17.3%	17.2%	17.2%	16.5%
CET1 ratio (%) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.2%	14.8%	14.6%	14.6%	14.0%
Tier 1 ratio (%)	16.0%	17.3%	17.2%	17.2%	16.5%
Tier 1 ratio (%) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.2%	14.8%	14.6%	14.6%	14.0%
Total ratio (%)	18.3%	18.4%	18.3%	18.3%	17.5%
Total ratio (%) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.5%	16.0%	15.8%	15.8%	15.1%
Leverage ratio					
Leverage ratio total exposure measure	62,194	61,765	62,678	67,430	66,030
Leverage ratio	11.4%	12.7%	12.6%	11.8%	11.9%
leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10.1%	10.8%	10.7%	9.9%	10.1%

* The above figures include the period results

3.3 Own Funds Structure

The following table presents the analysis of Own funds structure:

Table 3: Own funds structure		(in Euro million)	
Type	**31.03.2021 (1)**	**31.03.2021**	**31.12.2020**
Share capital	464	464	463
Share premium	10,803	10,803	10,801
Retained Earnings & Other Reserves	- 2,980	- 2,891	- 2,916
o/w FVOCI reserves	106	106	169
Adjustments due to IFRS 9 transitional adjustments	797	797	1115
Minority interest (transitional)	0	0	0
PVA	- 8	- 8	- 9
Common equity tier 1 capital before regulatory adjustments	**9,075**	**9,164**	**9,454**
Period results	- 287	- 287	89
Intangible assets	- 380	- 380	- 413
DTA amortization	- 1,404	- 1,395	- 1,286
Irrevocable payment Commitment	- 16	- 16	- 16
Regulatory adjustments applied to common equity tier 1 due to insufficient additional tier 1 and tier 2 to cover deductions	-	-	-
Total regulatory adjustments to common equity tier 1	**- 2,087**	**- 2,078**	**- 1,627**
Common equity tier 1 capital (CET1) (1)	**6,988**	**7,086**	**7,827**
Hybrid instruments	15	15	15
Additional Tier I before regulatory adjustments	**15**	**15**	**15**
Hybrid instruments transitional	- 13	- 13	- 12
(-) Goodwill/Intangible investments	-	-	-
of which deductible from Additional Tier I	- 13	- 13	- 12
of which deductible from CET1	-	-	-
Total regulatory adjustments to additional Tier I	- 13	- 13	- 12
Additional Tier I	**1**	**1**	**3**
Tier I Capital (CET1 + AT1)	**6,990**	**7,087**	**7,830**
Subordinated loan	1,000	1,000	500
Hybrid instruments (transitional)	13	13	12
Tier II capital before regulatory adjustments	**1,013**	**1,013**	**512**
Total regulatory adjustments to Tier II	-	-	-
Tier II capital	**1,013**	**1,013**	**512**
Total Capital (TC = Tier I + Tier II)	**8,003**	**8,100**	**8,342**
Total RWA	**44,274**	**44,296**	**45,369**
Common equity tier 1 Ratio	**15.8%**	**16.0%**	**17.3%**
Tier I Ratio	**15.8%**	**16.0%**	**17.3%**
Capital Adequacy Ratio (Tier I + Tier II)	**18.1%**	**18.3%**	**18.4%**

(1) Without including audited year-end profit FY 2020

3.4 Capital requirements under Pillar I

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

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

Capital Requirements are calculated using the following approaches:

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

The following template summarises RWA and minimum capital requirements by risk type. Minimum capital requirement is calculated at 8% of RWA.

Table 4: EU OV1 – Overview of RWAs (in Euro million)

Risk Category	RWAs		Minimum capital requirements
	31.03.2021	31.12.2020	31.03.2021
Credit risk (excluding CCR)	**37,100**	**37,865**	**2,968**
Of which the standardised approach	37,100	37,865	2,968
CCR	**339**	**315**	**27**
Of which mark to market	288	259	23
Of which risk exposure amount for contributions to the default fund of a CCP	-	-	-
Of which CVA	51	55	4
Settlement risk	**-**	**-**	**-**
Securitisation exposures in the banking book (after the cap)	**127**	**127**	**10**
Of which standardised approach	127	127	10
Market risk	**1,423**	**1,686**	**114**
Of which the standardised approach	30	127	2
Of which IMA	1,394	1,560	112
Large exposures	**-**	**-**	**-**
Operational risk	**3,205**	**3,205**	**256**
Of which basic indicator approach	-	-	-
Of which standardised approach	3,205	3,205	256
Amounts below the thresholds for deduction (subject to 250% risk weight)	**2,079**	**2,149**	**166**
Total	**44,274**	**45,347**	**3,542**

4 Leverage

The leverage ratio, which is defined as Tier 1 capital divided by total exposure, is a binding requirement from the beginning of 2020. The “risk of excessive leverage” means the risk that results from an institution's vulnerability due to leverage or contingent leverage that may require unintended corrective measures to its business plan, including distressed selling of assets which might result in losses or in valuation adjustments to its remaining assets.

The level of the leverage ratio with reference date 31.03.2021 on consolidated basis was 11.2%, according to the transitional definition of Tier 1 capital, exceeding by 3,74x the 3% minimum threshold applied by the competent authorities, implying that the Bank is not taking on excessive leverage risk.

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

The following table presents an analysis of the Group's leverage ratio:

Table 5: Summary information on leverage ratio	(in Euro million)
Tier 1 capital	6,990
Leverage ratio total exposure measure	62,185
Leverage ratio	11.2%

*The profit for the year 2020 has not been included

5 Market Risk-IMA approach

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.

Alpha Bank calculates Value at Risk (VaR) for internal risk management purposes since 1999. The VaR methodology applied is historical simulation, using a 99% percentile, one tailed confidence interval, a historical observation period of 2 years un-weighted data and a 1 and 10–day holding period. 10 day VaR is calculated with a 10 day horizon and a 1 day fixed step (overlapping periods). Calculation of the value-at-risk value is performed on a daily basis using full valuation across all risk factors and positions. The Stressed VaR methodology is based on the current VaR methodology. All risk factors included in the regulatory VaR model are considered in the Stressed VaR model. The Bank computes the Stressed VaR measure on a daily basis, to coincide with the VaR periodicity. Currently, the stress period used by the Bank is January 2016 – December 2016. The selection of the stressed period is based on the assessment of the most volatile period in recent history.

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

Table 6a: EU MR2-B – RWA flow statements of market risk exposures under the IMA			(in Euro million)	
	VaR	SVaR	Total RWAs	Total capital requirements
RWAs at 31.12.2020	**529**	**1,030**	**1,560**	**125**
Regulatory adjustment [(1)]	395	769	1,164	93
RWAs at the previous quarter-end (end of the day)	**135**	**261**	**396**	**32**
Movement in risk levels	6	7	13	1
Bond Prices Movements	- 6	- 10	- 16	- 1
Other	8	-	8	1
RWAs at 31.03.2021 (end of the day)	**142**	**259**	**401**	**32**
Regulatory adjustment [(1)]	332	660	993	79
RWAs at 31.03.2021	**475**	**919**	**1,394**	**112**

Table 6b: EU MR2-B – RWA flow statements of market risk exposures under the IMA				(in Euro million)
	VaR	SVaR	Total RWAs	Total capital requirements
RWAs at 30.09.2020	**504**	**1,002**	**1,506**	**120**
Regulatory adjustment (1)	357	715	1,073	86
RWAs at the previous quarter-end (end of the day)	**146**	**287**	**433**	**35**
Movement in risk levels	- 15	- 32	- 47	- 4
Bond Prices Movements	4	7	10	1
Other	0	-	0	0
RWAs at 31.12.2020 (end of the day)	**135**	**261**	**396**	**32**
Regulatory adjustment (1)	395	769	1,164	93
RWAs at 31.12.2020	**529**	**1,030**	**1,560**	**125**

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