ALPHA BANK

BUSINESS REVIEW 2017

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The coins that illustrate the Business Review 2017 belong to the Alpha Bank Numismatic Collection and were showcased at the exhibition "**MONEY. Tangible symbols in ancient Greece**". The Exhibition, jointly organised by the Bank's Numismatic Collection and the Museum of Cycladic Art, presented a different aspect of coins and their use in ancient Greece: coins were also symbols, which everyone could hold in their hands, they were *tangible symbols*.

The coins depicted at the beginning of each section of the Business Review correspond to the Exhibition's eight thematic units: **MONEY and... Transactions / Trade / Art / History / Circulation of Ideas / Propaganda / Society / Banks**.

Overall, the Exhibition featured 85 coins exclusively from the Alpha Bank Numismatic Collection, along with 159 sculptures, vases, statuettes and other masterpieces from 29 Archaeological Museums and Collections in Greece, 2 Archaeological Museums in Italy, the British Museum and the Louvre Museum.

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Brief History

The history of Alpha Bank begins in 1879, when John F. Costopoulos founded a commercial firm in the city of Kalamata, which quickly undertook banking activities, especially in the foreign exchange market. In 1918, the banking department of the "J.F. Costopoulos" firm was renamed to "Bank of Kalamata". In 1924, the Bank was renamed to "Banque de Crédit Commercial Hellénique" and its headquarters were moved to Athens. In 1947, the title was changed to "Commercial Credit Bank", in 1972 to "Credit Bank" and in March 1994 to "Alpha Credit Bank". "Alpha Credit Bank" grew greatly as, in addition to offering banking services and products, it developed into a major Group offering a wide range of financial services.

In 1999, "Alpha Credit Bank" acquired 51% of the shares of the Ionian Bank and, in 2000, the merger of the Ionian Bank through absorption by "Alpha Credit Bank" was approved. The new enlarged Bank that emerged operates with the distinctive title "Alpha Bank". The transfer of the entire Emporiki Bank share capital from Crédit Agricole S.A. to Alpha Bank was completed on February 1, 2013. On that date, the Bank acquired control of Emporiki Bank of Greece S.A. and in June 2013 the legal merger by absorption of the latter by the former was completed. Emporiki Bank was founded in 1886 and was a historic bank, which played a key role in the economic development of Greece during the 20th century.

The successful acquisition of Emporiki Bank in 2013 was followed by the acquisition of Citibank's Greek Retail Banking operations, which was completed in September 2014. This initiative further strengthens Alpha Bank's position in the Greek banking system and enhances its offering to its affluent customer base.

The Alpha Bank Group offers a wide range of high-quality financial products and services, in Greece and in Southeastern Europe.

Alpha Bank is based in Athens, at 40, Stadiou Street, and is entered on the Société Anonymes Register with No 6066/06/B/86/05 and on the General Electronic Commercial Registry with No 223701000.

Key Indicators

		Alpha Bank Group	
(in Euro million)	**Change %**	**2017**	**2016**
BALANCE SHEET			
Total Assets	-6.3%	60,813	64,872
Loans and Advances to Customers (gross)	-4.6%	54,356	56,967
Allowance for Impairment Losses	-12.1%	-11,038	-12,558
Due to Customers	5.9%	34,890	32,946
Total Equity	5.6%	9,627	9,113
PROFIT AND LOSS ACCOUNT			
Total Income [1]	3.4%	2,464	2,384
Total Expenses	5.6%	-1,293	-1,225
Profit/(Loss) before Taxes and Impairment Losses	**1.0%**	**1,171**	**1,159**
Impairment Losses and Provisions to Cover Credit Risk	-14.0%	-1,005	-1,168
Profit/(Loss) after Income Tax	**-50.0%**	**21**	**42**
INDICES			
Net Interest Margin [2]		3.6%	3.3%
Total Capital Adequacy Ratio		18.4%	17.1%
TIER 1 Capital Adequacy Ratio		18.3%	17.1%
CREDIT RATINGS			
Moody's		Caa3	Caa3
Standard & Poor's		CCC+	CCC+
Fitch Ratings		RD	RD
OTHER INFORMATION			
Branches [3]		670	721
Number of Employees [4]		11,727	11,863

[1] The profit/(loss) from associate companies and joint ventures is included.
[2] The Net Interest Margin was calculated based on the Net Interest Income divided by the average interest-bearing Assets.
[3] The number of Branches in 2016 does not include the 67 Branches of Alpha Bank Srbija A.D., which has been characterised as a discontinued operation.
[4] The number of Employees in 2016 does not include the Employees of Alpha Bank Srbija A.D., which has been characterised as a discontinued operation, i.e. 836 persons.

Letter from the Chairman

Dear Shareholders,
Ladies and Gentlemen,

This year's General Meeting of the Alpha Bank Shareholders takes place at a time of positive prospects for the Greek Economy and the country's banking system, but also at a time of uncertainty in the international economic scene and the European economies. The second half of 2018 is critical, as after the completion of the country's third Economic Adjustment and Financial Assistance Programme, the economic developments and the efforts to address the major challenges of structural changes will determine the Greek Economy's production and growth potential in the medium term.

The Greek Economy recovered in 2017, achieving for the second consecutive year a positive growth rate, yet one that was lower than the corresponding rate of both the global and the European economy. This recovery trend is expected to continue in 2018, driven by the increase in investments, the revenue generated by tourism and the export performance of certain important manufacturing industries.

It is now clear that the country has come a long and difficult way in addressing and eliminating the main macroeconomic imbalances that led it to the crisis. Over the next few months, Greece is expected to make its return to the international financial markets. It is therefore important to consider the state of our economy after the three Fiscal Adjustment Programmes and to assess the opportunities presented to us, in order to plan the future, without the risk of repeating past mistakes. Through the Fiscal Adjustment Programmes, the country has successfully addressed three fundamental vulnerabilities of the pre-crisis period: its deficient fiscal management, the huge current account deficit and the weak international competitiveness.

The fiscal adjustment that has been achieved is quite significant. The magnitude of the adjustment becomes more evident if we use as indicator the primary budget balance, adjusted for the economic cycle. This indicator turned from a deficit of 10.3% of the potential Gross Domestic Product (GDP) in 2009 to a surplus of 7.7% in 2017. This development is a strong message to the investor community and the markets in general that Greece has entered a period of sustainable prudent fiscal management and serves as proof of the Greek governments' commitment to the goal of fully restoring the confidence of the international markets.

It is true, however, that the very nature of fiscal adjustment has brought about additional barriers to entrepreneurial activity. Fiscal adjustment was mostly based on the increase in tax rates and social security contributions and less on a more efficient use and management of state-owned assets and the rationalisation of public expenditure. As a result of this policy, public investment declined, while the indiscriminate reduction in expenditure led to a deterioration in the quality of public goods and services in many cases. It is worth mentioning that the high tax rates imposed on a limited tax base reinforce the incentives for tax evasion and undermine growth dynamics as well as tax justice.

In the coming months, the country will exit the Fiscal Adjustment Programme and will, once again, turn to the international markets. In a volatile environment, it is vital to plan a more growth-friendly mix of taxes and expenditure, along with the stepping up of the efforts to curb tax evasion and improve the efficiency of public sector spending. At the same time, realistic adjustments must be planned, in agreement with the country's partners, regarding the future targets for high primary surpluses combined with the decisions on public debt relief.

The numerical adjustment of the current account balance is equally significant to that achieved in the fiscal sector, particularly with regards to services, thanks to the continued strengthening of the market shares of Greek tourism. There are, however, risks in the tourism sector; most importantly, the real risk of a competitive disadvantage in the case of further devaluation of the Turkish Lira, especially if political uncertainty in the neighbouring country diminishes. As far as the balance of trade is concerned, exports continue to fall significantly short of imports. Changing the country's production model towards a more extrovert pattern is a process that ultimately requires a long period of time.

Finally, the significant improvement in Greek Economy's competitiveness, achieved at a high social cost through a policy of internal devaluation, is an important incentive for the development of investment initiatives and the attraction of direct investments, both Greek and foreign, which are necessary in order to tackle unemployment, the biggest challenge for the economic policy in the coming years. However, the impressive improvement in competitiveness in terms of labour cost is not consistent with its limited improvement in terms of prices, again due to tax burdens and delays in the deregulation of certain goods and services markets.

Dear Shareholders,
Ladies and Gentlemen,

The clarification of the public debt relief measures, the establishment of a strong cash buffer for a sufficient period of time into the future and the commitment to continue with the structural reforms will mark the country's smooth return to the markets, on the same steady path followed by the other countries that successfully completed their Fiscal Adjustment Programmes, such as Portugal and Cyprus.
We must admit, however, that despite dealing with many vulnerabilities accumulated over the past decades, net fixed capital formation remains particularly low, both compared to the other European countries and, most importantly, to what is required for creating not only new but also high quality jobs. In particular, the contraction of investment expenditure during the economic recession, from 21.8% of GDP on average in the 2001-2007 period to 12.4% in the 2011-2017 period, significantly depleted the stock of the country's productive capital, as the percentage rate of depreciation exceeded the formation rate of fixed capital for a long period of time. The drop in productive capital, combined with the weakening of productivity and employment rates, leads to a decline in the country's production capacity.

The critical question, therefore, is how the country will be able to create the conditions for a significant increase in investment. Given the Greek households' negative average propensity to save over the past six years, as a result of the decrease in disposable income and the high tax burdens, attracting foreign direct investment is particularly important, as it has a strong growth footprint, with the introduction of technological innovations that enhance the productivity of labour. At the same time, the acceleration of the privatisation programme and of the planned infrastructure projects could constitute a mechanism for attracting new investment funds and revitalising many small and medium-sized Greek enterprises that will operate in support of the large business units.

Dear Shareholders,
Ladies and Gentlemen,

The Greek banking system, and Alpha Bank in particular, fully assume their share of the effort for the recovery of

investments and for the financing of sound business projects. The Bank's funding profile improved significantly, as its funding from the Emergency Liquidity Assistance mechanism of the Bank of Greece was further reduced, while, at the same time, the targeted reduction of its stock of Non-Performing Loans was achieved. The implementation of the programme for the management of Non-Performing Exposures over the next two years will free up capital and liquidity, also marking progress in the restructuring of the business and production sectors, by reorganising numerous enterprises and establishing conditions of healthy and fair competition.

The results of the recently completed European Central Bank Stress Test confirmed once again that Alpha Bank has the strongest capital position among Greek banks, owed to its prudent management over the previous years.

Dear Shareholders,
Ladies and Gentlemen,

For Alpha Bank, the responsible adherence to the principles of sound corporate governance has always been a key factor in creating value for its Shareholders as well as for the society at large. In the previous year, Alpha Bank introduced significant changes to its corporate governance, in compliance with the new supervisory requirements as well as with the European best practices.

This development deserves special mention. The executive management and the audit and supervisory units of a financial institution should be competent and effective, in order to successfully respond to the significant responsibilities that they assume. Their composition should ensure both the financial institution's effective administration and balanced decision-making. Clearly, an effective board of directors has a positive impact on the safe operation and soundness of the banking institution and, at the same time, enhances public confidence in the persons managing the financial system at country and Eurozone level. The European Central Bank has issued relevant guidelines to harmonise assessment criteria for all administrative structures and supervisory bodies.

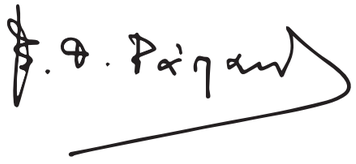
In 2017, the Alpha Bank Board of Directors revised the Charters of its Committees, where clearly defined and distinct responsibilities have been assigned as well as the Corporate Governance Code, in full alignment with the relevant regulatory framework and the most recent international best practices of corporate governance. It also revised the Policy for the Evaluation of Senior Executives and Key Function Holders and the Policy for the Succession Planning of Senior Executives and Key Function Holders. These changes, along with the revision of its Code of Ethics, effectively enhance the principles governing the Bank's efficient operation, reinforce the principles of integrity and transparency and ensure optimal risk management.

Dear Shareholders,
Ladies and Gentlemen,

As the Greek Economy enters a period of gradual recovery, the Bank, drawing on its robust capital structure and its strong Network, will continue to support its Customers in the years to come, while enhancing the value of its Shareholders' assets. Difficulties have yet to be overcome. The challenges of reducing Non-Performing Exposures, making use of new technologies and further reducing costs must be tackled with firmness, flexibility and a focus on innovation. I can assure you that the Board of Directors, in line with the history of Alpha Bank, will continue to work creatively, to control effectively and to assist the Bank's Executives in their efforts to successfully meet the new challenges.

On behalf of the Board of Directors, I would like to thank you, our Shareholders, for the trust that you have placed in us during the difficult times we have been through, and our Customers, for their ongoing confidence and support in our work. Finally, I would like to express my gratitude to the Bank's Personnel in Greece and abroad for its hard work, its loyalty and its unwavering dedication to the achievement of our goals. The Greek Economy is entering a new era of challenges and opportunities. Working together, we can take advantage of the opportunities not only for the benefit of the Bank and our economy but also for the well-being of Greek society.

Athens, June 29, 2018



Vasileios T. Rapanos

Letter from the Managing Director – CEO

The completion of the third adjustment programme of the Greek Economy in August 2018 is expected to mark the end of a long period of uncertainty. At the same time, it should also trigger the start of swift and sustainable growth, as the country is expected to improve significantly its position as an investment destination. Channelling these resources to productive and extrovert business investments could provide the momentum needed for the transformation of Greek Economy's production model, by shifting its reliance to internationally tradable goods and services.

Attracting direct foreign investment presupposes the establishment of an environment friendly to entrepreneurship, the full implementation of the privatisation programme as well as overcoming the obstacles that hinder the progress of reforms aimed at reducing red tape and at supporting the smooth operation of the markets. Finally, the change in the fiscal adjustment mix can act as an additional catalyst for growth, through a decisive tax reform that will encompass the expansion of the tax base by limiting tax evasion, lowering tax rates and simplifying the tax system.

The banking system will assist, once again, the effort to bolster entrepreneurship and ensure the country's permanent exit from the crisis, by selecting and financing the most profitable investment plans. This will be possible because the core profitability of the banks is restored, while at the same time their capital adequacy is maintained at very satisfactory levels and the stock of Non-Performing Exposures is progressively declining, in line with the targets set.

In 2017, Alpha Bank continued to support actively business ideas with positive prospects, which strengthen the country's infrastructure and export potential, as disbursements of loans to the private sector stood at Euro 2.1 billion. According to our Business Plan, in the 2018-2020 period new loans to businesses in Greece will exceed Euro 6.5 billion and will strongly focus on the sectors of tourism, energy and key infrastructures.

In May 2018, the Greek banking system completed successfully one more stress test, thus confirming that its capital base is adequate to withstand an unforeseen adverse development over the next three years. According to the assessment of the supervisory authorities, even in such a case, potential losses will be absorbed by the capital base. Therefore, the estimated resilience of the Greek banks to external disruptions boosts confidence in the Greek Economy and adds momentum to the banking system's effort to achieve the strategic goal of effectively managing Non-Performing Exposures (NPEs).

Special reference should be made to Alpha Bank's outstanding performance in the recent stress test, which demonstrates once again its sector-leading capital position and allows the Bank to achieve its strategic objectives by implementing its NPE business plan. Finally, this performance highlights Alpha Bank's ability to support the momentum of the Greek economic recovery by further enhancing business growth.

Additionally, some points should be underlined in order to understand the importance of the stress test.

The stress test was conducted according to a static balance sheet approach under a baseline and an adverse macro scenario with a three-year forecasting horizon (2018-2020). The starting point was the Balance Sheet of 31 December 2017, re-stated to account for the International Financial Reporting Standard (IFRS) 9 impact. Under the baseline scenario, the 2020 CET1 ratio reached 20.4%, as a result of an aggregate impact of +212 basis points following the IFRS9 implementation, mainly driven by a strong pre-provision income generation, according to the assumptions of the baseline scenario. Under the adverse scenario, the minimum 2020 CET1 ratio stood at 9.7%, down by 856 basis points, largely driven by the negative impact of Credit Risk resulting from the stressed macro environment and methodological constraints.

In 2017, Alpha Bank, implementing its business plan, improved its performance and returned to profitability by strengthening its Balance Sheet. The yearly financial results indicated further improvement in all areas. The capital ratios were reinforced, the Eurosystem funding reliance was reduced and the costs were contained.

At the same time, aiming at the constant improvement of our customer service, we offer a constantly updated service network, which includes applications for mobile telephones, e-banking and telephone banking, along with the services provided by the Branch Network.

In the last quarter of 2017, reliance on Central Bank funding further decreased by Euro 1.4 billion quarter-on-quarter to Euro 10.2 billion, supported mainly by securities' disposals of Euro 0.9 billion – mostly European Financial Stability Facility (EFSF) bonds – as well as by deposit inflows of Euro 0.9 billion. As a consequence, the Bank's reliance on the Emergency Liquidity Assistance (ELA) stood at Euro 7 billion at the end of December 2017, reduced by Euro 6.2 billion year-on-year.

The Bank continued its effort to enhance profitability in 2017. Net Interest Income increased to Euro 1,942.6 million. At the same time, Net Fees and Commission Income in 2017 stood at Euro 323.5 million from Euro 317.9 million in 2016, mainly on the back of loan-generated fees mostly related to the Bank's participation in project financing as well as a higher contribution of private banking and asset portfolio management operations. Meanwhile, revenues from credit cards continued their upward trend, up by Euro 1.1 million, supported by another record tourist season.

Income from financial operations amounted to Euro 144.7 million, compared to Euro 84.9 million in 2016, positively affected by trading gains mainly attributed to the disposal of securities as well as to the Bank's participation in the exchange programme of Greek Government Bonds by the Hellenic Republic.

In 2017, the rationalisation of cost continued for yet another year. Recurring Operating Expenses remained effectively flat and amounted to Euro 1,104 million, affected by the increase of NPL remedial management expenses, which offset the benefit from the lower staff costs with the corresponding Cost to Income Ratio further easing to 47.6% in 2017.

At the end of December 2017, Personnel Expenses amounted to Euro 473.6 million, down by 5.4% year-on-year, mainly due to a Group headcount reduction from 11,863 in December 2016 to 11,727 Employees at the end of December 2017, as a result of the Voluntary Separation Scheme (VSS) implemented in our operations in Greece in 2016. The Group Network, at the end of December 2017, was reduced to a total of 670 Branches from 721 at the end of December 2016, as a result of the ongoing platform rationalisation in Greece. It is worth noting that the Bank has already achieved the goals of our Restructuring Plan in terms of both the number of Employees and the number of Branches.

General Expenses amounted to Euro 530.7 million, up by 4.1% year-on-year, negatively affected by increased NPL remedial management costs. Excluding NPL remedial management costs, which stood at Euro 88.2 million, General Expenses for 2017 amount to Euro 442.5 million.

The gross loans of the Group were reduced to Euro 56.6 billion at the end of December 2017, as a result of the implementation of the Non-Performing Exposures Reduction Plan and the sale of Non-Performing Loan portfolios in Greece and Romania.

In the last quarter of 2017, our Group deposit base recorded inflows of Euro 1 billion and, as this trend continued in the first quarter of 2018, Group deposits reached Euro 35.9 billion at the end of March. In Greece, deposit balances rose to Euro 29.3 billion, mainly attributed to households. Deposits in Southeastern Europe increased significantly and reached Euro 4.7 billion at the end of December 2017, mainly as a result of inflows from time deposits in Alpha Bank Romania S.A.

Hence, the Loan to Deposit Ratio for the Group further declined to 124% at the end of December 2017 from 129% in the third quarter of 2017 and, for Greece, to 128% from 132% respectively. It is worth noting that according to the Bank's Restructuring Plan, the target for 2018 in Greece was 119%, which has already been achieved in the first quarter of this year.

The effective management of Non-Performing Exposures is the most critical issue that the Bank is called to address, in order to fully clean up its lending book and to further enhance its ability to effectively finance Greek Economy. The simplification of the institutional framework for the licensing of credit servicing firms and the conclusion of the first sales of loan portfolios represent important steps towards normalisation.

The Bank is stepping up its efforts in order to achieve its business goals related to Non-Performing Exposures, by expanding the range of solutions proposed to borrowers aiming at restructuring of viable businesses and the detection of strategic defaulters. In the context of establishing sustainable debt workout arrangements for borrowers, the Bank offers a range of options, such as interest rate reduction, loan term extension, split balance, partial debt write-off and the operational restructuring of corporate borrowers.

Hence, NPE contraction accelerated in the last quarter of 2017, as our NPE stock in Greece declined by Euro 1.8 billion to Euro 25 billion. This performance reflects the successful restructurings in the last quarter of 2017, combined with initiatives such as liquidations and the disposal of selected non-performing portfolios as well as write-offs.

The reduction of NPLs in Greece amounted to Euro 3 billion in 2017 and, as a result, at the end of December 2017, the Group NPL ratio stood at 34.9% and the NPL coverage ratio stood at 67%. The total coverage ratio including collateral stood at 122%. In detail, at the end of December 2017, the business, mortgages and consumer NPL ratio for the Group stood at 34.6%, 34.9% and 36.7%, while their cash coverage ratio stood at 75%, 52% and 77% respectively. At the end of December 2017, our accumulated provisions for the Group amounted to Euro 13.3 billion, while the Ratio of Loan Loss Reserves over gross loans stood at 23.5%.

Taking into account the impact of IFRS 9, the estimated accumulated provisions for the Group, according to data of 31.12.2017, increased by 8.1%, to Euro 14.4 billion, leading to an increase of the NPE coverage ratio for the Group by five (5) percentage points to approximately 50%.

Throughout 2018 we will continue to focus on reducing NPEs in line with our Business Plan, eliminating ELA support, expanding our non-interest revenues and improving further the efficiency of our Branch Network.

In order to clean up further its Balance Sheet, the Bank took and successfully carried out several noteworthy initiatives. In Romania, the sale of a portfolio of Non-Performing Loans totalling over Euro 400 million was completed, while in Greece the Bank signed a final agreement for the sale of a portfolio of non-performing unsecured Retail Banking loans totalling Euro 3.7 billion, with both transactions having a positive impact on its capital ratios.

On 25 January 2018, Alpha Bank successfully completed the issue of the Euro 500 million Reg S, Soft Bullet covered bond, with a five-year tenor and 2.75% yield to maturity, as part of its Euro 8 billion direct issuance Covered Bond Programme I. The transaction, which had started in 2017, attracted strong investor interest with the Order Book being over-subscribed almost five (5) times and the vast majority of the issuance being covered by international institutional investors (93%).

In Southeastern Europe (SEE), our Core Operating Income for 2017 stood at Euro 267.5 million, down by 8.5% year-on-year, adversely affected by the lower Net Interest Income mainly as a result of deleveraging. Total Branches in SEE stood at 186 at the end of December 2017. The Loan to Deposit Ratio in SEE operations has significantly improved, amounting to 118% in December 2017, compared to 145% a year ago.

Alpha Bank has incorporated social responsibility into the principles and values of the Group and follows internationally recognised sustainable development initiatives. Alongside its business activities, the Bank has been a leader for years, designing programmes to support Health Care, Education, Culture, the Environment and Society in general.

Throughout 2017, Alpha Bank supported Foundations, Organisations and Universities in giving scholarships as well as schools across Greece, by offering books and computers.

The participation of the Bank's Personnel in volunteering activities was important for yet another year. In particular, approximately 1,000 Employees participated in social solidarity and environmental awareness events, which took place in all the countries where the Group is present.

The "Together, for better health" programme, which is carried out on an annual basis and has been designed to deliver pharmaceutical supplies and medical equipment to health centres on Greek islands, continued in 2017 as well. To this day, approximately 200,000 items of medical equipment and supplies have been delivered to 32 Greek islands. The "Together, for better health" programme continues throughout 2018, in order to deliver pharmaceutical supplies and medical equipment to ten (10) more Greek islands.

The "Helping Hand" programme, which supports vulnerable groups (poor, large families and the elderly), continued in 2017, while it is worth mentioning that since the launch of the Programme in 2012, a total of 24,000 carts with food supplies have been delivered.

Additionally, the "Together with the children at the Museum and the Theatre" programme continued. As part of this Programme, children living in Children's Homes visited museums and attended theatre performances organised exclusively for them. To this day, more than 550 children have participated in a total of 17 visits and performances, which took place with the assistance of Volunteers from the Bank's Personnel.

Alpha Bank has been actively involved in the country's cultural life and development for many years. "The defacements that hurt" programme, for the preservation of sculptures and historical monuments, continued. In particular, in 2017, restoration and maintenance work was carried out at the Athens Conservatoire, the Royal Theatre of Northern Greece and the National Theatre of Northern Greece, while the initiative "Let's give Nea Paralia, Thessaloniki its old glow back", held in collaboration with Anatolia College, the local Y.M.C.A. and the Municipality of Thessaloniki, continued, in order to revive and improve the Nea Paralia area, one of the city's landmarks.

It is also worth noting that Alpha Bank responds immediately to the need for humanitarian aid to people affected by floods, earthquakes or other natural disasters, by offering clothing and long shelf-life food supplies. It also takes emergency measures in terms of special arrangements to support its Customers, whether these are Individuals who live in the affected areas or Businesses that are based there.

In this context, in 2017 the Bank assisted those affected by the floods in Western Attica by offering meals to the Social Grocery of the Municipality of Mandra as well as donating long shelf-life food supplies and clothing. To assist its Customers in the areas of Mandra, Megara, Magoula and Nea Peramos in repaying their loans and any amounts owed to cards, the Bank gave them the option to suspend their payments for two months interest-free. Moreover, in order to contribute as much as possible to the reinstatement of card-based transactions in the affected areas, the Bank replaced the damaged POS terminals of its Customers who had sustained damages from the floods, also undertaking the costs concerning technical support or the rental of the new POS terminals.

Finally, in 2017 Alpha Bank assisted the Chios Gum Mastic Growers Association in its efforts to replant mastic trees in the areas ravaged by the destructive fire of 25 July 2016 in the Mastiha Villages of Southern Chios, with the donation of 2,000 lentisk saplings.

The Bank carried out a series of exhibitions, publications and activities, most notably:

- The exhibition entitled "MONEY. Tangible symbols in ancient Greece", jointly organised by the Alpha Bank Numismatic Collection and the Museum of Cycladic Art. It dealt with the use of coins, not only as a means of transaction but also as a means of symbolism, a use mainly related to the study of its iconography. The designs engraved on the small metal surface often provide important information about the trade, history, art and culture of each issuing authority. The Exhibition presented 85 coins from the Alpha Bank Numismatic Collection as well as 159 other items from

29 Archaeological Museums and Collections in Greece, two Museums in Italy, the British Museum and the Louvre Museum. The Exhibition was presented from 2 November 2017 to 15 April 2018 and had a total of 10,362 visitors.

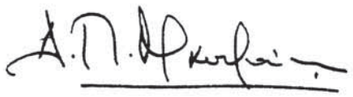
- The publication entitled "MONEY. Tangible symbols in ancient Greece", in Greek and in English.
- The educational programmes organised as part of the exhibition entitled "MONEY. Tangible symbols in ancient Greece", which 520 school children from 23 schools of Attica attended between 3 November 2017 and 21 December 2017.
- The educational programme of the Alpha Bank Numismatic Collection entitled "Nomos-Nomizo-Nomisma" that travels to schools around Greece inside a specially-designed suitcase. The programme enables school children to learn the history of coins, from the time of their invention. In 2017, 3,273 school students, from 63 schools in 36 cities in Greece, attended the Programme.
- The one-day conference entitled "A discussion between museums in Corfu: challenges and perspectives", which took place at the Banknote Museum of the Ionian Bank in Corfu with the participation of representatives of nine Museums from the island. Finally, it should be noted that the catalogue of the permanent exhibition entitled "Greek Banknotes. Historical evidence", which is housed in the Museum, previously available in Greek and English, was also published in French, German and Russian. Additionally, it should be mentioned that in 2017, 6,423 people visited the Museum and 825 students attended the educational programme entitled "Banknote-The Greek Banknote".
- The exhibition "The Alpha Bank Collection. Greek Art from 1950 until today" that features works from the Bank's Collection continued, in 2017, to tour Greece. In March and April, the Exhibition went on display at the Municipal Gallery of Larissa - G.I. Katsigras Museum.

Today, our country is facing a historic challenge: to return, soon, to the international financial markets as well as to a path of convergence with its European partners. Returning to a strong and sustainable growth path requires, first and foremost, the continuation and implementation of the reforms already enacted, together with structural changes to the tax system, the Public Administration and the development of the state-owned assets as well as a shift to an export-based production model.

Fully aware of its role vis-à-vis the country's healthy and productive forces, the Bank will rise to the great challenge of managing its Non-Performing Loans and will assist in the effort for the recovery of the Greek Economy.

Alpha Bank, confident and optimistic about the future, relying on the diligence and dedication of its Personnel, enhances the relations of trust with its Customers and its Shareholders.

Athens, June 29, 2018



Demetrios P. Mantzounis

Share

Alpha Bank has been listed on the Athens Exchange since 1925 and is consistently classed as one of the largest companies in terms of market capitalisation. At the end of 2017, the capitalisation of the Bank stood at Euro 2,759 million and represented 5.04% and 37.1% of the capitalisation of the Athens Exchange's General and Banking Indexes companies respectively, while the participation of its share in the FTSE/Athex Large Cap Index was 9.6%. In addition to the Greek stock exchange, the share is also traded over-the-counter on the New York exchange in the form of American Depository Receipts (ADRs). The share is included in international indexes such as the MSCI Emerging Markets Index, the FTSE All-World Index, the FTSE Med 100 Index and the FTSE4Good Emerging Index.

On 31.12.2017, the Bank's share capital stood at Euro 463,109,814.30 divided into 1,543,699,381 ordinary voting shares at a nominal value of Euro 0.30 per share. Out of these, 1,374,425,214 ordinary shares of the Bank are traded on the Athens Exchange, while the Hellenic Financial Stability Fund holds the remaining 169,174,167 ordinary, registered, voting, dematerialised shares or 11% of the total number of ordinary shares issued by the Bank.

The shares in circulation on 31.12.2017 were held by approximately 121,000 Individual and Institutional Investors. Specifically, on 31.12.2017, excluding the stake held by the Hellenic Financial Stability Fund, the Bank's shareholder base was composed of Individual Investors (5%) and Institutional Investors (95%).

The share's daily trading volume for 2017 amounted to an average of 5,602,793 shares per session, with an average daily value of transactions of Euro 10,633,710. Regarding warrants, the average daily trading volume until 7.12.2017 stood at 2,832,988 warrants, with an average daily value of transactions in 2017 of Euro 3,817. It should be noted that the warrants that were not exercised until the last trading date (11.12.2017) automatically expired and were cancelled by the Hellenic Financial Stability Fund on 14.12.2017.

Key Events in 2017

The key corporate events of strategic importance for the Bank in 2017 are the following:

- In January, the Bank entered into an agreement with the Serbian MK Group of companies on the sale of Alpha Bank's 100% stake in the share capital of Alpha Bank Srbija A.D., following a tender procedure which was initiated in 2016. The transaction was concluded in April 2017, following the relevant regulatory approvals, and contributed towards the execution of the Bank's Restructuring Plan.
- In February, the Bank proceeded with a capital increase following the exercise of the option to convert the convertible bond issue of Euro 150 million that was issued on 1.2.2013, as part of the agreement with Crédit Agricole S.A. regarding the acquisition of Emporiki Bank. From the conversion, 6,818,181 new common shares were issued, corresponding to 0.44% of the Bank's total shares.
- In March, the Board of Directors, taking into account the constantly changing landscape in the banking sector and in full alignment with the relevant regulatory framework and with the recent best practices of corporate governance, proceeded with a change in the allocation of responsibilities of the three General Managers and Executive Members of the Board of Directors, while at the same time upgrading them to Deputy CEOs. Furthermore, in the same context, the Board of Directors revised the Corporate Governance Code and the Charters of its Committees, to which explicitly defined and distinct responsibilities have been assigned. Specifically: the General Manager Mr. Spyros N. Filaretos was appointed Deputy CEO - Chief Operating Officer, the General Manager Mr. Artemios Ch. Theodoridis was appointed Deputy CEO, Non-Performing Loans and Treasury Management and the General Manager Mr. George C. Aronis was appointed Deputy CEO, Retail, Wholesale Banking and International Network.
- In November, the Group's joint venture APE Commercial Property A.E., where the Bank participated with a share of 72.2%, completed the disposal of its 37% investment in the share capital of the entity "EL.P.ET. Balkaniki A.E.".
- In November as well, the Group Company Alpha Astika Akinita A.E. completed the disposal of all the shares of the company "Alpha Real Estate D.O.O. Beograd", for a consideration of Euro 8.4 million.

- In December, the Bank completed the disposal of all the shares (85.7%) of the company EVISAK A.E.
- On 5.1.2018, the Bank, together with Alpha Bank Romania S.A., entered into a definitive agreement for the sale of a Non-Performing Wholesale Loans Portfolio with a total outstanding balance of approximately Euro 360 million. The Portfolio was acquired by entities financed by a consortium of international investors including Deutsche Bank AG, funds advised by AnaCap Financial Partners LLP and funds advised by APS Investments S.à.r.l. The completion of the transaction is subject to the relevant regulatory approvals. The transaction concludes the actions carried out by the Bank to sell a significant part of its Romanian Non-Performing Exposures, which include the sale of a Non-Performing Retail Loans Portfolio of a total outstanding balance of approximately Euro 50 million to the Norwegian group B2Holding, in the third quarter of 2017. The transaction contributes to and is fully consistent with the execution of the Bank's Restructuring Plan, while the combined effect of the aforementioned transactions is expected to be accounting and capital ratio accretive for the Bank.
- 2017 was a milestone year for Alpha Bank regarding Digital Technology. The Bank acknowledges the significance that digital technology has acquired in daily life for all people as well as the changes it brings about in banking services. Thus, and also taking into account the relevant changes in the regulatory framework, such as the EU Directive on payment services (PSD 2), which are expected to strengthen the adoption of innovative digital technologies and to intensify competition by both existing and new providers of payment services, the Bank took a number of strategic actions, which included the following:
  - Formulation of the Bank's digital strategy.
  - Establishment of new organisational structures (Chief Digital Officer, Digital Banking and Innovation Division, Digital Innovation Division, Customer Experience and Loyalty Division), in order to promote and coordinate the digital actions required and to strengthen the human resource capital in key positions.
  - Development of the three-year (2018-2020) plan for the Bank's digital transformation.
  - Implementation of selected digital initiatives in 2017.

CHAPTER 01

The Greek and the International Economy in 2017 and the outlook for 2018

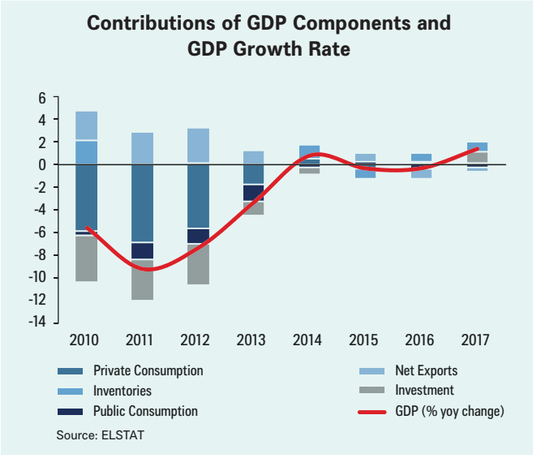
1. The Greek and the International Economy in 2017 and the Outlook for 2018

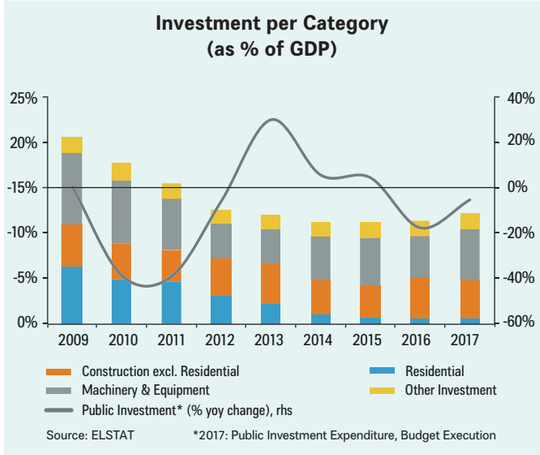
The Greek Economy - Developments and Prospects

2017 was a year of recovery for the Greek Economy. Economic activity has strengthened, especially following the successful conclusion of the second Review, the five-year government bond issuance, after three years of Greece being absent from the markets, and the country's credit rating upgrade by the international rating agencies. The Gross Domestic Product (GDP) growth rate in 2017 stood at 1.4% (ELSTAT, first estimate), from -0.2% in 2016 (constant prices 2010, seasonally-adjusted data). The main contributor to the 2017 GDP growth was investment (including the change in inventories) by 2.1 percentage points, while private consumption contributed only by 0.1 percentage points. On the contrary, public consumption and net exports had a negative contribution to the GDP growth, by 0.3 percentage points and 0.4 percentage points respectively.

The main factors that supported the economy in 2017 were the following:

- The export dynamics, mainly in the services sector. Exports of goods and services increased by 13.5% year-on-year in 2017, against a 6.1% drop in 2016. The main contributors to the aforementioned increase were the exports of services and in particular the increase of revenues mainly from tourism, followed by shipping. Moreover, exports of goods showed a strong upward trend in 2017 (+14.1% in 2017, from -1.2% in 2016), while the increase of exports excluding fuel (2017: 9.6%, 2016: 1.4%) is of great importance. The recovery of exports is attributed to businesses shifting towards the production of internationally tradable goods, in order to counterbalance losses from the collapse of domestic demand, as noted throughout the economic crisis.
- The expansion of industrial production. In 2017, industrial production increased by 4.1%, year-on-year, against a smaller 2.5% increase in 2016. Moreover, the turnover index of industrial production increased by 11.6% in 2017, mainly due to the rise of sales in the foreign market. The gross value added of the sector in 2017 increased by 6.3%. In December 2017, the Purchasing Managers' Index (PMI) remained at a level above 50 (the threshold for the manufacturing sector's expansion) for a seventh consecutive month and stood at 53.1 units; one of the highest performances registered during the economic crisis. Finally, the industrial sector's contribution to employment was significant, as it provided 16,100 new jobs in 2017.
- A decline in the unemployment rate. The unemployment rate in Greece, despite remaining at a high level compared to the EU average, has been on a downward trend since its peak in July 2013. In particular, the unemployment rate stood at 20.8% in December 2017, 7.2 percentage points down from July 2013 and 2.3 percentage points down from January 2017.

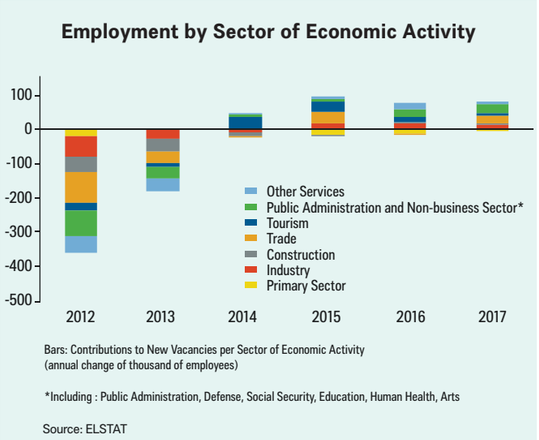


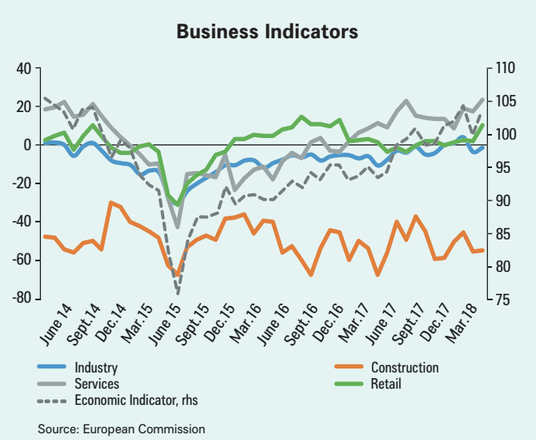


In 2017, both the confidence indicators and the conjunctural indicators reveal that Greek Economy is on a recovery path. In particular:

- The Economic Sentiment Indicator (ESI) in Greece improved significantly in the second half of 2017, according to the European Commission data. Especially in December 2017, the index climbed to 101 units compared to 95.1 units in December 2016. However, in 2017, the ESI index in Greece stood on average at a level lower than the Eurozone level.
- The retail trade volume index increased by 1.1% in 2017, against a 0.6% drop in 2016. The rise was the result of an increase in sales in key sub-sectors of retail trade, such as supermarkets, clothing-footwear, books-stationery, etc.
- Tourist arrivals in 2017 recorded a 9.7% increase year-on-year, against a smaller increase of 5.1% in 2016, while tourism receipts increased by 10.5% against a sharp 6.5% drop recorded in 2016.
- Private building activity increased by 19.4% in terms of volume and 8.7% in terms of the number of building permits, in 2017.
- In 2017, new private passenger cars registrations increased significantly by 22.1% year-on-year, against a smaller increase by 10.9% in 2016.
- In the fourth quarter of 2017, the apartment price index continued to drop, albeit at a declining pace, according to the Bank of Greece. In particular, the index decreased by 0.3% year-on-year in the fourth quarter of 2017, from a 0.6% fall year-on-year in the third quarter, -1.2% in the second quarter and -1.7% in the first quarter of 2017. Overall, in 2017 the apartment price index decreased by 1.0%, against a higher drop of 2.4% in 2016.
- In the beginning of 2017, the Consumer Price Index returned to a positive territory, as a result of an increase in energy prices and indirect taxes within the year. In 2017, the Consumer Price Index increased by 1.1% year-on-year, on average, against a 0.8% drop in 2016.

Despite the positive development of short-term indicators and the currently favourable international environment, as defined



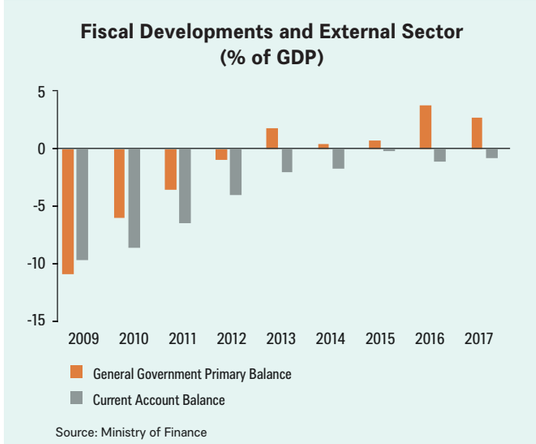


by Europe's growth performance and the supportive monetary policy of the European Central Bank (ECB), Greek Economy faces significant challenges, which will determine its long-run recovery prospects. These challenges are the following:

- The specification of the debt relief measures, as described at the Eurogroup meeting in the spring of 2016.
- The aforementioned development, combined with the creation of a cash buffer to cover Greece's financing needs at least until the end of 2019, will set the scene for a smooth and sustainable access to the markets.
- The acceleration of the privatisation programme and the scheduled infrastructure projects which, combined with the absorption of the available EU structural funds, is expected to attract new investments and lead to the revival of many Greek businesses.
- The creation of fiscal space through the rationalisation of the primary surplus targets. The adjustment towards more realistic targets will not only lead to higher growth rates over the next decade, but will also boost investor's confidence.
- The reorientation of the fiscal policy mix that will enable the de-escalation of the high tax rates. Fiscal adjustment has been highly supported by the increase in tax rates and social security contributions, undermining growth prospects.

For 2018, Greek Economy's prospects appear positive. The conclusion of the third Review and the positive assessment for the completion of the third Economic Adjustment Programme in August are expected to boost confidence in the economy. The GDP growth rate is expected to hover at 2.4% (Bank of Greece estimate, February 2018) and economic growth will be supported by exports, investments and private consumption. Private investments, are expected to increase, reflecting the further restoration of confidence and the easing of liquidity conditions in the economy. Significant uncertainties do exist, related to both internal and external factors. In terms of domestic environment, possible delays in the implementation of reforms and privatisations could hinder recovery prospects. In terms of external environment, risks and uncertainty are related to potential geopolitical tensions.

In 2017, Greek banks achieved a higher pre-tax profit than in 2016 (Euro 287 billion in the 2017 nine-month period compared to Euro 148 billion in the 2016 nine-month period, on a consolidated basis), mainly as a result of the increase in net commission income, the decrease in operating costs and the significant drop in interest expenses. Furthermore, the capital adequacy of the banking system showed a marginal improvement. The Common Equity Tier 1 (CET 1) Ratio, on a consolidated basis, stood at 17.1%[1] in September 2017 and the Capital Adequacy Ratio stood at 17.2%[1].



Liquidity in the banking sector improved in 2017, as private sector deposits increased by Euro 5 billion compared to 2016, as a result of the use of electronic means of payment, as part of the capital controls, and the return of deposits from abroad[1]. The outstanding amount of private deposits[2] stood at Euro 126.35 billion in December 2017, out of which Euro 103.9 billion were household deposits and Euro 22.4 billion business deposits. Total deposits in the banking system (private sector and general government deposits) amounted to Euro 137.8 billion in December 2017, registering a 4.5%[3] increase year-on-year.

Furthermore, in 2017, the reliance of Greek banks on the Eurosystem's mechanism for emergency funding (Emergency Liquidity Assistance of the Bank of Greece - ELA) continued to decrease. In particular, in 2017, funding gradually decreased and amounted to Euro 33.7 billion in December 2017, compared to Euro 66.6 billion in December 2016.

Regarding credit expansion, at the end of December 2017 the outstanding amount of loans to the private sector amounted to Euro 183.9 billion[4] compared to Euro 195.2 billion at the end of December 2016. Credit contraction in the private sector continued in 2017, albeit at a slower pace (December 2017: -0.9%[4], December 2016: -1.5%). According to the Bank of Greece[1], this is partially due to the reduction of loan interest rates and to the improvement of economic activity.

Nevertheless, despite the improvement in the Greek banks' operating environment, the stock of Non-Performing Exposures remained high in September 2017, amounting to Euro 100.4 billion or 44.6%[1] of total Exposures compared to 44.8% in December 2016. The aforementioned marginal improvement was the result of write-offs and loan repayments.

The expected strengthening of the Greek Economy in 2018 and the improvement of consumer and business confidence, combined with further progress in the management of Non-Performing Exposures, are expected to contribute to a more favourable environment for the Greek banking system. However, the challenges that banks will face in 2018, apart from the efforts to further reduce the Non-Performing Exposures' ratio, are related to the ECB's EU-wide stress tests and the implementation of the International Financial Reporting Standard (IFRS) 9.

[1] Bank of Greece: Governor's Report for the year 2017.
[2] Excluding the Bank of Greece. Moreover, as of December 2016, deposits in the Consignment Deposits and Loan Fund are excluded from domestic deposits, as the institution has been reclassified from the financial sector to the general government sector.
[3] Growth rates are calculated taking into account reclassifications and exchange rate variations.
[4] The outstanding amounts include loans, holdings of corporate bonds and securitised loans serviced by credit institutions. Growth rates are calculated taking into account reclassifications and transfers of loans/corporate bonds, write-offs and exchange rate variations.

International Economy

The uncertainty that appeared in the financial markets in the first half of 2017, mainly due to the scheduled elections in large Eurozone economies, was reduced during the year.

Global economic activity accelerated in 2017, reaching its highest rate in recent years and demonstrated a relatively-balanced growth in both advanced and emerging economies. Economic growth in China exceeded investor expectations, while the economy of Russia recovered, relying mainly on the improvement in commodity prices.

According to the latest International Monetary Fund (IMF, April 2018) forecasts, world GDP is expected to increase by 3.8% in 2017 and 3.9% in 2018, compared to 3.2% in 2016. In particular, the GDP rate of change for developed economies is estimated to stand at 2.3% in 2017 and 2.5% in 2018, from 1.7% in 2016. Furthermore, international trade in goods and services recorded a high growth rate of 4.9% in 2017 compared to 2.3% in 2016, which is expected to increase to 5.1% in 2018 (IMF, April 2018).

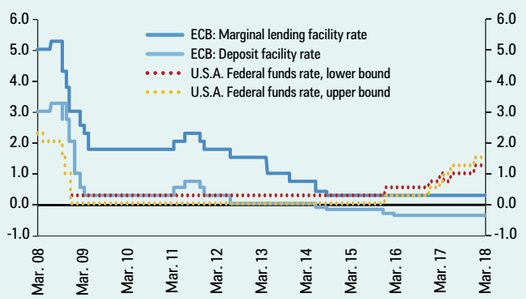
In developed economies, low inflation allows expansionary monetary policy to continue, in order to strengthen recovery and improve the financial conditions for the private sector.

The main Central Banks work to increase the medium-term inflation to 2%, by using a combination of conventional and unconventional measures of monetary policy (such as very low or even negative interest rates), applying Asset Purchase Programmes (APPs) and employing forward guidance.

The risks for the international economy are mainly related to geopolitical developments and the gradual increase in funding costs. The international economy's strong growth dynamic in the second half of 2017, coupled with the U.S.A. tax reform and the satisfactory growth performance in the Eurozone, China, India and Russia, is consistent with the estimation that the international economy growth rate will remain high in 2018. The economic stabilisation in advanced economies and the recovery recorded in international trade are expected to reinforce economic activity in emerging economies as well. The further elimination of uncertainty, along with an improvement in expectations and the economic climate, can contribute to a strong and sustainable economic growth.

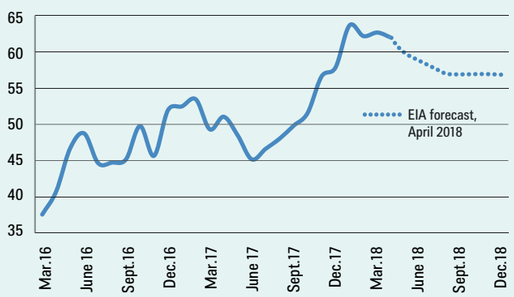
The Organization of Petroleum Exporting Countries (OPEC) and other oil-producing countries, such as Russia, extended their agreement to contain production levels in order to further boost oil prices. The boost in global economic activity contributed to the decline in oil reserves, resulting in oil prices rising by 23.3% in 2017 on an annual basis, while non-fuel commodity prices increased by 6.8% (IMF, April 2018).

Eurozone and the U.S.A. Intervention Rates



Source: Bloomberg

Average Price of West Texas Intermediate Crude Oil (USD/barrel)



Source: Energy Information Association (EIA), April 2018

In the U.S.A., the rate of GDP change is estimated to stand at 2.3% in 2017 and further increase to 2.9% in 2018. The adopted tax reforms, which include measures such as a significant reduction in the corporate tax rate (from 35% to 21%) and incentives to repatriate business profits, are considered a key factor in boosting economic activity. The aforementioned measures are expected to cumulatively add 1.2 percentage points to the GDP growth rate by 2020.

In China, GDP growth is estimated to have risen marginally to 6.9% in 2017 from 6.7% in 2016, while it is expected to slow down and reach 6.6% in 2018 and 6.4% in 2019 (IMF, April 2018). In 2017, economic adjustment continued, in order to increase the contribution to growth of private consumption and reduce that of exports and government investment. Furthermore, in 2017, the Authorities tightened the non-bank lending regulations, in order to limit potential credit expansion and risk arising from them.

In Japan, economic growth is estimated to have risen by 1.7% in 2017 from 0.9% in 2016, largely due to a significant increase in domestic demand. The GDP rate of change is expected to decelerate to 1.2% in 2018 and 0.9% in 2019. In April 2014, the Bank of Japan adopted non-conventional monetary policy measures, such as the purchase of assets and the control of the bond yield curve, in order to meet its medium-term inflation target (2%). Monetary policy, coupled with increased private consumption and expansionary fiscal policy, led to a marked increase in the Consumer Price Index (CPI) in 2017, standing at 0.5% (annual change), compared to -0.1% in 2016. However, the CPI still remains significantly below the Central Bank's medium-term target.

In the Eurozone, according to the IMF, the GDP growth rate stood at 2.3% in 2017, compared to 1.8% in 2016, but it is expected to increase to 2.4% in 2018. Economic recovery resulted in a Eurozone unemployment rate of 9.1% in 2017, which is expected to further drop to 8.5% in 2018 and 7.9% in 2019 (European Economic Forecast, Autumn 2017). The recovery is mainly driven by domestic demand, as the ECB has adopted an accommodative monetary policy since June 2014. The ECB's way of announcing the extension of the Quantitative Easing Programme on 26 October 2017 made it clear that key interest rates will not change before the end of the Programme and indicated that a change in communication will signal the imminent rise of interest rates. It should be noted that the deposit facility rate has been negative since June 2014 (-0.10%), while it has dropped further, standing at -0.40% since March 2016. As the ECB pointed out, continuing the expansionary monetary policy is necessary so that the increase in inflation becomes permanent. However, monetary policy needs to be accompanied by the necessary reforms in the labour and product markets, in order to improve the Eurozone's competitiveness, create new jobs and render the recovery sustainable.

The risks to the Eurozone economy mostly have their origins overseas and are related to geopolitical developments, the possible deterioration of financing conditions because of the rising interest rates, the increasing protectionism in world trade as well as the negotiations regarding the United Kingdom's departure from the European Union.

In Southeastern Europe, Cyprus's growth rate is estimated to have risen to 3.9% in 2017, from 3.4% in 2016, relying mainly on private consumption and investment. However, growth is expected to drop to 3.2% in 2018 and 2.8% in 2019 (European Commission, European Economic Forecast, Winter 2018).

Romania had the highest growth rate among the European Union countries in 2017, which was mostly the result of private consumption, because of tax reductions, significant salary increases and low inflation. In particular, the GDP is estimated to have risen by 7% in 2017, from 4.8% in 2016, while it is expected to slow down to 4.5% in 2018 and 4% in 2019 (European Commission, European Economic Forecast, Winter 2018).

Business Units

2. Business Units

The Alpha Bank Group is one of the leading financial Groups in Greece and offers a wide range of quality financial products and services to individuals and businesses. On 31.12.2017, the market share in deposits stood at 21.9%. It is worth noting that the Group also has an extensive loan portfolio that covers all key activity sectors of the Greek Economy. In 2017, the market share in domestic business loans stood at 23.1%, thus making the Group one of the market leaders in terms of Greek enterprises' financing.

The Group offers a wide range of financial products and services, encompassing retail banking, medium-sized enterprises' and large corporations' banking, asset management and private banking, the distribution of insurance products, factoring, leasing, investment banking, brokerage and real estate management.

The Retail Banking Business Unit covers all Individuals-Customers of the Group, self-employed professionals and small as well as very small enterprises. The Wholesale Banking Business Unit includes partnering medium-sized enterprises and large corporations, enterprises with multinational activities and shipping companies.

The Alpha Bank Group is present in Southeastern Europe via the Group Companies that operate in Cyprus, Romania and Albania. Moreover, the Group is present in the United Kingdom through the London Branch and the Group Company Alpha Bank London Ltd.

The Parent Company and main Bank of the Group is Alpha Bank, which was founded in 1879 by J.F. Costopoulos. Alpha Bank, the Bank that inspires confidence and constitutes a consistent point of reference in the Greek banking system, is one of the largest banks of the Greek private sector, with one of the highest capital adequacy ratios in Europe.

Retail Banking and Small Enterprises

With regards to the entire banking system, the balance of loans in the private sector stood at Euro 184 billion at the end of 2017, with a negative annual growth rate of -0.9%. Of the total credit to the private sector, 48% concerns corporate loans, 32% mortgage loans, 13% consumer and other loans and 7% loans to self-employed professionals, including farmers and individual businesses.

Specifically, the balance of loans to businesses stood at Euro 88.9 billion and grew by 0.4% in December 2017, on an annual basis, while credit to non-financial corporations increased by 0.3%. Regarding the evolution of loans to businesses per business sector, in December 2017, an increase on an annual basis was recorded in the loans to businesses operating in sectors such as trade, tourism, storage and transport (excluding shipping) and to insurance companies. On the other hand, loans to businesses operating in sectors such as agriculture, industry, shipping, construction, energy and real estate management recorded a negative growth rate.

With regards to the evolution of loans to households, the negative annual growth rate stood at -2.3% in December 2017. Regarding each category of credit to households, the rate of reduction of mortgage loans in December stood at 3%, while the negative annual growth rate of consumer credit remained stable and stood at -0.5% as in November 2017.

Finally, the annual growth rate of credit to self-employed professionals, farmers and individual businesses was slightly negative, standing at -0.2% in December 2017.

Housing Loans

Demand for housing loans remained low, resulting in limited disbursements of new loans. Nevertheless, the Bank in 2017 achieved a significant 29% increase in new disbursements, based on which its share of the respective market stood at 18%. The Bank's mortgage portfolio stood at Euro 16.2 billion, representing a share of housing loan balances of 26.13% versus 25.65% in 2016.

In 2017, emphasis was placed on increasing new sales of housing loans. The Bank redesigned its "Energy Saving Home" housing loan, which is part of the "Alpha Green Solutions" line of products. The new "Energy Saving Home" loan covers the purchase or construction of energy-efficient residences as well as work carried out to improve the energy efficiency of existing residences. Offering tiered favourable pricing depending on the property's energy class, this product contributes to the efforts to protect the environment and also helps reduce the cost of utility bills.

In order to boost sales of new housing loan products, the Bank paid particular attention to the further expansion of its external associates network. Disbursements of new loans originating from this network increased by 7%, reflecting the consolidation of the partnerships as a result of the increased confidence in the Bank.

Moreover, in the context of actively promoting the principles of responsible lending, a number of changes have been made to the relevant systems to enable the provision of customised pre-contractual information to potential borrowers at every stage of the loan approval procedure, using the European Standardised Information Sheet (ESIS).

Meanwhile, emphasis was also placed on developing and supporting housing loan restructuring and settlement products, designed to assist housing loan Customers facing serious financial difficulties.

In 2018, the Bank intends to maintain its top-tier position in the mortgage credit market, by designing pioneering products adapted to the current economic conditions. At the same time, it will continue to support its existing Customers by offering innovative solutions for the final settlement of debts.

Consumer Loans

At the end of 2017, Alpha Bank's consumer loan portfolio stood at approximately Euro 4.8 billion.

In 2017, purpose loans continued to represent the most significant part of new consumer loans, while the disbursement of new loans stood at the previous year's levels, i.e. at approximately Euro 80 million.

The "Alpha Facilitation" programme remained a key area of activities in 2017, providing Customers with comprehensive solutions for the settlement of their overdue debts stemming from consumer loans and cards, by significantly reducing monthly instalments and by restructuring outstanding debts

according to their financial capacity. The said Programme's results in managing debts in arrears have been quite satisfactory.

Moreover, Alpha Bank, in cooperation with the Ministry of Environment, Energy and Climate Change (YPEKA), successfully completed two further cycles of the "Energy Efficiency at Household Buildings" programme, which had been subsidised by the Hellenic Fund for Entrepreneurship and Development (ETEAN). Under this Programme, a total of approximately 3,000 households have been funded.

Cards

In 2017, the Alpha Bank cards maintained their top position in the Greek market. The Bank has a large portfolio of payment cards, having issued over 4 million credit, debit and prepaid cards in total. Turnover exceeded Euro 6 billion, representing a market share of approximately 30%.

The increase in the use of payment cards continued in 2017, exceeding 40% compared to 2016. This development was, to a large extent, the combined result of the recently enacted legislative framework on the introduction of a tax deduction amount "built" with online payments and, primarily, card-based transactions, and of the consolidation of the shift in consumer behaviour, as consumers have, by now, come to appreciate the benefits, the security and the speed that cards provide in their daily transactions, as opposed to cash. Accounting for just 5% of total consumer spending in 2014, the use of cards rose to 18% in 2017 and is expected to reach 28% by 2020, very close to the European average.

2017 saw a significant increase of more than 20% in the sales of new credit cards, which offer significant benefits to Customers, such as rewards under the Bank's Loyalty Programmes, the extension of credit, the possibility to benefit from interest-free instalment plans offered by merchants etc.

In order to meet the needs of "high-value" Small Businesses - Customers and Self-Employed Persons who have joined the "Alpha Bank Gold Business Banking" service, the Bank developed and launched the Gold Enter Bonus Business American Express® corporate debit card, which is part of the Bonus Programme, thus offering significant benefits to Customers, and is the "signature" card of the new Service.

Regarding innovation and modern services, in collaboration with the Alternative Networks Division, "my Alpha wallet", the pioneering digital wallet of Alpha Bank, was enhanced with an option that allows Customers to carry out card-based transactions in stores with POS terminals displaying the contactless sign. With the new Tap 'n Pay feature for contactless transactions via mobile telephones, "my Alpha wallet" has become the most comprehensive digital wallet in the Greek market.

Moreover, as part of the continuous improvement of the services available to Customers, the "Alpha SecureWeb" service was upgraded for all Visa, MasterCard and American Express® cards issued by the Bank. With the upgraded "Alpha SecureWeb" service, every time they make an online purchase, Customers receive a One-Time Password (OTP) by SMS on their mobile telephone and no longer need to memorise complex passwords. Hence, online purchases take place with maximum security and great ease.

In addition, new card management possibilities have been developed via Alpha e-Banking and are now available to the Bank's Customers. These include all basic modifications in cards, the monitoring of the tax deduction amount "built" with electronic payments and card transactions and the possibility to apply online for debit and prepaid cards.

A number of major initiatives to promote the "Alpha e-statements" and "Alpha alerts" services were taken in 2017. These services substantially reduce operating costs and significantly increase income for the Bank. More specifically, both Services are now activated upon the submission of an application to issue a card product, while the statements of debit cards are now available only in electronic format for all debit cards. Furthermore, electronic statements are issued instead of paper bank statements for more than 40% of the credit cards issued by the Bank.

For 2018, expanding its cards portfolio remains a priority for the Bank.

Regarding innovation and modern services, the new option to send Alpha Bank cardholders their card PINs by SMS is already available. Meanwhile, the initiatives to modernise the services offered will continue, focusing on digital service networks. Moreover, the goal of further reducing expenses and boosting income, by promoting existing and new services, remains a priority.

In the Merchant Acquiring Business, the Bank maintained its leading position in the market, with a share that exceeded 30%, despite pressures due to fierce competition. It boasts one of the largest networks of partner businesses, with over 180,000 sales points accepting all major international cards (Visa, MasterCard, American Express®, Diners Club and China UnionPay).

Turnover from card operations stood at Euro 7.9 billion, registering a 29% increase.

The respective commissions collected stood at Euro 84.6 million, registering a 15% increase.

Concerning electronic commerce (e-commerce), a growing sector generating significant revenues and expected to present considerable scope for expansion in the years to come, turnover stood at Euro 0.5 million, registering a 46% increase.

At the same time, in 2017, through the My Alpha POS Programme, the Branch Network was supplied with POS terminals. This allowed Branches to meet the increased volume of requests for POS terminals, which was the result of the two stages of implementing the legislative regulations regarding the mandatory acceptance of card-based transactions by specific categories of professionals, such as physicians, lawyers, accountants etc. At the end of 2017, the total number of installed POS terminals stood at nearly 60,000.

The operation of the "Dynamic Currency Conversion" (DCC) service, which allows businesses to debit foreign Customers' cards in their home currency (other than the Euro) and is primarily addressed to partner businesses active in the tourism industry, posted revenues of Euro 1.65 million, further strengthening total revenues from the Merchant Acquiring Business during the year.

With regards to Loyalty Programmes, the Bonus Programme remains the largest reward programme in the Greek market, while the Programme's Main Partners are leaders in their respective areas of activity.

In order to cover daily transactions, in 2017 the Bonus Programme's partner network was further expanded with the addition of businesses such as Taxiplon and the Mothercare - ELC, Tsakiris Mallas and DPam (Fourlis group) stores. In addition, TRAINOSE S.A., the only provider of rail transport services in Greece, joined the Programme as a Main Partner.

Small Business Loans

In 2017, Alpha Bank, aiming at a comprehensive approach towards Small Businesses and in order to enhance their competitiveness, developed initiatives in order to meet their daily needs and support their growth prospects.

At the end of 2017, the total balance of loans to Small Businesses (with credit limits up to Euro 1 million) stood at Euro 6.3 billion.

In 2017, with regards to the Small Businesses segment, the Bank focused on:

- The promotion of the "Alpha Bank Gold Business Banking" Service, providing a new banking experience addressed to High Value Small Business Customers.
- The agreement with the European Investment Fund (EIF) to participate in the promotion of two new Guarantee Financial Instruments, namely COSME-LGF and INNOVFIN (HORIZON 2020).
- Boosting the operations of Small Businesses active in the tourism sector as well as Small Businesses operating in tourist areas of Greece, by meeting all their day-to-day banking needs and by rewarding their cooperation with the Bank.
- The development of the primary sector by promoting "Alpha Agricultural Entrepreneurship", thus responding to the challenges and the opportunities arising in the said sector.
- The organisation of one-day conferences, aiming to strengthen the relationship with the Bank's Customers throughout Greece.

Alpha Bank Gold Business Banking

In 2017, Alpha Bank, putting to use its expertise and long experience in Small Business Banking, created the "Alpha Bank Gold Business Banking" service, offering Customers an integrated banking experience for their Businesses.

Through the said Service, the Bank provides a set of privileged services and products and focuses on personalised banking and on rewards, with the aim of contributing to the enhancement of competitiveness and the further development of Small Business Customers.

With the Alpha Bank Gold Business Banking Specialist playing a key role, Alpha Bank presents a quality service framework, using modern means and tools (such as video conferences)

and offering special privileges as well as access to innovative business practices.

The launch of the Service was announced in the Press, while it was also extensively promoted through the Internet as well as through personalised communication.

Development Programmes for Small and Medium-sized Enterprises (SMEs)

The support of entrepreneurship as well as the development and enhancement of competitiveness and the outward-looking perspective of Greek Small and Medium-sized Enterprises continued to constitute a strategic goal for Alpha Bank in 2017 as well.

The Bank, actively participating in the provision of Development Programmes, signed two guarantee agreements with the European Investment Fund (EIF) in April 2017 regarding the COSME-LGF and the INNOVFIN (HORIZON 2020) programmes, with a total initial budget of Euro 150 million.

In December 2017, an amendment agreement with the EIF for the expansion of the COSME-LGF programme doubled the total budget of the aforementioned programmes to Euro 300 million.

Through these programmes, Alpha Bank provides financing to eligible SMEs, in order for them to implement their investment and development plans and meet their liquidity needs through favourable pricing terms.

In particular, through the COSME-LGF programme, the Bank will provide liquidity of Euro 200 million to Small and Medium-sized Enterprises, with reduced collaterals requirements, guaranteed by the EIF. Until 31.12.2017, applications of Euro 60.47 million were approved, while total disbursements stood at Euro 30.21 million.

Furthermore, through the INNOVFIN programme, innovative Small and Medium-sized Enterprises as well as Small Mid-Caps shall gain access to Euro 100 million, with favourable financing terms, guaranteed by the EIF. Until 31.12.2017, applications of Euro 38.80 million were approved, while total disbursements stood at Euro 29.04 million.

In January 2017, the promotion of the activities of the Hellenic Fund for Entrepreneurship and Development (ETEAN) was completed. Through the "Entrepreneurship Fund - Business Restarting" initiative, a total amount of Euro 137.88 million was disbursed to Small and Medium-sized Enterprises, subsidised by 50% and interest-free by ETEAN. Similarly, a total amount of Euro 41.94 million was disbursed through the "Entrepreneurship Fund - Guarantee Fund", guaranteed up to 80% by ETEAN for each financing.

For SMEs and for Freelancers whose business plans are included in the actions of the National Strategic Reference Framework (NSRF) 2014-2020 and in the Development Law 4399/2016, Alpha Bank provides long-term investment loans as well as short-term financing against subsidies, in order to help them complete their investment plans and add value to their enterprises.

Alpha Tourism Entrepreneurship

In 2017, the Bank continued to boost Small Businesses active in the tourism industry as well as those operating in tourist areas in mainland Greece and the islands, through the Programme "Alpha Tourism Entrepreneurship", for the second consecutive year. The Programme consists of a series of products, services and privileges, aiming to facilitate the companies' day-to-day business and satisfy their particularly increased needs during the tourist season, while rewarding their cooperation with the Bank.

Alpha Agricultural Entrepreneurship

For the third consecutive year, the "Flexible Contractual Entrepreneurship Programmes" are the most integrated banking programmes regarding funding both for individual farmers (farmers/stock farmers) and for processing/export/commercial enterprises associated with primary production. This type of financing constitutes a comprehensive proposal for the servicing of the agricultural-food sector and contributes to forging partnerships between farmers-producers and businesses-buyers associated with agricultural production.

Alpha Bank, in collaboration with the Ministry of Rural Development and Food, launched the "Agro-Carta", yet another financing tool which increased liquidity for a significant number of farmers during the first cultivation period of 2017, providing them with the ability to partially repay the basic state aid in order to meet their short-term working capital needs. In particular, farmers can use their card to purchase agricultural supplies, pay bills and insurance contributions, withdraw cash (up to a certain amount) etc.

In 2017, Alpha Bank, in collaboration with companies related to Wholesale Banking Business, who are leaders in the agricultural machinery industry, offered specialised financing solutions to acquire fixed assets, such as tractors, agricultural vehicles, collectors, agricultural accessories etc., in order to meet the farmers' investment needs.

These financing tools provide appropriate repayment terms, taking into account the actual needs of the farmers based on the capacity of their holdings as well as the seasonality of their cash flow during the cultivation period.

As part of "Alpha Agricultural Entrepreneurship", the Bank, in addition to providing liquidity, supports farmers by offering:

- A Privileged Deposit Account for the farmers who chose this particular account to credit state aid in 2017.
- The "My Alpha POS" programme to affiliated agribusiness trading companies as well as a financing option of working capital, depending on the amount of transactions that are carried out through a POS terminal, with the "My Alpha POS Credit Line" programme.

Finally, in 2017, educational day conferences were held for farmers, focusing on issues related to production growth and productivity boost, cooperation among the producers, adoption of new technological solutions, etc.

"Greek Entrepreneurship: Prospects, Challenges, Strategy" – Day Conferences

Supporting entrepreneurship and enhancing the competitiveness of Small Businesses continued to constitute Alpha Bank's strategic goal in 2017. Hence, the Bank organised a series of day conferences (at Piraeus, Paros, Santorini, Nafplio, Trikala) and meetings with Small Business Customers throughout Greece, in order to strengthen business relations.

During the aforementioned activities, where representatives of Small Businesses and Freelance Professionals took part, there was increased participation on behalf of Business Customers, who showed great interest. The agenda focused on the challenges and opportunities emerging in the Small Businesses market, with the presentation of best business practices which contribute to the improvement of competitiveness. In addition, Small Business organisational and operational issues, marketing practices, sales and customer service issues, financial management principles, etc. were discussed.

Other Activities/New Initiatives

Despite the imposition of capital controls, the Bank, in order to ensure the smooth operation of Small Businesses, continued to serve immediately and effectively all import settlement requests. Since the beginning of the year and until 31.12.2017, the Bank responded to 134,469 requests, amounting to Euro 1,106.58 million.

In addition, Small Business Banking made a powerful entry into the digital world. The transition to the new, digital era took place with the use of modern digital communication channels, allowing remote meetings and communication with Customers through the "Skype for Business" application and other applications providing information in real time.

Finally, Alpha Bank continued the promotion of the "Alpha in Business" line of products to all its Business Customers and responded effectively to new requests for financing short-term requirements in working capital and/or covering investment costs for business premises and equipment.

Deposit Products

In 2017, the return of deposits to the Greek banking system continued. The negative performance of the first four months of the year, during which the deposits of Individuals and Businesses declined by Euro 2.4 billion compared to December 2016, was followed by a steadily improving upward trend of the market's balances. As a result, by the end of the year a total of Euro 5 billion of deposit inflows had been recorded.

Regarding this increase in the deposits of the banking system, the strengthened confidence in the country's prospects, the improvement in the economic indicators and the indications of the expected completion, on time and without problems, of the third review of the Financial Assistance Facility Agreement for Greece, played a pivotal role.

The Bank's outstanding balances during 2017 followed an upward trend. In line with the corresponding market trend, from the second quarter and until the end of the year, the total deposits of Individuals and Businesses were on a steady upward trend, with the largest increase registered in the last quarter of 2017.

This significant increase in outstanding deposits is attributed to the following factors: the Bank's credibility due to its strong capital base, the strong relationship between Customers

and the people of the Bank's Network, the level of customer service provided by the latter and the launch of competitive products and services in the market.

The development of competitive products, such as the "Alpha Bonus Term Deposit" and the structured term deposits "Extra Profit", combined with the activation of all sales channels and the launch of corresponding promotional campaigns, substantially expanded the Bank's deposit base and outstanding balances. All of the above led to the increase of the Bank's share of the deposits market for 2017.

Finally, the declining trend recorded in deposit interest rates in the past few years continued in 2017, reducing country risk and supporting the convergence of the interest rates offered on term deposits with those of the Eurozone.

Bancassurance

Alpha Bank, in collaboration with AlphaLife Insurance Company S.A. and AXA Insurance Company S.A., offers comprehensive insurance plans in the pension/savings, health, property and business categories, designed to fully meet the insurance needs of its Customers.

In 2017, the Bank expanded its range of insurance products with the addition of two new insurance plans, aimed at increasing the pension/savings and property insurance options available.

- In collaboration with AlphaLife Insurance, "Alpha Exelixis" was launched. This innovative Unit Linked product is designed to support the accumulation of capital by means of regular savings and by investing in the international capital markets.
- In the property category and in collaboration with AXA Insurance, the "Alpha Safe Home" insurance plan was launched, providing comprehensive insurance coverage for the contents of the policyholder's main residence against multiple hazards such as fire, theft etc.

With regards to existing insurance plans, the Bank, in collaboration with AXA Insurance, upgraded the "Alpha Health Care for All Classic" plan, providing additional coverage capital and higher discounts to policyholders.

The Bank's Customers can now redeem their Bonus points when taking out or renewing insurance policies with AXA Insurance.

Individuals and Personal Banking Division

The Individuals and Personal Banking Division is responsible for the Alpha Bank Gold Personal Banking service, whose aim is to develop collaborations with wealthy Mass Segment Customers (Individuals), providing upgraded personal service, full coverage of the Customers' banking needs, exclusive privileges and an extended range of options in terms of asset management services.

The Division comprises two (2) Functional Areas:

I. The Business Planning Functional Area is responsible for the strategy regarding the management of and communication with wealthy Customers, it designs the sales approach and develops procedures and infrastructure to ensure the provision of efficient services.

II. The Sales Planning and Development Functional Area is responsible for achieving the Business Plan and provides support, guidance and coordination with regards to the tasks carried out at the Bank's 250 Branches providing Alpha Bank Gold Personal Banking Services.

In 2017, the Individuals and Personal Banking Division, working consistently on the implementation of the Bank's Business Plan, achieved its objectives, upgraded the services provided and improved its existing infrastructures.

Key Financial Results

- Increase of the funds under management.
- Total increase of deposits by Euro 230 million.
- Increase of total income by 11%.

Business Activity Support and Development

Aiming to achieve the goals set in the Business Plan and support the work of the Alpha Bank Gold Officers, along with actively participating in the customer service and business development process and providing relevant guidance, the following actions were carried out centrally:

- Planning and implementation of targeted marketing actions to approach Customers with specific characteristics.
- Participation in the design of the issuance of "Extra Profit" structured term deposit products, which contributed significantly to the attraction of deposits.
- Participation in the design of performance competitions for Alpha Bank Gold Executives.
- Simplification of the approval process for special pricing schemes.

Sales Management

As part of the efforts to improve sales management, administrative adjustments were made and upgraded Management Information System (MIS) reports as well as Key Performance Indicators (KPIs) were developed.

Training - Development of Executives

During the year, particular emphasis was placed on providing Alpha Bank Gold Executives with further training in asset management. Thus, collaborations were developed with the Investment Portfolio Analysis Division, the Group Company Alpha Asset Management A.E.D.A.K. and the Private Banking Division and the framework for continuous updates on the sector's developments was created.

In addition, the majority of the Division's Officers attended presentations by foreign investment firms.

Service Upgrade

In line with the Bank's commitment to the continuous upgrade of the services provided and taking advantage of the collaborations with many Bank Units and their know-how, the following projects were designed and carried out:

- Active promotion of alternative service methods, resulting in the increased use of Alpha Web Banking and Alpha Mobile Banking.
- Establishment of a new customer service telephone line for Alpha Bank Gold Personal Banking and Private Banking Customers, providing an improved range of banking services during extended working hours.
- Extension of the privileges of the Bonus Loyalty Programme, with the introduction of multiple innovative options to redeem Bonus points.

Risk Management

Acknowledging the significance of the sound management of operational risk and with a view to limiting or eliminating this type of risk, the Division's Executives, in collaboration with the Group's relevant Division, designed and implemented a project involving the development and monitoring of Key Performance Indicators (KPIs) for the business planning tasks as well as the tasks related to the design and development of the Division's sales.

In 2018, the Individuals and Personal Banking Division will focus on the following objectives:

- Further developing business activities by evolving the customer-centred model of operation.
- Boosting extroversion.
- Expanding collaborations with the Bank's Divisions in order to better meet the needs of Customers and take advantage of the potential to develop business activities.
- Introducing innovations in customer service methods.
- Further promoting Digital Banking.
- Developing Asset Management Advisory Services.
- Ensuring the full alignment with the requirements of the new European Regulatory Framework governing the operation of banks, as this applies after 3.1.2018, especially with regards to the need for increased customer protection when providing investment services (Directive 2014/65/EU MiFID II).

Large Corporations

2017 was yet another difficult year for banks as well as businesses. Nevertheless, this is the year that the first signs of improvement in the macroeconomic environment appeared.

The Bank, in 2017, continued to stand by its Customers by meeting their needs in a timely and effective manner, in line with the expected credit criteria. Furthermore, the Bank also continued its policy of restructuring its lending portfolio, where this was considered necessary, in order to assist its Customers in promptly servicing their debts. In order to provide the Bank's Customers with coverage of their specialised banking needs, the Corporate Banking Division continued, in 2017, to gradually transfer under its responsibility multinational Business Groups-Alpha Bank Customers, a process that had started in 2016. At the same time, as part of the Bank's strategy to further develop and provide specialised services in the tourism industry, the Hotel Groups that were previously part of the Division's portfolio were transferred to the newly-founded and specialised Hospitality and Island Enterprises Division.

At the end of 2017, the total balance of the Bank's loans to Large Corporations stood at approximately Euro 5 billion, while its share of the market remained at the previous year's levels, exhibiting the active support the Bank provides to its

Customers, the largest Greek enterprises in particular, and the Customer confidence regarding this support.

As a result, the Bank was able to meet the cost of money, to offset the increase in the provisions for bad debts and, ultimately, to maintain the satisfactory profitability and the quality of its lending portfolio. For the Bank, balancing the income fees deriving from ancillary business and the net interest income from asset-liability management is a permanent core strategic choice for its growth.

The Bank's main objectives are:

- to continue pursuing the effective management of its Customers, in terms of income/profitability as well as in terms of mitigating credit and operational risk;
- to selectively develop lending and other financial business with Customers with an acceptable credit risk rating profile, active especially in export-oriented sectors and showing clear prospects for growth; and
- to provide personalised services to multinational business Groups-Customers, a category presenting considerable business prospects.

In September 2017, the Bank founded the Hospitality and Island Enterprises Division, which assumed responsibility for the management of Medium-Sized Enterprises and Large Corporations active in the tourism industry, regardless of their geographical area of activity, as well as businesses based on the Greek islands, regardless of their business activity sector.

The Division's establishment reflects the Bank's acknowledgement of the need to provide specialised services to this particular customer base, as tourism is becoming increasingly important in the Greek Economy and, in particular, the local island economy.

On 31.12.2017, the total balance of loans under management by the Hospitality and Island Enterprises Division stood at Euro 1.1 billion, including letters of guarantee, letters of credit and lending to the Division's Customers by Group Companies in Greece and abroad.

Shipping Finance

The Bank has been successfully involved in shipping finance since 1997, providing specialised products and services (remittances, foreign exchange transactions, hedging solutions etc.) to Greek-owned ocean-going shipping companies (companies that mainly control ocean-going tankers and dry bulk carriers) and coastal shipping companies.

The Bank remains one of the main lenders in Greek shipping and, in that respect, provided new loans with conservative terms to existing and new Customers in 2017. With a shipping loan portfolio of approximately Euro 1.8 billion on 31.12.2017, exposure to ocean-going shipping companies accounted for 91% (43% dry bulk carriers, 38% tankers, 10% container carriers), while loans to coastal shipping companies accounted for 9%. Furthermore, 17% of shipping exposures were participations in syndicated loans and 83% in bilateral loans. Apart from the financing, the Bank maintained its position in the shipping sector regarding the provision of banking products (both traditional and/or specialised) to its Customers.

Despite the fluctuations in the freight markets and world economy, Greek shipowners continue to demonstrate their commitment and strong position in the shipping industry. Bank lending, although currently limited, remains the main means of raising funds. Therefore, the Bank will continue to aim for the best possible response to its Customers' needs.

Leasing

The Company continued to actively manage its leasing contracts portfolio in 2017 as well, focusing on finding solutions to immediately address the financial difficulties that Customers face through debt restructurings and settlements, while also obtaining additional collateral in order to protect the Shareholders' interests and the viability of its Customers' businesses. The Company received a favourable assessment with regard to the ISO 9001: 2008 standard in December 2017 following the relevant procedure carried out by Bureau Veritas Hellas SA. In addition, organisational, procedural and regulatory changes were introduced and promotional activities were carried out, despite the Company's intent to selectively acquire new business.

Maintaining a strong coverage ratio led to a further increase in provisions for the impairment of bad debts by Euro 11.4 million. Thus, total provisions were further strengthened, standing at the end of 2017 at Euro 161.6 million and accounting for 24% of the portfolio versus 22% in 2016. Maintaining adequate provisions for credit risk and ensuring solid capital adequacy remain the Company's primary objectives, in order to effectively cope with the crisis. Alpha Leasing's strong capital base places it first in the leasing sector.

The total interest income for the Group Company Alpha Leasing S.A. stood, in 2017, at Euro 17.8 million, down by 7.6% compared to 2016, mainly due to the successive reductions in the Euribor rate, the selective deleveraging of the balance sheet and the settlement of debts related to existing leasing contracts. Nevertheless, the production of new contracts stood at Euro 91 million, posting a significant growth of 48.4%. The portfolio of accounts receivable from leasing agreements prior to impairment remained stable, amounting to Euro 670.7 million versus Euro 669.8 million at the end of 2016.

Drawing on the experience gained over the previous years, while applying a prudent pricing policy, Alpha Leasing supports its Customers by providing credit facilities to sectors of the economy with significant growth prospects in the coming years and by developing solutions to help Customers who experience difficulties in servicing their debts.

Factoring

The Group Company ABC Factors has been a member of the Factors Chain International (FCI) since 1995 and of the International Trade Forfaiting Association (I.T.F.A) since 2006, regarding forfaiting services. In addition, in 2009 it became a founding member of the Hellenic Factors Association (HFA).

In 2017, ABC Factors had yet another profitable year, as earnings before tax stood at Euro 12.3 million, down by 13.6% compared to 2016.

In 2017, the Company continued the successful restructuring of its portfolio, with the average balance of discounts declining by 14.5% compared to 2016, due primarily to the repayment by I.S. SKLAVENITIS COMMERCIAL S.A. of the debts owed by MARINOPOULOS GENERAL TRADE S.A, which stood at Euro 459.6 million on 31.12.2017.

On 31.12.2017, non-performing receivables registered a decline by 79.2% compared to 2016 and stood at Euro 10.8 million.

In 2017, the Company's turnover (the value of accounts receivable subject to factoring) declined by 0.47% compared to 2016 and stood at Euro 4,100.2 million, despite its infiltration of individual market segments and the promotion of forfaiting and reverse factoring derivative products. This, however, did not affect the Company's leading position in the Greek factoring services market.

After applying the provisions of the "Impairment Policy for Receivables from Customers", on 31.12.2017 the percentage of receivables from Customers after impairment stood at 1.03% of total discounts.

In order to ensure the correct implementation of the new International Financial Reporting Standard (IFRS) 9 (Regulation (EU) 2016/2067 of 22 November 2016), the Company, in collaboration with the Bank as well as with a consulting company, has launched a relevant project from the first quarter of 2017.

The project's management is supported by working groups established to examine two main workstreams, namely the impairment workstream and the classification and measurement workstream.

Following the implementation of IFRS 9 as of 1.1.2018, it was established that its adoption does not bring about significant changes to the Policy currently in force and, consequently, to the Company's Financial Statements.

The Company has introduced a rigorous and prudent management framework for all types of risks, making use of best practices. In accordance with the common European legislation and the existing system of common banking rules, principles and standards, this framework evolves continuously over time, to ensure that it is applied consistently and effectively in the Company's day-to-day activities, thus guaranteeing the effectiveness of the corporate governance function. In 2017, the Company took all the necessary and appropriate measures once more, in order to better protect itself against all types of financial risks.

With the aim of implementing and continuously improving this framework, ABC Factors focused on minimising its exposure to the risk of price fluctuations (interest rate risk), credit and operational risk as well as liquidity and cash flow risk, all of which are monitored by the Units in charge.

The Company's capital adequacy is under the supervision of the Bank of Greece, to which relevant data are submitted in accordance with Bank of Greece Governor's Act 2651/20.1.2012, which replaced Bank of Greece Governor's Act 2640/18.1.2011.

Moreover, the minimum requirements regarding the Tier I ratio and the total capital adequacy ratio of the Company are determined by a Bank of Greece Governor's Act.

As far as the calculation of capital adequacy for factoring companies is concerned, the Bank of Greece Governor's Act

2622/21.12.2009 applies as of 1 January 2010.

The main developments that had a major impact on the Company's course during 2017 were the following:

1. The major reshuffles of business groups that took place in 2016 in the retail trade sector (MARINOPOULOS GENERAL TRADE S.A./I.S. SKLAVENITIS COMMERCIAL S.A.), as a result of which significant efforts were required on behalf of the market in 2017 in order to reach a balance in the new environment that emerged.
2. The expansion of the Company's customer base in terms of both geography and products, the preservation of the high quality of its portfolio and the promotion of forfaiting and reverse factoring derivative products.
3. The development of collaborations with the Bank and the consolidation of its collaboration with the Bank's Business Centres and the Corporate Banking Division.
4. The investigation of the market and the legal and regulatory framework, with the aim of directly developing international factoring services in foreign markets where subsidiaries of Greek businesses are present (Romania, Cyprus).
5. The introduction of quality improvements in the core IT application for factoring services, in order to improve productivity and reduce operational risk, while also improving the Company's regulatory and supervisory compliance.

For 2018, the Company has the following strategic goals:

- To maintain its position in the sector, in terms of both market share and high profitability, taking advantage of the stressed liquidity conditions but also of the opportunities arising in the sectors of the Greek Economy which constitute its support and growth pillars, in anticipation of the economy's recovery in the second half of 2018.
- To keep improving the services provided to its Customers and to support them in their business development plans.
- To place emphasis on further developing international factoring, either through direct involvement in foreign markets where subsidiaries of Greek businesses are present (Romania, Cyprus) or through bilateral factoring, working with members of the FCI chain.
- To promote forfaiting and reverse factoring derivative products, through the I.T.F.A. network as well as through the Bank's Network.

The sustained growth of ABC Factors is driven by the quality expertise of its skilled Personnel and the support of Alpha Bank, but mainly by the Company's commitment to creating value for its Customers, by providing them with services and products tailored to their needs.

Asset Management and Brokerage Services

Mutual Funds

In 2017, Alpha Mutual Funds' assets under management increased by 5% and stood at Euro 1,211 million on 31.12.2017, compared to Euro 1,156 million on 31.12.2016. The growth in assets is mainly due to the increase of securities' prices, which occurred in the Greek capital market, both in bonds and in equities. The Group Company Alpha Asset Management A.E.D.A.K.'s market share remained strong in 2017 and stood at 18.19% compared to 18.01% in 2016. With regards to institutional portfolios, the Company has managed to double the assets under management, which amounted to Euro 512 million on 31.12.2017, with the inclusion of new funds as part of its participation in tenders. The total assets of mutual funds and institutional portfolios managed by the Company stood at Euro 1,723 million on 31.12.2017.

The Company's total revenues from commissions and fees pertaining to the management of mutual funds and institutional portfolios amounted to Euro 19.4 million, presenting an increase of 18% mainly due to the increase of mutual funds' average assets, which was reinforced by the positive performance of capital markets in Greece and abroad.

In 2017, significant events took place, which led to the further strengthening of the Company's presence in Asset Management. Specifically, four new Alpha (LUX) Global Funds were set up in Luxembourg, taking advantage of Directive 2009/65/EC of the European Parliament and of the Council for the cross-border distribution of UCITS (European Passport). The new Alpha (LUX) Global Funds have been available for distribution from the second half of 2017 in the Alpha Bank Network in Greece and in London. The Alpha (LUX) Global Funds are Fund of Funds portfolios with an international investment orientation, aiming to mostly satisfy the increased demand of "Alpha Private Banking" and "Alpha Bank Gold Personal Banking" Customers to invest in Alpha Mutual Funds, with a foreign financial institution of high credit rating acting as the custodian. Furthermore, fully adapting to customer needs and to the options provided by the institutional framework, Alpha Mutual Funds registered in Greece are now available in different share classes, following the relevant approval of the Hellenic Capital Market Commission. Finally, the Company has expanded its cooperation with institutional investors, such as "Occupational Funds" and insurance companies, by signing portfolio management contracts and raising assets under management.

Alpha Asset Management A.E.D.A.K. manages and provides 48 Mutual Funds, which are addressed to different categories of investors, while investing in Greece and abroad. They span a wide range of investment options in terms of basic investment categories (equities, bonds, money market), geographical and sectorial diversification as well as alternative investments such as commodities.

Alpha Mutual Funds recorded remarkable returns and secured leading positions in their respective categories once again in 2017. In the category of Mutual Funds that invest in Greek capital markets, "Alpha Greek Bond Fund Classic" (+39.56%) and "Alpha Greek Balanced Fund Classic" (+32.71%) were the top performers of the year among Alpha Mutual Funds and remained in the top position of mutual funds in their categories for the last three and five-year periods in the Greek market. Outstanding returns were also recorded by the Greek equity mutual funds "Alpha Blue Chips Greek Equity Fund Classic" (+29.47%) and "Alpha Aggressive Strategy Greek Equity Fund Classic" (+26.05%), achieving an outperformance for yet another year versus their benchmark (the Athex Composite Share Price Index).

Among equity mutual funds with an international orientation, "Alpha Cosmos Stars Silk Route Asia Equity Fund of Funds Classic" (+19.32%) and "Alpha Cosmos BRIC Equity Fund of Funds Stars Classic" (+15.55%) ranked first and second among all Equity Fund of Funds in the Greek market and also remain the top performers over a three-year period. An equally significant performance was achieved by "Alpha Cosmos Europe Equity Fund of Funds Classic" (+8.92%).

The consistently high returns of Alpha Mutual Funds place them at the top of each category, confirming investors' trust. It should also be noted that, for the past seven years, the Alpha Mutual Funds have been assessed by the international rating house Morningstar and have consistently received excellent ratings concerning their risk/return ratios. All relevant information is available at the Alpha Asset Management A.E.D.A.K. website (www.alphamutual.gr).

2018 will also be a particularly crucial year for our country, during which the domestic mutual fund market will be

Alpha Mutual Funds Returns	2017	3-year period	5-year period
GREEK INVESTMENTS			
Alpha Greek Bond Fund Classic	39.56%	91.26%	167.34%
Alpha Greek Balanced Fund Classic	32.71%	54.40%	98.27%
Alpha Blue Chips Greek Equity Fund Classic	29.47%	13.70%	21.57%
Alpha Aggressive Strategy Greek Equity Fund Classic	26.05%	16.45%	27.86%
INTERNATIONAL INVESTMENTS			
Alpha Cosmos Stars Silk Route Asia Equity Fund of Funds Classic	19.32%	27.96%	54.32%
Alpha Cosmos BRIC Equity Fund of Funds Stars Classic	15.55%	27.96%	28.64%
Alpha Cosmos Europe Equity Fund of Funds Classic	8.92%	17.90%	46.37%

Source: Hellenic Fund and Asset Management Association

significantly influenced by developments in the Greek Economy. Moreover, the desired lifting of the capital controls will restore the difficulties in portfolio management and will activate the Mutual Funds sales network.

The primary objectives of the Company are the following:

(a) The promotion of the new Alpha (LUX) Mutual Funds and the further increase of the assets under management via a positive balance between subscriptions and redemptions of the Bank's sales network.

(b) Increased activity in the field of institutional investors' funds management and in the enrichment of the services provided. It is expected that over a five-year period, there will be an increase in demand for professional fund management by insurance institutions, companies and occupational groups who will be called to generate retirement income, relying on a "Defined Contribution" pension scheme.

(c) The creation of a new website with improved information and interactive operations that will also allow Customers of Alpha Mutual Funds to perform online transactions (subscriptions and redemptions).

Private Banking

The Bank has been providing comprehensive portfolio management and banking services to high net worth Customers (Private Banking) since 1993. These services are provided through Alpha Private Bank Centres in Athens, Thessaloniki, Patra, Iraklion and London, which are staffed by specialised and certified investment advisors. Private Banking Customers have at their disposal a flexible series of services offered under the trade name "Alpha Private Bank". In particular, the following types of service are available, which can also be combined to ensure the broadest possible coverage of investment needs:

- Discretionary Portfolio Management, where the Bank assumes the management of the Customers' funds.
- Portfolio Advisory Service, where the Bank provides active management advice regarding the entire portfolio to Customers who make the final investment decisions themselves.
- Transactional Advisory Service, where the Bank provides active management advice regarding the transactions of Customers who make the final investment decisions themselves.
- Execution only, where the Bank executes the orders given by Customers who wish to monitor and manage their portfolios themselves.

In line with the Bank's corporate culture and in full compliance with the Markets in Financial Instruments Directive (MiFID), the services are provided after considering the amount to be invested, with a minimum portfolio size of Euro 300,000, as well as the Customer's investment goals (capital protection, maximisation of capital gain, normal volatility), time frame, investment experience and known or estimated cash flows, together with the applicable tax framework at the Customer's country of residence.

In 2017, the Private Banking Division focused its efforts on the following five priorities:

1. Improvement of Investment Services

a) The role of the Portfolio Advisor, who presents personalised asset management solutions jointly with the Private Banker, also taking into account the Bank's analyses of the money and capital markets, was consolidated. It is worth mentioning that, in 2017 as well, the "GEM" Discretionary Portfolios (Conservative, Balanced, Dynamic) continued to achieve very satisfactory results for the sixth consecutive year. In particular, the returns of the Conservative Portfolio reached 1.8%, while those of the Balanced Portfolio reached 3% and those of the Dynamic Portfolio 4.3%.

b) The Customers' contact and communication with the Group were upgraded, by providing regular analyses and updates and organising their participation in investment or cultural events.

c) The Alpha Private Bank Customer Phone Service was established. This provides swift and secure specialised banking services to Private Banking Customers during extended working hours, without the need for them to visit an Alpha Bank Branch.

2. Funds under Management

a) Total funds under management posted a slight increase of 2%, despite the continuing difficulties caused by the capital controls.

b) The funds under management of Customers who receive Advisory Services (Discretionary, Portfolio Advisory, Transactional Advisory) grew by 31% and currently account for 76% of the total funds under management.

c) The funds invested with Alpha Bank London Ltd increased by approximately 14%, as a result of the improvements in infrastructure and in the framework for cooperation with Customers.

3. Increase of Deposits

The deposits kept under the control of the Private Banking Division grew by Euro 250 million.

4. Income from fees and commissions

a) The income of the Private Banking Division rose by 32%.

b) The income of the Private Banking Division in the Group Company Alpha Bank London Ltd rose by 55%.

c) The Return on Assets under Management improved from 0.57% to 0.78%.

5. Reduction of operating costs

a) Operational risk and operating costs were reduced, while at the same time quality was assured with the establishment, within the Private Banking Division, of the Alpha Private Bank Centres Compliance Support Unit, which successfully assumed the centralised management of the supporting and auditing tasks of the Alpha Private Bank Centres.

b) Two Alpha Private Bank Centres in the northern suburbs of Athens were merged, without a loss of Customers.

The Private Banking Division maintained its top-tier position in the domestic Advisory Services and Portfolio Management market, continuing to operate in accordance with the customer-oriented approach and remaining strongly focused on innovation. In line with all of the above, the Division's objectives for 2018 are the following:

- To fully develop the customer-oriented model of operation, so that Private Banking Customers can enjoy quality services provided by the Bank.
- To attract Customers with funds abroad, using the infrastructure of the UK-based Group Company Alpha Bank London Ltd.
- To expand collaborations with the Branch Network regarding the recommendation of the Private Banking service to eligible Customers who currently do not benefit from it.
- To use new technologies for Portfolio Management and to be able to provide the relevant services by using mobile devices, in line with the efforts to facilitate direct and personalised communication with Customers.
- To expand investment events.
- To introduce new services, in order to improve customer experience for high net worth Customers.
- To ensure the optimal adaptation of the services provided and the relevant procedures, in full compliance with the more rigorous provisions of the new MiFID II.

Brokerage Services

In 2017, the Athens General Index rose year-on-year by 24.7%, outperforming the main European exchanges. Fiscal discipline, reduced political risk, regain of market access for Greek Government Bonds and the continuous increase of corporate profitability were the main reasons behind the 2017 performance. However, the average daily turnover slightly declined year-on-year by 3.6% and stood at Euro 58.2 million, compared to Euro 60.4 million in 2016.

The Bank is active in the brokerage sector via the Group Company Alpha Finance Investment Services S.A., which in 2017 ranked seventh in the list of the ATHEX Brokerage Members (5% market share), while its turnover remained flat and stood at Euro 6 million.

The Company provides retail and institutional investors with a comprehensive range of investment services, which include:

- Trading in the joint Athens and Cyprus Stock Exchange equities and Exchange Traded Funds (ETFs) platform and access to the Athens Exchange Derivatives Market.
- Trading in the international equities and derivatives markets via agents as well as via the "Alpha Global Trading" web-based service.
- Market Making: Alpha Finance acts as a Market Maker in the stock and derivatives market of the Athens Exchange.
- ALPHATRADE: Provision of a complete range of online services accessible via the Customer Service, the mobile applications for iPhone, iPad, iPod and Android-based devices, the automated Interactive Voice Response system as well as via the Company's website at www.alphafinance.gr.
- Financial Analyses: Timely provision of accurate information

in the form of well-documented corporate, sector-specific and macroeconomic analyses.

- Transaction Clearing and Custody Services: Integrated transaction clearing and custody services for the domestic and the international equities and derivatives markets.

For 2018, the organic and profitable growth of its business is a key strategic priority for Alpha Finance. The Company also focuses on maintaining its good standing and the reputation it enjoys in the market.

Investment Banking and Treasury

Corporate Finance

In 2017, the Bank continued to provide financial advisory services regarding complex and high-profile privatisation projects. In May 2017, following the tender procedure re-launched by the Hellenic Republic Asset Development Fund (TAIPED), the Bank was appointed Financial Advisor regarding the sale of a 66% stake in the Hellenic Gas Transmission Operator (DESFA). Additionally, it should be noted that the project to develop State-owned properties is still in progress, and the same applies to the project for the commercial exploitation, through a concession agreement, of the "Egnatia Odos" motorway, for which the Bank has been appointed exclusive Financial Advisor. In 2017, the tender procedure for the privatisation of 14 Greek regional airports was also successfully completed, whose operation and management were awarded to the FRAPORT AG - SLENTEL Ltd consortium, which had submitted a bid of Euro 1.234 billion and where the Bank had acted as Financial Advisor.

Furthermore, the Bank successfully concluded a number of major projects in the capital markets as well as other projects involving mergers and acquisitions for large Customers. In the capital markets sector, the Bank acted as financial advisor in the share capital increases of P.G. NIKAS S.A., FRIGOGLASS, INTRAKAT and KEKROPS S.A. It also provided advisory services to ASTIR PALACE VOULIAGMENI S.A. and P.G. NIKAS S.A., as part of the mandatory public takeover bid submitted by Apollo Investment Holdco SARL and Givenrise Investments Limited, respectively. Finally, it should be noted that the Bank was actively involved in the corporate bond issues of SUNLIGHT S.A., TERNA ENERGY FINANCE S.A. and MYTILINEOS S.A., acting as Joint Coordinator or Lead Underwriter. This is a market that was particularly active in 2017. As a result, it generated strong interest from investors, something that is expected to continue in 2018.

In 2017, the Corporate Finance Division continued to successfully develop its business as the Bank's main provider of investment banking services. It intends to further strengthen its position in the market in 2018, taking advantage of the opportunities emerging in its fields of activity, both in the privatisations and the mergers and acquisitions (M&As) sector as well as in the capital markets sector, through the issuance of bond loans and, possibly, also through the admission of shares for the first time in the Athens Exchange.

Treasury

2017 was a year of low volatility and improved financial conditions in the international markets. In Greece, the completion of the second review of the Financial Assistance Facility Agreement, resulted in positive business activity restoring markets' confidence in the country. The easing of capital controls, the acceleration in the implementation of a package of measures for the restructuring of the Greek sovereign debt, the increase in banking sector deposits and the return of the banks to the capital markets led to the overall enhancement of the banking system's liquidity.

In particular, the Bank expanded its sources of financing through repurchase agreements (repos) in the interbank market, proceeded with the securitisation of assets and achieved profitable sale of debt securities held in its portfolios. These initiatives contributed to the repayment of the guarantees of the Hellenic Republic and helped the Bank reduce its reliance on the Emergency Liquidity Assistance (ELA) facility of the Bank of Greece, to an extent higher than that of its peers, namely by Euro 6.2 billion, in 2017. The Bank remains committed to fully eliminating the reliance on the ELA mechanism the soonest possible reinforcing its capacity to achieve this particular objective. Furthermore, financing costs through new and diversified sources shrank, resulting in a significant improvement in the net interest income on its Balance Sheet. Meanwhile, the Bank updated its Euro Medium Term Note (EMTN) Programme and initiated preparations to return to the capital markets in 2018, in accordance with its funding plan and provided that the investment climate for the country continues to improve.

Building on its long-standing and strong ties with the domestic and international banking community as well as with supranational organisations, the Bank sought to further strengthen business relationships. This was achieved through constant negotiations to increase credit lines and improve pricing terms as well as through steady and continuous communication with correspondent banks, placing emphasis on the swift and efficient coverage of the increased volume of transactions in trade finance operations.

In the domestic capital market, the Bank maintained its leading position, providing price quotes and demonstrating a strong interest in transactions, thus contributing to the increased depth and liquidity of the Greek bond market. It also participated successfully in the completion of the Exchange Programme for the Notes issued by the European Financial Stability Facility, as part of the short-term measures to strengthen the sustainability of Greek debt. The improved liquidity conditions led to a strong tightening of the yields of Greek securities (government and corporate ones). In July 2017 the Hellenic Republic issued a 5 year bond, the first transaction since 2014, through an exchange offer for an outstanding security maturing in 2019. Moreover, in December 2017 the liability management initiative of the Hellenic Republic was successfully concluded, exchanging the PSI Bonds with new benchmark, liquid and highly marketable securities resulting in the significant strengthening of Greece's presence in the capital markets. The Bank received a sizeable number of customer orders and held a substantial position of the relevant series in its portfolio, thus ultimately acquiring the top position in terms of participation among all Greek banks in these two transactions. As a consequence, the profile and liquidity of its current portfolio of Greek Government Bonds has been considerably improved, while the results deriving from financial operations have been boosted.

Equally substantial financial profit was achieved, for yet another year, in the interest rates and currency markets, primarily through transactions on financial derivatives carried out within predetermined market risk levels and within the limits established by the Bank.

In the financial products sector, the Bank marked a significant increase in sales volumes and solidified its collaboration with its corporate Customers.

Treasury operations maintained their momentum in promoting specialised risk management solutions for businesses. The increase in volumes was the result of intensified relationship-building activity and targeted business development as well as cross-selling initiatives for all products available to Customers.

Having secured a leading position in treasury product sales, the Bank achieved an increase of its volume of complex derivative transactions, further improving its product mix. At the same time, it confirmed its strong presence in the sector of arranging corporate debt capital markets, by participating in the launch of more than Euro 1 billion of foreign corporate bonds and more than Euro 400 million of domestic corporate bonds.

The Wholesale deposit team focused on maintaining the high market share in business deposits as well as containing their financing costs. Constant monitoring of volumes and intensive communication with the Business Units and Customers, along with the Group's robust financial standing, contributed to an increase of the market share held, amid an increasingly competitive and volatile environment.

Transaction banking activities continued to reinforce the penetration of electronic services and automated transactions, thus significantly increasing the Bank's relevant volumes. Payment services to organisations posted a particularly significant increase compared to previous years, in terms of both volume and number of transactions. The implementation of the new legal and regulatory framework on the calculation of the tax deduction for natural persons (individuals) was pivotal in this development.

Concerning international trade business, the primary objective for 2017 was to constantly improve the products and services provided to businesses. Particular emphasis was placed on the development of innovative electronic solutions that strengthen the Bank's image, as an organisation offering a comprehensive approach to the Customer's needs. The upgrade and pilot operation of the "Alpha Web International Trade" (AWIT) is part of the efforts made in this direction. Further, improvements were made to internal procedures for handling imports, with the aim of winning business over from the competition. At the same time, through its efficient collaboration with supranational organisations, the Bank secured access for its corporate Customers to Letters of Guarantee and Letters of Credit, achieving full usage of the available credit limits and the increase of related business. It is worth mentioning that the

Bank was named "Most Active Issuing Bank in 2017 in Greece" by the European Bank for Reconstruction and Development (EBRD), in recognition of its timely and successful use of the relevant programme for the benefit of Greek businesses.

Overall, in 2017 the Bank laid the foundations, in terms of both operations and systems, to be able to take advantage of the country's anticipated return to the international markets in 2018, as the growth of the Greek Economy is expected to further pick up, opening up new opportunities and challenges in the financial sector.

Structured Finance

Alpha Bank is a leader in the Greek structured finance market, offering structured finance on a bilateral or syndicated basis as well as related advisory services in the Project Finance area, regarding the implementation of large-scale, standalone projects in the infrastructure sector (roads, airports etc.) and in power generation (renewable energy sources, thermal power stations, cogeneration units). It is also active in Real Estate Finance, regarding projects for the development of income properties, such as commercial centres, hotels, office premises, warehouses, sports venues and other special-purpose facilities.

In 2017, the Structured Finance Division arranged, jointly with the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), the International Finance Corporation (IFC) and the Black Sea Trade and Development Bank (BSTDB), the Euro 969 million financing, on a syndicated basis, of the concession of the country's 14 regional airports to Fraport Greece. This transaction is the largest privatisation project as well as the largest Project Finance arrangement in the domestic market in recent years. Alpha Bank was the only commercial bank to participate as mandated lead arranger.

Moreover, in 2017 the Structured Finance Division was actively involved in arranging new structured financing on a syndicated or bilateral basis in the sector of renewable energy sources, with a focus on wind farms, thus affirming the Bank's dominant position in this sector. Alpha Bank undertook the arrangement of the syndicated financing, in the amount of Euro 250 million, of the largest renewable energy sources project in Greece, namely the 154 MW wind farm "Kafireas", developed by Enel Green Power.

The Division also arranged the financing of the Public-Private Partnership (PPP) project for the management of waste in the Region of Epirus, budgeted at Euro 40 million and developed by TERNA ENERGY.

In the field of advisory services, the Division acts as advisor to the Hellenic Republic Asset Development Fund (TAIPED) for the privatisation of the "Egnatia Odos" motorway through a concession agreement.

In the real estate sector, the Structured Finance Division successfully completed a number of selective transactions, mainly with Real Estate Investment Companies (REICs).

The Division's loan book remained stable at approximately Euro 1 billion, due to parallel scheduled repayments in its loan portfolio. On the basis of existing mandates regarding the arrangement of financing for various projects, the volume and the performance of the loan portfolio are expected to increase in the following years, with business growth driven primarily by projects in the renewable energy sector, PPPs and the development of income properties.

Venture Capital, Equity Financing

In 2017, Alpha Ventures and Alpha Ventures Capital Management reported the following results:

- Alpha Ventures posted losses before tax of Euro 336,251, due to the reduction in interest income from deposits caused by the decline in interest rates and to the non-liquidation of an investment. However, the profits achieved in previous years allowed the payment to the Bank of a dividend of Euro 3.9 million.
- In its tenth financial year, Alpha Ventures Capital Management posted losses for the first time, which stood at Euro 18,676 and were due to the establishment of provisions for bad debts in the amount of Euro 64,431. The company's key source of income is the management of the Alpha TANEO Fund.

For the Greek Venture Capital market, 2017 was a year defined by low investment activity, primarily due to investor reluctance because of the adverse macroeconomic environment. Nevertheless, Alpha Ventures placed a total of Euro 1.3 million in two selected investments in the highly promising sector of energy and overall natural resources saving. One of these investments concerns a high-tech company based in Northern Europe, in which Alpha Ventures participates together with other international investors. Moreover, Euro 320,000 were invested in existing participations in the Alpha Ventures and the Alpha TANEO Fund portfolios, under a new funding scheme in which other investors also participate.

In 2017, in line with the Group's overall business planning, the strategy of Alpha Ventures was redefined according to the following priorities:

- To gather under Alpha Ventures the Group's participations in Private Equity Funds managed by third parties, in order to meet a number of technical criteria and to ensure a more efficient management. This involves participations with a total value of Euro 27 million in seven investment funds, which invest primarily in real estate in Greece and in the countries of Southeastern Europe.
- To focus the Company's investment activity over the medium term on sectors associated with the Group's new plan for business growth, namely digital technology, youth entrepreneurship and the management of Non-Performing Loans.

Overall, the recent initiative of the European Investment Fund (EIF), taken in collaboration with the Greek government, to create the Equifund Venture Capital platform, is expected to boost the economy, by investing primarily, although not exclusively, in technology and innovation businesses. Equifund will initially allocate more than Euro 260 million towards the creation of investment funds with Greek managers, in which private funds will also participate. The goal is to channel more than Euro 1 billion to the Greek Economy over the next decade.

Southeastern Europe

In 2017, all Southeastern European countries in which the Alpha Bank Group has a presence experienced an accelerated economic growth rate. Cyprus continued to register a GDP growth rate acceleration, which stood at the highest level of recent years, driven mainly by strong private consumption. Private consumption was supported by rising household disposable income and robust employment. Romania registered one of the highest economic growth rates among the European Union countries, as private consumption was boosted by indirect tax cuts and wage increases both in the private and the public sectors. Albania's economy registered an acceleration in the GDP growth rate as well. The average growth rate of the Southeastern European countries is estimated to stand at 3.8% in 2018 from 5.0% in 2017 and 3.9% in 2016.

The Alpha Bank Group has a presence in three countries of Southeastern Europe (Cyprus, Romania, Albania) through its Group Companies. On 31.12.2017, the Group had a Network of 186 Branches in these countries and its Personnel amounted to 2,990 Employees.

In 2017, the Group's gross loans in Southeastern Europe stood at Euro 7,822 million, thus constituting 13.8% of total Group loans. Deposits stood at Euro 4,712 million and accounted for 13.5% of total Group deposits.

Cyprus

Alpha Bank has been active in Cyprus since 1998, with the acquisition of Lombard Natwest Bank Ltd, a subsidiary of the NatWest Group in Cyprus. Following gradual acquisitions of shares, Alpha Bank gained full control of the acquired bank, which was later renamed Alpha Bank Cyprus Ltd. In 2017, the Bank's Network comprised 22 Branches and its Personnel amounted to 671 Employees.

In 2017, Alpha Bank Cyprus Ltd continued its efforts to reduce Non-Performing Loans by offering loan restructuring products and, in this context, it provided debt-to-asset swap solutions. In addition, the Bank developed two new bancassurance products, "Alpha Family Care" and "Alpha Life Choices", which will be launched in early 2018. Moreover, the Bank re-launched "Alpha Student Loan'', "Alpha Personal Loan'' and "Alpha Residence Loan'' at a competitive pricing. At the same time, emphasis was given to the re-launch of the upgraded "Alpha Car Loan", through agreements with car companies/merchants. In 2017, the "Alpha Bank Gold Personal Banking'' service, which offers high quality personal service to affluent Customers by providing the option of collaborating with Personal Advisors, was available throughout the Bank's Branch Network in specially-designed areas. Gold Relationship Managers were trained and certified to sell investment and bancassurance products. In the card sector, the Bank proceeded with the transition of the debit cards portfolio

from Visa to MasterCard, following an agreement with the organisation. Moreover, the "CashBack'' loyalty programme was launched, a cash return programme that applies to transactions with main categories of merchants. At the same time, card products were upgraded through the introduction of contactless technology and the new "Alpha Alerts'' service. At the end of the year, gross loans stood at Euro 4,943 million.

In 2017, the Bank, having expanded its deposit base and following the market trend, reduced the deposit interest rates and suspended the products "Alpha Flexibility 18 months" and "Alpha Progress 3+". At the end of the year, deposits stood at Euro 2,241 million.

Alpha Bank Cyprus Ltd presented high capital adequacy in 2017, as the Common Equity Tier 1 ratio stood at 13.8%, the Tier 1 Capital Ratio stood at 17.3% and the Total Equity Capital Ratio stood at 18.1% in accordance with the transitional provisions.

Romania

Alpha Bank has been present in Romania since 1994 and was the first foreign bank to operate in the country. In 2017, the Bank's Network comprised 130 Branches and its Personnel amounted to 1,897 Employees.

During the year, Alpha Bank Romania focused on the improvement of its loan portfolio quality by restructuring loans as well as by writing off and selling Non-Performing Loans. In addition, the Bank promoted the "Alpha Bank Gold Personal Banking" service by creating specially-designed areas in 20 Branches to service affluent Customers. Moreover, debit and credit cards were upgraded with contactless technology, while a new sales channel, the "Call Center Outbound", was created, implementing the telemarketing function. At the end of 2017, gross loans stood at Euro 2,551 million. During the year, the Bank enhanced its deposit base through a collaboration with the financial technology company Deposit Solutions, attracting deposits from the German market. At the end of the year, deposits stood at Euro 2,003 million.

In 2017, Alpha Bank Romania presented adequate capitalisation, as the Solvency Ratio stood at 22.9%.

Alpha Bank Romania presented a rise in its profits in 2017 compared to 2016. This occurred despite the increased expenses for investments in technology, human resources and marketing, as the Bank registered higher interest income driven by the upward trend of the Romanian Interbank Offer Rate (ROBOR) and as a result of lower interest expense, as the Bank did not proceed with an increase in deposit rates.

In the leasing sector, the Alpha Bank Group has been active since 1998, through Alpha Leasing Romania IFN S.A., which provides Customers with credit facilities. 2018 marks the 20th year of the Company's operation.

In the brokerage sector, the Alpha Bank Group has been active since 1994 through Alpha Finance Romania S.A., which provides Customers with stock trading services in the Bucharest Stock Exchange and foreign markets, financial advisor services, services of participation in Initial Public Offerings (IPOs), etc.

Albania

Alpha Bank's presence in Albania dates back to January 1998, while it has been active in the country through the Group Company Alpha Bank Albania SHA since 2012. In 2017, the Bank's Network comprised 34 Branches and its Personnel amounted to 422 Employees.

In 2017, Alpha Bank Albania SHA, despite operating in an intensely competitive environment, managed to improve the quality of its loan portfolio by increasing loan collection, restructuring loans and writing off a significant amount of Non-Performing Loans, while it also managed to reduce the cost of deposits. Moreover, marketing campaigns were conducted in order to promote loan and deposit products.

At the end of 2017, the Bank's gross loans stood at Euro 327 million. In 2017, Alpha Bank Albania SHA had a strong presence in the card industry, as it issued 9,933 credit cards and 73,415 debit cards. Moreover, the Bank launched a pilot phase of the new "Alpha Chat Bot" service in November 2017, in order to sell Bank products through social networks and to increase Customer satisfaction through online support on a 24-hour basis, seven days a week. At the same time, deposits stood at Euro 468 million at the end of 2017.

Alpha Bank Albania SHA registered high capital adequacy and liquidity in 2017, as the Capital Adequacy Ratio stood at 19.3% and the Liquidity Ratio at 48.9%.

Other Activities

Real Estate Management

The main activities of the Group Company Alpha Astika Akinita S.A. involve the management and development of real estate assets either self-owned or owned by third parties, providing advice on related matters, performing real estate and brokerage operations, carrying out property valuations on behalf of third parties and the participation in undertakings with the same or similar purposes.

Alpha Astika Akinita S.A., in its capacity as real estate consultant, has expanded its activities, assuming the management of all of the Group's real estate assets in Greece and the coordination of the activities for properties located abroad. It has also created databases for all the properties used, leased out or rented by the Group in Southeastern Europe.

Hence, Alpha Astika Akinita S.A. wholly owned, in 2017 as well, the Group Companies Alpha Real Estate Bulgaria E.O.O.D., Chardash Trading E.O.O.D., Alpha Real Estate Services S.R.L. and Alpha Real Estate Services L.L.C.

The Group Company Alpha Real Estate D.O.O. Beograd was sold in 2017.

In 2017, total assets stood at Euro 131 million versus Euro 136 million in 2016. Available funds stood at Euro 68.9 million in 2017, compared to Euro 57.7 million in the previous year. In 2017, the Company posted losses before tax of Euro 4.3 million, against profit before tax of Euro 4.0 million in 2016. This result was due to the impairment in the value of the Company's participation in a subsidiary company. Operating income for 2017 totalled Euro 10.8 million versus Euro 10.2 million in 2016. Operating expenses for 2017 stood at Euro 7.2 million, compared to Euro 6.4 million for the previous year.

After several years of impressive growth, Alpha Astika Akinita S.A. today boasts a quality portfolio of real estate assets, substantial available funds and a Personnel team composed of real estate specialists. These features, combined with the Company's zero borrowing, are the key prerequisites that will enable it to cope with the particularly difficult economic conditions.

In 2018, the Company will continue to:

- Manage acquisitions and sales, leases and rentals as well as the tax and insurance matters related to the properties.
- Organise and check property appraisals and certifications.
- Act as project manager for large-scale real estate projects.
- Provide advisory services on the aforementioned.

Operating Segment and Geographical Sector Analysis

3. Operating Segment and Geographical Sector Analysis

a. Analysis by Operating Segment

(Amounts in Euro million) **1.1.2017 - 31.12.2017**

	Retail	Corporate Banking	Asset Management/ Insurance	Investment Banking/ Treasury	South-eastern Europe	Other	Group
Net interest income	953.2	633.8	12.2	107.5	232.5	3.4	1,942.6
Net fee and commission income	108.2	125.9	44.5	19.0	25.7	0.2	323.5
Other income	8.4	(22.3)	2.3	139.0	19.7	50.4	197.5
Total income	**1,069.8**	**737.4**	**59.0**	**265.5**	**277.9**	**54.0**	**2,463.6**
Total expenses*	**(670.0)**	**(174.5)**	**(31.1)**	**(29.9)**	**(187.9)**	**(106.9)**	**(1,200.3)**
Impairment losses	(886.5)	62.2			(181.1)		(1,005.4)
Cost/Provision for Voluntary Separation Scheme						(92.7)	(92.7)
Profit/(losses) before income tax	**(486.7)**	**625.1**	**27.9**	**235.6**	**(91.1)**	**(145.6)**	**165.2**
Income tax							(75.6)
Profit/(losses) after income tax from continuing operations							**89.6**
Profit/(losses) from discontinued operations						(68.5)	(68.5)
Profit/(losses) after income tax							**21.1**
Assets 31.12.2017	23,932.0	15,351.3	410.7	7,892.1	8,051.7	5,175.2	60,813.0
Liabilities 31.12.2017	23,423.3	5,825.8	1,968.0	13,906.4	5,849.8	213.0	51,186.3
Capital expenditure	58.0	36.3	5.3	17.4	11.8	16.8	145.6
Depreciation and Amortisation	(54.5)	(22.5)	(2.3)	(2.4)	(9.4)	(8.6)	(99.7)

* Excluding the cost/provision for the Voluntary Separation Scheme.

(Amounts in Euro million) **1.1.2016 - 31.12.2016**

	Retail	Corporate Banking	Asset Management/ Insurance	Investment Banking/ Treasury	South-eastern Europe	Other	Group
Net interest income	1,001.7	684.8	14.7	(38.3)	257.8	3.4	1,924.1
Net fee and commission income	111.3	136.3	35.6	8.3	25.0	1.4	317.9
Other income	6.9	12.6	(1.5)	66.5	39.1	18.2	141.8
Total income	**1,119.9**	**833.7**	**48.8**	**36.5**	**321.9**	**23.0**	**2,383.8**
Total expenses*	**(664.3)**	**(153.5)**	**(26.7)**	**(29.7)**	**(182.2)**	**(137.4)**	**(1,193.8)**
Impairment losses	(352.2)	(536.4)			(273.8)	(5.6)	(1,168.0)
Cost/Provision for Voluntary Separation Scheme					(31.7)		(31.7)
Profit/(losses) before income tax	**103.4**	**143.8**	**22.1**	**6.8**	**(165.8)**	**(120.0)**	**(9.7)**
Income tax							29.2
Profit/(losses) after income tax from continuing operations							**19.5**
Profit/(losses) from discontinued operations					22.8		22.8
Profit/(losses) after income tax							**42.3**
Assets 31.12.2016	24,887.3	15,379.1	380.7	10,436.6	8,813.3	4,975.3	64,872.3
Liabilities 31.12.2016	22,459.0	5,809.3	1,658.7	19,634.3	6,125.6	72.0	55,758.9
Capital expenditure	74.0	73.9	1.9	1.3	25.0	9.9	186.0
Depreciation and Amortisation	(53.4)	(20.2)	(1.6)	(2.1)	(10.3)	(9.8)	(97.4)

* Excluding the cost/provision for the Voluntary Separation Scheme.

	31.12.2017			31.12.2016		
	Total Gross Amount	Allowance for Impairment Losses	Total Net Amount	Total Gross Amount	Allowance for Impairment Losses	Total Net Amount
Mortgages	7,753,680	2,518,418	5,235,262	7,655,203	2,032,511	5,622,691
Consumer Credit Division	3,634,517	1,678,567	1,955,950	4,336,599	2,394,214	1,942,385
Corporate Loans	12,511,587	5,907,700	6,603,887	14,030,221	7,785,885	6,244,336
Total	**23,899,784**	**10,104,685**	**13,795,098**	**26,022,023**	**12,212,610**	**13,809,413**

b. Analysis by Geographical Sector

(Amounts in Euro million) **1.1.2017 - 31.12.2017**

	Greece	Other countries	Total
Net interest income	1,694.4	248.8	1,942.6
Net fee and commission income	291.9	31.6	323.5
Other income	175.5	22.0	197.5
Total income	**2,161.9**	**301.7**	**2,463.6**
Total expenses*	**(1,087.3)**	**(113.0)**	**(1,200.3)**
Impairment losses	(824.3)	(181.1)	(1,005.4)
Cost for Voluntary Separation Scheme		(92.7)	(92.7)
Profit/(losses) before income tax	**250.3**	**(85.2)**	**165.1**
Income tax			(75.6)
Profit/(losses) after income tax from continuing operations	**250.3**	**(85.2)**	**89.5**
Profit/(losses) from discontinued operations		(68.5)	(68.5)
Profit/(losses) after income tax			**21.0**
Total Assets 31.12.2017	52,446.9	8,346.2	60,813.0

* Excluding the cost/provision for the Voluntary Separation Scheme.

(Amounts in Euro million) **1.1.2016 - 31.12.2016**

	Greece	Other countries	Total
Net interest income	1,648.5	275.6	1,924.1
Net fee and commission income	289.2	28.7	317.9
Other income	99.8	42.0	141.8
Total income	**2,037.5**	**346.3**	**2,383.8**
Total expenses*	**(996.0)**	**(197.8)**	**(1,193.8)**
Impairment losses	(894.2)	(273.8)	(1,168.0)
Cost for Voluntary Separation Scheme		(31.7)	(31.7)
Profit/(losses) before income tax	**147.3**	**(157.0)**	**(9.7)**
Income tax			29.2
Profit/(losses) after income tax from continuing operations			**19.5**
Profit/(losses) from discontinued operations		22.8	22.8
Profit/(losses) after income tax			**42.3**
Total Assets 31.12.2016	55,796.4	9,075.9	64,872.3

* Excluding the cost/provision for the Voluntary Separation Scheme.

CHAPTER 04

Digital Transformation Strategy

MONEY AND ART

4. Digital Transformation Strategy

The Digital Transformation Strategy of Alpha Bank

The Bank's Digital Vision primarily comprises strengthening of its digital image and further improving customer experience, through digital services and products of the highest quality.

Through its Digital Transformation Strategy, Alpha Bank aims at:

- Improving the customer interaction with the Bank (customer journeys) by redesigning the entire process, so as to reduce the time required and ensure an optimal omnichannel customer experience (that is, irrespective of the particular service channel used).
- Achieving profitable growth, leveraging the capabilities that technology offers regarding the ability to provide a customised/tailored approach for meeting Customer needs, for example through the use of big data analytics, but also by offering new and innovative products and services.
- Optimising its operational efficiency through automation and cost rationalisation of internal processes.

Digital Transformation Actions in 2017

The implementation of the three-year Digital Transformation Strategy started in 2017. In addition to the operational actions that were carried out by the responsible Business Divisions, the initiatives that are described in detail below, were also launched. These initiatives help create a step-change for the Bank towards a new digital era, radically changing its business and operational model, both internally, but also in terms of its cooperation with companies that promote digital technology and innovation in the financial sector (FinTechs).

Transformation Project – Transaction Migration

Promoting the use of digital self-service channels by our Customers, for their everyday transactions, is a key priority of the Bank's business and digital strategy.

This is crucial, given the fact that it contributes to the improvement of the customer service experience, leveraging channels that are available on a 24/7 basis and providing more comprehensive and higher quality information, in an expedited, secure and convenient manner. At the same time, workload of teller Personnel can be reduced, allowing better use of available capacity and facilitating engagement in high value-added activities, such as sales, relationship development and providing services to "high value" Customers.

In this context, Alpha Bank launched a horizontal transformation project aimed at transferring a significant volume of transactions from Branch tellers to the alternative digital service channels over the next two years. This innovative methodology has three key features: (a) it focuses on "high frequency users of teller services", (b) it places emphasis on experimenting with ideas suggested by Branch Personnel and testing them in an "actual operational" environment and (c) it features a comprehensive approach that includes a number of tools, such as a new "digital corner" located in the Branch and providing access to digital service channels, new roles and changes in the task allocation for Branch employees, training and incentives for both Bank Personnel and Bank Customers, new infrastructures and a new pricing policy.

The project's design and its pilot implementation in six Branches were completed in the fourth quarter of 2017 with impressive results. Expansion of the project to the entire Branch Network is already under way and is scheduled to be completed in the fourth quarter of 2019.

First "Fintech Challenge '17" Digital Innovation Competition (Hackathon)

"Fintech Challenge '17" was a new initiative for Alpha Bank, nevertheless, it is entirely in line with its broader digital transformation agenda. Ensuring the Bank stays in close contact with start-ups and innovative businesses that operate in the country, and creating opportunities for the digital transformation and the development of new business efforts in the financial sector, are key priorities for the Bank.

"Fintech Challenge '17" was a two-and-a-half-day Hackathon, during which, 51 participants that formed 18 teams developed innovative solutions and applications, with the support and mentoring of specialised and experienced Executives from Alpha Bank and its partners in the event (MIT Enterprise Forum Greece, EY Greece, Microsoft Hellas and Vodafone Greece).

There were two specific aspects of "Fintech Challenge '17" that made it stand out from other similar competitions. The first one, was the fact that participants had access to a large number (40) of Application Programming Interfaces (APIs), which allowed them to develop applications in an environment as close as possible to real-life conditions. The second one, was the presence of a total of 53 mentors, namely Executives from the Bank and its event partners (MIT Enterprise Forum Greece, EY Greece, Microsoft Hellas and Vodafone Greece), who covered a wide range of subject areas and provided support to the participants throughout the entire event.

On the last day of the event, all teams presented their ideas to a five-member panel of judges, composed of Executives from Alpha Bank and its partners. The panel selected the three winning teams, assessing the proposals in terms of their innovation, ability to be implemented in a short timeframe, business viability and the degree to which they meet the challenges of the financial sector.

The first "Fintech Challenge '17" Hackathon organised by Alpha Bank has confirmed the Bank's expectations, as it was met with strong interest by quality participants who developed and presented particularly innovative ideas.

The success of this effort was also confirmed by the participants, who took part in a survey conducted after the end of the event, providing very positive comments and rating particularly high all aspects of the competition (organisation, venue, speeches, mentoring, level of ideas).

Operational Systems and Distribution Channels

5. Operational Systems and Distribution Channels

Operational Systems and IT Projects

The IT Divisions focused on the Strategic IT Projects launched in 2017, on the changes required due to the implementation of the Legislative Acts as part of the capital controls, on meeting regulatory/supervisory requirements and on the projects aimed at meeting operational needs.

The main IT activities during 2017 focused on addressing operational needs (projects and requests) as well as making progress in the major three-year projects that were launched in the framework of the architectural redesign of the Core Banking System. More specifically, the main projects during 2017 concerned the following:

- The architectural redesign, aimed primarily at drastically improving the time to market, while also improving the efficiency of the IT resources. In 2017, a pilot system was delivered and is currently used by the Head Office Units responsible for Credit Operations in the loans' disbursement process.
- The integration of Lending Systems, seeking to benefit from the:
  - uniform overview of all loans;
  - reduced operating costs;
  - greater flexibility in the introduction of operational changes and regulatory requirements.

The part of the project concerning the migration of housing loans to the loans management system was successfully completed during 2017.

- The upgrade/replacement, currently still in progress, of outdated critical hardware, in order to minimise operational risk and ensure stability, reliability and security.
- The upgrade and/or replacement of critical hardware and system software which have reached their expected end date and are no longer supported by their manufacturers.
- The application of the Legislative Acts that are part of the capital controls. Following the Legislative Act of 28.6.2015 concerning the short-term Bank Holiday (published in Government Gazette Vol. A 65/28.6.2015), in 2017, the IT Divisions, in collaboration with the Legal Services and the respective Business Units, implemented the necessary adjustments, as required by the changes in the relevant legislation.
- The participation in the design and completion of major large-scale projects, including MiFID II, the International Financial Reporting Standard (IFRS) 9 and the Directive on payment services (PSD 2) as well as the analysis and the design of projects concerning the implementation/application of the General Data Protection Regulation (GDPR – Regulation (EU) 2016/679).

Additionally, the major Projects completed in 2017 included the following, per Business Unit:

- Customer Relationship Management (CRM)/Management Information Systems (MIS)
  - Act 42 of the Executive Committee of the Bank of Greece/Source systems' reconciliation controls - Data Warehouse;
  - Integrated implementation of Data Marts for the Wholesale Risk (A1) and Retail Risk (A3) sectors;
  - Separation of the customer base for Natural Persons (Individuals) - Legal Entities and Groups;
  - Enterprise Performance Management (EPM) - Performance measurement system.
- Deposit Products
  - Installation of card readers at teller positions in the Branch Network;
  - Improvements to Term Deposits in Euro and in Foreign Currencies;
  - Provision of integrated customer service by the entire Branch Network nation-wide;
  - New Mapping of Blockings on the basis of foreclosure orders and other causes.
- Head Office Units
  - Codification of Contracts - Electronic Library (e-Library) System for Contracts;
  - Monitoring of Human Resources expenditure (SAP HR);
  - Registry System for Bank Accounts and Products using mass requests.
- Credit operations
  - Migration of loans from the Finesse system to the Siglo system;
  - Improvements in the management of Guaranteed Business Loans;
  - NPLs - Borrower's Electronic File - Automation of Extra-Judicial Processes;
  - NPL_Integrated_Tool.
- Alternative Networks
  - Redesign of "Alpha Web Banking for Individuals" and "Alpha Web Banking for Businesses";
  - Alpha Quick Transfer;
  - Tap 'n Pay ("my Alpha wallet" app for mobile telephones);
  - Tax deduction calculator;
  - Changes to Customer Contact Details via Alpha Web Banking.
- Investments
  - Upgrade of the APX-MOXY application for Alpha Asset Management A.E.D.A.K.;
  - New Unit Linked AlphaLife product;
  - ALPHA (LUX) Mutual Funds - Alpha Asset Management A.E.D.A.K.;
  - Planning of information updates - Statement for Bondholders (Retail).

As part of the IT Service Management System procedures adoption, all of the Bank's applications and systems were defined as IT Services. The Services are defined in terms of the building blocks which enable their operation and support, i.e. infrastructures, software, human resources and processes. The List of Services as well as the Service management processes (requests, changes, events etc.) are directly supported by the HP Service Management tool, which is used by all IT Units.

Additionally, the Project Management Division employs the HP Project & Portfolio Management (HP-PPM) tool to manage the major IT projects.

Using this feature, in 2017, the IT Divisions handled 39,223 requests from the Bank's Business Units concerning improvements, troubleshooting and the provision of information and also completed 61 major projects. With regards to the Group Companies, a total of 3,835 requests concerning changes, improvements and troubleshooting were submitted and 23 major projects were completed.

With regards to process organisation and optimisation, the Bank's IT Divisions completed the following projects and activities in 2017:

- Issuance of a General Management Act concerning the Rules

and Regulations of the IT Division.

- Issuance of a Circular - Letter concerning the "Data Quality Management Framework".
- Recertification of the Quality Management Systems (ISO 9001:2015) for the Project Management and the IT Systems Divisions by Bureau Veritas Hellas.
- Adjustments to the IT Services and Business Continuity Management Systems and recertification, according to the ISO 20000 (Bureau Veritas Hellas) and ISO 22301 (TÜV Austria Hellas) Standards, respectively.
- Recertification of the Quality Assurance Management System (ISO 9001) of the IT Applications Division by Bureau Veritas Hellas.

The IT Divisions offered vital assistance in collecting and reporting data as well as providing operational and technical support to the respective Units of the Bank, during major audits in 2017, such as the Cyber Security On-Site Inspection carried out by the Single Supervisory Mechanism (SSM) and the Bank of Greece and the annual audit performed by the Statutory Certified Auditors (Deloitte). Additionally, the IT Divisions participate in projects and handle requests for the Bank's annual certification in accordance with the Payment Card Industry Data Security Standard (PCI-DSS).

At the same time, the IT Divisions handled eight external audits, 54 internal audits/follow-up audits and five inspections of the Management Systems by the Certification Bodies. With regards to the overall improvement of the systems and applications, the IT Divisions collaborate with the Internal Audit Division and the Market and Operational Risk Division to regularly review the status of the various improvement actions and projects, which have resulted from audits and from the Operational Risk Action Plans.

Business Continuity: Certification of Critical Business Sectors

As part of the constant upgrade of its business continuity management processes, in 2017, the Bank and the Group Companies Alpha Leasing, Alpha Supporting Services and Alpha Bank Romania proceeded with the renewal of their existing ISO 22301 (Business Continuity Management System) certification.

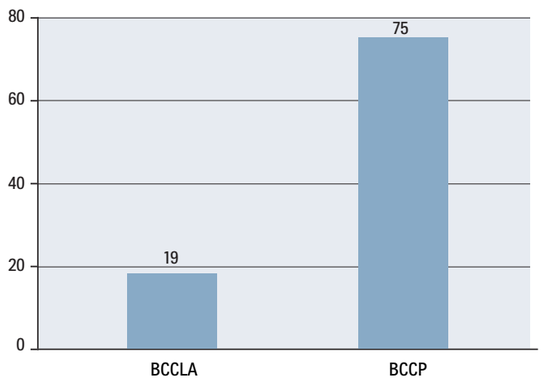
The audit carried out by TÜV Austria Hellas as the Certification Body established the full compliance with the said Standard and the high level of knowledge, awareness and training of the Personnel, with regards to the business continuity procedures.

It should be noted that, in line with best practices and methodologies, Alpha Bank has developed since 2008 a uniform Business Continuity Management Framework, which applies to the entire Group and has obtained the ISO 22301 Group Certificate.

Additionally, seeking to ensure the efficient implementation of this Framework, Alpha Bank, in collaboration with an internationally recognised institute in the business continuity industry, carried out training programmes, as it had also done in previous years, through which 94 Bank Executives obtained the following Business Continuity certifications:

- Business Continuity Certified Lead Auditors (BCCLA)

Business Continuity Certifications - 2017



- Business Continuity Certified Planners (BCCP)

All of the above demonstrate the Bank's ongoing commitment to the protection, to the maximum extent possible, of its Employees' safety and to the uninterrupted provision of services and information to its Customers and to the other stakeholders (e.g. Shareholders, business partners, suppliers, supervisory and State authorities etc.).

Branches, Alternative Networks and Electronic Services

Branch Network

Alpha Bank is successfully active in the Greek and in the international banking markets through a total of 670 Branches and maintains a wide network of correspondent banks, both in Greece and abroad. At the end of 2017, the Alpha Bank Branch Network in Greece numbered 483 Branches and Customer Service Units (including seven Business Centres and seven Alpha Private Bank Centres). The number of Branches in Greece was reduced by fifty (50) Units compared to 31.12.2016, as a result of the merger of forty-eight (48) Alpha Bank Branches and the merger of two (2) Business Centres.

Correspondingly, the Group's International Network numbered 187 Branches, having a presence in Cyprus (Alpha Bank Cyprus Ltd: 22), in Romania (Alpha Bank Romania S.A.: 130), in Albania (Alpha Bank Albania SHA: 34) and in the United Kingdom (London Branch). The number of Branches abroad is lower by 68 Units compared to 31.12.2016, as a result of a merger in Alpha Bank Albania SHA and the sale of sixty-seven (67) Branches of Alpha Bank Srbija A.D.

With a strong presence in both urban areas and the wider region, the Group's extensive Network allows the Bank to adapt to the ever-changing market conditions, to improve its customer reach and to cater to the Customers' needs. In 2018, particular emphasis will be placed on optimising the Branch Network utilisation and efficiency.

Alternative Networks and Electronic Banking Services

In March 2017, the Bank, working consistently to meet the goals of its Business Plan, introduced the fully redesigned "Alpha e-Banking for Businesses", with new features and a user-friendly interface. The Service's interface, specially adapted to the needs of businesses, allows them to meet easily and securely their multiple needs regarding the direct control of their finances. In line with the constant improvement of the services provided, in October 2017, the approval levels of corporate subscriptions available were increased to four (4), while at the same time corporate subscribers were offered the option to use two distinct approval tables for one-off and mass payments.

Also in March 2017, the Bank upgraded the "Alpha Mobile Banking" service, incorporating the ability of transferring small amounts to third parties by using only the beneficiary's mobile telephone number, e-mail or Facebook account (Alpha Quick Transfer). In addition, two new quick login options were introduced, allowing subscribers to log in to the application using their fingerprint or a four-digit Password (PIN).

In November 2017, the Bank introduced "my Alpha wallet with Tap 'n Pay", the first integrated mobile application for Android operating system devices. The application allows Customers to make payments with their mobile telephone at POS terminals featuring the contactless symbol in Greece and abroad, using all cards issued by Alpha Bank and by the three major payment systems (American Express®, Visa and MasterCard). This new application further enhances the Service's current features, such as making online purchases at any e-shop around the world with the Masterpass symbol, and settling directly bills and debts to the Public Sector and other companies.

Distinctions in 2017

2017 was yet another year where Alpha Bank received a significant number of distinctions for its advanced e-banking and payment services, as well as, for its overall digital presence and strategy. Specifically, the Bank received, among others, the following awards:

e-volution Awards 2018

- Gold award in the "e-Banking and Electronic Payments services" category for "Alpha e-Banking".
- Gold award in the "Mobile app" category for the "Alpha Mobile Banking" app.
- Gold award in the "Technological Innovation" category for "my Alpha wallet".
- Silver award in the "e-Strategy" category for Alpha Bank's digital strategy regarding Alternative Networks.

Mobile Excellence Awards 2017

- Grand award for the multiple distinctions of the Alpha Bank mobile applications.
- Gold award in the "Mobile App Usability" category for the "Alpha Mobile Banking" app.
- Gold award in the "Mobile Banking Services" category for the "Alpha Mobile Banking" app.
- Gold award in the "Mobile Wallet" category for "my Alpha wallet".
- Silver award in the "Security Solution" category for the "Alpha Mobile Banking" app.

Ermis awards 2017

- Gold award in the "E-Commerce & Marketplaces" category for "my Alpha wallet".
- Silver award in the "User Experience Design" category for "my Alpha wallet".
- Silver award in the "User Interface" category for "my Alpha wallet".

WebX Awards 2017

- Gold award in the "Best UX" category for "my Alpha wallet".
- Gold award in the "Best UI" category for "my Alpha wallet".
- Gold award in the "Best Functionality" category for "my Alpha wallet".
- Bronze award in the "Financial Services" category for "my Alpha wallet".

Alternative Networks

The upgrade of "Alpha Web Banking for Individuals" and "Alpha Mobile Banking for Individuals", which took place in previous years, as well as, the new conditions that prevailed following the imposition of capital controls, contributed, from 2015 onwards, to the steadily increasing acceptance and use of the two Services by the Bank's Customers, setting a trend which continued in 2017.

The introduction of the "my Alpha wallet with Tap 'n Pay" app to the market brought Alpha Bank once again to the fore, as it was the first Bank to introduce payments with a mobile telephone at any POS terminal featuring the contactless symbol in Greece and abroad, using all debit, credit or prepaid cards issued by Alpha Bank and by the three major payment systems (American Express®, Visa and MasterCard).

Aiming to provide Customers with uninterrupted quality services and efficient support, a series of functional upgrades were carried out, with a strong focus on "Alpha Mobile Banking for Individuals" and "Alpha Web Banking for Businesses", thus completing the radical redesign of all the services offered via the Bank's alternative networks.

Moreover, two major projects are currently in the final stages of implementation, concerning the Individual Customers' online registration to the Alpha e-Banking services, without requiring the physical presence of the Customer at the Branch, and the creation of an electronic platform where the Bank's Customers can upload the documents required to certify or update their personal details.

Alpha e-Banking

In 2017, the payment services offered were expanded with the addition of 115 new payment codes, bringing the total number of available payments to nearly 600 and contributing to an integrated electronic banking service via "Alpha Web Banking" and "Alpha Mobile Banking". At the same time, the efforts to optimise the provision of product information, as well as, to improve transaction service levels, continued.

Alpha Mobile Banking

Significant additions to the "Alpha Mobile Banking" service included the option to transfer funds without using the beneficiary's International Bank Account Number (IBAN), via the built-in "Alpha Quick Transfer" service, as well as the quick login option, which allows subscribers to access the Service using their fingerprint or a four-digit Password (PIN). An additional service that was incorporated in "Alpha Mobile Banking" as well as in "Alpha Web Banking" was the calculation of the tax deduction amount and the availability of information concerning the total amount of expenses made using the Alpha Bank electronic payment services which are part of the Customer's tax deduction amount.

Alpha Mobile Banking recorded an upward trend in 2017, as one out of two subscribers to the Bank's Alternative Networks is now using the mobile app on a monthly basis and one out of seven subscribers to Alpha e-Banking is using this Service exclusively in order to obtain updates and carry out transactions.

Alpha Web Banking

The Service was expanded with new features allowing Customers to purchase products online, as well as, with the feature enabling the calculation of the tax deduction amount. As far as online products are concerned, it is worth pointing out that online term deposits account for approximately 12% of the total number of new term deposit accounts.

At the same time, "Alpha Web Banking for Individuals" continued its upward trend in 2017, registering a 23% increase in subscribers and a 15% increase in active subscribers compared to 2016, accompanied by an 11% rise in the number of money transactions.

As part of the efforts to constantly improve the services provided and adopt new technologies in electronic banking, "Alpha Web Banking for Businesses" was also upgraded in line with modern design standards, offering Customers new features that ensure greater flexibility and security in their transactions. The key features of the upgraded Service encompass its modern visual design, user-friendlier navigation and easy-to-use options menu, which adapts automatically to the screen of the user's device (desktop computer, laptop or tablet). Additionally, the available approval levels were increased from two (2) to four (4) and the option of setting two (2) distinct approval tables, which apply to all tasks involving one-off and mass payments, were introduced.

As was the case with "Alpha Web Banking for Individuals", use of "Alpha Web Banking for Businesses", with the updated transaction interface, continued to increase in 2017, registering a 27% increase in subscribers and a 22% increase in active subscribers compared to 2016, accompanied by a 17% rise in the number of money transactions.

Alphaphone Banking

The "Alphaphone Banking" service provides information to Customers and helps them carry out their transactions via an automated system or with the assistance of a Call Centre Agent. It is worth pointing out that this is particularly useful for Customers with reduced mobility or visual impairments.

Electronic Payment Services

my Alpha wallet

In 2017, Alpha Bank continued its efforts to further develop electronic banking with innovative solutions and proceeded with the introduction of new features and services for "my Alpha wallet", the digital wallet for payments and purchases all over the world.

"Tap 'n Pay" for contactless payments by mobile telephone (for Android operating system devices) was the most significant addition to the Service. "my Alpha wallet with Tap 'n Pay" represents the evolution of payments, as it allows Customers to make payments with their mobile telephone at POS terminals featuring the contactless symbol in Greece and abroad, using all debit, credit or prepaid cards issued by Alpha Bank. It is one of the very first globally available applications to support contactless payments by mobile telephone for all three major payment systems (American Express®, Visa and MasterCard).

The radical visual redesign of the Service's applications for the iOS and the Android operating systems, based on a new, user-friendly menu that allows Customers to immediately access all of the Service's available options, was of particular significance in terms of improving the usability of the said applications.

Significant improvements also included the prompt and timely updates, via push notifications, about all transactions made; the addition of a card scanning option, in order to save cards in the Customers' profile even more easily; and the addition of a barcode scanning option for payments.

Finally, carrying out online purchases via the Service was further enhanced, as online transactions can now be concluded via the "MasterPass" payment service on a computer with the simultaneous use of the Customer's mobile telephone and fingerprint for identification, thus making payments at e-shops even faster.

Use of "my Alpha wallet" continued to increase, as the Service's users grew by 48% and now number over 65,000, having carried out more than 100,000 transactions. At the same time, the Service's app has been downloaded more than 50,000 times from the App Store and Google Play, while within just two months from its launch, more than 9,000 users activated the "Tap 'n Pay" function and carried out more than 24,000 transactions.

Electronic Services for Businesses

Alpha e-Commerce

The increase in the number of new businesses joining the "Alpha e-Commerce" service and in the number of transactions carried out via this Service continued in 2017 as well.

Specifically, during the year, the number of active subscribers grew by 26% and the number of transactions grew by 40%.

It is worth pointing out that the new features that were included in the Service in 2016, the use of a digital wallet that includes the "MasterPass" payment service, which has now gained international recognition, and the up and coming European "MyBank" solution for making online payments by directly debiting the Customer's bank account, were widely used by the Customers of the "Alpha e-Commerce" service.

Specifically, approximately 6,200 transactions were carried out via the "MasterPass" service, and approximately 60,000 transactions via the "MyBank" service, representing an aggregate turnover of approximately Euro 19 million for the Bank.

Mass payments/collections services (Alpha Mass Payments, Alpha Bank File Transfer)

"Alpha Mass Payments", a service dedicated towards collecting dues via standing orders and/or alternative networks, as well as, carrying out mass payments (payroll, payment of suppliers etc.), provides Customers with an online, user-friendly interface, offering features that allow users to create, send and monitor the progress of mass payment orders (e.g. payroll or payment of suppliers). In 2017, the Service was enhanced with systems and functionalities that further support Customers' tasks. Finally, the Service handled more than 17 million payment orders, registering a 4% increase compared to 2016.

Automated Banking Services

These comprise Automated Teller Machines (ATMs) and Automated Cash Transaction Centres (ACTCs) for cash transactions.

With the first ATMs installed in 1981, Alpha Bank paved the way for modern banking technology in Greece.

In order to provide Customers with improved service and efficiency levels at the Bank's ATM networks, while also rationalising their operating costs, a total of approximately 230 feasibility studies concerning primarily the configuration of the network of off-site ATMs (withdrawals, relocations, new installations, replacements, adjustment of rentals etc.) were carried out in 2017. Based on these studies, the Bank installed 53 new ATMs (45 off-site and 8 on-site) and withdrew 54 ATMs (13 off-site and 41 on-site, due to changes in the Branch Network).

Cost-benefit reports were also compiled regarding the operation of all off-site ATMs.

On 31.12.2017, the Bank had in operation 1,080 ATMs (592 on-site and 488 off-site), a number almost equal to that for 2016. The number of transactions in 2017 reached Euro 76.5 million, registering a marginal increase by 0.6% compared to the previous year, while the value of transactions stood at Euro 9.7 billion, down by 7% compared to 2016.

The revenue from ATM fees and commissions stood at Euro 6.3 million, down by 14% compared to 2016, mainly due to changes in the pricing of transactions by the international payment systems.

In order to reduce the workload of Branch tellers involving cash payments, in 2017 new payments were made available through the network of Automated Cash Transaction Centres (ACTCs). The revenue from transaction fees and commissions reached Euro 1 million, posting an increase by 3.5% from the previous year.

Electronic Transactions

In 2017, Alpha Bank continued to boost its digital identity, by designing and offering new products to its Customers, making impressive progress in the area of electronic transactions. As a result, 80% of the Bank's money transactions are carried out via its alternative networks.

An equally impressive growth was registered at the "Alpha e-Statements" service, which continues to make a significant contribution to the efforts to reduce the use of paper and ink and save resources. A considerable number of the Bank's Customers opt for electronic statements, which in 2017 were used for 1.5 million products, instead of paper bank statements.

The "Alpha alerts" and "Alpha e-statements" services offer even greater security in transactions and are also available via "my Alpha wallet", the Alpha Bank digital wallet.

Donations for Social Purposes

Regarding donations for social purposes, it should be mentioned that Alpha e-Banking supports donations to approximately 70 different Organisations.

Additional information

To improve the provision of information to Customers and the overall customer service, communication via e-messaging at the Alpha Web Banking and Alpha Mobile Banking environments was further utilised, along with a number of targeted promotional activities, carried out via SMS messages sent to the "Alpha e-Banking" and "my Alpha wallet" subscribers. Additionally, a new pre-login site was created for "Alpha Web Banking for Businesses", comprising a support section and an interactive simulation (demo) of the Service, which was developed for the purpose of familiarising corporate subscribers with all the functionalities and available transactions.

The Alternative Networks Division participates actively in the programme to reduce the workload of Branch tellers, by providing training courses in the Bank's electronic services to the Officers of the Branches where the said programme is implemented on a pilot basis, while the training material and evaluation questionnaire were updated.

CHAPTER 06

Risk Management

6. Risk Management

The Alpha Bank Group is fully committed to applying the best practices and achieving the highest standards of corporate governance in every aspect of its business, including risk management.

Risk management is essential to promote the Group's strategic, business and financial objectives. It forms an integral part of the business strategy-setting process, including the business planning process and the risk appetite policy, as it defines the maximum acceptable risk appetite regarding each type of risk.

The key risk categories for Alpha Bank include credit risk, market risk, liquidity risk, counterparty and country risk as well as operational risk. In order to ensure that the impact of the aforementioned risks on the Bank's and the Group's financial results, long-term strategic goals and reputation is minimised, the Group applies identification, forecasting, measurement, monitoring, control and mitigation practices for the highest as well as for emerging risks, through an internal governance process based on the use of credit tools and risk management processes.

The Group's strategy for risk management and risk undertaking, applied to all of the Bank Units' and Group Companies' activities, is strictly aligned with the best international practices as well as with the current legislation and the regulatory and supervisory rules, while it continuously evolves through the development of a single risk management culture, which is shared across the Bank and the Group.

Throughout 2017, the main objective of the Risk Management Business Unit was to strengthen the Group's risk profile in line with its risk strategy, while maintaining a solid capital and liquidity position, against the backdrop of changing economic conditions and the rapidly evolving regulatory environment. Additionally, the Group continued to improve the Risk Management Framework and corporate governance practices, in order to ensure that the supervisory requirements are adequately integrated into its operation and that the fundamental risk management principles and regulations, which safeguard that the observance of the principle of proportionality related to risk versus yield, are enhanced, so that its business activities produce an adequate yield with regard to their inherent risk and remain fully aligned with the risk appetite limits.

The Bank's Board of Directors ensures the Group's proper operation and organisation. In accordance with the Corporate Governance Code, the Board of Directors is responsible for the approval of the overall business model, the risk strategy and the risk profile of the Group, through the appropriate risk management policy. Based on each risk appetite, the Board of Directors ensures that the aforementioned policy is well understood and communicated throughout the Group.

The Board of Directors determines the risks that the Group may assume, the size of such risks, the limits on the Group's significant business operations and the basic principles for the calculation and measurement of these risks. The risk profile of the Group covers, among other substantial risks, the following risk types:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

The Risk Management Committee convenes on a monthly and/or an ad hoc basis and advises the Board of Directors on the Group's risk profile as well as on the strategy on risk undertaking and risk and capital management. In accordance with the institutional framework, the Committee, taking into account the Bank's and the Group's business strategy and the sufficiency of the technical and human resources available, evaluates 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 and other substantial risks) per category of transactions and Customers and per risk level (i.e. country, profession, activity).
- The determination of the applicable maximum risk appetite on an aggregate basis for each type of risk and the further allocation of each of these limits per country, sector, currency, business Unit etc.
- The establishment of stop-loss limits or of other corrective actions.

Furthermore, the Committee reviews and assesses the methodologies and models applied regarding the measurement of risks undertaken and ensures communication among the Internal Auditor, the External Auditors, the Supervisory Authorities and the Board of Directors on risk management issues.

The General Manager and Chief Risk Officer supervises the Group's Risk Management Business Unit and reports on a regular basis and ad hoc to the Assets-Liabilities Management Committee (ALCo), the Credit Risk Committee, the Operational Risk Committee, the Risk Management Committee and the Board of Directors of the Bank.

The Bank's and the Group's business model and operations are regulated and supervised by the relevant authorities in each of the countries where they conduct business. The European Central Bank (ECB) and the Bank of Greece, as the Greek authority in charge that participates in the Single Supervisory Mechanism (SSM), act as the Bank's and the Group's primary supervisors, to monitor the latter's compliance with the Greek and the European banking legislations, with the supervisory regulations as well as with the Basel III (CRR/CRD) framework.

In the pursuit of its strategic business goals, the Alpha Bank Group adjusts the risk management framework regularly, to take into account new regulatory requirements, to improve the efficiency of its business activities and to ensure that risk management and the corresponding regulatory risk reports always comply with the relevant regulatory guidelines as well as with the principles of corporate governance.

The Group's risk strategy and risk management framework are organised according to the principles of three lines of defence, which have a decisive role in its effective operation.

They provide a clear set of rules and standards to be applied with precision and clarity to a cohesive operating model, that provides a framework to determine accountabilities and responsibilities concerning risk management across the entire Group.

In particular:

- The Business Units constitute the first line of defence and risk "ownership" which identifies and manages the risks that arise when conducting banking business.
- The risk management Unit and the compliance Unit constitute the second line of defence and they are independent from each other as well as from the first line of defence. They are complementary to the first line of defence regarding banking business and they ensure objectivity in decision-making, the measurement of the effectiveness of these decisions in terms of risk undertaking

as well as compliance with the existing legislative and institutional framework, including internal regulations and ethical standards and the aggregate view and evaluation of the total risk exposure of the Bank and the Group.

- The internal audit Units, which are independent from the first and the second lines of defence, constitute the third line of defence that uses audit mechanisms and procedures to constantly cover all the activities of the Bank and the Group. It further ensures the consistent implementation of the business strategy, including the risk management strategy, by fully applying internal policies and procedures and it contributes to the Bank's and the Group's effective and secure operation.

Credit Risk

Credit risk arises from a borrower's or counterparty's potential inability to fulfil their obligations to the Group due to the worsening of his/her creditworthiness, particularly within a deteriorating credit and macroeconomic environment.

Credit risk management is conducted under the supervision of the Group's General Manager and Chief Risk Officer, by multiple Divisions that are responsible for setting the Group-wide credit risk appetite and policies, reviewing the approval and follow-up processes in the Business Units, facilitating the quarterly process of calculating the impairment of credit exposures and monitoring and submitting regulatory and internal reports on the Group's consolidated credit portfolio, including the determination of portfolio limits for specific industries and countries. Dedicated departments develop credit rating and evaluation models in order to ensure that they are available for day-to-day credit processing at the Business Units and that they meet all regulatory and institutional requirements. A separate Functional Area is responsible for validating the credit risk rating systems and models and has a direct reporting line to the General Manager and Chief Risk Officer of the Group.

The following Risk Management Divisions operate within the Group, under the supervision of the General Manager and Chief Risk Officer and with the responsibility of implementing the risk management framework, according to the directions of the Risk Management Committee:

- Market and Operational Risk Division
- Credit Control Division
  - Credit Risk Policy and Control Division
  - Credit Risk Methodologies Division
  - Credit Risk Cost Assessment Division
- Credit Risk Data and Analysis Division
  - Credit Risk Data Management Division
  - Credit Risk Analysis Division
- Wholesale Credit Division
- Wholesale Credit Workout Division
- Retail Credit Division
- "Risk Management Models Validation" Functional Area

In addition, the Group has appointed Risk and Credit Managers in the countries where it operates, who are responsible for ensuring compliance with the local supervisory rules and regulations.

The Group has set a clear credit risk undertaking and management strategy that, in line with its business goals, reflects the risk tolerance and the profitability levels the Group expects to achieve with regard to the risks undertaken. The credit risk management framework evolves according to the following objectives:

- The independence of the credit risk management operations from the risk undertaking activities and from the Officers in charge.
- The complete and timely support of Business Units during the decision-making process.
- The continuous and regular monitoring of the loan portfolio, in accordance with the Group's policies and procedures that ensure a sound credit approval process.
- The monitoring and strengthening of the credit risk profile in accordance with the credit risk appetite, which encompasses credit quality (expected loss) and credit risk concentration (limits on single names, industries and geographical regions).
- The maintenance of a controls framework that ensures credit risk undertaking is based on sound credit risk management principles and well-defined, rigid credit standards.
- The accurate identification, assessment and measurement of the credit risk undertaken across the Bank and the Group, at both individual credit and lending portfolio levels.
- The approval of every new credit facility and every material change of an existing credit facility (such as its tenor, collateral structure or major covenants) by the appropriate authority level which is well-defined.
- The assignment of the credit approval authority to the Credit Committees in charge, which consist of Executives from both the business and credit monitoring Units, with sufficient knowledge and experience in the risk management sector, fully capable of applying the Bank's internal policies and procedures.
- The decision-making process for credit approvals is performed within a clearly defined delegated authority framework.
- The measurement and assessment of all credit exposures of the Bank and the Group Companies to businesses or consolidated business groups as well as to their proprietors, in line with regulatory requirements.

The aforementioned objectives are achieved through a continuously evolving framework of methodologies and systems that measure and monitor credit risk, using a series of credit risk approval, credit risk concentration analysis and review, early warning for excessive risk undertaking and problem debt management processes. This framework is readjusted regularly according to the challenges of the prevailing economic circumstances and the nature and scope of the Group's business activities.

Specifically, the reinforcement and the improvement of this credit risk framework include the following:

- The continuous update of Credit Policy Manuals and Credit Risk Rating Models for Wholesale Banking and Retail Banking in Greece and abroad, adapted to the regulatory framework, the international best practices, the given macroeconomic conditions and the Group's risk appetite, so as to ensure their proper and effective operation.
- Adjustments within the framework of preparing for the transition of the Bank and the Group Companies in Greece to the Advanced Internal Ratings-Based (IRB) Approach to measure and manage credit risk through:
  - The ongoing validation process of the credit risk rating and management systems of the Bank and the Group;
  - The enhancement of all credit risk-related policies.
- Compliance actions for the transition of the Bank and the Group Companies to the International Financial Reporting Standard (IFRS) 9, through which, as regards Credit Risk, the approach for the impairment of financial assets as regards Credit Risk has been amended.
- The development of the necessary policies, procedures and models for the adoption of the International Financial Reporting Standard (IFRS) 9 by the Bank and the Group Companies.
- The implementation of a new Impairment Calculation System, according to the new International Financial Reporting Standard (IFRS) 9.
- The development of a framework for the validation of credit risk assessment models, along with a separate validation process, which is carried out in two cases: (i) in order to develop new models or modify existing ones, and (ii) as part of a constant assessment of these models' predictive ability.
- The update of the Group Loan Impairment Policy, which complies with the new, evolving institutional and supervisory requirements for prudential supervision.
- A centralised and automated application approval process and collection mechanisms for Retail Banking in Greece and abroad.
- The regular and periodic qualitative control of Wholesale Banking Credit and Retail Banking Credit and a regular measurement and assessment of the concentration risk per product, portfolio, counterparty and sector of economic activity.
- The integration of the "Group Environmental and Social Risk Management Policy on Legal Entities Lending" into the Group's Credit Policy and into the Credit Risk Management Framework so that, during the credit approval process, apart from the credit risk assessment, the strict compliance with the principles of an environmentally and socially responsible credit facility is examined.
- Updating the Group Write-off Policy, according to the regulatory requirements for the management of Non-Performing Exposures.
- The improvement of the existing Early Warning Mechanism aiming at its further automation. In particular, the "Credit Risk Early Warning Policy" defines the procedures and actions required in order to identify at an early stage signals of deterioration of performing borrowers or loan portfolio

segments, so that, at the next stage, targeted actions can be carried out at borrower and/or portfolio level per country where the Group operates.

- The design and implementation of initiatives in order to enhance the level of automation, accuracy, comprehensiveness, quality and validation of data, as part of the Bank's strategic objective to an all-encompassing approach for the development of an effective data aggregation and reporting framework, in line with the Basel Committee on Banking Supervision (BCBS) standard 239 requirements.
- The design and implementation of a significant and complex project related to the Bank of Greece Executive Committee Act No 102, which aims to:
  - Develop common definitions and establish a "single source" of data retrieval;
  - Enhance the data governance/quality framework with a focus on data creation and the relevant processes;
  - Enhance the data aggregation and reporting mechanism in order to improve the timeliness, accuracy and completeness of the NPEs Reduction Plan levers, enabling the Bank to promptly proceed with the respective remediation actions, in case of divergence from the NPE Reduction Plan targets.
- The creation of a mechanism for the submission of the analytical data of counterparties-legal entities, the governance structure, the operational model and the quality control mechanism for the data dispatched on a monthly basis to the European Central Bank through the submission to the Bank of Greece, in accordance with Regulation (EU) No 2016/867 and the Bank of Greece Governor's Act 2677/19.5.2017. Test submissions to the Bank of Greece have already been successfully completed and the full mechanism for the submission of all analytical data regarding accounts as well as financial, accounting and collateral data will be established until September 2018.
- The enhancement of the application of the credit risk control that monitors the Group's Wholesale and Retail Banking credit portfolio on an ongoing basis and undertakes targeted portfolio reviews to examine specific aspects of risk depending on the case, including, among others: the implementation of the credit risk policy, the use of the rating systems, the management of the credit-granting process and the credit exposures compliance with prudential standards and internal limits.
- Performing stress tests as a key risk management tool, fully integrated into core risk reporting and capital and liquidity planning at the Bank and the Group levels, which provides indications of the capital required to absorb losses under the assumption of specific extreme hypothetical scenarios. Stress tests are conducted according to the requirements of the regulatory framework and constitute a fundamental part of the Group's Enterprise Risk Management strategy, with the aim of assessing the impact of business decisions on the Group's capital position. Furthermore, the Bank's and the Group's Regulatory Credit Framework and the Credit Risk Management Framework were revised and updated following the incorporation of the institutional and regulatory framework related to the effective management of loans in arrears and of Non-Performing Loans, including the new requirements and the definitions set out in the said framework.

Thus, the Group has subsequently revised the internal risk assessment systems and credit risk management processes, in order to ensure compliance of internal and external risk reporting with the new reporting templates and data aggregation practices.

Additionally, in order to upgrade and strengthen the internal credit risk management system, the following actions are in progress:

- A review and follow-up of the credit risk management framework's compliance, which includes reporting to the General Manager and Chief Risk Officer of the Group, with the minimum requirements in CRR/CRD IV regarding the development of the Internal Ratings-Based (IRB) approach regarding the governance structure and the modelling framework.
- The monitoring and improvement of the current credit risk assessment systems, following the integration of the Guidelines of the Bank of Greece, the European Banking Authority and the Implementing Regulation (EU) No 2015/227/9.1.2015 of the European Commission on Non-Performing Loans and Forborne Exposures.
- Monitoring the effectiveness of the specific forbearance types, which were developed according to the new regulatory framework as well as the closure solutions for debtors under the management of the Business Units and the Non-Performing Loans Divisions.
- The enhancement of the risk data systems that support regulatory reporting and external disclosures. Their technical infrastructure incorporates the relevant legal entities and Business Units of the Bank and the Group and aims to provide a uniform basis for reporting on risk positions, capital adequacy and limit utilisation to the relevant functions on a regular and/or on an ad hoc basis.
- The gradual implementation of an automatic interface of credit risk rating systems with the core banking systems for all Group Companies abroad and the local shipping monitoring system.
- The adoption of a mechanism to control the completeness and quality of the Wholesale and Retail Credit crucial areas, in the framework of monitoring and measuring credit risk.

At the end of 2017, the Non-Performing Loans of the Group reached Euro 19.8 billion and the Non-Performing Loans Ratio stood at 35% compared to Euro 23 billion and 38% respectively at the end of 2016.

The Group Total Provisions Stock reached Euro 13.29 billion at the end of December 2017 and the Non-Performing Loans Coverage Ratio stood at 67%, compared to 69% in 2016.

Similarly, the Ratio of Provisions Stock to Total Loans reached 23.5% at the end of 2017.

On 31.12.2017, the Group's forborne outstanding loans stood at Euro 19.63 billion with a total collateral value of Euro 11.5 billion.

Tables 1 and 2 present on a consolidated basis the Bank's loans and advances to Customers by asset quality (Table 1) and the ageing analysis of past due but not impaired loans and advances to Customers by product line (Table 2).

The accumulated impairment allowance for "collectively assessed" loans and advances includes an amount of Euro 602.1 million concerning Incurred But Not Reported (IBNR) provisions as at 31.12.2017.

The impaired loans and advances to Individuals and Small

Table 1
Loans and Advances to Customers by Asset Quality (Impairment/Non-Impairment - Impairment Allowance - Value of Collateral)

(Amounts in Euro Thousand) **31.12.2017**

	Not Impaired L&As		Impaired L&As		Total Gross Amount	Impairment Allowance		Total Net Amount	Value of Collateral
	Neither Past Due Nor Impaired	Past Due but Not Impaired	Individually Assessed	Collectively Assessed		Individually Assessed	Collectively Assessed		
Retail Lending	**11,037,148**	**2,819,773**	**557,565**	**17,692,109**	**32,106,595**	**320,681**	**7,167,344**	**24,618,570**	**19,903,257**
Mortgage	7,753,283	2,383,830	391,872	9,046,592	19,575,577	213,834	3,335,022	16,026,721	15,181,832
Consumer	1,332,546	235,624	159,149	3,282,983	5,010,302	103,649	1,509,613	3,397,040	1,332,210
Credit Cards	1,105,350	86,752	900	436,237	1,629,239	622	268,772	1,359,845	91,701
Other (incl. SBL)	845,969	113,567	5,644	4,926,297	5,891,477	2,576	2,053,937	3,834,964	3,297,514
Corporate Lending	**11,779,863**	**741,519**	**10,296,265**	**537,642**	**23,355,289**	**5,366,189**	**392,694**	**17,596,406**	**14,363,037**
Large	7,671,273	519,472	5,126,151	30,609	13,347,505	2,700,887	146,136	10,500,482	8,133,139
SMEs	4,108,590	222,047	5,170,114	507,033	10,007,784	2,665,302	246,558	7,095,924	6,229,898
Public Sector	**1,107,629**	**1,237**	**40,202**	**1,269**	**1,150,337**	**28,934**	**18,186**	**1,103,217**	**299,805**
Greece	1,034,442	909	40,202	1,269	1,076,822	28,934	16,586	1,031,302	295,394
Other Countries	73,187	328	0	0	73,515	0	1,600	71,915	4,411
Total	**23,924,640**	**3,562,529**	**10,894,032**	**18,231,020**	**56,612,221**	**5,715,804**	**7,578,224**	**43,318,193**	**34,566,099**

Table 2
Ageing Analysis of Past Due but Not Impaired Loans and Advances to Customers by Product Line

(Amounts in Euro Thousand) **31.12.2017**

	Retail Lending				Corporate Lending		Public Sector		Total Past Due but Not Impaired
	Mortgage	Consumer	Credit Cards	Other (incl. SBL)	Large	SMEs	Greece	Other Countries	
1-29 days	1,611,180	158,321	67,799	87,574	395,400	167,894	901	0	2,489,069
30-59 days	430,024	53,038	12,601	14,549	30,002	20,472	8	0	560,694
60-89 days	342,626	24,264	6,352	11,444	71,169	23,299	0	328	479,482
90-179 days	0	1	0	0	1,291	201	0	0	1,493
180-360 days	0	0	0	0	6,879	1,294	0	0	8,173
>360 days	0	0	0	0	14,731	8,887	0	0	23,618
Total	**2,383,830**	**235,624**	**86,752**	**113,567**	**519,472**	**222,047**	**909**	**328**	**3,562,529**
Value of Collateral	2,007,174	52,363	1,190	73,677	366,702	175,379	8	328	2,676,821

Businesses also include past due up to 89 days restructured exposures that are collectively assessed and amount to Euro 4,711 billion as at 31.12.2017.

Market Risk

Market risk is the risk of reduction in economic value arising from unfavourable changes in the value or volatility of interest rates, foreign exchange rates, equities and commodities markets. Market risk may arise from either the trading book or the Assets and Liabilities management.

1. Trading Book

Market risk for the trading book is measured by calculating Value at Risk (VaR), using a dedicated system. The methodology applied to calculate VaR is historical simulation. The Bank uses a one and a ten-day holding period, depending on the time required to liquidate the portfolio. Back-testing is performed on a daily basis, in order to validate the VaR model. Furthermore, independent validation of the internal model is conducted at a minimum on an annual basis.

In order to calculate the one-day VaR for the Bank's trading book, historical data of two years and a 99% confidence level are used. Table 3 shows the VaR calculated for the Bank's trading book during 2017. The Group Companies have very low exposure and limits for the trading book and, consequently, market risk exposure is immaterial.

In addition to applying the VaR methodology for the measurement of the trading book's market risk, the book's behaviour is also tested against hypothetical changes in market parameters (scenarios) and extreme parameter changes noted in the past (stress-testing).

In 2008, the Bank of Greece validated the internal model used and further approved its application to calculate the trading book capital requirements. Since 31.12.2011, stressed VaR has been calculated along with VaR, in order to estimate capital requirements for general market risk. Following the incorporation of Emporiki Bank's positions in the Bank's portfolios during 2013, the Bank of Greece revalidated the application of the internal model by Alpha Bank, in order to measure the market risk capital requirements.

As part of the financial risk management policy implemented by the Assets-Liabilities Management Committee (ALCo), maximum exposure stop-loss and VaR limits have been set for products comprising trading and investment positions, taking into account the current Group needs and market conditions.

Table 3
Trading Book VaR

(in Euro thousand)

	2017					2016
	Currency Risk	Interest Rate Risk	Price Risk	Covariance	Total	Total
31 December	346.3	1,941.3	24.3	-213.9	2,098.1	1,248.8
Average Daily Value (annual)	585.5	1,146.8	42.2	-321.8	1,452.7	1,764.5
Maximum Daily Value (annual)	429.9	2,220.7	9.8	-432.6	2,227.7	1,998.1
Minimum Daily Value (annual)	323.7	254.9	24.2	-158.7	444.0	1,248.8

The Bank uses a dedicated system to monitor and examine in real time the exposure and stop-loss limits of the Athens trading and investment positions regarding the corresponding limit utilisation and limit excess. The local Risk Management Units monitor the investment limits set for the corresponding Units abroad, on a daily and intra-day basis. The relevant results are consolidated on a daily basis in order to examine the utilisation and excess of the Group investment limits. The corresponding VaR limits are monitored and examined on a daily basis as well.

During 2017, the Group Market Risk Management Policy was updated. With respect to the market risk internal model, the Bank continued its participation in the Targeted Review of Internal Models (TRIM), a project launched by the European Central Bank with a view to fostering greater consistency and accuracy in the use of internal models within the Single Supervisory Mechanism. In addition, the Bank concluded the selection process in order to replace the market risk system and began planning to address current and future internal risk management and regulatory requirements.

2. Banking Book Financial Risks

The banking book financial risks arise from the structure of the Assets and Liabilities and mostly the Group's loan and deposit portfolios. The banking book financial risks are the exchange rate risk, the interest rate risk and the liquidity risk.

a. Exchange rate risk

The General Management sets limits on the open foreign exchange position for the total position as well as for each currency. The total position is calculated by adding the current position for the balance sheet items to the forward position held on derivatives (Table 4).

The exchange rate risk undertaken by the Group derives mainly from holdings and the goal is to offset this risk, provided

Table 4
Foreign Exchange Position (Group)

(in Euro million) **31.12.2017**

	USD	GBP	CHF	JPY	RON	Other FX	Euro	Total
Total Assets	**1,835.3**	**425.7**	**1,411.9**	**26.5**	**1,542.6**	**329.8**	**55,240.5**	**60,813.0**
Total Liabilities	**1,975.8**	**244.7**	**30.2**	**2.7**	**1,070.9**	**406.5**	**47,455.6**	**51,186.3**
Net Balance Sheet Position	-140.5	181.1	1,381.3	23.8	471.8	-76.7	7,784.9	9,626.7
Derivatives Forward Exchange Position	181.3	-181.1	-1,381.3	-23.4	-360.1	184.2	1,641.0	60.6
Total Foreign Exchange Position	**40.8**	**-0.1**	**0.5**	**0.4**	**111.7**	**107.4**	**9,425.9**	**9,687.1**

Table 5
Interest Rate Gap Analysis
(in Euro million)

	31.12.2017							
	< 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	24,539.6	9,159.5	2,441.9	1,416.5	8,855.8	6,273.2	8,126.6	60,813.0
Liabilities	18,245.9	5,080.8	7,101.7	3,799.1	10,676.7	4,809.6	1,472.5	51,186.3
Equity	0	0	0	0	0	0	9,626.7	9,626.7
Total Liabilities and Equity	18,245.9	5,080.8	7,101.7	3,799.1	10,676.7	4,809.6	11,099.1	60,813.0
Gap	**6,293.7**	**4,078.7**	**-4,659.8**	**-2,382.7**	**-1,820.9**	**1,463.5**	**-2,972.5**	**0**
Cumulative Gap	**6,293.7**	**10,372.5**	**5,712.6**	**3,330.0**	**1,509.0**	**2,972.5**	**0**	**0**

that the corresponding instruments in the said currencies are available.

b. Interest rate risk

Interest Rate Risk in the Banking Book (IRRBB) refers to the risk to the Bank's capital and earnings that result from adverse movements in interest rates. There are three main sub-types of IRRBB:

- **Gap risk** results from the term structure of banking book instruments and describes the risk arising from the timing of instruments' rate changes.
- **Basis risk** describes the impact of relative changes in interest rates for financial instruments that have similar tenors but are priced using different interest rates indices (bases).
- **Option risk** results from option derivative positions or from optional elements embedded in a bank's assets, liabilities and/or off-balance sheet items, where the bank or the customer can alter the level and timing of the cash flows.

Interest rate risk management for the banking book is performed on a monthly basis according to the Policy and Procedures Manual for Assets Liabilities Management that has been developed and adopted by all Group Units.

For interest rate risk assessment and monitoring, the following estimation techniques, in line with the European Banking Authority (EBA) guidelines, are used on a regular basis:

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

When performing an Interest Rate Gap Analysis, the Group Assets and Liabilities are allocated into time buckets according to their re-pricing date for variable interest rate instruments or according to their maturity date for fixed rate instruments. Assets or Liabilities with no specific re-pricing schedule (such as working capital open accounts as well as savings and sight deposits) are allocated into time buckets according to a statistical model that takes into consideration the behavioural analysis of the respective accounts.

Table 5 presents the Interest Rate Gap Analysis of the Group balance sheet as of 31.12.2017.

The Stress Scenario analysis is employed in order to calculate the impact of extreme movements of interest rates on the Net Interest Income (NII) as well as on the Economic Value of Equity (EVE). The stress scenarios imply the parallel movement and the non-parallel movement of the yield curve. Specifically, IRRBB is measured under the following scenarios:

- Parallel shock up (+200 basis points)
- Parallel shock down (-200 basis points)
- Steepener shock (short rates down and long rates up)
- Flattener shock (short rates up and long rates down)
- Short rates shock up
- Long rates shock up

Table 6 presents the change on both the NII and the net position of the Available For Sale portfolio, based on a sensitivity analysis after a parallel shift of +/- 200 basis points on the market yield curves.

During 2017, Alpha Bank managed to keep Interest Rate Risk in the Banking Book (IRRBB) at low levels. From March until June 2017, Alpha Bank participated in the European Central Bank (ECB) stress test (Sensitivity Analysis of IRRBB), implementing six hypothetical Interest Rate Risk Stress Scenarios. These regulatory scenarios were applied at Group level for the position in Euro as well as for the position in currencies participating by at least 20% in the banking book. The impact of the stress scenarios on NII and EVE was positive for the Bank and there were no requirements by the Regulatory Authorities for additional capital in order to cover the IRRBB.

Furthermore, the methodology to calculate the loans portfolio fair value was updated according to the International Financial Reporting Standard (IFRS) 9 requirements and the IRRBB limits were structured based on the Group Risk Appetite.

Liquidity Risk

The liquidity risk concerns the Group's ability to maintain adequate liquidity to fulfil its transactional obligations, either regular or extraordinary. The most significant part of the Group's Assets is financed through customer deposits and wholesale funding.

During 2017, even though the imposition of capital controls on the banking system remained in place, Alpha Bank managed to increase its customer deposits both at Bank and Group level by Euro 1.25 billion and Euro 1.95 billion respectively. At Group level, the increase of deposits mainly comes from the Group Companies Alpha Bank Cyprus Ltd and Alpha Bank Romania S.A.

In 2017, the Bank proceeded with the full repayment of the Euro 1 billion Government Guaranteed Bonds (Pillar II), which were placed as collateral for Emergency Liquidity Assistance (ELA) funding. In addition, the Investment Portfolio of the Bank decreased by Euro 2 billion, due to the expiration or sale of securities, mainly of the European Financial Stability Facility (EFSF). In August 2017, the Bank successfully completed the issuance of covered bonds of an amount of Euro 1 billion as part of the Covered Bonds Programme, while in October the Bank completed the second funding transaction of USD 250 million through the securitisation of shipping loans following the initial securitisation of USD 500 million in 2014. These two transactions contributed to the diversification of the funding sources and to the further improvement of the Bank's liquidity as well as the restoration of customers' confidence in the Bank. As part of the improvement of the economic environment and the Bank's financial situation, an increase of interbank repurchase agreements transactions that reached the amount of Euro 1.89 billion at Group level was observed.

As a result of the aforementioned developments, on 31.12.2017 the Bank's funding from the Eurosystem decreased by 44%, reaching the level of Euro 10.2 billion, of which Euro 7 billion came from the ELA. At the same time, the Bank's Targeted Longer-Term Refinancing Operations (TLTROs) II increased by Euro 1.6 billion, replacing part of the short-term financing by the European Central Bank (ECB). It should be mentioned that, according to the Recovery Plan, the ELA funding will be gradually reduced until its full elimination. The reduction of this source of funding will be mainly due to an increase of customer deposits and interbank repo transactions, along with the issuance of Medium-Term Notes (MTNs).

Liquidity management is performed through the timely identification of liquidity needs, the identification of all available sources to cover these needs and by obtaining liquidity through the most cost-effective way for the Group.

The most important areas under continuous monitoring are the funding structure, its evolution and the relevant cost, the loan-

Table 6
Net Interest Income Sensitivity
(in Euro million)

Interest Rate Change Scenarios (parallel yield curve shift)	Net Interest Income Sensitivity (for one year period)	Equity Sensitivity
-200	-71.4	+246.1
+200	+65.9	-227.5

Table 7
Liquidity Gap Analysis
(in Euro million)

	31.12.2017					
	< 1 Month	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**> 1 Year**	**Total**
Assets	11,358.8	2,046.0	2,006.5	3,434.1	41,967.7	60,813.0
Liabilities	17,379.1	4,743.1	4,312.4	4,035.3	20,716.4	51,186.3
Equity	0	0	0	0	9,626.7	9,626.7
Total Liabilities and Equity	17,379.1	4,743.1	4,312.4	4,035.3	30,343.1	60,813.0
Gap	**-6,020.3**	**-2,697.1**	**-2,305.9**	**-601.2**	**11,624.6**	**0**
Cumulative Gap	**-6,020.3**	**-8,717.4**	**-11,023.3**	**-11,624.6**	**0**	**0**

to-deposits ratio, the loan disbursements, the collateral status, the evolution of maturity mismatches, the regulatory liquidity ratios and the funding needs under stress test conditions.

Both the Bank and the Group Companies monitor closely the evolution of short- and long-term funding and respective reports are sent on a daily basis. Furthermore, in the context of monitoring the new regulatory Liquidity Ratios according to the Basel III requirements (Liquidity Coverage Ratio - LCR and Net Stable Funding Ratio - NSFR), special attention is given to the monitoring of liquidity assets and other balance sheet assets that can be used for additional funding.

During 2017, internal and regulatory reporting for Liquidity Risk monitoring purposes was enhanced. Under the new requirements of the regulatory environment (Basel III) for liquidity, the stability, cost and the diversification of liquidity sources are monitored regularly and respective regulatory reports are submitted on a monthly basis to the Single Supervisory Mechanism (SSM). Furthermore, in accordance with the updated guidelines of the European Banking Authority (EBA), the Alpha Bank Group reviewed and revised during 2017 the Contingency Funding Plan and the Recovery Plan along with the Internal Liquidity Adequacy Assessment Process (ILAAP). An important liquidity risk monitoring tool that Alpha Bank employs on a monthly basis is the Liquidity Gap Analysis for each currency, to which it is exposed at Bank and Group level. According to the 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 the accounts without contractual maturity (e.g. demand customer deposits, rollover working capital loans, etc.) which are allocated to time buckets according to a statistical model that takes into consideration the behavioural analysis of the respective accounts. Table 7 presents the Liquidity Gap Analysis at Group level as of 31.12.2017.

Counterparty and Country Risk

Counterparty risk is the risk of a counterparty defaulting before the final settlement of all existing transactions' cash flows against the Group. An economic loss would occur if the portfolio of transactions with the counterparty had a positive economic value to the Group at the time of the counterparty's default.

Country risk is the collection of risks associated with investing in a country. Risk per country may either be direct (including exposure to the Central Government, public utility companies, local authorities and the Central Bank), indirect (referring to funding Group Units' operations in the country) or related to the country's banking and private sector.

The monitoring and the examination of counterparty limit utilisation and limit excess are carried out in real time using a specific system for the Bank, Alpha Bank London Ltd and Alpha Bank Romania S.A. As far as the other Group Companies are concerned, it is carried out on a daily basis. Country risk is monitored across all countries where the Group operates, irrespective of whether it has an actual presence. Furthermore, according to the relevant policies and procedures, certain interbank counterparty and country factors, e.g. credit rating, bond credit spread, etc., are monitored on a regular basis, since their change may trigger the review of the corresponding limits.

Derivatives transactions with Customers are taken into account when considering the total exposure against them and the establishment of credit limits per Customer. The corresponding limits for derivatives transactions are monitored and examined on a regular basis for the limit utilisation and any limit excess.

The Bank uses a specialised system in order to quantify the credit valuation adjustment for the derivatives portfolio (Bilateral Credit Valuation Adjustment - BCVA). The methodology applied is Monte Carlo simulation, which takes into consideration market observable data, such as Credit Default Swap (CDS) spreads or the output of the Bank's internal models. The credit valuation adjustment for the derivatives portfolio is performed on a monthly basis and affects the fair value of the transactions.

The same system is used to calculate the Potential Future Exposure for customer derivatives, which depends on the derivative's type, their nominal value and the remaining time to maturity.

During 2017, the Group Treasury Products Impairment Policy under the new IFRS 9 accounting framework was developed and implemented. The Bank obtained and installed a new specialised system to measure the Expected Credit Loss (ECL) for Treasury Products on a daily basis. Moreover, the Bank has started implementing the AnaCredit Reporting requirements, as set out in Regulation (EU) No 2016/867, regarding the collection of granular credit and credit risk data, which also refers to Treasury exposures.

Operational Risk

Operational risk is the risk of loss because of inadequate or failed internal processes and IT systems, people (intentionally or unintentionally) and external events. Operational risk also includes legal risk.

The Group has adopted the Standardised Approach for the operational risk capital calculation and fulfils all quality requirements set therein. In particular, for the effective management of operational risk, the Group has adopted and implements an appropriate Operational Risk Framework, which includes the following:

- The collection and management of operational risk events, including lawsuits filed against the Group.
- The operational risk identification and assessment, performed through operational risk self-assessment processes and other relevant techniques.
- The operational Key Risk Indicators' (KRIs) development and monitoring.
- The operational risk reporting.
- The introduction of operational risk mitigation techniques, which concern the implementation of action plans that improve the current internal control system as well as the purchase of Insurance Policies against specific risks.
- The calculation of capital requirements for operational risk.

The Framework is continuously reviewed and various initiatives have been introduced aiming at its improvement. It is supported by an appropriate organisational structure with clear roles and responsibilities, under the core assumption that the prime responsibility for operational risk management remains with all the Units of the Bank and the Group Companies.

In 2017, the development of a robust internal operational risk capital calculation model was completed. The model is based on the principles of the Advanced Measurement Approach (AMA) and is used in the Pillar II (Internal Capital Assessment Process) reports. Additionally, the Group's Operational Risk Management Policy was revised and specific projects for the improvement of the assessment processes regarding Information and Communication Technology Risk and Model Risk were initiated.

At the same time, the process of developing additional Key Risk Indicators (KRIs) continued and the practices applied to monitor operational risk events were improved. Finally, during the year, the Group implemented the Risk Control Self-Assessment (RCSA) process, a standard practice, in accordance with the overall planning. In the context of this process, potential operational risk exposures are identified and assessed and corrective action plans are introduced. Additionally, a dedicated process for outsourcing risk assessment was implemented, which will be further enhanced in 2018.

Capital Adequacy

7. Capital Adequacy

Capital Adequacy Ratios

The Group's policy is to maintain a strong capital base, in order to ensure the Bank's development and the trust of depositors, shareholders, markets and business partners. Share capital increases are conducted following resolutions of the General Meeting of Shareholders or of the Board of Directors, in accordance with the Articles of Incorporation and the relevant laws. The Group is allowed to purchase the Bank's own shares, as permitted under existing laws. However, for as long as the Hellenic Financial Stability Fund (HFSF) participates in the share capital of the Bank, the latter may not purchase its own shares without the former's approval, in accordance with the Relationship Framework Agreement (RFA) concluded between the Bank and the HFSF. Alpha Bank, as a systemic bank, has been supervised since November 2014 by the Single Supervisory Mechanism (SSM) of the European Central Bank (ECB), to which data are submitted on a quarterly basis. The supervision is carried out in accordance with Regulation (EU) No 575/2013 (CRR) and the relevant Directive 2013/36/EU (CRD IV), as transposed into Greek Law 4261/2014. The framework is widely known as Basel III and consists of three fundamental pillars:

- Pillar I, which specifies the calculation of minimum capital requirements. The Bank submits to the SSM, through the Bank of Greece, the reports pertaining to its capital requirements on a solo and consolidated basis, in accordance with the Implementing Technical Standards developed by the European Banking Authority (EBA).
- Pillar II, which sets the principles, criteria and processes required to assess capital adequacy and the risk management systems of credit institutions.
- Pillar III, which aims at increasing transparency and market discipline and sets the requirements concerning the disclosure of key information regarding the exposure of financial institutions to fundamental risks as well as the disclosure of the processes applied to manage the said risks.

Apart from the above, this framework defines the regulatory capital of credit institutions and addresses a series of other regulatory issues such as monitoring and control of large exposures, open foreign exchange position, concentration risk, liquidity ratios, the internal control system, including the risk management system as well as the regulatory reporting and disclosures framework.

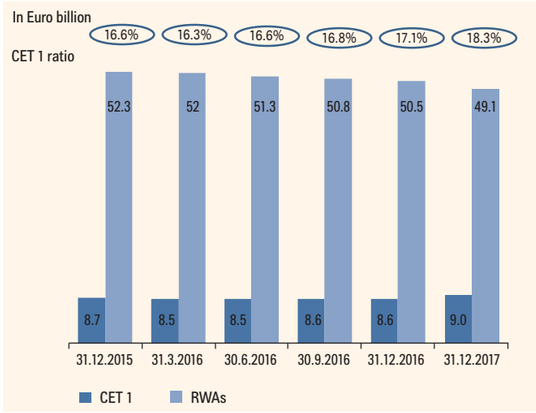
The Capital Adequacy Ratio compares the Group's regulatory capital with the risks assumed by the Group (Risk Weighted Assets). Regulatory capital includes Common Equity Tier 1 (CET 1) capital (share capital, reserves, minority interests), additional Tier 1 capital (hybrid securities) and supplementary Tier 2 capital (subordinated debt). Risk Weighted Assets include the credit risk of the banking book, the market risk of the trading book and operational risk.

According to this regulatory framework for the calculation of the Capital Adequacy Ratio, the transitional arrangements in force are followed. Moreover:

- Besides the 8% Capital Adequacy Ratio limit, there are limits of 4.5% for the Common Equity Tier 1 (CET 1) ratio and 6% for the Tier 1 ratio.
- The maintenance of capital buffers additional to the Common Equity Capital, from 1.1.2016 and gradually until 31.12.2019, is required. In particular:
  - From 1.1.2017 a capital buffer of 1.25% exists, which will gradually rise to 2.5% on 31.12.2019.
  - The Bank of Greece through Executive Committee Acts set the following capital buffers:
    - A countercyclical capital buffer rate for the year 2017 and the first quarter of 2018, standing at "zero per cent".
    - An Other Systemically Important Institution (O-SII) buffer for 2017, standing at "zero per cent".

The following graph displays the evolution of the risk weighted assets of the Group.

On 8 December 2017, the ECB informed Alpha Bank that for 2018 the minimum limit for the Overall Capital Requirements (OCR) is 12.875%, having risen by 0.625% due to the gradual increase in the capital conservation buffer. The OCR



is composed by the minimum own fund requirements (8%), according to article 92(1) of the CRR, the additional own fund requirements of Pillar II (P2R), according to article 16(2)(a) of Regulation (EU) No 2013/1024, and the combined buffer requirements (CBR), according to article 128(6) of Directive 2013/36/EU. The aforementioned minimum ratio should be maintained on a phase-in basis under the applicable transitional rules of CRR/CRD IV, at all times.

In 2018, a stress test exercise will be carried out for European banks. The EBA will oversee the procedure for the largest European banks and the ECB will coordinate the procedure for banks not included in the first category. The result of the stress test will be taken into account in the Supervisory Review and Evaluation Process (SREP) for 2018. Both procedures will be carried out at the highest level of consolidation and with a common methodology, which was finalised on 17 November 2017, according to an EBA statement. Alpha Bank participates in the stress test under the supervision of the ECB. The stress test for the Greek banks

Capital Adequacy Ratios	31.12.2017	31.12.2016
CET 1 Ratio	18.3%	17.1%
Tier 1 Ratio	18.3%	17.1%
Capital Adequacy Ratio (Tier 1 + Tier 2)	18.4%	17.1%

follows a condensed timeline that started on February 2018 and their results are to be announced in May 2018.

Regarding the impact of the adoption of the International Financial Reporting Standard (IFRS) 9 on regulatory capital, Alpha Bank has decided to make use of Article 473a of Regulation (EU) No 2017/2395 and apply the transitional provisions for the calculation of Capital Adequacy both on a solo and on a consolidated basis. According to the above article, starting from the first date of application of IFRS 9 and for a period of five years, banks are allowed to add to the CET1 ratio the post-tax amount of the difference in provisions that will result from the transition to the new IFRS 9 in relation to the provisions that would have been recognised at 31.12.2017 in accordance with IAS 39 ("Static" amount). The amount to be added to CET1 ratio will decrease annually on a weighting basis so that the amount of provisions added to the CET1 ratio gradually decreases, until the full impact of IFRS 9 is absorbed by the end of the five-year period (phase-in). The weighting factors were set per year at 0.95 in the first year, 0.85 in 2nd, 0.7 in 3rd, 0.5 in 4th and 0.25 in the last year,

In addition, for a period of five years from the first application of IFRS 9, banks may add to the CET1 ratio the amount of the post-tax provisions of the impairment categories 1 & 2 at the date of the annual financial statements, to the extent that it exceeds the amount of the corresponding provisions at the date of initial application of IFRS 9 (1.1.2018), weighted annually with the aforementioned weighting factors,

Impairment categories 1 and 2 are respectively defined as the expected impairment losses based on the 12 month expected credit losses and the lifetime expected credit losses, excluding credit-impaired financial instruments.

By applying the transitional provisions of the regulation, the consolidated CET 1 ratio is expected to be affected by approximately 0.1% and will stand at 18.25% for the first year, while the impact of the full implementation is estimated at approximately 2.4%, with the ratio standing at 15.9% on 31.12.2017, at a consolidated level. The Bank is adequately capitalised to meet the needs arising from the application of the new standard, as the Group's CET 1 ratio under the International Accounting Standard (IAS) 39 amounts to 18.33% on 31.12.2017.

CHAPTER 08

Corporate Governance

8. Corporate Governance

Alpha Bank considers proper and responsible implementation of corporate governance principles as a key prerequisite for generating value for its Shareholders and society. The Bank adopted and implemented the principles of corporate governance as early as 1994, long before they became obligatory under laws and directives issued by regulatory authorities, aiming at transparency in communication with its Shareholders, at keeping investors promptly and continuously informed and at maintaining the proper governance of the Bank.

The corporate governance practices applied by the Bank comply with the provisions of the relevant laws and with the practices implemented throughout the European Union and have now been recorded in a single Corporate Governance Code. The Corporate Governance Code of Alpha Bank defines the duties and allocates the responsibilities among the Board of Directors, its Committees, the Executive Committee and the other Committees of the Bank. In addition, it sets out the framework and guidelines for the governance of the Bank.

In 2017 the Board of Directors revised the Corporate Governance Code and the Charters of the Board of Directors' Committees to which explicitly defined and distinct responsibilities have been assigned, in full alignment with the relevant regulatory framework and with the recent best practices of corporate governance. In addition, it also revised the Policy for the Evaluation of Senior Executives and Key Function Holders and the Policy for the Succession Planning of Senior Executives and Key Function Holders. In the first half of 2018, the Board of Directors supported by an external advisor will evaluate its effectiveness as well as the individual contribution of each Member to the Board.

Additionally, the Code of Ethics was revised based on the principles of morality and ethics. It describes the Bank's commitments and practices regarding its activities, its management, and the rules of conduct that apply to its Executives and Employees not only in their interactions with each other, but also with business parties and with the Shareholders. The application of the Code of Ethics and of the principles of Corporate Governance, together with the operation of the Audit Committee, the Risk Management Committee, the Remuneration Committee and the Corporate Governance and Nominations Committee, have allowed Alpha Bank to enhance effectively the principles of integrity and transparency in its operations and to ensure optimal management of risk.

A separate section on Corporate Governance is found on the Bank's website, where all the relevant information has been posted along with the Corporate Governance Code and the Charters of the Board of Directors' Committees, and in particular of the Audit Committee, the Risk Management Committee, the Remuneration Committee, and the Corporate Governance and Nominations Committee. The Bank implements a comprehensive system of internal audit for the Group in accordance with international standards and the current regulatory framework.

The Ordinary General Meeting of Shareholders of the Bank was held on 30.6.2017.

Board of Directors

In 2017, the Bank proceeded with modifications in the composition of the Board of Directors, in response to the new legal and regulatory framework. The modifications pertained to the replacement of Non-Executive Members with persons who possess significant international experience in banking, audit, risk management and Non-Performing Loans.

In the context of implementing the above, the Board of Directors, at its meeting of 26.1.2017, elected Ms Carolyn G. Dittmeier as a Non-Executive Independent Member of the Board of Directors, in replacement of Mr. Pavlos A. Apostolides who resigned on 15.12.2016, for the remainder of its tenure. Ms Dittmeier is an Audit, Control and Risk Governance Advisor. She is a statutory auditor, a certified public accountant, a certified internal auditor and a certified risk management assurance professional. She focused her career on the auditing sector, taking on the role of Chief Internal Audit Executive of the Poste Italiane Group between 2002 and 2014. Previously, she had gained professional experience with the auditing firm KPMG and the Montedison Group as both financial controller and later Head of Internal Audit. She has carried out various professional and academic activities focusing on risk and control governance.

The Board of Directors, at its meeting of 23.2.2017, elected in accordance with Law 3864/2010, upon instruction of the Hellenic Financial Stability Fund, Mr. Spyridon-Stavros A. Mavrogalos-Fotis as Non-Executive Member of the Board of Directors of the Bank, in replacement of Ms Panagiota S. Iplixian who resigned. Mr. Mavrogalos-Fotis was also appointed Member of the Audit Committee, the Risk Management Committee, the Remuneration Committee and the Corporate Governance and Nominations Committee of the Board of Directors for the remainder of its tenure.

The Bank provided Ms Carolyn G. Dittmeier and Mr. Spyridon-Stavros A. Mavrogalos-Fotis with a comprehensive and detailed introductory informational programme on Corporate Governance, Risk Management, Internal Audit, Compliance, Capital Adequacy, Financial Services and Human Resources.

The Board of Directors, at its meeting of 28.9.2017, elected, for the remainder of its tenure, in replacement of Mr. Evangelos J. Kaloussis who resigned Ms Carolyn G. Dittmeier as Chair of the Audit Committee and Member of the Risk Management Committee.

The Bank, with the aim of informing the Members of the Board of Directors and in accordance with the best practices of corporate governance, initiated a series of meetings aimed at further strengthening the cooperation between the Bank and the Group Companies. In this context, the Board of Directors and Bank Executives visited Alpha Bank Cyprus Ltd.

In 2017 the Board of Directors convened fifteen times.

The Board of Directors, taking into account the constantly changing landscape in the banking sector and the supervisory framework and for the smooth implementation of the NPLs-NPEs business plan, resolved that as of 1.3.2017 the three General Managers and Executive Members of the Board of Directors should be appointed Deputy CEOs and that their responsibilities should be allocated anew as follows:

- The General Manager Mr. Spyros N. Filaretos should be appointed Deputy CEO - Chief Operating Officer.
- The General Manager Mr. Artemios Ch. Theodoridis should be appointed Deputy CEO, Non-Performing Loans and Treasury Management.
- The General Manager Mr. George C. Aronis should be appointed Deputy CEO, Retail, Wholesale Banking and International Network.

Curricula Vitae

HONORARY CHAIRMAN

Yannis S. Costopoulos

He was born in Athens in 1938. He holds a BSc in Naval Architecture from King's College, University of Durham, England. He joined the Commercial Credit Bank (as Alpha Bank was then called) in 1963. He served as Managing Director and General Manager of the Bank from 1973 and was Chairman of the Board of Directors and General Manager from 1984 to 1996. From 1996 to 2005 he served as Chairman of the Board of Directors and Managing Director of Alpha Bank. From February 2005 to May 2014 he served as Executive Chairman of the Board of Directors of the Bank, while in June 2014 the Ordinary General Meeting of Shareholders conferred upon him the title of Honorary Chairman of the Board of Directors.

The Board of Directors comprises the following Members:

CHAIRMAN (Non-Executive Member)

Vasileios T. Rapanos

He was born in Kos in 1947. He is Professor Emeritus at the Faculty of Economics of the University of Athens and he has been an Ordinary Member of the Academy of Athens since 2016. He studied Business Administration at the Athens School of Economics and Business (1975) and holds a Master's in Economics from Lakehead University, Canada (1977) and a PhD from Queen's University, Canada. He was Deputy Governor and Governor of the Mortgage Bank (1995-1998), Chairman of the Board of Directors of the Hellenic Telecommunications Organization (1998-2000), Chairman of the Council of Economic Advisors at the Ministry of Economy and Finance (2000-2004), and Chairman of the Board of Directors of the National Bank of Greece and the Hellenic Bank Association (2009-2012). He has been the Chairman of the Board of Directors of the Bank since May 2014.

VICE CHAIRMAN (Non-Executive Independent Member)

Evangelos J. Kaloussis (Vice Chairman until 28.9.2017)

He was born in 1943 and is the Chairman of the Federation of Hellenic Food Industries (SEVT) as of 2006, whereas he has been a member of the Federation's Board of Directors since 2002. He was Chairman of NESTLE HELLAS S.A. from 2001 until 2015. He was a member of the Board of Directors of the Bank from 2007.

Executive Members

MANAGING DIRECTOR - CEO

Demetrios P. Mantzounis

He was born in Athens in 1947. He studied Political Sciences at the University of Aix-Marseille. He joined the Bank in 1973 and he has been a Member of the Board of Directors of the Bank since 1995. In 2002 he was appointed General Manager and he has been the Managing Director since 2005.

DEPUTY CEOs

Spyros N. Filaretos

He was born in Athens in 1958. He studied Economics at the University of Manchester and at the University of Sussex. He joined the Bank in 1985. He was appointed Executive General Manager in 1997 and General Manager in 2005. In October 2009 he was appointed Chief Operating Officer (COO) and in March 2017 Deputy CEO - Chief Operating Officer. He has been a Member of the Board of Directors of the Bank since 2005.

Artemios Ch. Theodoridis

ΓHe was born in Athens in 1959. He studied Economics and holds an MBA from the University of Chicago. He joined the Bank as Executive General Manager in 2002. In 2005 he was appointed General Manager and in March 2017 Deputy CEO, Non-Performing Loans and Treasury Management. He has been a Member of the Board of Directors of the Bank since 2005.

George C. Aronis

He was born in Athens in 1957. He studied Economics and holds an MBA, major in Finance, from the Athens Laboratory of Business Administration (ALBA). He has worked for multinational banks for 15 years, mostly at ABN AMRO BANK in Greece and abroad. He joined Alpha Bank in 2004 as Retail Banking Manager. In 2006 he was appointed Executive General Manager, in 2008 General Manager and in March 2017 Deputy CEO, Retail, Wholesale Banking and International Network. He has been a Member of the Board of Directors of the Bank since 2011.

Non-Executive Members

Efthimios O. Vidalis

He was born in 1954. He holds a BA in Government from Harvard University and an MBA from the Harvard Graduate School of Business Administration. He worked at Owens Corning (1981-1998), where he served as President of the Global Composites and Insulation Business Units. Furthermore, he was Chief Operating Officer (1998-2001) and Chief Executive Officer (2001-2011) of the S&B Industrial Minerals Group, where he served on the Board of Directors for 15 years. He is an executive member of the Board of Directors of the TITAN Group. He was a member of the Board of Directors of the Hellenic Federation of Enterprises (SEV) from 2006 to 2016 as well as founder and Chairman of the SEV Business Council for Sustainable Development from 2008 to 2016. He has been a Member of the Board of Directors of the Bank since May 2014.

Non-Executive Independent Members

Ibrahim S. Dabdoub

He was born in 1939. He studied at the Collège des Frères in Bethlehem, at the Middle East Technical University in Ankara, Turkey and at Stanford University, California, U.S.A. He was the Group Chief Executive Officer of the National Bank of Kuwait from 1983 until March 2014. He is Vice Chairman of the International Bank of Qatar (IBQ), Doha and a member of the Board of Directors of the International Institute of Finance (IIF) as well as Co-Chair of the Emerging Markets Advisory Council (EMAC), Washington D.C. He is also a member of the Bretton Woods Committee, Washington D.C. and of the International Monetary Conference (IMC). Furthermore, he is a member of the Board of Directors of the Central Bank of Jordan, Amman, of the Board of Directors of the Consolidated Contractors Company, Athens, and of the Board of Advisors of Perella Weinberg, New York. In 1995, he was awarded the title of "Banker of the Year" by the Arab Bankers Association of North America (ABANA) and in 1997 the Union of Arab Banks named him "Arab Banker of the Year". In 2008 and 2010 he was given a "Lifetime Achievement Award" by "The Banker" and "MEED" respectively. He has been a Member of the Board of Directors of the Bank since May 2014.

Carolyn G. Dittmeier, as of 26.1.2017

She was born in 1956. She holds a BSc in Economics from the Wharton School of the University of Pennsylvania (1978). She is a statutory auditor, a certified public accountant, a certified internal auditor and a certified risk management assurance professional. She focused her career on the auditing sector, taking on the role of Chief Internal Audit Executive of the Poste Italiane Group between 2002 and 2014. Previously, she had gained professional experience with the auditing firm KPMG and the Montedison Group as both financial controller and later Head of Internal Audit. She has carried out various professional and academic activities focusing on risk and control governance. She was Vice Chair of the Institute of Internal Auditors (IIA) from 2013 to 2014 (director since 2007); Chair of the European Confederation of Institutes of Internal Auditing-ECIIA (2011-2012) and of the Italian Association of Internal Auditors (2004-2010). Furthermore, she served as Independent Director and Chair of the Risk and Control Committee of Autogrill SpA, as well as Independent Director and Chair of the Risk and Control Committee of Italmobiliare SpA. She is currently President of the Statutory Audit Committee of Assicurazioni Generali SpA. She has been a Member of the Board of Directors of the Bank since January 2017.

Richard R. Gildea

He was born in 1952. He holds a BA in History from the University of Massachusetts (1974) and an MA in International Economics, European Affairs from The Johns Hopkins University School of Advanced International Studies (1984). He served in JP Morgan Chase from 1986 until 2015 wherein he held various senior management positions throughout his career. He was Emerging Markets Regional Manager for the Central and Eastern Europe Corporate Finance Group, London (1993-1997) and Head of Europe, Middle East and Africa (EMEA) Restructuring, London (1997-2003), as well as Senior Credit Officer in EMEA Emerging Markets, London (2003-2007). From 2007 until 2015 he was Senior Credit Officer for JP Morgan's Investment Bank Corporate Credit in EMEA Developed Markets, London and was appointed Senior Risk Representative to senior committees within the Investment Bank. He is currently a member of the Board of Advisors at The Johns Hopkins University School of Advanced International Studies, Washington D.C., as well as a member of the Chatham House (the Royal Institute of International Affairs), London and of the International Institute of Strategic Studies, London. He has been a Member of the Board of Directors of the Bank since July 2016.

Shahzad A. Shahbaz

He was born in 1960. He holds a BA in Economics from Oberlin College, Ohio, U.S.A. He has worked at various banks and investments firms, since 1981, including the Bank of America (1981-2006), from which he left as Regional Head (Corporate and Investment Banking, Continental Europe, Emerging Europe, Middle East and Africa). He served as Chief Executive Officer (CEO) of NDB Investment Bank/Emirates NBD Investment Bank (2006-2008) and of QInvest (2008-2012). He is currently the Investment Advisor at Al Mirqab Holding Co. He has been a Member of the Board of Directors of the Bank since May 2014.

Jan A. Vanhevel

He was born in 1948. He studied Law at the University of Leuven (1971), Financial Management at Vlekho (Flemish School of Higher Education in Economics), Brussels (1978) and Advanced Management at INSEAD (The Business School for the World), Fontainebleau. He joined Kredietbank in 1971, which became KBC Bank and Insurance Holding Company in 1998. He acquired a Senior Management position in 1991 and joined the Executive Committee in 1996. In 2003 he was in charge of the non-Central European branches and subsidiaries while in 2005 he became responsible for the KBC subsidiaries in Central Europe and Russia. In 2009 he was appointed CEO and implemented the Restructuring Plan of the group until 2012 when he retired. From 2008 until 2011 he was President of the Fédération belge du secteur financier (Belgian Financial Sector Federation) and a member of the Verbond van Belgische Ondernemingen (Federation of Enterprises in Belgium), while he has been the Secretary General of the Institut International d'Études Bancaires (International Institute of Banking Studies) since May 2013. He was also a member of the Liikanen Group on reforming the structure of the EU banking sector. He has been a Member of the Board of Directors of the Bank since April 2016.

Non-Executive Member

(in accordance with Law 3723/2008)

THE GREEK STATE, via its appointed representative Ms Marica S. Ioannou – Frangakis (until 20.3.2017).

It is noted that on 20.3.2017 the representative of the Greek State in the Board of Directors, Ms Marica S. Ioannou – Frangakis resigned without ever being replaced by the Greek State until 20.6.2017.

As of 20.6.2017 the Bank has ceased using the guarantee scheme of the Hellenic Republic, in accordance with the provisions of article 2 of Law 3723/2008 (Pillar II), and has fully repaid the respective liquidity to the Bank of Greece. Consequently, as of the same date, the Bank is not subject any longer to the provisions and the relevant restrictions of Law 3723/2008, inclusive of the obligation to appoint a representative of the Hellenic Republic to the Bank's Board of Directors. It is reminded that, since April 2014, the Hellenic Republic has ceased to hold any preference shares of the Bank under article 1 of Law 3723/2008 (Pillar I), following their full redemption, and the special instruments under article 3 of Law 3723/2008 (Pillar III) have already been cancelled.

Marica S. Ioannou – Frangakis (until 20.3.2017)

She was born in Asyut, Egypt in 1950. She holds a BSc in Economics from the London School of Economics (LSE), University of London, U.K. and an MA in Development Economics from the University of Sussex, U.K. From 1978 to 1993 she worked at the Agricultural Bank of Greece, initially as Head of the Economic Forecasting Department (1978-1990) and then at the Privatisations Unit of the Governor's Office (1990-1993). From 1993 to 2010 she served as Head of the Liquidations Department of Ethniki Kefaleou S.A., a company of the National Bank of Greece group. She is currently an independent researcher focusing on Macroeconomics and Finance. She is a member of the Board of Directors of the Nicos Poulantzas Institute as well as of the Steering Committee of the EuroMemo Group. Following a decision by the Minister of Finance, she was a Member of the Board of Directors of the Bank as a representative of the Greek State from March 2015.

Non-Executive Member

(in accordance with Law 3864/2010)

Panagiota S. Iplixian (until 23.2.2017)

She was born in 1949. She holds a BA in Business Administration and a Postgraduate Diploma in Management Studies from the University of Northumbria, Newcastle upon Tyne, England, and specialised in Organisation and Methods at the British Institute of Administrative Management. In the interval 1972-1987 she worked for consulting firms. From 1987 until 2000 she worked for commercial banks in the United States and from 2000 until 2009 for EFG Eurobank Ergasias. From 2010 until 2012 she was a Non-Executive Independent Member of the Board of Directors of the Hellenic Financial Stability Fund. From October 2011 until December 2013 she was Non-Executive Vice President of the Board of Directors of New Proton Bank, representing the Hellenic Financial Stability Fund. She was a Member of the Board of Directors of the Bank, representing the Hellenic Financial Stability Fund, from January 2014.

Spyridon-Stavros A. Mavrogalos-Fotis (as of 23.2.2017)

He was born in Athens in 1968. He holds a BSc in Computer Information Systems from the American College of Greece (1991) and a Master of Business Administration (MBA) in Finance from the University of Nottingham (1992). He is a chartered auditor-accountant (ACCA) and an internal auditor. From 1993 to 1996 he worked as auditor for KPMG and then for ABN AMRO. From 1996 to 2002 he served as internal auditor and subsequently as Risk Management Head at EFG Eurobank Ergasias. From 2002 to 2007 he was the Cosmote Group COO. Additionally, from 2008-2013 he was Assistant General Manager at the National Bank of Greece. From October 2013 to March 2016 he served as Managing Director at the ETHNIKI Hellenic General Insurance Company and as Chairman at its subsidiaries in Greece, Cyprus and Romania. He was the General Secretary of the Hellenic Association of Insurance Companies and since 2014 he has been Vice Chairman and non-executive member of the Board of Directors of the Insurance Company Europe AEGA. He has been a Member of the Board of Directors of the Bank, representing the Hellenic Financial Stability Fund, since February 2017.

Secretary

George P. Triantafyllides

Audit Committee

The Audit Committee comprises the following Non-Executive Members of the Board of Directors:

- Evangelos J. Kaloussis, Chair (until 28.9.2017)
- Jan A. Vanhevel
- Carolyn G. Dittmeier (as of 26.1.2017 and Chair as of 28.9.2017)
- Efthimios O. Vidalis (as of 28.9.2017)
- Panagiota S. Iplixian (until 23.2.2017)
- Spyridon-Stavros A. Mavrogalos-Fotis (as of 23.2.2017)

The Internal Auditor and the Group Compliance Officer report to the Audit Committee.

The Committee convened twelve times in 2017.

The Committee evaluated the Internal Auditor and the Group Compliance Officer as well as the Internal Control System of the Bank and the Group, based on the relevant data and information of the Internal Audit Division as well as on the remarks and findings of both the external auditors and the Supervisory Authorities.

As part of its responsibilities, the Committee monitored, supervised and assessed the work of the Internal Audit Division and the Compliance Division.

It was informed from the quarterly reports on the activity of the aforementioned Divisions as well as on the corrective actions for the adequate handling of important remarks and recommendations that were documented in the reports of all sorts of audits (by internal auditors, external auditors, Supervisory Authorities, tax authorities, etc.).

The Committee was briefed about the extent of audits carried out by these Divisions and their results, and in particular their findings related to the adequacy and effectiveness of the Internal Control System, in accordance with the Bank of Greece Governor's Act No 2577/2006, as in force. It monitored the implementation of the corrective actions and was constantly informed of the ongoing modernisation of the tools and procedures pertaining to the Internal Control System to meet the Bank's and the Group's increased demands.

It monitored the effectiveness of audits, taking into account the findings and conclusions of the audit reviews carried out by the Competent Authorities.

It reviewed the Annual Audit Plan of the Internal Audit Units of the Bank and the Group as well as the Three-year Audit Plan and proposed their approval by the Board of Directors. In addition it was informed about the annual targets set by the Compliance Division.

It approved the Training Plan for Executives of the Internal Audit Division and it was informed about the Quality Assurance Programme of the said Division.

It took cognizance of the minutes of the meetings of the

Whistleblowing Committee and of the findings pertaining to the relevant cases.

It evaluated the following annual reports to be submitted to the Bank of Greece: a) the annual report on issues pertaining to the responsibility of the Compliance Division, b) the assessment report on the Anti-Money Laundering and Combating the Financing of Terrorism Policy and c) the annual assessment report on the adequacy and effectiveness of the Internal Control System of the Alpha Bank Group by the Internal Audit Division.

Furthermore, it drafted and submitted to the Bank of Greece the assessment reports on the adequacy and effectiveness of the Anti-Money Laundering and Combating the Financing of Terrorism Policy as well as on the Internal Control System of the Alpha Bank Group.

The Committee monitored the financial reporting process as well as the Performance versus the Budget on a quarterly basis.

It reviewed and approved the annual Financial Statements for the year 2016 and the corresponding condensed quarterly and semi-annual Financial Statements for the year 2017, before their submission to the Board of Directors for approval.

The Committee held a series of meetings with the Bank's and the Group's Statutory Certified Auditors concerning the Financial Statements as of 31.12.2016 and 30.6.2017 and received clarifications in response to questions put forth by its Members. Pertaining to these issues, the Committee confirmed the adequacy and effectiveness of the procedures for preparing the Financial Statements of the Bank and the Group. The Statutory Certified Auditors and the Manager of the Internal Audit Division assured the Audit Committee of their independence and that, from the audits carried out, they did not identify any issue, which would have a material impact on the Financial Statements and the smooth operation of the Bank.

It provided prior approvals for all recommendations regarding the provision of Non-Audit Services to the Bank and the Group by the Statutory Certified Auditor, on the basis of the relevant Policy of the Bank, and performed the overall reviewing and monitoring of issues related to the existence and maintenance of its objectivity and independence.

The Bank informed all Members of issues pertaining to the independence of the Bank's Statutory Certified Auditors (Deloitte). The company Deloitte presented to the Audit Committee the issues pertaining to the independence of the Statutory Certified Auditors and the Statutory Certified Auditors' Audit Plan for 2017 with reference, inter alia, to the planned audit approach, the significant risks Deloitte will focus on, the recent changes of the audit regulation as well as the new expanded responsibilities of the Statutory Certified Auditors.

The Committee was informed about the progress of significant projects including those pertaining to the implementation of (a) the Markets in Financial Instruments Directive (MiFID) II and (b) the General Data Protection Regulation (GDPR). Furthermore, in joint meetings with the Risk Management Committee it monitored (a) the IFRS 9 Implementation Project on a monthly basis and provided the required approvals for its implementation as well as (b) issues related to the Cyber Security Risk.

The Committee approved the "Manual on Auditor Selection Procedures" and the "Manual pertaining to the assignment of Non-Audit Services", which are aligned with the legal and regulatory frameworks.

In 2017, the Auditors Selection Committee, in which the Members of the Audit Committee participated, selected the company Deloitte for the regular and tax audit of the Financial Statements of the Bank and of the Alpha Bank Group Companies, with the exception of a perimeter of Group Companies in Greece, for which the Members selected the company SOL S.A.

The Committee proposed to the Board of Directors to assign the project pertaining to the assessment of the adequacy of the Alpha Bank Group's Internal Control System by an external auditor for the years 2014-2016, as per the Bank of Greece Governor's Act 2577/2006, to PricewaterhouseCoopers (PwC).

It took cognizance of the Reports drafted by PwC pertaining to (a) the assessment of the adequacy of the Internal Control System of Alpha Bank for the years 2014-2016, which was subsequently submitted to the Bank of Greece, and (b) the Quality Assessment of the Group Internal Audit Division.

In 2017, the Charter of the Committee was amended in accordance with the applicable laws and regulations as well as with the international best practices.

To ensure the Committee's independence, its meetings were held without Members of the Management being present. There were no disagreements on material issues.

The Audit Committee briefed the Board of Directors on the issues it monitored, discussed and decided upon, following every meeting.

Risk Management Committee

The Risk Management Committee comprises the following Members of the Board of Directors:

- Jan A. Vanhevel, Chair
- Evangelos J. Kaloussis (until 28.9.2017)
- Richard R. Gildea
- Carolyn G. Dittmeier (as of 28.9.2017)
- Shahzad A. Shahbaz (until 28.9.2017)
- Panagiota S. Iplixian (until 23.2.2017)
- Spyridon-Stavros A. Mavrogalos-Fotis (as of 23.2.2017)

The Committee convened seventeen times in 2017.

In 2017, the Risk Management Committee Charter was amended in accordance with the applicable laws and regulations as well as with the international best practices.

The Committee approved the submission of the Annual Internal Capital Adequacy Assessment Process (ICAAP) Report and of the Annual Internal Liquidity Adequacy Assessment Process (ILAAP) Report to the Single Supervisory Mechanism. Moreover, it was briefed in detail on the Single Supervisory Mechanism Supervisory Agenda for 2017, the overview of the disclosures the Bank made, the Single Supervisory Mechanism Liquidity Exercise, the European Central Bank Sensitivity Analysis of Interest Rate Risk in the Banking Book and the Targeted Review of Internal Models by the European Central Bank.

It took cognizance of the Excerpt from the 2016 Internal Control System Assessment Report concerning the assessment of the risk management procedures.

Moreover, it took cognizance of the Annual Report of the Risk Management Business Unit for the year 2016 and submitted an Evaluation Report of the Risk Management Business Unit for the year 2016. Following the above, it proposed the approval of the Annual Report by the Board of Directors, which was submitted to the Bank of Greece, in accordance with the Bank of Greece Governor's Act 2577/2006.

Further to the above, the Committee took cognizance of the Recovery Plan for the Group and, subsequently, proposed to the Board of Directors the approval and the submission thereof to the Bank of Greece and to the Single Supervisory Mechanism.

In addition, the Committee took cognizance of the updated NPLs/NPEs reduction targets. Following the above, it proposed to the Board of Directors their approval and submission to the Single Supervisory Mechanism; in addition, it monitored the implementation of the NPLs/NPEs Reduction Plan as well as of the collaboration project with CEPAL.

Furthermore, the Committee, in joint meetings with the Audit Committee, monitored the implementation project of the International Financial Reporting Standard (IFRS) 9 on a monthly basis and provided the required approvals for its implementation.

It assessed the Chief Risk Officer's performance for the year 2016 and was informed of the range of his remuneration for the year 2017, which was determined in cooperation with the Remuneration Committee of the Board of Directors.

The Committee recommended to the Board of Directors the risk undertaking and capital management strategy as well as the risk appetite corresponding to the business objectives of the Bank and the Group and monitored and checked their implementation.

It held a series of meetings with the Bank's and the Group's Statutory Certified Auditors concerning the annual and bi-annual Financial Statements and received clarifications in response to questions put forth by its Members. The Committee also held meetings with the Chief Financial Officer about these issues to confirm the adequacy and effectiveness of the procedures for preparing the Bank's accounting statements and financial reports. The Statutory Certified Auditors assured the Risk Management Committee that, from the audits carried out, they did not identify any significant issue which would have a material impact on the Financial Statements and the smooth operation of the Bank.

The Committee evaluated 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, of the determination of the applicable maximum risk undertaking limits on an aggregate basis for each type of risk and the further allocation of each of these limits per country, sector, currency, business unit etc. and of the establishment of stop-loss limits or of other corrective actions. It also took cognizance of the various corrective measures taken to contain the Bank's exposure to risks.

It ensured communication among the Internal Auditor, the External Auditors, the Chief Risk Officer, the Regulatory Authorities and the Board of Directors on risk management issues.

During the year, the Committee was informed of the international economic environment. It responded to the emerging conditions and made proposals on the measures needed to address the economic developments.

The Risk Management Committee briefed regularly and in writing the Board of Directors on issues it monitored, discussed and decided upon.

Remuneration Committee

The Remuneration Committee comprises the following Non-Executive Members of the Board of Directors:

- Ibrahim S. Dabdoub, Chair
- Efthimios O. Vidalis
- Richard R. Gildea
- Panagiota S. Iplixian (until 23.2.2017)
- Spyridon-Stavros A. Mavrogalos-Fotis (as of 23.2.2017)

The Committee convened five times in 2017.

The Committee's decision of 22.12.2009 set the level of remuneration for the Executive Members of the Board of Directors and the Members of the Executive Committee, adjusting it to the level of remuneration for the Governor of the Bank of Greece for the period that the Bank is subject to the provisions of Articles 1 and 2 of Law 3723/2008.

The Committee issued an opinion on the level of compensation for the Members of the Board of Directors and its Committees.

It submitted a proposal to the Board of Directors regarding both the Remuneration Policy and the Benefits Policy for Alpha Bank and the Group Companies and reviewed the implementation thereof. In addition, it submitted a proposal to the Board of Directors regarding the Expenses Policy for the Non-Executive Members of the Board of Directors.

The Remuneration Committee informed in writing the Board of Directors of the issues it monitored, discussed and decided upon.

Corporate Governance and Nominations Committee

The Corporate Governance and Nominations Committee comprises the following Members of the Board of Directors:

- Shahzad A. Shahbaz, Chair
- Efthimios O. Vidalis
- Ibrahim S. Dabdoub
- Panagiota S. Iplixian (until 23.2.2017)
- Spyridon-Stavros A. Mavrogalos-Fotis (as of 23.2.2017)

The Committee convened five times in 2017.

The Corporate Governance and Nominations Committee conducted and submitted to the Board of Directors the annual overall evaluation of the Board of Directors and its Committees and ascertained that the current compositions of all Committees of the Board of Directors, namely the Audit Committee, the Risk Management Committee, the Remuneration Committee and the Corporate Governance and Nominations Committee, meet the requirements of the compliance framework, are consistent with the principles of Corporate Governance of the Bank and contribute to the effective and smooth operation of the Committees.

It also ascertained that the Members of the Board of Directors represent various business sectors, come from different geographical areas and are acknowledged for the quality of their character, their integrity, their leadership, management, thought and constructive work skills in a team environment as well as for their financial knowledge and other professional and business experience. The level of experience and knowledge of all the Members of the Board of Directors and its Committees was evaluated as very high and their performance as exceptional.

Further to the above it was ascertained that the Members comply with the stipulations of article 83 of Law 4261/2014 on the combination of directorships that Board Members may hold at the same time, that they do not pursue any personal or private interest, as defined in article 2 of Law 3016/2002 and that the Non-Executive Independent Members of the Board of Directors fulfil the independence criteria set out in Law 3016/2002 and the Corporate Governance Code of the Bank.

The Committee reviewed the attendance of Members at Board Meetings and deemed that the Members of the Board of Directors who were absent had informed the Bank on time of the relevant reasons and had authorised in writing another Member of the Board of Directors to represent them at the meeting where they were not present due to impediment. All Members devoted sufficient time to the meetings of the Board and its Committees.

The Committee updated the Charters of the Committees of the Board of Directors and the Code of Ethics in order for them to be in compliance with the latest requirements of the legal and regulatory framework and the corporate governance best practices.

The new Members were provided by the Bank with an introductory information programme on Corporate Governance, Risk Management, Internal Audit, Compliance, Capital Adequacy, Financial Services and Human Resources.

Additionally, it constantly informed the Non-Executive Members of the Board about current issues of the banking market.

The Corporate Governance and Nominations Committee informed in writing the Board of Directors of the issues it monitored, discussed and decided upon.

Executive Committee

The Executive Committee is the senior executive body of Alpha Bank. Its Members are the following:

- Demetrios P. Mantzounis, Managing Director - CEO, Chair of the Executive Committee
- Spyros N. Filaretos, Deputy CEO - Chief Operating Officer
- Artemios Ch. Theodoridis, Deputy CEO, Non-Performing Loans and Treasury Management
- George C. Aronis, Deputy CEO, Retail, Wholesale Banking and International Network
- Alexios A. Pilavios, General Manager - Wealth Management (until 30.6.2017)
- Spiros A. Andronikakis, General Manager - CRO
- Vassilios E. Psaltis, General Manager - CFO

It convenes at least once a week under the chairmanship of the Managing Director and with the participation of the Deputy CEOs and the General Managers. Depending on the subjects under discussion, other Executives or Members of the Management of Group Companies participate in the meeting. The Executive Committee carries out a review of the domestic and international economy and market developments and examines issues of business planning and policy. Furthermore, the Committee deliberates on issues relating to the development of the Group and submits recommendations on the Rules and Regulations of the Bank as well as on the budget of each Business Unit. Finally, it submits recommendations on the Human Resources policy and the participation of the Bank or the Group Companies in other companies.

Statutory Certified Auditors

The audit of the bi-annual and annual 2017 Financial Statements has been assigned to the audit firm "DELOITTE CERTIFIED PUBLIC ACCOUNTANTS S.A.".

Internal Audit

In order to protect the Bank's assets and safeguard its Shareholders' and Customers' interests, an Internal Control System is in place, which includes control and auditing mechanisms and procedures that cover all its activities on a continuous basis and contribute to its effective and secure operation.

The audit methods are risk-based and a specialised internal audit project management software is used. These allow for organising, executing and evaluating the audit process, as well as for compiling MIS reports at Group level. In every country where the Group conducts business, there is an Internal Audit Unit applying the same audit methodology as the one that is used in Greece.

In 2017, the Internal Audit Units carried out audits at the Branches as well as the Central Units of the Bank and the Group Companies.

The Management and the Audit Committee of the Bank's Board of Directors were informed of the audit results and of whether the Internal Control System achieves its objectives.

BOARD OF DIRECTORS	Audit Committee	Risk Management Committee	Remuneration Committee	Corporate Governance and Nominations Committee
Chairman (Non-Executive Member) Vasileios T. Rapanos				
Vice Chairman (Non-Executive Independent Member) Evangelos J. Kaloussis (Vice Chairman until 28.9.2017)	● (until 28.9.2017)	○ (until 28.9.2017)		
EXECUTIVE MEMBERS				
Managing Director - CEO Demetrios P. Mantzounis				
Deputy CEOs Spyros N. Filaretos				
Artemios Ch. Theodoridis				
George C. Aronis				
NON-EXECUTIVE MEMBERS				
Efthimios O. Vidalis	○ (as of 28.9.2017)		○	○
NON-EXECUTIVE INDEPENDENT MEMBERS				
Ibrahim S. Dabdoub			●	○
Shahzad A. Shahbaz		○ (until 28.9.2017)		●
Jan A. Vanhevel	○	●		
Carolyn G. Dittmeier (as of 26.1.2017)	○ (as of 26.1.2017 until 28.9.2017) ● (as of 28.9.2017)	○ (as of 28.9.2017)		
Richard R. Gildea		○	○	
NON-EXECUTIVE MEMBER in accordance with Law 3723/2008				
THE GREEK STATE, until 20.6.2017 via its appointed representative, -Ms Marica S. Ioannou – Frangakis (until 20.3.2017)				
NON-EXECUTIVE MEMBER in accordance with Law 3864/2010				
Panagiota S. Iplixian (until 23.2.2017) As representative and upon instruction of the Hellenic Financial Stability Fund	○	○	○	○
Spyridon-Stavros A. Mavrogalos-Fotis (as of 23.2.2017) As representative and upon instruction of the Hellenic Financial Stability Fund	○	○	○	○

● Committee Chair ○ Committee Member

Regulatory Compliance

The Bank identifies, evaluates and manages the risks it may be exposed to in case of failure to comply with the applicable regulatory framework (compliance risk). To this end, the legal and regulatory obligations of the Group are recorded and its compliance level is assessed. In the case of identified deviations, their repercussions are evaluated and the appropriate measures are implemented, so that the Customers' and Shareholders' interests are protected, along with the Bank's reputation.

In particular, in 2017, the most important actions in this area were the following:

- Supervising and effectively coordinating the Compliance Officers of the Group Companies in Greece and abroad.
- Monitoring the corporate governance issues stipulated in Directive 2013/36/EU (CRD IV), as incorporated into Greek legislation via Law 4261/2014 and Regulation (EU) No 575/2013 (CRR).
- Launching the adjustment project to the requirements of the General Data Protection Regulation provisions, with the participation of the Bank's Business Units, in order to ensure the processing of the Customers' personal data with responsibility and transparency.
- The conclusion of the necessary actions for the adjustment to the MiFID II requirements, with the protection of investors being the main priority.
- Updating the Policy on "Related Parties" Transactions, in order to ensure transactions' control and monitoring, focusing on the transparency of the transactions and the interests of the Customers and the Shareholders.
- The submission to the Bank of Greece of files concerning services or products, in order to assess the money laundering risk for the year 2016 and for the first half of 2017, in compliance with the Bank of Greece Governor's Act 2651/2012.
- Issuing a new Circular and a modified Procedures Manual for the Prevention of the Use of the Financial System for Money Laundering and Terrorism Financing.
- The completion of the project to provide information related to the compilation of the National Risk Assessment (NRA) Report for Money Laundering/Terrorist Financing. The compilation of the Report is an obligation that stems from the international regulatory framework and specifically from the recommendations of the Financial Action Task Force (FATF).
- The completion of the Compliance Division's intranet site, which aims at a more effective internal communication with the Bank's Personnel regarding Compliance issues.
- The participation in Working Groups held by the Hellenic Bank Association and the Bank, regarding the compliance with the new regulatory framework and the improvement of the services and products offered by the Bank.
- Carrying out new remote audits in the Branch Network, based on new needs and the requirements of the regulatory framework.
- Providing an opinion on the Risk Control Self-Assessment (RCSA) procedure, for all the Group Companies in Greece and abroad.
- Supplying the SWIFT KYC Registry platform with the necessary information concerning the Bank and the Group Companies.
- Providing guidance to Group Companies regarding several issues (crypto-currencies, mass deletion of CIFs, etc.).
- Evaluating correspondent banks and third parties.
- Reinforcing the Special AML/CFT Unit with the secondment of nine Employees from the Branch Network, in order to settle pending investigations.
- Continuously assessing the effective operation of the Siron AML system and implementing new scenarios, depending on the changes in the regulatory framework.
- Activating the automated control procedure for outgoing remittances through the Siron Embargo system.
- Ensuring customer protection through the compliance of the Bank's products, services and Transaction Terms with the regulatory framework in force.
- Monitoring that the deadlines to report to the Regulatory Authorities are met.
- Completing and issuing a new Circular and Procedures Manual for the Lifting of Bank Secrecy and Requests' Management, concerning issues related to the Bank Secrecy and Provision of Information to Third Parties Functional Area.

- Centralising the procedure of blocking customer assets in compliance with Judicial and Financial Authorities' orders, by transferring duties from the Branch Network to the Compliance Division.
- Developing and registering a new notification procedure concerning deceased Customers and transferring a large number of cases from the Branch Network to the Compliance Division.
- Updating the Internal Procedures' Manual by adding the new responsibilities of the Bank Secrecy and Provision of Information to Third Parties Functional Area.
- Reinforcing the Bank Secrecy and Provision of Information to Third Parties Functional Area with the secondment of six additional Employees, in order to promptly respond to requirements stemming from the central procedure for the blocking of customer assets and from the notification process related to deceased Customers.
- Providing guidelines to the Branch Network on handling third-party requests concerning the lifting of bank secrecy and the processing of a large number of cases regarding the provision of information to Supervisory, Tax, Judicial and Police Authorities.
- Blocking customer assets, in compliance with the Judicial and the Financial Authorities' relevant orders.
- Completing the procedure of electronic record keeping in the Bank Secrecy and Provision of Information to Third Parties Functional Area, while ending the actual record keeping.

Emphasis was placed on employee training, in order to consolidate and ensure the implementation of regulatory compliance principles and increase their awareness on the relevant issues.

The main objectives for 2018 are the implementation of uniform regulatory compliance policy and procedures in the entire Group, so as to achieve complete and ongoing compliance in an ever-changing regulatory environment. The Compliance Division's priority is the smooth and productive cooperation with the Regulatory Authorities, at national as well as European level, in order to secure customer interests and cater to their needs, as well as the protection of the Bank from money laundering and terrorist financing risks, through the improvement of the Siron AML system for the continuous monitoring and detection of unusual or suspicious transactions. A significant amount of effort will focus on the adjustment to the requirements of the MiFID II and the General Data Protection Regulation, as the enhancement of transaction transparency and customer trust constitute a priority for the Bank.

Group Information Security

The Information Security Division is responsible for developing, implementing, maintaining and monitoring the information security policy, key principles, procedures and mechanisms as well as managing related issues at Group level, in accordance with the Group's business goals and the Regulatory Framework. The Division compiles the Group Information Security Framework and submits it for approval to the Operational Risk Committee. It also supervises and coordinates the actions undertaken to ensure the effective management of the protection of information (in verbal, printed and electronic form) and the systems within the Group, in collaboration with the respective Executives of the Group Companies. Furthermore, the Division advises on the necessity and suitability of the projects it is responsible for. It also represents the Bank to organisations and Authorities dealing with information security issues and is responsible for communicating with them.

The Division is active in the following Functional Areas:

I. Information Security Policy and Planning

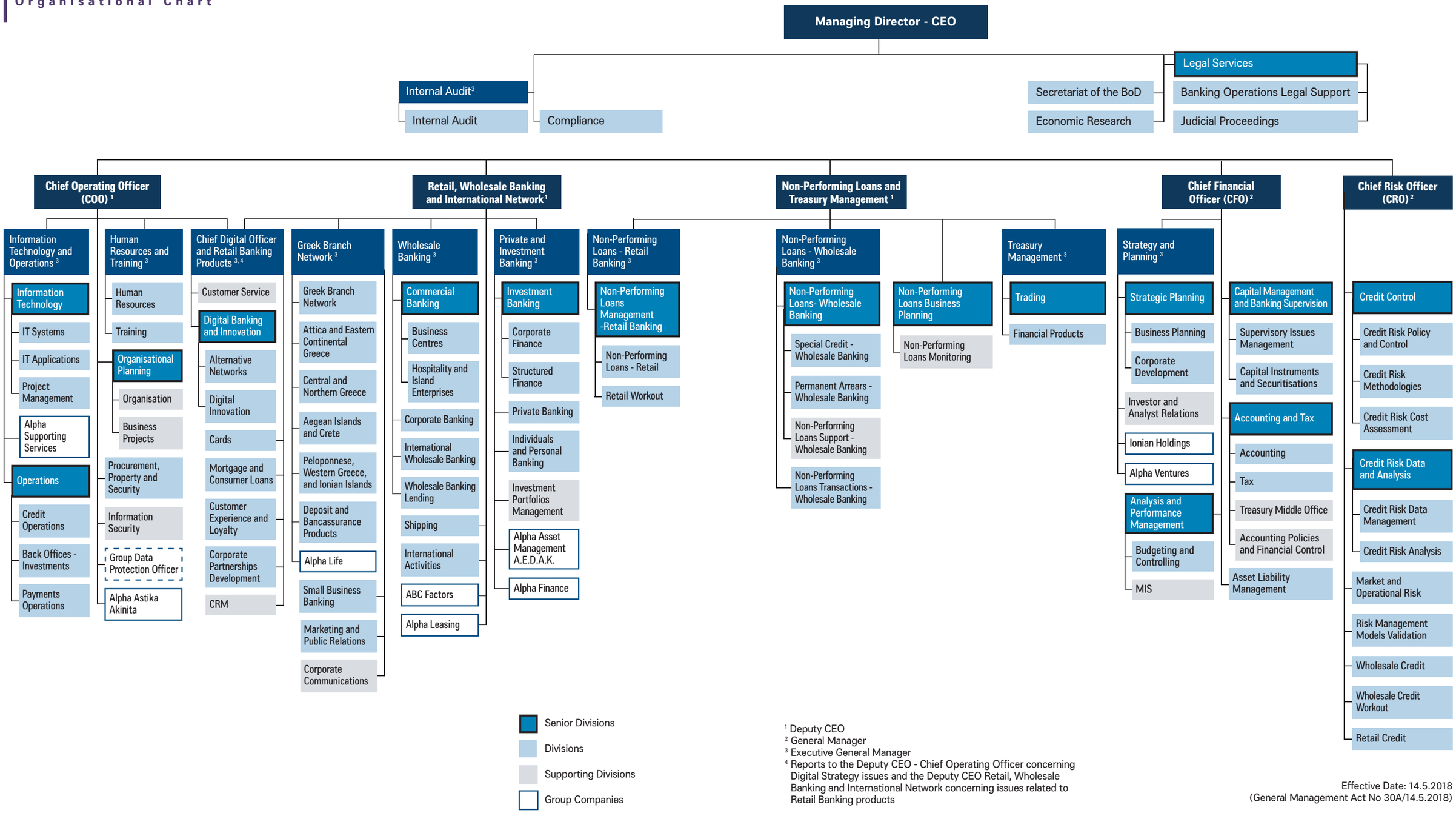
II. Information Security Monitoring and Assessment

III. Information Security Infrastructure and Incident Management.

The most important activities of the Division in 2017 included the following:

1. Monitoring the implementation of the Group Information Security Framework in all Units of the Bank and the Group Companies as well as supervising and coordinating the Information Security Officers locally.
2. Supervising the action plan to correct deviations from the Group Information Security Framework for the Bank and the Group Companies.
3. Monitoring security events and alerts on a 24/7 basis and taking appropriate measures to prevent and respond to attacks.
4. Conducting security checks and introducing improvements in the security of the Group's critical systems, infrastructure and procedures.
5. Revising the Group Information Security Framework (with regards to the Security Risk Rating Methodology and the Technological Security Standards).
6. Assisting in the Classification of systems and conducting Information Security Risk Assessments of systems and services.
7. Designing and specifying security requirements in new systems and infrastructure of the Bank and the Group Companies. The following is an indicative list of related projects:
   - low latency for the Alpha Finance FIX application;
   - the creation of new infrastructure in the Bank's Datacentre for the Market Making application of Alpha Finance;
   - Client Trade;
   - Flexcube 12;
   - VDI;
   - CBS.
8. Carrying out the annual evaluation for the renewal of the Bank's certification as a Level 1 Service Provider and a Level 4 Merchant, in accordance with the Payment Card Industry Data Security Standard (PCI DSS).
9. Carrying out the annual evaluation for the renewal of the Division's certification in accordance with the ISO/IEC 27001:2013 international information security standard for the design, development, operation, management and support of Information Security for the Alpha Bank Group.
10. Creating an online application to classify IT resources.
11. Adding new applications and configuring the interface of the infrastructure for remote access using Windows tablets (Direct Access), in accordance with the requirements of the Business Units.
12. Replacing or upgrading the security infrastructure in the Bank and the Group Companies, including the following:
    - IDM Major Release.
    - New Guest infrastructure. Creating new infrastructure to provide Guest Internet access to Bank Officers, external associates and visitors.
    - Upgrading of the DMZ ESXi infrastructure. Installing and configuring security mechanisms in the new VMware ESXi 6.0 environment within the DMZ environment and collaborating with the IT Systems Division for the design of mechanisms of the new infrastructure.
13. Integrating new systems into the Security Information and Event Management (SIEM) infrastructure to provide centralised management and correlation of the logs generated by the security mechanisms and critical systems.
14. Implementing a new system (Mobile Office) for the secure access of mobile devices to corporate systems such as the Alpha Bank Intranet and the central internal documents repository (SharePoint).
15. Managing, developing and supporting the operation of the infrastructure for the secure remote communication between the Bank's Executives or between them and Customers via videoconference (Skype for Business).
16. Creating an e-learning module course entitled "Introduction to Information Security" on the E-Front platform, under the "Information Security" subject area, whose attendance is mandatory for all the Bank's Officers.
17. Evaluating and selecting a Privileged Access Management (PAM) solution for the systematic and concise administration of privileged users (e.g. System Administrators).
18. Addition of Security Services to the IT Service Management system (HPSM) to manage related requests more efficiently.
19. Overall evaluation of information security procedures and functions (Health Check).
20. Participating in the working group for the compliance with the new General Data Protection Regulation (GDPR - Regulation (EU) 2016/679).
21. Participating in the working group "Information and Communication Technology (ICT) Risk Assessment under the Supervisory Review and Evaluation Process (SREP)".
22. Participating in the project for the implementation of the International Financial Reporting Standard (IFRS) 9.
23. Participating in the project for the European regulatory framework on payment services in the internal market (PSD 2).
24. Implementing a platform to record and follow up findings of technical security checks (Armor system).
25. Designing and evaluating a solution for the upgrade of security infrastructure to high-speed (10 Gbps).
26. Evaluating outsourcing contracts with regards to the terms concerning information security.
27. Managing the Group's domain names.

Organisational Chart



[1] Deputy CEO
[2] General Manager
[3] Executive General Manager
[4] Reports to the Deputy CEO - Chief Operating Officer concerning Digital Strategy issues and the Deputy CEO Retail, Wholesale Banking and International Network concerning issues related to Retail Banking products

Effective Date: 14.5.2018
(General Management Act No 30A/14.5.2018)

CHAPTER 09

Financial Statements

Group Financial Statements as at 31.12.2017

Consolidated Income Statement

	(Amounts in Euro thousand)	
	From 1 January to	
	31.12.2017	31.12.2016
Interest and similar income	2,514,338	2,668,781
Interest expense and similar charges	(571,746)	(744,696)
Net interest income	1,942,592	1,924,085
Fee and commission income	395,490	373,667
Commission expense	(71,996)	(55,742)
Net fee and commission income	323,494	317,925
Dividend income	1,435	3,178
Gains less losses on financial transactions	144,702	84,896
Other income	54,508	56,988
	200,645	145,062
Total income	**2,466,731**	**2,387,072**
Staff costs	(474,378)	(507,853)
Cost/Provision for separation schemes	(92,719)	(31,655)
General administrative expenses	(554,960)	(510,770)
Depreciation and amortisation	(99,743)	(97,425)
Other expenses	(71,234)	(77,752)
Total expenses before impairment losses and provisions to cover credit risk	**(1,293,034)**	**(1,225,455)**
Impairment losses and provisions to cover credit risk	(1,005,415)	(1,167,953)
Share of profit/(loss) of associates and joint ventures	(3,162)	(3,342)
Profit/(loss) before income tax	**165,120**	**(9,678)**

The table above derives from the Annual Report as of 31.12.2017. Therefore, we recommend that the reader visits the website of the Bank, where the financial statements as well as the auditor's report are available (http://www.alpha.gr/page/default.asp?id=17524&la=2)

	(Amounts in Euro thousand)	
	From 1 January to	
	31.12.2017	31.12.2016
Income tax	(75,611)	29,214
Profit/(loss) after income tax, from continuing operations	**89,509**	**19,536**
Profit/(loss) after income tax, from discontinued operations	(68,457)	22,766
Profit/(loss) after income tax	**21,052**	**42,302**
Profit/(loss) attributable to:		
Equity owners of the Bank		
- from continuing operations	89,528	19,374
- from discontinued operations	(68,457)	22,766
	21,071	**42,140**
Non-controlling interests		
- from continuing operations	(19)	162
Earnings/(losses) per share:		
Basic and diluted (Euro per share)	0.01	0.03
Basic and diluted from continuing operations (Euro per share)	0.06	0.01
Basic and diluted from discontinued operations (Euro per share)	(0.04)	0.01

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Consolidated Balance Sheet

	(Amounts in Euro thousand)	
	31.12.2017	**31.12.2016**
ASSETS		
Cash and balances with central banks	1,593,850	1,514,607
Due from banks	1,715,649	1,969,281
Trading securities	8,685	4,701
Derivative financial assets	622,536	634,323
Loans and advances to Customers	43,318,193	44,408,760
Investment securities		
- Available for sale	5,873,768	5,217,053
- Held to maturity	10,870	44,999
- Loans and receivables		2,682,655
Investments in associates and joint ventures	18,886	21,792
Investment property	577,112	614,092
Property, plant and equipment	735,250	793,968
Goodwill and other intangible assets	389,809	371,314
Deferred tax assets	4,330,602	4,519,046
Other assets	1,328,838	1,450,459
	60,524,048	64,247,050
Assets held for sale	288,977	625,216
Total Assets	**60,813,025**	**64,872,266**
LIABILITIES		
Due to banks	13,141,531	19,105,577
Derivative financial liabilities	1,029,421	1,336,227
Due to Customers (including debt securities in issue)	34,890,436	32,946,116
Debt securities in issue held by institutional investors and other borrowed funds	655,567	616,865

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	(Amounts in Euro thousand)	
	31.12.2017	**31.12.2016**
Liabilities for current income tax and other taxes	42,761	33,778
Deferred tax liabilities	24,997	21,219
Employee-defined benefit obligations	92,038	91,828
Other liabilities	867,921	879,185
Provisions	441,240	321,704
	51,185,912	55,352,499
Liabilities related to assets held for sale	422	406,354
Total Liabilities	**51,186,334**	**55,758,853**
EQUITY		
Equity attributable to equity owners of the Bank		
Share capital	463,110	461,064
Share premium	10,801,029	10,790,870
Reserves	809,073	400,640
Amounts recognised directly in equity related to assets held for sale	(122)	(68,579)
Retained earnings	(2,490,040)	(2,506,711)
	9,583,050	**9,077,284**
Non-controlling interests	**28,534**	**20,997**
Hybrid securities	**15,107**	**15,132**
Total Equity	**9,626,691**	**9,113,413**
Total Liabilities and Equity	**60,813,025**	**64,872,266**

The table above derives from the Annual Report as of 31.12.2017. Therefore, we recommend that the reader visits the website of the Bank, where the financial statements as well as the auditor's report are available (http://www.alpha.gr/page/default.asp?id=17524&la=2)

Consolidated Statement of Comprehensive Income

	(Amounts in Euro thousand)	
	From 1 January to	
	31.12.2017	31.12.2016
Profit/(loss), after income tax, recognised in the Income Statement	**21,052**	**42,302**
Other comprehensive income recognised directly in equity:		
Amounts that may be reclassified in the Income Statement		
Net change in available for sale securities reserve	509,224	93,352
Net change in cash flow hedge reserve	52,774	(55,212)
Exchange differences on translating and hedging the net investment in foreign operations	(2,192)	(849)
Net change in the share of other comprehensive income of associates and joint ventures	72	
Income tax	(155,234)	(6,635)
Amounts that may be reclassified in the Income Statement from continuing operations	**404,644**	**30,656**
Amounts that may be reclassified in the Income Statement from discontinued operations	**68,457**	**(1,458)**
Amounts that will not be reclassified in the Income Statement from continuing operations		
Net change in actuarial gains/(losses) of defined benefit obligations	198	(10,694)
Income tax	(56)	3,100
	142	**(7,594)**

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	(Amounts in Euro thousand)	
	From 1 January to	
	31.12.2017	31.12.2016
Amounts that will not be reclassified in the Income Statement from discontinued operations		
Net change in actuarial gains/(losses) of defined benefit obligations	(200)	4
Income tax	30	
	(170)	**4**
Total of other comprehensive income recognised directly in equity, after income tax	**473,073**	**21,608**
Total comprehensive income for the year, after income tax	**494,125**	**63,910**
Total comprehensive income for the year attributable to:		
Equity owners of the Bank		
- from continuing operations	494,149	42,448
- from discontinued operations		21,312
	494,149	**63,760**
Non-controlling interests		
- from continuing operations	(24)	150

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Consolidated Statement of Changes in Equity

	(Amounts in Euro thousand)							
	Share capital	Share premium	Reserves	Retained earnings	Total	Non-controlling interests	Hybrid securities	Total
Balance 1.1.2016	**461,064**	**10,790,870**	**308,920**	**(2,546,885)**	**9,013,969**	**23,998**	**15,232**	**9,053,199**
Changes for the period 1.1.2016-31.12.2016								
Profit for the year, after income tax				42,140	42,140	162		42,302
Other comprehensive income recognised directly in Equity, after income tax			29,208	(7,588)	21,620	(12)		21,608
Total comprehensive income for the year, after income tax			**29,208**	**34,552**	**63,760**	**150**		**63,910**
Share capital increase expenses, after income tax				(689)	(689)			(689)
Purchases/sales and change of ownership interests in subsidiaries			(8,826)	8,826		(3,151)		(3,151)

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	(Amounts in Euro thousand)							
	Share capital	Share premium	Reserves	Retained earnings	Total	Non-controlling interests	Hybrid securities	Total
(Purchases), (redemptions)/sales of hybrid securities, after income tax				61	61		(100)	(39)
Appropriation of reserves			2,759	(2,759)				
Other				183	183			183
Balance 31.12.2016	**461,064**	**10,790,870**	**332,061**	**(2,506,711)**	**9,077,284**	**20,997**	**15,132**	**9,113,413**

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	(Amounts in Euro thousand)							
	Share capital	Share premium	Reserves	Retained earnings	Total	Non-controlling interests	Hybrid securities	Total
Balance 1.1.2017	**461,064**	**10,790,870**	**332,061**	**(2,506,711)**	**9,077,284**	**20,997**	**15,132**	**9,113,413**
Changes for the period 1.1.2017 - 31.12.2017								
Profit for the year, after income tax				21,071	21,071	(19)		21,052
Other comprehensive income recognised directly in Equity, after income tax			473,105	(27)	473,078	(5)		473,073
Total comprehensive income for the year, after income tax			**473,105**	**21,044**	**494,149**	**(24)**		**494,125**
Conversion of convertible bond loan into shares	2,046	10,159			12,205			12,205
Share capital increase expenses, after income tax				(560)	(560)			(560)

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	(Amounts in Euro thousand)							
	Share capital	Share premium	Reserves	Retained earnings	Total	Non-controlling interests	Hybrid securities	Total
Purchases/sales and change of ownership interests in subsidiaries and subsidiaries' share capital increases				(26)	(26)	7,561		7,535
(Purchases), (redemptions)/ sales of hybrid securities, after income tax							(25)	(25)
Appropriation of reserves			3,785	(3,785)				
Other				**(2)**	**(2)**			**(2)**
Balance 31.12.2017	**463,110**	**10,801,029**	**808,951**	**(2,490,040)**	**9,583,050**	**28,534**	**15,107**	**9,626,691**

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Consolidated Statement of Cash Flows

	(Amounts in Euro thousand)	
	From 1 January to	
	31.12.2017	31.12.2016*
Cash flows from continuing operating activities		
Profit/(loss) before income tax	165,120	(9,678)
Adjustments for gains/(losses) before income tax for:		
Depreciation/Impairment/Write-offs of tangible assets	128,998	101,855
Amortisation/Impairment/Write-offs of intangible assets	51,930	51,578
Impairment losses from loans, provisions and staff leaving indemnity	1,157,336	1,237,992
(Gains)/losses from investing activities	(307,163)	(351,259)
(Gains)/losses from financing activities	(15,769)	50,015
Share of (profit)/loss of associates and joint ventures	3,162	3,342
	1,183,614	**1,083,845**
Net (increase)/decrease in assets relating to continuing operating activities:		
Due from banks	506,008	(135,041)
Trading securities and derivative financial assets	7,802	156,769
Loans and advances to Customers	(49,968)	480,508
Other assets	127,998	82,573
Net increase/(decrease) in liabilities relating to continuing operating activities:		
Due to banks	(5,964,046)	(6,004,782)
Derivative financial liabilities	(254,032)	(269,485)
Due to Customers	1,926,601	1,901,458
Other liabilities	(32,359)	(28,180)
Net cash flows from continuing operating activities before taxes	**(2,548,382)**	**(2,732,335)**
Income taxes and other taxes paid	(13,748)	(17,391)
Net cash flows from continuing operating activities	**(2,562,130)**	**(2,749,726)**

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	(Amounts in Euro thousand)	
	From 1 January to	
	31.12.2017	31.12.2016*
Net cash flows from discontinued operating activities	**7,010**	**2,697**
Cash flows from continuing investing activities		
Investments in associates and joint ventures	(9,380)	(18,655)
Amounts received from disposal of subsidiaries	63,636	76,016
Dividends received	1,435	3,178
Acquisitions of tangible and intangible assets	(145,575)	(186,048)
Disposals of tangible and intangible assets	54,558	36,537
Purchases of Greek State treasury bills	(3,356,877)	(4,792,895)
Disposals/maturities of Greek State treasury bills	3,678,213	5,489,151
Purchases of investment securities (excluding Greek State treasury bills)	(2,761,629)	(1,866,945)
Disposals/maturities of investment securities (excluding Greek State treasury bills)	5,328,328	3,505,743
Net cash flows from continuing investing activities	**2,852,709**	**2,246,082**
Net cash flows from discontinued investing activities	**(52,684)**	**(24,477)**
Cash flows from continuing financing activities		
Receipts of debt securities in issue and other borrowed funds	218,587	321,034
Repayments of debt securities in issue and other borrowed funds	(164,445)	(116,394)
(Purchases)/sales of hybrid securities		(15)
Share capital increase expenses	(639)	(970)
Net cash flows from continuing financing activities	**53,503**	**203,655**
Effect of exchange rate differences on cash and cash equivalents	(12,463)	(31,476)
Net increase/(decrease) in cash flows from continuing activities	**331,619**	**(331,465)**
Net increase/(decrease) in cash flows from discontinued activities	**(45,674)**	**(21,780)**
Cash and cash equivalents at the beginning of the year	**974,888**	**1,328,133**
Cash and cash equivalents at the end of the year	**1,260,833**	**974,888**

** The figures of the Consolidated Statement of Cash Flows of the comparative year have been restated for comparison purposes.*

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Bank Financial Statements as at 31.12.2017

Income Statement

	(Amounts in Euro thousand)	
	From 1 January to	
	31.12.2017	31.12.2016
Interest and similar income	2,225,606	2,372,840
Interest expense and similar charges	(531,351)	(706,293)
Net interest income	1,694,255	1,666,547
Fee and commission income	342,344	320,636
Commission expense	(64,245)	(49,987)
Net fee and commission income	278,099	270,649
Dividend income	35,638	448,975
Gains less losses on financial transactions	(85,772)	(170,029)
Other income	16,249	11,494
	(33,885)	290,440
Total income	**1,938,469**	**2,227,636**
Staff costs	(375,800)	(400,921)
Provision for separation scheme	(92,719)	
General administrative expenses	(460,959)	(417,397)
Depreciation and amortisation	(74,210)	(71,048)
Other expenses	(30,920)	(30,281)
Total expenses before impairment losses and provisions to cover credit risk	**(1,034,608)**	**(919,647)**
Impairment losses and provisions to cover credit risk	(798,036)	(1,170,200)
Profit/(loss) before income tax	**105,825**	**137,789**

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	(Amounts in Euro thousand)	
	From 1 January to	
	31.12.2017	31.12.2016
Income tax	(61,930)	123,155
Profit/(loss) after income tax, from continuing operations	**43,895**	**260,944**
Profit/(loss) after income tax, from discontinued operations		(326)
Profit/(loss) after income tax	**43,895**	**260,618**
Earnings/(losses) per share:		
Basic and diluted (Euro per share)	0.0285	0.1696
Basic and diluted from continuing operations (Euro per share)	0.0285	0.1698
Basic and diluted from discontinued operations (Euro per share)		(0.0002)

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Balance Sheet

	(Amounts in Euro thousand)	
	31.12.2017	**31.12.2016**
ASSETS		
Cash and balances with Central Banks	774,882	674,439
Due from banks	2,227,791	2,912,313
Trading securities	6,544	2,865
Derivative financial assets	628,133	644,436
Loans and advances to Customers	38,521,136	40,261,524
Investment securities		
- Available for sale	4,887,356	4,360,047
- Held to maturity	319	9,342
- Loans and receivables		2,682,655
Investments in subsidiares, associates and joint ventures	2,048,931	1,815,255
Investment property	26,379	27,836
Property, plant and equipment	628,956	675,870
Goodwill and other intangible assets	350,783	333,926
Deferred tax assets	4,282,208	4,477,144
Other assets	1,253,995	1,378,290
	55,637,413	**60,255,942**
Assets held for sale	217,285	146,631
Total Assets	**55,854,698**	**60,402,573**

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	(Amounts in Euro thousand)	
	31.12.2017	**31.12.2016**
LIABILITIES		
Due to banks	13,751,850	19,433,001
Derivative financial liabilities	1,037,174	1,337,559
Due to Customers	30,255,030	29,009,979
Debt securities in issue and other borrowed funds	557,949	598,759
Liabilities of current income tax and other taxes	17,920	19,419
Employee-defined benefit obligations	89,441	89,126
Other liabilities	824,340	806,500
Provisions	175,307	383,188
Total Liabilities	**46,709,011**	**51,677,531**
EQUITY		
Share capital	463,110	461,064
Share premium	10,801,029	10,790,870
Reserves	572,832	208,187
Retained earnings	(2,691,284)	(2,735,079)
Total Equity	**9,145,687**	**8,725,042**
Total Liabilities and Equity	**55,854,698**	**60,402,573**

The table above derives from the Annual Report as of 31.12.2017. Therefore, we recommend that the reader visits the website of the Bank, where the financial statements as well as the auditor's report are available (http://www.alpha.gr/page/default.asp?id=17524&la=2)

Statement of Comprehensive Income

	(Amounts in Euro thousand)	
	From 1 January to	
	31.12.2017	31.12.2016
Profit/(loss), after income tax, recognised in the Income Statement	**43,895**	**260,618**
Other comprehensive income recognised directly in Equity:		
Amounts that may be reclassified into the Income Statement		
Net change in available for sale securities' reserve	459,969	133,659
Net change in cash flow hedge reserve	53,361	(57,273)
Income tax	(148,685)	(21,830)
Total amounts that may be reclassified into the Income Statement	**364,645**	**54,556**
Amounts that will not be reclassified into the Income Statement		
Net change in actuarial gains/(losses) of defined benefit obligations	133	(10,529)
Income tax	(39)	3,052
Total amounts that will not be reclassified into the Income Statement	**94**	**(7,477)**
Total of other comprehensive income recognised directly in Equity, after income tax	**364,739**	**47,079**
Total comprehensive income for the year, after income tax	**408,634**	**307,697**
Total comprehensive income for the year after income tax attributable to:		
Equity owners of the Bank		
- from continuing operations	408,634	308,023
- from discontinued operations		(326)

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Statement of Changes in Equity

	(Amounts in Euro thousand)				
	Share capital	Share premium	Reserves	Retained earnings	Total
Balance 1.1.2016	**461,064**	**10,790,870**	**153,631**	**(2,987,532)**	**8,418,033**
Changes for the period 1.1.2016 - 31.12.2016					
Profit for the year, after income tax				260,618	260,618
Other comprehensive income recognised directly in Equity, after income tax			54,556	(7,477)	47,079
Total comprehensive income for the year, after income tax			**54,556**	**253,141**	**307,697**
Share capital increase expenses, after income tax				(688)	(688)
Balance 31.12.2017	**461,064**	**10,790,870**	**208,187**	**(2,735,079)**	**8,725,042**

	(Amounts in Euro thousand)				
	Share capital	Share premium	Reserves	Retained earnings	Total
Balance 1.1.2017	**461,064**	**10,790,870**	**208,187**	**(2,735,079)**	**8,725,042**
Changes for the period 1.1.2017 - 31.12.2017					
Profit for the year, after income tax				43,895	43,895
Other comprehensive income recognised directly in Equity, after income tax			364,645	94	364,739
Total comprehensive income for the year, after income tax			**364,645**	**43,989**	**408,634**
Conversion of the convertible bond loan to shares	2,046	10,159			12,205
Share capital increase expenses, after income tax				(194)	(194)
Balance 31.12.2017	**463,110**	**10,801,029**	**572,832**	**(2,691,284)**	**9,145,687**

The table above derives from the Annual Report as of 31.12.2017. Therefore, we recommend that the reader visits the website of the Bank, where the financial statements as well as the auditor's report are available (http://www.alpha.gr/page/default.asp?id=17524&la=2)

Statement of Cash Flows

	(Amounts in Euro thousand)	
	From 1 January to	
	31.12.2017	31.12.2016*
Cash flows from continuing operating activities		
Profit/(loss) before income tax	105,825	137,789
Adjustments for gains/(losses) before income tax for:		
Depreciation/impairment of fixed assets	71,139	46,833
Amortisation of intangible assets	43,749	39,282
Impairment losses from loans, provisions and staff leaving indemnity	902,574	1,129,237
Impairment of investments	242,418	307,280
(Gains)/losses from investing activities	(315,829)	(727,257)
(Gains)/losses from financing activities	(12,187)	47,433
	1,037,689	**980,597**
Net (increase)/decrease in assets relating to continuing operating activities:		
Due from banks	566,056	535,954
Trading securities and derivative financial assets	12,624	149,058
Loans and advances to Customers	(15,370)	138,353
Other assets	175,375	19,759
Net increase/(decrease) in liabilities relating to continuing operating activities:		
Due to banks	(5,681,151)	(5,740,787)
Derivative financial liabilities	(247,024)	(276,269)
Due to Customers	1,227,331	1,272,982
Other liabilities	(35,656)	(18,578)
Net cash flows from continuing operating activities before taxes	**(2,960,126)**	**(2,938,931)**
Income taxes and other taxes paid	(1,499)	(1,688)

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	(Amounts in Euro thousand)	
	From 1 January to	
	31.12.2017	31.12.2016*
Net cash flows from continuing operating activities	**(2,961,625)**	**(2,940,619)**
Net cash flows from discontinued operating activities		**(17,434)**
Cash flows from continuing investing activities		
Investments in subsidiaries, associates and joint ventures	38,235	(182,528)
Disposals of subsidiaries, associates and joint ventures	55,817	77,008
Dividends received	20,188	448,975
Acquisitions of tangible and intangible assets	(79,029)	(98,405)
Disposals of tangible and intangible assets	207	1,285
Purchases of Greek State treasury bills	(3,393,016)	(4,787,895)
Disposals/maturities of Greek State treasury bills	3,725,963	5,468,998
Purchases of investment securities (excluding Greek State treasury bills)	(1,890,799)	(798,059)
Disposals/maturities of investment securities (excluding Greek State treasury bills)	4,464,217	2,539,129
Net cash flows from continuing investing activities	**2,941,783**	**2,681,508**
Net cash flows from discontinued investing activities		**(9,906)**
Cash flows from continuing financing activities		
Share capital increase expenses	(273)	(970)
Receipts of debt securities in issue and other borrowed funds	258,589	
Repayments of debt securities in issue and other borrowed funds	(257,288)	168,969
Net cash flows from continuing financing activities	**1,028**	**167,999**
Effect of exchange rate differences on cash and cash equivalents	794	1,295
Net increase/(decrease) in cash flows from continuing activities	**(18,020)**	**(89,817)**
Net increase/(decrease) in cash flows from discontinued activities		**(27,340)**
Cash and cash equivalents at the beginning of the year	**648,091**	**765,248**
Cash and cash equivalents at the end of the year	**630,071**	**648,091**

**The figures of the Statement of Cash Flows of the comparative year have been restated for comparison purposes.*

The table above derives from the Annual Report as of 31.12.2017. Therefore, we recommend that the reader visits the website of the Bank, where the financial statements as well as the auditor's report are available (http://www.alpha.gr/page/default.asp?id=17524&la=2)

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