



Alpha Bank S.A.

Report on the verification of the book value of the net assets and liabilities of the hive-down banking business sector of Alpha Bank S.A. as at 30 June 2020 and on the examination of the Demerger Deed, in accordance with the provisions of Law 2515/1997 and Law 4601/2019

15 September 2020

KPMG Certified Auditors S.A.

15 September 2020

This report contains 19 pages

ebm/CHS (1094800)

Contents

1	Scope	1
2	ALPHA BANK S.A.	3
2.1	Information about the company	3
2.2	Corporate Name	3
2.3	Duration	3
2.4	Head Office	3
2.5	Purpose	3
2.6	Share capital	3
3	Procedures for the verification of the book value of the assets and liabilities of the hive-down banking business sector	4
4	Procedures for the examination of the Demerger Deed	5
5	Presentation of the hive-down banking business sector of the Demerged Entity as at 30 June 2020 and analysis of the book values	6
5.1	Assets	6
5.1.1	Cash and balances with central banks	6
5.1.2	Due from banks	6
5.1.3	Trading securities	6
5.1.4	Derivative financial assets	7
5.1.5	Loans and advances to customers	7
5.1.6	Investment securities	7
5.1.7	Investments in subsidiaries, associates and joint ventures	7
5.1.8	Investment property	8
5.1.9	Property, plant and equipment	8
5.1.10	Goodwill and other intangible assets	8
5.1.11	Deferred tax assets	8
5.1.12	Other Assets	9
5.1.13	Assets classified as held for sale	9
5.2	Liabilities	10
5.2.1	Due to banks	10
5.2.2	Derivative financial liabilities	10
5.2.3	Due to customers	10
5.2.4	Debt securities in issue and other borrowed funds	10
5.2.5	Liabilities for current income tax and other taxes	11
5.2.6	Employee defined benefit obligation	11



5.2.7	Other Liabilities	11
5.2.8	Provisions	11
5.3	Equity elements	12
5.3.1	Reserves	12
5.3.2	Retained Earnings	12
5.3.3	Amounts directly recognized in equity and associated with assets classified as held for sale	12
5.4	Summary	13
6	Comparison of Demerger Deed	14
7	Declaration on the Exchange of Shares	15
8	Conclusion	16



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To the shareholders of
Alpha Bank S.A.
Stadiou 40
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Our ref ebm/CHS (1094800)

Dear Sirs,

1 Scope

Based on our engagement letter dated 28 April 2020 and following the decision of the Board of Directors of ALPHA BANK S.A. (hereinafter referred to as the “Bank” or “Demerged Entity”), dated 1 June 2020, we conducted certain procedures regarding the book value of the assets and liabilities of the hive-down banking business sector of the Demerged Entity with the establishment of a new company-credit institution (hereinafter referred to as the “Beneficiary”) as at 30 June 2020 by comparing it to the Demerger Deed (hereinafter referred to as “DD”) in accordance with the provisions of Law 2515/1997 and Law 4601/2019. For the hive-down of the banking business sector, the Bank prepared a Transformation Balance Sheet of the hived-down sector as at 30 June.2020.

Our engagement was performed in accordance with the International Standards on Related Services (ISRS) 4440 that apply to “*Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*” and in the context of the provisions of article 16 of Law 2515/1997 and articles 62,74 and 140 of Law 4601/2019.

Our work does not constitute an audit of financial information or a review of financial information conducted in accordance with International Standards on Auditing or International Standards on Review Engagements, hence we do not express any additional assurance thereon beyond the findings of the agreed upon procedures.

For the abovementioned demerger, we considered:

- a. the decision of the Board of Directors of Alpha Bank S.A. as at 1 June 2020;
- b. the DD and;
- c. the Transformation Balance Sheet of the demerged business sector dated at 30 June 2020 along with the required documents for its preparation.



Alpha Bank S.A.

Report on the verification of the book value of the net assets and liabilities of the hive-down banking business sector of Alpha Bank S.A. as at 30 June 2020 and on the examination of the Demerger Deed, in accordance with the provisions of Law 2515/1997 and Law 4601/2019

15 September 2020

Agreed Upon Procedures

To conclude whether the book value of the assets and liabilities of the under hive-down banking business sector of the Demerged Entity as at 30 June 2020, we performed the following procedures:

- We compared the book values of Transformation Balance Sheet of the hive-down banking business sector of the Demerged Entity as at 30 June 2020, with the respective accounting records (books);
- We performed an analysis on selected captions disclosed in the Transformation Balance Sheet and provided comments;
- We conducted interviews with the Bank's units, representatives and executives involved in compiling the Transformation Balance Sheet data;

Clarification points of our work

- (i) The accounting principles based on which the Transformation Balance Sheet as at 30 June 2020 was prepared, are disclosed in the Financial Statements of the Demerged Entity as of 31 December 2019.
- (ii) Based on Article 71 of Law 4601/2019, the Board of Directors of the Demerged Entity has the responsibility to prepare and implement the hive-down, as well as to prepare the Transformation Balance Sheet. It is our responsibility to perform the agreed-upon procedures and report to you our findings. The report on the verification of the book value of the assets and liabilities was based on the accounting records, financial statements and information provided to us, the accuracy of which we had no responsibility to audit or review.



Alpha Bank S.A.

Report on the verification of the book value of the net assets and liabilities of the hive-down banking business sector of Alpha Bank S.A. as at 30 June 2020 and on the examination of the Demerger Deed, in accordance with the provisions of Law 2515/1997 and Law 4601/2019

15 September 2020

2 ALPHA BANK S.A.

2.1 Information about the company

Alpha Bank S.A. bears the General Commercial Registry (GEMI) number 223701000. From the latest Articles of Incorporation of the Demerged Entity, the following information is considered updated:

2.2 Corporate Name

The société anonyme is under corporate name "ALPHA BANK S.A." and the trade name "ALPHA BANK".

2.3 Duration

The duration of the Bank is set for one hundred and eighty-two years (182), commencing on 10 March 1918 and terminating on 10 March 2100.

2.4 Head Office

The Bank has its registered office in the Municipality of Athens. By decision of the Board of Directors, branches or agencies or offices can be established anywhere in Greece and abroad.

2.5 Purpose

The scope of business of the Bank shall be to provide services and to engage, on its own account or on behalf of third parties, in Greece and abroad, independently or collaboratively, in all operations and activities allowed to credit institutions, in accordance with the legislation in force. To serve the scope of business described in par. 1, the Bank may perform any kind of action, operation or transaction which, directly or indirectly, is pertinent, complementary or auxiliary to it.

2.6 Share capital

The share capital of the Bank amounts today to the total amount of Euro 463 109 814 divided into 1,543,699,381 common, nominal shares with voting rights, of a nominal value of EUR 0.30 each.



Alpha Bank S.A.

Report on the verification of the book value of the net assets and liabilities of the hive-down banking business sector of Alpha Bank S.A. as at 30 June 2020 and on the examination of the Demerger Deed, in accordance with the provisions of Law 2515/1997 and Law 4601/2019

15 September 2020

3 Procedures for the verification of the book value of the assets and liabilities of the hive-down banking business sector

To verify that the book value of the assets and liabilities of the hive-down banking business sector, we performed the work included in the aforementioned agreed-upon procedures (see **1 Scope**).



Alpha Bank S.A.

Report on the verification of the book value of the net assets and liabilities of the hive-down banking business sector of Alpha Bank S.A. as at 30 June 2020 and on the examination of the Demerger Deed, in accordance with the provisions of Law 2515/1997 and Law 4601/2019

15 September 2020

4 Procedures for the examination of the Demerger Deed

Our work was limited to the examination that the DD was drawn up in accordance with the provisions of Articles 10, 59 and 74 of Law 4601/2019 and paragraph 5 of Article 16 of Law 2515/1997.



Alpha Bank S.A.

Report on the verification of the book value of the net assets and liabilities of the hive-down banking business sector of Alpha Bank S.A. as at 30 June 2020 and on the examination of the Demerger Deed, in accordance with the provisions of Law 2515/1997 and Law 4601/2019

15 September 2020

5 Presentation of the hive-down banking business sector of the Demerged Entity as at 30 June 2020 and analysis of the book values

The financial data of the Transformation Balance Sheet of the hive-down banking business sector based on data and information brought to our attention by the Bank are the following. Amounts in Euro currency.

5.1 Assets

5.1.1 Cash and balances with central banks

“Cash and balances with central banks” include cash in hand, deposits with central banks, due from credit institutions cheques receivables.

	Balance 30.06.2020
Cash and balances with central banks	5 110 278 318.50

5.1.2 Due from banks

“Due from banks” refers to placements with other banks, guarantees for coverage of derivatives and repurchase agreements, reserve repos and loans to credit institutions.

	Balance 30.06.2020
Due from banks	2 118 392 170.75

5.1.3 Trading securities

“Trading securities” relates to investment securities in the Greek State.

	Balance 30.06.2020
Trading securities	19 503 748.57

Alpha Bank S.A.

Report on the verification of the book value of the net assets and liabilities of the hive-down banking business sector of Alpha Bank S.A. as at 30 June 2020 and on the examination of the Demerger Deed, in accordance with the provisions of Law 2515/1997 and Law 4601/2019

15 September 2020

5.1.4 Derivative financial assets

“Derivative financial assets” includes financial instruments that the Bank enters into to reduce exposure to market risks, as well as for trading purposes. Derivative financial instruments indicatively forwards, cross currency swaps, interest rate swaps.

	Balance 30.06.2020
Derivative financial assets	1 291 873 391.48

5.1.5 Loans and advances to customers

“Loans and advances to customers” refers to the book value and exposure to credit risk of loans and receivables from customers per business unit net of impairment.

	Balance 30.06.2020
Loans and advances to customers	28 819 760 104.19

5.1.6 Investment securities

“Investment securities” include investment securities measured at fair value through other comprehensive income, amortised cost and fair value through profit or loss.

	Balance 30.06.2020
Investment securities	12 305 400 158.25

5.1.7 Investments in subsidiaries, associates and joint ventures

“Investment in subsidiaries, associates and joint ventures” includes all of the Bank’s subsidiaries, associates and joint ventures.

	Balance 30.06.2020
Investment in subsidiaries, associates and joint ventures	994 642 002.86



Alpha Bank S.A.

Report on the verification of the book value of the net assets and liabilities of the hive-down banking business sector of Alpha Bank S.A. as at 30 June 2020 and on the examination of the Demerger Deed, in accordance with the provisions of Law 2515/1997 and Law 4601/2019

15 September 2020

5.1.8 Investment property

The book value of investment property is presented below:

	Balance 30.06.2020
Investment property	46 487 715.91

5.1.9 Property, plant and equipment

The book value of property, plant and equipment is presented below:

	Balance 30.06.2020
Property, plant and equipment	679 343 082.74

5.1.10 Goodwill and other intangible assets

“Goodwill and other intangible assets” includes software as well as intangible assets related to the acquired customer relationships and deposits bases following business combinations:

	Balance 30.06.2020
Goodwill and other intangible assets	474 315 374.12

5.1.11 Deferred tax assets

“Deferred tax assets” refers to the deferred income tax calculated on all temporary tax differences between the book values and the tax value of the assets and liabilities.

	Balance 30.06.2020
Deferred tax assets	5 295 561 600.09



Alpha Bank S.A.

Report on the verification of the book value of the net assets and liabilities of the hive-down banking business sector of Alpha Bank S.A. as at 30 June 2020 and on the examination of the Demerger Deed, in accordance with the provisions of Law 2515/1997 and Law 4601/2019

15 September 2020

5.1.12 Other Assets

“Other Assets” includes mainly tax advances and withhold taxes, receivables from Deposit and Investment Guarantee Fund as well as properties acquired through auctions:

	Balance 30.06.2020
Other assets	1 371 638 351.94

5.1.13 Assets classified as held for sale

The book value of “Assets classified as held for sale” is presented below:

	Balance 30.06.2020
Assets classified as held for sale	1 313 558 016.59

Total Assets	59 840 754 035.99
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Alpha Bank S.A.

Report on the verification of the book value of the net assets and liabilities of the hive-down banking business sector of Alpha Bank S.A. as at 30 June 2020 and on the examination of the Demerger Deed, in accordance with the provisions of Law 2515/1997 and Law 4601/2019

15 September 2020

5.2 Liabilities

5.2.1 Due to banks

“Due to banks” includes liabilities to the European Central Bank, deposits of other financial institutions as well as Repo agreements.

	Balance 30.06.2020
Due to banks	14 619 211 352.24

5.2.2 Derivative financial liabilities

The book value of “Derivative financial liabilities” is presented below:

	Balance 30.06.2020
Derivative financial liabilities	1 794 352 933.20

5.2.3 Due to customers

“Due to customers” includes both deposit and current accounts as well as time deposits and cheques payables:

	Balance 30.06.2020
Due to customers	36 320 833 874.02

5.2.4 Debt securities in issue and other borrowed funds

“Debt securities in issue and other borrowed funds” includes covered bonds and liabilities from securitization of shipping and consumer loans.

	Balance 30.06.2020
Debt securities in issue and other borrowed funds	774 789 167.35



Alpha Bank S.A.

Report on the verification of the book value of the net assets and liabilities of the hive-down banking business sector of Alpha Bank S.A. as at 30 June 2020 and on the examination of the Demerger Deed, in accordance with the provisions of Law 2515/1997 and Law 4601/2019

15 September 2020

5.2.5 Liabilities for current income tax and other taxes

The book value of “Liabilities for current income tax and other taxes” is as follows:

Balance 30.06.2020	
Liabilities for current income tax and other taxes	12 004 287.01

5.2.6 Employee defined benefit obligation

The book value of “Employee defined benefit obligation” is as follows:

Balance 30.06.2020	
Employee defined benefit obligation	88 011 856.37

5.2.7 Other Liabilities

“Other Liabilities” mainly includes: (a) liabilities to suppliers, (b) liabilities to social security funds, (c) liabilities from leases.

Balance 30.06.2020	
Other Liabilities	955 204 463.35

5.2.8 Provisions

The book value of “Provisions” is as follows:

Balance 30.06.2020	
Provisions	189 776 207.09

Total Liabilities	54 754 184 140.63
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Alpha Bank S.A.

Report on the verification of the book value of the net assets and liabilities of the hive-down banking business sector of Alpha Bank S.A. as at 30 June 2020 and on the examination of the Demerger Deed, in accordance with the provisions of Law 2515/1997 and Law 4601/2019

15 September 2020

5.3 Equity elements

5.3.1 Reserves

“Reserves” includes: (a) cash flow hedge reserve and (b) investment securities’ reserve measured at fair value through other comprehensive income, recognized directly in Equity.

	Balance 30.06.2020
Reserves	(2 404 748.29)

5.3.2 Retained Earnings

“Retained Earnings” include reserve for equity securities' measured at fair value through other comprehensive income, recognized directly in Equity.

	Balance 30.06.2020
Retained earnings	8 644 760.89

5.3.3 Amounts directly recognized in equity and associated with assets classified as held for sale

“Amounts directly recognized in equity and associated with assets classified as held for sale” includes reserve for equity securities' measured at fair value through other comprehensive income, recognized directly in Equity classified as assets held for sale as at 30 June 2020.

	Balance 30.06.2020
Amounts directly recognized in equity and associated with assets classified as held for sale	(3 494 613.34)



Alpha Bank S.A.

Report on the verification of the book value of the net assets and liabilities of the hive-down banking business sector of Alpha Bank S.A. as at 30 June 2020 and on the examination of the Demerger Deed, in accordance with the provisions of Law 2515/1997 and Law 4601/2019

15 September 2020

5.4 Summary

Total assets	59 840 754 035.99
<i>Total liabilities</i>	54 754 184 140.63
<i>Total equity</i>	5 086 569 895.36
Total equity and liabilities	59 840 754 035.99

Total equity of the Beneficiary is analyzed as follows:

Share capital	5 083 824 496.10
Reserves	(2 404 748.29)
Retained Earnings	8 644 760.89
Amounts directly recognized in equity and associated with assets classified as held for sale	(3 494 613.34)
Equity attributable to the shareholders of the Beneficiary	5 086 569 895.36
<i>Total equity</i>	5 086 569 895.36



Alpha Bank S.A.

Report on the verification of the book value of the net assets and liabilities of the hive-down banking business sector of Alpha Bank S.A. as at 30 June 2020 and on the examination of the Demerger Deed, in accordance with the provisions of Law 2515/1997 and Law 4601/2019

15 September 2020

6 Comparison of Demerger Deed

The Demerger Deed was drawn up by the Bank's Board of Directors, signed on 15 September 2020 from its authorized members and will be submitted for final approval to the General Shareholders Meeting of the Bank. As explicitly mentioned in the DD, the banking business sector will be hived-down from the Demerged Entity and will be transferred to a newly incorporated company.



Alpha Bank S.A.

Report on the verification of the book value of the net assets and liabilities of the hive-down banking business sector of Alpha Bank S.A. as at 30 June 2020 and on the examination of the Demerger Deed, in accordance with the provisions of Law 2515/1997 and Law 4601/2019

15 September 2020

7 Declaration on the Exchange of Shares

Since, as per par. 3 of Article 57 of Law 4601/2019, “*The demerger through hive-down with establishment of a new company or new companies is the act by which a company (demerged entity), without being dissolved, transfers to one or more companies that are simultaneously being incorporated (beneficiaries) the sector or sectors defined in the draft demerger deed, with the acquisition by the [demerged entity] of the shares of the beneficiary...*” it is self-evident that there is no share exchange ratio and therefore there is no need to provide information on valuation considered for the determination of a proposed share exchange ratio. This demerger is fair and reasonable because the Demerged Entity will acquire all the Beneficiary’s shares in exchange for the contributed assets and liabilities.



Alpha Bank S.A.

Report on the verification of the book value of the net assets and liabilities of the hive-down banking business sector of Alpha Bank S.A. as at 30 June 2020 and on the examination of the Demerger Deed, in accordance with the provisions of Law 2515/1997 and Law 4601/2019

15 September 2020

8 Conclusion

We conducted the agreed-upon work, which is described in the Introductory Notes in order to determine: a) the book value of the assets and liabilities of the hive-down banking business sector of the Demerged Entity based on the Transformation Balance Sheet as at 30 June 2020, prepared by the Bank's Management in accordance with the International Financial Reporting Standards (IFRS) as adopted by European Union. and used for the purposes of the Transformation under consideration, in accordance with paragraph 5 of Article 16 of Law 2515/1997, as well as b) the application of the provisions of Article 62 of Law 4601/2019 and of paragraph 5 of Article 16 of Law 2515/1997 regarding the declaration that the DD was examined and the opinion on whether the share exchange ratio is fair and reasonable, as part of the process of hive-down of the banking business sector of the Demerged Entity.

Based on our procedures performed, we note the following:

- a. The book values of the assets and liabilities of the hive-down banking business sector of the Demerged Entity are included in the accounting records of the latter. This process did not reveal any finding. An analysis of these amounts are in Section 5 of our report.
- b. The examination of the DD did not reveal any finding.
- c. The share exchange ratio, as mentioned above, does not exist and therefore no finding thereon exists.

Given that the abovementioned procedures do not constitute an audit of financial information or a review of financial information conducted in accordance with the International Standards on Auditing or the International Standards on Review Engagements, we do not express any assurance thereon, beyond the details and what is provided for the application of the provisions of Article 16 of Law 2515/1997 and Article 62 of Law 4601/2019.

Had we performed additional procedures, or had we performed an audit or review in accordance with the International Standards on Auditing or the International Standards on Review Engagements other matters might have come to our attention that would have been reported to you.

Use of the Report

This Report was prepared further to a mandate from the Board of Directors of the Bank, based on the decision of the Bank's Board of Directors dated 1 June 2020 to start the hive-down process.



Alpha Bank S.A.

Report on the verification of the book value of the net assets and liabilities of the hive-down banking business sector of Alpha Bank S.A. as at 30 June 2020 and on the examination of the Demerger Deed, in accordance with the provisions of Law 2515/1997 and Law 4601/2019

15 September 2020

The Report was conducted by the provisions of Law 2515/1997 and Law 4601/2019 for the sole purpose of the hive-down of the banking business sector from the Demerged Entity and the transfer of the book value of its assets and liabilities to the newly formed Beneficiary company and shall not be used for any other purposes.

Athens, 15 September 2020

KPMG Certified Auditors S.A.
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Harry Sirounis, Certified Auditor Accountant
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