

THE GROUP OF ALPHA BANK CYPRUS LIMITED**REPORT AND CONSOLIDATED FINANCIAL STATEMENTS****For the year ended 31 December 2012****CONTENTS**

	<u>Page</u>
Board of Directors and Professional Advisers	1
Declaration of the Members of the Board of Directors and the person responsible for the preparation of consolidated financial statements of the Company	2
Board of Directors' Report	3 - 10
Independent Auditors' Report	11 & 12
Consolidated statement of comprehensive Income	13 & 14
Consolidated statement of financial Position	15
Consolidated statement of changes in Equity	16
Consolidated statement of cash Flows	17 & 18
Notes to the consolidated and financial statements	19 - 106

THE GROUP OF ALPHA BANK CYPRUS LIMITED
BOARD OF DIRECTORS AND PROFESSIONAL ADVISERS

Board of Directors	Sp. N. Filaretos, Chairman
	G. A. Georgiou, Managing Director
	M. P. Economides, General Manager (retired on 31 August 2012)
	Ch. C. Giampanas
	A. M. Michaelides
	L. A. Papagarifallou
	Dr. A. K. Kritiotis
	I. S. Monastiriotis
Secretary	L. A. Papalambrianou
Legal Advisers	Chrysafinis and Polyviou
Independent Auditors	KPMG Limited
Registered office	Corner of Chilonos & Gladstonos Street, Stylianou Lena Square, Nicosia
Head office	Alpha Bank Building 3, Lemesos Avenue Nicosia

THE GROUP OF ALPHA BANK CYPRUS LIMITED**DECLARATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE PERSON
RESPONSIBLE FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL
STATEMENTS**

In accordance with Article 9 sections (3)(c) and (7) of the Transparency Requirements (Traded Securities in Regulated Markets) Law of 2007 (“Law”) we, the members of the Board of Directors and the Company’s person responsible for the consolidated financial statements of the Group of Alpha Bank Cyprus Limited for the year ended 31 December 2012, confirm that, to the best of our knowledge:

- a) the annual consolidated financial statements which are presented on pages 13 to 106:
 - (i) were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and in accordance with the provisions of Article 9 section (4) of the Law, and
 - (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or losses of the Group Alpha Bank Cyprus Limited, and
- b) the Directors’ report gives a fair review of the developments and the performance of the business as well as the financial position of the Group Alpha Bank Cyprus Limited together with a description of the principal risks and uncertainties which they are facing.

Members of the Board of Directors and person responsible of the Company’s consolidated financial statements

Sp. N. Filaretos – Chairman

G. A. Georgiou – Managing Director

Ch. C. Giampanas – Board Member

A. M. Michaelides – Board Member

L. A. Papagarifallou – Board Member

Dr. A. K. Kritiotis – Board Member

I. S. Monastiriotes – Board Member

L. Skaliotis – Head of Financial Control Division

Nicosia, 26 April 2013

THE GROUP OF ALPHA BANK CYPRUS LIMITED

BOARD OF DIRECTORS' REPORT

The Board of Directors of Alpha Bank Cyprus Limited (the “Company”) presents to the members its annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

During 2012, the Group continued to conduct full banking operations by providing a wide range of banking and financial services.

The Company is a subsidiary of Alpha Bank S.A., which is registered in Greece. The Company is the parent company of the Group Alpha Bank Cyprus Limited. The subsidiaries of the Company are Alpha Trustees Limited and Alpha Insurance Limited. At 31 December 2012, Alpha Insurance Limited was sold to a company of the Group of Alpha Bank S.A.

Details of the subsidiaries are shown in note 39 of the consolidated financial statements.

EXAMINATION OF DEVELOPMENT, POSITION AND PERFORMANCE OF ACTIVITIES

Key financial figures

	<i>Change</i> %	01.01.2012- 31.12.2012 €	01.01.2011- 31.12.2011 €
Profits from operations	(18,93)%	159.200.582	196.364.586
(Losses)/profit for the year	(1.260,34)%	(31.185.986)	2.687.654
(Losses)/profits per share	(1.323,24)%	(22,63) σεντ	1,85 σεντ

Key Financial Information

	<i>Change</i> %	31.12.2012 €	31.12.2011 €
Loans and advances to customers	(12,65)%	3.736.955.351	4.278.300.036
Deposits from customers excluding bond clientele	0,38%	2.600.672.038	2.590.710.996
Equity	(4,34)%	504.774.955	527.694.461

The Group of Alpha Bank Cyprus Limited, in 2012 incurred losses of € 31,2m. compared with €2,7m. profits in the year 2011. The deterioration in the results reflects the continued deterioration in the business environment.

Profits from operations have declined 18.93% compared with the previous year, mainly due to the decrease in interest margin and a decrease in net loans. The decrease in operating profits is counterbalanced by a gain of €7m. from the sale of its shareholding in the share capital of Alpha Insurance Limited and its results from the operations of this year. Operating expenses remained on the same level as in 2011.

THE GROUP OF ALPHA BANK CYPRUS LIMITED**BOARD OF DIRECTORS' REPORT (cont.)****REVIEW OF DEVELOPMENT, POSITION AND PERFORMANCE OF ACTIVITIES
(cont.)****Key Financial Information (cont.)**

The losses for the year are a result of increased provisions to cover credit risk since, due to the deterioration of the quality of the loan portfolio, it is necessary to increase the amount of impairment provisions.

FINANCIAL RESULTS

The Group's results are presented in the income statement on page 13 of the consolidated financial statements.

The losses for the year attributable to owners amounted to € 31.571.180 (2011: profit € 2.580.835).

DIVIDEND

The Directors do not recommend the payment of dividend for the year 2012 (2011: €zero).

RISK MANAGEMENT

Risk is considered any financial or other factor that creates a possibility of future decreases in the profitability of the Company.

The main risks inherent to the range of the Group's business are credit risk, market risk (mainly interest rate and foreign exchange risk), liquidity risk, operational risk and compliance risk.

Detailed description of the risks and their management is described in note 45 of the consolidated financial statements.

CAPITAL ADEQUACY – INDEPENDENT DIAGNOSTIC TESTING

Following the request of Cyprus for financial support from the International Monetary Fund, the European Commission and the European Central Bank, Alpha Bank Cyprus Limited has been included in the banks participating in an independent diagnostic testing, which was part of the evaluation of the Banking Sector of the country.

The audit, which was awarded to the company PIMCO Europe Limited in collaboration with the auditing firm Deloitte, aimed, amongst others, in determining the capital needs of each bank based on a basic and an adverse macroeconomic scenario for the next three years.

The results of this review have been brought to the attention of the Steering Committee, composed of representatives of the Cypriot Authorities and International Organizations involved in the program of financial assistance to Cyprus. With the completion of the process the results have been published on the website of the Central Bank of Cyprus.

The Company believes that the capital needs set out in the above report of a surplus of € 92m. under the baseline scenario and a deficit of € 149m. under the adverse scenario is manageable and can be covered through the business plan.

THE GROUP OF ALPHA BANK CYPRUS LIMITED**DIRECTORS' REPORT** (cont.)**CAPITAL ADEQUACY - ALPHA BANK S.A.**

The capital needs of Alpha Bank Group have been identified by the Bank of Greece to €4,571 billion. The Greek Financial Stability Fund (FSF), pursuant to the provisions of N.3864/2010, as applicable, is committed to meet, to the extent that would be required, the above capital needs. In implementing this commitment, the FSF has already provided to Alpha Bank, securities issued by the European Financial Stability Fund, worth € 2,942 billion, as advance payment for any participation in the capital support program and issued a certificate which is committed to provide additional capital support to the amount of € 1,629 billion.

The Second Extraordinary General Meeting of Shareholders of Alpha Bank S.A., which was held on April 16, 2013, approved the raising of funds by the Bank, pursuant to Law 3864/2010, by increasing the share capital by cash payment and / or by contribution in kind.

FUTURE DEVELOPMENT

The Republic of Cyprus has recently agreed a preliminary memorandum of cooperation with the International Monetary Fund, the European Commission and the European Central Bank to finance its needs, setting out the key points of an economic adjustment program that aims to address financial , fiscal and structural challenges Cyprus is facing. The program includes a series of measures aiming at restructuring the banking sector and structural changes in the economy. These measures include measures to improve or restructure the operation of two of the largest banking institutions in Cyprus.

The Company is not subject to any measures to rehabilitate or restructure its operations. The Company complies with a series of temporary restrictive measures concerning banking transactions and capital movements, such as those issued by the authorities which apply to all financial institutions in the country. The aim of these measures is the smooth operation of all financial institutions and safeguards the stability of the banking system.

The economic crisis and uncertainty about the economy in general result in the risks that the Company is exposed in to have intensified significantly, while at the same time increases the uncertainty on the estimates on the level of future profitability in the medium term.

SHARE CAPITAL

During the year, there was no change in the share capital of the Company.

BRANCHES

The Company is currently comprised of a technologically advanced network of 31 branches and other specialized units which are effectively supported by ATM, Internet Banking and mobile. The number of branches has declined by 4 branches during the year under the policy for containment of operating costs and improving productivity.

THE GROUP OF ALPHA BANK CYPRUS LIMITED**DIRECTORS' REPORT** (cont.)**ALPHA BANK - EMPORIKI BANK**

On 16 October 2012, Alpha Bank S.A. signed with Credit Agricole S.A. an agreement to acquire all shares of Emporiki Bank S.A. Upon receipt of the relevant regulatory approvals, the entire share capital of Emporiki transferred from Crédit Agricole to Alpha Bank S.A. on 1st February 2013. As a result, the Group companies of Alpha Bank S.A. includes Emporiki Bank-Cyprus Limited.

BOARD OF DIRECTORS

The members of the Board of Directors at the date of this report are presented below:

Sp. N. Filaretos, President
G.A Georgiou, Chief Executive Officer
Ch. C. Giampanas
A.M. Michaelides
L.A Papagarifallou
Dr. A. K. Kritiotis
I.S. Monastiriotis

CORPORATE GOVERNANCE REPORT**Introduction**

Alpha Bank Cyprus Limited is 100% subsidiary of Alpha Bank S.A., which is listed in the Athens Stock Exchange. The corporate governance framework which is implemented by the Bank aims to protect the interests of all stakeholders and reflects the close supervision which is exercised by Alpha Bank S.A. in the operations of Alpha Bank Cyprus Limited. The Bank complies with the Directive of the Central Bank for the Framework of Principles of Operation and Criteria of Assessment of Banks' Internal Governance and Internal Control Systems of Banks.

Board of Directors

According to the Articles of Association of the Company the number of Board members is between six and eighteen. All members, except the CEO, can be reelected every three years at the Annual General Meeting. New board members which are appointed by the Board resign at the next Annual General Meeting and offer themselves for re-election.

The foremost obligation and duty of the Board of Directors is to continuously reinforce the long-term economic value of the Company and the protection of the general corporate interest taking into account the interests of all stakeholders in the Company.

The members of the Board are distinguished between executive and non-executive. The non-executive independent members must meet the independence criteria which have been approved by the Board and which are in accordance with the directives of the Central Bank of Cyprus.

The main tasks of the Board of Directors are:

The supervision of the Top Executive Management

The adoption of the strategy and budget

The supervision of internal control systems, risk management and regulatory compliance

The supervision of the Company's operations.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

DIRECTORS' REPORT (cont.)

CORPORATE GOVERNANCE REPORT (cont.)

The Board meets regularly in order to fulfill its duties. In 2012 7 Board meetings took place.

At 31 December 2012, the Board of Directors consisted of the following:

	Name	Class Member	Occupation
President	Spyros N. Filaretos	Non Executive	Banking
Members	George A. Georgiou	Executive - CEO	Banking
	Christos C. Giampanas	Non Executive	Banking
	Andreas K. Kritiotis	Independent Non-Executive	CEO of an Insurance Company
	Andreas M. Michaelides	Independent Non-Executive	Accountant/Business Consultant
	Ioannis S. Monastiriotis	Non Executive	Banking
	Lazaros A. Papagaryfallou	Non Executive	Banking

Mr. Marios Economides resigned from the Board of Directors on 31 August 2012.

Mr. Spyros N. Filaretos, Mr. Christos C. Giampanas, Ioannis S. Monastiriotis and Mr. Lazaros A. Papagaryfallou are director members of the parent Alpha Bank A.E.

For all members of the Board of Directors the consent of the Central Bank of Cyprus has been obtained in accordance with the Directive on Capacity and Suitability (Evaluation Criteria) of the Directors and Managers of Banks.

Mr. Andreas Michaelides, Dr. Andreas K. Kritiotis are non-executive independent members of the Board. Mr. Andreas M. Michaelides has been appointed as Senior Independent Director.

According to Article 89 of the Articles of Association, Mr. Christos C. Giampanas and Mr. Ioannis S. Monastiriotis retire and, being eligible, offer themselves for re-election.

Executive members

The remuneration of the executive members of the Board are:

	Annual		Salary Incentives		Other Benefits	
	2012	2011	2012	2011	2012	2011
	€	€	€	€	€	€
George A. Georgiou	364.495	243.157*	-	-	1.709	1.139*
Marios P. Economides	133.503**	131.397*	-	-	35.027**	854*
	497.998	374.554	-	-	36.736	1.993

* Includes the period April to December 2011

** Includes the period January to August 2012

THE GROUP OF ALPHA BANK CYPRUS LIMITED

DIRECTORS' REPORT (cont.)

CORPORATE GOVERNANCE REPORT (cont.)

The total remuneration of non-executive directors amounted to €55.000 (2011: €55.000) per annum.

Board Committees

The Audit Committee, Risk Management Committee and the Nominations / Internal Governance Committee were active throughout the course of 2012. The responsibilities of the Remuneration Committee has delegated to the Remuneration Committee of the parent company Alpha Bank S.A.

Audit Committee

The main responsibilities of the Audit Committee, as approved by the Board of Directors are:

Monitoring the adequacy and effectiveness of internal control system and in particular the functions of Internal Audit and Compliance

The evaluation findings and recommendations of audits

The proposals to the Board of Directors regarding the appointment of independent auditors

The Committee meets at least four times per year or more frequently if circumstances require. During 2012 the Committee met four times.

At 31 December 2012, the composition of the Audit Committee was as follows:

Andreas Michaelides, Chairman
Christos C. Giampanas
Andreas Kritiotis

Mr. Lazaros A. Papagarifallou replaces Mr. Christos Giampanas in his absence.

Audit Committee

The Audit Committee confirms that it has complied with the independence of internal audit procedures. This conclusion is based on:

The administrative structure of the Company and the meetings held with the Internal Auditor

The assessment of the effectiveness of internal control

The assessment of results of other tests.

Risk Management Committee

The main responsibilities of the Risk Management Committee, as approved by the Board are:

The configuration and monitoring of the strategy to take risks of all kinds, within the broader strategy and policies of the Group

The development of internal risk management system

The determination of the principles governing risk management

The evaluation on an annual basis, the adequacy and effectiveness of risk management policies and acceptable limits, adequacy of provisions and in general the capital adequacy in relation to the amount and type of risk exposure.

The Committee holds meetings at least four times a year. During 2012 the Committee met four times.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

DIRECTORS' REPORT (cont.)

CORPORATE GOVERNANCE REPORT (cont.)

At 31 December 2012, the composition of the Risk Management Committee was as follows:

Ioannis Monastiriotis, Chairman
George A. Georgiou
Andreas Kritiotis

Nominations / Internal Governance

The main responsibilities of the Nomination Committee / Internal Governance as approved by the Board are:

Assessment of the effectiveness of the Board of Directors itself from the perspective of corporate governance.

The evaluation on an annual basis, the skills, knowledge and expertise of the members of the Board.

The submission of proposals and the start of the renewal and replacement of members of the Board.

The Committee meets at least once a year or more frequently if circumstances require. During 2012 the Committee met once.

At 31 December 2012, the composition of the Nomination Committee / Internal Governance was as follows:

Christos C. Giampanas, Chairman
George A. Georgiou
Andreas M. Michaelides

OWNERS WITH MORE THAN 5% OF THE SHARE CAPITAL

Owners holding more than 5% of the share capital of the Company are shown in note 52 of the consolidated financial statements.

DIRECTORS' INTEREST IN SHARE CAPITAL OF THE COMPANY

The shareholding interest in the share capital of the Company that were holding directly or indirectly members of the Board of Directors are presented in note 51 of the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Transactions with related parties are presented in note 50 of the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

The events after the reporting period are presented in note 53 of the consolidated financial statements.

THE GROUP OF ALPHA BANK CYPRUS LIMITED**DIRECTORS' REPORT** (cont.)**INDEPENDENT AUDITORS**

The independent auditors of the Company, KPMG Limited, have expressed their willingness to continue in office. A resolution authorising the Board of Directors to fix their remuneration will be submitted at the Annual General Meeting.

By order of the Board of Directors,

L. A. Papalambrianou
Secretary

Nicosia, 26 April 2013

THE GROUP OF ALPHA BANK CYPRUS LIMITED**INDEPENDENT AUDITORS' REPORT****TO THE MEMBERS OF****ALPHA BANK CYPRUS LIMITED****Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Alpha Bank Cyprus Limited (the "Company") and its subsidiaries (the "Group") on pages 13 to 106, which comprise of the consolidated statement of financial position as at 31 December 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113 and for such internal control as the Board of Directors determines is necessary to enable the preparations of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

THE GROUP OF ALPHA BANK CYPRUS LIMITED*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Alpha Bank Cyprus Limited and its subsidiaries as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

Emphasis of Matter

We draw attention to notes 2 and 47 of the consolidated financial statements which refer to the estimates and assumptions used in preparing the consolidated financial statements based on the principle of going concern in the current economic uncertainties prevailing in Cyprus and restructuring of the banking system of Cyprus. These factors could adversely affect the financial results, capital requirements and liquidity of the Group. Our opinion is not qualified in respect of this matter.

Report on Other Legal Requirements

Pursuant to the requirements of the Auditors and Statutory Audit of Annual and Consolidated Accounts of 2009 Act, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of the information available to us and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 3 to 10 is consistent with the consolidated financial statements.

According to the requirements of Directive OD 190-2007-04 of Cyprus Securities and Exchange Commission, we report that a corporate governance statement is prepared according to paragraphs (a), (b), (c), (f) and (g) of article 5 of this Directive and represents a special section of the Board of Directors' report.

Other matter

This report, including the opinion has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Maria A. Papacosta, FCCA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Esperidon 14, 1087 Nicosia, Cyprus

26 April 2013

THE GROUP OF ALPHA BANK CYPRUS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	From 1 January to 31.12.2012 €	31.12.2011 €
<i>Continuing operations</i>			
Interest income	4	245.043.072	303.792.008
Interest expense	4	<u>(109.115.617)</u>	<u>(138.250.397)</u>
Net interest income		<u>135.927.455</u>	<u>165.541.611</u>
 Fees and commission income	5	20.303.672	22.701.788
Fees and commission expenses	5	<u>(1.392.827)</u>	<u>(708.162)</u>
Net income from fees and commissions		<u>18.910.845</u>	<u>21.993.626</u>
 Net profit/(loss) on change in financial instruments at fair value	6	1.072.611	(1.328.169)
Impairment of available for sale investments		-	(1.354.194)
Other income from operations	7	3.289.671	5.997.333
Income from insurance operations	8	<u>-</u>	<u>5.514.379</u>
		<u>4.362.282</u>	<u>8.829.349</u>
 Profit from operations		159.200.582	196.364.586
Provision for impairment of doubtful debts	17	(141.820.157)	(129.374.700)
Staff costs	9	(39.136.561)	(44.568.119)
Depreciation and amortization	24,25	(2.521.073)	(2.934.677)
Other expenses	10	<u>(15.446.704)</u>	<u>(12.728.306)</u>
 (Loss)/profit for the year before taxation	11	(39.723.913)	6.758.784
Taxation	12	<u>1.521.669</u>	<u>(4.071.130)</u>
 (Loss)/profit for the year from continuing operations		<u>(38.202.244)</u>	<u>2.687.654</u>
 <i>Discontinued operations</i>			
Profit from discontinued operations	14	<u>7.016.258</u>	<u>-</u>
(Loss) / profit for the year		<u>(31.185.986)</u>	<u>2.687.654</u>
 Other comprehensive income / (expense)			
Surplus / (deficit) on revaluation of investments		9.629.946	(9.146.467)
Transfer of fair value of investments available for sale from discontinued operations in consolidated statement of comprehensive income		<u>1.990.147</u>	<u>-</u>
Other comprehensive income/(expense) for the year		<u>11.620.093</u>	<u>(9.146.467)</u>
 Total comprehensive expense for the year		<u>(19.565.893)</u>	<u>(6.458.813)</u>

THE GROUP OF ALPHA BANK CYPRUS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (cont.)

For the year ended 31 December 2012

	Note	From 1 January to 31.12.2012 €	31.12.2011 €
(Loss)/profit attributable to owners of the parent			
Company			
From continuing operations		(38.202.244)	2.107.765
From discontinued operations		<u>6.631.064</u>	<u>473.070</u>
		(31.571.180)	2.580.835
Minority interest			
From continuing operations		-	-
From discontinued operations		<u>385.194</u>	<u>106.819</u>
(Loss)/profit for the year		<u>(31.185.986)</u>	<u>2.687.654</u>
 Total comprehensive income for the year attributable to owners of the parent company			
From continuing operations		(26.716.625)	(7.098.130)
From discontinued operations		<u>6.741.400</u>	<u>523.454</u>
		(19.975.225)	(6.574.676)
Minority interest			
From continuing operations		-	-
From discontinued operations		<u>409.332</u>	<u>115.863</u>
Total comprehensive expense year		<u>(19.565.893)</u>	<u>(6.458.813)</u>
 (Loss)/earnings attributable to owners of the parent			
Company per share			
(Loss)/earnings per share (€ cent)	13	<u>(22,63)</u>	<u>1,85</u>
 (Loss)/earnings attributable to owners of the parent company per share from continuing operations			
(Loss)/earnings per share (€ cent)	13	<u>(27,66)</u>	<u>1,51</u>

The notes on pages 18 to 106 are an integral part of these consolidated financial statements.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	31.12.2012 €	31.12.2011 €
Assets			
Cash and bank deposits	15	45.478.516	310.893.369
Loans and advances to financial institutions	16	727.203.484	586.460.092
Loans and advances to customers	17	3.736.955.351	4.278.300.036
Investments classified as loans and receivables	18	-	912.599.057
Investments available for sale	19	192.212.047	84.732.469
Receivables from insurance agents and policy holders	20	-	11.687.867
Reinsurance contracts	21	-	4.937.679
Financial assets at fair value through profit or loss	22	-	15.297.558
Derivative financial instruments	23	5.761.965	11.606.922
Property, plant and equipment	24	29.194.141	31.564.459
Intangible assets	25	935.703	8.507.041
Investment properties	26	-	1.661.000
Deferred taxation	27	7.398.159	2.971.934
Taxation	28	1.488.359	1.047.734
Other assets	29	<u>11.930.081</u>	<u>13.807.882</u>
Total assets		<u>4.758.557.806</u>	<u>6.276.075.099</u>
Liabilities			
Bonds	30	100.176.711	95.377.016
Provisions for policies and unearned premiums	31	-	48.379.375
Deposits from financial institutions	32	1.533.882.931	2.929.828.312
Deposits from customers	33	2.600.672.038	2.590.710.996
Derivative financial instruments	23	2.208.275	17.230.199
Other liabilities	34	<u>16.842.896</u>	<u>66.854.740</u>
Total liabilities		<u>4.253.782.851</u>	<u>5.748.380.638</u>
Equity			
Share capital	35	118.575.000	118.575.000
Reserves	36	<u>386.199.955</u>	<u>405.817.949</u>
Total equity attributable to owners of the parent company		504.774.955	524.392.949
Minority interest	37	<u>-</u>	<u>3.301.512</u>
Total equity		<u>504.774.955</u>	<u>527.694.461</u>
Total equity and liabilities		<u>4.758.557.806</u>	<u>6.276.075.099</u>
Items off the statement of financial position	38	<u>243.965.467</u>	<u>285.858.438</u>

On 26 April 2013 the Board of Directors of the Company authorised these financial statements for issue.

Sp. N. Filaretos
Chairman

G. A. Georgiou
Managing Director

L. Skaliotis
Head of Financial Control
Division

The notes on pages 18 to 106 are an integral part of these consolidated financial statements.

THE GROUP OF ALPHA BANK CYPRUS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share Capital €	Share Premium €	Investment revaluation reserve €	Difference on the conversion of share capital into euro reserve €	Retained earnings €	Total reserves €	Minority interest €	Total equity €
1 January 2012	118.575.000	15.334.698	(10.020.203)	599.951	399.903.503	405.817.949	3.301.512	527.694.461
Total comprehensive income for the year								
(Loss)/profit for the year	-	-	-	-	(31.571.180)	(31.571.180)	385.194	(31.185.986)
Surplus/(deficit) from revaluation of investments available for sale	-	-	9.963.039	-	-	9.963.039	(333.093)	9.629.946
Disposal of investment in subsidiary	-	-	<u>1.990.147</u>	-	-	<u>1.990.147</u>	<u>(3.353.613)</u>	<u>(1.363.466)</u>
31 December 2012	<u>118.575.000</u>	<u>15.334.698</u>	<u>1.932.983</u>	<u>599.951</u>	<u>368.332.323</u>	<u>386.199.955</u>	<u>-</u>	<u>504.774.955</u>
1 January 2011	118.575.000	15.334.698	(928.837)	599.951	397.322.668	412.328.480	3.249.794	534.153.274
Total comprehensive income for the year								
Profit for the year	-	-	-	-	2.580.835	2.580.835	106.819	2.687.654
Deficit from revaluation of investments available for sale	-	-	<u>(9.091.366)</u>	-	-	<u>(9.091.366)</u>	<u>(55.101)</u>	<u>(9.146.467)</u>
31 December 2011	<u>118.575.000</u>	<u>15.334.698</u>	<u>(10.020.203)</u>	<u>599.951</u>	<u>399.903.503</u>	<u>405.817.949</u>	<u>3.301.512</u>	<u>527.694.461</u>

The notes on pages 18 to 106 form an integral part of these consolidated financial statements.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

		From 1 January to	
		31.12.2012	31.12.2011
	Note	€	€
Cash flows from operations			
(Loss)/profit for the year		(31.185.986)	2.687.654
Adjustments for:			
Depreciation of property, plant and equipment	24	2.205.950	2.658.183
Amortization of intangible assets	25	315.123	276.494
Write off of property, plant and equipment	24	43.090	49.564
Dividends received		(294.485)	(2.451.646)
Loss on revaluation of investment properties		-	156.000
Impairment of available for sale financial assets		-	1.354.194
Loss on disposal of investments at fair value through consolidated statement of comprehensive income		-	14.744
Profit from discontinued operations	14	(7.016.258)	-
Deficit on revaluation of investments at fair value through profit or loss		-	5.187.387
Interest payable on debt securities	30	2.461.056	3.002.022
Provisions for litigation or arbitration disputes		(12.916)	(3.878)
Provision for impairment of doubtful debts	17	141.820.157	129.374.700
Taxation	12	<u>(1.521.669)</u>	<u>4.071.130</u>
Profit from operations before changes in working capital		106.814.062	146.376.548
(Increase)/decrease in loans and advances to financial institutions		(24.097.803)	251.931.188
Decrease in loans and advances to customers		398.475.294	106.685.953
Increase in investments classified as loans and receivables		-	(57.557)
Decrease in receivables from insurance agents and policyholders		-	440.551
Increase in reinsurance contracts		-	(346.090)
Decrease/(increase) in other assets		974.955	(4.842.705)
(Decrease)/increase in other liabilities		(47.496.809)	5.183.095
Decrease in deposits from financial institutions		(1.411.855.547)	(664.515.846)
Decrease in provisions for policies and unearned premiums		-	(2.124.313)
Increase/(decrease) in deposits from customers		9.961.042	(967.882.070)
(Decrease)/increase in liabilities arising from derivative financial instruments transactions		(15.021.924)	16.938.477
Decrease/(increase) in assets from derivative financial instruments transactions		<u>5.844.957</u>	<u>(11.606.922)</u>
Cash flows used in operations		(976.401.773)	(1.123.819.691)
Tax paid		<u>(3.042.835)</u>	<u>(5.060.979)</u>
Net cash used in operating activities		<u>(979.444.608)</u>	<u>(1.128.880.670)</u>

The notes on pages 18 to 106 form an integral part of these consolidated financial statements.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (cont.)

For the year ended 31 December 2012

		From 1 January to	
		31.12.2012	31.12.2011
	Note	€	€
Cash flows from investing activities			
Proceeds from sale of investments classified as loans		912.599.057	-
Net proceeds from disposal of subsidiary company	40	26.566.928	-
Interest paid on debt security	30	(2.570.020)	(2.964.066)
Payments less proceeds for investments available for sale		(97.161.143)	(59.957.682)
Payments for purchase of property, plant and equipment	24	(622.611)	(869.476)
Payments less proceeds for investments at fair value through consolidated statement of comprehensive income		-	(3.561.347)
Payments for purchase of intangible assets	25	(782.095)	(315.606)
Dividends received		<u>294.485</u>	<u>2.451.646</u>
Net cash flows from /(used in) investing activities		<u>838.324.601</u>	<u>(65.216.531)</u>
Net decrease in cash and cash equivalents for the year		(141.120.007)	(1.194.097.201)
Cash and cash equivalents at beginning of year		<u>809.224.714</u>	<u>2.003.321.915</u>
Cash and cash equivalents at end of year	44	<u>668.104.707</u>	<u>809.224.714</u>

The notes on pages 18 to 106 form an integral part of these consolidated financial statements.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. INCORPORATION AND PRINCIPAL ACTIVITY

Alpha Bank Cyprus Limited (the “Company”) was registered in Cyprus in 1960 as a limited liability company in accordance with the requirements of the Cyprus Companies Law, Cap.113. On 13 September 2000, the Company converted its status to a Public Liability Company according to the Companies Law, Cap. 113. On 21 January 2003, the Company was converted from a public to a private company according to the Companies Law, Cap. 113.

On 27 December 2006, the Company renamed from Alpha Bank Limited to Alpha Bank Cyprus Limited in accordance with the requirements of the Cyprus Company Law, Cap. 113. The trade name continues to be “Alpha Bank”.

The Company is the parent company of the Group of Alpha Bank Cyprus Limited. The Company considers as parent company Alpha Bank S.A., which is registered in Greece. The consolidated financial statements include the financial statements of subsidiaries Alpha Trustees Limited and Alpha Insurance Limited. On 31 December 2012, Alpha Insurance Limited was sold to an intragroup company of Alpha Bank S.A.

At 31 December 2012, the Company continued its full banking operations by providing a wide range of banking and financial services.

The principal activities of the subsidiaries continued to be trustee services and the provision of insurance services in general and life insurance.

2. BASIS OF PRESENTATION

Going concern basis

The consolidated financial statements have been prepared on a going concern basis. Despite developments in the economic environment of Cyprus as described in note 47 of the consolidated financial statements, the Group's management considers that the Group has the ability to continue its operations as a going concern.

Statement of compliance and basis of measurement

These consolidated financial statements relate to the fiscal year 1 January to 31 December 2012 and they have been prepared:

a) in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, in accordance with Regulation 1606/2002 of the European Parliament and of the Council of the European Union on 19 July 2002 and

b) based on the historical cost basis except for the following assets and liabilities which are measured at fair value:

- Derivative financial instruments
- Available for sale securities

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2. BASIS OF PRESENTATION (cont.)

Functional and presentation currency

The amounts included in these consolidated financial statements are presented in Euro ("€"), unless otherwise stated in the relevant notes. The Euro is the main currency of the Group's operations and expresses the substance of the transactions and its activities.

Use of estimates and judgments

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that influence the application of accounting policies and the reporting amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable under the circumstances, the results of which form the basis for applying the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may deviate from these estimates.

The estimates and underlying assumptions are revised on a continuous basis. Revisions in accounting estimates are recognized in the period in which the estimate is revised if the estimate affects only that period, or in the period of the revision and future periods if the revision affects the present as well as future periods.

The accounting policies that are considered critical as regards the effect they can have on the results and financial position of the Group and contain significant estimates and judgments are described below:

- **Provision for impairment of loans and advances to customers**

The Group reviews its loans to customers to evaluate whether a provision should be recorded which is recognized in the results and reflected in an account for impairment of loans. The Group assesses whether there is objective evidence that probable losses should be recognised in its "clients" loan portfolio on an individual and collective basis.

The amount of impairment loss in loans and advances that is considered on an individual basis, is calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the actual effective interest rate. The estimated future cash flows are based on assumptions for a number of factors and therefore actual losses may differ. For loans that were examined collectively, the actual losses are examined and assessed collectively. Loans are classified into groups with similar credit risk characteristics that are assessed for impairment. A very important factor in determining the impairment is the value of collaterals. Any decrease in the fair value of such collaterals will mean a further increase of the required provisions for impairment of loans.

THE GROUP OF ALPHA BANK CYPRUS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2012

2. BASIS OF PRESENTATION (cont.)**Use of estimates and judgments (cont.)**

- **Fair value of investments**

The best evidence of fair value of investments is the quoted price in an active market. If the market for a financial instrument is not active, then a valuation technique is used. The majority of valuation methods used by the Group, are based solely on observable market data and as a result the fair value measurement is quite reliable. The Group uses models based on non-observable data for the valuation of non listed investments. In these cases, the net positions of the entities in which the investment is performed is considered as well as the estimates of management so as to reflect the uncertainties in fair values resulting from the lack of data and significant adverse changes in technology, the market, and the economic or legal environment in which the entity operates.

- **Impairment of available for sale investments**

The available for sale investments are impaired when the decrease in fair value compared with the cost value is significant or prolonged. In this case, the total loss previously recognized in equity, will be recognized in the consolidated statement of comprehensive income. The determination of significant or prolonged decrease requires judgment by management. Factors taken into account in these estimates include the percentage reduction in the cost or its impairment value as well as the net positions of the entities.

- **Taxation**

The Group recognizes liabilities for income tax in respect of transactions and calculations for which the tax treatment is uncertain. Where the final tax differs from the amounts initially recognized, such differences will impact the current income tax, the tax liabilities and deferred tax assets or liabilities of the period agreed where the ultimate is determined by the tax authorities.

The Group recognizes receivables for deferred taxation in relation to tax losses, to the extent there may be future taxable profits against which the losses can be utilised. The determination of the amount of deferred tax asset that can be recognized, is based on the timing and level of future taxable profits in connection with future tax planning strategies. These variables are established on the basis of significant estimates and assumptions of management and are subject to uncertainty. It is possible the actual conditions in the future can be different from the assumptions used, resulting in a material adjustment to the carrying value of deferred tax assets.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2. BASIS OF PRESENTATION (cont.)

The accounting policies for the preparation of the consolidated financial statements have been consistently applied by the Group to the years 2011 and 2012, after taking into account the following amendments of International Accounting Standards as well as the new or amended Interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union and which are effective for annual periods beginning on 1.1.2012:

- **Amendment of International Financial Reporting Standard 1** «Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters» (Regulation 1255/11.12.2012)

On 20.12.2010, the International Accounting Standards Board issued an amendment of IFRS 1 according to which:

- i. In cases of an entity that has a functional currency that was or is the currency of a hyper inflationary economy, it should be determined whether the currency was subject to severe hyperinflation before the date of transition to IFRSs. When an entity's date of transition to IFRSs is on or after the functional currency "normalization" date, the entity may elect to measure assets and liabilities held before the functional currency "normalization" date at fair value on the date of transition to IFRSs and use the fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. When the functional currency "normalization" date falls within the comparative period, the comparative period presented in the first IFRS financial statements may be less than 12 months.
- ii. The fixed dates (1.1.2004 and 25.10.2002) defined by the existing standard regarding the exceptions for first-time adopters for the derecognition and the initial fair value measurement of financial instruments are abolished. Those dates are replaced by the phrase "the date of transition to IFRSs".

The above amendment does not apply to the consolidated financial statements of the Group.

- **Amendment of International Financial Reporting Standard 7** «Disclosures – Transfers of financial assets» (Regulation 1205/22.11.2011)

On 7.10.2010, the International Accounting Standards Board issued an amendment of IFRS 7 regarding the disclosures that are required when financial assets are transferred. The disclosures relate to the financial assets that are transferred and a) the entity does not recognise, b) the entity has continuing involvement, c) the entity derecognises. With the above amendment the existing disclosures are revised in order to achieve greater transparency in the reporting of transfer transactions, particularly those that involve securitisation of financial assets and transfers mainly its securitization of financial assets. Relevant information for the Group given in note 42 of the consolidated financial statements.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2. BASIS OF PRESENTATION (cont.)

- **Amendment of International Accounting Standard 12** «Deferred Tax: Recovery of Underlying Assets» (Regulation 1255/11.12.2012)

On 20.12.2010, the International Accounting Standards Board issued an amendment of IAS 12 regarding the way with which deferred taxation should be calculated when it is difficult to determine the expected manner of recovery of the underlying assets and the manner of recovery affects the determination of the tax base and the tax rate. In the revised IAS 12, it is clarified that when an asset is classified either as «Investment Property» measured using the fair value model or as «Property, plant and equipment» measured using the revaluation model, there is a rebuttable presumption that its carrying amount will be recovered entirely by sale; therefore, for the calculation of deferred taxation the respective tax rate and tax base should be used. However, it also clarified that for the cases of investment property only, this presumption is rebutted if the asset is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the asset over time, rather than through sale.

The above amendment does not apply on the consolidated financial statements of the Group.

It is noted that according to the Regulation 1255/11.12.2012, which adopted the above amendments to IFRS 1 and IAS 12, their effective date is, by the latest, the annual period beginning 1.1.2013. The Company proceeded with the adoption of both amendments during 2012, consistently with the effective date defined by the International Accounting Standards Board.

Apart from the above standards, the European Union adopted the following new standards, amendments and interpretations of standards which are effective for annual periods beginning after 1.1.2012 and not been early adopted by the Group.

- **International Financial Reporting Standard 10** «Consolidated Financial Statements» (Regulation 1254/11.12.2012)
Effective for annual periods beginning on or after 1.1.2013

On 12 May 2011, the International Accounting Standards Board issued IFRS 10 “Consolidated Financial Statements”. The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The major change brought by IFRS 10 is the new definition of the principle of control. Control is the basis for determining which entities are consolidated, regardless of the type of entity. IFRS 10 supersedes the requirements relating to consolidated financial statements in IAS 27 “Consolidated and Separate Financial Statements” and also supersedes SIC 12 “Consolidation – Special Purpose Entities”.

According to the new control definition, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, an investor controls an investee if and only if the investor has all the following:

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2. BASIS OF PRESENTATION (cont.)

- **International Financial Reporting Standard 10** «Consolidated Financial Statements» (Regulation 1254/11.12.2012) (cont.)

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

Power arises from existing rights that give the investor the current ability to direct the *relevant activities*, ie. the activities that significantly affect the investee's returns. An investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance. Although only one investor can control an investee, more than one party can share in the returns of an investee. Control must be reassessed if facts and circumstances indicate that there are changes to one or more of the three elements of control.

IFRS 10 sets out requirements on how to apply the control principle in various circumstances, i.e. when voting or similar rights give an investor power, when voting rights are not the dominant factor in deciding who controls the investee, in circumstances involving agency relationships or when the investor has control over specified assets of an investee.

IFRS 10 also includes the accounting principles for the preparation and presentation of consolidated financial statements which are substantially the same as the ones that currently apply according to IAS 27 "Consolidated and Separate Financial Statements", which is amended accordingly.

The Company is evaluating the potential impact from the adoption of this standard on its financial statements.

- **International Financial Reporting Standard 11** Joint Arrangements "(Regulation 1254/11.12.2012)

Effective for annual periods beginning on or after 1.1.2013

On 12 May 2011, the International Accounting Standards board issued IFRS 11 "Joint Arrangements" which establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. There are two types of joint arrangements according to IFRS 11, ie joint operations and joint ventures. The classification depends upon the rights and obligations of the parties to the arrangement. Specifically in joint operations, the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement, while in joint ventures, they have rights to the net assets of the arrangement.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2. BASIS OF PRESENTATION (cont.)

- **International Financial Reporting Standard 11** «Disclosure of Interests in Other Entities» (Regulation 1254/11.12.2012) (cont.)

The parties that have joint control of a joint operation recognise in their consolidated and separate financial statements the assets and the liabilities as well as income or expenses that they own or are entitled to from the joint operation. The same accounting principles apply for parties to joint operations that do not have joint control but have rights to the assets and obligations for the liabilities relating to the joint operation. The parties that have joint control of a joint venture recognise their interest as an investment using the equity method in accordance with IAS 28 “Investments in associates and joint ventures”. The alternative of proportionally consolidating joint ventures is no longer provided. A party to a joint venture that does not have joint control of the joint venture accounts for its interest in accordance with IAS 39 (or IFRS 9 if applied), unless it has significant influence over the joint venture, in which case it shall account for it using the equity method.

IFRS 11 supersedes IAS 31 “Interests in Joint Ventures” and SIC 13 “Jointly Controlled Entities – Non Monetary Contributions by Venturers”.

The Group is evaluating the potential impact from the adoption of this standard on its consolidated financial statements.

- **International Financial Reporting Standard 12** «Disclosure of Interests in Other Entities» (Regulation 1254/11.12.2012)

Effective for annual periods beginning on or after 1.1.2013

On 12 May 2011, the International Accounting Standards Board issued IFRS 12 which establishes the information that the reporting entity must disclose concerning its interests in other entities. An interest in another entity refers to contractual or non-contractual involvement that exposes an entity to variability of returns from the performance of another entity. IFRS 12 lists the disclosures required depending on the nature of the interest to other entities, i.e. a) subsidiaries, b) joint arrangements, c) associates and d) unconsolidated structured entities.

Structured entities are those that have been designed so that voting or similar rights are not a dominant factor in deciding who controls the entity (ie. the relevant activities are directed by means of contractual arrangements).

IFRS 12 does not apply to separate financial statements to which IAS 27 “Separate financial statements” applies. However, an entity with interests in unconsolidated structured entities that only prepares separate financial statements will include the IFRS 12 disclosure requirements concerning unconsolidated structured entities in those financial statements.

The Group is evaluating the potential impact from the adoption of this standard on its consolidated financial statements.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2. BASIS OF PRESENTATION (cont.)

- **International Financial Reporting Standard 13** «Fair Value Measurement» (Regulation 1255/11.12.2012)

Effective for annual periods beginning on or after 1.1.2013

On 12.5.2011, the International Accounting Standards Board issued IFRS 13 which:

- i. Defines fair value
- ii. Sets out in a single IFRS a framework for measuring fair value and
- iii. Requires disclosures about fair value measurements

The Group is evaluating the potential impact from the adoption of this standard on its consolidated financial statements.

- **Amendment of International Accounting Standard 1** «Presentation of Items of Other Comprehensive Income» (Regulation 475/5.6.2012)

Effective for annual periods beginning on or after 1.7.2012

On 16.6.2011, the International Accounting Standards Board issued an amendment of IAS 1 regarding the presentation of items of other comprehensive income. Based on the amendment, items of other comprehensive income should be grouped in those that will not be reclassified subsequently to profit or loss and in those that will be reclassified subsequently to profit or loss when specific conditions are met. In case items of other comprehensive income are presented before tax, tax should be presented separately for each of the above groups.

The adoption of the above amendment by the Group will lead to changes in the presentation of the Statement of Comprehensive Income.

- **Amendment of International Accounting Standard 19** «Employee Benefits» (Regulation 475/5.6.2012)

Effective for annual periods beginning on or after 1.1.2013

The International Accounting Standards Board issued on 16.6.2011 the revised IAS 19. The revised standard introduces significant changes regarding the accounting of defined benefit plans. The main changes are the following:

- Immediate recognition of changes in net defined benefit liability. Therefore, the option to defer actuarial gains and losses (corridor approach) and past service cost when benefits are not vested is abolished.
- The new standard clearly defines the recognition of each defined benefit cost component. In particular:
 - I. Service cost is recognized in profit or loss
 - II. Net interest on the net defined benefit liability (asset) is recognized in profit or loss
 - III. Remeasurements of the net defined benefit liability (asset) are recognized in other comprehensive income. They are not reclassified in profit or loss in a subsequent period.
- Disclosures required for defined benefit plans are revised so that to align with the developments in other standards and particularly in IFRS 7.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2. BASIS OF PRESENTATION (cont.)

In addition the new standard changes the timing for the recognition of the liability arising from termination benefits.

The Group is examining the impact from the adoption of the above amendment on its consolidated financial statements.

- **International Accounting Standard 27** «Separate Financial Statements» (Regulation 1254/11.12.2012)

Effective for annual periods beginning on or after 1.1.2013

On 12 May 2011, the International Accounting Standards Board amended and retitled IAS 27. The amended IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The above investments shall be accounted for either at cost or in accordance with IAS 39 (or IFRS 9 if applied) in the investor's separate financial statements. The amended standard does not substantially change the respective accounting requirements that are currently applicable under IAS 27 "Consolidated and Separate Financial Statements".

The adoption of the above amendment by the Group is not expected to have any impact on its consolidated financial statements.

- **International Accounting Standard 28** «Investments in Associates and Joint Ventures» (Regulation 1254/11.12.2012)

Effective for annual periods beginning on or after 1.1.2013

On 12 May 2011, the International Accounting Standards Board amended and retitled IAS 28 which prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. All entities that have joint control of, or significant influence over, an investee shall account for the joint venture or associate using the equity method, except for venture capital organizations, mutual funds, unit trusts or similar entities including investment linked insurance funds, which may elect to measure investments in associates and joint ventures at fair value through profit or loss in accordance with IFRS 9.

Apart from making the equity method compulsory for joint ventures, the amended IAS 28 has not substantially changed the accounting for associates and the application of the equity method.

The Group is examining the impact from the adoption of the above amendment on its consolidated financial statements.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2. BASIS OF PRESENTATION (cont.)

- **Amendment of International Accounting Standard 32** «Offsetting Financial Assets and Financial Liabilities» and of **International Financial Reporting Standard 7** «Disclosures – Offsetting Financial Assets and Financial Liabilities» (Regulation 1256/13.12.2012)

Amendment of IAS 32: Effective for annual periods beginning on or after 1.1.2014

Amendment of IFRS 7: Effective for annual periods beginning on or after 1.1.2013

On 16.12.2011, the International Accounting Standards Board issued the amendment of IAS 32 and IFRS 7 regarding offsetting of financial assets and financial liabilities. The amendment of IAS 32 relates to the addition of application guidance concerning the right to offset while the amendment of IFRS 7 relates to additional disclosure requirements regarding the same issue.

The Group is examining the impact from the adoption of the above amendments on its consolidated financial statements.

- **Interpretation 20** «Stripping costs in the production phase of a surface mine» (Regulation 1255/11.12.2012)

Effective for annual periods beginning on or after 1.1.2013

On 19.10.2011, the International Accounting Standards Board issued IFRIC 20 which clarifies issues relating to the recognition of production stripping costs as an asset as well as to its initial and subsequent measurement.

The above Interpretation does not apply to the activities of the Group.

It is noted that according to the Regulation 1254/11.12.2012, which adopted the above new standards IFRS 10, IFRS 11 and IFRS 12 as well as the above amendments of IAS 27 and IAS 28, their effective date is, by the latest, the annual period beginning on or after 1.1.2014. The Company is examining the possibility of adopting the aforementioned standards and amendments during 2013, consistently with the effective date defined by the International Accounting Standards Board.

In addition, the International Accounting Standards Board has issued the following standards and amendments of standards which have not yet been adopted by the European Union and they have not been early applied by the Company.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2. BASIS OF PRESENTATION (cont.)

- **Amendment of International Financial Reporting Standard 1 «Government loans»**

Effective for annual periods beginning on or after 1.1.2013

On 13.3.2012 the International Accounting Standards Board issued an amendment of IFRS 1 according to which, a first-time adopter shall not apply retrospectively the requirements in IFRS 9 (or IAS 39) and IAS 20 regarding government loans existing at the date of transition to IFRSs and shall not recognise the corresponding benefit of the government loan at a below-market rate of interest as a government grant. Consequently, if a first-time adopter did not, under its previous GAAP, recognise and measure a government loan at a below-market rate of interest on a basis consistent with IFRS requirements, it shall use its previous GAAP carrying amount of the loan in the opening IFRS statement of financial position. However, as an exception, an entity may apply the requirements in IFRS 9 (or IAS 39) and IAS 20 retrospectively to any government loan originated before the date of transition to IFRSs, provided that the information needed to do so had been obtained at the time of initially accounting for that loan.

The above amendment does not apply to the consolidated financial statements of the Group.

- **International Financial Reporting Standard 9 «Financial Instruments»**

Effective for annual periods beginning on or after 1.1.2015

On 12.11.2009, IFRS 9: «Financial Instruments» was issued by the International Accounting Standards Board. The new standard was issued as part of the first phase of the project for the replacement of IAS 39; therefore, the scope of the first phase is the classification and measurement of financial assets. According to the new standard, financial instruments should be classified, at initial recognition, at either amortized cost or at fair value. The criteria that should be considered for the initial classification of the financial assets are the following:

- I. The entity's business model for managing the financial assets and
- II. The contractual cash flow characteristics of the financial assets.

In addition, IFRS 9 permits, at initial recognition, equity instruments to be classified at fair value through other comprehensive income. The option precludes equity instruments held for trading. Moreover, with regards to embedded derivatives, if the hybrid contract contains a host that is within the scope of IFRS 9, the embedded derivative should not be separated and the accounting treatment of the hybrid contract should be based on the above requirements for the classification of the financial instruments.

In addition, on 28.10.2008, the International Accounting Standards Board issued the revised requirements regarding the classification and measurement of financial liabilities. According to the new requirements, which were included in IFRS 9, in the case of financial liabilities that are initially designated at fair value through profit or loss, the change in the fair value of the liability should be recognised in profit or loss with the exception of the effect of change in the liability's credit risk which should be recognised directly in other comprehensive income.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2. BASIS OF PRESENTATION (cont.)

• **International Financial Reporting Standard 9 «Financial Instruments» (cont.)**

Furthermore, on 16.12.2011 the International Accounting Standard Board, with a new amendment of IFRS 9, transferred the effective date of the standard from 1.1.2013 to 1.1.2015.

Finally, it should be noted that for the completion of IFRS 9, the finalization of the texts relating to amortised cost and impairment calculation as well as to hedge accounting is pending.

The Group is evaluating the potential impact from the adoption of this standard on its consolidated financial statements.

• **Amendment of International Financial Reporting Standard 7 «Financial Instruments – Disclosures»**

Effective for annual periods beginning on or after 1.1.2015

On 16.12.2011, the International Accounting Standards Board issued the amendment of IFRS 7. With this amendment, disclosures were added relating to the transition to IFRS 9.

The Group is evaluating the potential impact from the adoption of the amendment on its consolidated financial statements.

• **Amendment of International Financial Reporting Standard 10 «Consolidated Financial Statements», of International Financial Reporting Standard 11 «Joint Arrangements» and of International Financial Reporting Standard 12 «Disclosure of Interests in Other Entities»: Transition Guidance**

Effective for annual periods beginning on or after 1.1.2013

On 28.06.2012, the International Accounting Standards Board issued an amendment to the transition requirements of the above standards. The amendment clarifies that the “date of initial application” is the beginning of the annual reporting period in which IFRS 10 is applied for the first time. In the case that the consolidation conclusion reached at the date of initial application is different when compared with applying IAS 27 and SIC 12, only the immediately preceding comparative period needs to be adjusted retrospectively. The presentation of adjusted comparatives for earlier periods is permitted but not required. A similar exception regarding the presentation of adjusted comparatives is also provided in the transition requirements of IFRS 11 and 12. Also, the disclosures relating to non consolidated structured entities are not required for any period before the first annual period for which IFRS 12 is applied.

The Group is evaluating the impact from the adoption of the above amendment on its consolidated financial statements.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2. BASIS OF PRESENTATION (cont.)

- **Amendment of International Financial Reporting Standard 10** «Consolidated Financial Statements», of **International Financial Reporting Standard 12** «Disclosure of Interests in Other Entities» and of **International Accounting Standard 27** «Separate Financial Statements»: Investment Entities

Effective for annual periods beginning on or after 1.1.2014

On 31.10.2012, the International Accounting Standards Board issued the above amendment which defines “investment entities” and introduces an exception to consolidating particular subsidiaries for investment entities. An investment entity shall not consolidate its subsidiaries or apply IFRS 3 when it obtains control of another entity. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9. The above does not apply to subsidiaries that are not held for the purpose of obtaining returns from the investment, but for providing services that relate to the investment activities of the parent. However, a parent of an investment entity, that is not itself an investment entity, shall consolidate all entities that it controls, including those controlled through an investment entity subsidiary.

The Group is evaluating the impact from the adoption of the above amendment on its consolidated financial statements.

- **Improvements to International Accounting Standards**

Effective for annual periods beginning on or after 1.1.2013

As part of the annual improvements project, the International Accounting Standards Board issued on 17.5.2012 non urgent but necessary amendments to various standards.

The Group is evaluating the impact from the adoption of the above amendments on its consolidated financial statements.

Determination and presentation of operating segments

From 1 January 2009, the Group determines and presents operating segments based on reporting provided to the Board of Directors, which is the highest supervisory body for the decision making of the Group. This change in accounting policy is due to the adoption of IFRS 8: 'Operating Segments'. Previously, operating segments were determined and presented in accordance with IFRS14 'Segment Reporting'. The new accounting policy in relation to operating segment disclosures is presented below.

The comparative segment information is re represented in accordance with the transitional provisions of IFRS 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no effect on (loss) / earnings per share.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2. BASIS OF PRESENTATION (cont.)

Determination and presentation of operating segments (cont.)

Operating segment is a component of the Group that engages in business activities from which it may earn revenues and expenses, including revenues and expenses that relate to transactions with any of the other parts of the Group. Results from an operating segment for which there is discrete financial information is reviewed regularly by the Board of Directors to make decisions on allocating resources and assessing performance.

The results of the operating segments presented to the Board of Directors include items directly attributable to a segment as well as information that can be allocated on a reasonable basis.

The segmental information is provided in note 49 of the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently for the years being reported for the statement of comprehensive income and the presentation of the financial position of the Company and the Group. The accounting policies have been applied consistently by all companies of the Group.

Basis of consolidation

The consolidated financial statements include the financial statements of Alpha Bank Cyprus Limited (the "Company") and its subsidiaries together referred to as the "Group", are disclosed in note 39 and are controlled by the parent company.

Subsidiaries are consolidated using the acquisition method of accounting from the date on which control is transferred to the Group and cease to be consolidated when control is transferred out of the Group.

Control exists where the parent company holds directly or indirectly more than 50% of the share capital with voting rights of the subsidiary company or is in position of regulating the financial and operating policy decisions of the subsidiary company, or when authorizes the appointment or resignation of the majority members of the Board of Directors. Minority interests owners' capital and profits or loss for the year are presented separately in the consolidated statement of financial position (as part of equity) and in the consolidated statement of comprehensive income, respectively.

Transactions and balances between companies of the Group are eliminated in full on consolidation.

The minority interest in net assets of consolidated subsidiaries is presented separately from the Group's reserves. The minority interest consists of the amount of interest at initiation date of business combination and the participation of minority interest in changes in reserves at the date of the business combination. The excess losses on interest attributable to minority interest Group, except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Foreign currencies

Transactions in foreign currencies are translated to the functional currency using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Euro using the exchange rate on that date. Foreign currency differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are retranslated using the currency rate at the date of the transaction.

Interest receivable

Interest receivable is recognised in the consolidated statement of comprehensive income on an accruals basis. Interest receivable includes interest receivable from loans and advances, from investments available for sale and from derivative financial instruments.

Interest expense

Interest expense is recognised on an accrual basis.

Income and expenses from fees and commissions

Income from fees and expenses are recognised according the completion of the transaction in order to correlate with the cost of the service provided.

Dividend income

Dividend income is recognised in the statement of comprehensive income when it is received.

Expenses on improvements, repairs and maintenance

The expenses for the alteration or improvement of buildings or improvements on leasehold premises are capitalised and depreciated based on the factor reported in accounting policy for property, plant and equipment.

The cost for repairs and maintenance of buildings and other plant and equipment is charged in the consolidated statement of comprehensive income in the year in which it is incurred.

Segment analysis

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses including income and expenses related to transactions involved with other segments of the Group. The segments' results are reviewed regularly by the Board of Directors of the Company to take decisions about resources to be allocated to the segment and assess its performance viability, and for which discrete financial information is available.

The Group carries on business only in Cyprus and the following two functions:

- Banking and financial services
- Insurance services

THE GROUP OF ALPHA BANK CYPRUS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)**Financial Instruments****Recognition date**

Acquisitions or disposals of financial assets required to be delivered within the time limit as prescribed in the regulations and standard rules of the relevant market, are recognised at the date of transaction thus the date when the Group is bound to acquire or dispose such assets. Derivatives are recognised on the date of the commercial transaction. Amounts due to credit institutions, customers deposits, placements with credit institutions and loans and advances to customers are recognised as soon as the Group received or granted funds to the contracting parties, unless a financial asset or liability is not measured at fair value through profit or loss.

Initial recognition of financial instruments

The classification of the financial instruments during the initial recognition depends on the acquisition purpose and their characteristics. All financial instruments are initially measured at fair value plus transaction expenses directly incurred during the acquisition or the issuance of such financial assets or liability, unless a financial asset or liability is measured at fair value through profit or loss.

Loans and advances

Loans and advances, originated by providing cash directly to the borrowers are measured initially at fair value including arrangement costs. Loans and advances are subsequently measured at amortised cost using the effective yield method. Loans and advances to customers are stated net of provisions for bad and doubtful debts. Loans and advances are written off to the extent that there is no realistic prospect of recovery.

The collectability of individually significant loans and advances is evaluated based on the customer's overall financial condition, resources and payment record, the prospect of support from any creditworthy guarantors and the realisable value of any collateral.

A loan is considered non-performing when it is probable that the Group will not receive the whole amount due according to the initial terms of the loan agreement, except if the facility is fully covered or the Group believes that the amounts due will be fully recovered.

When a loan is considered non-performing, impairment is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows, including recoverable amounts from guarantees and collaterals, discounted at the loan's original effective interest rate.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Financial Instruments (cont.)

For some loan portfolios with similar risk characteristics such as Consumer credit loans, impairment is calculated after a review of the whole portfolio. At the review of each portfolio factors that are taken into consideration are the amounts of the possible problematic loans, the period for which the repayment amount is past due, the economic climate that exists as well as the past experience regarding the level of the incurred losses.

Loans and advances are monitored continuously and are reviewed for provision purposes in the consolidated statement of comprehensive income every quarter. Any subsequent changes to the estimated recoverable amounts and timing of the expected future cash flows, are compared to the prior estimates and where any difference arises then a corresponding charge/credit is recorded in the statement of comprehensive income. A provision for an impaired loan is reversed only when the creditworthiness of the customer has improved to such an extent that there is reasonable assurance that all principal and interest amounts according to the original terms of the loan will be collected timely.

Derivatives to be classified at fair value through profit or loss

The Group uses derivative financial instruments such as currency and interest rate swaps and forward rate agreements to hedge for the market price risks arising from its operating financial and investment activities. Derivatives not fulfilling the requirements for hedging purposes are considered to be trading instruments.

Derivatives are initially recognised at their acquisition cost. Subsequently the derivatives are restated at their fair value. The fair value of a currency and interest rate swap is considered to be the estimated price to be received or paid by the Group which would pay to terminate the currency and interest rate swap at the end of the reporting period taking into account the current creditworthiness of the contracting parties. The fair value of the forward rate agreements is the market price at the reporting period. Any adjustments at the fair value are recognised in the consolidated statement of comprehensive income.

Hedging

For derivatives fulfilling the relevant hedging criteria, the surplus or deficit from the instrument is recognised in the net loss or profit from the change in fair value of the financial instrument in the consolidated statement of comprehensive income. The accounting value of the hedged asset or liability is adjusted with profit or loss that relates to the risk being hedged. When the hedged asset or liability is sold, terminated or exercised, then the hedging no longer fulfills the relevant criteria and hedge accounting is terminated.

Investments classified as loans and advances

Loans and advances are financial assets with constant and prescribed payments with absence of a stock exchange price in an active market. Such financial assets have not been acquired for the direct sale thereof and they are not classified as investments available for sale. Following the initial recognition, loans and advances are recognised at depreciated cost using the effective interest rate method less provisions for impairment. Loss from the impairment of such loans and advances is recognised in the provision for impairment of loans and advances in the consolidated statement of comprehensive income.

THE GROUP OF ALPHA BANK CYPRUS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)**Financial Instruments (cont.)****Investments available for sale**

Investments available for sale are investments which may be sold for liquidity purposes or because of market risk changes and include shares, treasury bonds and government bonds.

Available for sale investments are measured at estimated fair value, based on current market price for securities listed on stock exchanges. Investments in unlisted securities are presented at fair value estimated using recognised valuation models and indicators adjusted on the specific circumstances of the issuer or based on the financial results, the current financial situation and the prospects of the issuer compared with those of similar companies listed on stock exchanges where current market prices exist.

Interest on treasury bills and government bonds which are held as available for sale is recognised as interest receivable using the effective interest rate method.

Dividends received from available for sale shares are recognised in the income from operations in the statement of comprehensive income as soon as the right to receive is deemed final.

Losses incurred from the impairment of such investments are recognised in the net loss from the change in fair value of financial instruments in the consolidated statement of comprehensive income.

Profits or loss from the change in fair value is recognised directly in equity, in the investments revaluation reserve. When the investment is disposed the overall profit or loss previously recognised in the investments revaluation reserve is transferred to the statement of comprehensive income. When the Company holds more than one investment with the same security, it is considered that such investments are sold on the basis of the weighted average cost of capital method.

A significant or prolonged decrease in fair value of an investment equity instrument below cost represents an objective indication of impairment for application of the above, the Company defines as ("significant" a decrease above 20% related to the cost of the investment, especially, "prolonged" is considered a decrease in fair value below cost of investment for a continuous period exceeding one year. When the impairment of investments available for sale takes place the accumulated loss which was included in the statement of financial position is transferred to the statement of comprehensive income. If following the recognition of impairment loss new will result in decrease to the already reduced recognised statement of comprehensive income, only in the case that relates to bonds. Conversely, impairment loss in shares or interests in mutual funds are not reversed in the results.

During the year ended 31/12/2012 there was no indication of impairment of investments available for sale.

Dividends deriving from shares classified as available for sale are recognized in other operating income when the right to receive them is certain. Losses on impairment of such investments are recognized in surplus/deficit on revaluation of investments in the consolidated statement of comprehensive income.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Financial Instruments (cont.)

Investments available for sale (cont.)

In the case of disposal of investments, the difference between the net proceeds and the carrying amount stated in the consolidated financial statements is transferred to the statement of comprehensive income along with any amount from the investments revaluation reserve in relation to the investment being disposed.

Investments at fair value through profit or loss

Investments include financial assets vested in management and their performance is evaluated on fair value basis in accordance with a proved risk management strategy or investment.

Changes in financial assets at fair value are recognized in the consolidated statement of comprehensive income.

Impairment of assets

The Group assesses at each reporting period the carrying value of its assets in order to find out whether there is any objective evidence that an asset may be impaired. If any such evidence exists, the Group estimates the recoverable amount of that asset. The recoverable amount of an asset is the higher of an asset's fair value less costs to sell and value in use.

The value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life. The impairment is recognised in the consolidated statement of comprehensive income as an expense.

Insurance Contracts

The Group, through its subsidiary company conducts insurance operations where it issues insurance policies to customers. Under these contracts the Group accepts significant risk by agreeing to compensate the contract holder on the occurrence of a specified uncertain future event.

Life insurance

Life insurance business premiums for normal operations are accounted on the date they become payable and contracts related to equity units where they are charged under the terms of the insurance contracts.

The amount transferred to reserves of life insurance is the result of an actuarial assessment made on yearly basis by the actuary pursuant to the exercises Insurance Services and Other Related Issues Law. The calculation of this amount is based on commonly accepted actuarial principles that are consistent with the instructions of the supervisory authority.

General insurance

Premiums from the general insurance business accounted for on the date they become payable.

Unearned premiums represent the proportion of net premiums occurred in a year that relate to periods of risk from 1 January next year until the date of expiration of the contracts,

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

General insurance (cont.)

calculated on a daily basis. Net unearned premiums are deducted from the revenue of the general insurance and transferred to the following year.

Additionally, full provision is made for the estimated cost of all claims notified but not settled and for any claims incurred and not reported (IBNR'S) at the date of the reporting period based on the best available information at the time of preparation of the consolidated financial statements.

At 31 December 2012, the subsidiary company Alpha Insurance Limited has been sold and therefore disposed its insurance activities. Income from insurance activities is included in profit from discontinued operations and is presented in note 14 of the consolidated financial statements.

Property, plant and equipment

Land and buildings are stated at historic cost less depreciation on buildings. Plant and equipment are stated at historic cost less accumulated depreciation. The historic cost includes expenses directly associated with the acquisition of property and equipment. The cost of material renovations and other expenses are included in the carrying value of the asset or it is recognised as separate asset when it is probable that the Group will result in future economic benefits and the costs can be measured reliably.

Depreciation is calculated on a straight line basis in such a way that the cost less the estimated residual value is being depreciated over the expected useful economic life of the assets. Annual depreciation rates are as follows:

Premises and improvements on leasehold premises	5-50 years
Leasehold premises	10 years
Installations and equipment	3-10 years

No depreciation is calculated on land.

Amortisation on leasehold premises is estimated in such a way so as to write off the revalued amount of the leasehold by equal annual instalments over the period of the lease.

On disposal of property, plant and equipment the difference between the net receipts and the net carrying value is debited or credited to the consolidated statement of comprehensive income.

Intangible assets

Computer application software

Computer application software programs are stated at cost less accumulated depreciation. Amortisation is calculated on a straight line basis in such a way that the cost less the estimated residual value of the intangible assets is being amortised over the expected useful economic life of the assets. The annual amortisation rate for computer application software is 33,3%, with exception the Company's software system whose annual amortisation rate is 20%.

THE GROUP OF ALPHA BANK CYPRUS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)**Intangible Assets (cont.)**

Expenses incurred for the maintenance of computer application software programs are charged in the consolidated statement of comprehensive income in the year in which they incur.

Employees retirement plan

The Company operated a defined benefit plan for its staff.

On 12 January 2012, a new collective agreement signed between the Cyprus Bankers Employers Association and the Bank Union of Employees where defined benefit plan Provident Fund / Retirement Gratuity expired on December 31, 2011 and replaced by January 1, 2012 with a defined contribution plan. The defined contribution is 14% of salary by the employer while the employee's contributions ranging from 3% - 10%.

Taxation

Taxation on income is provided for in accordance with the tax legislation and tax rates which apply in Cyprus where the Group carries on its operations and is recognised as an expense in the period in which the income arises.

Deferred taxation

Provision for deferred taxation is made on all temporary differences between the carrying values of assets and liabilities for financial reporting purposes and their tax base. Deferred tax is calculated at the tax rates applying at the year end. Any deferred tax assets arising from deductible temporary differences are recognised to the extent that it is expected that taxable profits will be available in the future.

Any adjustment in deferred taxation, which is due to changes of tax rates, is presented in the consolidated statement of comprehensive income or in the reserves according to where the original debit or credit for the deferred tax was initially recorded.

Financial guarantee contracts

Financial guarantee contracts (except for those considered to be insurance contracts) are contracts that require the issuer to make specified payments to reimburse the holder for a loss that is incurred because a specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Such financial guarantees are granted to banks, financial institutions and other organisations on behalf of customers for the granting of loans and other bank facilities.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Financial guarantee contracts (cont.)

Financial guarantees are initially recognised at fair value on the date of the granting thereof and subsequently they are evaluated on the basis of the highest amount out of:

- (a) The amount of initial recognition less, if any, the amount of accumulated amortisation recognised; and
- (b) The best cost estimation required for the settlement of the relevant commitment at the end of the reporting period. These estimations are based on the experience with similar transactions and previous loss reports and they are supplemented by the evaluations of the Management.

Any increase of the liability related to such guarantees is recognised in the consolidated statement of comprehensive income. The Group has not recognised any amounts relating to financial guarantee contracts in the consolidated statement of comprehensive income.

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and of loans and advances to financial institutions and other securities, the maturity of which does not exceed three months from their acquisition date. In this category, balances with the Central Bank of Cyprus as part of the minimum reserve requirement on deposits is included.

Discontinued operations

The discontinued operation is a component of the Group's business, operations and cash flows of which can be clearly distinguished from the entirety and that:

- represents a separate major line of business or geographical area
- is part of a single coordinated plan to dispose of a major line of business or geographical operation
- is a subsidiary acquired exclusively for resale

Classification as a discontinued operation occurs upon disposal or when the company meets the criteria for classification as held for sale, if earlier, when a company is classified as a discontinued operation, the comparative settlement of comprehensive income is represented as having the transactions terminated by the start of the comparative year.

Goodwill

Goodwill represents the difference between the acquisition cost and the interest in net assets attributable to the Group for the acquired companies. With the adoption of International Accounting Standard 36 (revised 2004) "Impairment of Assets", the International Accounting Standard 38 (revised 2004) "Intangible Assets" and International Financial Reporting Standards 3 (issued 2004) "Business Combinations", from 1 January 2005, the Group ceased amortization of goodwill and tests for impairment on an annual basis and where there is evidence of impairment. Additionally, the Group has written off the related accumulated depreciation from the value of goodwill.

THE GROUP OF ALPHA BANK CYPRUS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)**Loan capital**

The loan capital consists of bonds that are recognised at fair value and represents proceeds from the issue. The amortised cost is the fair value of securities issued after deducting interest payments plus the cumulative amortization using the effective interest method of any difference between the initial amount and the amount at maturity date. The bonds are classified as secondary capital (Tier 2 Capital) for the purposes of calculating the capital adequacy ratio.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or group of financial assets or financial liabilities) allocating income or interest expenses during the period concerned. The real interest rate is the rate that exactly discounts estimated future cash payments or receipts which correspond to the expected life of the instrument or, when appropriate for a shorter period, to the net carrying amount of the financial asset or financial liability.

Provisions

Provisions are recognised in the consolidated statement of financial position when the Group has legal or commercial commitment as a result of an event that happened in the past and is likely to require an outflow of economic benefits to repay the obligation. Provisions are assessed by the Members of the Board at their best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Operating leases

Leases on assets arising where the Group does not undertake substantially all the risks and rewards arising from ownership of the assets are classified as operating leases.

The rent paid on a monthly basis on the operating leases is debited in the consolidated statement of comprehensive income based on the straight line method over the life of the lease.

Investment properties

Investment properties comprises properties held to obtain rental income and capital appreciation which do not include owner-occupied property. It also includes improvements in properties.

Investment properties are initially recognized at cost, plus expenses related to the transactions for the acquisition.

After initial recognition are measured at cost less accumulated depreciation and any accumulated losses from impairment value. For the calculation of depreciation, its useful lives is set equal to that of owner-occupied properties and using straight line method.

THE GROUP OF ALPHA BANK CYPRUS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)**Unearned premiums (general insurance)**

Unearned premiums represent the proportion of net premiums written in a year that relate to periods of risk from 1 January next year until the date of expiration of the contract, calculated on a daily basis. Net unearned premiums are deducted from income of the general insurance and transferred to the next year.

Life insurance reserves

The amount transferred to reserves of life insurance is the result of an actuarial assessment made annually by the actuary of the company pursuant to the Insurance Services and Other Related Issues Law. The calculation of this amount is based on commonly accepted actuarial principles that are consistent with the instructions of the supervisory authority.

For contracts that are linked to share units, each unit is connected to an investment portfolio. The value of each unit is increased or decreased depending on the value of the related portfolio. Current liabilities are equal to the sum of the current value of each unit of all investments that are linked to share units plus any collateral benefits.

The Board of Directors has been informed by the actuary of the company that the insurance company's liabilities for life insurance unexpired do not exceed the total reserves of life insurance on the date of the reporting period.

Share capital

The ordinary shares are classified as equity.

Comparative figures

The comparative amounts included in the consolidated financial statements are restated where necessary to conform to the presentation of this year.

The comparative amounts presented in the consolidated statement of comprehensive income includes the results of the subsidiary company Alpha Insurance Limited, while the amounts of this year do not include it due to its disposal on 31 December 2012.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

4. NET INTEREST INCOME

	From 1 January to	
	31.12.2012	31.12.2011
	€	€
Interest income		
Deposits with the Central Bank of Cyprus	362.841	970.324
Loans and advances to financial institutions	5.134.965	24.936.391
Loans and receivables - Note (i)	217.872.088	245.180.424
Derivatives held for risk management	6.287.380	14.647.765
Treasuries	2.772.731	2.154.661
Corporate Bonds	<u>12.613.067</u>	<u>15.902.443</u>
<i>Total interest income</i>	<u>245.043.072</u>	<u>303.792.008</u>
Interest expense		
Deposits from financial institutions	(18.729.120)	(40.614.410)
Deposits from customers	(85.689.336)	(92.435.162)
Bonds	(2.587.861)	(3.156.700)
Special government bonds	<u>(2.109.300)</u>	<u>(2.044.125)</u>
Total interest expense	<u>(109.115.617)</u>	<u>(138.250.397)</u>
<i>Net interest income</i>	<u>135.927.455</u>	<u>165.541.611</u>

Note:

- (i) Loans and advances to customers are stated after deducting unwinding of interest as follows:

		From 1 January to	
		31.12.2012	31.12.2011
	Note	€	€
Loans and advances to customers		246.732.235	261.928.242
Unwinding of interest	17	<u>(28.860.147)</u>	<u>(16.747.818)</u>
		<u>217.872.088</u>	<u>245.180.424</u>

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

5. NET INCOME FROM FEES AND COMMISSIONS

	From 1 January to 31.12.2012	31.12.2011
	€	€
Income from fees and commissions		
Commissions receivable	13.573.115	14.679.284
Income from fees	6.534.324	7.731.482
Income from study fees	<u>196.233</u>	<u>291.022</u>
<i>Total income from fees and commissions</i>	<u>20.303.672</u>	<u>22.701.788</u>
Expenses from fees and commissions		
Expenses from fees	(644.153)	(576.735)
Commissions payable	<u>(748.674)</u>	<u>(131.427)</u>
<i>Total expenses from fees and commissions</i>	<u>(1.392.827)</u>	<u>(708.162)</u>
<i>Net income from fees and commissions</i>	<u>18.910.845</u>	<u>21.993.626</u>

6. NET PROFIT / (LOSS) FROM CHANGE IN THE FAIR VALUE OF FINANCIAL INSTRUMENTS

	From 1 January to 31.12.2012	31.12.2011
	€	€
Surplus / (deficit) on revaluation of derivatives held for risk management	941.206	(1.487.909)
Surplus on revaluation of derivatives held for trading	<u>131.405</u>	<u>159.740</u>
	<u>1.072.611</u>	<u>(1.328.169)</u>

7. OTHER INCOME FROM OPERATIONS

	From 1 January to 31.12.2012	31.12.2011
	€	€
Revenue from foreign exchange transactions	3.501.946	3.013.410
(Expenses) / income from foreign exchange transactions -unrealized (loss) / profit	(506.760)	532.277
Dividends receivable	<u>294.485</u>	<u>2.451.646</u>
	<u>3.289.671</u>	<u>5.997.333</u>

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2012**8. INCOME FROM INSURANCE OPERATIONS****Income from insurance operations - general insurance**

	From 1 January to 31.12.2012	31.12.2011
	€	€
Gross premiums	-	15.946.497
Less: Reinsurance	<u>-</u>	<u>(4.842.969)</u>
Net premiums	-	11.103.528
Change in unearned premiums	-	(3.402)
Change from unexpired risks	<u>-</u>	<u>(7.606)</u>
	-	11.092.520
Income from investments	<u>-</u>	<u>213.535</u>
	-	11.306.055
Claims payable - net	-	(6.599.331)
Commissions payable - net	-	(769.982)
Other administrative expenses	-	(771.770)
Provision for doubtful debts	<u>-</u>	<u>(55.944)</u>
Net income - general insurance	<u>-</u>	<u>3.109.028</u>

Income from insurance operations - life

Gross premiums	-	12.660.389
Less: Reinsurance	<u>-</u>	<u>(2.308.904)</u>
Net premiums	-	10.351.485
Expenses from investments	<u>-</u>	<u>(3.627.747)</u>
	-	6.723.738
Claims payable - net	-	(5.976.720)
Commissions payable - net	-	(865.429)
Other administrative expenses	-	(548.113)
Provision for doubtful debts	<u>-</u>	<u>(102.319)</u>
Net results from insurance operations life	-	(768.843)
Transfer to reserve life insurance	-	3.179.967
Dividends to policyholders of participating profits	<u>-</u>	<u>(5.773)</u>
Net income – life insurance	<u>-</u>	<u>2.405.351</u>
Total income from insurance operations	<u>-</u>	<u>5.514.379</u>

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

9. STAFF COSTS

		From 1 January to	
		31.12.2012	31.12.2011
	Note	€	€
Salaries and employer contributions		34.769.786	36.486.885
Other staff costs		610.713	713.551
Contributions to the Provident Fund		3.756.062	-
Retirement benefit plan	34	<u>-</u>	<u>7.367.683</u>
		<u>39.136.561</u>	<u>44.568.119</u>

The total number of employees of the Group as at 31 December 2012 amounted to 761 people (2011: 829 employees).

On 12 January 2012, signed a new collective agreement between the Cyprus Bankers Employers Association and the Bank Union Employees of Cyprus where defined benefit plan Provident Fund / Retirement Gratuity expired on December 31, 2011 and replaced by January 1, 2012 with a defined contribution plan. The defined contribution is 14% of salary by the employer while the employees' contribution is in the range from 3% - 10% of salary.

10. OTHER EXPENSES

		From 1 January to	
		31.12.2012	31.12.2011
		€	€
Advertisements and promotions		1.750.228	1.902.375
Rents payable		1.517.858	1.803.832
Maintenance and repairs		659.886	725.220
Write off of property, plant and equipment		43.090	49.564
Professional expenses		2.601.322	438.469
Other expenses		<u>8.874.320</u>	<u>7.808.846</u>
		<u>15.446.704</u>	<u>12.728.306</u>

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

11. (LOSS) / PROFIT FOR THE YEAR BEFORE TAXATION

The (loss)/profit for the year before tax is stated after charging the following:

		From 1 January to 31.12.2012	31.12.2011
	Note	€	€
Directors' remuneration:			
As Executive Directors	50	534.734	865.655
As Directors	50	55.000	55.000
Independent auditors' remuneration for statutory audit of annual accounts		43.250	70.075
Independent auditors' remuneration for other review services		10.250	7.500
Independent auditors' remuneration for other non-audit services		55.000	18.738
Depreciation of property, plant and equipment	24	2.205.950	2.658.182
Amortization of intangible assets	25	315.123	276.494
Rents payable	10	<u>1.517.858</u>	<u>1.803.832</u>

12. TAXATION

		From 1 January to 31.12.2012	31.12.2011
	Note	€	€
Corporation tax for the year		-	1.196.819
Corporation tax of previous years		-	3.670
Capital gains tax		197.103	-
Tax levy on credit institutions		2.455.890	3.366.352
Deferred tax - credit	27	<u>(4.174.662)</u>	<u>(495.711)</u>
(Credit)/charge for the year		<u>(1.521.669)</u>	<u>4.071.130</u>

The taxation of the Group is the total tax of all the companies of the Group.

All companies are taxed for corporation tax purposes at rate 10% on taxable profits for the year (from 1 January 2013 increased to 12.5%)

In addition, tax losses from previous years can be carried forward to subsequent years until their finally offset (tax losses accumulated by the year 2011 can be transferred up to year 2016 and tax losses from year 2012 onwards will be limited to five years). Companies belonging to the same group can offset losses with profits arising in the same tax year.

The tax levy on credit institutions came into force on 14 April 2011. The Company is taxed on 0.095% (from 1 January 2013 rose to 0.15%) in total deposits, excluding deposits from other financial institutions as at 31 December of the previous year.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

12. TAXATION(cont.)

Reconciliation of tax based on the taxable income and tax-based accounting (loss)/profit of the Group

	From 1 January to 31.12.2012	31.12.2011
	€	€
Accounting (loss) / profit of the Group before taxation	<u>(39.723.913)</u>	<u>6.758.784</u>
Tax calculated at the tax rates	(3.972.391)	675.878
Tax effect of expenses not deductible	465.971	1.021.611
Tax effect of allowances and income not subject to tax	(4.503.948)	(586.450)
Tax effect of losses year	8.010.368	-
Additional tax on life insurance premiums to 1.50%	-	85.780
Prior years' taxes	-	3.670
Capital gains tax	197.103	-
Deferred taxation	(4.174.662)	(495.711)
Tax levy on credit institutions	<u>2.455.890</u>	<u>3.366.352</u>
Taxation as per consolidated statement of comprehensive income	<u>(1.521.669)</u>	<u>4.071.130</u>
Effective tax rate (excluding rate of deferred taxation, capital gains tax and tax levy on credit institutions)	<u>0%</u>	<u>17,76%</u>

13. (LOSS)/PROFIT PER SHARE

The (loss) / profit per share is calculated by dividing the (loss) / profit for the year attributable to owners of the parent by the weighted average number of issued ordinary shares during the year.

	From 1 January to 31.12.2012	31.12.2011
Basic and fully diluted (loss) / profit attributable to owners		
From continuing operations	(38.587.438)	2.107.765
From discontinued operations	<u>7.016.258</u>	<u>473.070</u>
Basic and fully diluted (loss) / profit attributable to owners	<u>(31.571.180)</u>	<u>2.580.835</u>
Weighted average number of shares that were issued during the year	<u>139.500.000</u>	<u>139.500.000</u>
Basic and fully diluted (loss) / profit per share (€ cent)		
From continuing operations	(27,66)	1,51
From discontinued operations	<u>5,03</u>	<u>0,34</u>
Basic and fully diluted (Loss) / profit per share (€ cent)	<u>(22,63)</u>	<u>1,85</u>

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

14. PROFIT FROM DISCONTINUED OPERATIONS

On 31 December 2012, the Board of Directors agreed with the company Alpha Group Investments Limited the disposal of insurance activities segments through the sale of its subsidiary company Alpha Insurance Limited. The results from discontinued operations and the assets and liabilities classified as held for sale are presented separately in the statement of comprehensive income and statement of financial position respectively. The sale took place on 31 December 2012.

	Note	01.01.2012- 31.12.2012 €	01.01.2011- 31.12.2011 €
Profit from disposal of subsidiary	40	4.996.934	-
Income from insurance operations		2.607.331	2.394.560
Impairment of available for sale investments		-	(1.354.194)
Depreciation and amortization		(121.168)	(141.135)
Other expenses		<u>(129.453)</u>	<u>(107.135)</u>
Profit from discontinued operations before taxation		7.353.644	792.096
Taxation		<u>(337.386)</u>	<u>(319.026)</u>
Profit from discontinued operations		<u>7.016.258</u>	<u>473.070</u>

15. CASH AND BANK DEPOSITS

	31.12.2012 €	31.12.2011 €
Cash and cash equivalents	18.718.297	20.204.379
Balances with Central Bank of Cyprus	<u>26.760.219</u>	<u>290.688.990</u>
	<u>45.478.516</u>	<u>310.893.369</u>

The deposits with Central Bank of Cyprus include obligatory deposits for liquidity purposes amounted to € 26.760.219 (2011: € 290.688.990).

The analysis of the above assets at maturity and currency are disclosed in note 45 of the consolidated financial statements. The deposits bear interest at the interbank rate of the relevant period and currency.

16. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS

	31.12.2012 €	31.12.2011 €
Placements with Alpha Group companies	696.822.197	571.811.140
Placements with other financial institutions	<u>30.381.287</u>	<u>14.648.952</u>
	<u>727.203.484</u>	<u>586.460.092</u>

Analysis of the above deposits by maturity date is presented in note 45 of these consolidated financial statements.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

17. LOANS AND ADVANCES TO CUSTOMERS

	31.12.2012	31.12.2011
	€	€
Loans and advances to customers	4.230.830.083	4.601.890.391
Loans on insurance policies within the redemption value and mortgage loans	<u>-</u>	<u>1.348.653</u>
	4.230.830.083	4.603.239.044
Provisions for impairment of doubtful debts	<u>(493.874.732)</u>	<u>(324.939.008)</u>
	<u>3.736.955.351</u>	<u>4.278.300.036</u>

The fair value of loans and advances to customers approximated to the amounts presented in the consolidated statement of financial position, after deducting the provisions for impairment.

	31.12.2012	31.12.2011
	€	€
<i>Per economic sector</i>		
Industry	77.354.684	71.614.566
Tourism	124.081.013	122.234.123
Trade	157.397.222	129.285.315
Building and construction	1.721.684.939	1.702.705.780
Personal and professional	2.003.849.256	2.385.080.970
Other sectors	<u>146.462.969</u>	<u>190.969.637</u>
	<u>4.230.830.083</u>	<u>4.601.890.391</u>

Analysis of loans and advances to customers at the maturity date is disclosed in note 45 of the consolidated financial statements.

During the year, loans totaling € 374 m. were transferred to intragroup company of Alpha Bank S.A. For these loans all the risks and rewards of ownership have been transferred and therefore their recognition suspended from the statement of financial position.

Provision for impairment

	Impairment reserve €
2012	
1 January	324.939.008
Debit in consolidated statement of comprehensive income	141.820.157
Reversals and write offs	(2.466.774)
Exchange difference	722.194
Unwinding of interest	<u>28.860.147</u>
31 December	<u>493.874.732</u>

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

17. LOANS AND ADVANCES TO CUSTOMERS (cont.)

	Impairment reserve €
2011	
1 January	176.318.369
Debit in consolidated statement of comprehensive income	129.374.700
Reversals and write offs	367.427
Exchange difference	2.130.694
Separating real interest	<u>16.747.818</u>
 31 December	 <u>324.939.008</u>

The Group's exposure to credit risk, interest rate risk and impairment losses in relation to loans and advances to customers is reported in note 45 of the consolidated financial statements.

18. INVESTMENTS CLASSIFIED AS LOANS AND ADVANCES

	31.12.2012 €	31.12.2011 €
Investments classified as loans and advances	<u>-</u>	<u>912.599.057</u>

During the year 2009, the Group acquired bonds issued by companies of Alpha Bank S.A Group. The Board of Directors of the Group considers that the financial substance of that particular investment concerns the loans and advances category. In the year 2012, the Company sold the bonds in an intragroup company of Alpha Bank S.A. at their carrying value at the date of sale.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

19. INVESTMENTS AVAILABLE FOR SALE

	31.12.2012	31.12.2011
	€	€
<i>Assets available for sale</i>		
Cyprus listed government bonds and debentures	46.228.347	83.064.666
Bonds and shares in companies	<u>145.983.700</u>	<u>1.667.803</u>
	<u>192.212.047</u>	<u>84.732.469</u>
Listed in Stock Exchanges	190.561.476	83.081.898
Unlisted	<u>1.650.571</u>	<u>1.650.571</u>
	<u>192.212.047</u>	<u>84.732.469</u>
Geographical analysis based on issuer's place:		
- Cyprus	44.532.388	83.989.081
- Greece	-	726.156
-Great Britain	5.382.856	-
- Netherlands	3.304.000	-
- Austria	3.346.530	-
- Luxemburg	50.869.110	-
- USA	<u>84.777.163</u>	<u>17.232</u>
	<u>192.212.047</u>	<u>84.732.469</u>

The unlisted securities include the Group's investment in the company JCC Payments Systems Limited. The companies' bonds relate to financial institutions.

Government bonds for the year 2011 include Greek government bonds (GGB), whose nominal value has been impaired by 65%. The loss arising from impairment during 2012 amounted to € 1.354.194 is recognized in the consolidated statement of comprehensive income.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

19. INVESTMENTS AVAILABLE FOR SALE (cont.)

The movement of assets available for sale is analysed as follows:

	Government bonds and debentures €	Bonds and shares in companies €	Total €
2012			
1 January	83.064.666	1.667.803	84.732.469
Acquisitions	132.123.639	136.460.511	268.584.150
Securities expires	(170.000.000)	-	(170.000.000)
Sales	(755.340)	-	(755.340)
Accrued interest	947.406	2.303.527	3.250.933
Interest received	(809.635)	(144.568)	(954.203)
Sale of investment in subsidiary	(2.275.908)	-	(2.275.908)
Revaluation	<u>3.933.519</u>	<u>5.696.427</u>	<u>9.629.946</u>
31 December	<u>46.228.347</u>	<u>145.983.700</u>	<u>192.212.047</u>
2011			
1 January	30.757.520	1.667.803	32.425.323
Acquisitions	69.700.130	-	69.700.130
Securities expired	(11.004.790)	-	(11.004.790)
Accrued interest	1.925.450	-	1.925.450
Interest received	(663.111)	-	(663.111)
Transfer from investments recognised at fair value through profit or loss	2.850.128	-	2.850.128
Revaluation	<u>(10.500.661)</u>	<u>-</u>	<u>(10.500.661)</u>
31 December	<u>83.064.666</u>	<u>1.667.803</u>	<u>84.732.469</u>

The analysis of the above assets at maturity date is reported in note 45 of the consolidated financial statements.

The table below analyzes financial instruments measured at fair value, by valuation method. The different levels are defined as follows:

- Level 1 – stock exchange prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - information other than quoted prices included in Level 1 that are related to assets or liabilities, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3 - information for the asset or liability that are not based on published market data.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

19. INVESTMENTS AVAILABLE FOR SALE (cont.)

	Government Bonds €	Bonds and securities of companies €	Total €
31.12.2012			
Level 1	3.346.537	144.333.129	147.679.666
Level 2	42.881.810	-	42.881.810
Level 3	<u>-</u>	<u>1.650.571</u>	<u>1.650.571</u>
Total	<u>46.228.347</u>	<u>145.983.700</u>	<u>192.212.047</u>
31.12.2011			
Level 1	-	17.232	17.232
Level 2	83.064.666	-	83.064.666
Level 3	<u>-</u>	<u>1.650.571</u>	<u>1.650.571</u>
Total	<u>83.064.666</u>	<u>1.667.803</u>	<u>84.732.469</u>

20. RECEIVABLES FROM INSURANCE AGENTS AND POLICYHOLDERS

	31.12.2012 €	31.12.2011 €
Due from agents and policyholders	-	6.786.660
Provisions for impairment of doubtful debts	<u>-</u>	<u>(1.695.216)</u>
	-	5.091.444
Life insurance premiums and premium on medical treatment which is not yet payable	<u>-</u>	<u>2.171.145</u>
	-	7.262.589
Value of contracts in force	<u>-</u>	<u>4.425.278</u>
	<u>-</u>	<u>11.687.867</u>

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2012**20. RECEIVABLES FROM INSURANCE AGENTS AND POLICYHOLDERS (cont.)**

	31.12.2012			31.12.2011		
	Gross balance €	Provision for bad debts €	Maximum credit risk €	Gross balance €	Provision for bad debts €	Maximum credit risk €
Balances not yet received	-	-	-	2.171.145	-	2.171.145
Credit balances within the time credit limits	-	-	-	4.861.266	-	4.861.266
Credit balances outside the time credit limits	-	-	-	1.925.394	(1.695.216)	230.178
Value of contracts in force	-	-	-	4.425.278	-	4.425.278
	-	-	-	13.383.083	(1.695.216)	11.687.867

The credit balances outside the time credit limits consist of partners and insurance agents debts that have stopped cooperating with the subsidiary company. A provision for doubtful debts is considered very satisfactory. The remaining balances of representatives that repay in monthly installments and of which a judicial decision has issued against for binding their property exceed the amount included as a receivable in the consolidated financial statements.

21. REINSURANCE CONTRACTS

	31.12.2012 €	31.12.2011 €
Outstanding claims - Life insurance	-	1.366.642
- General insurance	-	1.165.882
	-	2.532.524
Unearned premiums of general insurance	-	2.214.341
	-	4.746.865
Long term reserves of life insurance	-	190.814
	-	4.937.679

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2012**22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	31.12.2012 €	31.12.2011 €
Bonds with fixed return	-	12.422.812
Shares in collective investment bodies	-	1.917.443
Listed in Cyprus and Athens Stock Exchange	-	954.218
Unlisted	-	3.085
	<u>-</u>	<u>15.297.558</u>

Shares in collective investment bodies consist of long-term investments in equity schemes of mutual funds in Greece.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	31.12.2012		31.12.2011	
	Assets €	Liabilities €	Assets €	Liabilities €
Derivatives nominal value				
<i>Interest rate derivatives</i>				
Interest rate swaps	<u>-</u>	<u>-</u>	<u>-</u>	<u>5.000.000</u>
<i>Foreign exchange derivatives</i>				
Futures	25.695.675	21.145.506	88.701.061	84.236.967
Currency swaps	<u>1.561.422.529</u>	<u>259.920.087</u>	<u>307.506.739</u>	<u>1.858.182.076</u>
	<u>1.587.118.204</u>	<u>281.065.593</u>	<u>396.207.800</u>	<u>1.942.419.043</u>
Total derivatives	<u>1.587.118.204</u>	<u>281.065.593</u>	<u>396.207.800</u>	<u>1.947.419.043</u>

Fair value of derivatives

	31.12.2012		31.12.2011	
	Assets €	Liabilities €	Assets €	Liabilities €
<i>Interest rate derivatives</i>				
Interest rate swaps	<u>-</u>	<u>-</u>	<u>-</u>	<u>131.405</u>
<i>Foreign exchange derivatives</i>				
Futures	145.065	120.125	4.995.794	4.464.095
Currency swaps	<u>5.616.900</u>	<u>2.088.150</u>	<u>6.611.128</u>	<u>12.634.699</u>
	<u>5.761.965</u>	<u>2.208.275</u>	<u>11.606.922</u>	<u>17.098.794</u>
Total derivatives	<u>5.761.965</u>	<u>2.208.275</u>	<u>11.606.922</u>	<u>17.230.199</u>

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2012**23. DERIVATIVE FINANCIAL INSTRUMENTS (cont.)**

	Derivatives (assets) €	Derivatives (liabilities) €
31.12.2012		
Level 1	-	-
Level 2	5.761.965	2.208.275
Level 3	<u>-</u>	<u>-</u>
Total	<u>5.761.965</u>	<u>2.208.275</u>
31.12.2011		
Level 1	-	-
Level 2	11.606.922	17.230.199
Level 3	<u>-</u>	<u>-</u>
Total	<u>11.606.922</u>	<u>17.230.199</u>

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

24. PROPERTY, PLANT AND EQUIPMENT

	Land €	Buildings and improvements on leasehold premises €	Computers €	Vehicles €	Lease premium €	Plant and Equipment €	Total €
Cost							
1 January 2012	5.671.333	34.702.032	562.595	152.271	219.555	20.584.663	61.892.449
Additions	-	108.923	4.528	-	-	527.306	640.757
Write offs	-	-	-	-	-	(77.460)	(77.460)
Sale of investment in subsidiary company	-	(402.500)	(567.123)	(152.271)	-	(1.389.568)	(2.511.462)
31 December 2012	<u>5.671.333</u>	<u>34.408.455</u>	<u>-</u>	<u>-</u>	<u>219.555</u>	<u>19.644.941</u>	<u>59.944.284</u>
 1 January 2011	 5.671.333	 34.790.588	 552.901	 82.961	 219.555	 20.335.883	 61.653.221
Additions	-	254.057	9.694	69.310	-	536.415	869.476
Write offs	-	(342.613)	-	-	-	(287.635)	(630.248)
31 December 2012	<u>5.671.333</u>	<u>34.702.032</u>	<u>562.595</u>	<u>152.271</u>	<u>219.555</u>	<u>20.584.663</u>	<u>61.892.449</u>

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

24. PROPERTY PLANT AND EQUIPMENT (cont.)

	Land €	Buildings and improvements on leasehold premises €	Computers €	Vehicles €	Lease premium €	Plant and Equipment €	Total €
Disposals							
1 January 2012	-	12.026.851	520.208	73.839	218.929	17.488.163	30.327.990
Charge for the year*	-	1.181.447	20.816	18.351	626	1.073.727	2.294.967
Write offs	-	-	-	-	-	(34.370)	(34.370)
Sale of investment in subsidiary company	-	(30.655)	(541.024)	(92.190)	-	(1.174.575)	(1.838.444)
31 December 2012	-	<u>13.177.643</u>	<u>-</u>	<u>-</u>	<u>219.555</u>	<u>17.352.945</u>	<u>30.750.143</u>
1 January 2011	-	10.957.006	496.987	54.914	215.513	16.526.072	28.250.492
Charge for the year	-	1.372.181	23.221	18.925	3.416	1.240.439	2.658.182
Write offs	-	(302.336)	-	-	-	(278.348)	(580.684)
31 December 2011	-	<u>12.026.851</u>	<u>520.208</u>	<u>73.839</u>	<u>218.929</u>	<u>17.488.163</u>	<u>30.327.990</u>
Net book value							
1 January 2011	<u>5.671.333</u>	<u>23.833.582</u>	<u>55.914</u>	<u>28.047</u>	<u>4.042</u>	<u>3.809.811</u>	<u>33.402.729</u>
31 December 2011	<u>5.671.333</u>	<u>22.675.181</u>	<u>42.387</u>	<u>78.432</u>	<u>626</u>	<u>3.096.500</u>	<u>31.564.459</u>
31 December 2012	<u>5.671.333</u>	<u>21.230.812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2.291.996</u>	<u>29.194.141</u>

* Depreciation charge for the year 2012 includes depreciation of the subsidiary company Alpha Insurance Limited amounted to € 89.017.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

25. INTANGIBLE ASSETS

	Goodwill €	Application software €	Total €
Cost			
1 January 2012	7.983.545	7.180.741	15.164.286
Additions	-	790.986	790.986
Sale of investment in subsidiary	<u>(7.983.545)</u>	<u>(901.481)</u>	<u>(8.885.026)</u>
31 December 2012	<u>-</u>	<u>7.070.246</u>	<u>7.070.246</u>
1 January 2011	7.983.545	6.865.136	14.848.681
Additions	<u>-</u>	<u>315.605</u>	<u>315.605</u>
31 December 2011	<u>7.983.545</u>	<u>7.180.741</u>	<u>15.164.286</u>
Amortisation			
1 January 2012	-	6.657.245	6.657.245
Charge for the year*	-	347.275	347.275
Sale of investment in subsidiary	<u>-</u>	<u>(869.977)</u>	<u>(869.977)</u>
31 December 2012	<u>-</u>	<u>6.134.543</u>	<u>6.134.543</u>
1 January 2011	-	6.380.751	6.380.751
Charge for the year	<u>-</u>	<u>276.494</u>	<u>276.494</u>
31 December 2011	<u>-</u>	<u>6.657.245</u>	<u>6.657.245</u>
Net Book Value			
1 January 2011	<u>7.983.545</u>	<u>484.385</u>	<u>8.467.930</u>
31 December 2011	<u>7.983.545</u>	<u>523.496</u>	<u>8.507.041</u>
31 December 2012	<u>-</u>	<u>935.703</u>	<u>935.703</u>

Goodwill resulted from the Group's interest in the share capital of Alpha Insurance Limited. From 1 January 2005, the Group ceased amortization of goodwill and has deleted the related accumulated amortization from the cost of goodwill.

* Amortisation charge for the year 2012 includes amortization of the subsidiary company Alpha Insurance Limited amounted to € 32.152.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

26. INVESTMENT PROPERTIES

	2012 €	2011 €
Cost		
1 January	1.661.000	1.817.000
Revaluation	(157.000)	(156.000)
Sale of investment in subsidiary company	<u>(1.504.000)</u>	<u>-</u>
31 December	<u>-</u>	<u>1.661.000</u>

All property investments relate to investments in land and are owned by the subsidiary of the Company.

The fair value of investment properties of the subsidiary of the Company on 31 December 2012 and 31 December 2011 was determined based on the valuations conducted on the same date by independent valuers not connected with the company who have the appropriate qualifications and expertise to estimate the relative location.

27. DEFERRED TAXATION

	2012 €	2011 €
1 January	2.971.934	2.476.223
Credit in the consolidated statement of comprehensive income	4.209.391	495.711
Sale of investment in subsidiary company	<u>216.834</u>	<u>-</u>
31 December	<u>7.398.159</u>	<u>2.971.934</u>

The deferred tax asset resulted from the following items:

	31.12.2012 €	31.12.2011 €
Deferred tax asset		
Provision for impairment of loans and receivables	-	3.970.393
Tax losses	<u>8.177.274</u>	<u>-</u>
	<u>8.177.274</u>	<u>3.970.393</u>
Deferred tax liability		
Differences between depreciation and capital allowances	<u>(779.115)</u>	<u>(998.459)</u>
Deferred tax asset	<u>7.398.159</u>	<u>2.971.934</u>

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

27. DEFERRED TAXATION (cont.)

Deferred tax is provided in full on all temporary differences under the liability method using the applicable tax rates (Note 12). In the case of tax losses the applicable corporation tax rate is 10%.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax principle.

28. TAXATION

	31.12.2012	31.12.2011
	€	€
Corporation tax receivable	1.685.462	1.022.772
Special contribution to the defence fund - receivable	<u>(197.103)</u>	<u>24.962</u>
	<u>1.488.359</u>	<u>1.047.734</u>

The above amounts are receivable within one year

	2012	2011
	€	€
The movement of the account is analysed as follows:		
1 January	1.047.734	553.596
Charge for the year *	(3.018.691)	(4.563.171)
Charge for previous years	(6.417)	(3.670)
Payments and adjustments	3.410.426	5.060.979
Sale of investment in subsidiary company	<u>55.307</u>	<u>-</u>
31 December	<u>1.488.359</u>	<u>1.047.734</u>

*The charge for the year 2012 includes the tax charge of the subsidiary company Alpha Insurance Limited amounted to € 365.698.

29. OTHER ASSETS

	31.12.2012	31.12.2011
	€	€
Other receivables and prepayments	2.308.866	3.132.401
Prepayments of interest	9.621.215	10.176.534
Commissions and other prepaid expenses	<u>-</u>	<u>498.947</u>
	<u>11.930.081</u>	<u>13.807.882</u>

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

30. BONDS

	2012	2011
	€	€
1 January	95.377.016	95.339.060
Interest payable	2.461.056	3.002.022
Payments	(2.570.020)	(2.964.066)
Sale of investment in subsidiary company	<u>4.908.659</u>	<u>-</u>
31 Δεκεμβρίου	<u>100.176.711</u>	<u>95.377.016</u>

The Board of Directors of the Company has approved the issue of 1m. bonds with 10 years duration with a nominal value and € 100 each which have been offered to a limited number of investors in Cyprus and abroad. An amount of € 4.900.000 has been acquired from Alpha Insurance Limited. The bonds were issued on 30 May 2008 and have been placed on 31 December 2008 in the Cyprus Stock Exchange where they are tradeable.

The Bonds may, at the option of the Company be redeemed in whole, at their principal amount together with accrued interest, five years after their issue date, or on any interest payment date thereafter, subject to the prior consent of the Central Bank.

The Bonds bear a floating interest rate which will be set at the beginning of each period and is valid for that specific interest period.

The floating interest rate is equal to the 3-months Euribor in force at the beginning of each interest period plus a margin of 1.80% (from 31 May 2013 the margin increases to 2,80%). The Bonds are not secured and in case of dissolution of the Company, their repayment shall follow in priority the repayment of the obligations of the Company to its depositors and any other creditors, but they will have priority over the repayment of the rights of the owners of the company.

31. PROVISIONS FOR POLICIES AND UNEARNED PREMIUMS

	31.12.2012	31.12.2011
	€	€
Gross liabilities		
Outstanding claims - Life insurance	-	2.465.607
- General insurance	-	6.447.428
Provision for payments at maturity of life insurance contracts	<u>-</u>	<u>336.845</u>
	-	9.249.880
Unearned premiums for general insurance operations	-	8.442.009
Provision for unexpired risk	<u>-</u>	<u>108.630</u>
Short term life insurance reserves	-	17.800.519
Long life insurance reserves	<u>-</u>	<u>30.578.856</u>
Total liabilities	<u>-</u>	<u>48.379.375</u>

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

31. PROVISIONS FOR POLICIES AND UNEARNED PREMIUMS (cont.)

The table below presents the estimates of claims as they have evolved over the last 5 years. In addition it presents a reconciliation of these estimates to total liability as presented in the consolidated statement of financial position of current year:

Loss year	Previous years €	31.12.2006 €	31.12.2007 €	31.12.2008 €	31.12.2009 €	31.12.2010 €	31.12.2011 €	Total €
Loss year	-	5.262.161	5.609.838	5.946.305	5.872.860	5.864.527	6.509.183	6.509.183
One year later	-	5.348.112	5.773.904	6.028.197	5.710.872	3.713.939	-	3.713.939
Two years later	-	4.913.927	5.882.416	6.110.666	5.420.575	-	-	5.420.575
Three years later	-	4.781.500	6.013.880	6.195.738	-	-	-	6.195.738
Four years later	-	4.590.103	6.086.226	-	-	-	-	6.086.226
Five years later	-	4.598.655	-	-	-	-	-	4.598.655
Current claims assesment	-	4.598.655	6.086.226	6.195.738	5.420.575	3.713.939	6.509.183	32.524.316
Total payments	-	(4.041.351)	(5.651.303)	(5.815.956)	(4.978.708)	(3.120.444)	(3.994.319)	(27.602.081)
Total	-	557.304	434.923	379.782	441.867	593.495	2.514.864	4.922.235
Net outstanding claims from previous years	359.311	-	-	-	-	-	-	359.311
Total net outstanding claims	359.311	557.304	434.923	379.782	441.867	593.495	2.514.864	5.281.546
Reinsurers	36.250	16.926	205.347	102.575	246.354	201.095	357.335	1.165.882
Total gross outstanding claims	395.561	574.230	640.270	482.357	688.221	794.590	2.872.199	6.447.428

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

32. DEPOSITS FROM FINANCIAL INSTITUTIONS

	31.12.2012	31.12.2011
	€	€
Amounts due to Alpha Bank Group companies	1.432.912.366	2.695.030.378
Amounts due to other financial institutions	80.898.065	13.740.045
Amounts due to Central Bank	<u>20.072.500</u>	<u>221.057.889</u>
	<u>1.533.882.931</u>	<u>2.929.828.312</u>

The analysis of the above deposits by maturity date is disclosed in note 45 of the consolidated financial statements.

The analysis of collaterals related to deposits from financial institutions is disclosed in note 42 of the consolidated financial statements.

33. DEPOSITS FROM CUSTOMERS

	31.12.2012	31.12.2011
	€	€
On demand	253.280.203	236.118.141
On savings	3.149.703	3.298.753
Fixed term or notice deposits	<u>2.344.242.132</u>	<u>2.351.294.102</u>
	<u>2.600.672.038</u>	<u>2.590.710.996</u>

The analysis of the above deposits by maturity date is disclosed in note 45 of the consolidated financial statements.

34. OTHER LIABILITIES

	31.12.2012	31.12.2011
	€	€
Retirement benefit obligations (Note i)	-	53.297.542
Accrued expenses	4.004.107	4.674.995
Provisions for litigation and arbitration (Note ii)	344.600	357.516
Other payables	11.538.277	6.689.130
Taxes payables on behalf of clients	955.912	1.264.949
Due to reinsurers	<u>-</u>	<u>570.608</u>
	<u>16.842.896</u>	<u>66.854.740</u>

The Group's exposure to liquidity risk in relation to other liabilities is disclosed in note 45 to the consolidated financial statements.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

34. OTHER LIABILITIES (cont.)

(i) Defined Benefit Scheme Liability

	2011 €
Present value of obligations	55.908.197
Unrecognized actuarial deficit	<u>(2.610.655)</u>
	<u>53.297.542</u>

The movement in the defined benefit scheme liability is analysed as follows:

	2012 €	2011 €
1 January	53.297.542	48.001.587
Debit in the consolidated statement of comprehensive income	-	7.367.683
Payments to members who retired	(709.959)	(2.071.728)
Release at funds due to suspension α defined benefit scheme	<u>(52.587.583)</u>	<u>-</u>
	<u>-</u>	<u>-</u>
31 December		<u>53.297.542</u>

The movement in the defined benefit scheme liability as shown in the consolidated statement of financial position is analysed as follows:

Present value of obligations 1 January	56.257.309
Current service cost	4.251.563
Interest on liabilities	2.992.094
Payments to members who retired	(2.071.728)
Actuarial loss	<u>(5.521.041)</u>
	<u>55.908.197</u>

The charge in the statement of comprehensive income is analysed as follows:

Current service cost	4.251.563
Interest on liabilities	2.992.094
Amortisation – unrecognized actuarial loss	<u>124.026</u>
	<u>7.367.683</u>

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

34. OTHER LIABILITIES (cont.)

(i) Defined Benefit Scheme Liability

The main assumptions used for the actuarial valuation, expressed as weighted average were:

	2011 %
Discount rate	5,12
Future salary increase	5,25
Future rate of inflation	2,00

On 12 January 2012, signed a new collective agreement between the Cyprus Bankers Employers Association and the Bank Union Employees of Cyprus where defined benefit plan Provident Fund / Retirement Gratuity expired on 31 December 2011 and replaced by 1 January 2012 with a defined contribution plan. The defined contribution is 14% of salary by the employer while for the employee contribution range from 3% - 10% of salary.

(ii) Provisions of legal claims

	2012 €	2011 €
1 January	357.516	361.394
Release for the year	(101.516)	(117.394)
Provision for the year	<u>88.600</u>	<u>113.516</u>
31 December	<u>344.600</u>	<u>357.516</u>

35. SHARE CAPITAL

	31.12.2012		31.12.2011	
	Number of shares	€	Number of shares	€
<i>Authorised</i>				
(Ordinary shares of €0,85 each)	<u>600.000.000</u>	<u>510.000.000</u>	<u>600.000.000</u>	<u>510.000.000</u>
<i>Issued and fully paid</i>				
1 January and 31 December				
(Ordinary shares of €0,85 each)	<u>139.500.000</u>	<u>118.575.000</u>	<u>139.500.000</u>	<u>118.575.000</u>

During the year 2012 there has been no change in the share capital of the Company.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

36. RESERVES

The revenue reserve is distributable according to the requirements of the Company Law, Cap. 113.

The investments revaluation reserve arose from the revaluation of investments available for sale. The investments revaluation reserve is not distributable but in case of disposal of revalued investments, any balance of the surplus on revaluation which belongs to the disposed investments which is included in the investments revaluation reserve, is transferred to the revenue reserve.

Companies which do not distribute 70% of their profits after taxation, as determined by the Special Defence contribution Law, during the two years after the end of taxable year that the profits are reported, it will be considered that they have distributed this amount as dividend. Special defence contribution of 20% for years 2012 and 2013 and 17% in 2014 and after (during 2011 the rate was 15% until 30 August 2011 and 17% until the end of the year) will be payable on the deemed dividend distribution at the extent which owners (individuals and companies) at the end of the two year period after the end of taxable year that the profits are reported, are taxable Cyprus residents. The amount of deemed distribution of dividends is reduced by any realised dividend that has already been distributed for the year during which the profits are reported. The special defence contribution is paid by the Company for the account of the owners.

The above requirements of the Law are not applied in the case of the Company due to the fact that its owners are not residents in Cyprus for tax purposes.

37. MINORITY INTEREST

Minority interests represent the share of equity of the subsidiary company Alpha Insurance Limited attributable to owners outside the Company.

The movement of account is presented below:

	2012	2011
	€	€
1 January	3.301.512	3.249.794
Profit for the year	385.194	106.819
Deficit from revaluation of available for sale investments	(333.093)	(55.101)
Sale of investment in subsidiary company	<u>(3.353.613)</u>	<u>-</u>
31 December	<u><u>-</u></u>	<u><u>3.301.512</u></u>

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

38. ITEMS OFF THE STATEMENT OF FINANCIAL POSITION

	2012	2011
	€	€
Contingent liabilities		
Bank guarantees	<u>70.215.938</u>	<u>79.099.981</u>
Commitments		
Documentary letters of credits on imports and confirmed		
documentary credits on exports	7.980.916	6.616.872
Loan and facility limits already approved but not utilized	<u>165.768.613</u>	<u>200.141.585</u>
	<u>173.749.529</u>	<u>206.758.457</u>
 Total Items Off the Statement of Financial Position	 <u>243.965.467</u>	 <u>285.858.438</u>

Documentary credits and letters of guarantee are usually compensated through respective third party liabilities.

Documentary credits which are in the form of letters of credit relating to imports/exports commit the Group to make payments to third parties on production of documents and provided that the terms of the documentary credit are satisfied. The repayment by the customer is due immediately or within up to six months.

Loan and facility limits that have been approved but not utilized by clients represent a contractual obligation. These limits are granted for a specific time period and may be cancelled by the Group at any time by giving notice to the customer.

THE GROUP OF ALPHA BANK CYPRUS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

38. ITEMS OFF THE STATEMENT OF FINANCIAL POSITION (cont.)

	Financial Services Sector €	Industry €	Buildings & Construction €	Trading €	Tourism industry €	Other €	Individual €	Total €
2012								
Credit risk exposure relating to items off the statement of financial position:								
Letters of Guarantee and Documentary Credits	536.018	394.647	33.301.469	25.416.470	3.724.375	11.689.824	3.134.051	78.196.854
Loan and facility limits already approved but not utilized	2.525.001	5.773.223	38.588.246	17.258.062	2.050.643	39.736.143	59.837.295	165.768.613
Total	3.061.019	6.167.870	71.889.715	42.674.532	5.775.018	51.425.967	62.971.346	243.965.467
2011								
Credit risk exposure relating to items off the statement of financial position:								
Letters of Guarantee and Documentary Credits	671.179	1.072.626	37.770.889	18.050.030	2.967.709	21.818.239	3.366.182	85.716.854
Loan and facility limits already approved but not utilized	2.304.869	7.310.109	46.489.136	9.780.728	2.499.004	55.470.378	76.287.360	200.141.584
Total	2.976.048	8.382.735	84.260.025	27.830.758	5.466.713	77.288.617	79.653.542	285.858.438

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

39. SUBSIDIARIES

The subsidiary companies and their principal activities are described below:

	<u>Participation</u>		<u>Principal activities</u>
	2012	2011	
	(%)	(%)	
Alpha Trustees Limited	100	100	Services commissioner (trustees)
Alpha Insurance Limited	-	82,05	Insurance services in life and general insurance
N.A.R-Login Software Services Limited	-	51,0	Dormant
Metropolitan Insurance (Properties) Limited	-	99,9	Dormant

Alpha Insurance Limited was sold on 31 December 2012 to a company of the Group Alpha Bank S.A. for the amount of € 28.650.513.

The subsidiary company Alpha Insurance Limited in a letter dated 1 September 2008, informed the Registrar of Companies and Official Receiver the intention to write off its subsidiaries NAR - Login Software Services Limited and Metropolitan Insurance (Properties) Ltd, by Companies under Article 327 of the Companies Law, Cap 113 of Cyprus. The deregistration of these companies was completed in 2012.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

40. SALE OF SUBSIDIARY COMPANY

On 31 December 2012, the Group sold its interest stake of 82.05% in the company Alpha Insurance Limited, which is registered in Cyprus and operates in insurance services.

The assets and liabilities allocated with the sale were as follows:

	Alpha Insurance Limited 31.12.2012 €
Assets	
Cash and bank deposits	2.083.585
Loan and advances to financial institutions	24.097.803
Loans and advances to customers	1.049.234
Investments available for sale	7.175.909
Receivables from insurance agents and policyholders	11.170.339
Reinsurance contracts	6.023.194
Financial assets at fair value through profit or loss	13.960.367
Property, plant and equipment	673.016
Intangible assets	8.015.049
Investment properties	1.504.000
Other assets	<u>1.988.116</u>
Total assets	<u>77.740.612</u>
Liabilities	
Insurance contract obligations	(49.385.092)
Deposits from financial institutions	(538.380)
Deferred tax	(216.837)
Taxation	(55.307)
Other liabilities	<u>(2.527.951)</u>
Total Liabilities	<u>(52.723.567)</u>
Net assets disposed of by sale	<u>25.017.045</u>
Sale proceeds	28.650.513
Minority interest at the time of sale	3.353.613
Transfer of fair value of investments available for sale to the consolidated statement of comprehensive income	(1.990.147)
Net assets disposed on sale	<u>(25.017.045)</u>
Gain on disposal of subsidiary company	<u>4.996.934</u>
Cash consideration	28.650.513
Cash and cash equivalents disposed on sale	<u>(2.083.585)</u>
Net cash received from the sale	<u>26.566.928</u>

The comparative amounts presented in the consolidated financial statements include the results of the subsidiary company Alpha Insurance Limited, while in the amounts of current year are not included.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

41. OTHER CONTINGENT LIABILITIES

Lease commitments

The minimum future liabilities for lease agreements that expire at various dates up to 2032 are analysed as follows:

	31.12.2012	31.12.2011
	€	€
Within one year	1.252.614	1.316.137
Between one to five years	4.575.509	5.125.902
More than five years	<u>3.816.233</u>	<u>5.638.656</u>
	<u>9.644.356</u>	<u>12.080.695</u>

Litigation

On 31 December 2012, there were pending litigations against the Group in connection with its activities. Based on legal advice, the Board of Directors proceeded to a provision for litigation matters (note 34) or to a provision for impairment of doubtful debts for some of these cases in the consolidated financial statements, where it is expected that the Group will suffer loss.

Apart from the above there are no pending litigations, claims or assessments against the Group or court decisions where the outcome of which would have a *material effect* on the consolidated financial statements apart from those already provided for (note 34 of these consolidated financial statements).

42. TRANSFERS / COMMITMENTS OF FINANCIAL ASSETS

The following are the other commitments of the Group:

31 December 2012

	<u>Investment available for sale</u>	
	Commitments to the Central Bank of Cyprus	Commitments to Alpha Bank A.E. group companies
	€	€
Nominal value of the asset	73.500.000	67.500.000
Carrying amounts of assets	75.077.900	70.273.470
Carrying amount of associated liability	<u>20.000.000</u>	<u>65.000.000</u>

As for the commitments to the Central Bank of Cyprus there is an unused limit of €52.400.000.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

42. TRANSFERS / COMMITMENTS OF FINANCIAL ASSETS (cont.)

31 December 2011

	Special government securities	Investments available for sale
	Secured to the European Central Bank	Secured to the Central Bank of Cyprus
	€	€
Nominal value of the asset	237.000.000	85.846.400
Carrying amounts of asset	-	76.252.295
Carrying amount of associated liability	<u>189.612.238</u>	<u>31.445.651</u>

As for the commitments to the Central Bank of Cyprus there is an unused limit of €42.000.000.

Under the Law 118 (1) / 2009 Republic of Cyprus, the Company disposed of through a bilateral agreement, securities issued by the Government of Cyprus with nominal value € 237m. which for accounting purposes are not recognized in the consolidated financial position of the Group. These securities are pledged to the European Central Bank in order to obtain liquidity. These securities have expired in 2012.

On 31 December 2011, loans totaling € 243m. were given as collateral in the Cyprus Republic, in order to allocate the Group special securities issued under Law No. 118 (1) of 2009 as mentioned above.

The fair values of financial assets and liabilities associated with commitments is approximately the same as the reported amount.

43. CAPITAL COMMITMENTS

As at 31 December 2012, the Group's commitments for capital expenditure for which no provision has been made in the consolidated financial statements amounted to €979.196 (2011: €974.267) and represents additional work performed for the new Head Office buildings and for the cost of refurbishment of new branches.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

44. CASH AND CASH EQUIVALENTS

Cash and cash equivalents that appear in the consolidated statement of cash flows consists of the following elements of the consolidated statement of financial position:

	Note	31.12.2012 €	31.12.2011 €
Cash and balances with the Central Bank of Cyprus	15	45.478.516	310.893.369
Loans and advances to financial institutions		727.203.484	586.460.092
Amounts due to financial institutions		<u>(104.577.293)</u>	<u>(88.128.747)</u>
		<u>668.104.707</u>	<u>809.224.714</u>

45. RISK MANAGEMENT

Alpha Bank Cyprus Limited, is adhering to the provisions of Basel II, as these are adopted in the “Capital Requirements Directive” of the Central Bank of Cyprus as well as the provisions of the “Corporate Governance Directive” of the Central Bank of Cyprus. The Group being a member of Alpha Bank S.A. Group, operates within the framework and procedures of risk management of the Alpha Bank S.A. Group.

The structure of the Risk Management function is based on the Risk Management Policy framework that the Group has developed and aims at:

- Compliance with the instructions of the supervisory bodies with regards to setting a policy for the acceptance, follow up and management of every risk.
- Improvement in the handling of the action taken to prevent and minimize risks.
- Effective capital planning in order to cover the risks undertaken.

Within the above framework, the Group has established Policy manuals and Procedures in specific areas relating to risk management such as:

- credit risk
- loan impairment,
- market risk,
- management of assets – liabilities,
- operational risk,
- regulatory compliance, and
- capital management

The above policies are specific and are incorporated into the procedures of the Group, taking into account the requirements of the supervisory framework.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

45. RISK MANAGEMENT (cont.)

The Risk Management Committee is responsible for the assessment of risks and the coordination of activities required for their correct administration, through the supervision of the strategy and the procedures of risk management.

The Company prepares an “Internal assessment of Capital Adequacy” (ICCAP) and issues a relevant report in accordance with the Instructions of the Central Bank of Cyprus and the Pillar II of the Second Treaty of Basel (Basel II). During the assessment, strategies and procedures are being reviewed in order to ensure that they remain comprehensive and proportionate to the nature, scale and complexity of the Company, as well as maintaining on a continued basis the amount, composition and allocation of internal funds that are considered appropriate to cover the nature and level of risks that the Company has adopted or is likely to undertake.

The Company undertakes a series of stress tests to measure possible impacts caused in extraordinary situations for all significant risks.

The Company has an independent Risk Management Unit, whose main responsibility is to implement effective methods of recognizing, quantifying and managing the risks that the Company undertakes.

The Unit has the following departments:

- Credit Risk
- Market Risk and Liquidity Risk
- Operational Risk

RISK MONITORING

Credit risk

Credit Risk refers to the potential risk that the Company may face from the inability of a creditor or contracting parties to meet their repayment obligations on time, or even to fully repay their debts as per the agreed terms of each contract.

The Company reduces credit risk with the diversification of the lending portfolio to different sectors of the economy and categories of clients. It is noted that the diversification between different sectors of the economy is limited due to the small size and the special characteristics of the Cyprus economy (ie. focus on service sectors). Diversification between different categories of clients is achieved to the extent possible following the setting of upper credit limits to individuals and groups. Through compliance with the internal procedures of the Company and through the adoption of systems for the approval and control of the loans, the losses arising from credit risk are minimized to the greatest extent possible.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

45. RISK MANAGEMENT(Cont.)

Credit risk(Cont.)

The procedures followed include among others, the grading and the evaluation of the customers' repayment ability, and describe the stages that have to be followed from the preparation and submission of the customer's application to the appropriate approval authority to the final approval and implementation. Included in the procedures is the monitoring of customers accounts and the transactional behaviour following the disbursement. The procedures are evaluated on a regular basis aiming at greater standardization and better measurement and monitoring of credit risk.

The loan approvals are sanctioned only from loan committees, whose authority is determined based on the amount, the type and grade of the customer, the particular product and the collateral being offered. The credit policy of the Company is within the Group policy and the Regulations of the Central Bank of Cyprus.

Important tools that are being used for the loan approval process as well as the credit quality classification of the loan portfolio are the credit grading and scoring systems. The Company has introduced various modern evaluation techniques which are used by the Group. The Company has also developed scoring cards for assessing individual client requests, which have been incorporated to the approval procedures.

The mitigation of credit risk is enhanced through the securing of collateral from customers against their loans.

In addition to the above, the Company monitors continuously loans in default as well as impaired loans and takes all the necessary measures for their minimisation. The recovery procedures are revised frequently aiming on their flexibility and effectiveness to mitigate credit risk.

Additionally, the Company maintains impairment provisions so as to meet losses from bad debts. In the context of this policy, impairment provisions are created at both individual and collective level.

Restructured loans and forbearance

The Group, having recognized the need to develop a framework to facilitate repayment of debts for clients where there may be a weakness in their ability to meet their obligations has developed a restructuring and rescheduling policy on facilities.

Specifically, the restructuring or rescheduling of a loan relate to the amendment of the terms of the facility that may include:

- (a) the temporary reduction in the installment amounts.
- (b) the extension of loan maturities so as to reduce permanently the installment amounts.

THE GROUP OF ALPHA BANK CYPRUS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2012

45. RISK MANAGEMENT (cont.)**Credit risk (cont.)****Restructured loans and forbearance (cont.)**

- (c) the temporary suspension of installment payments
- (d) limiting the amount for early full repayment.
- (e) the extension of the contractual grace period
- (g) the refinancing of old debts with new loans.

In each case consideration is given to the reasons, the nature and the period for the reduced repayment ability and the new repayment schedule is tailored to the specific issues facing the client. These strategies are offered as restructuring solutions regulating debts in non performing status and proactively as rescheduling solutions to borrowers whose economic situation has changed or is expected to change.

If there is a delay in servicing of restructured or rescheduling debts, then these loans fall into the respective category of loans in arrears. In any case, the Group reviews these loans for impairment when the test criteria for impairment are fulfilled.

At 31.12.2012 the carrying value of restructured loans was €710,7m. with the coverage from impairments or collateral amounting to € 670 m.

The Group is in the process of evaluating the data relating to these loans and is examining ways to enrich the related disclosures.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

45. RISK MANAGEMENT (cont.)

I. LOANS AND ADVANCES BY REPAYMENT DATE

	Neither past due nor impaired €	Past due but not impaired €	Individually impaired €	Collectively impaired €	Total €
Loans and advances to individuals					
31.12.2012					
Not past due	1.333.034.716	-	1.003.222	3.258.630	1.337.296.568
Past due up to 30 days	-	90.386.534	922.824	-	91.309.358
Past due 30 – 60 days	-	44.443.035	1.017.099	-	45.460.134
Past due 60 – 90 days	-	31.441.257	238.716	-	31.679.973
Past due 90 – 180 days	-	1.771.390	952.822	32.283.870	35.008.082
Past due 180 – 270 days	-	630.022	2.656.494	27.737.339	31.023.855
Past due 270 – 360 days	-	1.451.481	1.296.287	20.393.171	23.140.939
Past due over 360 days	-	1.197.586	4.294.449	49.938.885	55.430.920
Legal Action	-	1.037.911	29.199.428	323.262.087	353.499.426
Total before impairment (A)	1.333.034.716	172.359.216	41.581.341	456.873.982	2.003.849.255
Loans and advances to companies					
31.12.2012					
Not past due	1.186.950.051	-	62.645.722	-	1.249.595.773
Past due up to 30 days	-	106.092.324	2.191.563	1	108.283.888
Past due 30 – 60 days	-	251.931.166	10.616.950	-	262.548.116
Past due 60 – 90 days	-	103.779.104	20.207.779	-	123.986.883
Past due 90 – 180 days	-	47.970.376	12.236.746	2.828.299	63.035.421
Past due 180 – 270 days	-	20.114.221	29.531.350	3.601.142	53.246.713
Past due 270 – 360 days	-	6.406.203	22.591.486	1.700.400	30.698.089
Past due over 360 days	-	3.544.526	113.041.161	9.144.927	125.730.614
Legal action	-	3.471.461	198.538.997	7.844.873	209.855.331
Total before impairment (B)	1.186.950.051	543.309.381	471.601.754	25.119.642	2.226.980.828
Total (A + B)	2.519.984.767	715.668.597	513.183.095	481.993.624	4.230.830.083
Fair value α collaterals	2.201.138.351	657.574.515	371.157.410	339.852.179	3.569.722.455

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

45. RISK MANAGEMENT (cont.)

I. LOANS AND ADVANCES WITH REPAYMENT (cont.)

	Neither past due nor impaired €	Past due but not impaired €	Individually impaired €	Collectively impaired €	Total €
Loans and advances to individuals					
31.12.2011					
Not past due	1.392.447.316	-	5.172.616	884.637	1.398.504.569
Past due up to 30 days	-	246.992.880	958.678	470.383	248.421.941
Past due 30 – 60 days	-	226.762.005	1.009.856	730.387	228.502.248
Past due 60 – 90 days	-	155.189.929	727.181	230.228	156.147.338
Past due 90 – 180 days	-	740.346	7.092.513	74.071.793	81.904.652
Past due 180 – 270 days	-	2.383.701	544.734	45.160.114	48.088.549
Past due 270 – 360 days	-	2.860.357	-	23.977.203	26.837.560
Past due over 360 days	-	28.944	670.461	94.921.278	95.620.683
Legal action	-	846.926	11.073.821	90.481.336	102.402.083
Total before impairment (A)	1.392.447.316	635.805.088	27.249.860	330.927.359	2.386.429.623
Loans and advances to companies					
31.12.2011					
Not past due	1.349.419.603	-	149.411.877	285.202	1.499.116.682
Past due up to 30 days	-	77.882.226	6.690.493	-	84.572.719
Past due 30 – 60 days	-	39.135.331	44.135.752	157.401	83.428.484
Past due 60 – 90 days	-	257.012.699	47.071.266	133.269	304.217.234
Past due 90 – 180 days	-	15.363.804	7.181.935	2.563.273	25.109.012
Past due 180 – 270 days	-	16.559.114	42.678.854	4.057.292	63.295.260
Past due 270 – 360 days	-	2.668.784	14.863.597	1.896.682	19.429.063
Past due over 360 days	-	1.266.471	15.027.914	3.898.314	20.192.699
Legal action	-	2.085.611	111.657.523	3.705.134	117.448.268
Total before impairment (B)	1.349.419.603	411.974.040	438.719.211	16.696.567	2.216.809.421
Total (A + B)	2.741.866.919	1.047.779.128	465.969.071	347.623.926	4.603.239.044
Fair value of collaterals	2.328.052.962	865.820.651	323.774.237	233.884.818	3.751.532.668

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

45. RISK MANAGEMENT (cont.)

II. LOANS AND ADVANCES THAT ARE PAST DUE BUT NOT IMPAIRED

	Housing Loans €	Consumer loans and credit cards €	Loans to companies €	Total €
31.12.2012				
Past due up to 90 days	135.072.648	31.198.177	461.802.595	628.073.420
Past due over 90 days	-	6.088.390	81.506.787	87.595.177
Total before impairment	<u>135.072.648</u>	<u>37.286.567</u>	<u>543.309.382</u>	<u>715.668.597</u>
Fair value of collaterals	<u>118.200.090</u>	<u>24.814.341</u>	<u>514.560.084</u>	<u>657.574.515</u>
31.12.2011				
Past due up to 90 days	583.075.708	45.869.105	374.030.257	1.002.975.070
Past due over 90 days	-	6.860.275	37.943.783	44.804.058
Total before impairment	<u>583.075.708</u>	<u>52.729.380</u>	<u>411.974.040</u>	<u>1.047.779.128</u>
Fair value of collaterals	<u>457.041.008</u>	<u>33.652.071</u>	<u>375.127.572</u>	<u>865.820.651</u>

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2012**45. RISK MANAGEMENT (cont.)****III. LOANS AND ADVANCES – IMPAIRMENT ON AN INDIVIDUAL BASIS IN RELATION TO COLLATERALS**

	Housing Loans €	Consumer loans €	Credit Cards €	Other €	Totals €
Loans and advances to individuals					
31.12.2012					
Balances	-	41.581.341	-	-	41.581.341
Provision for impairment	-	(18.566.107)	-	-	(18.566.107)
Book value	-	23.015.234	-	-	23.015.234
Fair value of collaterals					
Cash	-	705.416	-	-	705.416
Residential property	-	16.206.753	-	-	16.206.753
Commercial property	-	947.433	-	-	947.433
Other real estate	-	5.815.460	-	-	5.815.460
Total collaterals	-	23.675.062	-	-	23.675.062
Loans and advances to companies					
Balances	-	-	-	471.601.754	471.601.754
Provision for impairment	-	-	-	(194.595.846)	(194.595.846)
Book value	-	-	-	277.005.908	277.005.908
Fair value of collaterals					
Cash	-	-	-	19.017.956	19.017.956
Residential property	-	-	-	206.090.754	206.090.754
Commercial property	-	-	-	13.095.348	13.095.348
Other real estate	-	-	-	109.278.290	109.278.290
Total collaterals	-	-	-	347.482.348	347.482.348

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2012**45. RISK MANAGEMENT (cont.)****III. LOANS AND ADVANCES – IMPAIRMENT ON AN INDIVIDUAL BASIS IN RELATION TO COLLATERALS (cont.)**

	Housing Loans €	Consumer loans €	Credit Cards €	Other €	Totals €
Loans and advances to individuals					
31.12.2011					
Balances	-	27.249.860	-	-	27.249.860
Provision for impairment	-	(9.811.676)	-	-	(9.811.676)
Carrying value	-	17.438.184	-	-	17.438.184
Fair value of collaterals					
Cash	-	1.097.788	-	-	1.097.788
Residential property	-	3.785.743	-	-	3.785.743
Commercial property	-	628.765	-	-	628.765
Other real estate	-	1.151.071	-	-	1.151.071
Total collaterals	-	6.663.367	-	-	6.663.367
Loans and advances to companies					
Balances	-	-	-	438.719.211	438.719.211
Provision for impairment	-	-	-	(132.006.311)	(132.006.311)
Carrying value	-	-	-	306.712.900	306.712.900
Fair value of collaterals					
Cash	-	-	-	22.668.777	22.668.777
Residential property	-	-	-	212.495.335	212.495.335
Commercial property	-	-	-	14.027.681	14.027.681
Other real estate	-	-	-	67.919.077	67.919.077
Total collaterals	-	-	-	317.110.870	317.110.870

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

45. RISK MANAGEMENT (cont.)

IV. LOANS AND ADVANCES WITH CREDIT RISK RATING

**Loans neither past due nor impaired
Loans and advances to individuals**

	31.12.2012	31.12.2011
	€	€
With no grade	<u>1.333.034.716</u>	<u>1.392.447.316</u>

**Loans neither past due nor impaired
Loans and advances to companies**

	31.12.2012	31.12.2011
	€	€
OFOF	-	-
OF+	-	-
A	-	-
A-	-	2.102.437
BB+	4.600.821	63.844.308
BB	11.631.518	58.217.682
BB-	33.649.334	48.232.708
B+	65.904.491	54.815.555
B	36.866.286	57.986.258
B-	252.676.867	103.695.188
CC+	67.768.567	134.072.014
CC	106.395.996	379.608.603
CC-	8.928.769	35.240.843
C	526.688.916	401.269.089
D0	17.365.024	6.984.432
E	-	-
With no grade	54.473.462	3.350.486
	<u>1.186.950.051</u>	<u>1.349.419.603</u>
Total	<u>2.519.984.767</u>	<u>2.741.866.919</u>

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

45. RISK MANAGEMENT (cont.)

VI. OTHER CLAIMS

	Loans and advances with financial institutions €	Investments classified as loans and advances €	Derivatives €	Investments available for sale €	Investments Recognised through profit or loss €	Total €
31.12.2012						
AA- to AA+	488.465	-	-	57.519.640	-	58.008.105
A- to A+	13.171.892	-	-	-	-	13.171.892
Below A-	713.543.114	-	5.616.900	133.024.604	-	852.184.618
With no grade	13	-	145.065	1.667.803	-	1.812.881
Neither past due nor impaired	727.203.484	-	5.761.965	192.212.047	-	925.177.496
31.12.2011						
AA- to AA+	1.740.521	-	-	-	-	1.740.521
A- to A+	6.673.337	-	-	-	-	6.673.337
Below A-	571.618.087	912.599.057	11.606.922	83.064.666	-	1.578.888.732
With no grade	6.428.147	-	-	1.667.803	15.297.558	23.393.508
Neither past due nor impaired	586.460.092	912.599.057	11.606.922	84.732.469	15.297.558	1.610.696.098

Market risk

Market risk is the risk of loss of the economic value or of income, that arises from the unfavourable impact in the price or volatility that is observed in interest rates, exchange rates, shares, bonds or commodities.

The management policy followed for Market risk as well as the accepted limits are set by the Asset and Liability Committee (ALCO), within which the Treasury Division operates. The Asset and Liability Committee acts within the parameters set by the relevant policies of the Group and in particular according to the Policy manuals and Procedures in areas of market risk and the management of assets and liabilities.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

45. RISK MANAGEMENT (cont.)

VI. OTHER CLAIMS(cont.)

Market risk (cont.)

Interest rate risk (cont.)

Interest rate risk arises from the different readjustment dates in the interest bearing assets and liabilities of the Group. The Group analyses the interest rate gaps for each time period for each currency (interest rate gap analysis) for all the interest bearing elements and uses this analysis for measuring the effects of a change in interest rates in its revenues. The above analysis enables the Group to measure the effects of an interest rate change to its Economic value, as well as the net interest income, enabling the Group to monitor effectively interest rate risk.

Currency	Case of changes in interests rates (parallel shift in yield curve)	Sensitivity of net interest income (for a period of one year) (€'000)	Impact on equity (€'000)
EUR	+50 b.p	1.397	600
	-50 b.p	(1.397)	(600)
USD	+50 b.p	(87)	(84)
	-50 b.p	87	84
CHF	+50 b.p	(236)	(1.012)
	-50 b.p	236	1.012
Other Currencies	+50 b.p	(88)	(21)
	-50 b.p	88	21

Exchange rate risk

Exchange rate risk arises from maintaining an open position in one or more foreign currencies. The Group maintains a small position in foreign currencies which in each case is much lower than the approved limits set by the Central Bank and the Asset and Liability Committee. Due to this, the result on the income of the Group is not materially affected by foreign currency changes and consequently no sensitivity analysis is required in respect to this issue.

Liquidity risk

Liquidity risk arises from the potential difficulty in finding adequate liquid funds to cover the obligations of the Group; that is the replacement of the existing funds as they come due or withdrawn, or to meet customer needs for further advances.

The Group monitors closely the maturity of the assets and liabilities and in particular those with a short-term duration and it takes the necessary measures to minimise liquidity risk while at the same time ensures that the liquidity ratios set by the Central Bank of Cyprus are met.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

45. RISK MANAGEMENT (cont.)

SENSITIVITY ANALYSIS RELATING TO INTEREST RATE RISK ON 31 DECEMBER 2012

	Total €000	Up to 7 days €000	8 to 30 days €000	1 up to 3 months €000	4 up to 6 months €000	7 up to 12 months €000	1 up to 5 years €000	More than 5 years €000	Non- interest bearing position €000
CURRENCY – USD (\$)									
Cash and bank deposits	414	-	-	-	-	-	-	-	414
Loans and advances to financial institutions	131.979	71.293	24.819	35.867	-	-	-	-	-
Loans and advances to companies	21.135	11.190	6.471	129	1.605	-	-	-	1.740
Loans and advances to individuals	9.787	177	3.619	3.156	1.340	322	-	-	1.173
Derivative financial instruments	291.766	113.688	41.097	136.981	-	-	-	-	-
TOTAL ASSETS	455.081	196.348	76.006	176.133	2.945	322	-	-	3.327
Deposits from financial institutions	16.872	557	7.745	8.570	-	-	-	-	-
Customer deposits	410.008	299.699	64.890	33.735	9.362	2.322	-	-	-
Derivative financial instruments	25.551	-	21.146	20	4.385	-	-	-	-
TOTAL LIABILITIES	452.431	300.256	93.781	42.325	13.747	2.322	-	-	-
NET POSITION IN USD	2.650	(103.908)	(17.775)	133.808	(10.802)	(2.000)	-	-	3.327

THE GROUP OF ALPHA BANK CYPRUS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

45. RISK MANAGEMENT (cont.)

SENSITIVITY ANALYSIS RELATING TO INTEREST RATE RISK ON 31 DECEMBER 2012 (cont.)

CURRENCY – EURO (€)	Total €000	Up to 7 days €000	8 to 30 days €000	1 up to 3 months €000	4 up to 6 months €000	7 up to 12 months €000	1 up to 5 years €000	More than 5 years €000	Non- interest bearing position €000
Cash and bank deposits	44.645	26.760	-	-	-	-	-	-	17.885
Loans and advances to financial institutions	567.478	530.693	34.780	2.005	-	-	-	-	-
Investments available for sale	192.212	-	37.632	12.592	3.654	11.373	124.846	-	2.115
Loans and advances to companies	1.400.602	817.389	167.656	183.059	153.437	1.089	-	-	77.972
Loans and advances to individuals	688.582	461.311	113.514	40.997	12.058	1.862	-	-	58.840
Derivative financial instruments	1.576.418	-	590.133	307.764	678.521	-	-	-	-
TOTAL ASSETS	4.469.937	1.836.153	943.715	546.417	847.670	14.324	124.846	-	156.812
Deposits from financial institutions	1.478.597	771.974	699.914	3.505	-	3.204	-	-	-
Customers deposits	2.130.177	523.976	398.751	397.867	433.856	310.884	62.874	-	1.969
Bonds	100.177	-	-	100.177	-	-	-	-	-
Derivative financial instruments	292.719	113.053	41.266	138.400	-	-	-	-	-
TOTAL LIABILITIES	4.001.670	1.409.003	1.139.931	639.949	433.856	314.088	62.874	-	1.969
NET POSITION IN EURO	468.267	427.150	(196.216)	(93.532)	413.814	(299.764)	61.972	-	154.843

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

45. RISK MANAGEMENT (cont.)

SENSITIVITY ANALYSIS RELATING TO INTEREST RATE RISK ON 31 DECEMBER 2012 (cont.)

	Total €000	Up to 7 days €000	8 to 30 days €000	1 up to 3 months €000	4 up to 6 months €000	7 up to 12 months €000	1 up to 5 years €000	More than 5 years €000	Non- interest bearing position €000
CURRENCY – SWISS FRANCS (CHF)									
Cash and bank deposits	35	-	-	-	-	-	-	-	35
Loans and advances to financial institutions	2.279	2.279	-	-	-	-	-	-	-
Loans and advances to companies	546.717	95.992	211.972	133.415	46.365	-	-	-	58.973
Loans and advances to individuals	997.738	69.870	483.491	210.803	40.564	3.727	-	-	189.283
TOTAL ASSETS	1.546.769	168.141	695.463	344.218	86.929	3.727	-	-	248.291
Customers deposits	2.570	931	1.543	-	83	13	-	-	-
Derivative financial instruments	1.544.897	-	567.429	306.494	670.974	-	-	-	-
TOTAL LIABILITIES	1.547.467	931	568.972	306.494	671.057	13	-	-	-
NET POSITION IN SWISS FRANCS	(698)	167.210	126.491	37.724	(584.128)	3.714	-	-	248.291

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

45. RISK MANAGEMENT (cont.)

SENSITIVITY ANALYSIS RELATING TO INTEREST RATE RISK ON 31 DECEMBER 2011 (cont.)

	Total €000	Up to 7 days €000	8 to 30 days €000	1 up to 3 months €000	4 up to 6 months €000	7 up to 12 months €000	1 up to 5 years €000	More than 5 years €000	Non-interest bearing position €000
CURRENCY – USD (\$)									
Cash and bank deposits	421	-	-	-	-	-	-	-	421
Loans and advances to financial institutions	108.582	93	92.999	15.490	-	-	-	-	-
Loans and advances to companies	24.061	11.638	9.938	336	1.039	-	-	-	1.110
Loans and advances to individuals	11.191	200	4.264	3.976	1.532	386	-	-	833
Derivative financial instruments	254.345	237.267	17.078	-	-	-	-	-	-
TOTAL ASSETS	398.600	249.198	124.279	19.802	2.571	386	-	-	2.364
Deposits from financial institutions	4.610	4.610	-	-	-	-	-	-	-
Customer deposits	376.863	206.749	70.301	59.565	33.974	6.274	-	-	-
Derivative financial instruments	17.078	-	17.078	-	-	-	-	-	-
TOTAL LIABILITIES	398.551	211.359	87.379	59.565	33.974	6.274	-	-	-
NET POSITION IN USD	49	37.839	36.900	(39.763)	(31.403)	(5.888)	-	-	2.324

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

45. RISK MANAGEMENT (cont.)

SENSITIVITY ANALYSIS RELATING TO INTEREST RATE RISK ON 31 DECEMBER 2011 (cont.)

CURRENCY – EURO (€)	Total €000	Up to 7 days €000	8 to 30 days €000	1 up to 3 months €000	4 up to 6 months €000	7 up to 12 months €000	1 up to 5 years €000	More than 5 years €000	Non-interest bearing position €000
Cash and bank deposits	72.397	55.689	-	-	-	-	-	-	16.708
Loans and advances to financial institutions	685.960	657.813	28.147	-	-	-	-	-	-
Investments classified as loans and advances	912.599	-	-	912.599	-	-	-	-	-
Investments available for sale	79.845	4.999	10.858	-	45.822	245	25.846	-	(7.925)
Loans and advances to companies	1.475.684	842.109	176.558	187.904	73.779	2.160	2.400	-	190.774
Loans and advances to individuals	753.190	497.728	125.399	45.628	11.973	1.952	-	-	70.510
Derivative financial instruments	2.012.659	-	1.305.218	504.398	133.791	4.443	11.477	53.332	-
TOTAL ASSETS	5.992.334	2.058.338	1.646.180	1.650.529	265.365	8.800	39.723	53.332	270.067
Deposits from financial institutions	2.887.015	173.552	1.595.391	1.094.553	-	3.513	20.006	-	-
Customers deposits	2.166.814	559.835	314.582	491.168	488.372	249.459	59.925	-	3.473
Bonds	100.291	-	-	100.291	-	-	-	-	-
Derivative financial instruments	318.706	235.000	16.559	-	2.847	-	11.387	52.913	-
TOTAL LIABILITIES	5.472.826	968.387	1.926.532	1.686.012	491.219	252.972	91.318	52.913	3.473
NET POSITION IN EURO	519.508	1.089.951	(280.352)	(35.483)	(225.854)	(244.172)	(51.595)	419	266.594

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

45. RISK MANAGEMENT (cont.)

SENSITIVITY ANALYSIS RELATING TO INTEREST RATE RISK ON 31 DECEMBER 2011(cont.)

CURRENCY – SWISS FRANCS (CHF)	Total €000	Up to 7 days €000	8 to 30 days €000	1 up to 3 months €000	4 up to 6 months €000	7 up to 12 months €000	1 up to 5 years €000	More than 5 years €000	Non- interest bearing position €000
Cash and bank deposits	63	-	-	-	-	-	-	-	63
Loans and advances to financial institutions	4.495	4.495	-	-	-	-	-	-	-
Loans and advances to companies	571.774	127.590	212.312	131.750	53.064	-	-	-	47.058
Loans and advances to individuals	1.360.087	93.604	706.464	247.010	49.287	4.843	89	108	258.682
TOTAL ASSETS	1.936.419	225.689	918.776	378.760	102.351	4.843	89	108	305.803
Customers deposits	2.546	2.480	66	-	-	-	-	-	-
Derivative financial instruments	1.934.024	-	1.292.366	505.923	131.622	4.113	-	-	-
TOTAL LIABILITIES	1.936.570	2.480	1.292.432	505.923	131.622	4.113	-	-	-
NET POSITION IN SWISS FRANCS	(151)	223.209	(373.656)	(127.163)	(29.271)	730	89	108	305.803

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

45. RISK MANAGEMENT (cont.)

iv. Liquidity Risk (cont.)

	Without expiration €	On demand €	Within 3 months €	Between 3 months and 1 year €	More than 1 year €	Total €
2012						
Assets						
Cash and bank deposits	-	18.718.297	26.760.219	-	-	45.478.516
Loans and advances to financial institutions	-	611.278.994	115.843.926	80.564	-	727.203.484
Loans and advances to customers after provisions	760.530.818	70.013.071	83.836.219	307.865.302	2.514.709.941	3.736.955.351
Investments available for sale	1.667.803	52.434.668	20.666.190	11.273.685	106.169.701	192.212.047
Derivative financial instruments	-	-	-	-	5.761.965	5.761.965
Other assets	11.930.081	-	-	-	-	11.930.081
Total assets	774.128.702	752.445.030	247.106.554	319.219.551	2.626.641.607	4.719.541.444
Liabilities						
Bonds	-	-	491.478	1.474.433	98.210.800	100.176.711
Deposits from financial institutions	-	202.392.453	38.741.934	45.302.264	1.247.446.280	1.533.882.931
Customer deposits	-	569.819.520	889.792.202	740.500.030	400.560.286	2.600.672.038
Derivative financial instruments	-	2.208.275	-	-	-	2.208.275
Other liabilities	16.842.896	-	-	-	-	11.842.896
Total liabilities	16.842.896	774.420.248	929.025.614	787.276.727	1.746.217.366	4.253.782.851
Items not in economic position						
Letters of guarantee	-	2.593.925	25.151.860	42.868.366	7.582.703	78.196.854
Loan limits approved but not used	-	26.003.587	139.499.994	265.032	-	165.768.613
	-	28.597.512	164.651.854	43.133.398	7.582.703	243.965.467

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

45. RISK MANAGEMENT (cont.)

iv. *Liquidity Risk* (cont.)

	Without expiration €	On demand €	Within 3 months €	Between 3 months and 1 year €	More than 1 year €	Total €
2011						
Assets						
Cash and bank deposits	-	255.204.379	55.688.990	-	-	310.893.369
Loans and advances to financial institutions	-	444.507.512	141.952.580	-	-	586.460.092
Loans and advances to customers after provisions	593.191.928	86.946.450	119.405.188	420.438.488	3.058.317.982	4.278.300.036
Investments classified as loans and advances	-	-	599.057	-	912.000.000	912.599.057
Receivables from insurance agents and policyholders	-	11.687.867	-	-	-	11.687.867
Reinsurance contracts	-	4.937.679	-	-	-	4.937.679
Investments available for sale	1.667.803	42.333.800	21.000.000	-	19.730.666	84.732.469
Investments at fair value through profit or loss	2.874.746	-	-	-	12.422.812	15.297.558
Derivative financial instruments	-	-	-	-	11.606.922	11.606.922
Other assets	13.807.882	-	-	-	-	13.807.882
Total assets	611.542.359	845.617.687	338.645.815	420.438.488	4.014.078.582	6.230.322.931
Liabilities						
Bonds	-	-	-	277.016	95.100.000	95.377.016
Derivative financial instruments	-	17.230.199	-	-	-	17.230.199
Deposits from financial institutions	-	103.437.868	187.849.334	3.512.772	2.635.028.338	2.929.828.312
Customer deposits	-	522.749.355	997.799.575	807.108.926	263.053.140	2.590.710.996
Other liabilities	60.006.525	-	-	-	55.227.590	115.234.115
Total liabilities	(60.006.525)	(643.417.422)	(1.185.648.909)	(810.898.714)	3.048.409.068	(5.748.380.638)
Net position	551.535.834	202.200.265	(847.003.094)	(390.460.226)	965.669.514	481.942.293
Items not in economic position						
Letters of guarantee	-	3.258.020	21.648.877	48.546.904	12.263.053	85.716.854
Loan limits approved but not used	-	32.177.222	167.689.330	275.032	-	200.141.584
	-	35.435.242	189.338.207	48.821.936	12.263.053	285.858.438

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

45. RISK MANAGEMENT (cont.)

RISK MONITORING (cont.)

Operational risk

Operational risk is defined as the risk of direct or indirect losses arising either from internal inadequate procedures and systems, human behaviour, or other external factors, including legal risk.

The Company has implemented the Operational Risk Management Framework as analysed in the Group Policy. The basic pillars of this policy are listed below:

- The organisational structure of managing operational risk
- The collecting and collating of data relating to operational risk events
- The evaluation of the risk and the determination of risk mitigation action

Under the Framework, the Company operates an Operational Risk Management Committee which is overseeing the implementation of the operational risk management policy of the Group and its activities and actions related to the effective management of operational risk.

Within the above framework, a specialised system is being used which is located at the parent company Alpha Bank S.A. It is a system that accepts data on operational risk that will be classified in the relevant banking activity category as well as in the relevant operational risk category outlined in Basel II.

At the same time, the Company in cooperation with the Group, has set-up Key Risk indicators and collects data to this end. These indicators assist in monitoring operational risk.

Under the framework of operational risk management, structured self assessments are conducted by business and infrastructure and support units, with the aim of identifying, recording and assessing the operational risks which could be potentially faced and what courses of action could be adopted so as for these to be mitigated.

REGULATORY COMPLIANCE

The Company operates an independent Regulatory Compliance Division as required by the provisions of the Central Bank of Cyprus directive «framework of Principles of Operation and Criteria of Assessment of Bank's Organisational structure, Internal Governance and Internal Control Systems».

The Compliance Division is administratively independent of other units responsible for risk management, with no executive authority, or with other internal audit duties. The division reports directly to the Managing Director, is supervised by the Group Compliance Head of the parent Bank and reports to the Board of Directors through the Board Audit Committee.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

45. RISK MANAGEMENT (cont.)

REGULATORY COMPLIANCE (cont.)

The aim of the Regulatory Compliance Department is the prevention and effective management of compliance risks, according to the relevant compliance framework (Regulatory Compliance Risk) that may arise from the business activity of the financial institution. This can be achieved through the establishment of adequate policies and processes, and the adoption of recognition control, monitoring mechanism of relevant controls, aiming at the preservation of the integrity and reputation of the Bank.

Through the Compliance officer, as defined in the Central Bank Directive “Directive to Banks for the Prevention of money laundering and financing of terrorism”, implements appropriate procedures aiming timely and ongoing compliance of the Bank with the outstanding supervisory framework in relation to the prevention of the financial system being used for money laundering and the financing of terrorism.

INFORMATION SECURITY

The Company has adopted the Information Security Framework of the Group.

The Information Security Framework refers to the administrative, technical and physical measures which ensure the protection of data and information systems of the Group.

The objectives of the Group Information Security Framework are:

- To support the business objectives of the Group, protecting corporate information and integrated information systems.
- Reduce the risk of jeopardizing the confidentiality, integrity and availability of corporate information by establishing principles for both the proper use and for the proper use of Integrated Information Systems.
- To instill the General Principles of Information Security across the Group's staff, while establishing the duties, responsibilities and powers of each officer.
- To ensure the Group's compliance with the regulations, as well as those arising from contracts with third parties.
- To protect the integrity, ethics and public image of the Group.
- To ensure the Group's development and enhance customer loyalty for its products and services, creating in this way a strong competitive advantage.

THE GROUP OF ALPHA BANK CYPRUS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2012

46. FAIR VALUE

Fair value represents the amount at which an asset could be exchanged or a liability settled in an arm's length transaction. The fair value of most of the financial assets and liabilities are similar to the amounts disclosed in the statement of financial position.

The fair value of loans and advances to customers is approximately equal to their carrying value as disclosed in the consolidated statement of financial position, net of the provisions for bad and doubtful debts.

The Management is of the opinion that the fair value of the assets and liabilities of the Group that are not stated at their calculated fair value, approximates their carrying value.

47. ECONOMIC ENVIRONMENT**Operating environment of the Company**

The Cyprus economy has been adversely affected over the last few years by the international credit crisis and the instability in the financial markets. During 2012 there has been a significant decrease in available liquidity for granting of new loans from Cypriot financial institutions, mainly resulting from the financial instability in relation to the Greek sovereign debt crisis, including the impairment of Greek Government Bonds, and its impact on the Cyprus economy. In addition, following its credit rating downgrades, the ability of the Republic of Cyprus to borrow from international markets has been significantly affected. The Cyprus government entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund, in order to obtain financial support.

Cyprus and the Eurogroup (together with the International Monetary Fund) reached an agreement on the key elements necessary for a future macroeconomic adjustment programme which includes the provision of financial assistance to the Republic of Cyprus of up to €10 billion. The programme aims to address the exceptional economic challenges that Cyprus is facing and to restore the viability of the financial sector, with the view of restoring sustainable economic growth and sound public finances over the coming years. The Eurogroup decision on Cyprus includes plans for the restructuring of the financial sector and safeguards deposits below € 100.000 in accordance with EU legislation.

THE GROUP OF ALPHA BANK CYPRUS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2012

47. ECONOMIC ENVIRONMENT (cont.)**Operating environment of the company (cont.)**

The Company is not subject to any reorganisation or restructuring measures of its operations.

The Cypriot authorities have reaffirmed their commitment to step up efforts in the areas of fiscal consolidation, structural reforms and privatization. The Eurogroup requested the Cypriot authorities and the European Commission, in cooperation with the European Central Bank and the International Monetary Fund, to finalize the Memorandum of Understanding within April 2013, which will then be followed by the formal approval of the Board of Directors of the European Stability Mechanism as well as by the ratification by Eurozone member states through national parliamentary (or equivalent) approvals.

On 22 March 2013 the House of Representatives voted legislation relating to capital controls affecting transactions executed through banking institutions operating in Cyprus. The extent and duration of the capital controls is decided by the Minister of Finance and the Governor of the Central Bank of Cyprus and were enforced on 28 March 2013. The Company's management is monitoring the developments in relation to these capital controls and is assessing the implications on the Company's operations.

The Board believes that capital needs are manageable and can be covered by the operating business plan. As a result of the above consolidated financial statements have been prepared on a going concern basis.

The uncertain economic conditions in Cyprus, the unavailability of financing, the loss and/or blockage of funds, together with the current instability of the banking system and the anticipated overall future economic recession, could affect:

- (1) the Company's ability to obtain new borrowings or refinance existing borrowings at terms and conditions similar to those applied to earlier transactions,
- (2) the ability of the Company 's debtors to repay the amounts due to the Company,
- (3) the ability of the Company to generate sufficient turnover and offer services to customers, and
- (4) the cash flow forecasts of the Company and the assessment of impairment of other financial and non financial assets.

THE GROUP OF ALPHA BANK CYPRUS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2012

47. ECONOMIC ENVIRONMENT (cont.)**Operating environment of the Company (cont.)**

Group's management has assessed:

(1) whether any impairment allowances are deemed necessary for the Company's financial assets carried at amortized cost by considering the economic situation and outlook at the end of the reporting period. Impairment of trade receivables is determined using the "incurred loss" model required by International Accounting Standard 39. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.

(2) the Group's ability to continue as a going concern.

Group's management is unable to predict all developments which could have an impact on the Cyprus economy and consequently what effect, if any, could have on future financial performance, cash flows and financial position of the Group.

Group's management believes that is taking all the necessary measures to maintain the viability of the Company and expand its work in the current business and economic environment.

48. CAPITAL ADEQUACY

Capital protects from unpredictable/unexpected losses since the predicted or expected losses are covered by provisions e.g. impairment for bad and doubtful debts. To provide cover for unexpected losses, the supervisory authorities require the maintenance of adequate capital, by defining what constitutes a capital adequacy ratio (CAR), the method of calculation and the amount of the minimum CAR to be maintained by Banks.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

48. CAPITAL ADEQUACY

The capital base of the Company for regulatory purposes is as required by the Directive is analyzed below:

	31.12.2012	31.12.2011
	€	€
<u>Equity</u>		
<i>Tier 1 capital</i>		
Share capital	118.575	118.575
Share premium	15.335	15.335
Retained earnings	368.881	394.876
Difference from conversion of share capital	<u>600</u>	<u>600</u>
	503.391	529.386
Less: Intangible assets	(936)	(469)
Less: 50% interest participation in insurance companies	-	(8.172)
Less: revaluation reserve of available for sale investments	<u>-</u>	<u>(9.553)</u>
Total Tier 1 capital	<u>502.455</u>	<u>511.192</u>
<i>Supplementary capital</i>		
Subordinated loan	100.000	100.000
Less: 50% interest participation in insurance companies	-	(8.172)
Investment revaluation reserve	<u>1.933</u>	<u>-</u>
Total additional Tier 1 capital	<u>101.933</u>	<u>91.828</u>
Total basic and ancillary own funds	<u>604.388</u>	<u>603.020</u>

For the calculation of capital under Pillar I of the Second Agreement of the Basel Committee (Basel II) the Company is using the software system «SUNGARD» which is installed in the parent company Alpha Bank S.A.

During 2012, the Company has undertaken an "internal procedure for assessing capital adequacy (ICAAP)" and has prepared a report in accordance with instructions of the Central Bank of Cyprus and the Pillar II of the second agreement of the Basel Committee (Basel II) .

During the year 2012, the Company was in full compliance with the regulations of the Central Bank of Cyprus, and maintains adequate capital in the opinion of its management in line with the nature, scale and complexity of its business and the risks it undertakes.

Following the request of Cyprus for financial support from the International Monetary Fund, the European Commission and the European Central Bank, Alpha Bank Cyprus Limited has been included in the banks participating in an independent diagnostic testing, which was part of the evaluation of the Banking Sector of the country.

The audit, which was awarded to the company PIMCO Europe Limited in collaboration with the auditing firm Deloitte, aimed, amongst others, in determining the capital needs

THE GROUP OF ALPHA BANK CYPRUS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

48. CAPITAL ADEQUACY (cont.)

of each bank based on a basic and an adverse macroeconomic scenario for the next three years.

The results of this review have been brought to the attention of the Steering Committee, composed of representatives of the Cypriot Authorities and International Organizations involved in the program of financial assistance to Cyprus. With the completion of the process the results have been published on the website of the Central Bank of Cyprus.

The Company believes that the capital needs set out in the above report of a surplus of € 92m. under the baseline scenario and a deficit of € 149m. under the adverse scenario is manageable and can be covered through the business plan.

49. SEGMENTAL INFORMATION

The Group's operations are divided into two functional areas: in banking and financial services and insurance services. Banking and financial services include the provision of short, medium and long term loans, guarantees and other credit facilities. Insurance services include the provision of insurance services in life and general insurance.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

49. SEGMENTAL INFORMATION (cont.)

<i>Analysis by operating Segment</i>	Gross Income €	(Loss)/profit Before taxation €	Depreciation of property, plant and equipment €	Amortisation of Intangible assets €	Total liabilities €	equity €	Total assets €
31.12.2012							
Banking and financial services	269.709.026	(39.723.913)	2.205.950	315.123	4.253.782.851	504.774.955	4.758.557.806
Insurance services	<u>2.607.331</u>	<u>9.343.791</u>	<u>89.017</u>	<u>32.152</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>272.316.357</u>	<u>(30.380.122)</u>	<u>2.294.967</u>	<u>347.275</u>	<u>4.253.782.851</u>	<u>504.774.955</u>	<u>4.758.557.806</u>
31.12.2011							
Banking and financial services	335.610.948	5.966.688	2.552.058	241.485	5.697.048.596	520.094.435	6.217.143.031
Insurance services	<u>2.394.560</u>	<u>792.096</u>	<u>106.125</u>	<u>35.009</u>	<u>51.332.042</u>	<u>7.600.026</u>	<u>58.932.068</u>
Total	<u>338.005.508</u>	<u>6.758.784</u>	<u>2.628.183</u>	<u>276.494</u>	<u>5.748.380.638</u>	<u>527.694.461</u>	<u>6.276.075.099</u>

The gross income from the above segments, the profit before tax and assets are allocated between the banking, financial and insurance services. All activities carried out in Cyprus.

At 31 December 2012, the subsidiary company Alpha Insurance Limited has been sold and therefore disposed its insurance activities. Income from insurance activities is included in profit from discontinued operations and is presented in note 14 of the consolidated financial statements.

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

50. RELATED PARTY TRANSACTIONS

(i) Transactions with members of the Board of Directors and Management

Connected persons include spouses, minor children and companies in which the Director or Manager holds directly or indirectly, at least 20% of the voting rights in a General Meeting. All transactions with members of the Board of Directors and their connected persons are taking place under normal trading terms. Credit facilities granted to key management are under the same terms as those applicable to the rest of the Company's staff.

Loan balances and other advances to Members of the Board of Directors and connected persons:

	Number of Directors	Total €000
Less than 1% of the net assets of the Company, per Director	<u>1</u>	<u>19</u>
	2012 €	2011 €
<i>Non-executive Directors</i>		
Fees as members of the Board	<u>55.000</u>	<u>55.000</u>
<i>Executive Directors</i>		
Salaries and benefits	<u>534.734</u>	<u>865.655</u>

(ii) Transactions with the parent company

During the year, the parent company Alpha Bank S.A. has granted bank guarantees totalling €328.881.539 (2011: €354.895.566) in relation to loans and advances granted to specific clients.

(iii) Income/expenses with parent company

	From 1 January until 31.12.2012 €	31.12.2011 €
<i>Income</i>		
Interest on deposit accounts	4.556.484	20.950.654
Interest on derivative financial instruments	6.287.380	14.647.765
Profit from revaluation of derivatives held for risk management	<u>1.072.611</u>	<u>-</u>
	<u>11.916.475</u>	<u>35.598.419</u>
<i>Expenses</i>		
Interest on deposit accounts	16.640.575	36.009.712
Interest on bonds	<u>522.857</u>	<u>637.786</u>
	<u>17.163.432</u>	<u>36.647.498</u>

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2012**50. RELATED PARTY TRANSACTIONS (cont.)****(iv) Balances with parent company**

	31.12.2012	31.12.2011
	€	€
Assets		
Balances with group companies	696.600.336	565.621.486
Derivatives	<u>5.616.900</u>	<u>11.606.922</u>
	<u>702.217.236</u>	<u>577.228.408</u>
Liabilities		
Deposits from group companies	1.432.912.364	2.691.530.336
Derivatives	2.208.274	12.766.104
Bonds	20.204.200	20.204.200
Interest payable on bonds	<u>35.703</u>	<u>58.853</u>
	<u>1.455.360.541</u>	<u>2.724.559.493</u>

(v) Balances with group companies of Alpha Bank S.A.

	31.12.2012	31.12.2011
	€	€
Assets		
Balances with group companies	221.861	26.790
Investments classified as loans and receivables	<u>-</u>	<u>912.599.057</u>
	<u>221.861</u>	<u>912.625.847</u>
Liabilities		
Deposits from group companies	16.535.496	3.500.042
Bonds	4.900.000	-
Interest payable on bonds	8.659	-
Other payables	<u>4.064.627</u>	<u>-</u>
	<u>25.508.782</u>	<u>3.500.042</u>

THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

50. RELATED PARTY TRANSACTIONS (cont.)

(vi) Income/expenses with Alpha Bank group companies

	From 1 January to 31.12.2012	31.12.2011
	€	€
<i>Income</i>		
Gain on sale of investment in subsidiary company	12.307.034	-
Interest income	3.207.220	-
Commissions receivable	<u>617.785</u>	<u>507.396</u>
	<u>16.132.039</u>	<u>507.396</u>
<i>Expenses</i>		
Interests on Investments classified as loans and receivables	9.410.319	15.902.443
Interests payable	592.583	474.738
Interests payable on bonds	126.805	154.678
Other expenses	<u>150.468</u>	<u>37.966</u>
	<u>10.280.175</u>	<u>16.569.825</u>

51. DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY

The members of the Board of Directors, their spouses and their children do not have an interest directly or indirectly in the share capital of the Company pursuant to Article 60 (4) of the Securities and Stock Exchange Law on 31 December 2012.

During the period between 31 December 2012 and 30 days before the date of the notice convening the Annual General Meeting, there was no variation in the above percentages.

52. OWNERS WITH MORE THAN 5% OF THE SHARE CAPITAL

On 31 December 2012 the percentage of shares held by ownership, directly or indirectly, more than 5% of the issued share capital of the Company was as follows:

	31 December 2012
	%
Alpha Bank S.A.	100

During the period between 31 December 2011 and 30 days before the date of the notice convening the Annual General Meeting, there was no variation in the above percentages.

THE GROUP OF ALPHA BANK CYPRUS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2012

53. EVENTS AFTER THE REPORTING PERIOD

Current developments in the economic environment of Cyprus are referred to in note 47 of the consolidated financial statements.

There were no other significant events after the reporting period that affect the consolidated financial statements at 31 December 2012, except from the following:

- On 16 October 2012, Alpha Bank S.A. signed with Credit Agricole S.A. an agreement to acquire all shares of Emporiki Bank S.A. Upon receipt of the relevant regulatory approvals, the entire share capital of Emporiki transferred from Crédit Agricole to Alpha Bank S.A. on 1st February 2013. As a result, the Group companies of Alpha Bank S.A. includes Emporiki Bank-Cyprus Limited.
- The consolidated financial statements were approved for issue by the Board of Directors on 26 April 2013.