

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

ANNUAL REPORT 2013

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

For the year ended 31 December 2013

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

Board of Directors	Sp. N. Filaretos, Chairman
	Ch. C. Giampanas , Vice-Chairman
	G. A. Georgiou, Managing Director - CEO
	A. M. Michaelides
	L. A. Papagarifallou
	Dr. A. K. Kritiotis
	I. S. Monastiriotis
	L.A. Papalambrianou (Appointed on 26 April 2013)
	N. Maurogenis (Appointed on 26 April 2013)
Secretary	M. Aristidou (Appointed on 26 April 2013)
	L. A. Papalambrianou (Resigned on 26 April 2013)
Legal Advisers	Chryssafinis & Polyviou LLC
	Andreas V. Zachariou & Co. LLC
	L. Papafilippou & Co. LLC
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 2013, confirm that, to the best of our knowledge:

- a) the annual consolidated financial statements which are presented on pages 15 to 115:
  - (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 of 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 of Alpha Bank Cyprus Limited together with a description of the principal risks and uncertainties which they face.

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

Sp. N. Filaretos – Chairman

Ch. C. Giampanas – Vice-Chairman

G. A. Georgiou – Managing Director

A. M. Michaelides – Board Member

L. A. Papagarifallou – Board Member

Dr. A. K. Kritiotis – Board Member

I. S. Monastiriotis – Board Member

L. A. Papalambrianou – Board Member

N. Maurogenis – Board Member

D. Karatsis - Head of Financial Control Division

Nicosia, 30 April 2014

## 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 2013.

#### PRINCIPAL ACTIVITIES

The Company is the parent company of the Group of Alpha Bank Cyprus Limited (the “Group”).

During 2013, 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.

Alpha Trustees Limited is a subsidiary of the Company. On 20 December 2013, Alpha Trustees Limited was sold to a company of the Group of Alpha Bank S.A.

#### REVIEW OF THE DEVELOPMENTS, POSITION AND PERFORMANCE OF ACTIVITIES

##### *Key financial figures* *In €'m.*

	<i>Change</i>	<b>From 1 January until - 31.12.2013</b> €	<b>31.12.2012</b> €
Profit from operations	-19,8%	127,6	159,2
Total administrative expenses	-5,6%	53,9	57,1
Profit from operations before provisions	-27,9%	73,6	102,1
Provisions for impairment of doubtful debts	21,9%	172,8	141,8
Loss for the year after tax	232,7%	-103,8	-31,2
Loss per share		-72,7 cent	22,6 cent

##### *In €'m.*

		<b>31.12.2013</b> €	<b>31.12.2012</b> €
Net loans and advances to customers	-7,2%	3.467,1	3.737,0
Deposits from customers	-21,9%	2.031,9	2.600,7

Interest income amounted to €181,5mil. a decrease of 25,9% compared to €245,0 m for the year 2012, mainly due to the decrease in the interest margin and the loans balances.

Interest expense amounted to €74,4m a decrease of 31,8% compared to €109,1 m. for the year 2012, mainly due to the decrease in the cost of deposits and the deposit balances.

Net income from fees and commission amounted to €13,4 m, a decrease of 29,1% compared to €18,9 m for the year 2012, mainly due to the reduction in the economic activity, especially after the events following the decisions of Eurogroup.

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

Profit from operations of the Group for the year 2013 amounted to €127,6 m, a decrease of 19,8% compared to €159,2 m for the year 2012.

Administrative expenses of the Group amounted to €53,9 m for the year 2013 a decrease of 5,6% compared to €57,1 m for the year 2012. The cost to income ratio increased to 42,2% in compared to 35,9% for the year 2012.

The provisions for impairment of doubtful debts for the year 2013 amounted to €172,8 m an increase of 21,9% compared to €141,8 m for the year 2012. The increase in provisions for impairments is due to the deterioration of economic conditions in 2013 and, the increase in the credit risk of the loan portfolio. The accumulated provisions for doubtful debts amounted to €698,7 m as at 13 December 2013 and represents 16,8% of total gross loans and advances to customers.

Net loans and advances to customers as at 31 December 2013, amounted to €3.467,1m a decrease of 7,2% compared to 31 December 2012. Deposits from customers decreased by 21,9%, amounting to €2.031,9 m.

**FINANCIAL RESULTS**

The results of the Group are presented in the Consolidated Statement of Comprehensive Income on pages 15 & 16 of the consolidated financial statements.

The losses for the year attributable to owners amounted to €103.864.274 (2012: losses €31.571.180).

**DIVIDEND**

The Board of Directors do not recommend the payment of dividend for the year 2013 (2012: €nil).

**RISK MANAGEMENT**

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

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 37 of the consolidated financial statements.

**CAPITAL ADEQUACY****Capital adequacy – Increase in capital**

During the year 2013 the Company increased its capital base by €129 m via the issue of ordinary shares amounting to €65 m and capital convertible capital securities amounting to €64 m.

## THE GROUP OF ALPHA BANK CYPRUS LIMITED

### DIRECTORS' REPORT (cont.)

#### **CAPITAL ADEQUACY** (cont.)

##### **Capital adequacy – Increase in capital** (cont.)

The increase in capital was a requirement of the Central Bank of Cyprus, according to the capital needs of the Company based on the adverse scenario of the diagnostic assessment carried out by PIMCO.

The review took place within the framework for evaluating the condition of the banking system of the country in order to determine the capital needs of each systemic bank based on one basic and one adverse macroeconomic scenario for the next three years.

The shares and the convertible bonds were wholly purchased by the parent company Alpha Bank S.A. which holds 100% of the share capital of the Company.

As of 1 January 2014 a new regulation known as CRR and a new directive known as CRD IV are effective for the capital adequacy calculations. The Central Bank of Cyprus has chosen to gradually implement the new regulation and directive based on the transitional provisions which have not yet been determined. The Company is evaluating the potential impact on its capital and capital requirements from the adoption of CRR and CRD IV. The Company expects that the impact of the application of CRR and CRD IV will be manageable.

##### **Capital Adequacy – Alpha Bank S.A.**

During 2013, Alpha Bank S.A. has increased its share capital by €4,571 billion, thereby covering the group's capital needs as those had been determined by Bank of Greece.

The share capital increase by preemption rights issue of €457.1 million was fully covered as well as a private placement for an additional €92.9 million which was covered by selected institutional and other individual investors. The remaining amount of €4.021 billion was covered by direct subscription of the Hellenic Financial Stability Fund through contribution of bonds issued by the European Financial Stability Facility.

On 6 March 2014, the Bank of Greece announced the capital needs for the Greek banks taking into account expected losses as defined in the Baseline Scenario of the Blackrock Solutions assessment. The capital needs of Alpha Bank S.A. amounted to €262million and they were the lowest among the other Greek systemic banks.

On 31 March 2014, Alpha Bank S.A. completed the process of increasing its share capital by €1,2 billion through a private placement to qualified investors. The funds from the offering will be used for the recapitalization of Alpha Bank S.A. with high quality regulatory capital, which will facilitate the repurchase of preference shares owned by the Greek Government amounting to €940 millions.

Additionally, Alpha Bank S.A. takes part in the exercise of banking supervision in accordance with the provisions of the regulation on the single supervision mechanisms. The exercise which includes an overall assessment of the banking system aims to establish a single supervisory mechanism. This is considered to be the first step for creating a European banking union, which will be based on a single rulebook for financial services and a new framework for the deposit insurance and reforms. The evaluation includes stress tests in collaboration with the European Banking Authority. Alpha Bank S.A. based on the available data, the simulation of extreme conditions that it has performed and the assessment of capital adequacy, considers that it has adequate reserves in order, during the upcoming «Asset Quality Review» of European Central Bank and the stress tests to satisfy the baseline and adverse scenario.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED****DIRECTORS' REPORT** (cont.)**FUTURE DEVELOPMENT**

The economic crisis and uncertainty about the economy in general has resulted in the intensification of risks to which the company is exposed, while at the same time it increases the uncertainty of achieving adequate future profitability in the medium term.

Based on the current economic environment and challenges of the market, the Group will follow a conservative business plan based on the following priorities:

- containment of the the past due loans and the effective management of problematic loans,
- maintenance and attraction of new deposits,
- deleveraging of the loan portfolio,
- containment of operating costs and increase in productivity, and
- continued improvement in quality of the provision of services to customers.

**SHARE CAPITAL**

On the 1 November 2013, the Company proceeded to increase its share capital from €118.575.000 divided into 139.500.000 ordinary shares of nominal value €0,85 each to €135.575.000 divided into 159.500.000 ordinary shares of nominal value €0,85 each.

The increase in share capital was made by cash contribution amounting to €65.000.000 from the owners of the Company. The difference between the issue price and the nominal value amounts to €48.000.000 and was recognized as a share premium in the statement of changes in equity.

**BRANCHES**

The Group is currently comprised of a network of 29 branches (2012:31) and other specialized units which are effectively supported by ATMs, internet banking and mobile banking. The number of branches has decreased by 2 branches during the year following policy for the containment of operating expenses and increase in productivity.



## THE GROUP OF ALPHA BANK CYPRUS LIMITED

### DIRECTORS' REPORT (cont.)

#### **BOARD OF DIRECTORS**

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

Sp. N. Filaretos, Chairman  
Ch. C. Giampanas, Vice-Chairman  
G.A Georgiou, Chief Executive Officer  
A.M. Michaelides  
L.A Papagarifallou  
Dr. A. K. Kritiotis  
I.S. Monastiriotis  
L.A. Papalambrianou (since 26 April 2013)  
N. Maurogenis (since 26 April 2013)

#### **CORPORATE GOVERNANCE REPORT**

##### ***Introduction***

Alpha Bank Cyprus Limited is 100% subsidiary of Alpha Bank S.A., which is listed on the Athens Stock Exchange. The corporate governance framework which is implemented by the Bank aims to protect the interests of all stakeholders. 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. The operations of the Company, as a member of the Alpha Bank S.A. Group, are also closely supervised by the parent company.

##### ***Ethics***

The Company implements the best business practices in its activities, management, code of conduct for Management and Employees between each other and towards clientele, the shareholders and other relevant stakeholders.

##### **Obligations**

Alpha Bank Cyprus Limited embeds the following obligations with regard to its business activities:

- Towards its clientele, Alpha Bank Cyprus Limited undertakes to provide them with complete priority in services and a continued improvement in the quality of reception, information and provided services.
- Towards its shareholders, a continued commitment by Alpha Bank Cyprus Limited to further goodwill and to secure a reasonable return on its investments.
- Towards its Personnel, Alpha Bank Cyprus Limited undertakes to secure fair reward, excellent working conditions and the potential to progress based on merit and equal treatment without discrimination.
- Towards society as a whole, Alpha Bank Cyprus Limited undertakes to actively contribute towards progress and to improve the basic elements of its cohesion with society, such as culture, education, health and the environment.

##### **Principles**

Every activity of Alpha Bank Cyprus Limited, whose ultimate purpose is the development and good standing of the Group, is governed by principles imposed by Law or Ethics, such as:

## THE GROUP OF ALPHA BANK CYPRUS LIMITED

### DIRECTORS' REPORT (cont.)

#### **CORPORATE GOVERNANCE REPORT** (cont.)

##### ***Ethics*** (cont.)

- integrity and honesty,
- objectivity and independence,
- confidentiality and discretion,
- conscious, disciplined and reasonable risk taking,
- complete, accurate and truthful information,
- corporate social responsibility .

##### Obligations

The above obligations and principles give rise to further obligations for Management and Employees which are recorded in the Staff Manual, Directions issued by General Management and in Circulars.

The Staff Manual contains the provisions which cover the general duties of Employees, the required confidentiality, the expected behavior outside of the Company, the prohibition of discussion and publication of topics of political nature, the creation of debt, the prohibition of gambling, unauthorised duties, the prohibition of accepting gifts whilst providing a service as a Director or Employee of Alpha Bank Cyprus Limited and the avoidance of conflicts of interest whilst performing transactions..

Circulars are used to regulate matters which involve the adoption of regulatory and legislative frameworks such as the enforcement of relevant legislation regarding health and safety in the work environment of the Group and the prohibition of smoking in all areas of the Group without exception.

Finally, Alpha Bank Cyprus Limited enforces the Code of Banking Conduct of the Cyprus Banking Association, of which it is a member.

##### ***Board of Directors***

The principal obligation and duty of the Board of Directors is to continuously promote the long-term economic value of the Company and to defend the Group's best interests whilst taking into regard the interests of other stakeholders in the Group.

The main duties of the Board of Directors are:

- The supervision of Executive Management.
- The approval of strategy and budget.
- The supervision of internal control systems, risk management and regulatory compliance.
- The supervision of the Company's operations.

The Board of Directors convenes regularly in order to discharge its duties. 18 meetings of the Board of Directors took place within the year 2013. The Board of Directors is comprised of Executive and non-Executive members. The non-Executive members of the Board of Directors need to fulfill independence criteria as approved by the Board of Directors and which are in accordance with the Directions provided by the Central Bank of Cyprus.

## THE GROUP OF ALPHA BANK CYPRUS LIMITED

### DIRECTORS' REPORT (cont.)

#### **CORPORATE GOVERNANCE REPORT** (cont.)

##### ***Board of Directors*** (cont.)

Within the year 2014 the composition of the Board of Directors shall be comprised so as the majority of members of the Board of Directors and the Chairman are independent, as defined in the amendment to the Business of Credit Institutions Law.

In accordance with the Article of Association of the Company, the number of members of the Board of Directors is between six and eighteen, unless otherwise decided in a General Meeting. At every annual General Meeting, the 1/3 of the relevant Directors resign from their position. The Directors who resign are those with the longest service from the date of their most recent election. A departing Director is entitled to run for re-election. Each new Director who is appointed holds their position only until the next General Meeting, and can be reelected, but is not taken into account when determining which Directors are to depart based on rotation. The Chief Executive Officer is not subject to rotation and is not taken into account when determining the Director to depart by rotation.

At 31 December 2013, the Board of Directors consisted of the following:

	<b>Name</b>	<b>Category</b>	<b>Profession</b>
Chairman	Spyros N.Filaretos	Non Executive	Banking
Vice-Chairman	Christos C. Giampanas	Non Executive	Banking
Members	George A. Georgiou	Chief Executive Officer	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
	Lambros A. Papalambrianou	Executive – General Director Risk & Finance	Banking
	Nikolas A. Maurogenis	Executive – General Director Operations	Banking

Mr. Spyros N. Filaretos, Mr.Christos C. Giampanas, Ioannis S. Monastiriotis and Mr. Lazaros A. Papagarifallou are key management personnel of the parent company Alpha Bank S.A.

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

**THE GROUP OF ALPHA BANK CYPRUS LIMITED****DIRECTORS' REPORT** (cont.)**CORPORATE GOVERNANCE REPORT** (cont.)***Board of Directors*** (cont.)

On 26 April 2013, Mr Christos Giampanas, an existing member of the Board of Directors was appointed Vice-Chairman. On the same date, Mr Lambros Papalambrianou and Mr. Nikolas Mavrogenis were appointed as members of the Board of Directors.

According to Article 89 of the Articles of Association of the Company, Mr. Spyros N. Filaretos, Lazaros A. Papagaryfallou and Mr. Andreas K. Kritiotis resign and, being eligible, offer themselves for re-election.

For all members of the Board of Directors the consent of the Central Bank of Cyprus has been obtained in accordance with the fitness and probity (Assessment Criteria) of Directors and Managers of Banks Directive.

***Remuneration of Executive and non-Executive Members***

The remuneration and benefits of Executive and non-Executive Members are described in note 42 of the consolidated financial statements.

***Board Committees***

The Audit Committee, Risk Management Committee and the Nominations / Internal Governance Committee were active throughout the course of 2013. The responsibilities of the Remuneration Committee have been delegated to the Remuneration Committee of the parent company Alpha Bank S.A, with the consent of the Central Bank of Cyprus.

**Audit Committee**

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

- Monitoring the adequacy and effectiveness of the internal control system and in particular the functions of Internal Audit and Compliance.
- Evaluation of findings and recommendations of audits.
- The submission of proposals to the Board of Directors regarding the appointment of independent auditors.

The Committee convenes at least four times per year or more frequently if circumstances require. During 2013 the Committee convened five times.

At 31 December 2013, 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.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED****DIRECTORS' REPORT** (cont.)**CORPORATE GOVERNANCE REPORT** (cont.)***Board Committees*** (cont.)

The Audit Committee confirms that it has complied with the independence procedures of internal audit. 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 Controls
- The assessment of other test results.

***Risk Management Committee***

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

- The configuration and monitoring of risk taking strategies of all kinds, within the broader framework of strategy and policies of the Group
- The development of an internal risk management system
- The determination of the principles governing risk management
- The evaluation on an annual basis of, the adequacy and effectiveness of risk management policies and acceptable limits, the adequacy of provisions and in general the capital adequacy in relation to the amount and type of risk exposure.

The Committee convenes at least four times a year. During 2013 the Committee convened four times.

At 31 December 2013, the composition of the Risk Management Committee was as follows:

- Ioannis Monastiriotis, Chairman
- George A. Georgiou
- Andreas Kritiotis

***Nominations/Internal Governance Committee***

The main responsibilities of the Nominations/ Internal Governance Committee 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 of the skills, knowledge and expertise of the members of the Board of Directors.
- The submission of proposals and the start of the rotation and replacement of members of the Board of Directors.

The Committee convenes at least once a year or more frequently if circumstances require. During 2013 the Committee met twice.

## THE GROUP OF ALPHA BANK CYPRUS LIMITED

### DIRECTORS' REPORT (cont.)

#### **CORPORATE GOVERNANCE REPORT** (cont.)

##### ***Board Committees*** (cont.)

At 31 December 2013, the composition of the Nominations/Internal Governance Committee was as follows:

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

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

#### **SHAREHOLDERS HOLDING MORE THAN 5% OF THE SHARE CAPITAL**

As at 31 December 2013, the percentage of shareholders with direct or indirect holding of more than 5% of the issued share capital of the Company was as follows:

	31 December 2013
	%
Alpha Bank S.A.	100

During the period between 31 December 2013 and 30 days before the notification for the Annual General Meeting, there was no variation in the above percentage.

#### **BOARD OF DIRECTORS' INTERESTS IN THE COMPANY'S SHARE CAPITAL**

The direct or indirect shareholding in the Company held by members of the Board of Directors is described in note 41 of the consolidated financial statements.

#### **RELATED PARTY TRANSACTIONS**

Transactions with related parties are described in note 42 of the consolidated financial statements.

#### **EVENTS AFTER THE REPORTING PERIOD**

Events after the reporting period are described in note 45 of the consolidated financial statements.

#### **INDEPENDENT AUDITORS**

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

By order of the Board of Directors,

Maria Aristeidou  
Secretary  
Nicosia, 30 April 2014

**THE GROUP OF ALPHA BANK CYPRUS LIMITED****INDEPENDENT AUDITORS' REPORT****TO THE MEMBERS OF****ALPHA BANK CYPRUS LIMITED**

We have audited the accompanying consolidated financial statements of Alpha Bank Cyprus Limited (the "Company") and its subsidiaries (the "Group") on pages 15 to 117, which comprise the consolidated statement of financial position as at 31 December 2013, 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 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 controls that the Board of Directors deem are necessary to enable the preparations of financial statements 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 the internal controls 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 controls. 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.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

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

*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 2013, 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 note 44 of the consolidated financial statements which refers to existing uncertainties which could adversely impact the ability of the Group to continue as going concern. 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 and 2013 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, so far as appears from our examination of these books.
- 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 provided in the Board of Directors' report on pages 3 to 12 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 has been prepared according to paragraphs (a), (b), (c), (f) and (g) of article 5 of the Directive and represents a special section of the Board of Directors' report.

**Other matters**

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 Laws of 2009 and 2013 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.

Christos V Vasiliou, FCA  
Certified Public Accountant and Registered Auditor  
for and on behalf of

KPMG Limited  
Certified Public Accountants and Registered Auditors  
Esperidon 14,  
1087 Nicosia, Cyprus

30 April 2014



## THE GROUP OF ALPHA BANK CYPRUS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note.	From 1 January to 31.12.2013 €	31.12.2012 €
<b>Continuing operations</b>			
Interest income	5	181.525.434	245.043.072
Interest expense	5	<u>(74.414.692)</u>	<u>(109.115.617)</u>
<b>Net interest income</b>		<u>107.110.742</u>	<u>135.927.455</u>
Fees and commission income	6	14.835.973	20.303.672
Fees and commission expense	6	<u>(1.395.773)</u>	<u>(1.392.827)</u>
<b>Net income from fees and commissions</b>		<u>13.440.200</u>	<u>18.910.845</u>
Net (loss)/profit on changes of financial instruments measured at fair value	7	(331.325)	1.072.611
Profit on disposal of investments available for sale		6.018.279	-
Other income from operations	8	<u>1.347.922</u>	<u>3.289.671</u>
		<u>7.034.876</u>	<u>4.362.282</u>
<b>Profit from operations</b>		127.585.818	159.200.582
Loss on disposal of investment in subsidiary		(86.006)	-
Provision for impairment of doubtful debts	16	(172.842.090)	(141.820.157)
Staff costs	9	(38.368.970)	(39.136.561)
Depreciation and amortisation	20&21	(2.311.510)	(2.521.073)
Other expenses	10	<u>(13.224.622)</u>	<u>(15.446.704)</u>
<b>Loss for the year before taxation</b>	11	(99.247.380)	(39.723.913)
Taxation	12	<u>(4.616.894)</u>	<u>1.521.669</u>
<b>Loss for the year from continuing operations</b>		<u>(103.864.274)</u>	<u>(38.202.244)</u>
<b>Discontinued operations</b>			
Profit from discontinued operations		-	7.016.258
<b>Loss for the year</b>		<u>(103.864.274)</u>	<u>(31.185.986)</u>
<b>Other comprehensive income recognised directly to Equity:</b>			
<b>Amounts that may be reclassified in the statement of comprehensive income</b>			
Surplus on revaluation of investments	17	3.933.619	9.629.946
Transfers on disposal of investments available for sale	17	(5.945.997)	-
Transfers of fair value on disposal of investments in subsidiaries		<u>549.328</u>	<u>1.990.147</u>
<b>Other comprehensive (expense)/ income for the year</b>		<u>(1.463.050)</u>	<u>11.620.093</u>
<b>Total comprehensive expense for the year</b>		<u>(105.327.324)</u>	<u>(19.565.893)</u>

The notes on pages 22 to 115 are an integral part of these consolidated financial statements.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (cont.)

	Note.	From 1 January to 31.12.2013 €	31.12.2012 €
<b>Loss attributable to the owners of the parent company</b>			
From continuing operations		(103.864.274)	(38.202.244)
From discontinued operations		<u>-</u>	<u>6.631.064</u>
		(103.864.274)	(31.571.180)
<b>Minority interest</b>			
From continuing operations		-	-
From discontinued operations		<u>-</u>	<u>385.194</u>
<b>Loss for the year</b>		<u>(103.864.274)</u>	<u>(31.185.986)</u>
<b>Total comprehensive income for the year attributable to the owners of the parent company</b>			
From continuing operations		(105.327.324)	(26.716.625)
From discontinued operations		<u>-</u>	<u>6.741.400</u>
		(105.327.324)	(19.975.225)
<b>Minority interest</b>			
From continuing operations		-	-
From discontinued operations		<u>-</u>	<u>409.332</u>
<b>Total comprehensive expense for the year</b>		<u>(105.327.324)</u>	<u>(19.565.893)</u>
<b>Loss attributable to the owners of the parent company per share</b>			
Loss per share (€ cent)	13	<u>(72,72)</u>	<u>(22,63)</u>
<b>Loss attributable to the owners of the parent company per share - continuing operations</b>			
Loss per share (€ cent)	13	<u>(72,72)</u>	<u>(27,66)</u>

The notes on pages 22 to 115 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 2013

	Σημ.	2013 €	2012 €
<b>Assets</b>			
Cash and deposits with Central Bank	14	42.507.963	45.478.516
Loans and advances to financial institutions	15	232.180.826	727.203.484
Loans and advances to customers	16	3.467.061.546	3.736.955.351
Investment securities available for sale	17	17.100.521	192.212.047
Derivative financial assets	19	2.469.601	5.761.965
Property, plant and equipment	20	27.378.828	29.194.141
Intangible assets	21	1.009.088	935.703
Deferred tax asset	22	9.600.000	8.177.274
Taxation	24	-	1.488.359
Other assets	23	<u>5.253.241</u>	<u>11.930.081</u>
<b>Total assets</b>		<u>3.804.561.614</u>	<u>4.759.336.921</u>
<b>Liabilities</b>			
Subordinated bonds	25	100.274.358	100.176.711
Deposits from financial institutions	26	1.102.232.585	1.533.882.931
Deposits from customers	27	2.031.940.141	2.600.672.038
Derivative financial liabilities	19	15.669.463	2.208.275
Deferred tax liability	22	941.391	779.115
Taxation	24	711.947	-
Other liabilities	28	<u>24.344.098</u>	<u>16.842.896</u>
<b>Total liabilities</b>		<u>3.276.113.983</u>	<u>4.254.561.966</u>
<b>Equity</b>			
Share capital	29	135.575.000	118.575.000
Convertible capital securities	30	64.000.000	-
Reserves	31	<u>328.872.631</u>	<u>386.199.955</u>
<b>Total equity</b>		<u>528.447.631</u>	<u>504.774.955</u>
<b>Total equity and liabilities</b>		<u>3.804.561.614</u>	<u>4.759.336.921</u>
<b>Off balance sheet items</b>	32	<u>231.735.540</u>	<u>243.965.467</u>

On 30 April 2014 the Board of Directors of the Company authorised these consolidated financial statements for issue.

Ch. C. Giampanas  
Vice-Chairman

G. A. Georgiou  
Chief Executive  
Officer

L.A. Papalambrianou  
General Manager  
Risk and Finance

D. Karatsis  
Head of Financial  
Control Division

The notes on pages 22 to 115 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 2013

	Share Capital (note 29 ) €	Share Premium €	Investment revaluation reserve €	Difference on the conversion of share capital into euro reserve €	Retained earnings €	Total reserves €	Convertible Capital securities (note 30) €	Minority interest €	Total Equity €
<b>1 January 2012</b>	118.575.000	15.334.698	1.932.983	599.951	368.332.323	386.199.955	-	-	504.774.955
<b>Total comprehensive expense for the year</b>	-	-	-	-	(103.864.274)	(103.864.274)	-	-	(103.864.274)
Loss for the year									
<b>Other comprehensive income/(expense)</b>									
Revaluation of investments available for sale	-	-	3.933.619	-	-	3.933.619	-	-	3.933.619
Disposal of investment in subsidiary	-	-	-	-	549.328	549.328	-	-	549.328
Transfer to the consolidated statement of comprehensive income on disposal of investments	-	-	(5.945.997)	-	-	(5.945.997)	-	-	(5.945.997)
<b>Transactions with owners</b>									
Issue of convertible capital securities	-	-	-	-	-	-	64.000.000	-	64.000.000
Issue of shares	17.000.000	48.000.000	-	-	-	48.000.000	-	-	65.000.000
<b>31 December 2013</b>	<b>135.575.000</b>	<b>63.334.698</b>	<b>(79.395)</b>	<b>599.951</b>	<b>265.017.377</b>	<b>328.872.631</b>	<b>64.000.000</b>	<b>-</b>	<b>528.447.631</b>
<b>1 January 2012</b>	<b>118.575.000</b>	<b>15.334.698</b>	<b>(10.020.203)</b>	<b>599.951</b>	<b>399.903.503</b>	<b>405.817.949</b>	<b>-</b>	<b>3.301.512</b>	<b>527.694.461</b>
<b>Total comprehensive loss for the year</b>	-	-	-	-	(31.571.180)	(31.571.180)	-	385.194	(31.185.986)
Loss for the year									
<b>Other comprehensive income</b>									
Revaluation of investments available for sale	-	-	9.963.039	-	-	9.963.039	-	(333.093)	9.629.946
Disposal of investment in subsidiary	-	-	1.990.147	-	-	1.990.147	-	(3.353.613)	(1.363.466)
<b>31 December 2012</b>	<b>118.575.000</b>	<b>15.334.698</b>	<b>1.932.983</b>	<b>599.951</b>	<b>368.332.323</b>	<b>386.199.955</b>	<b>-</b>	<b>-</b>	<b>504.774.955</b>

The share premium reserve is not available for distribution as a dividend.

The notes on pages 22 to 115 are an integral part of these consolidated financial statements.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

		From 1 January to	
		31.12.2013	31.12.2012
	Note.	€	€
<b>Cash flows from operations</b>			
Loss for the year		(103.864.274)	(31.185.986)
Adjustments for:			
Depreciation of property, plant and equipment	20	1.820.473	2.205.950
Amortization of intangible assets	21	491.037	315.123
Profit on disposal of investment in subsidiary		86.006	-
Profit from discontinued operations		-	(7.016.258)
Write off of property, plant and equipment	10	450.514	43.090
Profit on disposal of investment securities available for sale		(6.018.279)	-
Profit on disposal of plant and equipment		(12.724)	-
Dividends received	8	(225)	(294.485)
Provisions for litigation or arbitration disputes	28(i)	(13.916)	(12.916)
Provision for impairment of doubtful debts	16	172.840.090	141.820.157
Taxation	12	<u>4.616.894</u>	<u>(1.521.669)</u>
<b>Profit from operations before changes in working capital</b>		70.395.596	104.353.006
(Increase)/decrease in loans and advances to financial institutions		-	(24.097.803)
Decrease in loans and advances to customers		97.515.307	398.475.294
Decrease/(increase) in assets from transactions with derivative financial assets		3.292.364	5.844.957
Decrease/(increase) in other assets		6.676.768	974.955
(Decrease)/increase in other liabilities		7.516.820	(47.496.809)
Decrease in deposits from financial institutions		(343.938.638)	(1.411.855.547)
Increase/(decrease) in deposits from customers		(568.731.897)	9.961.042
Increase/(decrease) in interest from bonds		97.647	(108.964)
(Decrease)/increase in liabilities from transactions with derivative financial liabilities		<u>13.461.188</u>	<u>(15.021.924)</u>
<b>Cash flows used in operations</b>		<u>(713.714.845)</u>	<u>(978.971.793)</u>
Tax paid	24	<u>(3.677.038)</u>	<u>(3.042.835)</u>
<b>Net cash used in operating activities</b>		<u>(717.391.883)</u>	<u>(982.014.628)</u>
<b>Cash flows from investing activities</b>			
Net proceeds from disposal of subsidiary company		100	26.566.928
Proceeds from sale of investments classified as loans		-	912.599.057
Payments for investment securities available for sale		(30.000.000)	(270.111.475)
Proceeds for investment securities available for sale		209.117.427	172.950.332
Payments for purchase of property, plant and equipment	20	(455.674)	(622.611)
Proceeds from sale of property, plant and equipment		12.724	-
Payments for purchase of intangible assets	21	(564.422)	(782.095)
Dividends received		<u>225</u>	<u>294.485</u>
<b>Net cash flows from investing activities</b>		<u>178.110.380</u>	<u>840.894.621</u>
<b>Cash flows from financing activities</b>			
Issue of shares	29	65.000.000	-
Issue of convertible capital securities	30	<u>64.000.000</u>	<u>-</u>
<b>Net cash flows from financing activities</b>		<u>129.000.000</u>	<u>-</u>
<b>Net decrease in cash and cash equivalents for the year</b>		(410.281.503)	(141.120.007)
<b>Cash and cash equivalents at beginning of year</b>	36	<u>668.104.707</u>	<u>809.224.714</u>
<b>Cash and cash equivalents at end of year</b>	36	<u>257.823.204</u>	<u>668.104.707</u>

The notes on pages 22 to 115 are an integral part of these consolidated financial statements.

## THE GROUP OF ALPHA BANK CYPRUS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

#### 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 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 “Group”). The Company considers as parent company Alpha Bank S.A., which is registered in Greece.

The principal activity of the Group is the full provision of banking services through a wide range of banking and financial services.

#### 2. BASIS OF PRESENTATION

##### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, in accordance with the Regulation 1606/2002 of the European Parliament and of the European Union Council on 19<sup>th</sup> July 2002. Additionally, the consolidated financial statements have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113 and the Securities and Cyprus Stock Exchange Laws and Regulations and the Law for Transparency Requirements (securities traded on a Regulated Market).

##### (b) Basis of measurement

The consolidated financial statements relate to the fiscal year 1.1.2013 to 31.12.2013 and they have been prepared on the historical cost basis with exception the following assets and liabilities which were valued at fair value:

- Derivative financial instruments
- Investments available for sale

##### (c) Functional and presentation currency

The amounts included in these consolidated financial statements are presented in Euro, unless otherwise stated in the relevant notes.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**2. BASIS OF PRESENTATION (cont.)**

**(d) Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations**

The accounting policies used for the preparation of the consolidated financial statements have been consistently applied by the Company in the years 2012 and 2013, after taking into account the following new standards, amendments of standards and Interpretation 20 which were issued by the International Accounting Standards Board (IASB), adopted by the European Union and applied on 1.1.2013:

- **Amendment of International Financial Reporting Standard 1 “Government loans” (Regulation 183/4.3.2013)**

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 to 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.

- **Amendment of International Financial Reporting Standard 7 “Disclosures – Offsetting Financial Assets and Financial Liabilities” (Regulation 1256/13.12.2012)**

On 16.12.2011 the International Accounting Standards Board issued an amendment of IFRS 7 relating to offsetting financial assets and liabilities. The amendment requires additional disclosures not only for the recognised financial instruments that can be offset in accordance with the provisions of IAS 32, but also for the instruments that are subject to an enforceable master netting agreement or a similar agreement irrespective of whether the netting criteria of IAS 32 are met.

The adoption of the above amendment had as a result additional disclosures which are described in note 37 of the consolidated financial statements.

## THE GROUP OF ALPHA BANK CYPRUS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 2. BASIS OF PRESENTATION (cont.)

### **Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (cont.)**

- **International Financial Reporting Standard 10 “Consolidated Financial Statements”** (Regulation 1254/11.12.2012)

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 a company when it is exposed, or has rights, to variable returns from his involvement with the company and has the ability to affect those returns through his power over the company. Thus, an investor controls a company if and only if the investor has all the following:

1. power over the company,
2. exposure, or rights, to variable returns from his involvement with the company, and
3. ability to use his power over the company 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, i.e the activities that significantly affect the company’s returns. An investor is exposed, or has rights, to variable returns from its involvement with the company when the investor’s returns from its involvement have the potential to vary as a result of the company’s performance. Although only one investor can control a company, more than one party can share in the returns of a company. 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 company, in circumstances involving agency relationships or when the investor has control over specified assets of a company.



**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**2. BASIS OF PRESENTATION (cont.)**

**(d) Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (cont.)**

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

IFRS 10 provides direction on enforcing the principal of control in various events, e.g. in events where control flows from voting rights, when voting rights do not constitute the basic criteria for exercising control, when control is exercised through a proxy or only certain assets of another company are controlled.

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 adoption of the above standard by the Group had no impact on its consolidated financial statements.

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

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 FINANCIAL STATEMENTS

For the year ended 31 December 2013

**2. BASIS OF PRESENTATION (cont.)**

**(d) Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (cont.)**

- **International Financial Reporting Standard 11** “Joint Arrangements” (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 adoption of the above standard by the Group had no impact on its consolidated financial statements.

- **Amendment of International Accounting Standard 28** “Investments in Associates and Joint Ventures” (Regulation 1254/11.12.1012)

On 12 May 2011, the International Accounting Standards Board amended and re-titled IAS 28 to “Investments in Associates and Joint Ventures”. IAS 28 prescribes now the accounting for investments 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 or, or significance 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 IAS39 (or 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 OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**2. BASIS OF PRESENTATION (cont.)**

**(d) Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (cont.)**

- **International Financial Reporting Standard 12** “Disclosure of Interests in Other Entities” (Regulation 1254/11.12.2012) (cont.)

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 adoption of the above standard by the Group had no impact 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 (Regulation 313/4.4.2013)

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 adoption of the above amendments by the Group had no impact on its consolidated financial statements.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**2. BASIS OF PRESENTATION (cont.)**

**(d) Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (cont.)**

- **Amendment of International Accounting Standard 27** “Separate Financial Statements” (Regulation 1254/11.12.2012)

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 amended standard does not substantially change the respective accounting requirements that are currently applicable under IAS 27 “Consolidated and Separate Financial Statements” and preserves the option to account for the above investments either at cost or in accordance with IAS 39 (or IFRS 9 if applied).

The adoption of the above amendment by the Group had no impact on its consolidated financial statements.

- **Amendment of International Accounting Standard 28** “Investments in Associates and Joint Ventures” (Regulation 1254/11.12.2012)

On 12 May 2011, the International Accounting Standards Board amended and retitled IAS 28 to “Investments in Associates and Joint Ventures”. IAS 28 prescribes now 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 IAS 39 (or 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 adoption of the above amendment by the Company had no impact on its financial statements.

It is noted that according to the Regulation 1254/11.12.2012 and 313/4.4.2013, under which the above new standards and amendments were adopted, their effective date is, by the latest, the annual period beginning on or after 1.1.2014. The Company, however, decided to adopt them on 1.1.2013, consistently with the effective date defined by the International Accounting Standards Board.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**2. BASIS OF PRESENTATION (cont.)**

**(d) Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (cont.)**

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

On 12 May 2011, the International Accounting Standards Board issued IFRS 13 which:

1. Defines fair value
2. Sets out a single framework for measuring fair value and
3. Specifies disclosures about fair value measurements.

The adoption of the above standard had as a result additional disclosures which are described in note 39 of the consolidated financial statements.

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

On 16 June 2011, the International Accounting Standards Board issued an amendment of IAS 1, which although had no financial impact, it resulted in modifications in the presentation of the Statement of Comprehensive Income. In particular, items of other comprehensive income shall 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. Income tax is also presented separately for each of the above groups.

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

The International Accounting Standards Board issued on 16 June 2011 the revised IAS 19. The main impact from the adoption of the above amendment is the abolition of the option to defer actuarial gains and losses (corridor approach). Actuarial gains and losses shall be recognized in other comprehensive income and they are not reclassified in profit or loss in a subsequent period. In addition, according to the revised standard, interest on the net defined benefit liability (asset), which is recognised in profit or loss, shall be determined by multiplying the net defined benefit liability (asset) by the discount rate used to discount post-employment benefit obligation, as determined at the start of the annual reporting period, taking into account any changes in the net defined benefit liability (asset). The difference between the total return on plan assets and its part that has been included in the interest on the net defined benefit liability (asset) is recognised in other comprehensive income and it is not reclassified in profit or loss in a subsequent period.

The adoption of the above amendment by the Group had no impact on its consolidated financial statements.

## THE GROUP OF ALPHA BANK CYPRUS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 2. BASIS OF PRESENTATION (cont.)

### (d) Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (cont.)

- **Improvements to International Accounting Standards** (Regulation 301/27.3.2013)

As part of the annual improvements project, the International Accounting Standards Board issued, on 17 May 2012, non urgent but necessary amendments to various standards.

The adoption of the above amendments by the Group had no impact on its consolidated financial statements.

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

On 19 October 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.

Except for the standards mentioned above, the European Union has adopted the following amendments of standards which are effective for annual periods beginning after 1.1.2013 and which have not been prematurely adopted by the Group.

- **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 (Regulation 1174/20.11.2013)

Effective for annual periods beginning on or after 1 January 2014

On 31 October 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.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**2. BASIS OF PRESENTATION (cont.)**

**(d) Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (cont.)**

- **Amendment of International Accounting Standard 32** “Offsetting Financial Assets and Financial Liabilities” (Regulation 1256/13.12.2012)

Effective for annual periods beginning on or after 1 January 2014.

On 16 December 2011, the International Accounting Standards Board issued the amendment of IAS 32 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.

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

- **Amendment of International Accounting Standard 36** “Recoverable amount disclosures for non-financial assets” (Regulation 1374/19.12.2013)

Effective for annual periods beginning on or after 1 January 2014.

On 29 May 2013, the International Accounting Standards Board issued an amendment of IAS 36 with which it removed the requirement, introduced following the issuance of IFRS 13, to disclose the recoverable amount of each cash generating unit to which a material amount of the carrying amount of goodwill or intangible assets with indefinite useful life has been allocated, regardless of whether an impairment loss had been recognized. Furthermore, the above amendment added the following disclosure requirements:

- the recoverable amount of the asset (or cash-generating unit) for which an impairment loss has been recognized or reversed during the period,
- if the recoverable amount is fair value less costs of disposal, the level of the fair value hierarchy,
- for fair value measurements categorized within level 2 and level 3 of the fair value hierarchy, a description of the valuation techniques and the key assumptions used for their determination, as well as the discount rate used if fair value less costs of disposal was calculated using a present value technique.

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 FINANCIAL STATEMENTS

For the year ended 31 December 2013

**2. BASIS OF PRESENTATION (cont.)**

**(d) Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (cont.)**

- **Amendment of International Accounting Standard 39** “Novation of derivatives and continuation of hedge accounting” (Regulation 1375/19.12.2013)

Effective for annual periods beginning on or after 1 January 2014.

On 27 June 2013, the International Accounting Standards Board issued an amendment of IAS 39 which provides an exception to the requirement to discontinue hedge accounting when the hedging instrument expires or is sold, terminated or exercised. The exception is provided when the over-the-counter (OTC) derivative designated in a hedging relationship is novated to a central counterparty and at the same time the novation meets all the following conditions:

- it arises as a consequence of laws or regulations,
- it achieves the replacement of the previous counterparty with a central one which becomes the new counterparty to each of the parties and finally,
- no changes are expected to the contract’s initial terms other than changes directly attributable to the change in the counterparty (changes in the collateral requirements, rights to offset receivables and payables balances and charges levied).

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

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 prematurely applied by the Group.

- **International Financial Reporting Standard 9** “Financial Instruments”

On 12 November 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:



**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**2. BASIS OF PRESENTATION (cont.)**

**(d) Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (cont.)**

• **International Financial Reporting Standard 9 “Financial Instruments” (cont.)**

1. The entity’s business model for managing the financial assets and
2. 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 October 2010, 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.

Finally, on 19 November 2013 the International Accounting Standards Board issued the new requirements for hedge accounting. The new requirements are more aligned with the entity’s risk management. The main changes in relation to the current requirements of IAS 39 are summarized below:

- more items become eligible for participating in a hedging relationship either as hedging instruments or as hedged items,
- the requirement for hedge effectiveness tests to be within the range of 80%-125% is removed. Hedge effectiveness test is performed progressively only and under certain circumstances a qualitative assessment is considered adequate,
- in the event that a hedging relationship ceases to be effective but the objective of risk management regarding the hedging relationship remains the same, the entity shall rebalance the hedging relationship in order to satisfy the hedge effectiveness criteria.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**2. BASIS OF PRESENTATION (cont.)**

**(d) Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (cont.)**

• **International Financial Reporting Standard 9 “Financial Instruments” (cont.)**

It is noted that the new requirements for hedge accounting do not include those that relate to macro hedging, since they have not been finalized yet. In addition, except for the new requirements for hedge accounting, the text issued on 19 November 2013:

- allows entities to apply the aforementioned requirements of IFRS 9 regarding the accounting for financial liabilities initially designated at fair value through profit and loss, before adopting the remaining IFRS 9 requirements,
- removes the mandatory effective date of 1 January 2015 for the application of the standard (this date had been determined in the amended text of IFRS 9 issued on 16 December 2011). No new mandatory effective date is determined.

Except for the aforementioned modifications, the issuance of IFRS 9 has resulted in the amendment of other standards and mainly of IFRS 7 where new disclosures were added.

It should be noted that for the completion of IFRS 9, the finalization of the texts relating to impairment methodology is pending.

The Group is evaluating the impact from the adoption of IFRS 9 on its consolidated financial statements.

• **International Financial Reporting Standard 14 “Regulatory deferral accounts”**

Effective for annual periods beginning on or after 1 January 2016.

On 30 January 2014 the International Accounting Standards Board issued IFRS 14. The new standard addresses the accounting treatment and the disclosures required for regulatory deferral accounts that are maintained in accordance with local legislation when an entity provides rate-regulated goods or services.

The scope of this standard is limited to first-time adopters that recognized regulatory deferral accounts in their financial statements in accordance with their previous GAAP. IFRS 14 permits these entities to capitalize expenditure that non-rate-regulated entities would recognize as expense.

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

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**2. BASIS OF PRESENTATION (cont.)**

**(d) Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (cont.)**

- **Amendment of International Accounting Standard 19** “Defined benefit Plans: Employee Contributions”

Effective for annual periods beginning on or after 1 July 2014.

On 21.11.2013 the International Accounting Standards Board amended the requirements of IAS 19 for the accounting of employee contributions that are linked to service but are independent of the number of years of service. Examples of contributions that are independent of the number of years of service include those that are a fixed percentage of the employee’s salary, a fixed amount throughout the service period or dependent on the employee’s age. In accordance with this amendment, the entity is permitted to recognise such contributions either as a reduction of service cost in the period in which the related service is rendered (as if a short term employee benefit is recognised) or to continue to attribute them to periods of service.

The Group is examining 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 July 2014

As part of the annual improvements project, the International Accounting Standards Board issued, on 12 December 2013, 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.

- **IFRIC Interpretation 21** “Levies”

Effective for annual periods beginning on or after 1.1.2014.

On 20 May 2013, the International Accounting Standards Board issued IFRIC 21 which addresses the accounting treatment of levies imposed by governments. According to IFRIC 21, a liability to pay a levy shall be recognized in the financial statements when the obligating event, that triggers the payment of the levy, occurs. The obligating event that triggers the payment of the levy is defined as the activity of the entity that triggers the liability in accordance with the relevant legislation.

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

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**2. BASIS OF PRESENTATION (cont.)**

**(e) Estimates, decision making criteria and significant sources of uncertainty**

The Group, in the context of applying accounting policies and preparing financial statements in accordance with the International Financial Reporting Standards, makes estimates and assumptions that affect the amounts that are recognized as income, expenses, assets or liabilities. The use of estimates and assumptions is an integral part of recognising amounts in the financial statements that mostly relate to the following:

- **Fair value of assets and liabilities**

For assets and liabilities traded in active markets, the determination of their fair value is based on quoted, market prices. In all other cases the determination of fair value is based on valuation techniques that use observable market data to the greatest extent possible. In cases where there is no observable market data, the fair value is determined using data that are based on internal estimates and assumptions e.g. Determination of expected cash flows, discount rates, prepayment probabilities or potential counterparty default.

- **Impairment losses of financial assets**

The Group, when performing impairment tests on loans and advances to customers, makes estimates regarding the amount and timing of future cash flows. Given that these estimates are affected by a number of factors such as the financial position of the borrower, the net realizable value of any collateral or the historical loss ratios per portfolio, actual results may differ from those estimated. Similar estimates are used in the assessment of impairment losses of securities classified as available for sale or held to maturity.

- **Impairment losses of non – financial assets**

The Group, at each balance sheet date, assesses for impairment non – financial assets, and in particular property, plant and equipment, investment property, goodwill and other intangible assets, as well as its investments in associates and joint ventures. Internal estimates are used to a significant degree to determine the recoverable amount of the assets, i.e. the higher between the fair value less costs to sell and the value in use.

- **Income tax**

The Group recognizes the amounts of current and deferred income tax based on estimates concerning the amount of taxable profits, based on which the amounts of tax expected to be paid or recovered in the current and future periods are determined. Estimates are affected by factors such as the practical implementation of the relevant legislation, the expectations regarding the existence of future taxable profit etc. Future tax audits, changes in tax legislation and the amount of taxable profit actually realised, may result in tax payments other than those recognized in the consolidated financial statements of the Group.

## THE GROUP OF ALPHA BANK CYPRUS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 2. BASIS OF PRESENTATION (cont.)

### (e) Estimates, decision making criteria and significant sources of uncertainty (cont.)

- **Provisions and contingent liabilities**

The Group recognises provisions when it estimates that it has a present legal or constructive obligation that can be estimated reliably, and it is almost certain that an outflow of economic benefits will be required to settle the obligation. In contrast, when it is probable that an outflow of resources will be required, or when the amount of liability cannot be measured reliably, the Group does not recognise a provision but it provides disclosures for contingent liabilities, taking into consideration their materiality. The estimation for the probability of the outflow as well as for the amount of the liability are affected by factors which are not controlled by the Group, such as court decisions, the practical implementation of the relevant legislation and the probability of default of the counterparty, for those cases which are related to the exposure to off-balance sheet items.

The estimates and judgments applied by the Group in making decisions and in preparing the financial statements are based on historical information and assumptions which at present are considered appropriate. The estimates and judgments are reviewed on an ongoing basis in order to take into account current conditions, and the effect of any changes is recognized in the period in which the estimates are revised.

- **Going concern assumption**

The consolidated financial statement have been prepared based on the going concern assumption. Despite the recent developments in the economic environment of Cyprus and taking into account the capital restructuring of the Group as mentioned in notes 38 and 40 of the consolidated financial statements, the Board and Management of the Group consider that the Group is able to continue its operations as a going concern.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently for the years being reported in the consolidated statement of comprehensive income and the presentation of the financial position of the Group.

### Foreign currencies

Transactions in foreign currencies are translated to Euro 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 into Euros using the currency rate at the date of the transaction.

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

For the year ended 31 December 2013

**3. SIGNIFICANT ACCOUNTING POLICIES (cont.)****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 and financial assets available for sale as well as 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 commissions is recognised according the completion of the transaction in order to correlate with the cost of the service provided.

**Dividend Income**

Income from dividends is recognized in the consolidated financial statements 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 Group to take decisions about resources to be allocated to the segment and assess its performance viability, and for which discrete financial information is available.

**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.

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

For the year ended 31 December 2013

**3. SIGNIFICANT ACCOUNTING POLICIES (cont.)****Financial Instruments (cont.)****Initial recognition of financial instruments**

The classification of 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.

**Derecognition**

The Group derecognizes financial assets when the cash flows from the financial assets expire, or when the contractual right to receive the cash flows of the financial assets is transferred and at the same time both risks and rewards of ownership are transferred. Any rights or obligations created on derecognition are separate recognised as assets or liabilities.

The Group derecognizes financial liabilities when its contractual obligations are discharged, cancelled or expire.

**Offsetting**

Financial assets and financial liabilities are offset and the net amount is shown on the consolidated statement of financial position only when the Group has a legal right to offset the assets against the liabilities and intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are recognised on a net basis only when this is permitted by the accounting standards, or when income and expenses arising from a group of similar transactions.

**Measured at amortised cost**

The amortized cost of a financial asset or liability, is the amount at which initially measured, less any repayments of capital, plus or minus the cumulative amortization of any difference between the initial amount and the maturity amount, calculated using the effective interest method after deducting any impairment.

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

For the year ended 31 December 2013

**3. SIGNIFICANT ACCOUNTING POLICIES (cont.)****Financial Instruments (cont.)****Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group measures the fair value of assets and liabilities traded in active markets based on available quoted market prices. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Especially, for the measurement of securities, the Group uses a particular range of prices, within the bid-ask spread, in order to characterize the prices as prices of an active market.

The fair value of financial instruments that are not traded in an active market is determined by the use of valuation techniques, appropriate in the circumstances, and for which sufficient data to measure fair value are available, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. If observable inputs are not available, other model inputs are used which are based on estimations and assumptions such as the determination of expected future cash flows, discount rates, probability of counterparty default and prepayments. In all cases, the Group uses the assumptions that 'market participants' would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Assets and liabilities which are measured at fair value or for which - fair value is disclosed-, are categorized according to the inputs used to measure their fair value as follows:

- Level 1 inputs: quoted market prices (unadjusted) in active markets,
- Level 2 inputs: directly or indirectly observable inputs,
- Level 3 inputs: unobservable inputs used by the Group, to the extent that relevant observable inputs are not available.



## THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**3. SIGNIFICANT ACCOUNTING POLICIES (cont.)**Financial Instruments (cont.)**Loans and receivables**

Loans and receivables, originated by providing cash directly to the borrowers are measured initially at fair value including transaction costs. Subsequently, loans and receivables are measured at amortized cost using the effective yield method. Loans and receivable includes accrued interest and are stated net of provisions of bad and doubtful debts.

The Group assesses as at each balance sheet date, whether there is evidence of impairment in accordance with the general principles and methodology set out in IAS 39 and the relevant implementation guidance. In particular, the steps performed are the following:

**(a) The criteria of assessment on an individual or collective basis**

The Group assesses for impairment on an individual basis the business loans of the wholesale sector. For business loans of retail sector and for consumer and mortgage loans, impairment test is performed, as a rule, on a collective basis, regardless of their amount or limit.

The Group has determined the criteria that consist trigger events for the assessment of impairment.

Loans which are individually assessed for impairment and found not impaired are included in groups, based on similar credit risk characteristics, and assessed for collective impairment.

The Group groups the portfolio into homogenous populations, based on common risk characteristics, and has a strong historical statistical basis, in which it performs an analysis with which it captures and defines impairment testing, by segment population. Additionally, the Company recognizes impairment for loss events that have been incurred but have not reported (IBNR). The calculation of the impairment loss in these cases takes into account the period between the occurrence of a specific event and the date becomes known (Loss Identification Period).

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

For the year ended 31 December 2013

**3. SIGNIFICANT ACCOUNTING POLICIES (cont.)****Financial Instruments (cont.)****(b) Methodology in determining future cash flows from impaired loans**

The Group has accumulated a significant amount of historical data, which includes the value of the loans being impaired (loss given default – LGD) after any measures taken to secure collection of loans, including the realization of collaterals.

Based on the above, the amount of the recoverable amount of each loan is determined after taking into account the time value of money. The cash flows are discounted at the loans' original effective interest rate.

An impairment loss is recognized to the extent that the recoverable amount of the loan is less than the carrying amount.

**(c) Interest income recognition**

Interest income on impaired loans is recognized based on the carrying value of the loan net of impairment at the original effective interest rate.

**(d) Impairment recognition- Write-offs**

Amounts of impaired loans are recognized in provision accounts until the Group decides to write them off.

In particular, the Group proceeds to write off of loans when it is estimated that loans are uncollectable and all legal actions for their collection have been completed.

**(e) Recoveries**

If in a subsequent period, after the recognition of the impairment loss, events occur which require the impairment loss to be reduced, or there has been a collection of amounts from loans and advances previously written-off, the recoveries are recognized in impairment losses and provisions to cover credit risk.

Detailed analysis of impairments are included in note 37 to the consolidated financial statements.

**Derivatives are 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 operating, financing and investing activities. Derivatives that do not qualify for accounting are considered to be trading instruments.

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

For the year ended 31 December 2013

**3. SIGNIFICANT ACCOUNTING POLICIES (cont.)****Financial Instruments (cont.)****Derivatives are classified at fair value through profit or loss (cont.)**

Derivatives are initially recognized at cost. Subsequently, the derivatives are measured at fair value. The fair value of currency and interest rate swap is considered to be estimated price to be received or paid by the Group which would pay to terminate the currency and interest swap at the end of a 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 fair value are recognized in the comprehensive income.

***Fair value hedging***

For derivatives that fulfill the relevant criteria, the surplus or deficit from the instrument is recognized in the net loss or profit from the change in fair value of financial instruments in the statement of comprehensive income. The carrying value of the hedged asset or liability is adjusted with the 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 hedged accounting is terminated.

**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.

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

For the year ended 31 December 2013

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

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 Group 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.

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. 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 Group defines as “significant” a decrease above 20% related to the cost of the investment. Respectively, “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 events occur following the recognition of impairment loss this will result in a decrease in the already recognised impaired amount, these amounts are recognized as income in the income statement, only in the event that it concerns bonds. In contrast, impairment losses in shares or interests in mutual funds are not reversed in the results.

During the year ended 31 December 2013 there was no indication of impairment of investments available for sale.

**Impairment of assets**

The Group assess at each reporting period the carrying amount 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 the value in use. The value in use is the present value of expected future cash flows from continuing use of the asset and from its disposal at the end of its useful life. The impairment is recognized in the statement of comprehensive income as an expense.

**Investments in subsidiaries**

Investments in subsidiaries are recognized at cost less any provision for permanent impairment in value, which is recognized as an expense in the period in which the impairment is incurred.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

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
Improvement on lease property	10 years
Plant 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.

The residual values and the useful lives are reviewed and adjusted at each reporting period.

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 Group's software system whose annual amortisation rate is 20%.

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.

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

For the year ended 31 December 2013

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

***Increase of special contribution for the defence rate on interest income***

The special contribution for the defence rate on interest income was increased from 15% to 30%, with effect from 29 April 2013. Special contribution for the defence is payable by Cyprus tax residents only and applies for both physical and legal persons receiving interest income which are not incurred in the ordinary course of the company's activities.

***Immovable property tax***

The immovable property tax rates has increased for 2013 (legislation passed in April 2013) at rates ranging between 0,6% and 1,9% of the immovable property value at 1 January 1980.

***Special tax levy on bank deposits***

Special tax levy on financial institutions was increased from 0,11% to 0,15% with effect from 1 January 2013. According to current legislation, special tax levy is imposed on deposits as at the end of the previous year and is payable in four equal quarterly installments. For the year 2013 in order to account for the significant decline in bank deposits, the special tax levy is imposed on deposits as at the end of the previous quarter, at a rate of 0,0375%.

**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.

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

For the year ended 31 December 2013

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

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.

**Subordinated bonds**

Subordinated bonds 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 II Capital) for the purposes of calculating the capital adequacy ratio.

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

For the year ended 31 December 2013

**3. SIGNIFICANT ACCOUNTING POLICIES (cont.)****Subordinated bonds (cont.)**

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.

**Share capital**

The ordinary shares are classified as equity.

The difference between the fair value of the consideration received and the nominal value of share capital issued is taken to share premium.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

**Convertible Capital Securities**

The convertible capital securities are of indefinite maturity financial instruments issued by the Company. The Company may at its sole discretion at all times, taking into account its financial position and solvency, elect to cancel an interest payment on a non cumulative basis.

Any interest payment not paid is not longer due and payable by the Company. The convertible capital securities may be redeemed back at the discretion of the Company and after the approval of the Central Bank of Cyprus at their nominal value and any accrued interest but excluding any interest payments previously cancelled, at 30 September 2019 or on any interest payment date. The convertible capital bonds are obligatory converted into ordinary shares of the Company on the occurrence of a Contingency event or a viability event. The conversion price is constant and cannot be lower than the nominal value of the Company's ordinary shares.

These financial instruments are classified as equity, as they do not include a contractual obligation for the Company to repay the holder in cash or other financial asset. The convertible capital bonds are classified as Tier 1 capital for the purpose of calculating the capital adequacy ratio.



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

For the year ended 31 December 2013

**3. SIGNIFICANT ACCOUNTING POLICIES (cont.)****Provisions for litigation and arbitration of disputes**

Provisions for litigation and arbitration of disputes are recognized when:

- (a) the Group has a present obligation (legal or constructive) as a result of a past event
- (b) it is probable that an outflow of resources embodying economic benefits to settle the obligation and
- (c) may be a reliable estimate of the amount of the obligation.

The Group will secure legal advice on the amount of the provision of specific cases and arbitration of disputes.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the facts and circumstances of any litigation or arbitration proceedings.

Where the effect of the time value of money is material, the amount of the provision is the present value of estimated future expenditures expected to be required to settle the obligation.

When a separate liability is measured, this most likely outcome may be considered the best estimate of the liability.

**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 statement of comprehensive income based on the straight line method over the life of the lease.

**Comparatives**

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

**4. SEGMENT INFORMATION**

The Company has a single business segment which is the banking and financial services and all its activities are carried out in Cyprus.

## THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**5. NET INTEREST INCOME**

	From 1 January to 31.12.2013 €	31.12.2012 €
<b>Interest income</b>		
Balances with Central Bank of Cyprus	137.675	362.841
Loans and advances to financial institutions	1.291.390	5.134.965
Loans and advances to customers - Note (i)	174.513.419	217.872.088
Derivatives held for risk management	3.536.407	6.287.380
Government bonds	1.168.732	2.772.731
Corporate bonds	<u>877.811</u>	<u>12.613.067</u>
<i>Total interest income</i>	<u>181.525.434</u>	<u>245.043.072</u>
<b>Interest expense</b>		
Deposits from financial institutions	(4.005.406)	(18.729.120)
Deposits from customers	(67.772.114)	(85.689.336)
Subordinated bonds	(2.637.172)	(2.587.861)
Special government bonds	<u>-</u>	<u>(2.109.300)</u>
Total interest expense	<u>(74.414.692)</u>	<u>(109.115.617)</u>
<i>Net interest income</i>	<u>107.110.742</u>	<u>135.927.455</u>

Note:

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

		From 1 January to 31.12.2013 €	31.12.2012 €
Loans and advances to customers		216.211.726	246.732.235
Unwinding of interest	16	<u>(41.698.307)</u>	<u>(28.860.147)</u>
		<u>174.513.419</u>	<u>217.872.088</u>

## THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**6. NET INCOME FROM FEES AND COMMISSIONS**

	From 1 January to 31.12.2013 €	31.12.2012 €
<b>Fees and commission income</b>		
Commission income	10.036.859	13.573.115
Income from fees	4.745.198	6.534.324
Income from study fees	<u>53.916</u>	<u>196.233</u>
<i>Total fees and commissions income</i>	<u>14.835.973</u>	<u>20.303.672</u>
<b>Fees and commission expenses</b>		
Expenses from fees	(720.537)	(644.153)
Commission expenses	<u>(675.236)</u>	<u>(748.674)</u>
<i>Total fees and commissions expenses</i>	<u>(1.395.773)</u>	<u>(1.392.827)</u>
<i>Net income from fees and commissions</i>	<u>13.440.200</u>	<u>18.910.845</u>

**7. NET (LOSS)/PROFIT ON CHANGES OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE**

	From 1 January to 31.12.2013 €	31.12.2012 €
Surplus on revaluation of derivatives held for risk management	-	941.206
(Deficit)/surplus on revaluation of derivatives held for trading	<u>(331.325)</u>	<u>131.405</u>
	<u>(331.325)</u>	<u>1.072.611</u>

**8. OTHER INCOME FROM OPERATIONS**

	From 1 January to 31.12.2013 €	31.12.2012 €
Revenue from foreign exchange transactions	1.372.586	3.501.946
Expenses from foreign exchange transactions - unrealized loss	(24.889)	(506.760)
Dividends income	<u>225</u>	<u>294.485</u>
	<u>1.347.922</u>	<u>3.289.671</u>

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**9. STAFF COSTS**

	From 1 January to 31.12.2013	31.12.2012
	€	€
Wages and salaries	33.805.267	34.769.786
Other staff costs	563.797	610.713
Contribution to Provident Fund	<u>3.999.906</u>	<u>3.756.062</u>
	<u>38.368.970</u>	<u>39.136.561</u>

The number of employees of the Group as at 31 December 2013 amounted to 737 employees (2012: 761 employees).

**10. OTHER EXPENSES**

	From 1 January to 31.12.2013	31.12.2012
	€	€
Advertisement and promotion expenses	1.429.064	1.750.228
Rents payable	1.436.255	1.517.858
Repairs and maintenance	649.736	659.886
Write off of property, plant and equipment	450.514	43.090
Professional expenses	1.324.406	2.601.322
Legal fees	1.866.770	706.306
Subscriptions for card use (VISA)	1.107.345	1.114.440
Computer maintenance and supplies	1.142.143	1.134.432
Insurance	758.445	685.070
Electricity	925.829	1.081.553
Other expenses	<u>2.134.115</u>	<u>4.152.519</u>
	<u>13.224.622</u>	<u>15.446.704</u>

The write off of property, plant and equipment relates to the closure of certain branches of the Group as part of the restructuring plan.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**11. LOSS FOR THE YEAR BEFORE TAXATION**

The loss for the year before tax is stated after charging the following items:

		From 1 January to 31.12.2013	31.12.2012
	Note	€	€
Directors' remuneration:			
Executive Directors	42(i)	594.220	628.553
Non-Executive Directors	42(i)	55.000	55.000
Independent auditors' remuneration for statutory audit of annual accounts		50.000	50.000
Independent auditors' remuneration for other review services		4.500	4.500
Independent auditors' remuneration for other non-audit services		45.632	54.000
Depreciation of property, plant and equipment	20	1.820.473	2.205.950
Amortization of intangible assets	21	491.037	315.123
Rent payable	10	1.436.255	1.517.858

**12. TAXATION**

		From 1 January to 31.12.2013	31.12.2012
	Note.	€	€
Overseas tax – previous years		2.434.280	-
Capital gains tax		-	197.103
Special tax levy		3.443.064	2.455.890
Deferred tax - credit	22	<u>(1.260.450)</u>	<u>(4.174.662)</u>
Debit/(credit) for the year		<u>4.616.894</u>	<u>(1.521.669)</u>

The Group is taxed for corporation tax purposes at the rate of 12,5% on taxable profits of the year. Taxable profits are not subject to special contribution for defence.

Additionally, tax losses incurred from 2006 onwards, can be carried forward and offset against taxable profits for a period limited to five years. Group companies can offset losses against profits arising during the same tax year.

The special tax levy came into force on 14 April 2011. Effective from 1 January 2013 the special tax levy payable by financial institutions on total deposits, excluding deposits from other financial institutions, was increased from 0,11% to 0,15%, on balances as at 31 December of the previous year.

## THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**12. TAXATION (cont.)***Reconciliation of tax based on the taxable income and tax-based accounting (loss)/profit of the Group*

		From 1 January to 31.12.2013		31.12.2012
	%	€	%	€
Accounting loss before taxation		<u>(99.246.774)</u>		<u>(39.723.913)</u>
Tax calculated at applicable tax rates (nominal tax rate)	12,50	(12.405.847)	10,00	(3.972.391)
Tax effect of expenses not deductible for tax purposes	(0,58)	567.727	(1,25)	498.190
Tax effect of allowances and income not subject to tax	0,29	(283.338)	11,34	(4.503.948)
Tax effect of loss for the year	(10,94)	10.861.008	(9,57)	3.803.487
Overseas tax – previous years	(2,45)	2.434.280	-	-
Capital gains tax	-	-	(0,50)	197.103
Special Tax Levy	<u>(3,47)</u>	<u>3.443.064</u>	<u>(6,18)</u>	<u>2.455.890</u>
Taxation as per consolidated statement of comprehensive income (effective tax rate)	<u>(4,65)</u>	<u>4.616.894</u>	<u>3,84</u>	<u>(1.521.669)</u>

**13. LOSS PER SHARE**

Loss per share is calculated by dividing the loss for the year attributable to the owners of the parent company by the weighted average number of issued ordinary shares during the year.

	From 1 January to 31.12.2013	31.12.2012
Basic and diluted loss attributable to owners		
From continuing operations	(103.864.274)	(38.587.438)
From discontinued operations	<u>-</u>	<u>7.016.258</u>
Basic and diluted loss attributable to owners	<u>(103.864.274)</u>	<u>(31.571.180)</u>
Weighted average number of shares	<u>142.833.333</u>	<u>139.500.000</u>
Basic and diluted loss per share (€ cent)		
From continuing operations	(72,72)	(27,66)
From discontinued operations	<u>-</u>	<u>5,03</u>
<b>Basic and diluted Loss per share (€ cent)</b>	<u><u>(72,72)</u></u>	<u><u>(22,63)</u></u>

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**14. CASH AND DEPOSITS WITH CENTRAL BANK**

	31.12.2013	31.12.2012
	€	€
Cash and cash equivalents	20.014.125	18.718.297
Balances with Central Bank of Cyprus	<u>22.493.838</u>	<u>26.760.219</u>
	<u>42.507.963</u>	<u>45.478.516</u>

Balances with Central Bank of Cyprus include mandatory deposits for liquidity purposes amounting to € 22.493.838 (2012: € 26.760.219). These deposits bear interest at the interbank rate of the relevant period and currency.

The exposure of the Group to market risk, interest rate risk and analysis of the above assets at maturity and currency are disclosed in note 37 of the consolidated financial statements.

**15. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS**

	31.12.2013	31.12.2012
	€	€
Placements with Alpha Bank S.A. Group	228.001.653	696.822.197
Placements with other financial institutions	<u>4.179.173</u>	<u>30.381.287</u>
	<u>232.180.826</u>	<u>727.203.484</u>

The exposure of the Group to market risk, interest rate risk and analysis of the above loans and advances to financial institutions at maturity and currency are disclosed in note 37 of the consolidated financial statements.

**16. LOANS AND ADVANCES TO CUSTOMERS**

	31.12.2013	31.12.2012
	€	€
Loans and advances to customers	4.165.755.445	4.230.830.083
Provisions for impairment of doubtful debts	<u>(698.693.899)</u>	<u>(493.874.732)</u>
	<u>3.467.061.546</u>	<u>3.736.955.351</u>

The fair value of loans and advances to customers approximated to their carrying amount as presented in the consolidated statement of financial position, after deducting the provision for impairment (note 39).

## THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**16. LOANS AND ADVANCES TO CUSTOMERS (cont.)**

	31.12.2013 €	31.12.2012 €
<i>Analysis by industry sector</i>		
Manufacturing	69.322.788	77.354.684
Tourism	121.230.211	124.081.013
Trade	138.138.951	157.397.222
Buildings and construction	1.747.766.898	1.721.684.939
Business and loans to individuals	1.984.277.468	2.003.849.256
Other sectors	<u>105.019.129</u>	<u>146.462.969</u>
	<u>4.165.755.445</u>	<u>4.230.830.083</u>
<i>Analysis by geographical region</i>		
Cyprus	2.952.674.506	2.999.216.573
Greece	4.239.218	3.178.357
Other European countries	1.061.990.424	1.068.522.048
Other countries	<u>146.851.297</u>	<u>159.913.105</u>
	<u>4.165.755.445</u>	<u>4.230.830.083</u>

The exposure of the Group to credit risk and analysis of loans and advances to customers by industry sector, by geographical region and by maturity is disclosed in note 37 of the consolidated financial statements.

**Impairment allowance**

	Impairment allowance €
<b>31.12.2013</b>	
1 January	493.874.732
Charge for the year	172.842.090
Unwinding of interest	41.698.307
Reversals and write offs	(6.358.114)
Exchange difference	<u>(3.363.116)</u>
	<u>698.693.899</u>
<b>31.12.2012</b>	
1 January	324.939.008
Charge for the year	141.820.157
Unwinding of interest	28.860.147
Reversals and write offs	(2.466.774)
Exchange difference	<u>722.194</u>
	<u>493.874.732</u>



## THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**17. INVESTMENT SECURITIES AVAILABLE FOR SALE***Investments available for sale at fair value*

	31.12.2013 €	31.12.2012 €
Government bonds and debentures	15.449.950	46.228.347
Corporate bonds and shares	<u>1.650.571</u>	<u>145.983.700</u>
	<u>17.100.521</u>	<u>192.212.047</u>
Listed in Stock Exchanges	15.449.950	190.561.476
Non Listed	<u>1.650.571</u>	<u>1.650.571</u>
	<u>17.100.521</u>	<u>192.212.047</u>
Geographical analysis based on issuer's region:		
- Cyprus	17.100.521	44.532.388
- Great Britain	-	5.382.856
- Netherlands	-	3.304.000
- Austria	-	3.346.530
- Luxembourg	-	50.869.110
- USA	<u>-</u>	<u>84.777.163</u>
	<u>17.100.521</u>	<u>192.212.047</u>

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**17. INVESTMENT SECURITIES AVAILABLE FOR SALE (cont.)**

The non listed securities include the Group's interest in the company JCC Payments Systems Limited. The corporate bonds relate to financial institutions.

The movement of investments available for sale is as follows:

	Government bonds and debentures €	Corporate bonds and shares €	Total €
<b>31.12.2013</b>			
1 January	46.228.347	145.983.700	192.212.047
Additions	30.000.000	-	30.000.000
Disposal of matured securities	(64.500.000)	(137.517.232)	(202.017.232)
Interest receivable	694.230	-	694.230
Interest received	(656.674)	(1.119.472)	(1.776.146)
Revaluation transferred from financial position on disposal	(106.246)	(5.839.751)	(5.945.997)
Revaluation transferred to equity	<u>3.790.293</u>	<u>143.326</u>	<u>3.933.619</u>
31 December	<u>15.449.950</u>	<u>1.650.571</u>	<u>17.100.521</u>
<b>31.12.2012</b>			
1 January	83.064.666	1.667.803	84.732.469
Additions	132.123.639	136.460.511	268.584.150
Disposal of matured securities	(170.755.340)	-	(170.753.340)
Interest receivable	947.406	2.303.527	3.250.933
Interest received	(809.635)	(144.568)	(954.203)
Disposal of investment in subsidiary	(2.275.908)	-	(2.275.908)
Revaluation transferred to equity	<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>

The analysis of the above assets at maturity date is reported in note 37 of the consolidated financial statements.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**18. SUBSIDIARY**

The subsidiary company and its principal activity are described below:

	<u>Participation</u>		<u>Principal activities</u>
	<b>2013</b>	<b>2012</b>	
	<b>(%)</b>	<b>(%)</b>	
Alpha Trustees Limited	-	100	Commissioner services (trustees)

Alpha Trustees Limited was sold on 20 December 2013 to a company of the Alpha Bank S.A. Group for the amount of €100. The subsidiary company incurred losses of €606 for the year which is included in losses from the sale of investments in subsidiaries in the consolidated statement of comprehensive income.

Alpha Trustees Limited is registered and operates in Cyprus.

**19. DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS & LIABILITIES)**

	31.12.2013		31.12.2012	
	Assets	Liabilities	Assets	Liabilities
	€	€	€	€
<b>Derivatives nominal value</b>				
<i>Foreign exchange derivatives</i>				
Futures	8.716	-	25.695.675	21.145.506
Currency swaps	<u>247.035.573</u>	<u>1.339.778.822</u>	<u>1.561.422.529</u>	<u>259.920.087</u>
	<u>247.044.289</u>	<u>1.339.778.822</u>	<u>1.587.118.204</u>	<u>281.065.593</u>
<b>Total derivatives</b>	<u>247.044.289</u>	<u>1.339.778.822</u>	<u>1.587.118.204</u>	<u>281.065.593</u>
<b>Fair value of derivatives</b>				
	Assets	Liabilities	Assets	Liabilities
	€	€	€	€
<i>Foreign exchange derivatives</i>				
Futures	51	-	145.065	120.125
Currency swaps	<u>2.469.550</u>	<u>15.669.463</u>	<u>5.616.900</u>	<u>2.088.150</u>
	<u>2.469.601</u>	<u>15.669.463</u>	<u>5.761.965</u>	<u>2.208.275</u>
<b>Total derivatives</b>	<u>2.469.601</u>	<u>15.669.463</u>	<u>5.761.965</u>	<u>2.208.275</u>

**ΟΜΙΛΟΣ ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**20. PROPERTY, PLANT AND EQUIPMENT**

	Land (note 2) €	Buildings and improvements on leasehold premises (note 1,2) €	Improvement on lease property €	Plant and equipment €	Total €
<b>Cost</b>					
1 January 2013	5.671.333	34.408.455	219.555	19.644.941	59.944.284
Additions	-	109.612	-	346.062	455.674
Disposal of investment in subsidiary	-	(82.604)	-	(14.127)	(96.731)
Disposals	-	-	-	(117.697)	(117.697)
Write offs	-	(863.865)	-	(621.815)	(1.485.680)
31 December 2013	<u>5.671.333</u>	<u>33.571.598</u>	<u>219.555</u>	<u>19.237.364</u>	<u>58.699.850</u>
 1 January 2012	 5.671.333	 34.702.032	 219.555	 21.299.529	 61.892.449
Additions	-	108.923	-	531.834	640.757
Write offs	-	-	-	(77.460)	(77.460)
Disposal of investment in subsidiary	-	(402.500)	-	(2.108.962)	(2.511.462)
31 December 2012	<u>5.671.333</u>	<u>34.408.455</u>	<u>219.555</u>	<u>19.644.941</u>	<u>59.944.284</u>

**ΟΜΙΛΟΣ ALPHA BANK CYPRUS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2013

**20. PROPERTY, PLANT AND EQUIPMENT (cont.)**

	Land (note. 2) €	Buildings and improvements on leasehold premises (note.1,2) €	Improvement on Lease property €	Plant And Equipment €	Total €
<b>Depreciation</b>					
1 January 2013	-	13.177.643	219.555	17.352.945	30.750.143
Charge for the year	-	1.034.162	-	786.311	1.820.473
Disposal of investment in subsidiary	-	(82.604)	-	(14.127)	(96.731)
Disposals	-	-	-	(117.697)	(117.697)
Write offs	-	(421.338)	-	(613.828)	(1.035.166)
31 December 2013	-	<u>13.707.863</u>	<u>219.555</u>	<u>17.393.604</u>	<u>31.321.022</u>
1 January 2012	-	12.026.851	218.929	18.082.210	30.327.990
Charge for the year	-	1.181.447	626	1.112.894	2.294.967
Write offs	-	-	-	(34.370)	(34.370)
Disposal of investment in subsidiary	-	(30.655)	-	(1.807.789)	(1.838.444)
31 December 2012	-	<u>13.177.643</u>	<u>219.555</u>	<u>17.352.945</u>	<u>30.750.143</u>
<b>Net book value</b>					
1 January 2012	<u>5.671.333</u>	<u>22.297.876</u>	<u>626</u>	<u>2.850.735</u>	<u>30.820.570</u>
31 December 2012	<u>5.671.333</u>	<u>21.230.812</u>	<u>-</u>	<u>2.291.996</u>	<u>29.194.141</u>
31 December 2013	<u>5.671.333</u>	<u>19.863.735</u>	<u>-</u>	<u>1.843.760</u>	<u>27.378.828</u>

Note 1: As part of the restructuring plan, the Group proceeded during 2013 in closing several branches. As a result the value recognized as cost for the modification and improvement of leasehold properties have been written off from cost and accumulated depreciation. The net book value of the written off values on 31 December 2013 amounts to €442.527.

Note 2: The recoverable value of land and buildings is not less than its book value.

## THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**21. INTANGIBLE ASSETS**

	Goodwill €	Computer software €	Total €
<b>Cost</b>			
1 January 2013	-	7.070.246	-
Additions	-	564.422	-
Write offs	-	(961)	-
31 December 2013	-	<u>7.633.707</u>	-
1 January 2012	7.983.545	7.180.741	15.164.286
Additions	-	790.986	790.986
Disposal of investment in subsidiary	<u>(7.983.545)</u>	<u>(901.481)</u>	<u>(8.885.026)</u>
31 December 2012	-	<u>7.070.246</u>	<u>7.070.246</u>
<b>Amortization</b>			
1 January 2013	-	6.134.543	-
Charge for year	-	491.037	-
Write offs	-	(961)	-
31 December 2013	-	<u>6.624.619</u>	-
1 January 2012	-	6.657.245	6.657.245
Charge for year	-	347.275	347.275
Disposal of investment in subsidiary	-	<u>(869.977)</u>	<u>(869.977)</u>
31 December 2012	-	<u>6.134.543</u>	<u>6.134.543</u>
<b>Net Book Value</b>			
1 January 2012	<u>7.983.545</u>	<u>523.496</u>	<u>8.507.041</u>
31 December 2012	-	<u>935.703</u>	<u>935.703</u>
31 December 2013	-	<u>1.009.088</u>	<u>1.009.088</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 written off the related accumulated amortization from the cost of goodwill.

Amortization charge for the year 2012 includes amortization of the subsidiary company Alpha Insurance Limited amounting to € 32.152.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**22. DEFERRED TAX (ASSET AND LIABILITY)**

	Provision for impairment of loans and advances €	Tax losses €	Difference between depreciation and capital allowances €	Total €
<b>31.12.2013</b>				
1 January	-	8.177.274	(779.115)	7.398.159
Credit in the consolidated statement of comprehensive income	<u>-</u>	<u>1.422.726</u>	<u>(162.276)</u>	<u>1.260.450</u>
31 December	<u>-</u>	<u>9.600.000</u>	<u>(941.391)</u>	<u>8.658.609</u>
<b>31.12.2012</b>				
1 January	3.970.393	-	(998.459)	2.971.934
Credit in the consolidated statement of comprehensive income	(3.970.393)	8.177.274	2.510	4.209.391
Disposal of investment in subsidiary	<u>-</u>	<u>-</u>	<u>216.834</u>	<u>216.834</u>
31 December	<u>-</u>	<u>8.177.274</u>	<u>(779.115)</u>	<u>7.398.159</u>

The deferred tax assets and liabilities arise from the following:

	31.12.2013 €	31.12.2012 €
<b>Deferred tax asset</b>		
Tax losses	9.600.000	8.177.274
<b>Deferred tax liability</b>		
Difference between depreciation and capital allowances	<u>(941.391)</u>	<u>(779.115)</u>
Deferred tax asset	<u>8.658.609</u>	<u>7.398.159</u>

Deferred tax is provided for all temporary differences under the liability method using the applicable tax rates (Note 12). In the case of tax losses the applicable tax rate is 12.5% (2012: 10%).

**23. OTHER ASSETS**

	31.12.2013 €	31.12.2012 €
Other receivables and prepayments	530.903	2.308.866
Interest prepayments	<u>4.722.338</u>	<u>9.621.215</u>
	<u>5.253.241</u>	<u>11.930.081</u>

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**24. TAXATION**

	31.12.2013	31.12.2012
	€	€
Corporation tax payable/ (receivable)	711.947	(1.685.462)
Capital gains tax	<u>-</u>	<u>197.103</u>
	<u>711.947</u>	<u>(1.488.359)</u>

The above amounts are payable/ (receivable) within one year.

	31.12.2013	31.12.2012
	€	€
The movement of the account is analysed as follows:		
1 January	(1.488.359)	(1.047.734)
Charge for the year	5.877.344	3.018.691
Charge for previous years	-	6.417
Payments and adjustments	(3.677.038)	(3.410.426)
Disposal of investment in subsidiary company	<u>-</u>	<u>(55.307)</u>
31 December	<u>711.947</u>	<u>(1.488.359)</u>

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

**25. SUBORDINATED BONDS**

**Subordinated bonds at amortised cost**

	31.12.2013	31.12.2012
	€	€
1 January	100.176.711	95.377.016
Interest payable	2.637.172	2.461.056
Disposal of investment in subsidiary	-	4.908.659
Payments	<u>(2.539.525)</u>	<u>(2.570.020)</u>
31 December	<u>100.274.358</u>	<u>100.176.711</u>

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

The Subordinated 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 of Cyprus.



**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**25. SUBORDINATED BONDS (cont.)**

The Subordinated bonds bear a floating interest rate which is set at the beginning of each interest 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 2.80%. The Subordinated 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 over the depositors and any other creditors of the Company.

**26. DEPOSITS FROM FINANCIAL INSTITUTIONS**

	31.12.2013	31.12.2012
	€	€
Amounts due to Alpha Bank S.A. Group	1.066.460.919	1.432.912.366
Amounts due to other financial institutions	35.771.666	80.898.065
Amounts due to Central Bank of Cyprus	<u>-</u>	<u>20.072.500</u>
	<u>1.102.232.585</u>	<u>1.533.882.931</u>

The exposure of the Group to liquidity risk and analysis of deposits from financial institutions by maturity is disclosed in note 37 of the consolidated financial statements.

The analysis of collaterals related to deposits from financial institutions is disclosed in note 33 of the consolidated financial statements.

**27. DEPOSITS FROM CUSTOMERS**

	31.12.2013	31.12.2012
	€	€
Current	562.046.878	253.280.203
Savings	7.378.228	3.149.703
Fixed term or notice	<u>1.462.515.035</u>	<u>2.344.242.132</u>
	<u>2.031.940.141</u>	<u>2.600.672.038</u>

The exposure of the Group to liquidity risk and analysis of deposits from customers by maturity are disclosed in note 37 of the consolidated financial statements.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**28. OTHER LIABILITIES**

	31.12.2013	31.12.2012
	€	€
Accrued expenses	3.554.467	4.004.107
Provisions for litigation and arbitration (Note i)	265.000	344.600
Other payables	19.158.369	11.538.277
Taxes payables on behalf of clients	<u>1.366.262</u>	<u>955.912</u>
	<u>24.344.098</u>	<u>16.842.896</u>
 <b>(i) Provisions for litigation and arbitration</b>		
	31.12.2013	31.12.2012
	€	€
1 January	344.600	357.516
Reversal for the year	(55.316)	(101.516)
Provision for the year	41.400	88.600
Payments for the year	<u>(65.684)</u>	<u>-</u>
31 December	<u>265.000</u>	<u>344.600</u>

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**29. SHARE CAPITAL**

	31.12.2013		31.12.2012	
	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	139.500.000	118.575.000	139.500.000	118.575.000
Issue of shares	<u>20.000.000</u>	<u>17.000.000</u>	-	-
31 December (Ordinary shares of €0,85 each)	<u>159.500.000</u>	<u>135.575.000</u>	<u>139.500.000</u>	<u>118.575.000</u>

On 1<sup>st</sup> November 2013, the Group increase its share capital from €118.575.000 divided into 139.500.000 ordinary shares of nominal value €0,85 each to €135.575.000 divided into 159.500.000 ordinary shares of nominal value €0,85 each.

The increase in share capital was made by cash from the parent company Alpha Bank S.A. amounting to €65.000.000. The difference between the issue price and the nominal value amounted to €48.000.000 and was recognized in the statement of equity as a “share premium”.

**30. CONVERTIBLE CAPITAL SECURITIES**

	31.12.2013	31.12.2012
	€	€
Issue of convertible capital securities	<u>64.000.000</u>	<u>-</u>

On the 1<sup>st</sup> November 2013, the Company issued 75.294.118 perpetual convertible capital securities with no maturity with nominal value €0,85 each which were purchased by the parent company Alpha Bank S.A.

Convertible capital securities bear a fixed annual interest of 7% which is payable on the 30 September each year.

The Company may at its sole discretion at all times, elect to cancel an interest payment on a non-cumulative basis. Cancellation of a coupon payment does not constitute an event of default of interest payment, and does not entitle the holders to petition for the insolvency of the Company.

The convertible capital securities may be redeemed, at the discretion of the Company subject to the prior approval of the Central Bank of Cyprus, at their nominal value and any accrued interest but excluding any interest payment previously cancelled, at 30 September 2019 or at any subsequent interest payment date.

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

For the year ended 31 December 2013

**30. CONVERTIBLE CAPITAL SECUTIRIES (cont.)**

Mandatory cancellation of interest payment shall apply when:

- The Company fails to comply with the minimum capital requirements set by the Central Bank of Cyprus for credit institutions operating in Cyprus in the Directive on the calculation of the capital requirements and large exposures, as amended or replaced, or
- The Company has insufficient distributable items to make an interest payment, or
- The Central Bank of Cyprus may require, in its sole discretion, at any time the Company to cancel interest payments.

The convertible capital securities are obligatory converted into ordinary shares of the Company on the occurrence of a Contingency event or a Viability event. The conversion price is constant and cannot be lower than the nominal value of the Company's ordinary shares.

These financial instruments are classified as equity, as the Company does not have a contractual obligation to repay the holder in cash or other financial asset. The convertible capital securities are classified as Tier 1 capital for the purpose of calculating the capital adequacy ratio.

**31. 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 the year 2013 and 17% in 2014 and after 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.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**32. OFF BALANCE SHEET LIABILITIES**

	2013 €	2012 €
<b>Contingent liabilities</b>		
Bank guarantees	<u>61.639.729</u>	<u>70.215.938</u>
<b>Commitments</b>		
Letters of credit and letters of guarantees	4.790.820	7.980.916
Undrawn credit facilities	<u>165.304.991</u>	<u>165.768.613</u>
	<u>170.095.811</u>	<u>173.749.529</u>
 Total off balance sheet liabilities	 <u>231.735.540</u>	 <u>243.965.467</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 exposure of the Group to credit risk is disclosed in note 37 of the consolidated financial statements.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**32. OFF BALANCE SHEET LIABILITIES (cont.)**

	<b>Financial Services Sector €</b>	<b>Manufacturing €</b>	<b>Buildings &amp; Construction €</b>	<b>Trading €</b>	<b>Tourism industry €</b>	<b>Other €</b>	<b>Individual €</b>	<b>Total €</b>
<b>2013</b>								
<b>Exposure to credit risk relating to off balance sheet items:</b>								
Letters of credit and letters of guarantees	501.105	743.674	23.817.257	25.653.942	1.799.099	11.663.352	2.252.120	66.430.549
Undrawn credit facilities	1.678.968	16.854.213	37.606.362	13.104.076	2.450.063	44.054.228	49.557.081	165.304.991
<b>Total</b>	<b>2.180.073</b>	<b>17.597.887</b>	<b>61.423.619</b>	<b>38.758.018</b>	<b>4.249.162</b>	<b>55.717.580</b>	<b>51.809.201</b>	<b>231.735.540</b>
<b>2012</b>								
<b>Exposure to credit risk relating to off balance sheet items:</b>								
Letters of credit and letters of guarantees	536.018	394.647	33.301.469	25.416.470	3.724.375	11.689.824	3.134.051	78.196.854
Undrawn credit facilities	2.525.001	5.773.223	38.588.246	17.258.062	2.050.643	39.736.143	59.837.295	165.768.613
<b>Total</b>	<b>3.061.019</b>	<b>6.167.870</b>	<b>71.889.715</b>	<b>42.674.532</b>	<b>5.775.018</b>	<b>51.425.967</b>	<b>62.971.346</b>	<b>243.965.467</b>

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**33. TRANSFERS / COMMITMENTS OF FINANCIAL ASSETS**

Other commitments of the Group are as follows:

**31 December 2013**

During 2013 the Group had no commitments.

**31 December 2012**

	Special Government bonds	Investments available for sale
	Secured to the European Central Bank €	Secured to the Central Bank of Cyprus €
Nominal value of asset	73.500.000	67.500.000
Carrying amounts of asset	75.077.900	70.273.470
Carrying amount of associated liability	<u>20.000.000</u>	<u>65.000.000</u>

As at 31 December 2012 there was an unused limit of €52.400.000 for the commitments to the Central Bank of Cyprus.

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 for liquidity purposes. These securities have expired in 2012.

The fair value of financial assets and liabilities associated with commitments approximates to their carrying amount.

**34. OTHER CONTINGENT LIABILITIES**

**Lease commitments**

The minimum future commitments of leases per the lease agreements that expire at different dates up to 2032 are as follows:

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**34. OTHER CONTINGENT LIABILITIES (cont.)**

	2013	2012
	€	€
Within one year	1.089.641	1.252.614
Between one to five years	3.360.048	4.575.509
More than five years	<u>2.601.334</u>	<u>3.816.233</u>
	<u>7.051.023</u>	<u>9.644.356</u>

**Litigation**

As at 31 December 2013, 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 28) 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.

**35. CAPITAL COMMITMENTS**

As at 31 December 2013, the Group's commitments for capital expenditure for which no provision has been made in the consolidated financial statements amounted to €973.944 (2012: €979.196) and represents additional work performed for the new Head Office buildings and for the cost of refurbishment of new branches.

**36. CASH AND CASH EQUIVALENTS**

For the purpose of the consolidated statement of cash flows, the cash and cash equivalents includes the following:

	Note.	2013	2012
		€	€
Cash and deposits	14	42.507.963	45.478.516
Loans and advances to financial institutions	15	232.180.826	727.203.484
Deposits from financial institutions		<u>(16.865.585)</u>	<u>(104.577.293)</u>
		<u>257.823.204</u>	<u>668.104.707</u>



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

For the year ended 31 December 2013

**37. RISK MANAGEMENT**

Alpha Bank Cyprus Limited, is adhering to the provisions of Basel II, as these are adopted in the “Capital Requirements and Large Exposures 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 Board of Directors and the Risk Management Committee are responsible for the risk assessment and the coordination of activities required for their management, through the supervision of the strategy and the procedures of risk management.

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

The Unit has the following departments:

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

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

For the year ended 31 December 2013

**37. RISK MANAGEMENT (cont.)****Credit Risk**

Credit Risk refers to the potential risk that the Group may face derived from the inability of creditors or contracting parties to promptly meet their repayment obligations or to fully repay their obligations as per terms of contractual agreements.

The Group 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. 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 Group 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 procedures followed include among others, assessment of customers' repayment ability, and describe the stages that have to be followed from the preparation and submission of the customer's request to the appropriate approval authority to the final approval and implementation. Included in the procedures is the monitoring of customers accounts and the transactional behavior following the disbursement. The procedures are constantly reviewed in order to enhance standardization, measurement and management of credit risk .

Facilities are authorized by Committees level, subject to amount of exposure, type, rating of customer, product and collateral. The credit policy of the Company is in line with the Alpha Bank S.A. 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 rating of the credit worthiness of the borrower and the mortgaged collaterals that generate income. The Group uses various tools for assessing corporates, by using the modern tools that are used by Alpha Bank S.A. Group. The Group has also developed scoring cards for assessing new applications, which have been incorporated to the approval procedures.

The credit risk is mitigated by obtaining collaterals from customers as mortgages against their facilities.

In addition to the above, the Group monitors continuously loans with arrears and Non Performing facilities and takes all the necessary actions for containment. The recovery procedures are revised frequently aiming on their flexibility and effectiveness to mitigate credit risk.

## THE GROUP OF ALPHA BANK CYPRUS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

#### 37. RISK MANAGEMENT (cont.)

##### **Credit Risk (cont.)**

##### **Impairments:**

##### **Impairment policy**

The Group reviews loans and advances to customers in order to assess whether there is a need for impairment. The Company assesses whether there is objective evidence of impairment in order to proceed with customers' individual assessment for impairment. The loan portfolio is assessed on individual and collective basis.

##### **Individual assessment for impairment**

The Group has defined as 'significant for individual assessment' customers loans that are managed by the Wholesale Banking sector with facilities in excess of €300 thousands.

The assessment for impairment is performed on a quarterly basis, as follows:

The Company assesses whether objective evidence for individual assessment for impairment exists. The process for identifying loans for impairment and estimating their impairment provision consists of the following steps:

- Identification of loans which will be individually assessed and for which events exist which constitute objective evidence that an impairment loss has occurred.
- Impairment calculation on an individual basis for the loans identified in the previous step, as the difference between the recoverable amount and the carrying amount of the loan.
- Loans where no provision was made on the individual basis, will be examined under collective impairment, based on similar credit risk characteristics.

Significant loans are assessed on an individual basis if one of the following trigger events exists:

- Exposures exhibiting arrears / past due over 90 days
- Rating of borrower CC+ or worse
- Restructured customers with Cr rating per the primary systems of the Bank
- Significant difficulty of the borrower to repay third parties obligations
- Significant deterioration of the financial position and performance of the borrower
- Adverse developments in borrowers' industry outlook
- Interventions and actions by regulatory bodies/local authorities against the borrower
- Breach of contractual or credit terms and conditions.
- Adverse changes in the shareholders' structure or the management of the company or serious management issues/problems
- Occurrence of unforeseen, extreme events
- Permanent arrears and / or other problems to another member of the group of the borrower
- Borrowers provided for during the previous assessment, for whom the above criteria do not apply

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**37. RISK MANAGEMENT (cont.)**

**Credit Risk (cont.)**

**Collective assessment for impairment**

During collective assessment for impairment four categories are examined:

- Loans to clients of the Wholesale Banking Sector with balances less than €300 thousand
- Wholesale Banking Sector loans which are subject to individual assessment and no loss occurs, during individual impairment assessment, are also assessed for collective impairment based on similar credit risk characteristics
- Wholesale Banking Sector loans for which there are no impairment triggers and are not individually assessed are assessed for collective impairment after grouping them based on similar credit risk characteristics
- Retail Banking Sector Loans.

Identifying specific loans with objective evidence of impairment loss to be recognized may lead to a delay in recognition of loan impairment, which has already incurred. In this context, in accordance with IAS 39, it is appropriate to recognize impairment loss for those losses that have been «incurred but not reported» (IBNR).

The identification of loans to be impaired and the assessment of impairment includes the following steps:

- Recognition of loans to be collectively assessed
- Calculation of impairment on a collective basis of the loans identified in the preceding step
- Identification of loans to be collectively assessed for losses incurred but not reported (“IBNR”)

For the provisions on collective assessment, the loans are grouped based on similar credit risk characteristics. The Impairment amount is calculated based on the credit risk characteristics of each group and the portfolio to which the borrower or loan belongs to. Statistical methods or empirical assessment are used for their assessment.

The impairment is collectively assessed provided the following apply, depending on the type of portfolio they belong to:

- Accounts in arrears over 90 days
- Accounts in arrears from 1 to 90 days
- Accounts being restructured or rescheduled
- Level of coverage from tangible collaterals

The assessment of the Wholesale portfolio is performed on a client level and for the Retail portfolio on an account level.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**37. RISK MANAGEMENT (cont.)**

**Credit Risk (cont.)**

**Collective assessment for impairment (cont.)**

In order to determine the amount of provisions required, the Group needs to estimate the amount and the timing of future cash flows. Such estimates are based on various assumptions. These include future changes in property value/ the realizable value and the liquidation time. The property prices are adjusted based on the housing price index of the Central Bank of Cyprus in order to be valued at open market values. The timeframe of the receipts of collaterals has been estimated at three years at a considerably more conservative value than the adjusted value and are discounted at net present value.

Any changes in assumptions or differences between assumptions made and the actual results can lead to significant changes in the amount of the required provision.

**Restructurings - Reschedulings**

The cases where the original terms of a loan agreement are renegotiated are divided into two basic categories. Those which are due to the inability of the debtor to meet their contractual obligations due to financial difficulty from an objective perspective (Restructurings) and those which are not due to the financial difficulty of the debtor to meet their obligations from an objective perspective (Reschedulings).

**1. Restructurings**

1.a. Restructured are those facilities for which measures are taken and at least one following applies:

- Substantial delay over 90 days to service the loan, applicable at the time of the restructuring.
- Substantial deterioration of the financial position of the borrower (turnover, profit, operating profit etc) verging to further deterioration.
- Events that adversely affect the financial position of the borrower. Indicative events are the cessation of business of key customers of the borrower, the destruction of property or inventory of the borrower by fire, natural disasters or other causes etc.
- Short repetitive, substantial delays in servicing the debt over 30 days.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**37. RISK MANAGEMENT (cont.)**

**Credit Risk (cont.)**

**Restructurings - Reschedulings: (cont.):**

**1. Restructurings (cont.):**

1.b. Simultaneously, it is examined whether one or more of the following amendments in the terms of the lending agreement concurrently apply:

- Extension of the duration of the lending arrangement over 20% of the original, even in accompanied by an increase in interest rates, as long as the new interest rate remains lower than the equivalent interest rate of similar loans (similar duration and risk) which have been granted to other borrowers.
- Part of the amount due from the borrower written off (principal or/and interest)
- Approval of a long grace period regarding the principal or/and interest which is not justified based on the nature of the lending arrangement.
- Reduction in the interest rate to facilitate the business which presumably is not performed under standard procedures for reviewing the limits of the borrower.
- Repeated increases of the lending arrangement's limits which exceed three per year, and which are not justified from the improvement or raise in economic size
- Renegotiation of the terms of the lending arrangement outside the scope of common banking practice and the market.
- Especially with regard to Business Credit, once a lending arrangement is marked as restructured, the borrower is automatically categorized in to the Credit Risk Category Cr. The borrower remains in this category for a year and as long as his dues are normally provided for. Otherwise the borrower is categorized into the Credit Risk Category D0 (in default).

**2. Reschedulings**

Lending arrangements characterized as reschedulings are those where measures taken do not correspond to any of the events described in paragraph 1.a. and whose contractual terms are amended mainly due to changes in market conditions, whilst simultaneously:

- There is no indication of inability by the borrower to meet their contractual obligations
- The lending arrangements are fully serviced (para. 1.a.i and 1.a.ii) until the moment in time where the terms are renegotiated
- The terms of the loan have been renegotiated within the scope of common banking practices and at market terms

The following circumstances regarding renegotiation do not consist rescheduling:

- Extension of the timeframe of the lending arrangement, without amending the remainder of the contractual terms, up until 20% of the original timeframe

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**37. RISK MANAGEMENT (cont.)**

**Credit Risk (cont.)**

**Restructurings - Reschedulings: (cont.):**

**2. Reschedulings (cont.):**

- Extension of the timeframe of the lending arrangement with a higher interest rate, the equivalent to market interest rates for loans of a similar Credit Risk and length.
- Increase in terms justified by the increase in size and consequently the credit needs of the borrower, or/and the improvement of client relations with the Company.

It is Group policy to diagnose at early stages temporary problems faced by clients due to the crisis and dealing with them at the stage of temporary delays through the submission of rescheduling proposals by the Business Units to the relevant committees.

**DEFINITIONS:**

The following definitions apply and form the basis of the following Tables:

**Past Due Loans**

A financial Asset is past due when the counterparty's debt is past due for over a day

**Non Performing Loans**

A loan is considered non-performing if it is past due over 90 days or under legal proceedings.

A loan ceases to be considered non-performing if one of the following conditions is satisfied:

- Renegotiation of the original terms and restructuring.
- Repayment of overdue amounts over 90 days due

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**37. RISK MANAGEMENT (cont.)**

**Credit Risk (cont.)**

**DEFINITIONS (cont.):**

**Performing Loans**

A loan is considered to be performing if it is past due for less than 90 days and is not under legal proceedings.

**Restructured Loans**

Circumstances regarding renegotiation of the original terms of a loan arrangement which are due to financial difficulties of the borrower to meet their contractual obligations objective.

**Impaired Loans**

Impaired loans are those loans defined as follows:

- Loans for which an impairment amount has been calculated during the individual assessment.
- Restructured loans for which an impairment amount has been calculated during the collective assessment.
- Non-performing loans (past due over 90 days) for which an impairment amount has been calculated during the collective assessment.

**Wholesale and Retail Banking credit facilities**

Wholesale banking Credit facilities are included in each of the following categories subject to the characteristics of the credit facility and the obligor, as shown in the table below:

	Portfolio	Characteristics
Wholesale Banking Creditors	Corporate	Groups with turnover > €2,5 mil. or credit facility > €1 mil.
	SME	Groups with turnover between €0,5 mil. and €2,5 mil. or credit facility between €150 ths. and €1 mil.

Credit facilities granted to customers beyond the characteristics shown above falls within the Retail Banking sector



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For the year ended 31 December 2013

**37. RISK MANAGEMENT (cont.)**

**Credit Risk (cont.)**

**FINANCIAL INSTRUMENTS CREDIT RISK**

	<b>31.12.2013</b>			<b>31.12.2012</b>		
	Exposure before impairment €	Impairment €	Net exposure to credit risk €	Exposure before impairment €	Impairment €	Net exposure to credit risk €
<b>A. Credit risk exposure relating to balance sheet items</b>						
<b>Balances with Central Banks</b>	22.493.838	-	22.493.838	26.760.619	-	26.760.619
<b>Balances with financial institutions</b>	232.180.826	-	232.180.826	727.203.484	-	727.203.484
<b>Loans and advances to customers</b>	4.165.755.445	698.693.899	3.467.061.546	4.231.291.675	493.874.732	3.737.416.943
<b>Derivative financial assets</b>	2.469.601	-	2.469.601	5.761.965	-	5.761.965
<b>Available for sale securities:</b>						
- Available for sale (government bonds)	15.449.950	-	15.449.950	46.228.347	-	46.228.347
- Available for sale (other)	1.650.571	-	1.650.571	145.983.701	-	145.983.701
<b>Total amount of balance sheet items exposed to credit risk (a)</b>	4.440.000.231	698.693.899	3.741.306.332	5.183.229.791	493.874.732	4.689.355.059
Other balance sheet items not exposed to credit risk	63.255.282	-	63.255.282	70.528.882	-	70.528.882
<b>Total assets</b>	4.503.255.513	698.693.899	3.804.561.614	5.253.758.673	493.874.732	4.759.883.941
<b>B. Credit risk exposure relating to off balance sheet items:</b>						
Letters of guarantee, letters of credit and other guarantees	66.430.549	-	66.430.549	78.196.854	-	78.196.854
Undrawn loan agreements and credit limits than cannot be recalled (committed)	165.304.991	-	165.304.991	165.768.613	-	165.768.613
<b>Total amount of off balance sheet items exposed to credit risk (b)</b>	231.735.540	-	231.735.540	243.965.467	-	243.965.467
<b>Total credit risk exposure (a+b)</b>	4.671.735.771	698.693.899	3.973.041.872	5.427.195.258	493.874.732	4.933.320.526

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**37. RISK MANAGEMENT (cont.)**

**Credit Risk (cont.)**

**LOANS AND ADVANCES TO CUSTOMERS BY ASSET QUALITY (impaired or not impaired – impairment allowance –value of collateral)**

	<b>31.12.2013</b>								
	Non impaired loans and advances		Impaired loans and advances		Total gross amount €	Accumulated impairment allowance		Total net amount €	Value of collateral €
	Neither past due nor impaired €	Past due but not impaired €	Individually assessed €	Collectively assessed €		Individually assessed €	Collectively assessed €		
<b>Retail lending</b>									
Mortgage	681.383.210	58.714.031	-	964.757.467	1.704.854.708	-	326.849.812	1.378.004.896	1.407.796.987
Consumer	62.537.033	12.837.178	-	136.615.603	211.989.814	-	53.674.997	158.314.817	98.604.320
Credit cards	9.848.972	534.947	-	5.032.624	15.416.543	-	1.991.051	13.425.492	1.016.980
Small Business Loans	21.608.721	4.953.791	-	25.453.890	52.016.402	-	9.268.684	42.747.718	35.739.053
	<u>775.377.936</u>	<u>77.039.947</u>	<u>-</u>	<u>1.131.859.584</u>	<u>1.984.277.467</u>	<u>-</u>	<u>391.784.544</u>	<u>1.592.492.923</u>	<u>1.543.157.340</u>
<b>Corporate lending</b>									
Large	1.181.540.348	127.508.075	660.726.657	87.853.099	2.057.628.179	262.197.144	8.253.750	1.787.177.285	1.797.700.476
SME's	29.225.322	12.084.505	79.669.199	1.755.578	122.734.604	36.060.837	391.812	86.281.955	98.035.960
	<u>1.210.765.670</u>	<u>139.592.580</u>	<u>740.395.856</u>	<u>89.608.677</u>	<u>2.180.362.783</u>	<u>298.257.981</u>	<u>8.645.562</u>	<u>1.873.459.240</u>	<u>1.895.736.436</u>
<b>Public sector</b>	<u>1.115.195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.115.195</u>	<u>-</u>	<u>5.812</u>	<u>1.109.383</u>	<u>750.742</u>
<b>Total</b>	<u>1.987.258.801</u>	<u>216.632.527</u>	<u>740.395.856</u>	<u>1.221.468.261</u>	<u>4.165.755.445</u>	<u>298.257.981</u>	<u>400.435.918</u>	<u>3.467.061.546</u>	<u>3.439.644.518</u>

An amount of €65.059.144 that is included in accumulated impairment allowance under “Collectively assessed” relates to IBNR provisions. An amount of €633.408.477 is included in impaired loans and advances relating to restructured loans past due < 90 days.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**37. RISK MANAGEMENT (cont.)**

**Credit Risk (cont.)**

**LOANS AND ADVANCES TO CUSTOMERS BY ASSET QUALITY (impaired or not impaired – impairment allowance – value of collateral) (cont.)**

	<b>31.12.2012</b>								
	Non impaired loans and advances		Impaired loans and advances		Total gross amount €	Accumulated impairment allowance		Total net amount €	Value of collateral €
	Neither past due nor impaired €	Past due but not impaired €	Individually assessed €	Collectively assessed €		Individually assessed €	Collectively assessed €		
<b>Retail lending</b>									
Mortgage	1.196.425.006	135.072.648	-	402.837.873	1.734.335.527	-	218.747.168	1.515.588.359	1.458.591.329
Consumer	115.343.371	33.232.896	-	80.529.010	229.105.277	-	57.525.432	171.579.845	115.469.766
Credit cards	11.320.301	1.063.668	-	4.424.388	16.808.357	-	3.706.687	13.101.670	1.188.984
Small Business Loans	35.132.055	7.533.542	-	15.772.617	58.438.214	-	8.746.302	49.691.912	42.055.031
	<u>1.358.220.733</u>	<u>176.902.754</u>	<u>-</u>	<u>503.563.888</u>	<u>2.038.687.375</u>	<u>-</u>	<u>288.725.589</u>	<u>1.749.961.786</u>	<u>1.617.305.110</u>
<b>Corporate lending</b>									
Large	1.120.765.660	520.187.123	430.828.039	-	2.071.780.822	180.547.220	-	1.891.233.602	1.860.688.247
SME's	38.786.796	16.091.164	64.471.630	-	119.349.590	24.601.923	-	94.747.667	101.972.859
	<u>1.159.552.456</u>	<u>536.278.287</u>	<u>495.299.669</u>	<u>-</u>	<u>2.191.130.412</u>	<u>205.149.143</u>	<u>-</u>	<u>1.985.981.269</u>	<u>1.962.661.106</u>
<b>Public sector</b>	<u>1.473.888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.473.888</u>	<u>-</u>	<u>-</u>	<u>1.473.888</u>	<u>1.472.796</u>
<b>Total</b>	<u>2.519.247.077</u>	<u>713.181.041</u>	<u>495.299.669</u>	<u>503.563.888</u>	<u>4.231.291.675</u>	<u>205.149.143</u>	<u>288.725.589</u>	<u>3.737.416.943</u>	<u>3.581.439.012</u>

Note: The of 31.12.2012 figures were restated to be comparable with figures of 2013.

## THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**37. FINANCIAL RISK MANAGEMENT (cont.)****Credit risk (cont.)****AN ANALYSIS OF NEITHER PAST DUE NOR IMPAIRED LOANS AND ADVANCES TO CUSTOMERS**

<b>31.12.2013</b>					
	Strong €	Satisfactory €	Watch list (higher risk) €	Total neither past due nor impaired €	Value of collateral €
<b>Retail lending</b>					
Mortgage	-	681.383.210	-	681.383.210	602.867.649
Consumer	-	62.537.033	-	62.537.033	30.256.941
Credit cards	-	9.848.972	-	9.848.972	676.644
Small Business Loans	-	<u>21.608.721</u>	-	<u>21.608.721</u>	<u>14.488.401</u>
	-	<u>775.377.936</u>	-	<u>775.377.936</u>	<u>648.289.635</u>
<b>Corporate lending</b>					
Large	4.177.346	186.350.104	991.012.898	1.181.540.348	1.106.971.538
SME's	<u>1.062.553</u>	<u>15.961.806</u>	<u>12.200.963</u>	<u>29.225.322</u>	<u>27.069.120</u>
	<u>5.239.899</u>	<u>202.311.910</u>	<u>1.003.213.861</u>	<u>1.210.765.670</u>	<u>1.134.040.658</u>
<b>Public sector</b>	-	<u>383.527</u>	<u>731.668</u>	<u>1.115.195</u>	<u>750.742</u>
<b>Total</b>	<u>5.239.899</u>	<u>978.073.373</u>	<u>1.003.945.529</u>	<u>1.987.258.801</u>	<u>1.783.081.035</u>
<b>31.12.2012</b>					
	Strong €	Satisfactory €	Watch list (higher risk) €	Total neither past due nor impaired €	Value of collateral €
<b>Retail lending</b>					
Mortgage	-	1.196.425.006	-	1.196.425.006	1.032.369.780
Consumer	-	115.343.371	-	115.343.371	60.484.977
Credit cards	-	11.320.301	-	11.320.301	810.059
Small Business Loans	-	<u>35.132.055</u>	-	<u>35.132.055</u>	<u>25.671.957</u>
	-	<u>1.358.220.733</u>	-	<u>1.358.220.733</u>	<u>1.119.336.773</u>
<b>Corporate lending</b>					
Large	2.396.960	534.613.326	583.755.374	1.120.765.660	1.050.011.632
SME's	<u>1.411.272</u>	<u>21.054.187</u>	<u>16.321.337</u>	<u>38.786.796</u>	<u>36.167.546</u>
	<u>3.808.231</u>	<u>555.667.513</u>	<u>600.076.719</u>	<u>1.159.552.456</u>	<u>1.086.179.178</u>
<b>Public sector</b>	-	<u>1.120.477</u>	<u>353.411</u>	<u>1.473.888</u>	<u>1.472.796</u>
<b>Total</b>	<u>3.808.232</u>	<u>1.915.008.723</u>	<u>600.430.122</u>	<u>2.519.247.077</u>	<u>2.206.988.747</u>

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

For the year ended 31 December 2013

**37. FINANCIAL RISK MANAGEMENT (cont.)****Credit risk (cont.)****ASSET QUALITY OF NEITHER PAST DUE NOR IMPAIRED LOANS AND ADVANCES TO CUSTOMERS (cont.)****Credit risk rating**

Debtors are rated at the following credit risk ratings:

AA, A+, A, A-, BB+, BB, BB-, B+ B, B-, CC+, CC, CC-, C, C rating, D0, D1, E

For the purposes of completing the table «Asset Quality of Neither Past Due Nor Impaired Loans and Advances to Customers », at the higher rating the rates AA, A+, A, A- and BB+ apply, at the Satisfactory rating the rates BB, BB-, B+, B-, CC+, CC apply and at the unrated and under surveillance (higher risk) CC- and lower apply.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**37. FINANCIAL RISK MANAGEMENT (cont.)**

**Credit risk (cont.)**

**AGEING ANALYSIS OF PAST DUE BUT NOT IMPAIRED LOANS AND ADVANCES TO CUSTOMERS BY PRODUCT LINE**

<b>31.12.2013</b>							
	Retail lending			Small	Corporate lending		Total past due but not impaired
	Mortgage	Consumer	Credit cards	business loans	Large	SME's	
	€	€	€	€	€	€	€
1 - 30 days	44.042.538	7.032.812	284.001	2.349.676	21.474.601	3.292.239	78.475.867
31 - 60 days	10.097.478	3.551.870	121.689	1.468.415	1.385.922	1.085.317	17.710.691
61 - 90 days	4.574.016	2.250.850	129.257	1.135.699	5.850.760	763.225	14.703.807
91 - 180 days	-	597	-	-	8.512.113	811.416	9.324.126
181 - 360 days	-	792	-	-	41.502.644	2.253.794	43.757.230
> 360 days	-	257	-	-	48.782.034	3.878.515	52.660.806
<b>Total</b>	<u>58.714.032</u>	<u>12.837.178</u>	<u>534.947</u>	<u>4.953.790</u>	<u>127.508.074</u>	<u>12.084.506</u>	<u>216.632.527</u>
<b>Value of collateral</b>	<u>51.557.477</u>	<u>5.803.031</u>	<u>24.996</u>	<u>4.090.386</u>	<u>123.261.965</u>	<u>11.281.186</u>	<u>196.019.041</u>

  

<b>31.12.2012</b>							
	Retail lending			Small business	Corporate lending		Total past due but not impaired
	Mortgage	Consumer	Credit cards	loans	Large	SME's	
	€	€	€	€	€	€	€
1 - 30 days	79.164.381	9.108.772	536.258	3.876.692	99.284.996	5.368.378	197.339.477
31 - 60 days	34.720.903	10.107.728	322.622	753.710	248.783.781	2.398.147	297.086.891
61 - 90 days	21.187.364	8.592.715	204.788	2.238.483	100.278.389	2.063.459	134.565.198
91 - 180 days	-	1.753.004	-	18.434	44.146.549	1.988.684	47.906.671
181 - 360 days	-	1.466.837	-	614.583	22.844.198	2.623.592	27.549.210
> 360 days	-	2.203.840	-	31.639	4.849.211	1.648.904	8.733.594
<b>Total</b>	<u>135.072.648</u>	<u>33.232.896</u>	<u>1.063.668</u>	<u>7.533.541</u>	<u>520.187.124</u>	<u>16.091.164</u>	<u>713.181.041</u>
<b>Value of collateral</b>	<u>118.165.056</u>	<u>21.898.605</u>	<u>113.986</u>	<u>6.550.115</u>	<u>493.219.861</u>	<u>15.170.748</u>	<u>655.118.371</u>

## THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**37. FINANCIAL RISK MANAGEMENT (cont.)****Credit risk (cont.)****AGEING ANALYSIS OF IMPAIRED LOANS AND ADVANCES TO CUSTOMERS BY PRODUCT LINE**

<b>31.12.2013</b>							
	Retail lending				Corporate lending		Total €
	Mortgage €	Consumer €	Credit cards €	Small business loans €	Large €	SME's €	
Not past due	381.946.262	18.701.534	852	1.254.512	231.989.674	1.814.423	635.707.257
1 - 30 days	8.116.774	1.922.642	-	464.676	31.427.492	1.572.877	43.504.461
31 - 60 days	9.446.823	1.041.391	-	615.723	4.683.979	323.816	16.111.732
61 - 90 days	8.716.919	973.214	-	20.546	4.003.608	-	13.714.287
91 - 180 days	9.086.366	5.038.009	199.853	1.837.886	4.354.326	923.223	21.439.663
181 - 360 days	3.042.457	5.144.919	2.115.015	2.600.537	26.549.389	3.732.114	43.184.431
> 360 days	<u>268.378.156</u>	<u>56.571.744</u>	<u>951.539</u>	<u>10.853.844</u>	<u>181.034.100</u>	<u>36.778.148</u>	<u>554.567.531</u>
<b>Total net amount</b>	<u>688.733.757</u>	<u>89.393.453</u>	<u>3.267.259</u>	<u>17.647.724</u>	<u>484.042.568</u>	<u>45.144.601</u>	<u>1.328.229.362</u>
<b>Value of collateral</b>	<u>753.371.862</u>	<u>62.544.348</u>	<u>315.340</u>	<u>17.160.266</u>	<u>567.466.973</u>	<u>59.685.654</u>	<u>1.460.544.443</u>

  

<b>31.12.2012</b>							
	Retail lending				Corporate lending		Total €
	Mortgage €	Consumer €	Credit cards €	Small business loans €	Large €	SME's €	
Not past due	599.463	-	-	-	47.188.042	1.746.490	49.533.995
1 - 30 days	-	-	-	-	1.532.021	-	1.532.021
31 - 60 days	-	-	-	-	9.790.710	276.619	10.067.329
61 - 90 days	-	67.532	-	-	16.645.735	726.937	17.440.204
91 - 180 days	14.784.037	3.547.932	166.860	1.014.442	10.121.118	1.309.684	30.944.073
181 - 360 days	18.065.601	4.642.148	549.890	1.187.674	29.986.710	8.285.795	62.717.818
> 360 days	<u>151.037.905</u>	<u>14.931.084</u>	<u>951</u>	<u>5.025.231</u>	<u>135.016.482</u>	<u>27.524.182</u>	<u>333.535.835</u>
<b>Total net amount</b>	<u>184.487.006</u>	<u>23.188.696</u>	<u>717.701</u>	<u>7.227.347</u>	<u>250.280.818</u>	<u>39.869.707</u>	<u>505.771.275</u>
<b>Value of collateral</b>	<u>308.056.492</u>	<u>33.086.184</u>	<u>264.939</u>	<u>9.832.960</u>	<u>317.456.754</u>	<u>50.634.566</u>	<u>719.331.895</u>

## THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**37. FINANCIAL RISK MANAGEMENT (cont.)****Credit risk (cont.)****LOAN-TO-VALUE RATIO (LTV) OF MORTGAGE LENDING**

	<b>31.12.2013</b>	<b>31.12.2012</b>
	Mortgages	
	€	€
< 50%	188.498.056	200.418.224
50% - 70%	238.092.210	248.278.750
71% - 80%	157.572.407	170.007.392
81% - 90%	185.430.390	200.206.759
91% - 100%	227.721.074	255.450.421
101% - 120%	382.100.782	413.114.948
121% - 150%	189.086.124	170.655.507
> 150%	<u>136.353.665</u>	<u>76.203.526</u>
<b>Total exposure</b>	<u><b>1.704.854.708</b></u>	<u><b>1.734.335.527</b></u>
 Average LTV (%)	 <u><u>75,32</u></u>	 <u><u>73,90</u></u>

**BREAKDOWN OF COLLATERAL AND GUARANTEES**

	<b>31.12.2013</b>			
	Value of collateral received			
	Real estate collateral	Financial collateral	Other collateral	Total
	€	€	€	€
Retail lending	1.488.104.447	8.480.837	46.572.056	1.543.157.340
Corporate lending	1.312.969.542	40.018.179	542.748.715	1.895.736.436
Public sector	-	<u>750.742</u>	-	<u>750.742</u>
<b>Total</b>	<u><b>2.801.073.989</b></u>	<u><b>49.249.758</b></u>	<u><b>589.320.771</b></u>	<u><b>3.439.644.518</b></u>
	<b>31.12.2012</b>			
	Value of collateral received			
	Real estate collateral	Financial collateral	Other collateral	Total
	€	€	€	€
Retail lending	1.511.901.530	10.421.899	94.981.681	1.617.305.110
Corporate lending	1.130.788.691	43.495.095	788.377.320	1.962.661.106
Public sector	-	<u>1.472.796</u>	-	<u>1.472.796</u>
<b>Total</b>	<u><b>2.642.690.221</b></u>	<u><b>55.389.790</b></u>	<u><b>883.359.001</b></u>	<u><b>3.581.439.012</b></u>

The Group has not received any collaterals it may sell or re-assign in case of non existence of liability breach by the debtor.



**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**37. FINANCIAL RISK MANAGEMENT (cont.)**

**Credit risk (cont.)**

**REPOSSESSED COLLATERALS**

**31.12.2013**

	Balance Sheet balances				Disposal during the year		
	Value of collaterals repossessed 31.12.2013 €	Of which in 2013 €	Accumulated impairment allowance 31.12.2013 €	Of which in 2013 €	Carrying amount of collaterals repossessed 31.12.2013 €	Net disposal Value €	Net gain/(loss) on disposal €
Real Estate	<u>559.068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>559.068</u>	<u>-</u>	<u>-</u>

**31.12.2012**

	Balance Sheet balances				Disposal during the year		
	Value of collaterals repossessed 31.12.2012 €	Of which in 2012 €	Accumulated impairment allowance 31.12.2012 €	Of which in 2012 €	Carrying amount of collaterals repossessed 31.12.2012 €	Net disposal Value €	Net gain/(loss) on disposal €
Real Estate	<u>559.068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>559.068</u>	<u>-</u>	<u>-</u>

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2013

**37. FINANCIAL RISK MANAGEMENT (cont.)**

**Credit risk (cont.)**

**LOANS AND ADVANCES TO CUSTOMERS, IMPAIRED LOANS, IMPAIRMENT ALLOWANCE BY PRODUCT LINE, INDUSTRY AND GEOGRAPHICAL REGION**

**31.12.2013**

	<b>Cyprus</b>			<b>Greece</b>			<b>Rest of Europe</b>			<b>Other countries</b>		
	Gross amount	Impaired amount	Accumulated impairment allowance	Gross amount	Impaired amount	Accumulated impairment allowance	Gross amount	Impaired amount	Accumulated impairment allowance	Gross amount	Impaired amount	Accumulated impairment allowance
	€	€	€	€	€	€	€	€	€	€	€	€
<b>Retail lending</b>	<b>829.537.220</b>	<b>425.767.729</b>	<b>132.000.119</b>	<b>2.465.053</b>	<b>828.271</b>	<b>225.853</b>	<b>1.060.296.970</b>	<b>671.794.222</b>	<b>246.749.098</b>	<b>91.978.226</b>	<b>33.469.362</b>	<b>12.809.473</b>
Mortgage	564.111.488	270.141.599	70.223.218	1.754.224	765.572	198.061	1.050.919.441	663.752.694	244.508.054	88.069.556	30.097.601	11.920.479
Consumer	198.835.784	125.321.662	50.584.870	688.769	58.496	26.317	8.887.191	7.885.821	2.182.851	3.578.070	3.349.624	880.959
Credit cards	14.790.085	4.856.008	1.925.069	22.060	4.203	1.475	279.249	155.707	58.193	325.151	16.707	6.313
Small Business												
Loans	51.799.863	25.448.460	9.266.962	-	-	-	211.089	-	-	5.449	5.430	1.722
<b>Corporate lending</b>	<b>2.122.022.092</b>	<b>830.003.536</b>	<b>306.419.319</b>	<b>1.774.165</b>	-	<b>110.525</b>	<b>1.693.454</b>	<b>72</b>	<b>100.358</b>	<b>54.873.071</b>	<b>926</b>	<b>273.342</b>
Financial institutions	5.154.228	2.568.987	589.658	-	-	-	-	-	-	568	87	61
Manufacturing	47.567.458	23.243.776	13.208.229	22	-	-	-	-	-	21.755.308	1	-
Real Estate												
Development	454.109.082	77.070.186	27.056.963	-	-	-	-	-	-	279	150	105
Construction	1.291.075.503	586.358.292	212.723.174	-	-	-	-	-	-	2.582.034	212	236.709
Whole sale and retail trade	107.605.651	52.879.082	23.988.742	-	-	-	81	-	-	30.533.219	-	-
Transportation	7.635.011	2.259.297	1.127.336	-	-	-	-	-	-	-	-	-
Tourism	121.230.211	51.089.677	8.175.331	-	-	-	-	-	-	-	-	-
Services	86.050.922	34.534.234	19.547.314	1.774.143	-	110.525	1.693.373	72	100.358	1.663	476	36.467
Other sectors	1.594.026	5	2.572	-	-	-	-	-	-	-	-	-
<b>Public sector</b>	<b>1.115.195</b>	-	<b>5.812</b>	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2.952.674.507</b>	<b>1.255.771.265</b>	<b>438.425.250</b>	<b>4.239.218</b>	<b>828.271</b>	<b>336.378</b>	<b>1.061.990.424</b>	<b>671.794.294</b>	<b>246.849.456</b>	<b>146.851.297</b>	<b>33.470.288</b>	<b>13.082.815</b>

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2013

**37. FINANCIAL RISK MANAGEMENT (cont.)**

**Credit risk (cont.)**

**LOANS AND ADVANCES TO CUSTOMERS, IMPAIRED LOANS, IMPAIRMENT ALLOWANCE BY PRODUCT LINE, INDUSTRY AND GEOGRAPHICAL REGION**

**31.12.2012**

	<b>Cyprus</b>			<b>Greece</b>			<b>Rest of Europe</b>			<b>Other countries</b>		
	Gross amount	Impaired amount	Accumulated impairment allowance	Gross amount	Impaired amount	Accumulated impairment allowance	Gross amount	Impaired amount	Accumulated impairment allowance	Gross amount	Impaired amount	Accumulated impairment allowance
	€	€	€	€	€	€	€	€	€	€	€	€
<b>Retail lending</b>	<b>870.180.942</b>	<b>170.543.683</b>	<b>97.701.370</b>	<b>2.554.343</b>	<b>260.469</b>	<b>112.134</b>	<b>1.065.470.692</b>	<b>323.593.018</b>	<b>186.428.121</b>	<b>100.481.398</b>	<b>9.166.718</b>	<b>4.483.964</b>
Mortgage	579.381.591	76.368.049	34.065.387	1.828.378	229.812	88.645	1.057.077.170	317.304.446	180.367.417	96.048.388	8.935.566	4.225.719
Consumer	216.487.618	74.138.441	51.317.459	703.976	27.316	20.741	7.885.264	6.151.665	5.943.515	4.028.419	211.588	243.717
Credit cards	16.218.172	4.270.394	3.575.131	21.989	3.341	2.748	291.060	136.907	117.189	277.136	13.746	11.619
Small Business												
Loans	58.093.561	15.766.799	8.743.393	-	-	-	217.198	-	-	127.455	5.818	2.909
<b>Corporate lending</b>	<b>2.128.023.336</b>	<b>495.297.994</b>	<b>205.141.716</b>	<b>624.013</b>	-	-	<b>3.051.357</b>	-	-	<b>59.431.706</b>	<b>1.675</b>	<b>7.429</b>
Financial institutions	19.204.757	2.455.007	308.702	-	-	-	-	-	-	566	200	140
Manufacturing	49.042.086	15.771.405	10.069.164	-	-	-	-	-	-	24.390.766	100	60
Real Estate												
Development	452.088.375	49.800.545	15.634.405	-	-	-	538.543	-	-	302.834	100	70
Construction	1.260.090.854	356.987.612	145.336.605	-	-	-	-	-	-	3.111.330	312	6.637
Whole sale and retail trade	115.772.475	35.056.332	15.466.734	-	-	-	-	-	-	30.553.796	113	-
Transportation	9.022.030	1.554.775	796.206	-	-	-	-	-	-	43	-	-
Tourism	122.166.283	7.957.035	3.719.612	-	-	-	-	-	-	-	-	-
Services	99.127.023	25.715.281	13.601.530	624.013	-	-	2.512.814	-	-	1.072.371	850	522
Other sectors	1.509.453	2	208.758	-	-	-	-	-	-	-	-	-
<b>Public sector</b>	<b>1.473.888</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2.999.678.166</b>	<b>665.841.677</b>	<b>302.843.086</b>	<b>3.178.356</b>	<b>260.469</b>	<b>112.134</b>	<b>1.068.522.049</b>	<b>323.593.018</b>	<b>186.428.121</b>	<b>159.913.104</b>	<b>9.168.393</b>	<b>4.491.393</b>

Note.: Included in the accumulated impairment allowance are losses incurred but not reported (IBNR). IBNR concerns provisions for non impaired loans and advances.

## THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**37. FINANCIAL RISK MANAGEMENT (cont.)****Credit risk (cont.)****INTEREST INCOME RECOGNISED BY QUALITY OF LOANS AND ADVANCES  
AND PRODUCT LINE**

	<b>31.12.2013</b>		
	Interest income on non impaired loans and advances €	Interest income on impaired loans and advances €	Total interest income €
Retail lending	39.466.606	41.669.911	81.136.517
Corporate lending	60.266.705	33.066.582	93.333.287
Public sector	<u>43.615</u>	<u>-</u>	<u>43.615</u>
<b>Total interest income</b>	<u><u>99.776.926</u></u>	<u><u>74.736.493</u></u>	<u><u>174.513.419</u></u>

  

	<b>31.12.2012</b>		
	Interest income on non impaired loans and advances €	Interest income on impaired loans and advances €	Total interest income €
Retail lending	73.539.046	27.427.414	100.966.460
Corporate lending	93.540.679	23.311.865	116.852.544
Public sector	<u>78.400</u>	<u>-</u>	<u>78.400</u>
<b>Total interest income</b>	<u><u>167.158.125</u></u>	<u><u>50.739.279</u></u>	<u><u>217.897.404</u></u>

## THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**37. FINANCIAL RISK MANAGEMENT (cont.)****Credit risk (cont.)****ANALYSIS OF RESTRUCTURED LOANS AND ADVANCES TO CUSTOMERS**

	<b>31.12.2013</b>		
	Total amount of loans and advances €	Total amount of restructured loans and advances €	Restructured loans and advances (%)
Neither past due nor impaired	1.987.258.801	90.373.950	4,55
Past due but not impaired	216.632.527	4.122.268	1,90
Impaired	<u>1.961.864.117</u>	<u>833.254.651</u>	42,47
<b>Total gross amount</b>	4.165.755.445	927.750.869	22,27
Individual impairment allowance	(298.257.981)	(45.009.491)	15,09
Collective impairment allowance	<u>(400.435.918)</u>	<u>(114.439.477)</u>	28,58
<b>Total net amount</b>	<u>3.467.061.546</u>	<u>768.301.901</u>	22,16
Value of collateral	<u>3.439.644.519</u>	<u>777.007.144</u>	22,59
	<b>31.12.2012</b>		
	Total amount of loans and advances €	Total amount of restructured loans and advances €	Restructured loans and advances (%) €
Neither past due nor impaired	2.519.247.077	400.437.379	15,90
Past due but not impaired	713.181.041	243.026.338	34,08
Impaired	<u>998.863.557</u>	<u>60.179.334</u>	6,02
<b>Total gross amount</b>	4.231.291.675	703.643.051	16,63
Individual impairment allowance	(205.149.143)	(11.667.009)	5,69
Collective impairment allowance	<u>(288.725.589)</u>	<u>(2.881.847)</u>	1,00
<b>Total net amount</b>	<u>3.737.416.943</u>	<u>689.094.195</u>	18,44
Value of collateral	<u>3.581.439.012</u>	<u>618.189.251</u>	17,26

## THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**37. FINANCIAL RISK MANAGEMENT (cont.)****Credit risk (cont.)****RESTRUCTURED LOANS AND ADVANCES TO CUSTOMERS BY PRODUCT LINE**

	<b>31.12.2013</b>	<b>31.12.2012</b>
	€	€
<b>Retail lending</b>		
Mortgage	408.226.777	304.528.469
Consumer	22.638.781	26.608.247
Credit Card	852	810
Small Business Loans	<u>2.355.456</u>	<u>8.086.415</u>
	<u>433.221.866</u>	<u>339.223.941</u>
<b>Corporate lending</b>		
Large	333.141.265	345.763.212
SME's	<u>1.938.770</u>	<u>4.107.042</u>
	<u>335.080.035</u>	<u>349.870.254</u>
<b>Total</b>	<u>768.301.901</u>	<u>689.094.195</u>

**OTHER RECEIVABLES**

	<b>Loans and advances to financial institutions €</b>	<b>Derivative financial assets €</b>	<b>Investment securities available for sale €</b>	<b>Total €</b>
<b>2013</b>				
AA- to AA+	133.034	-	-	133.034
A- to A+	1.452.847	-	-	1.452.847
Lower than A-	230.594.945	2.469.550	15.449.950	248.514.445
Unrated	-	51	1.650.571	1.650.622
<b>Not past due nor impaired</b>	<b>232.180.826</b>	<b>2.469.601</b>	<b>17.100.521</b>	<b>251.750.948</b>
<b>2012</b>				
AA- to AA+	488.465	-	57.519.640	58.008.105
A- to A+	13.171.892	-	-	13.171.892
Lower than A-	713.543.114	5.616.900	133.024.604	852.184.618
Unrated	13	145.065	1.667.803	1.812.881
<b>Not past due nor impaired</b>	<b>727.203.484</b>	<b>5.761.965</b>	<b>192.212.047</b>	<b>925.177.496</b>

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**37. FINANCIAL RISK MANAGEMENT (cont.)**

**Market risk**

Market risk is the risk of loss in economic value or income, that arises from unfavourable impact in 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 has set limits for the following risks:

- Currency risk position for spot & forwards
- Interest rate risk
- Credit risk on interbank transactions and bonds

**Interest rate risk**

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	Change in interest rate scenario (parallel shift in yield curve)	Impact on net interest income (for a period of one year) (€'000)	Impact on equity (€'000)
EURO	+50 b.p.	750	231
	-50 b.p.	(750)	(231)
US DOLLAR	+50 b.p.	(43)	(27)
	-50 b.p.	43	27
SWISS FRANC	+50 b.p.	1.033	1.978
	-50 b.p.	(1.033)	(1.978)
Other Currencies	+50 b.p.	(118)	(7)
	-50 b.p.	118	7

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**37. FINANCIAL RISK MANAGEMENT (cont.)**

**Interest rate risk (cont.)**

**SENSITIVITY ANALYSIS RELATING TO INTEREST RATE RISK AT 31 DECEMBER 2013**

	<b>Total €000</b>	<b>Up to 7 days €000</b>	<b>8 to 30 days €000</b>	<b>1 month to 3 months €000</b>	<b>4 to 6 months €000</b>	<b>7 to 12 months €000</b>	<b>1 year to 5 years €000</b>	<b>More than 5 years €000</b>	<b>Non- interest bearing position €000</b>
<b>CURRENCY – USD (\$)</b>									
Cash	325	-	-	-	-	-	-	-	325
Loans and advances to financial institutions	8.953	8.082	871	-	-	-	-	-	-
Loans and advances to companies	13.300	4.086	5.821	67	1.465	-	-	-	1.861
Loans and advances to individuals	8.503	280	3.379	2.997	1.043	229	-	-	575
Derivative financial assets	160.581	14.975	98.361	47.245	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>191.662</b>	<b>27.423</b>	<b>108.432</b>	<b>50.309</b>	<b>2.508</b>	<b>229</b>	<b>-</b>	<b>-</b>	<b>2.761</b>
Deposits from financial institutions	1.002	1.002	-	-	-	-	-	-	-
Deposits from customers	190.715	141.944	22.536	12.543	5.796	6.744	1.152	-	-
Derivative financial liabilities	9	-	-	9	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>191.726</b>	<b>142.946</b>	<b>22.536</b>	<b>12.552</b>	<b>5.796</b>	<b>6.744</b>	<b>1.152</b>	<b>-</b>	<b>-</b>
<b>NET POSITION IN USD</b>	<b>(64)</b>	<b>(115.523)</b>	<b>85.896</b>	<b>37.757</b>	<b>(3.288)</b>	<b>(6.515)</b>	<b>(1.152)</b>	<b>-</b>	<b>2.761</b>



**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**37. FINANCIAL RISK MANAGEMENT (cont.)**

**Interest rate risk (cont.)**

**SENSITIVITY ANALYSIS RELATING TO INTEREST RATE RISK AT 31 DECEMBER 2013 (cont.)**

	<b>Total</b>	<b>Up to 7</b>	<b>8 to 30</b>	<b>1 month to 3 months</b>	<b>4 to 6 months</b>	<b>7 to 12 months</b>	<b>1 year to 5 years</b>	<b>More than 5 years</b>	<b>Non- interest bearing position</b>
<b>CURRENCY – EURO (€)</b>	<b>€000</b>	<b>days €000</b>	<b>days €000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
Cash	41.754	22.494	-	-	-	-	-	-	19.260
Loans and advances to financial institutions	217.120	217.120	-	-	-	-	-	-	-
Investment securities available for sale	17.101	-	14.513	-	28	-	1.000	-	1.560
Loans and advances to companies	1.372.566	699.195	131.242	211.595	149.161	762	-	-	180.611
Loans and advances to individuals	640.911	389.007	106.381	44.815	8.725	1.547	-	-	90.436
Derivative financial assets	1.407.100	29.041	483.014	9	247.036	648.000	-	-	-
<b>TOTAL ASSETS</b>	<b>3.696.552</b>	<b>1.356.857</b>	<b>735.150</b>	<b>256.419</b>	<b>404.950</b>	<b>650.309</b>	<b>1.000</b>	<b>-</b>	<b>291.867</b>
Deposits from financial institutions	1.085.474	355.636	726.635	-	-	3.203	-	-	-
Deposits from customers	1.803.641	559.538	274.532	250.644	223.392	302.793	191.839	-	903
Subordinated bonds	100.274	-	-	100.274	-	-	-	-	-
Derivative financial liabilities	184.176	15.000	119.176	50.000	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>3.173.565</b>	<b>930.174</b>	<b>1.120.343</b>	<b>400.918</b>	<b>223.392</b>	<b>305.996</b>	<b>191.839</b>	<b>-</b>	<b>903</b>
<b>NET POSITION IN EURO</b>	<b>522.987</b>	<b>426.683</b>	<b>(385.193)</b>	<b>(144.499)</b>	<b>181.558</b>	<b>344.313</b>	<b>(190.839)</b>	<b>-</b>	<b>290.964</b>

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For the year ended 31 December 2013

**37. FINANCIAL RISK MANAGEMENT (cont.)**

**Interest rate risk (cont.)**

**SENSITIVITY ANALYSIS RELATING TO INTEREST RATE RISK AT 31 DECEMBER 2013 (cont.)**

	<b>Total</b>	<b>Up to 7</b>	<b>8 to 30</b>	<b>1 month to 3 months</b>	<b>4 to 6 months</b>	<b>7 to 12 months</b>	<b>1 year to 5 years</b>	<b>More than 5 years</b>	<b>Non- interest bearing position</b>
<b>CURRENCY – SWISS FRANC (CHF)</b>	<b>€000</b>	<b>days €000</b>	<b>days €000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
Cash	24	-	-	-	-	-	-	-	24
Loans and advances to financial institutions	519	519	-	-	-	-	-	-	-
Loans and advances to companies	482.387	6.531	128.015	176.505	106.816	-	-	-	64.520
Loans and advances to individuals	873.775	65.063	450.574	194.238	33.979	2.789	-	-	127.132
Derivative financial assets	19.143	-	19.143	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>1.375.848</b>	<b>72.113</b>	<b>597.732</b>	<b>370.743</b>	<b>140.795</b>	<b>2.789</b>	<b>-</b>	<b>-</b>	<b>191.676</b>
Deposits from customers	1.925	459	-	1.466	-	-	-	-	-
Derivative financial liabilities	1.384.816	-	488.759	-	244.379	651.678	-	-	-
<b>TOTAL LIABILITIES</b>	<b>1.386.741</b>	<b>459</b>	<b>488.759</b>	<b>1.466</b>	<b>244.379</b>	<b>651.678</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION IN SWISS FRANCS</b>	<b>(10.893)</b>	<b>71.654</b>	<b>108.973</b>	<b>369.277</b>	<b>(103.584)</b>	<b>(648.889)</b>	<b>-</b>	<b>-</b>	<b>191.676</b>

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**37. FINANCIAL RISK MANAGEMENT (cont.)**

**Interest rate risk (cont.)**

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

	<b>Total €000</b>	<b>Up to 7 days €000</b>	<b>8 to 30 days €000</b>	<b>1month to 3 months €000</b>	<b>4 to 6 months €000</b>	<b>7 to 12 months €000</b>	<b>1 year to 5 years €000</b>	<b>More than 5 years €000</b>	<b>Non- interest bearing position €000</b>
<b>CURRENCY – USD (\$)</b>									
Cash	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 assets	291.766	113.688	41.097	136.981	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>455.081</b>	<b>196.348</b>	<b>76.006</b>	<b>176.133</b>	<b>2.945</b>	<b>322</b>	<b>-</b>	<b>-</b>	<b>3.327</b>
Deposits from financial liabilities	16.872	557	7.745	8.570	-	-	-	-	-
Deposits from customers	410.008	299.699	64.890	33.735	9.362	2.322	-	-	-
Derivative financial liabilities	25.551	-	21.146	20	4.385	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>452.431</b>	<b>300.256</b>	<b>93.781</b>	<b>42.325</b>	<b>13.747</b>	<b>2.322</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION IN USD</b>	<b>2.650</b>	<b>(103.908)</b>	<b>(17.775)</b>	<b>133.808</b>	<b>(10.802)</b>	<b>(2.000)</b>	<b>-</b>	<b>-</b>	<b>3.327</b>

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For the year ended 31 December 2013

**37. FINANCIAL RISK MANAGEMENT (cont.)**

**Interest rate risk (cont.)**

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

	<b>Total</b>	<b>Up to 7</b>	<b>8 to 30</b>	<b>1 month</b>	<b>4 to 6</b>	<b>7 to 12</b>	<b>1 year</b>	<b>More</b>	<b>Non-</b>
<b>CURRENCY – EURO (€)</b>	<b>€000</b>	<b>days</b>	<b>days</b>	<b>to</b>	<b>months</b>	<b>months</b>	<b>to</b>	<b>than</b>	<b>interest</b>
		<b>€000</b>	<b>€000</b>	<b>3 months</b>	<b>€000</b>	<b>€000</b>	<b>5 years</b>	<b>5 years</b>	<b>bearing</b>
				<b>€000</b>			<b>€000</b>	<b>€000</b>	<b>position</b>
									<b>€000</b>
Cash	44.645	26.760	-	-	-	-	-	-	17.885
Loans and advances to financial institutions	567.478	530.693	34.780	2.005	-	-	-	-	-
Investment securities 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	186.525	149.971	1.089	-	-	77.972
Loans and advances to individuals	688.582	461.311	114.982	41.632	9.955	1.862	-	-	58.840
Derivative financial assets	1.576.418	-	590.133	307.764	678.521	-	-	-	-
<b>TOTAL ASSETS</b>	<b>4.469.937</b>	<b>1.836.153</b>	<b>945.183</b>	<b>550.518</b>	<b>842.101</b>	<b>14.324</b>	<b>124.846</b>	<b>-</b>	<b>156.812</b>
Deposits from financial liabilities	1.478.597	771.974	699.914	3.505	-	3.204	-	-	-
Deposits from customers	2.130.177	523.976	398.751	398.639	434.518	309.450	62.874	-	1.969
Subordinated bonds	100.177	-	-	100.177	-	-	-	-	-
Derivative financial liabilities	292.719	113.053	41.266	138.400	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>4.001.670</b>	<b>1.409.003</b>	<b>1.139.931</b>	<b>640.721</b>	<b>434.518</b>	<b>312.654</b>	<b>62.874</b>	<b>-</b>	<b>1.969</b>
<b>NET POSITION IN EURO</b>	<b>468.267</b>	<b>427.150</b>	<b>(194.748)</b>	<b>(90.203)</b>	<b>407.583</b>	<b>(298.330)</b>	<b>61.972</b>	<b>-</b>	<b>154.843</b>

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For the year ended 31 December 2013

**37. FINANCIAL RISK MANAGEMENT (cont.)**

**Interest rate risk (cont.)**

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

				1month to 3 months	4 to 6 months	7 to 12 months	1 year to 5 years	More than 5 years	Non- interest bearing position
<b>CURRENCY – SWISS FRANC (CHF)</b>	<b>Total</b>	<b>Up to 7 days</b>	<b>8 to 30 days</b>						
Cash	35	-	-	-	-	-	-	-	35
Loans and advances to financial institutions	2.279	2.279	-	-	-	-	-	-	-
Loans and advances to companies	546.717	95.992	211.972	133.690	46.090	-	-	-	58.973
Loans and advances to individuals	997.738	69.870	483.644	210.803	40.411	3.727	-	-	189.283
<b>TOTAL ASSETS</b>	<b>1.546.769</b>	<b>168.141</b>	<b>695.616</b>	<b>344.493</b>	<b>86.501</b>	<b>3.727</b>	<b>-</b>	<b>-</b>	<b>248.291</b>
Deposits from customers	2.570	931	1.543	-	83	13	-	-	-
Derivative financial liabilities	1.544.897	-	567.429	306.494	670.974	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>1.547.467</b>	<b>931</b>	<b>568.972</b>	<b>306.494</b>	<b>671.057</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION IN SWISS FRANCS</b>	<b>(698)</b>	<b>167.210</b>	<b>126.644</b>	<b>37.999</b>	<b>(584.556)</b>	<b>3.714</b>	<b>-</b>	<b>-</b>	<b>248.291</b>

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

For the year ended 31 December 2013

**37. FINANCIAL RISK MANAGEMENT (cont.)****Foreign currency risk**

Foreign currency 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 impact 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 OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

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**37. FINANCIAL RISK MANAGEMENT (cont.)**

**Liquidity Risk (cont.)**

<b>31.12.2013</b>	<b>Without fixed maturity</b>	<b>On demand 0-7 days</b>	<b>8 days to 3 months</b>	<b>Between 3 months and 1 year</b>	<b>More than 1 year</b>	<b>Total</b>
<b>Assets</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Cash and deposits with Central Bank of Cyprus	-	20.014.125	22.493.838	-	-	42.507.963
Loans and advances to financial institutions	-	226.997.955	5.182.872	-	-	232.180.827
Loans and advances to customers	585.568.896	21.527.368	42.171.954	156.049.660	2.661.743.669	3.467.061.547
Investment securities available for sale	1.650.571	13.904.955	-	-	1.544.995	17.100.521
Derivative financial assets	-	-	-	-	2.469.601	2.469.601
Other assets	5.253.241	-	-	-	0	5.253.241
<b>Total assets</b>	<b>592.472.708</b>	<b>282.444.403</b>	<b>69.848.664</b>	<b>156.049.660</b>	<b>2.665.758.265</b>	<b>3.766.573.700</b>
<b>Liabilities</b>						
Subordinated bonds	-	-	749.083	2.247.250	110.487.167	113.483.500
Deposits from financial institutions	-	5.076.578	42.904.977	8.687.197	1.060.634.215	1.117.302.967
Deposits from customers	-	428.447.313	786.969.990	509.201.008	319.500.224	2.044.118.535
Derivative financial liabilities	-	15.669.463	-	-	-	15.669.463
Other liabilities	24.344.098	-	-	-	-	24.344.098
<b>Total liabilities</b>	<b>24.344.098</b>	<b>449.193.354</b>	<b>830.624.050</b>	<b>520.135.455</b>	<b>1.490.621.606</b>	<b>3.314.918.563</b>
<b>Off balance sheet items</b>						
Letter of guarantees	-	9.846.831	14.595.374	30.306.369	6.891.155	61.639.729
Undrawn Credit facilities	-	27.369.738	142.471.041	255.032	-	170.095.811
	<b>-</b>	<b>37.216.569</b>	<b>157.066.415</b>	<b>30.561.401</b>	<b>6.891.155</b>	<b>231.735.540</b>

Note 1: Liabilities are stated based on the estimated payment at maturity.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**37. FINANCIAL RISK MANAGEMENT (cont.)**

**Liquidity Risk (cont.)**

<b>31.12.2012</b>	<b>Without fixed maturity €</b>	<b>On demand 0-7 days €</b>	<b>8 days to 3 months €</b>	<b>Between 3 months and 1 year €</b>	<b>More than 1 year €</b>	<b>Total €</b>
<b>Assets</b>						
Cash and deposits with Central Bank of Cyprus	-	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	760.530.818	70.474.663	83.836.219	307.865.302	2.514.709.941	3.737.416.943
Investment securities available for sale	1.667.803	52.434.668	20.666.190	11.273.685	106.169.702	192.212.048
Derivative financial assets	-	-	-	-	5.761.965	5.761.965
Other assets	11.930.009	-	-	-	-	11.930.009
<b>Total assets</b>	<b>774.128.630</b>	<b>752.906.622</b>	<b>247.106.554</b>	<b>319.219.551</b>	<b>2.626.641.608</b>	<b>4.720.002.965</b>
<b>Liabilities</b>						
Subordinated bonds	-	-	491.478	1.474.433	109.338.078	111.303.989
Deposits from financial institutions	-	202.392.453	38.741.934	45.302.264	1.290.399.225	1.576.835.876
Deposits from customers	-	569.819.520	889.792.202	740.500.030	499.592.170	2.699.703.922
Derivative financial liabilities	-	2.208.275	-	-	-	2.208.275
Other liabilities	16.841.194	-	-	-	-	16.841.194
<b>Total liabilities</b>	<b>16.841.194</b>	<b>774.420.248</b>	<b>929.025.614</b>	<b>787.276.727</b>	<b>1.899.329.473</b>	<b>4.406.893.256</b>
<b>Off balance sheet items</b>						
Letter of guarantees	-	2.593.925	25.151.860	42.868.366	7.582.703	78.196.854
Undrawn Credit facilities	-	26.003.587	139.499.994	265.032	-	165.768.613
	<b>-</b>	<b>28.597.512</b>	<b>164.651.854</b>	<b>43.133.398</b>	<b>7.582.703</b>	<b>243.965.467</b>

Note 1: Liabilities are stated based on the estimated payment at maturity.



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**37. FINANCIAL RISK MANAGEMENT (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 Group 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 processing of data relating to operational risk events
- The evaluation of the risk and the determination of risk mitigation action

Under this 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, all data is recorded in the specialized system which is located at the parent company Alpha Bank S.A. This is the tool used for input and processing of operational risk data that is classified according to Banking activity sector as defined by Basel II.

Simultaneously the Group in cooperation with Alpha Bank S.A. Group has established a number of Risk Indicators for which it collects data. These indicators help monitor operational risk.

In managing operational risk, structured self-assessments are conducted by business units as well as infrastructure and support units with the aim of identifying, recording, and evaluating potential operational risk and action plans are drafted to counter it.

**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, or executive duties, or other audit / internal audit duties. The division reports directly to the Managing Director, is supervised by the Group Compliance Head of the Group and reports to the Board of Directors through the Audit Committee.

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**37. FINANCIAL RISK MANAGEMENT (cont.)****Regulatory compliance (cont.)**

The aim of the Compliance Division 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.

Additionally, 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 supervisory framework in place in relation to the prevention of the financial system being used for money laundering and the financing of terrorism.

**Financial assets – liabilities subject to offsetting**

At 31 December 2013, there were no transactions for which the Group was required to offset its financial assets or financial liabilities in accordance with the requirements of IAS 32.

**38. OPERATING ENVIRONMENT**

During 2013 the Cyprus economy entered a period of deep recession following the agreement for financial support with the European Union, the European Central Bank and the International Monetary Fund (the “Troika”). The agreement that was ratified by the Eurogroup on 25 March 2013 included the provision of financial assistance to the Republic of Cyprus of up to €10 billion subject to compliance with the macroeconomic adjustment program. The decision included the recapitalization of the two largest banks in Cyprus through a “bail in” process.

On 22 March 2013 legislation was enacted by the House of Representatives concerning restrictive measures in respect of transactions executed through the banking institutions operating in Cyprus. The extent and duration of the restrictive measures are decided by the Minister of Finance and the Governor of the Central Bank of Cyprus and were enforced on 28 March 2013. The temporary restrictive measures, with respect to banking and cash transactions include restrictions on cash withdrawals, the cashing of cheques and transfers of funds to other credit institutions in Cyprus and abroad. The temporary restrictive measures regarding the movements of capital were deemed necessary due to the lack of credibility in the banking sector.

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**38. OPERATING ENVIRONMENT (cont.)**

On 29 March 2013 the Central Bank of Cyprus issued decrees relating to Laiki Bank and Bank of Cyprus, implementing measures for these two banks under the Resolution of Credit and Other Institutions Law of 2013. On the basis of the relevant decrees, Laiki Bank was placed into resolution. The recapitalization process for the Bank of Cyprus was completed in accordance with the relevant decrees of the Resolution Authority through a “bail-in” process.

Within this framework, a new economic environment was formed in Cyprus and the banking sector in particular. During 2013 the Cyprus economy contracted with a decrease in the Gross Domestic Product by 5,4%. In addition, unemployment level increased to 17% at the year end.

Irrespective of the above, the macroeconomic performance during 2013 was better than the program preliminary targets. As a result of this, the first and second review of Cyprus economic program by Troika were positive. During 2013, the Eurogroup approved the disbursement of the scheduled tranches of financial assistance to Cyprus.

The third review was conducted early in 2014 and was also positive, and on 2 April 2014 Eurogroup approved the disbursement of the next tranche.

The two decrees imposed by the Cyprus Government concerning restrictive measures in the banking activities were gradually relaxed based on the 8<sup>th</sup> of August 2013 agreement between Cyprus Government and Troika.

The changes to the regulatory environment, the restrictions imposed on the movement of funds and in general the negative economic environment, have a negative impact on the Company’s activities. The Company through the application of a strict risk management framework aims to maintain and develop selected activities in order to return to growth as soon as the economy allows it.

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**39. FAIR VALUE**

The fair value represents the amount that an entity would have received upon the disposal of an asset or the amount that the entity would have paid in order to transfer a liability, in an ordinary transaction between market participants, at the valuation date.

The table below depicts the fair value of financial instruments which measures fair value not based on the fair value hierarchy assessment but instead using amortizing method.

**Fair value hierarchy of financial assets and liabilities measured at fair value**

	31.12.2013			Total fair value	Total book value
	Level 1	Level 2	Level 3		
	€	€	€	€	€
<b>Financial assets</b>					
Loans and advances to customers	-	-	3.467.112.000	3.467.112.000	3.467.061.546
<b>Financial liabilities</b>					
Subordinated Bonds	-	50.000.000	-	50.000.000	100.274.358
Deposits from customers	-	-	2.032.364.778	2.032.364.778	2.031.940.141

The fair value of deposits and bonds is calculated on the basis of interbank interest rate curve after subtracting the margin of each type of deposit. The future cash flows are discounted depending on the duration of the deposit and the corresponding interest rates.

The fair value of loans is calculated on the basis of interbank interest rate curve to which both the liquidity premium and the credit risk spread are added.

The fair value of all other financial assets and liabilities measured at amortized cost does not materially differ from the respective carrying amount.

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**39. FAIR VALUE (cont.)**

**Fair value hierarchy of financial assets and liabilities measured at fair value**

	<b>31.12.2013</b>			
	Level 1	Level 2	Level 3	Total fair value
	€	€	€	€
<b>Financial Assets</b>				
Investment available for sale	-	15.444.950	1.650.571	17.100.521
Derivative financial assets	-	2.469.601	-	2.469.601
<b>Financial liabilities</b>				
Derivative financial liabilities	-	15.669.463	-	15.669.463

To determine the fair value of the Group investment in the company JCC Payments Systems Limited at Level 3, a valuation method has been used based on the net position of the company.

The various levels are defined as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**40. CAPITAL ADEQUACY**

The capital adequacy of the Company is supervised by the Central Bank of Cyprus in accordance with the Directive on the calculation of capital requirements and large exposures.

During 2013, the Central Bank of Cyprus required, for Pillar I, a minimum 8% Core Tier I ratio plus a margin calculated based on the percentage of the assets of the Company compared to the gross domestic product of Cyprus. In addition, the Central Bank of Cyprus required a minimum Tier I ratio equal to Core Tier I plus a margin of 1,5% and a minimum total capital adequacy ratio equal to Tier I plus a margin of 2%. As at 31 December 2013, the Central Bank of Cyprus increased the Core Tier I ratio to 9%, with a temporary suspension (with no minimum) of the capital requirements for Tier I and total capital adequacy ratio. The Central Bank of Cyprus may require additional capital requirements for risks not fully covered by Pillar I (Pillar II).

The Company fully complied with the minimum capital requirements during 2013.

The Company during 2013 increased its capital base by €129mil. capital (€65mil shares and €64mil. convertible capital securities). The increase in capital was determined by the Central Bank of Cyprus, according to the capital needs of the Company based on the adverse scenario of the diagnostic assessment carried out by PIMCO for the year 2012. The diagnostic review undertaken as part of the assessment of the banking system of the country and aimed at determining the capital requirement of each company, based on a basic and adverse macroeconomic scenario for the next three years.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**40. CAPITAL ADEQUACY (cont.)**

Capital adequacy ratios are analysed below:

	31.12.2013	31.12.2012
	€'000	€'000
<i>Capital base</i>		
Share Capital	135.575	118.575
Share premium	63.335	15.335
Retained earnings	265.017	368.881
Difference from conversion of share capital	600	600
Less: Intangible assets	(1.009)	(936)
Less: Investment revaluation reserve	(79)	-
<b>Total Core Tier I capital</b>	<b>463.439</b>	<b>502.455</b>
Convertible capital securities	64.000	-
<b>Total Tier I capital</b>	<b>527.439</b>	<b>502.455</b>
Subordinated bonds	90.000	100.000
Investment revaluation reserve	-	1.933
<b>Total capital</b>	<b>617.439</b>	<b>604.388</b>
 <b>Total risk weighted assets</b>	 <b>2.920.063</b>	 <b>3.292.175</b>
 <b>Core Tier I ratio</b>	 <b>15,9%</b>	 <b>15,3%</b>
<b>Tier I ratio</b>	<b>18,1%</b>	<b>15,3%</b>
<b>Total capital adequacy ratio</b>	<b>21,1%</b>	<b>18,4%</b>

Since 1 January 2014, a new regulation known as CRR and a new directive known as CRD IV are effective for the capital adequacy calculations. The Central Bank of Cyprus has chosen to gradually implement the new regulation and directive based on the transitional provisions which have not yet been determined. The Company is evaluating the potential impact on its capital and capital requirements from the adoption of CRR and CRD IV. The Company expects that the impact of the application of CRR and CRD IV will be manageable.

The Company takes part in the exercise of banking supervision in accordance with the provision of the regulation on the single supervision mechanisms through its parent company Alpha Bank S.A.

**41. PARTICIPATION OF DIRECTORS IN THE COMPANY'S SHARE CAPITAL**

The Board of Directors members, their spouses and their children do not hold directly or indirectly any interest in the Company's share capital in accordance with article 60(4) of the Cyprus Stock Exchange Law at 31 December 2013.

During the period covering from 31 December 2013 and 30 days before the notification for convening the Annual General Meeting, there was no fluctuations in the above amounts.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**42. RELATED PARTY TRANSACTIONS**

Related Parties includes the spouses, the children and companies in which any Board of Director members or Key Management Personnel holds directly or indirectly at least 20% of the voting rights in a General Meeting. All transactions with the board members, the key management personnel and their related parties are performed at arm's length.

**(i) Transactions with Directors**

	31.12.2013	31.12.2012
	€	€
Loans and advances to Board of Directors Members and Related Parties	<u>471.453</u>	<u>1.489.208</u>
Deposits by Board of Directors Members and Related Parties	<u>1.003.244</u>	<u>1.071.666</u>
<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	554.262	597.744
Social insurance contributions by employer etc.	16.065	12.133
Retirement benefits	23.893	18.676
Total remuneration for Executive Directors	<u>594.220</u>	<u>628.553</u>

Credit facilities to executive and non-executive directors, per director, do not exceed 1% of the Group's net assets

**(ii) Transactions with Key Management**

The Group considers the members of the Executive Committee and the Internal audit Manager as Key Management.

	31.12.2013	31.12.2012
	€	€
Loans and advances to Key Management Personnel and Related Parties	<u>985.355</u>	<u>683.284</u>
Deposits by Key Management Personnel and Related Parties	<u>2.268.749</u>	<u>1.021.388</u>
Key Management Personnel		
Salaries and benefits	866.432	1.068.207
Social insurance contributions by employer etc.	82.252	97.587
Retirement benefits	114.192	132.846
Total remuneration for Key Management Personnel	<u>1.062.876</u>	<u>1.298.640</u>

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**42. RELATED PARTY TRANSACTIONS (cont.)**

**(ii) Transaction with parent company**

During the year, the parent company Alpha Bank S.A. has granted bank guarantees totaling €179.361.029 (2012: €328.881.539) in relation to loans and advances granted to specific clients.

	31.12.2013 €	31.12.2012 €
<b>Assets</b>		
Loans and advances to financial institutions	227.975.038	696.600.336
Derivative financial instruments	<u>2.469.550</u>	<u>5.616.900</u>
	<u>230.444.588</u>	<u>702.217.236</u>
<b>Liabilities</b>		
Deposits by financial institutions	1.066.460.919	1.432.912.364
Derivative financial instruments	15.669.463	2.208.274
Bonds	21.646.200	20.204.200
Other liabilities	<u>59.388</u>	<u>35.703</u>
	<u>1.103.835.970</u>	<u>1.455.360.541</u>
	From 1 January to 31.12.2013 €	31.12.2012 €
<b>Income</b>		
Interest income	4.520.012	10.843.864
Gain on revaluation of derivative financial instruments	<u>-</u>	<u>1.072.611</u>
	<u>4.520.012</u>	<u>11.916.475</u>
<b>Expenses</b>		
Interest expense	4.068.911	17.163.432
Loss on revaluation of derivative financial instruments	<u>331.325</u>	<u>-</u>
	<u>4.400.236</u>	<u>17.163.432</u>



## THE GROUP OF ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**42. RELATED PARTY TRANSACTIONS (cont.)****(iii) Transactions with Alpha Bank S.A. Group companies**

	31.12.2013 €	31.12.2012 €
<b>Assets</b>		
Loans and advances by financial institutions	26.616	221.861
Other assets	<u>100</u>	<u>-</u>
	<u>26.716</u>	<u>221.861</u>
<b>Liabilities</b>		
Deposits by customers	19.917.510	16.535.494
Bonds	4.700.000	4.900.000
Other liabilities	13.334	8.659
Other payable accounts	<u>16.261.670</u>	<u>4.064.627</u>
	<u>41.092.514</u>	<u>25.508.780</u>
	From 1 January to	
	31.12.2013	31.12.2012
	€	€
<b>Income</b>		
Gain on sale of investment in subsidiary	-	12.307.034
Interest Income	-	3.207.220
Commission receivable	<u>759.145</u>	<u>617.785</u>
	<u>759.145</u>	<u>16.132.039</u>
<b>Expenses</b>		
Interest Expense	910.645	10.129.707
Loss on sale of investment in subsidiary	85.400	-
Other expenses	<u>660.151</u>	<u>150.468</u>
	<u>1.656.196</u>	<u>10.280.175</u>

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**43. 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:

	2013 €	2012 €
1 January	-	3.301.512
Profit for the year	-	385.194
Deficit from revaluation of available for sale investments	-	(333.093)
Sale of investment in subsidiary company	<u>-</u>	<u>(3.353.613)</u>
31 December	<u>-</u>	<u>3.301.512</u>

**44. GOING CONCERN PRINCIPLE**

The consolidated financial statements were prepared on a going concern basis. During the examination of the ability of the Group to operate as a going concern, the Board of Directors took into regard the results of the check by PIMCO which was aimed, amongst other things, at determining the capital requirements of each bank based on a basic and adverse macroeconomic scenario for the next three years. The Company during 2013 reinforced its capital base by €129 mil. by issuing ordinary shares worth €65 mil. and convertible bonds worth €64 mil. thereby covering in full the requirement of the adverse scenario.

At the present stage, the Company takes part through its parent company Alpha Bank S.A. in supervisory banking exercises in accordance to the provisions of the annual supervisory mechanism. The Board of Directors is not in a position to predict all the outcomes that may have an impact on the Group from the forthcoming exercise and as a result the impact on the financial performance, cash flow, financial position and capital of the Group.

The Board of Directors estimate that should further capital requirements arise, they will be manageable and may be covered via the business plan in place. As a result of the above, the consolidated financial statements have been prepared on a going concern basis.

**45. EVENTS AFTER THE REPORTING PERIOD**

Important events which occurred in the economic environment of the Group after the reporting period, are described in note 38 of the consolidated financial statements.

The consolidated financial statements were approved for issue by the Board of Directors of the Company on 30 April 2014.

**Additional risks disclosures 2013**

**THE GROUP OF ALPHA BANK CYPRUS LIMITED****Additional risks disclosures  
(unaudited)****Definitions:**

According to the Central Bank of Cyprus Directive which entered into force on 21 February 2014, “Loan Impairment and Provisioning Procedures” financial institutions should disclose specific information regarding the quality of their loan portfolio. The relevant tables are presented below. The definitions used are in accordance with the Central Bank of Cyprus Directive on the definitions of non performing and restructured credit facilities which entered into force on 1 July 2013.

**Definition of non-performing credit facility**

A non-performing credit facility is defined as:

- A credit facility which presents arrears for a period of more than ninety days,
- A restructured facility which at the time of restructuring was classified as non-performing, or presented accruals for a period of more than sixty days (these provisions do not apply to facilities which were performing as at 15 March 2013, restructured between 18<sup>th</sup> March 2013 and 30<sup>th</sup> September 2013 and the modified repayment schedule do not include lump sum payment equal to 20% or higher of the outstanding balance or grace period over 12 months on interest and grace period over 24 months for capital repayment).
- Restructured more than once over a period of 18 months (facilities fully covered by cash collaterals are exempted).

**Definition of restructured credit facility**

A restructured credit facility is defined as:

- Any action of the credit institution that changes the terms and/or conditions of debtor’s credit facilities aiming to deal with the existing or expected debtor’s difficulties to service the debt according to the existing repayment program.

## THE GROUP OF ALPHA BANK CYPRUS LIMITED

Additional risks disclosures  
(unaudited)ANALYSIS OF LOAN PORTFOLIO BY INDUSTRY – TABLE A

31 December 2013

	Performing credit facilities					Non performing credit facilities €'000
	Total Credit facilities €'000	Other performing credit facilities €'000	Rescheduling €'000	Restructured facilities €'000	Total €'000	
<b>1. Credit facilities to corporate legal entities</b>	<b>1.982.065</b>	<b>155.081</b>	<b>912.045</b>	<b>152.744</b>	<b>1.219.870</b>	<b>762.195</b>
Construction	1.199.667	17.110	523.992	114.562	655.664	544.003
Real estates	435.399	28.949	327.168	6.881	362.998	72.401
Tourism	110.924	36.151	25.643	24.395	86.189	24.735
Wholesale and retail trade	102.867	8.880	22.981	6.906	38.767	64.100
Manufacturing	56.263	25.548	1.018	-	26.566	29.697
Other	76.945	38.443	11.243	-	49.686	27.259
<b>2. Credit facilities to retail legal entities</b>	<b>258.824</b>	<b>68.007</b>	<b>26.314</b>	<b>11.465</b>	<b>105.786</b>	<b>153.038</b>
Construction	109.076	17.582	15.121	3.950	36.653	72.423
Real estates	46.258	16.986	3.008	1.098	21.092	25.166
Tourism	22.664	6.142	2.601	3.700	12.443	10.221
Wholesale and retail trade	17.673	5.320	717	305	6.342	11.331
Manufacturing	11.860	3.317	1.109	243	4.669	7.191
Other	51.293	18.660	3.758	2.169	24.587	26.706
<b>3. Credit facilities to private individuals</b>	<b>1.924.866</b>	<b>496.858</b>	<b>212.031</b>	<b>311.004</b>	<b>1.019.893</b>	<b>904.973</b>
Credit facilities for the purchase/ construction of immovable property	1.682.149	424.365	212.030	280.309	916.704	765.445
(a) owner occupied	495.808	154.009	64.505	77.859	296.373	199.435
(b) for other purposes	1.186.341	270.356	147.525	202.450	620.331	566.010
Consumer loans	172.208	36.557	1	24.498	61.056	111.152
Credit cards	13.413	8.584	-	1	8.585	4.828
Current accounts	41.162	23.398	-	4.976	28.374	12.788
Credit facilities to sole traders	15.934	3.954	-	1.220	5.174	10.760
<b>4. Total credit facilities (1+2+3)</b>	<b>4.165.755</b>	<b>719.946</b>	<b>1.150.390</b>	<b>475.213</b>	<b>2.345.549</b>	<b>1.820.206</b>
<b>Provisions</b>	<b>698.694</b>	<b>6.736</b>	<b>22.938</b>	<b>34.562</b>	<b>64.236</b>	<b>634.458</b>

Note 1: The restructurings include credit facilities whose terms have been amended for reasons other than the financial difficulties of the borrower.

**THE GROUP OF ALPHA BANK CYPRUS LIMITED**

**Additional risks disclosures  
(unaudited)**

**ANALYSIS OF LOAN PORTFOLIO BY DATE OF GRANTING THE FACILITY – TABLE B**

**31 December 2013**

Date facility granted	Total loan portfolio			Credit facilities to legal entities			Credit facilities to private individuals for the purchase/construction of immovable property			Other credit facilities to private individuals		
	Total credit facilities	Non-performing credit facilities	Impairment provision	Total credit facilities	Date facility granted	Total credit facilities	Non-performing credit facilities	Impairment provision	Total credit facilities	Date facility granted	Total credit facilities	Non-performing credit facilities
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Within 1 year	51.456	16.557	4.280	26.574	11.522	1.226	10.874	2.079	909	14.009	2.957	2.145
1 - 2 years	134.051	39.338	12.970	92.681	26.715	7.202	15.138	2.092	718	26.232	10.531	5.049
2 - 3 years	85.239	32.052	8.768	52.207	19.026	3.957	17.995	3.876	1.071	15.038	9.150	3.740
3 - 5 years	543.687	312.005	109.170	273.011	190.112	58.032	233.851	99.196	41.869	36.825	22.697	9.269
5 - 7 years	2.532.142	1.063.885	433.855	1.328.187	479.246	178.552	1.127.845	532.945	233.031	76.110	51.694	22.273
7 - 10 years	547.455	256.125	87.466	247.119	117.012	34.475	257.937	114.691	43.604	42.399	24.422	9.387
More than 10 years	271.724	100.244	42.184	221.110	71.600	32.243	18.509	10.568	2.561	32.104	18.077	7.380

Note 1: The loans to individuals for the purchase/construction of immovable property includes housing loans and loans for other purposes

Note 2: The other credit facilities to private individuals includes all other loans to individuals