ALPHA BANK CYPRUS LIMITED

ANNUAL REPORT
For the period from 1 January to 31 December 2015

Nicosia,
26 April 2016

REPORT FOR THE YEAR 2015

TABLE OF CONTENTS

BOARD OF DIRECTORS AND PROFESSIONAL ADVISERS

Board of Directors	Sp. N. Filaretos, Chairman (Resigned on 29.3.2016)
	A. M. Michaelides Chairman (Appointed on 29.3.2016)
	Ch. C. Giampanas, Vice-Chairman
	G. A. Georgiou, Managing Director
	Dr. A. K. Kritiotis
	I. Rouvitha Panou (Appointed on 28 January 2015)
	C.N.Papadopoulos (Appointed on 23 October 2015)
	N. Mavrogenis
	I.S.Monastiriotis (Resigned on 23 October 2015)
	L. A. Papagarifallou (Resigned on 28 January 2015)
Secretary	M. Malahtou Pampalli
Legal Advisers	Chryssafinis & Polyviou LLC
	Andreas V. Zachariou & Co. LLC
Independent Auditors	KPMG Limited
Registered Office	Corner of Chilonos & Gladstonos Street Stylianou Lena Square, Nicosia
Head Office	Alpha Bank Building 3, Limassol Avenue Nicosia

STATEMENT BY THE MEMBERS OF THE BOARD OF DIRECTORS AND THE PERSON RESPONSIBLE FOR THE PREPARATION OF THE ANNUAL FINANCIAL REPORT

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 Bank's person responsible for the financial statements of Alpha Bank Cyprus Limited for the year ended 31 December 2015, confirm that, to the best of our knowledge:

a) the annual financial statements which are presented on pages 23 - 133:

   (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 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 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 Bank's financial statements

A. M. Michaelides – Chairman

Ch. C. Giampannas – Vice-Chairman

G. A. Georgiou – Managing Director

I. Rouvitha Panou – Board Member

Dr. A. K. Kritiotis – Board Member

C.N.Papadopoulos – Board member

N. Mavrogenis – Board Member

D. Karatsis – Head of Financial Control Division

Nicosia, 26 April 2016

BOARD OF DIRETORS' REPORT

The Board of Directors of Alpha Bank Cyprus Limited (the "Bank") presents to the members its annual report and the audited financial statements of the Bank for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

During 2015, the Bank continued to conduct full banking operations by providing a wide range of banking and financial services.

The Bank is a subsidiary of Alpha Bank S.A., which is registered in Greece, and member of Alpha Bank Group (the "Alpha Bank Group")

REVIEW OF THE DEVELOPMENTS, POSITION AND PERFORMANCE OF ACTIVITIES

Key financial figures		**From 1 January to**	
In €' m.	*Change*	**31.12.2015**	**31.12.2014**
Net interest income	-7,1%	106,0	114,1
Total income	-10,2%	112,6	125,4
Total expenses	1,6%	57,7	56,8
Profit from operations before provisions	-20,0%	54,9	68,6
Impairment losses and provisions to cover credit risk	-35,8%	99,6	155,1
Loss after tax	-46,2%	-44,7	-83,1
Loss per share		-26,2 cent	-52,1 cent

In €'m.		**31.12.2015**	**31.12.2014**
Net loans and advances to customers	-23,1%	2.036.5	2.646,6
Due to customers	-11,6%	1.851,8	2.095,5
Common Equity Tier I ratio (CET I)	240 basis points	17,5%	15,1%

Net Interest income amounted to Euro 106.0 million in 2015, presenting a decrease of 7.1% compared to Euro 114.1 million in 2014. The decrease is attributed mainly to the transfer of loans to a company of the Alpha Bank Group and the decrease of loan interest rates.

Total income of the Bank amounted to Euro 112.6 million in 2015, presenting a decrease of 10.2%, compared to Euro 125.4 million in 2014. The decrease is attributed mainly to the decrease of the loan portfolio and the decrease of loan interest rates.

Total expenses of the Bank increased slightly in 2015 by 1.6%, from Euro 56.8 million in 2014 to Euro 57.7 million in 2015. Total expenses were impacted by the absorption of the operations of Emporiki Bank Cyprus Ltd. Cost to income ratio stands at 51.2% compared to 45.3% in 2014, mainly due to the decrease of income.

Impairment losses and provisions to cover credit risk decreased in 2015 by 35.8% to Euro 99.6 million compared to Euro 155.1 million in 2014 mainly attributed to the deleveraging efforts of the Bank.

REVIEW OF THE DEVELOPMENTS, POSITION AND PERFORMANCE OF ACTIVITIES (cont.)

Accumulated impairments to cover credit risk increased in 2015 to Euro 798.2 million and cover 28.2% of gross total loans compared to 23.0% in 2014. Impairments include the fair value adjustment of Emporiki Bank Cyprus Ltd loan portfolio, which was acquired at fair value.

Net loans and advances to customers on 31 December 2015 amounted to Euro 2,036.5 million compared to Euro 2,646.6 million on 31 December 2014. The decrease was the result of the deleveraging efforts of the Bank.

Non performing exposures, according to the European Banking Authority definition, stood at Euro 1,735.2 million representing 61% of gross loans. Loans over 90 days past due stood at Euro 1,444.3 million representing 51% of gross loans. The coverage ratio of non performing exposures, according to the European Banking Authority definition, increased in 2015 to 46.0% compared to 40.1% in 2014. The coverage ratio of loans over 90 days past due, reached 55.3% in 2015 compared to 56.1% in 2014.

Deposits from customers amounted to Euro 1,851.8 million on 31 December 2015, compared to Euro 2,095.5 million on 31 December 2014 reporting a decrease of 11.6%. The decrease was mainly attributed to the withdrawal of deposits, driven from the unstable economic environment in Greece. Currently the Bank presents an increase in customer deposits, due to the improvement of the economic environment. Loans to Deposits Ratio on 31 December 2015 stood at 110.0% compared to 126.3% on 31 December 2014.

FINANCIAL REULTS

The results of the Bank are presented in the Statement of Comprehensive Income on page 23 of the financial statements.

The losses for the year attributable to the owners amounted to €44,729 thous. (2014: losses €83,143 thous.)

DIVIDENDS

The Board of Directors does not recommend the payment of dividend for the year 2015 (2014: €nil).

RISK MANAGEMENT

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

Alpha Bank Group has implemented a comprehensive framework for the prudent management of risk based on the foremost supervisory practices and which, based on common European legislations and prevailing system common banking rules, principles and standards, is continuously evolving with the passage of time in order to be applied in a coherent and effective way in the daily operations of the activities of the Bank.

The main risks inherent due to the nature of operations of the Bank are credit risk, liquidity risk, market risk (mainly interest and exchange rates), operational risk and compliance risk.

RISK MANAGEMENT (cont.)

The ultimate goal of the Alpha Bank Group is to enhance internal corporate governance given the evolving macroeconomic and financial environment.

The main objective of Alpha Bank Group during 2015 was to maintain the high standards of internal corporate governance and compliance with risk regulations and directives in order to enhance confidence in its operational activities via the provision of the appropriate financial services.

Additionally, as of November 2014, Alpha Bank Group falls within the scope of the Single Supervisory Mechanism (SSM) – the new financial supervisory system which includes the European Central Bank (ECB) and the Bank of Greece and, being systemic banking institution, is supervised directly by the European Central Bank (ECB).

The Single Supervisory Mechanism operates in conjunction with the European Banking Authority, the European Parliament, the Eurogroup, the European Commission and the European Systemic Risk Board within the framework of their respective competencies.

Also, as of 1 January 2014 Directive 2013/36/EE of the European Parliament and Council, of 26 June 2013 and Regulation 575/2013 of the European Parliament and Council of 26 June 2013 («CRD IV») came into force, which gradually introduce the new capital adequacy framework for credit institutions, in accordance with Basel III standards.

In light of the new supervisory and regulatory framework for risk management, the Alpha Bank Group has strengthened its internal governance and strategy for the undertaking and management of risk and adjusted its business model in order to fully comply with the more stringent regulatory requirements and extensive guidelines which concern the monitoring of data on all types of risk, the collection of such data and its integration into the required submission of reports and accounts to Management and the supervisory authorities.

The Alpha Bank Group's new approach, constitute of a solid foundation for the continuous redefinition of Risk Management strategy through (a) the determination of the extent to which the Bank is willing to undertake risks (risk appetite), (b) the assessment of potential impacts of activities in the development strategy by defining the risk management limits, so that the relevant decisions to combine the anticipated profitability with the potential losses and (c) the development of appropriate monitoring procedures for the implementation of this strategy through a mechanism which allocates the risk management responsibilities between the Bank units.

A detailed description of risk management is presented in note 35 of the financial statements.

CAPITAL ADEQUACY

Capital adequacy – Ratios

On December 31, 2015 Common Equity Tier I (CETI) ratio of the Bank was 17.5% ,Tier I ratio was 20.5% and total Capital Adequacy ratio was 23.4%.

The capital adequacy of the Bank on December 31, 2015 exceeds the minimum capital requirements for Pillar I and Pillar II, allowing the Bank to have a capital buffer. In early 2015, the European Central Bank (ECB), notified the Bank of its final decision on the minimum capital adequacy ratio required on an ongoing basis.

CAPITAL ADEQUACY (cont.)

Capital adequacy – Ratios (cont.)

The minimum Common Equity Tier I ratio (transitional definition) according to the Pillar I capital requirements, is set at 8% and the additional requirement to cover Pillar II for Common Equity Tier I ratio (transitional definition) was set by ECB at 3.5% on December 31, 2013, while the Tier I ratio (transitional definition) was set at 5.5%

According to ECB's decision, Common Equity Tier I ratio (transitional definition) may decrease from provisions recognised after December 31, 2013 up to 8%. As a result, the capital requirements resulting from Pillar II are dynamic and subject to change depending on the performance of the Bank.

Capital adequacy – Alpha Bank A.E.

Comprehensive Assessment

During the third quarter of 2015, according to the agreement for Financial ASupport to be provided by the European Stability Mechanism, the Alpha Bank Group participated in the Comprehensive Assessment (CA) of the four systemic banks of Greece performed by the Single Supervisory Mechanism. It covered the Assets Quality Review and the stress tests. The results of the CA were published on 31 October 2015. The Group presented zero capital needs on the AQR which amounted to provisions of Euro 1.7 billion. The capital needs of that assessment under the base scenario were Euro 262.6 million and under the adverse scenario Euro 2.743 million. The needs were limited to Euro 2.563 million, considering before impairment results of quarter three.

This was achieved despite the repayment of preference shares amounting to € 940 mil. in 2014, and the limits of 9.5% and 8% for the baseline and adverse scenario respectively.

Successful Recapitalization

After the announcement of the stress tests results, the Bank successfully completed the capital needs of € 2.563 billion via a Liability exercise and the increase of share capital for cash by €1.552 billion. The share capital increase was completed through a private placement to qualified and other eligible investors.

SIGNIFICANT FACTS

In the first quarter of 2015 the Bank acquired Emporiki Bank Cyprus Ltd, which was operating in Cyprus as a subsidiary of Alpha Bank A.E. For the completion of the transaction, the Bank issued common shares that were exchanged with the existing shareholders of Emporiki Bank Cyprus Ltd.

During 2015, the Bank transferred loans with net book value of Euro 949 million to a company of Alpha Bank Group that resulted in the improvement of the capital adequacy ratios and the liquidity position of the Bank.

The Bank participated in the project of SMEs lending with the support of the European Investment Bank, aiming to assist the growth of the Cyprus economy.

BOARD OF DIRECTORS' REPORT (cont.)

SIGNIFICANT FACTS (cont.)

The Bank continued its efforts to contain non performing loans by offering restructuring solutions under the provisions of the directives and regulations of the Central Bank of Cyprus and also contain operational expenses.

The Bank announced a Voluntary Retirement Scheme in an effort to decrease operational expenses. The period for acceptance was between 29.2.2016 and 24.3.2016. A number of 247 employees applied for the scheme. The total compensation for the leaving employees amount to Euro 31.3 million. The estimated annual saving cost is Euro 12.7 million.

DEVELOPMENTS AND PROSPECTS

The improvement of the economy and the structural reforms that are implemented, on the basis of the program agreed with Troika (European Commission, European Central Bank and International Monetary Fund), which was completed in March 2016, is expected to limit the risks to which the Bank is exposed. According to the projections of the International Monetary Fund that were issued in April 2016, the Cyprus economy is estimated to present positive growth of 1.6% for 2016. This signals the end of the recession for the Cyprus economy. Despite the positive projections, the unemployment rate is not expected to improve significantly (15.3% for 2015 and 14.2% for 2016).

The internal factors that contributed to the recovery of both the economy and the banking sector are the continuing credit rating upgrades of Cyprus by independent rating agencies, the positive assessment of the adjustment program of the Republic of Cyprus by Troika and the abolition of all capital controls. The stabilization of customer deposits in 2015 is supported by the increased confidence on the Cyprus economy.

The successful issue by the Republic of Cyprus in April 2015 of Euro 1 billion seven-year bond loan at 3.875% followed by a second issue of Euro 1 billion ten-year bond loan at 4.25% in October 2015 proves the restoration of confidence to Cyprus. As a result of the above issues, Cyprus Republic maintains a liquidity surplus of Euro 1 billion to meet its short term financial needs.

The external factors which are expected to support the growth of Cyprus economy are, the increase of GDP in the European Union and the Eurozone, the low international oil prices and the low inflation in the EU that will lead to higher real incomes and strengthen external demand. Tourism is expected to further support the recovery of the economy, given the political problems that other competitive countries in the region are facing.

The restoration of confidence in the Cyprus economy by foreign investors is demonstrated by the recent investments in both the banking and retail sectors.

Further supportive actions for the banking sector are the passing of laws that make the divestiture procedures simpler and faster. Also, the reduction in domestic lending interest rates is likely to support the growth of the economy.

The main risks and challenges of the Bank are the uncertain and unstable economic environment in Cyprus and Greece, and the high rate of non-performing loans of the banking sector in Cyprus. The non performing loans and the high level of private sector debt remain an unstable factor in the smooth growth of the economy.

BOARD OF DIRECTORS' REPORT (cont.)

DEVELOPMENTS AND PROSPECTS (cont.)

The support of the Greek economy by the European Stability Mechanism has led to a gradual easing of pressures and has stabilized the deposits' base of the Bank. In order to strengthen its capacity to cope with the present circumstances, the Bank has proceeded to restructuring actions of its loan portfolio, as well to actions with the target to expand its deposit base.

Additionally, the Bank monitors the maturity of assets and liabilities and is in constant cooperation with the supervisory authorities so as to take the necessary preventive measures for managing liquidity risk under current conditions.

The Bank will continue to follow a conservative business plan with priority to the following actions:

- strengthen capital adequacy
- effective liquidity management,
- loan portfolio clean up,
- effective management of non performing loans, which will be a decisive factor to generate satisfactory profitability,
- maintain and attract new deposits
- introduce actions with the aim to decrease operational expenses and increase productivity,
- continue the improvement in the service provided to customers.

SHARE CAPITAL

As part of the acquisition of Emporiki Bank Cyprus Ltd, on 30 March 2015 Alpha Bank Cyprus Ltd increased its share capital by issuing 14,974,189 ordinary shares of nominal value €0.85 in favour of the persons who, on the 1st March 2015, were the registered shareholders of Emporiki Bank Cyprus Ltd, at the price of €2.66. The difference between the nominal value and the issue price was credited to the account "Share Premium" in Equity.

BRANCHES

The Bank is currently comprised of a modern network of 24 branches (2014:25) and other specialized units which are effectively supported by ATMs, internet banking and mobile banking. The number of branches has decreased by 1 (one) during the year as part of the strategy to contain operating expenses and increase productivity.

BOARD OF DIRECTORS

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

A. M. Michaelides, Chairman (as of 29.3.2016)
Ch. C. Giampanas, Vice-Chairman
G. A. Georgiou, Managing Director
Dr. A. K. Kritiotis
C.N.Papadopoulos
N. Mavrogenis
I. Rouvitha Panou (as of 28 January 2015)

BOARD OF DIRECTORS' REPORT (cont.)

CORPORATE GOVERNANCE REPORT - 2015

Introduction

Alpha Bank Cyprus Limited is a subsidiary of Alpha Bank S.A., which is listed on the Athens Stock Exchange. The stake of Alpha Bank S.A. in Alpha Bank Cyprus Ltd is as below:

Direct stake	98,73%
Indirect stake through other companies of the Group	1,27%
Total	100,00%

The corporate governance framework ensures that the Bank is operating correctly and efficiently. For the implementation of the Corporate Governance Framework, the Bank follows the provisions of a relative Directive issued by Central Bank of Cyprus. The operations of the Bank, as a member of Alpha Bank Group, are also closely supervised by the parent company.

Ethics

The Bank applies 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.

Commitments
The Bank undertakes the following commitments with regard to its business activities:

- **Towards its clientele**, the Bank undertakes to provide them with full priority in services and a continued improvement in the quality of reception, information and provided services.
- **Towards its shareholders**, the Bank commits to increase goodwill and to secure a reasonable return for its investments.
- **Towards its personnel**, the Bank 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,** the Bank 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 the Bank, whose ultimate purpose is the development and good standing of the Group, is governed by principles imposed by Law or Ethics, such as:

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

CORPORATE GOVERNANCE REPORT - 2015

Ethics (cont.)

Obligations

The above obligations and principles give rise to further obligations for management and employees which are recorded in the staff manual, Directives 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 the Bank, the prohibition of discussion and publication of topics of political nature, the creation of debt, the prohibition of gambling, unauthorized duties, the prohibition of accepting gifts whilst providing a service as a director or employee of the bank and the avoidance of conflicts of interest whilst performing transactions.

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

Finally, the Bank enforces the Code of Banking Conduct of the Cyprus Banking Association, of which 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 Bank and to defend the Bank's best interests whilst taking into consideration the interests of other stakeholders of the Bank.

During 2015 and 2016, the Bank has undertaken a series of actions to be aligned with the Directive on Governance and Management Arrangements in Credit Institutions of the Central Bank of Cyprus, including the following:

- review of the Rules and regulation of Board of Directors and its committees ,
- review of the Bank's Memorandum and Articles of Association,
- continue and finalise the composition of the Board and its committees.

The main duties of the Board of Directors according to the revised Directive are:

- setting and overseeing strategy,
- setting and overseeing the bank's structure,
- setting and overseeing the allocation of responsibilities and authority,
- setting and overseeing selection and succession of key functions,
- overseeing senior management,
- setting and overseeing code of business conduct and alert procedures,
- approving and reviewing the supervision of internal control systems, risk management, regulatory compliance and information security,
- setting and overseeing remuneration policy and practices,
- approval of procurement procedures and outsourcing,
- ensuring reliable and transparent financial reporting,
- ensuring effective and transparent communication,
- ongoing monitoring and evaluation of the governance framework.

BOARD OF DIRECTORS' REPORT (cont.)

CORPORATE GOVERNANCE REPORT – 2015 *(cont.)*

Board of Directors (cont.)

The Board of Directors convened on a regular basis in order to fulfill its duties. Within 2015, 11 board meetings took place.

The following provisions apply regarding the structure of the Board :

- The Board consists of not less than 7 members and not more than 13
- The Board is comprised by the Chairman, the Vice Chairman and the members, who are distinguished between executive and non executive.
- At least 50% of the members are independent. The non-executive independent members of the Board of Directors need to fulfill independence criteria which are set by the provisions of 2014 Central Bank of Cyprus Directive in relation to the fitness and probity of the members of the Board.
- The executive members must be at least two (2) and not more than twenty five percent (25%), one of which must be the Managing Director
- The Board is sufficiently diverse as regards age, gender and educational and professional background to reflect an adequately broad range of experiences and facilitate a variety of independent opinions and critical challenge;
- The Board possesses adequate collective knowledge, skills and experience to be able to understand the institution's activities, including the main risks
- For the appointment of new Board members, the approval of Central Bank of Cyprus and the European Central Bank is obtained.

At 31 December 2015, the Board of Directors consisted of the following:

	Name	**Category**	**Profession**
Chairman	Spyros N.Filaretos	Non Executive	Banking
Vice-Chairman	Christos C. Giampanas	Non Executive	Business Consultant
Members	George A. Georgiou	Managing Director	Banking
	Nikolas A. Mavrogenis	Executive – General Director Operations	Banking
	Andreas K. Kritiotis	Independent Non-Executive	CEO of an Insurance Company
	Andreas M. Michaelides	Senior Independent Non-Executive	Accountant/Business Consultant
	C.N.Papadopoulos	Independent Non-Executive	Accountant/Business Consultant
	Irene Rouvitha Panou	Independent Non-Executive	Economist/Business Consultant

BOARD OF DIRECTORS' REPORT (cont.)

CORPORATE GOVERNANCE REPORT – 2015 *(cont.)*

Board of Directors (cont.)

Mr Spyros N. Flilaretos, is an executive officer of the parent company Alpha Bank A.E. Mr Christos C. Giampanas was an executive officer of the parent company Alpha Bank A.E until January 2015.

In order to gradually comply with the new Governance directive, regarding the composition of the Board of the Bank:

- The Board appointed on 28.1.2015 Mrs Irene Rouvitha Panou as a new independent member and accepted the resignation of Mr Lazaros Papagaryphallou who served as non-executive non-independent member.
- The Board appointed on 23.10.2015 Mr Constantinos Papadopoulos as a new independent member and accepted the resignation of Mr Ioannis Monastiriotis who served as non-executive non-independent member.

Upon receipt of the approval of the European Central Bank, the Board appointed on 29.3.2016 Mr. Andreas M. Michaelides as Chairman of the Board and also accepted the resignation of Mr. Spyros N. Filaretos from his position as Chairman and member the Board of Directors. Mr. Andreas Kritiotis was appointed senior independent director. These actions complete the implementation of the restructuring plan of the Board and achieved the objectives regarding its composition. Therefore, the majority of members and the chairman are now independent. At the date of this report, the Board of Directors consists of the following:

	Name	**Category**	**Profession**
Chairman	Andreas M. Michaelides	Independent Non-Executive	Accountant/Business Consultant
Vice-Chairman	Christos C. Giampanas	Non Executive	Business Consultant
Members	George A. Georgiou	Managing Director	Banking
	Nikolas A. Mavrogenis	Executive – Senior Manager Operations	Banking
	Andreas K. Kritiotis	Senior Independent Non-Executive	CEO of an Insurance Company
	C.N.Papadopoulos	Independent Non-Executive	Accountant/Business Consultant
	Irene Rouvitha Panou	Independent Non-Executive	Economist/ Business Consultant

Remuneration of Board Members

The remuneration and benefits of Executive and non-Executive Members are shown in note 40 of the financial statements.

BOARD OF DIRECTORS' REPORT (cont.)

CORPORATE GOVERNANCE REPORT – 2015 (cont.)

Board Committees

The Audit Committee, Risk Committee and the Nominations Committee were active throughout the course of 2015. The responsibilities of the Remuneration Committee have been delegated to the Remuneration Committee of the parent company Alpha Bank S. A., as approved by the Central Bank of Cyprus.

In order to comply with the regulatory framework, the Board of Directors effected the following changes:

- the members of the committees are composed with members that do not perform any executive function
- more than fifty percent (50%), of the committee members must be independent members
- a member of the Board must not be member of more than two (2) committees
- the chairman of the Audit committee must be independent member
- the chairman of the Board must not be member of the Audit committee

Audit Committee

The main responsibilities of the Audit Committee are:

- The monitoring and assessment of the adequacy and effectiveness of internal control systems, within the Framework of Internal control and Regulatory Compliance
- advising the Board regarding the adequacy and effectiveness of the framework for business conduct
- the monitoring of the financial reporting process and the integrity of the bank's financial statements and any formal announcements relating to the bank's financial performance
- Evaluation of the findings and recommendations of internal and external audits and monitoring of the implementation of the necessary corrective measures.

The Committee convenes at least seven times per year or more frequently if required by circumstances. During 2015 the Committee convened eight times.

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

- The organizational structure of the Bank and the meetings held with the Internal Auditor
- The assessment of the effectiveness of Internal Auditors
- The assessment of other audits.

CORPORATE GOVERNANCE REPORT – 2015 (cont.)

Board Committees (cont.)

Audit Committee (cont.)

During 2015, the composition of the Audit Committee was as follows:

From 1.1.2015 to 24.2.2015
- Andreas Michaelides, Chairman
- Christos C. Giampanas
- Andreas Kritiotis

From 25.2.2015 to 22.10.2015
- Andreas Kritiotis, Chairman
- Ioannis Monastiriotis
- Irene Rouvitha Panou

As of 25 October 2015
- Andreas Kritiotis, Chairman
- Irene Rouvitha Panou
- Constantinos Papadopoulos

Risk 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 Bank
- Development and monitoring of the adequacy and effectiveness of the framework and the functioning of the Risk Management and Information Security.
- 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 seven times a year, or more frequently if required by circumstances. During 2015 the Committee convened nine times.

During 2015, the composition of the Risk Committee was as follows:

From 1.1.2015 to 24.2.2015
- Ioannis Monastiriotis, Chairman
- George Georgiou
- Andreas Kritiotis

CORPORATE GOVERNANCE REPORT – 2015 (cont.)

Board Committees (cont.)

Risk Committee (cont.)

As of 25.2.2015
- Andreas M. Michaelides, Chairman
- Christos C. Giampanas
- Irene Rouvitha Panou

Nomination/ Internal Governance Committee (cont.)

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

- assessing periodically, and at least annually the structure, size, composition and performance of the Board as a whole and also ensure that there is a proper balance of diversity, skills and experience in case of succession,
- assessing periodically, and at least annually, the knowledge, skills and experience of individual members ,
- review the policy applied by the Board for the selection, development and appointment of senior management and the recruitment, job rotation and promotion of staff,
- review, in cooperation with the audit and risk committees, their composition, powers and independence of the control departments,
- define the representation of gender in the Board. The target set is to a have a minimum of one presentation from each gender in a Board with seven members. The target has been fulfilled.

The Committee convenes at least once a year or more frequently depending on the circumstances. During 2015 the committee met six times.

During 2015, the composition of the Nominations/ Internal Governance Committee was as follows:

From 1.1.2015 to 24.2.2015
- Christos C. Giampanas, Chairman
- George Georgiou
- Andreas M. Michaelides

As of 25.2.2015
- Christos C. Giampanas, Chairman
- Andreas Kritiotis
- Andreas M. Michaelides

CORPORATE GOVERNANCE REPORT – 2015 (cont.)

Board Committees (cont.)

Summary table of the meetings of the Board and the Committees during 2015.

NAME	BOARD OF DIRECTORS	RISK COMMITTEE	AUDIT COMMITTEE	NOMINATION/ INTERNAL GOVERNANCE COMMITTEE
Spyros N.Filaretos	9/11			
Christos C. Giampanas	9/11	6/8	1/1	6/6
George A. Georgiou	11/11	1/1		2/2
Nikolas A. Mavrogenis	11/11			
Andreas K. Kritiotis	11/11	1/1	8/8	4/4
I. S. Monastiriotis *	8/8	1/1	7/7	
Andreas M. Michaelides	10/11	8/8	0/1	5/6
Constantinos N. Papadopoulos **	2/3		0/1	
Irene Rouvitha Panou	11/11	8/8	7/7	
Total	***11***	***9***	***8***	***6***

* Resigned on 23.10.2015.
** Appointed on 23.10.2015.

SHAREHOLDERS HOLDING MORE THAN 5% OF THE SHARE CAPITAL

As at 31 December 2015 and 26 April 2015, the percentage of shareholders with direct or indirect stake of more than 5% of the issued share capital of the Bank were as follows:

	31 December 2015	26 April 2016
	%	%
Alpha Bank S. A.	100	100

BOARD OF DIRECTORS' INTERESTS IN THE BANK'S SHARE CAPITAL

The direct or indirect shareholding in the Bank held by members of the Board of Directors is described in note 39 of the financial statements.

RELATED PARTY TRANSACTIONS

Transactions with related parties are described in note 40 of the financial statements.

DIRECTORS' REPORT (cont.)

EVENTS AFTER THE BALANCE SHEET DATE

Events after the reporting period are described in note 43 of the financial statements.

INDEPENDENT AUDITORS

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

By order of the Board of Directors,

Maria Malahtou Pampalli
Secretary

Nicosia, 26 April 2016

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

ALPHA BANK CYPRUS LIMITED

We have audited the accompanying financial statements of Alpha Bank Cyprus Limited (the "Bank") on pages 23 to 133, which comprise the Balance Sheet as at 31 December 2015, the 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 Financial Statements

The Board of Directors is responsible for the preparation of 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 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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 financial statements give a true and fair view of the financial position of Alpha Bank Cyprus Limited as at 31 December 2015, 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 1.29.1 of the financial statements which refers to existing uncertainties arising from economic and political circumstances as well as the recent developments in Cyprus and Greece, which could adversely impact the operations, profitability and liquidity of the Bank which cannot be currently, reliably assessed. 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 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 Bank, so far as appears from our examination of these books.
- The Bank’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 6 to 20 is consistent with the financial statements.

Other matters

This report, including the opinion, has been prepared for and only for the Bank's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Accounts Laws of 2009 as this may be amended from time to time, 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

Nicosia, 26 April 2016

Statement of Comprehensive Income

	Note.	From 1 January to 31.12.2015 €'000	31.12.2014* €'000
Interest and similar income	2	147.492	171.111
Interest expense and similar charges	2	(41.466)	(57.017)
Net interest income	2	106.026	114.094
Fees and commission income		9.644	10.542
Commission expense		(1.143)	(1.137)
Net fee and commission income	3	8.501	9.405
Dividend income	4	392	172
Gains less losses on financial transactions	5	(2.578)	1.690
Other income	6	221	-
		(1.965)	1.862
Total income		**112.562**	**125.361**
Staff costs	7	(38.122)	(35.472)
General administrative expenses and other expenses	8	(17.363)	(19.265)
Depreciation and amortization	19 &20	(2.174)	(2.081)
Total expenses		**(57.659)**	**(56.818)**
Impairment losses and provisions to cover credit risk	9	(99.601)	(155.120)
Loss before income tax		(44.698)	(86.577)
Income tax	11	(31)	3.434
Loss after income tax		**(44.729)**	**(83.143)**
Other comprehensive income recognised directly to equity:			
Amounts that may be reclassified in the statement of comprehensive income			
Net change in available for sale securities reserve	30	455	(360)
Total amounts that may be reclassified in the Income Statement after income tax		455	(360)
Total comprehensive expense for the period attributable to the owners of the Bank		(44.274)	(83.503)
Earnings/(Losses) per share :			
Basic and diluted (€ cents)	12	(26,18)	(52,13)

*The figures of the Statement of Comprehensive Income for the comparative period have been restated due to the presentation of "Special tax levy on bank deposits" in "General administrative expenses and other expenses" instead of "Income tax" (Note 8 and 11)

The notes on pages 27 to 133 form an integral part of the financial statements.

Balance Sheet

	Note	31.12.2015 €´000	31.12.2014 €’000
ASSETS			
Cash and cash balances with central banks	13	349.757	74.865
Due from banks	14	58.814	220.436
Investment securities available for sale	15	98.558	341.575
Derivative financial assets	16	2.885	1.279
Loans and advances to customers	17	2.036.547	2.646.640
Investment property	18	2.023	2.023
Property, plant and equipment	19	24.323	24.278
Intangible assets	20	641	876
Deferred tax assets	21	12.061	12.092
Other assets	22	3.213	3.707
Total assets		**2.588.822**	**3.327.771**
LIABILITIES			
Due to banks	23	160.731	654.000
Derivative financial liabilities	16	379	8.865
Due to customers	24	1.851.788	2.095.462
Subordinated bonds	25	116.334	100.256
Other liabilities	26	18.293	24.243
Total liabilities		2.147.525	2.882.826
EQUITY			
Share capital	27	148.303	135.575
Convertible capital securities	28	64.000	64.000
Share premium	29	90.467	63.335
Reserves	30	616	161
Retained earnings	31	137.911	181.874
Total equity		**441.297**	**444.945**
Total liabilities and equity		2.588.822	3.327.771
Off balance sheet items	32	192.568	213.573

The financial statements were approved and authorized for issue by the Board of Directors on 26 April 2016.

A.M.Michaelides	G. A. Georgiou	D. Karatsis
Chairman	Managing Director	Head of Financial Control Division

The notes on pages 27 to 133 form an integral part of the financial statements.

Statement of Changes in Equity

	Share capital (note 27) €´000	Share premium (note 29) €´000	Reserves (note 30) €´000	Retained earnings (note 31) €´000	Convertible capital securities (note 28) €´000	Total equity €´000
Balance 1.1.2015	**135.575**	**63.335**	**161**	**181.874**	**64.000**	**444.945**
Changes for the period 1.1 – 31.12.2015						
Profit for the year, after income tax	-	-	-	(44.729)	-	(44.729)
Other comprehensive income recognized directly in equity	-	-	455	-	-	455
Total comprehensive income for the period, after income tax	**-**	**-**	**455**	**(44.729)**	**-**	**(44.274)**
Transaction with the owners of the Bank						
Negative goodwill from the acquisition of Emporiki Bank Cyprus Ltd (note 41)	-	-	-	766	-	766
Share capital increase	12.728	27.132	-	-	-	39.860
31 December 2015	**148.303**	**90.467**	**616**	**137.911**	**64.000**	**441.297**
Balance 1.1.2014	**135.575**	**63.335**	**521**	**265.017**	**64.000**	**528.448**
Changes for the period 1.1 – 31.12.2014						
Profit for the year, after income tax	-	-	-	(83.143)		(83.143)
Other comprehensive income recognized directly in equity	-	-	(360)	-	-	(360)
Total comprehensive income for the period, after income tax	**-**	**-**	**(360)**	**(83.143)**	**-**	**(83.503)**
31 December 2014	**135.575**	**63.335**	**161**	**181.874**	**64.000**	**444.945**

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

The notes on pages 27 to 133 form an integral part of the financial statements.

Statement of Cash Flows

	Note	From 1 January to 31.12.2015 €΄000	31.12.2014* €'000
Cash flow from operating activities			
Profit/(Loss) before income tax		(44.698)	(86.577)
Adjustment for gain/(losses) before income tax:			
Depreciation / impairment of fixed assets	19	1.625	1.518
Amortization of intangible assets	20	549	563
Write off of property, plant and equipment	19	-	49
(Gains)/losses from investing activities	30	(21)	(37)
(Gains)/losses from disposal of plant and equipment		(20)	28
Dividends received	4	(392)	(172)
Interest payable of subordinated loan	25	5.020	3.080
Reversal of Provisions for litigation or arbitration disputes	26	(30)	(188)
Impairment losses and provisions to cover credit risk	9	101.087	156.901
		63.120	**75.165**
Net (increase) / decrease in assets:			
Loans and advances to customers		873.433	663.521
Derivative financial assets		(1.494)	1.190
Other assets		556	2.105
Net increase / (decrease) in liabilities:			
Due to banks		(788.556)	(471.449)
Derivative financial liabilities		(12.628)	(6.805)
Due to customers		(360.740)	63.522
Other liabilities		(6.731)	(625)
Net cash flows from continuing operations before taxes		**(233.040)**	**326.624**
Tax paid		-	-
Net cash flows from continuing operations		**(233.040)**	**326.624**
Net cash flows from investing activities:			
Investment securities available for sale	15	(339.567)	(765.252)
Disposal of investment securities available for sale	15	583.060	440.454
Acquisition of Emporiki Bank	41	35.829	-
Acquisition of property, plant and equipment	19	(1.312)	(1.133)
Disposal of property, plant and equipment		20	58
Acquisition of intangible assets	20	(285)	(430)
Dividends received	4	392	172
Net cash flows from investing activities		**278.137**	**(326.131)**
Net cash flows from financing activities:			
Repayments on debt securities	25	(4.878)	(3.098)
Net cash flows from financing activities		**(4.878)**	**(3.098)**
Net increase/(decrease) in cash and cash equivalents		40.219	(2.605)
Cash and cash equivalents at the beginning of the year	33	255.218	257.823
Cash and cash equivalents at the end of the year	33	295.437	255.218

*The figures of the Cash Flow statement for the comparative period have been restated due to the presentation of "Special tax levy on bank deposits" in "General administrative expenses and other expenses" instead of "Income tax"

The notes on pages 27 to 133 form an integral part of the financial statements.

GENERAL INFORMATION

Incorporation and principal activity

Alpha Bank Cyprus Limited (the "Bank") 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 Bank converted its status to a Public Liability Company according to the Companies Law, Cap. 113. On 21 January 2003, the Bank was converted from public to a private company according to the Companies Law, Cap. 113.

On 27 December 2006, the Bank was 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 Bank considers Alpha Bank S.A. as its parent, which is registered in Greece and member of Alpha Bank Group (the "Alpha Bank Group")

The principal activity of the Bank is to provide full banking services through a wide range of banking and financial services.

ACCOUNTING POLICIES APPLIED

1.1 Basis of presentation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, in accordance with Regulation 1606/2002 of the European Parliament and the Council of the European Union on 19 July 2002.

Furthermore, the financial statements have been prepared in accordance with the requirements of the Companies Law 113 of Cyprus and the Securities and Cyprus Stock Exchange Law and the Transparency Requirements (Securities Admitted to trading on a Regulated Market) Law.

(b) Basis of measurement

The financial statements relate to the fiscal year 1.1 - 31.12.2015 and they have been prepared on the historical cost basis with the exception of the following assets and liabilities which were valued at fair value:

- Derivative financial instruments
- Investments available for sale

(c) Functional and presentation currency

The financial statements are presented in Euro, rounded to the nearest thousand, unless otherwise indicated.

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

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

The accounting policies for the preparation of the financial statements have been consistently applied by the Bank to the years 2014 and 2015, after taking into account the following amendments to standards which were issued by the International Accounting Standards Board (IASB), adopted by the European Union and applied on 1.1.2015:

- **Amendment to International Accounting Standard 19** “Employee Benefits”: Defined benefit Plans: Employee Contributions (Regulation 2015/29/17.12.2014)

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 adoption of the above amendment had no impact on the financial statements of the Bank.

- **Improvements to International Accounting Standards:**
  - **cycle 2010-2012** (Regulation 2015/28/17.12.2014)
  - **cycle 2011-2013** (Regulation 1361/18.12.2014)

As part of the annual improvements project, the International Accounting Standards Board issued, on 12.12.2013, non- urgent but necessary amendments to various standards.

The adoption of the above amendments had no impact on the financial statements of the Bank.

Except for the standards mentioned above, the European Union has adopted the following amendments to standards which are effective for annual periods beginning after 1.1.2015 and have not been early adopted by the Bank.

ACCOUNTING POLICIES APPLIED (cont.)

1.1 <u>Basis of presentation (cont.)</u>

- **Amendment to International Financial Reporting Standard 11** “Joint Arrangements”: Accounting for acquisition of interests in joint operations (Regulation 2015/2173/24.11.2015)

Effective for annual periods beginning on or after 1.1.2016

On 6.5.2014 the International Accounting Standards Board issued an amendment to IFRS 11 with which it is clarified that when an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business (as defined in IFRS 3), it shall apply all of the principles on business combinations accounting in IFRS 3, and other IFRSs, that do not conflict with the guidance in IFRS 11. In addition, it shall disclose the information required by IFRS 3 and other related standards. This applies both when acquiring the initial interest in the joint operation that constitutes a business and when acquiring an additional interest.

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

- **Amendment to International Accounting Standard 1** “Presentation of Financial Statements”: Disclosure Initiative (Regulation 2015/2406/18.12.2015)

Effective for annual periods beginning on or after 1.1.2016

On 18.12.2014 the International Accounting Standards Board issued an amendment to IAS 1 in the context of the project it has undertaken to analyze the possibilities for improving the disclosures in IFRS financial reporting. The main amendments are summarized below:

- the restriction to disclose only a summary of significant accounting policies is removed;
- it is clarified that even when other standards require specific disclosures as minimum requirements, an entity may not provide them if this is considered immaterial. In addition, in case the disclosures required by the IFRS are insufficient to enable users to understand the impact of particular transactions, the entity shall consider whether to provide additional disclosures;
- it is clarified that the line items that IFRS require to be presented in the balance sheet and the statements of profit or loss and other comprehensive income are not restrictive and that the entity may present additional line items, headings and subtotals;
- it is clarified that in the Statement of Comprehensive Income the share of other comprehensive income of associates and joint ventures accounted for using the equity method shall be separated into:
  - amounts that will not be reclassified subsequently to profit or loss and
  - amounts that will be reclassified subsequently to profit or loss;
- it is clarified that the standard does not specify the presentation order of the notes and that each entity shall determine a systematic manner of presentation taking into account the understandability and comparability of its financial statements.

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

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

- **Amendment to International Accounting Standard 16** “Property, Plant and Equipment” and **to International Accounting Standard 38** “Intangible Assets”: Clarification of Acceptable Methods of Depreciation and Amortization (Regulation 2015/2231/2.12.2015)

Effective for annual periods beginning on or after 1.1.2016

On 12.5.2014 the International Accounting Standards Board issued an amendment to IAS 16 and IAS 38 with which it expressly prohibits the use of revenue as a basis for the depreciation and amortization method of property, plant and equipment and intangible assets respectively. An exception is provided only for intangible assets and only when the following conditions are met:

- when the intangible asset is expressed as a measure of revenue, ie when the right over the use of the intangible asset is expressed as a function of revenue to be generated in such a way that the generation of a specific amount of revenue determines the end of the right of use, or
- when it can be demonstrated that the revenue and the consumption of the economic benefits are highly correlated.

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

- **Amendment to International Accounting Standard 16** “Property, Plant and Equipment” and **to International Accounting Standard 41** “Agriculture”: Bearer Plants (Regulation 2015/2113/23.11.2015)

Effective for annual periods beginning on or after 1.1.2016

On 30.6.2014 the International Accounting Standards Board issued an amendment to IAS 16 and IAS 41 with which it clarified that bearer plants, which are living plants that:

a) are used in the production or supply of agricultural produce;

b) are expected to bear produce for more than one period; and

c) have remote likelihood of being sold as agricultural produce, except for incidental scrap sales,

shall be accounted for based on IAS 16 instead of IAS 41.

The above amendment does not apply to the activities of the Bank.

- **Amendment to International Accounting Standard 27** “Separate Financial Statements”: Equity Method in Separate Financial Statements (Regulation 2015/2441/18.12.2015)

Effective for annual periods beginning on or after 1.1.2016

On 12.8.2014 the International Accounting Standards Board issued an amendment to IAS 27 with which it provides the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity’s separate financial statements. In addition, with the above amendment it is clarified that the financial statements of an investor that does not have investments in subsidiaries but has investments in associates or joint ventures, which under IAS 28 are accounted for with the equity method, do not constitute separate financial statements.

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

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

- **Improvements to International Accounting Standards – cycle 2012-2014** (Regulation 2015/2343/15.12.2015)

Effective for annual periods beginning on or after 1.1.2016

As part of the annual improvements project, the International Accounting Standards Board issued, on 25.9.2014, non- urgent but necessary amendments to various standards.

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

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

- **International Financial Reporting Standard 9** "Financial Instruments"

Effective for annual periods beginning on or after 1.1.2018

On 24.7.2014, the International Accounting Standards Board completed the issuance of the final text of IFRS 9: Financial Instruments, which replaces the existing IAS 39. The new standard provides for significant differentiations in the classification and measurement of financial instruments as well as in hedge accounting. An indication of the new requirements is presented below:

Classification and measurement

Financial instruments shall be classified, at initial recognition, at either amortized cost or at fair value. The criteria that should be considered for the initial classification of the financial assets are the following:

i. The entity's business model for managing the financial assets and

ii. The contractual cash flow characteristics of the financial assets.

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

With regards to the financial liabilities, the main difference is that the change in the fair value of a financial liability initially designated at fair value through profit or loss shall be recognised in profit or loss with the exception of the effect of change in the liability's credit risk which shall be recognised directly in other comprehensive income.

Impairment

Contrary to the existing IAS 39, under which an entity recognizes only incurred credit losses, the new standard requires the recognition of lifetime expected credit losses if the credit risk of the financial instrument has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, 12-month expected credit losses shall be recognized.

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

Hedging

The new requirements for hedge accounting 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 case 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.

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.

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

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

- **Amendment to International Financial Reporting Standard 10** "Consolidated Financial Statements", **to International Financial Reporting Standard 12** "Disclosure of Interests in Other Entities" and **to International Accounting Standard 28** "Investments in Associates and Joint Ventures": Investment Entities: Applying the Consolidation Exception

Effective for annual periods beginning on or after 1.1.2016

On 18.12.2014, the International Accounting Standards Board issued an amendment to the above standards with which it clarified that the exception provided in IFRS 10 and IAS 28, for the preparation of consolidated financial statements and the application of the equity method respectively, applies also to a parent entity that it is a subsidiary of an investment entity which measures all of its subsidiaries at fair value according to IFRS 10. In addition, with the aforementioned amendment it was clarified that the disclosure requirements of IFRS 12 apply to the investment entities which measure all of their subsidiaries at fair value through profit or loss.

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

- **Amendment to International Financial Reporting Standard 10** "Consolidated Financial Statements" and **to International Accounting Standard 28** "Investments in Associates and Joint Ventures": Sale or contribution of assets between an investor and its associate or joint venture

Effective date: To be determined

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

On 11.9.2014 the International Accounting Standards Board issued an amendment to IFRS 10 and IAS 28 in order to clarify the accounting treatment of a transaction of sale or contribution of assets between an investor and its associate or joint venture. In particular, IFRS 10 was amended in order to be clarified that in case that as a result of a transaction with an associate or joint venture, a parent loses control of a subsidiary, which does not contain a business, as defined in IFRS 3, it shall recognise to profit or loss only the part of the gain or loss which is related to the unrelated investor's interests in that associate or joint venture. The remaining part of the gain from the transaction shall be eliminated against the carrying amount of the investment in that associate or joint venture. In addition, in case the investor retains an investment in the former subsidiary and the former subsidiary is now an associate or joint venture, it recognises the part of the gain or loss resulting from the remeasurement at fair value of the investment retained in that former subsidiary in its profit or loss only to the extent of the unrelated investor's interests in the new associate or joint venture. The remaining part of the gain is eliminated against the carrying amount of the investment retained in the former subsidiary.

In IAS 28, respectively, it was clarified that the partial recognistion of the gains or losses shall be applied only when the involved assets do not constitute a business. Otherwise, the total of the gain or loss shall be recognised.

On 17.12.2015, the International Accounting Standards Board deferred the effective date for the application of the amendment that had been initially determined. The new effective date will be determined by the International Accounting Standards Board at a future date after taking into account the results of its project relating to the equity method.

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

- **International Financial Reporting Standard 14** "Regulatory deferral accounts"

Effective for annual periods beginning on or after 1.1.2016

On 30.1.2014 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 financial statements of the Bank.

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

- **International Financial Reporting Standard 15** “Revenue from Contracts with Customers”

Effective for annual periods beginning on or after 1.1.2018

IFRS 15 “Revenue from Contracts with Customers” was issued on 28.5.2014 by the International Accounting Standards Board. The new standard is the outcome of a joint project by the IASB and the Financial Accounting Standards Board (FASB) to develop common requirements as far as the revenue recognition principles are concerned.

The new standard shall be applied to all contracts with customers, except those that are in scope of other standards, such as financial leases, insurance contracts and financial instruments.

According to the new standard, an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. A new revenue recognition model is introduced, by applying the following five steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The performance obligation notion is new and in effect represents a promise in a contract with a customer to transfer to the customer either: (a) a good or service (or a bundle of goods or services) that is distinct; or (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

The new IFRS 15 supersedes:

(a) IAS 11 “Construction Contracts”;

(b) IAS 18 “Revenue”;

(c) IFRIC 13 “Customer Loyalty Programmes”;

(d) IFRIC 15 “Agreements for the Construction of Real Estate”;

(e) IFRIC 18 “Transfers of Assets from Customers”;and

(f) SIC-31 “Revenue—Barter Transactions Involving Advertising Services”.

The Bank is examining the impact from the adoption of IFRS 15 on its financial statements.

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

- **International Financial Reporting Standard 16** “Leases”

Effective for annual periods beginning on or after 1.1.2019

On 13.1.2016 the International Accounting Standards Board issued IFRS 16 “Leases” which supersedes:

- IAS 17 “ Leases”
- IFRIC 4 “Determining whether an arrangement contains a lease”
- SIC 15 “Operating Leases – Incentives” and
- SIC 27 “Evaluating the substance of transactions involving the legal form of a lease”.

The new standard significantly differentiates the accounting of leases for lessees while essentially maintaining the existing requirements of IAS 17 for the lessors. In particular, under the new requirements, the classification of leases as either operating or finance is eliminated. A lessee is required to recognize, for all leases with term of more than 12 months, the right-of-use asset as well as the corresponding obligation to pay the lease payments. The above treatment is not required when the asset is of low value.

The Bank is examining the impact from the adoption of IFRS 16 on its financial statements.

- **Amendment to International Accounting Standard 7** “Statement of Cash Flows”: Disclosure Initiative

Effective for annual periods beginning on or after 1.1.2017

On 29.1.2016 the International Accounting Standards Board issued an amendment to IAS 7 according to which an entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities for which cash flows are classified in the statement of cash flows as cash flows from financing activities. The changes that shall be disclosed, which may arise both from cash flows and non-cash changes, include:

- changes from financing cash flows,
- changes arising from obtaining or losing control of subsidiaries or other businesses,
- the effect of changes in foreign exchange rates,
- changes in fair values and
- other changes.

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

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

- **Amendment to International Accounting Standard 12** “Income Taxes”: Recognition of Deferred Tax Assets for Unrealised Losses

Effective for annual periods beginning on or after 1.1.2017

On 19.1.2016 the International Accounting Standards Board issued an amendment to IAS 12 with which the following were clarified:

- Unrealised losses on debt instruments measured at fair value for accounting purposes and at cost for tax purposes may give rise to a deductible temporary difference regardless of whether the debt instrument’s holder expects to recover the carrying amount of the asset by sale or by use.
- The recoverability of a deferred tax asset is assessed in combination with other deferred tax assets. However, if tax law offsets specific types of losses only against a particular type of income, the relative deferred tax asset shall be assessed in combination with other deferred tax assets of the same type.
- During the deferred tax asset recoverability assessment, an entity compares the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences.
- The estimate of probable future taxable profit may include the recovery of some of an entity’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

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

1.2 Operating segments

An operating segment is a component of the Bank 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 Bank. The segments’ results for which discrete financial information is available are reviewed regularly by the Board of Directors of the Bank to take decisions about resources to be allocated to the segment and assess performance viability.

1.3 Transactions in foreign currency

Transactions in foreign currency 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.

1.4 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand 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.

ACCOUNTING POLICIES APPLIED (cont.)

1.5 Classification and measurement of 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 Bank 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 Bank receives or grants funds to the contracting parties.

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 Bank 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 separately recognised as assets or liabilities.

The Bank 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 Balance Sheet only when the Bank 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.

ACCOUNTING POLICIES APPLIED (cont.)

1.5 Classification and measurement of 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 and are periodically tested for impairment.

The Bank assesses as at each balance sheet date, whether there is evidence of impairment in accordance with Alpha Bank Group policy and 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 Bank, in accordance with Alpha Bank Group policy on impairment, assesses for impairment on an individual basis the business loans of the wholesale sector. Importance is attached to the Wholesale Banking sector loans and to specific loans in the Retail Banking sector.

For the remainder of loans the impairment test is performed on a collective basis.

The Bank has determined the criteria that constitute 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.

For the purpose of the collective impairment exercise, the Bank groups the portfolio into homogenous populations, based on common risk characteristics, and based on strong historical statistical base, performs an analysis with which it captures and defines impairment testing, by segment population.

The statistical data is examined and assessed by the responsible Division.

Additionally, the Bank recognizes impairment for loss events that have been incurred but have not been 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 that it becomes known (Loss Identification Period).

(b) Methodology in determining future cash flows from impaired loans

For the purpose of the collective impairment , the Bank has accumulated a significant amount of historical data, which includes the value of the loans being impaired (loss given default – LGD) after after the completion of efforts for the recovery of collaterals or other measures taken as to secure collection of loans, including the realization of collateral securities of any nature.

For loans being impaired on an individual basis, 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' interest rate.

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

ACCOUNTING POLICIES APPLIED (cont.)

1.5 Classification and measurement of financial instruments (cont.)

Loans and receivables (cont.)

(c) Interest income recognition of impaired loans

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

(d) Impairment recognition- Write-offs

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

In particular, the Bank proceeds to write off loans, when it is estimated that loans are uncollectable and all legal recourse for their collection has 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.

A detailed analysis of impairments is included in note 35 of the financial statements.

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 bills and government bonds.

Available for sale investments are measured at estimated fair value, based on current market price for securities listed on Stock Exchange. 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 Exchange 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 recognized in other income from operations in the statement of comprehensive income as soon as the right to receive is deemed final.

Profits or losses 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 Bank 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.

ACCOUNTING POLICIES APPLIED (cont.)

1.5 Classification and measurement of financial instruments (cont.)

Investments available for sale (cont.)

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 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 Bank 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 Balance Sheet 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 2015 there was no indication of impairment of investments available for sale.

1.6 Derivatives financial instruments

The Bank 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.

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 Bank 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.

1.7 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 Bank 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 Bank uses a particular range of prices, within the bid-ask spread, in order to characterize the prices as prices of an active market.

ACCOUNTING POLICIES APPLIED (cont.)

1.7 Fair value measurement (cont.)

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 Bank 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 classified 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 Bank, to the extent that relevant observable inputs are not available.

Non financial assets and liabilities

The most important category of non financial assets for which fair value is estimated is real estate property. The process, mainly, followed for the determination of the fair value is the assignment to an engineer/valuer. To derive the fair value of the real estate property, the valuer chooses among the three following valuation techniques:

- Market approach (or sales comparison approach), which measures the fair value by comparing the property to other identical ones for which information on transactions is available.
- Income approach, which capitalizes future cash flows arising from the property using an appropriate discount rate
- cost approach which reflects the amount that would be required currently to replace the asset with another asset with similar specifications, after taking into account the required adjustment for impairment

It is noted that the fair value measurement of a property takes into account a market's participant ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

ACCOUNTING POLICIES APPLIED (cont.)

1.8 Property, plant and equipment

Land and buildings are stated at historic cost less depreciation on buildings and any losses from impairment. 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 Bank will incur future economic benefits in relation to the asset 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
Plant and equipment	3 - 10 years

No depreciation is calculated on land. They are however reviewed for possible impairment.

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

The residual values and the useful lives are reviewed and adjusted at each reporting period, if considered necessary.

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

1.9 Investment property

Investment property is initially recognised at cost which includes any expenditure directly attributable to the acquisition of the asset. Subsequently, investment property is measured at cost less accumulated depreciation and impairment losses.

Subsequent expenditure is recognized on the carrying amount of the item when it increases future economic benefit. All costs for repairs and maintenance are recognized in profit or loss as incurred. The estimated useful lives over which depreciation is calculated using the straight line method.

1.10 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. Amortization is calculated as follows:

Computer application software	3 years
Computer software of the Bank	5 years

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

ACCOUNTING POLICIES APPLIED (cont.)

1.11 Operating leases

Leases on assets , where the Bank 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.

1.12 Impairment losses on non financial assets

The Bank 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 Bank 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.

1.13 Tax

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

Special contribution for the defence rate on interest income
The special contribution for the defence rate on interest income is 30%. Special contribution for the defence is payable by Cyprus tax residents only and applies for both physical and legal persons receiving interest income which is not incurred in the ordinary course of the company's activities.

Immovable property tax
The immovable property is taxed at rates ranging between 0,6% and 1,9% of the immovable property values of January 1st , 1980.

Special tax levy on bank deposits
Special tax levy on financial institutions for customers deposits, excluding bank deposits, is in force since 14 April 2011 and is paid by the financial institutions . With effect from 1 January 2013 the tax percentage increased from 0,11% to 0,15%. The legislation was amended in 2015 and the tax is calculated on the customer deposits of the previous quarter instead on the deposits of the previous year.

ACCOUNTING POLICIES APPLIED (cont.)

1.14 Deferred tax assets

Provision for deferred tax 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 expected to apply at the recovery of deferred tax. 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 tax, which is due to changes of tax rates, is presented in the statement of comprehensive income or in the reserves according to where the original debit or credit for the deferred tax was initially recorded.

The tax expense, both current and deferred, is recorded in the statement of comprehensive income, unless it relates to items which have been directly recorded to equity and as such the tax which relates to these items is directly recorded to equity.

1.15 Other assets

Non-current assets which are acquired through auctions but are not immediately available for sale or are not expected to be sold within one year are presented in Other Assets and are valued at the lower of cost (or carrying amount) and fair value.

1.16 Employee benefits

The Bank operates a defined contribution plan. As part of the plan the Bank deposits a defined, on a case by case basis, contribution to an independent fund. The Bank has no further obligation, legal or constructive, to deposit any further contributions, in the circumstance that the fund does not have the sufficient assets to cover the claims of personnel which are derived from their current and previous service. The contributions are recognized as part of staff costs on an accruals basis.

The Bank does not operate a defined benefit plan.

1.17 Provisions for litigation and arbitration of disputes

Provisions for litigation and arbitration of disputes are recognized when:

(a) the Bank 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 Bank 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.

ACCOUNTING POLICIES APPLIED (cont.)

1.18 Subordinated bonds

Subordinated bonds consists of bonds that are initially recognized based on financial instruments classification and measurement principles (note 1.5) and are reported at amortized cost. 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 Tier II Capital for the purposes of calculating the capital adequacy ratio.

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

1.19 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 recognised in share premium.

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

1.20 Convertible Capital Securities

The convertible capital securities are of perpertual maturity financial instruments issued by the Bank and are initially recognized based on financial instruments classification and measurement principles (note 1.5) The Bank 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 no longer due and payable by the Bank. The convertible capital securities may be redeemed back at the discretion of the Bank 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 Bank 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 Bank’s ordinary shares.

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

ACCOUNTING POLICIES APPLIED (cont.)

1.21 Interest income and expense

Interest income
Interest income is recognised in the 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.

1.22 Gains less losses on financial transactions

Gains less losses on financial transactions include the fair value changes of financial assets and liabilities, gains or losses on their disposal and the exchange differences arising from the translation of financial instruments denominated in foreign currencies. Impairment losses on bonds, shares and other securities of variable return are also included in gains less losses on financial transactions.

Differences that may arise between the carrying amount of financial liabilities settled or transferred and the consideration paid, are also recognised in gains less losses on financial transactions.

1.23 Income and expenses from fees and commissions

Income from fees and commissions is recognised in the Income statement on an accrual basis when the relevant service has been provided.

1.24 Dividend Income

Income from dividends is recognized in the financial statements when it is received.

1.25 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 statement of comprehensive income in the year in which it is incurred.

1.26 Financial guarantee contracts

A financial guarantee contract (except insurance contracts) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment that should have be done as per the terms of the contract. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans and other banking facilities.

The financial guarantee contracts are initially recognized at fair value, and measured subsequently at the higher of:

- the best estimate of the cost required to settle the commitment at the reporting date. These estimates are determined based on experience of similar transactions, history of post transactions and management estimates,

- the amount initially recognised less cumulative amortization.

ACCOUNTING POLICIES APPLIED (cont.)

1.26 Financial guarantee contracts (cont.)

Any increase is recognized in the Statement of Comprehensive Income
The Bank did not recognize any amounts in the Statement of Comprehensive Income relating to financial guarantee contracts

1.27 Related parties definition

In accordance with IAS24, related parties for the bank are:

a) the parent company Alpha Bank S.A and legal entities which constitute for the Bank or its parent:

   i. Subsidiaries,
   ii. Joint ventures,
   iii. Associates.

b) Related parties for the Bank also include the Hellenic Financial Stability Fund and its subsidiaries given that within the framework for L.3864/2010 the Hellenic Financial Stability Fund acquired participation in the Board of Directors but also in important committees of Alpha Bank S.A. and as a consequence it is assumed that it exercises significant influence over them.

c) Individuals who are key management personnel and their close relatives. Key management personnel are comprised of members of the Board of Directors of the Bank , members of the Executive Committee of the Bank whereas close relatives are considered to be spouse as well as their first class relatives and those dependent on them and their spouse.

Furthermore, the Bank discloses transactions and current balances with companies, in which the above individuals exert control or common control. More specifically, disclosure involves individuals who hold a higher than 20% stake in such companies.

1.28 Comparatives

To the extend considered necessary the comparatives have been adjusted to facilitate changes in presentation of the current year amounts.

1.29 Estimates, decision making criteria and significant sources of uncertainty

The estimates and criteria implemented by the Bank in decision making which impact the preparation of the financial statements are based on historical information and assumptions which under present conditions, are deemed to be reasonable.

The estimates and criteria for decision making are reassessed to take into consideration current developments and the consequences from potential changes are recognised in the financial statements during the period in which they occur.

The Bank, in the context of applying accounting policies and preparing financial statements in accordance with IFRS, conducts estimates and assumptions which impact the amount of recognised income, expenses and assets and liabilities. The use of estimates and assumptions is an integral part of the recognition of accounting figures which mainly relate to the following:

ACCOUNTING POLICIES APPLIED (cont.)

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

a) 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.

b) Impairment losses of financial assets

The Bank, when performing impairment tests on loans and advances to customers, makes estimates regarding the amount and time 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.

c) Impairment losses of non – financial assets

The Bank, 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. 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.

d) Income tax

The Bank 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 financial statements of the Bank. Any adjustments are recognized in the year in which they are finalized.

e) Provisions and contingent liabilities

The Bank 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 Bank 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 Bank, 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 Bank 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 assumptions are reviewed on an ongoing basis to take into account current conditions, and the effect of any change is recognized in the period in which the estimate revised.

ACCOUNTING POLICIES APPLIED (cont.)

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

1.29.1 Going concern

The financial statements have been prepared based on the going concern assumption. For the application of this principle, the Bank takes into account current economic developments and evaluates the economic environment in which it operates. The main factors that create uncertainties regarding the implementation of this principle relates to the unstable economic environment in Cyprus and Greece ,where the parent company Alpha Bank AE operates and the high level of non-performing loans in the banking system of the two countries. The main uncertainties regarding the economic environment in Greece relate to the completion of the first evaluation of the program to cover the financing needs of the Greek economy by the European Support Mechanism, which is ongoing. These uncertainties affect Bank's liquidity through customer deposits withdrawals.

The Bank, in preparing the financial statements of 31.12.2015, took into account the following factors:

- **Capital Adequacy**

The Bank made a capital increase in 2013 and 2015 with the purpose of increasing the capital base and the absorption of Emporiki Bank Cyprus Ltd. Common Equity Equity Tier 1 ratio (CET1) on 31.12.2015 stood with transitional provisions at 17.5%. According to the CRR Regulation and Directive CRD IV, the minimum Common Equity Tier 1 ratio (CET1) was set at 8% (transitional provisions). The Bank is also subject to additional capital requirements for risks not covered by Pillar I requirements (Pillar II). The capital adequacy of the Bank on December 31, 2015 exceeds the minimum capital requirements of Pillar I and Pillar II, allowing the Bank capital buffer. It is noted that the assessment of its capital requirements under Pillar II is performed annually, based on a reference date and is dynamic as it is subject to changes over time.

- **Liquidity**

In 2015 the Bank sold loan portfolio of book value € 949 mil. to a company of the Alpha Bank Group. This resulted in an increased liquidity which was used to decrease the dependence from the parent Bank. The sale of Greek Treasury bills amounting to € 250 mil., further enhanced the liquidity of the Bank.

- **Cyprus Economy**

The Cyprus economy and the banking system continue to exhibit high levels of NPLs and private debt. Both are factors of instability for the growth. Despite the negative impact of these factors, macroeconomic forecasts for Cyprus are positive. The Cyprus economy recorded a growth rate in 2015 of 1.6% and is expected according to the Ministry of Finance to record positive rates for both 2017 and 2018 that will be circa 2%, as opposed to the negative rates of previous three years. The Republic of Cyprus successfully completed the adjustment program in March 2016. The development of the Cyprus economy is expected to be positively affected due to the credit rating upgrads, the successful completion of the Troika adjustment program, the lifting of all capital restrictions, the increase in customer deposits in the banking system and the successful issue of a € 2 billion bond from the international markets in 2015. As a result of international borrowing, Cyprus has accumulated stock of liquidity amounting to € 1 billion which will cover financing needs in the short term.

ACCOUNTING POLICIES APPLIED (cont.)

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

1.29.1 Going concern (cont.)

- **Parent company financial standing**

On 19/08/2015 an agreement was reached for a new financial support from the European Support Mechanism (ESM) to the Greek Republic, which will cover its financing needs for the medium-term period. The agreement among others, provides for:

- the coverage of the financing needs of the Hellenic Republic for the medium-term period, provided that the economic reforms that are expected to contribute to the economic stability and the sustainable development of the Greek economy will be implemented,
- an amount of € 10 up to € 25 billion available for the coverage of any recapitalization needs and / or resolution of credit institutions.

In addition, the aforementioned agreement provided for the assessment of the four Greek systemic credit institutions from the Single Supervisory Mechanism, in order to determine the impact from the deterioration of the Greek economy on their financial position as well as any capital needs. The assessment was performed during the third quarter and included both an Asset Quality Review (AQR) and a stress test. Based on the results of the assessment, which were announced on 31.10.2015, the capital needs for the Group were determined to €262.6 million under the base scenario, taking into consideration the Asset Quality Review, and to €2,743 million under the adverse scenario of the stress test, which were subsequently limited to the amount of € 2,563 million since the pre-provision income for the third quarter was taken into account. These capital needs were covered successfully in the fourth quarter through the completion of the liability management exercise of the Alpha Bank A.E. and the increase of its share capital in cash via a private placement to qualified and other eligible investors

On examining the capability of the Bank to operate as a going concern, the Board of Directors took into consideration the following:

- the findings of various external and regulatory audits
- regular monitoring regarding the liquidity of the Bank and an evaluation of the impact of various events
- the monitoring of cash inflows and outflows on a daily basis
- the strong capital adequacy ratios of the Bank
- the ability of the Bank to access funding via the Central Bank of Cyprus.
- the drafting of a business plan, if the need arises, for further capital and liquidity needs.
- the successful completion of the coverage of Alpha Bank Group capital needs exclusively from private sources.

Based on the above, it is estimated that the conditions for the application of the going concern principle are met, however, the negative effect that would have on the application of this principle is noted, to any significant deterioration in the economic environment.

2. NET INTEREST INCOME

	Note	From 1 January to 31.12.2015 €´000	31.12.2014 €´000
Interest and similar income			
Due from Central Bank of Cyprus		(321)	35
Due from banks		321	3.963
Loans and advances to customers		142.253	160.752
Derivatives held for risk mitigation		2.996	2.001
Government bonds	15	2.229	4.343
Corporate bonds	15	14	17
Total		**147.492**	**171.111**
Interest expense and similar charges			
Due to banks		(960)	(4.620)
Due to customers		(35.486)	(49.317)
Subordinated bonds	25	(5.020)	(3.080)
Total		**(41.466)**	**(57.017)**
Net interest income		**106.026**	**114.094**

The decrease of net interest income is attributed mainly to the transfer of loans to a company of the Alpha Bank Group.(Note 17)
During 2015 interest payable was decreased as a result of lower deposits base by €244 mil. and lower interest rates.

3. NET FEE AND COMMISSION INCOME

	From 1 January to 31.12.2015 €´000	31.12.2014 €´000
Loans	501	705
Letters of guarantee	587	660
Imports – Exports	256	377
Credit cards	1.846	2.166
Transfers of funds	1.792	1.827
Foreign exchange	580	769
Insurance	1.144	611
Deposits	1.795	2.290
	8.501	9.405

4 . DIVIDEND INCOME

	From 1 January to	
	31.12.2015	31.12.2014
	€΄000	€΄000
Available for sale securities	392	172
	392	172

5. GAINS LESS LOSSES ON FINANCIAL TRANSACTIONS

	From 1 January to	
	31.12.2015	31.12.2014
	€΄000	€΄000
Foreign exchange differences	(5.273)	1.294
Investment securities:		
- Bonds and Treasury bills	21	37
Derivative financial instruments	417	359
Other financial instruments of Emporiki Bank	2.257	-
	(2.578)	1.690

The results were negatively impacted mainly on the 1st quarter, due to the appreciation of Chf against Euro

6. OTHER INCOME

	From 1 January to	
	31.12.2015	31.12.2014
	€΄000	€΄000
Profit from sale of fixed assets	20	-
Other income	201	-
	221	-

7. STAFF COSTS

	From 1 January to	
	31.12.2015	31.12.2014
	€΄000	€΄000
Wages and salaries	34.491	32.559
Other staff costs	925	547
Contributions to employee’s provident fund	2.706	2.366
	38.122	35.472

The total number of employees in the bank as at 31.12.2015 was 878 (31.12.2014:743)

The bank announced a Voluntary Retirement Program which was in force from 29.2.2016-24.3.2016 (Note 43).

8. GENERAL ADMINISTRATIVE EXPENSES AND OTHER EXPENSES

	From 1 January to	
	31.12.2015	31.12.2014*
	€΄000	€΄000
Advertisement and promotion expenses	1.326	1.470
Rents payable	1.505	1.344
Special tax levy on customer deposits	3.111	3.028
Repairs and maintenance	493	450
Professional expenses	1.669	2.966
Legal fees	1.861	2.337
Subscriptions for card use (VISA)	774	768
Computer maintenance and supplies	761	711
Insurance	818	682
Electricity	615	771
Telecommunication expenses	377	403
Stationery and printing	251	255
Value added tax	1.651	2.186
Other	2.151	1.894
	17.363	19.265

9. IMPAIRMENT LOSSES AND PROVISIONS TO COVER CREDIT RISK

		From 1 January to	
		31.12.2015	31.12.2014
	Note	€΄000	€΄000
Impairment losses on loans and advances to customers	17	101.087	156.901
Recoveries		(1.486)	(1.781)
		99.601	155.120

*The figures of the note "General administrative expenses and other expenses" for the comparative period have been restated due to the presentation of "Special tax levy on bank deposits" in "General administrative expenses and other expenses" instead of "Income tax" and the presentation of expenses excluding the cost of Vat.

10. LOSSES BEFORE INCOME TAX

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

		From 1 January to	
	Note	31.12.2015 €΄000	31.12.2014 €΄000
Directors' remuneration:			
Executive Directors	40(a)	460	584
Non-Executive Directors	40(a)	113	55
Independent auditors' remuneration for statutory audit of annual accounts		76	50
Independent auditors' remuneration for other review services		5	4
Independent auditors' remuneration for other non-audit services		86	156
Depreciation of property, plant and equipment	19	1.625	1.518
Amortization of intangible assets	20	549	563
Rent payable	8	1.505	1.344

11. INCOME TAX

		From 1 January to	
	Note	31.12.2015 €΄000	31.12.2014* €΄000
Deferred tax - debit/(credit)	21	31	(3.434)
Debit/(Credit) for the year		31	(3.434)

The Bank 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 defence contribution.

Additionally, tax losses incurred from 2006 onwards, can be carried forward and be 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 Bank has been tax reviewed up until 2007 and is currently in the process of being reviewed for the years 2008-2011. As the tax review could potentially not recognize the productivity of certain expenses, it is likely that further tax could be imposed regarding those years not reviewed by the tax authorities.

11. INCOME TAX (cont.)

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

	From 1 January to			
		31.12.2015		31.12.2014*
	%	€´000	%	€´000
Accounting loss before tax		(44.698)		(86.577)
Tax calculated at applicable tax rates (nominal tax rate)	12,50	(5.587)	12,50	(10.822)
Tax effect of expenses not deductible for tax purposes	(0,79)	352	(0,35)	305
Tax effect of allowances and income not subject to tax	0,97	(433)	0,36	(314)
Tax effect of loss for the year	(12,75)	5.699	(8,54)	7.397
Tax as per statement of comprehensive income (effective tax rate)	0,07	31	(3,97)	(3.434)

The Bank has not recognized deferred tax assets amounting to €24.430 thous. as it is not likely that a future economic profit will be available against which the Bank may use the benefit in conjunction with the fact that they can only be transferred and offset against income in the next five years.

12. EARNINGS/(LOSSES) PER SHARE

Earnings / (losses) per share are calculated by dividing the profit/(losses) for the year attributable to the owners of the Bank by the weighted average number of issued ordinary shares during the year.

	From 1 January to	
	31.12.2015 (€´000)	31.12.2014 (€´000)
Profit / (Losses) attributable to the owners (€)	(44.729)	(83.143)
Issued shares on 1 January 2015	159.500.000	159.500.000
Impact from share issue in March 2015	11.322.940	-
Weighted average number of shares for the year	170.822.940	159.500.000
Basic and diluted earnings /(losses) per share (€ cent)	(26,18)	(52,13)

*The figures of the note “Income tax” for the comparative period have been restated due to the presentation of “Special tax levy on bank deposits” in “General administrative expenses and other expenses” instead of “Income tax”.

13. CASH AND BALANCES WITH CENTRAL BANKS

	31.12.2015 €΄000	31.12.2014 €΄000
Cash and cash equivalents	9.776	11.414
Balances with Central Bank of Cyprus	339.981	63.451
	349.757	74.865

Deposits with the Central Bank of Cyprus bear interest based on the interbank rate of the relative period and currency.

The exposure of the Bank to market risk, interest rate risk and analysis of the above assets at maturity and currency are disclosed in note 35 of the financial statements.

14. DUE FROM BANKS

	31.12.2015 €΄000	31.12.2014 €΄000
Placements with Alpha Bank Group	9.873	174.133
Placements with other financial institutions	48.941	46.303
	58.814	220.436

The exposure of the Bank 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 35 of the financial statements.

15. INVESTMENTS AVAILABLE FOR SALE

Investments available for sale at fair value

	31.12.2015 €΄000	31.12.2014 €΄000
Government bonds and treasury bills	96.907	319.310
Corporate bonds and shares	1.651	22.265
	98.558	341.575
Listed	96.907	339.924
Non Listed	1.651	1.651
	98.558	341.575
Geographical analysis based on issuer’s region:		
- Cyprus	98.558	52.526
- Greece	-	248.076
- Germany	-	20.358
- Luxembourg	-	20.615
	98.558	341.575

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

15. INVESTMENTS AVAILABLE FOR SALE (cont.)

The movement of investments available for sale is as follows:

2015	Government bonds and treasury bills €΄000	Corporate bonds and shares €΄000	Total €΄000
Balance 1 January	319.310	22.265	341.575
Additions	339.567	-	339.567
Matured/Disposed Securities	(564.360)	(20.182)	(584.542)
Interest receivable	2.229	14	2.243
Interest received	(315)	(446)	(761)
Revaluation transferred to equity (Note 30)	476	-	476
Balance 31 December	96.907	1.651	98.558

2014	Government bonds and debentures €΄000	Corporate bonds and shares €΄000	Total €΄000
Balance 1 January	15.449	1.651	17.100
Additions	744.423	20.829	765.252
Matured/Disposed Securities	(443.721)	-	(443.721)
Interest receivable	4.343	17	4.360
Interest received	(850)	(243)	(1.093)
Revaluation transferred to equity (Note 30)	(334)	11	(323)
Balance 31 December	319.310	22.265	341.575

The analysis of the above assets at maturity date is reported in note 35 of the financial statements.

16. DERIVATIVE FINANCIAL INSTRUMENTS

	31.12.2015		31.12.2014	
	Assets	Liabilities	Assets	Liabilities
Derivatives nominal value	€΄000	€΄000	€΄000	€΄000
Foreign exchange derivatives				
Currency swaps	155.969	485.292	67.988	941.156
	155.969	485.292	67.988	941.156
Total derivatives	155.969	485.292	67.988	941.156

Fair value of derivatives

	31.12.2015		31.12.2014	
	Assets	Liabilities	Assets	Liabilities
	€΄000	€΄000	€΄000	€΄000
Foreign exchange derivatives				
Currency swaps	2.885	379	1.279	8.865
	2.885	379	1.279	8.865
Total derivatives	2.885	379	1.279	8.865

17. LOANS AND ADVANCES TO CUSTOMERS

	31.12.2015 €΄000	31.12.2014 €΄000
Loans and advances to customers	2.619.829	3.438.925
Allowance for impairment losses	(583.282)	(792.285)
	2.036.547	2.646.640

	31.12.2015 €΄000	31.12.2014 €΄000
Analysis by industry sector		
Manufacturing	56.580	74.366
Tourism	88.209	117.791
Trade	133.370	144.432
Buildings and construction	687.828	1.097.674
Business and loans to individuals	1.490.384	1.892.676
Other sectors	163.458	111.986
	2.619.829	3.438.925
Analysis by geographical region		
Cyprus	1.929.316	2.302.772
Greece	11.321	3.430
Other European countries	606.913	992.618
Other countries	72.279	140.105
	2.619.829	3.438.925

Loans and advances to customers include loans acquired during the acquisition of Emporiki Bank at fair value amounting to € 364,4 million. (Note 41).

During the year loans with carrying value €949 mil. were transferred to a company of Alpha Bank Group. All risks and rewards have been transferred, thus, they were derecognized from the statement of financial position.

The exposure of the Bank to credit risk and analysis of loans and advances to customers by industry sector, by geographical region and by maturity is disclosed in note 35 of the financial statements.

17. LOANS AND ADVANCES TO CUSTOMERS (cont.)

Allowance for impairment losses

	Impairment allowance reserve €΄000
2015	
1 January	792.285
Impairment losses for the year (note 9)	101.087
Unwinding of interest	34.861
Impairment losses on loans transferred	(346.567)
Amounts used for write offs	(39.324)
Exchange difference	40.940
	583.282
2014	
1 January	698.694
Impairment losses for the year (note 9)	156.901
Unwinding of interest	42.207
Impairment losses on loans transferred	(19.570)
Amounts used for write offs	(92.770)
Exchange difference	6.823
	792.285

The exchange difference arises from the valuation of the balance of provisions held in foreign currency that are held to cover credit risk.

18. INVESTMENT PROPERTY

	Land €΄000
Cost	
31 December 2015	2.023
Amortization	
31 December 2015	-
Net book value	
31 December 2014	2.023
31 December 2015	2.023

The fair value of investment property on 31.12.2015 amounted to €6,4 mil. The fair value of immovable property is calculated in accordance with the methods described in note 1.7 and is ranked according to the hierarchy of fair value at Level 3 having made use of information provided from case investigations and data relating to properties of similar characteristics and consequently included a wide range of non-observable data on the market.

19. PROPERTY, PLANT AND EQUIPMENT

Cost	Land (Note 1) €΄000	Buildings and improvements on leasehold premises (Note 1) €΄000	Plant and equipment €΄000	Total €΄000
1 January 2015	3.089	33.149	19.202	55.440
Additions	-	514	798	1.312
Disposals	-	(19)	(226)	(245)
Additions from acquisition of Emporiki Bank (Note 41)	-	152	206	358
31 December 2015	3.089	33.796	19.980	56.865
1 January 2014	5.671	33.572	19.237	58.480
Additions	-	289	844	1.133
Disposals	-	(712)	(620)	(1.332)
Write offs	-	-	(259)	(259)
Transfer to investment property	(2.023)	-	-	(2.023)
Transfer to other assets	(559)	-	-	(559)
31 December 2014	3.089	33.149	19.202	55.440

Note 1: The recoverable value of land and buildings is not less than its book value.

19. PROPERTY, PLANT AND EQUIPMENT (cont.)

	Land (Note 1) €´000	Buildings and improvements on leasehold premises (Note 1) €´000	Plant and equipment €´000	Total €´000
Depreciation				
1 January 2015	-	13.967	17.195	31.162
Charge for the year	-	931	694	1.625
Disposals	-	(19)	(226)	(245)
Write offs	-	-	-	-
31 December 2015	-	14.879	17.663	32.542
1 January 2014	-	13.708	17.393	31.101
Charge for the year	-	896	622	1.518
Disposals	-	(637)	(610)	(1.247)
Write offs	-	-	(210)	(210)
31 December 2014	-	13.967	17.195	31.162
Net book value				
1 January 2014	5.671	19.864	1.844	27.379
31 December 2014	3.089	19.182	2.007	24.278
31 December 2015	3.089	18.917	2.317	24.323

Note 1: The recoverable value of land and buildings is not less than its book value.

20. INTANGIBLE ASSETS

	Computer Software of the Bank €´000
Cost	
1 January 2015	8.064
Additions	285
Write offs	-
Additions from acquisition of Emporiki Bank	29
31 December 2015	8.378
1 January 2014	7.634
Additions	430
Write offs	-
31 December 2014	8.064
Amortization	
1 January 2015	7.188
Charge for the year	549
Write offs	-
31 December 2015	7.737
1 January 2014	6.625
Charge for the year	563
Write offs	-
31 December 2014	7.188
Net book value	
1 January 2014	1.009
31 December 2014	876
31 December 2015	641

21. DEFERRED TAX ASSETS

2015	Tax losses €΄000	Difference between depreciation and capital allowances €΄000	Total €΄000
1 January	13.054	(962)	12.092
Credit / (Debit) in the statement of comprehensive income	-	(31)	(31)
31 December	13.054	(993)	12.061
2014			
1 January	9.600	(942)	8.658
Credit / (Debit) in the statement of comprehensive income	3.454	(20)	3.434
31 December	13.054	(962)	12.092

The deferred tax assets and liabilities arise from the following:

	31.12.2015 €΄000	31.12.2014 €΄000
Deferred tax asset		
Tax losses	13.054	13.054
Deferred tax liability		
Difference between depreciation and capital allowances	(993)	(962)
Deferred tax asset	12.061	12.092

Deferred tax is provided for all temporary differences under the liability method using the applicable tax rates (Note 11). In case of tax losses the applicable tax rate is 12.5%.

The recognition of deferred tax assets is supported by the Bank's forecasts and takes into account the recoverability of deferred tax assets within the expiration period.

22. OTHER ASSETS

	31.12.2015 €΄000	31.12.2014 €΄000
Receivables from Alpha Bank Group companies (Note 40)	1.015	2
Other receivables and prepayments	1.368	1.582
Assets from auctions	559	559
Interest prepayments	271	1.564
	3.213	3.707

Assets acquired through auctions but are not readily available for sale or are not expected to be sold within one year are presented in other assets and are valued at the lower of cost (or book value) and fair value.

23. DUE TO BANKS

	31.12.2015 €΄000	31.12.2014 €΄000
Amounts due to companies of Alpha Bank Group (Note 40c and 40d)	155.434	621.165
Amounts due to other financial institutions	5.297	32.835
	160.731	654.000

Amounts due to Alpha Bank A.E. are secured with «Loans and advances to customers» (Note 35.6)
The exposure of the Bank to liquidity risk and analysis of deposits from financial institutions by maturity is disclosed in note 35 of the financial statements.

24. DUE TO CUSTOMERS

	31.12.2015 €΄000	31.12.2014 €΄000
Deposits:		
Current	433.100	487.582
Savings	15.162	10.336
Fixed term or notice	1.403.526	1.597.544
	1.851.788	2.095.462

The exposure of the Bank to liquidity risk and analysis of deposits from customers by maturity are disclosed in note 35 of the financial statements.

25. SUBORDINATED BONDS

Subordinated bonds at amortised cost

	2015 €000	2014 €000
1 January	100.256	100.274
Subordinated bonds from the acquisition of Emporiki Bank (Note 41)	15.936	-
Interest payable	5.020	3.080
Payments	(4.878)	(3.098)
31 December	116.334	100.256

	Listed €000	Non - Listed €000	Total €000
1 January 2015	100.256	-	100.256
Subordinated bonds from the acquisition of Emporiki Bank	-	15.936	15.936
Interest payable	2.841	2.179	5.020
Payments	(2.857)	(2.021)	(4.878)
31 December 2015	100.240	16.094	116.334

	Listed €000	Non - Listed €000	Total €000
1 January 2014	100.274	-	100.274
Interest payable	3.080	-	3.080
Payments	(3.098)	-	(3.098)
31 December 2014	100.256	-	100.256

25. SUBORDINATED BONDS (cont.)

Subordinated bonds at amortised cost (cont.)

Listed

The Board of Directors of the Bank 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 traded.

The Subordinated bonds may, at the option of the Bank be fully redeemed, 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 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 Bank, their repayment shall follow in priority the repayment of the obligations of the Bank over the depositors and any other creditors of the Bank.

Non - Listed

Non - listed securities are secondary capital (Tier II) issued by Emporiki Bank Cyprus Ltd and held by companies of the Alpha Bank Group. These securities were recognised at their fair value at the acquisition date of Emporiki Bank Cyprus Ltd for the amount of € 15.936 thous. The difference between the nominal value and the fair value at the acquisition date (01.03.2015) will be amortized until the maturity of the securities. An amount of € 1.793 thous., amortised for the period 27.3.2015 until 31.12.2015 has been charged to the income statement.

The capital securities were issued with a floating interest rate plus margin, which is set at the beginning of each interest period and is applicable to that specific period.

The applicable rate for outstanding capital is shown in the table below:

Date of issue	Capital outstanding €000	Interest base	Margin
29.5.2006	1.100	Euribor 6m	3%
22.12.2006	250	Euribor 6m	0,36%
17.3.2008	1.200	Euribor 6m	1,5%
12.12.2008	810	Euribor 3m	3,5%
22.12.2009	3.900	Euribor 3m	1,45%
3.3.2011	16.000	Euribor 3m	2,16%
Total	23.260		

25. SUBORDINATED BONDS (cont.)

Subordinated bonds at amortised cost (cont.)

Non Listed (cont.)

The capital securities are not secured and in case of liquidation, their repayment follows in priority the repayment of the Bank's depositors and other obligations.

The bonds are due by 2021 and the repayment of the nominal value is shown below:

	31.12.2015
	€ 000
Within one year	2.020
1 to 3 years	3.940
Over 3 years	17.300
Total	23.260

26. OTHER LIABILITIES

	31.12.2015 €΄000	31.12.2014 €΄000
Accrued expenses	3.847	5.416
Provisions for litigation and arbitration (Note. i)	50	77
Other payables	10.551	9.926
Amounts due to Alpha Bank Group companies (Note 40)	2.933	7.389
Taxes payables on behalf of clients	912	1.435
	18.293	24.243

(i) Provisions for litigation and arbitration

	2015 €΄000	2014 €΄000
1 January	77	265
Reversal for the year	(30)	(216)
Provision for the year	-	28
Provision from the acquisition of Emporiki Bank	3	-
31 December	50	77

The Bank, in the ordinary course of business, is a defendant in claims from customers and other lawsuits. According to the estimations of the legal department, the ultimate settlement is not expected to have a material effect on the financial position or the operations of the Bank. The Bank on 31.12.2015 has recorded a provision for pending legal cases amounting to €50 thous. which is included in “Other Liabilities”

27. SHARE CAPITAL

	2015		2014	
	Number of shares	€000	Number of shares	€000
Authorised				
31 December				
(Ordinary shares of €0,85 each)	600.000.000	510.000	600.000.000	510.000
Issued and fully paid				
1 January	159.500.000	135.575	159.500.000	135.575
Issue of shares	14.974.178	12.728	-	-
31 December (Ordinary shares of €0,85 each)	174.474.178	148.303	159.500.000	135.575

On March 1, 2015 the Bank completed the acquisition of 100% of shares constituting the issued share capital of Emporiki Bank Cyprus Ltd and became the sole shareholder.

The acquisition was effected with an increase of the Bank's share capital on March 30, 2015 and the issuance of 14.974.178 new ordinary shares of nominal value €0,85 each, totaling €12.728 thousand. The shares granted as consideration to existing shareholders of Emporiki Bank Cyprus Ltd at a price of €2,66. The difference between the nominal value and the issue price totaling €27.132 thous. was credited to the account "Share Premium" in Equity. (Note 29)

As a result of the capital increase, the composition of the share capital changed as below:

Shareholder Structure 31.12.2015

	Shareholder	Number of shares	%
1.	Alpha Bank AE	172.255.698	98,73
2.	Emporiki Venture Capital Developed Markets Ltd	1.163.835	0,67
3.	Emporiki Venture Capital Emerging Markets Ltd	1.054.645	0,60
	Total	174.474.178	100.00

The new shareholders Emporiki Venture Capital Developed Markets Ltd and Emporiki Venture Capital Emerging Markets Ltd are fully controlled (100%) by Alpha Bank AE.

Shareholder Structure 31.12.2014

	Shareholder	Number of shares	%
1.	Alpha Bank AE	159.500.000	100
	Total	159.500.000	100

28. CONVERTIBLE CAPITAL SECURITIES

	31.12.2015 €΄000	31.12.2014 €΄000
Issue of convertible capital securities	64.000	64.000

On the 1st November 2013, the Bank 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 Bank 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 Bank.

The Bank has cancelled the payment of interest for 2014 and 2015.

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

Mandatory cancellation of interest payment shall apply when:

- The Bank 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 Bank 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 Bank to cancel interest payments.

The convertible capital securities are obligatory converted into ordinary shares of the Bank 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 Bank's ordinary shares.

These financial instruments are classified as equity, as the Bank 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.

29. SHARE PREMIUM

	2015 €´000		2014 €´000	
Opening balance 1 January		**63.335**		**63.335**
Changes for the period 1.1 - 31.12				
Share capital increase	27.132		-	
Total		27.132		-
Balance 31 December		**90.467**		**63.335**

On March 30, 2015 the Bank issued14.974.178 new ordinary shares of nominal value €0,85 each, at a price of €2,66. The difference between the nominal value and the issue price totaling €27.132 thous. was credited to the account "Share Premium" in Equity.

30. RESERVES

a) Available for sale investments

Investments revaluation reserve is not distributable, however 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 retained earnings.

	2015 €´000		2014 €´000	
Opening balance 1 January		**(439)**		**(79)**
Changes for the period 1.1 - 31.12				
Revaluation of investments available for sale	476		(323)	
Transfer to retained earnings	(21)		(37)	
Total		455		(360)
Balance 31 December		**16**		**(439)**

b) Reserve from the conversion of share capital

	2015 €´000	2014 €´000
Balance 31 December	**600**	**600**
Reserves total (a+b)	**616**	**161**

31. RETAINED EARNINGS

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

Companies which do not distribute 70% of their profits after tax, 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 17% from 2014 and afterwards 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 Bank, due to the fact that its owners are not residents in Cyprus for tax purposes.

32. CONTINGENT LIABILITIES AND COMMITMENTS

32.1 OFF BALANCE SHEET LIABILITIES

	31.12.2015 €΄000	31.12.2014 €΄000
Contingent liabilities		
Bank guarantees	51.922	51.763
Commitments		
Letters of credit and letters of guarantees	5.462	7.552
Undrawn credit facilities	135.184	154.258
	140.646	161.810
Total off balance sheet liabilities	192.568	213.573

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 Bank 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 Bank at any time by giving notice to the customer.

The exposure of the Bank to credit risk is disclosed in note 35 of the financial statements.

32.1 OFF BALANCE SHEET LIABILITIES (cont.)

31.12.2015	Financial services sector €´000	Manufacturing €´000	Buildings & construction €´000	Trading €´000	Tourism industry €´000	Other €´000	Individual €´000	Total €´000
Exposure to credit risk relating to off balance sheet items:								
Letters of guarantee, letters of credit and other guarantees	4.908	1.729	12.749	18.762	1.849	15.866	1.521	57.384
Undrawn credit facilities	1.248	14.540	17.792	22.528	3.896	26.043	49.137	135.184
Total	6.156	16.269	30.541	41.290	5.745	41.909	50.658	192.568
31.12.2014								
Exposure to credit risk relating to off balance sheet items:								
Letters of guarantee, letters of credit and other guarantees	4.265	1.558	16.999	27.931	610	7.035	917	59.315
Undrawn credit facilities	9.255	15.995	34.288	12.539	.669	30.218	47.294	154.258
Total	13.520	17.553	51.287	40.470	5.279	37.253	48.211	213.573

32.2 LEASE COMMITMENTS

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

	31.12.2015 €΄000	31.12.2014 €΄000
Within one year	1.377	1.471
Between one to five years	4.936	4.473
More than five years	5.132	4.525
	11.445	10.469

32.3 LEGAL

As at 31 December 2015, there were pending litigations against the Bank in connection with its activities. Based on legal advice, the Board of Directors proceeded to a provision for litigation issues (note 26) or to a provision for impairment of doubtful debts for some of these cases in the financial statements, where it is expected that the Bank will suffer loss.

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

32.4 TAX

The Bank has been tax reviewed up until 2007 and is currently in the process of being reviewed for the years 2008-2011. As the tax review could potentially not recognize the productivity of certain expenses, it is likely that further tax could be imposed regarding those years not reviewed by the tax authorities.

32.5 CAPITAL EXPENDITURE

As at 31 December 2015, the Bank's commitments for capital expenditure for which no provision has been made in the financial statements amounted to €828 thous. (2014: €880 thous.) and represents additional work performed for the new Head Office buildings and for the cost of refurbishment of new branches.

33. CASH AND CASH EQUIVALENTS

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

	Note	31.12.2015 €´000	31.12.2014 €´000
Cash and balances with Central Banks	13	349.757	74.865
Due from banks	14	58.814	220.436
Due to banks		(113.134)	(40.083)
		295.437	255.218

34. SEGMENT INFORMATION

The Bank, in assessing the presentation of information by operating segment and taking into consideration the information that the Bank's Directors receive, who are responsible for the allocation of resources and assessing the performance of its banking sectors, identified the following operating segments:

- Retail Banking
- Corporate Banking
- Treasury
- Other

The below table presents the income, expenses, impairment losses, profit/(loss) before tax and certain information on assets and liabilities with regard to the above segments.

	1.1-31.12.2015				
	Retail Banking €000	Corporate Banking €000	Treasury €000	Other €000	Total €000
Net interest income	70.583	33.365	2.078		106.026
Net fee and commission income	7.137	1.642		(278)	8.501
Other income	2.256	222	(4.443)	-	(1.965)
Total income	79.976	35.229	(2.365)	(278)	112.562
Total expenses	(22.691)	(10.135)	-	(24.833)	(57.659)
Impairment losses and provisions to cover credit risk	(83.743)	(15.858)	-	-	(99.601)
(Loss)/profit before income tax	(26.458)	9.236	(2.365)	(25.111)	(44.698)
Assets 31.12.2015	1.220.280	816.267	507.129	45.146	2.588.822
Liabilities 31.12.2015	1.704.873	146.916	260.730	35.006	2.147.525
Capital expenditure	597	294	-	706	1.597
Depreciation and amortization	813	400	-	961	2.174

34. SEGMENT INFORMATION (cont.)

	1.1.-31.12.2014*				
	Retail Banking	Corporate Banking	Treasury	Other	Total
	€000	€000	€000	€000	€000
Net interest income	53.015	55.340	5.739	-	114.094
Net fee and commission income	7.950	1.455	-	-	9.405
Other income	-	-	1.862	-	1.862
Total income	60.965	56.795	7.601	-	125.361
Total expenses	(21.500)	(9.026)	-	(26.292)	(56.818)
Impairment losses and provisions to cover credit risk	(78.615)	(76.505)	-	-	(155.120)
(Loss)/profit before income tax	(39.150)	(28.736)	7.601	(26.292)	(86.577)
Assets 31.12.2014	1.484.455	1.162.185	636.875	44.256	3.327.771
Liabilities 31.12.2014	1.910.110	185.352	754.000	33.364	2.882.826
Capital expenditure	638	245	-	680	1.563
Depreciation and amortization	848	327	-	906	2.081

Retail Banking
Includes all individuals (Retail banking customers), professionals and small businesses, who are operating in Cyprus and abroad. Through its branch network it manages all deposit products, consumer mortgage products and corporate loans, liquidity products, letters of guarantee, letters of credit , and debit and credit cards of the above customers.

Corporate Banking
Includes all Medium and Large Businesses who are operating in Cyprus. It manages all liquidity products, corporate loans, and letters of guarantee, and letters of credit of the above businesses.

Treasury
Includes the activity of the Dealing Room on the interbank markets (FX Swaps, Bonds, Inter-bank placements – loans etc.)

Other
Includes the operating expenses of the Management that are not classified to other sectors of the Bank.

* The segment reporting of 2014 has been adjusted to take account of the revised application of the «Funds Transfer Pricing» methodology of 2015, by which Finance Centre of the bank , ie the Treasury, has a zero benefit from its role as intermediary in the aquisition and distribution of liquidity.

35. RISK MANAGEMENT

Alpha Bank Cyprus Limited, is adhering to the provisions of Basel III, as these are adopted by the European Directives, and the Central Bank of Cyprus Directive on Corporate Governance. The Bank being a member of Alpha Bank Group, operates within the framework and procedures of risk management of the Alpha Bank Group.

The structure of the Risk Management function is based on the Risk Management Policy framework that Alpha Bank 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 management of the actions 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 Bank, taking into account account international best practices and regulatory requirements of the domestic and European 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 Bank operates an independent Risk Management Unit whose main responsibility is to design and implement effective methods of identification, measurement and management of risks undertaken.

The Unit has the following departments:

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

35. RISK MANAGEMENT (cont.)

35.1 Credit Risk

Credit Risk refers to the potential risk that the Bank 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 Bank 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 Bank 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, they 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, the level of whom, is subject to amount of exposure, type, rating of customer, product and collateral. The credit policy of the Bank is in line with the Alpha Bank Group policy and the regulations of the Central Bank of Cyprus.

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

Measuring credit risk and internal ratings

Important tools that are being used for the loan approval process as well as for the credit quality classification of the loan portfolio, are the rating of the credit worthiness of the borrower.

The purpose of the credit rating system is to assess the probability of non-performance by creditors to fulfill their obligations towards Alpha Bank Group.

The Bank uses statistical models and credit evaluation tools for businesses, as these are used within Alpha Bank Group.

The rating systems used by the Group and the Bank are the Alpha Bank Rating System (ABRS) and Moody's Risk Advisor (MRA) which incorporate various models (specimens) of credit risk rating.

All existing and potential credit customers of the Bank and the companies of Alpha Bank Group are assessed based on the suitable credit rating model and within the agreed timeframe.

The statistical confirmation of credit risk rating models is reviewed constantly in order to ensure the maximum possible predictive capacity, in accordance with international best practices and the regulatory framework of risk management.

To assess the likelihood of default by the creditors of the Bank and the companies of the Group, the credit risk rating models evaluate a series of parameters, which can be grouped as follows:

- Financial capabilities of the borrower (liquidity indicators, indebtedness etc).
- Comparative position of the borrower in the wider environment in which they operate and mainly in comparison to competing businesses in the same sector.
- Transactional behaviour of the creditor with the Group and other third parties (debts in arrears, adverse information etc.).
- Qualitative characteristics of the creditor (integrity and continuity of management, suitability of property, plant and equipment etc).

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

Debtors rating

Debtors are rated at the following credit risk ratings:
AA, A+, A, A-, BB+, BB, BB-, B+,B, B-, CC+, CC, CC-, C, D , D0, D1, D2, E

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

The Bank has also developed statistical models to assess applications which it has incorporated its approval procedures.

An important mean of mitigating the credit risk is the use of collaterals from customers.

Collaterals include all kind of assets and rights, which are available to Alpha Bank Group, either from the debtors creditors or from third parties, in order to be used as complementary liquidity sources of relative loans.

Furthermore, the Bank shall ensure that it continuously monitors the delays in non-performing loans and takes the measures to contain them. Recoveries procedures are updated on a regular basis geared towards flexibility and effectiveness with the aim of limiting credit risk.

Impairments:

Impairment policy

The Bank reviews loans and advances to customers in order to assess whether there is a need for impairment which is recognized in comprehensive income. The Bank 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 Bank has defined as 'significant for individual assessment' customers loans that are managed by the Wholesale Banking sector with facilities in excess of €300 thousands, related to associated companies, and related to connected persons with facilities over €1 mil. In addition, for Retail Banking customers it has defined as 'significant for individual assessment' loans to customers with facilities over €1 mil. and connected with them persons with facilities over €1 mil.

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

Individual assessment for impairment (cont.)

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

The Bank 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
- Non performing exposures (EBA Definition)
- Rating of borrower CC- or worseThe exposure is classified as forborne non-performing exposure
- 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 against the borrower (Wholesale customers)
- Interventions and actions by government authorities against the borrower (Retail customers)
- Breach of contractual or credit terms and conditions.(includes non submission of Financial Statements)
- Adverse changes in the shareholders' structure or the management of the company or serious management issues/problems (Wholesale customers)
- Occurrence of unforeseen, extreme events
- Permanent arrears and / or other problems to another member of the group of the borrower

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

Collective assessment for impairment

For collective assessment for impairment purposes the following categories for Wholesale and Retail customers are examined:

- Loans with facilities less than those defined as being "individually significant".

- Loans which are individually significant and are not subject to losses, during individual assessment for impairments, are also collectively assessed once they are grouped based on similar credit risk characteristics

- Loans for which there are no triggers for impairment and consequently are not individually assessed, are categorized based on similar credit risk characteristics.

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. Simultaneously, conditions/events which may potentially cause losses and which are considered for impairment are also examined. Statistical methods or empirical assessment are used in determining provisions.

The assessment of the Wholesale Banking sector is performed on a customer basis and for the Retail Banking sector on an accounts basis.

To determine the amount of the required provisions, the Bank needs to assess the amount and timing of future cash flows. Such assessments are based on assumptions on a number of factors. The assumptions include future changes in the value of the assets/recoverable amount as well as the timeframe for liquidity purposes

Any changes to assumptions or differences between assumptions which were made and actual differences could lead to significant changes to the amount of the required provisions.

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

Forbearance

Maintaining a healthy loan portfolio depends on the constant monitoring and assessment of the borrowers in order to allow early detection of future liquidity problems, which could affect the normal repayment of their obligations to the Alpha Bank Group.

The credit tools which are normally used by the Bank for managing the liquidity problems that borrowers are facing for repaying their obligations are the restructuring of debt through the renegotiation of the original terms and conditions of the loan agreement they have entered into.

The existence of more favorable terms for renegotiating and modifying the terms and conditions of the bilateral arrangement between the Bank and the debtor (concession), who is facing or is about to face difficulties in meeting his financial commitments ("financial difficulty"), are defined with respect to:

- Difference in favour of the debtor between the modified and the previous terms of the contract; and
- Cases where a modified contract includes more favourable terms than other debtors with a similar risk profile could have obtained.

Regulation EU No. 575/2013 established the framework for prudential requirements on the management by credit institutions of loans arrears and non-performing loans.

Based on the European Commission Regulation EU 227/2015 of 9 January 2015 and the technical standards implementation of the European Banking Authority, the Bank and the Group undertake the resulting obligations in relation to restructured loans.

The restructuring of debtors is proposed for cooperative and viable borrowers who are experiencing financial difficulties on the condition that the restructuring will be effective and viable in the long term, taking into consideration the causes which resulted in financial difficulties as well as the repayment capability of the borrower

Henceforth, based on the above conditions the development, quality and effectiveness of these loans shall be monitored.

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

DEFINITIONS:

The following definitions apply for the purpose of completing the tables that follow:

Past Due Exposures
Past due exposures are defined as exposures that are more than one (1) day past due.

Non Performing Exposures
An exposure is considered as non-performing when one of the following criteria is satisfied:

- Legal proceedings have commenced.
- The exposure is more than 90 days past due
- An exposure against which legal actions have been undertaken by the bank
- The debtor is assessed as unlikely to pay its credit obligations in full without realization of collateral
- The exposure is classified as impaired
- The exposure is classified as forborne non-performing exposure, as defined in the commission implementing Regulation (EU) 2015/227 of January 9, 2015.

Performing Exposures

An exposure is considered as performing when the following criteria are met:

- the exposure is less than 90 days past due;
- no legal actions have been undertaken against the exposure;
- the situation of the debtor has improved to the extent that full repayment, according to the original or when applicable the modified conditions, is likely to be made
- the exposure is not classified as impaired or
- the exposure is classified as forborne performing exposure, as defined in the aforementioned commission Implementing Regulation (EU) 2015/227 of 9 January 2015.

- **Forborne Loans**

Loans with tolerating measures are defined as loans which include concessions towards the debtor who is facing or is about to face difficulties in fulfilling its obligations.

- **Unlikely to pay loans**

Loans with ‘unlikely to pay’ indications are defined as loans which have been assessed as unlikely to be repaid by the client without the liquidation of their collateral, regardless of the existence of any arrears or the number of days past due.

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

Impaired Loans

Impaired loans are those loans defined as follows:

- Loans for which an impairment amount has been allocated following the individual assessment for impairment;
- Loans in arrears more than 90 days or under legal proceedings status, for which an impairment amount has been allocated following the collective assessment for impairment;
- The loans of that have been marked as “non-performing or forborne non performing” regardless of the number of days in arrears.
- Loans marked as «Unlikely to pay» and are not in arrears over 90 days.

Accumulated impairment

For the purposes of the presentation of credit risk disclosures , the accumulated provision for impairment, includes the fair value adjustment for the loans and advances of Emporiki Bank Cyprus Ltd portfolio which was acquired at fair value. For the purpose of credit risk monitoring this adjustment is considered as part of the provisions. In note 17 «Loans and advances to customers» this adjustment has been deducted from the balances before provision

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 of the obligor, as shown in the table below:

	Portfolio	Characteristics
Wholesale banking customers	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 thous. and €1 mil.

Credit facilities granted to customers with other characteristics other than those shown above fall under the Retail Banking sector

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

FINANCIAL INSTRUMENTS CREDIT RISK

	31.12.2015			31.12.2014		
	Exposure before impairment €´000	Impairment €´000	Net exposure to credit risk €´000	Exposure before impairment €´000	Impairment €´000	Net exposure to credit risk €´000
A. Credit risk exposure relating to on balance sheet items						
Balances with central banks	339.981	-	339.981	63.451	-	63.451
Due from banks	58.814	-	58.814	220.436	-	220.436
Loans and advances to customers	2.834.793	798.246	2.036.547	3.438.925	792.285	2.646.640
Derivative financial assets	2.885	-	2.885	1.279	-	1.279
Available for sale securities :						
- Available for sale (government)	96.907	-	96.907	319.310	-	319.310
- Available for sale (other)	1.651	-	1.651	22.265	-	22.265
Total amount of balance sheet items exposed to credit risk (a)	3.335.031	798.246	2.536.785	4.065.666	792.285	3.273.381
Other balance sheet items not exposed to credit risk	52.037	-	52.037	54.390	-	54.390
Total assets	3.387.068	798.246	2.588.822	4.120.056	792.285	3.327.771
B. Credit risk exposure relating to off balance sheet items:						
Letters of guarantee, letters of credit and other guarantees	57.384	-	57.384	59.315	-	59.315
Undrawn loan agreements and credit limits that cannot be recalled (committed)	135.184	-	135.184	154.258	-	154.258
Total amount of off balance sheet items exposed to credit risk (b)	192.568	-	192.568	213.573	-	213.573
Total credit risk exposure (a+b)	3.527.599	798.246	2.729.353	4.279.239	792.285	3.486.954

The maximum credit risk to which the Bank is exposed is depicted in the column “Net exposure to credit risk”.

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

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

	31.12.2015								
	Non impaired loans and advances		Impaired loans and advances			Accumulated impairment allowance			
	Neither past due nor impaired €´000	Past due but not impaired €´000	Individually assessed €´000	Collectively assessed €´000	Total gross amount €´000	Individually assessed €´000	Collectively assesses €´000	Total net amount €´000	Collateral values €´000
Retail lending									
Mortgage	443.196	72.403	84.484	740.444	1.340.527	38.301	311.666	990.560	986.384
Consumer	62.052	8.650	42.865	144.244	257.811	23.541	63.894	170.376	101.096
Credit cards	9.145	268	610	5.320	15.343	277	2.797	12.269	1.466
Small Business Loans	17.486	3.935	3.330	40.014	64.765	1.209	16.480	47.076	37.293
	531.879	85.256	131.289	930.022	1.678.446	63.328	394.837	1.220.281	1.126.239
Corporate lending									
Large	475.851	42.524	430.659	9.354	958.388	213.833	31.617	712.938	689.269
SME’s	18.723	17.532	137.840	23.396	197.491	78.127	16.442	102.922	108.997
	494.574	60.056	568.499	32.750	1.155.879	291.960	48.059	815.860	798.266
Public sector	468	-	-	-	468	-	62	406	468
Total	1.026.921	145.312	699.788	962.772	2.834.793	355.288	442.958	2.036.547	1.924.973

An amount of €59.514 thous. that is included in accumulated impairment allowance under “Collectively assessed” relates to IBNR provisions. An amount of €209.271 thous. included in impaired loans and advances relates to restructured loans less than 90 days past due.

The accumulated provision for impairment, relates to the fair value adjustment for the loans and advances of Emporiki Bank Cyprus Ltd portfolio which was acquired at fair value. For the purpose of credit risk monitoring this adjustment is considered as part of the provisions. In note 17 «Loans and advances to customers» this adjustment has been deducted from the balances before provision.

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

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

	31.12.2014								
	Non impaired loans and advances		Impaired loans and advances			Accumulated impairment allowance			
	Neither past due nor impaired €´000	Past due but not impaired €´000	Individually assessed €´000	Collectively assessed €´000	Total gross amount €´000	Individually assessed €´000	Collectively assesses €´000	Total net amount €´000	Collateral values €´000
Retail lending									
Mortgage	582.883	123.890	63.052	853.389	1.623.214	24.214	315.956	1.283.044	1.287.673
Consumer	57.439	8.859	36.259	101.007	203.564	20.400	37.786	145.378	90.532
Credit cards	9.303	177	668	4.828	14.976	180	1.154	13.642	1.273
Small Business Loans	17.825	3.884	2.825	26.388	50.922	1.082	7.450	42.390	34.848
	667.450	136.810	102.804	985.612	1.892.676	45.876	362.346	1.484.454	1.414.326
Corporate lending									
Large	608.697	121.923	588.475	101.177	1.420.272	268.807	74.227	1.077.238	1.126.976
SME's	21.457	4.407	80.111	19.227	125.202	35.292	5.704	84.206	94.045
	630.154	126.330	668.586	120.404	1.545.474	304.099	79.931	1.161.444	1.221.021
Public sector	775	-	-	-	775	-	33	742	386
Total	1.298.379	263.140	771.390	1.106.016	3.438.925	349.975	442.310	2.646.640	2.635.733

An amount of €114.143 thous. included in accumulated impairment allowance under "Collectively assessed" relates to IBNR provisions. An amount of €120.641 thous. is included in impaired loans and advances relating to restructured loans less than 90 days past due.

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

ANALYSIS OF NEITHER PAST DUE NOR IMPAIRED LOANS AND ADVANCES TO CUSTOMERS

	31.12.2015				
	Strong €΄000	Satisfactory €΄000	Watch list (higher risk) €΄000	Total neither past due nor impaired €΄000	Value of collateral €΄000
Retail lending					
Mortgage	-	443.196	-	443.196	401.952
Consumer	-	62.052	-	62.052	28.763
Credit cards	-	9.145	-	9.145	1.232
Small Business Loans	-	17.486	-	17.486	12.087
	-	531.879	-	531.879	444.034
Corporate lending					
Large	46.276	292.168	137.407	475.851	399.205
SME's	572	8.979	9.172	18.723	15.624
	46.848	301.147	146.579	494.574	414.829
Public sector	-	468	-	468	468
Total	46.848	833.494	146.579	1.026.921	859.331

	31.12.2014				
	Strong €΄000	Satisfactory €΄000	Watch list (higher risk) €΄000	Total neither past due nor impaired €΄000	Value of collateral €΄000
Retail lending					
Mortgage	-	582.883	-	582.883	510.997
Consumer	-	57.439	-	57.439	29.568
Credit cards	-	9.303	-	9.303	941
Small Business Loans	-	17.825	-	17.825	12.827
	-	667.450	-	667.450	554.333
Corporate lending					
Large	4.892	369.040	234.765	608.697	545.145
SME's	451	10.999	10.007	21.457	20.440
	5.343	380.039	244.772	630.154	565.585
Public sector	-	775	-	775	386
Total	5.343	1.048.264	244.772	1.298.379	1.120.304

35.RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

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

31.12.2015							
	Retail Lending				Corporate lending		
	Mortgage €´000	Consumer €´000	Credit cards €´000	Small business loans €´000	Large €´000	SME's €´000	Total past due but not impaired €´000
1 - 30 days	45.258	5.548	140	2.225	6.170	1.766	61.107
31 - 60 days	19.567	1.622	83	541	14.562	822	37.197
61 - 90 days	7.578	1.480	45	1.169	2.389	2	12.663
91 - 180 days	-	-	-	-	3.661	633	4.294
181 - 360 days	-	-	-	-	269	591	860
> 360 days	-	-	-	-	15.473	13.718	29.191
Total	72.403	8.650	268	3.935	42.524	17.532	145.312
Value of collateral	62.259	3.434	29	3.010	28.869	11.597	109.198

31.12.2014							
	Retail Lending				Corporate lending		
	Mortgage €´000	Consumer €´000	Credit cards €´000	Small business loans €´000	Large €´000	SME's €´000	Total past due but not impaired €´000
1 - 30 days	43.600	6.138	85	1.917	21.375	1.712	74.827
31 - 60 days	13.140	1.887	56	1.108	44.672	724	61.587
61 - 90 days	67.150	835	36	858	23.452	1.971	94.302
91 - 180 days	-	-	-	-	1	-	1
181 - 360 days	-	-	-	-	32.423	-	32.423
> 360 days	-	-	-	-	-	-	-
Total	123.890	8.859	177	3.884	121.923	4.407	263.140
Value of collateral	105.805	3.583	18	3.193	115.256	3.742	231.596

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

AGEING ANALYSIS OF IMPAIRED LOANS AND ADVANCES TO CUSTOMERS BY PRODUCT LINE

31.12.2015	Retail lending				Corporate lending		
	Mortgage €΄000	Consumer €΄000	Credit cards €΄000	Small business loans €΄000	Large €΄000	SME's €΄000	Total Impaired €΄000
Without arrears	74.204	12.576	33	2.993	37.140	804	127.750
1 - 30 days	19.179	2.848	-	2.140	196	421	24.784
31 - 60 days	9.574	1.983	-	183	1.459	625	13.824
61 - 90 days	7.726	2.907	3	529	21.796	43	33.004
91 - 180 days	15.897	2.308	62	730	2.366	552	21.915
181 - 360 days	25.487	3.323	1.561	825	4.784	3.235	39.215
> 360 days	347.389	75.413	1.267	18.838	154.190	66.238	663.335
Net value of impaired loans and advances	499.456	101.358	2.926	26.238	221.931	71.918	923.827
Value of collateral	522.173	68.899	205	22.197	261.194	81.775	956.443

31.12.2014	Retail lending				Corporate lending		
	Mortgage €΄000	Consumer €΄000	Credit cards €΄000	Small business loans €΄000	Large €΄000	SME's €΄000	Total Impaired €΄000
Without arrears	154.093	12.934	286	1.793	121.442	4.934	295.482
1 - 30 days	13.461	2.485	16	1.173	1.452	60	18.647
31 - 60 days	5.284	948	15	297	6.631	-	13.175
61 - 90 days	15.373	884	49	482	12.444	451	29.683
91 - 180 days	106.276	3.279	65	734	4.444	3.151	117.949
181 - 360 days	46.802	19.568	2.207	6.034	94.443	11.969	181.023
> 360 days	287.349	43.217	1.548	11.120	160.378	39.693	543.305
Net value of impaired loans and advances	628.638	83.315	4.186	21.633	401.234	60.258	1.199.264
Value of collateral	670.872	57.381	315	18.827	466.575	69.864	1.283.833

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

MOVEMENT OF IMPAIRED LOANS AND ADVANCES TO CUSTOMERS BY PRODUCT LINE

	2015						
	Retail Lending				Corporate Lending		Total
	Mortgages	Consumer	Credit cards	Small business loans	Large businesses	SMEs businesses	
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Balance 1.1.2015	**916.441**	**137.265**	**5.497**	**29.213**	**689.652**	**99.338**	**1.877.406**
Value of loans categorized as impaired within the period	327.406	63.574	1.800	16.324	143.603	72.583	625.290
Value of loans removed from impaired category	(42.194)	(12.599)	(464)	(2.038)	(11.180)	7.984)	(76.459)
Proceeds from impaired loans	(16.316)	(3.975)	(78)	(541)	(11.296)	(1.903)	(34.109)
Write off of impaired loans and advances	(29.456)	(676)	(179)	(32)	(179)	-	(30.522)
Disposal of impaired loans and advances	(367.775)	(1.710)	(198)		(381.401)	(1.982)	(753.066)
Exchange differences and other movement	36.821	5.230	(448)	418	10.814	1.185	54.020
Balance 31.12.2015	**824.927**	**187.109**	**5.930**	**43.344**	**440.013**	**161.237**	**1.662.560**
Accumulated impairment provision	(325.471)	(85.752)	(3.003)	(17.106)	(218.082)	(89.319)	(738.733)
Net value of impaired loans and advances	**499.456**	**101.357**	**2.927**	**26.238**	**221.931**	**71.918**	**923.827**

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

MOVEMENT OF IMPAIRED LOANS AND ADVANCES TO CUSTOMERS BY PRODUCT LINE

	2014						
	Retail Lending				Corporate Lending		Total
	Mortgages	Consumer	Credit cards	Small business loans	Large businesses	SMEs businesses	
	€´000	€´000	€´000	€´000	€´000	€´000	€´000
Balance 1.1.2014	**964.757**	**136.614**	**5.032**	**25.454**	**748.581**	**81.425**	**1.961.863**
Value of loans categorized as impaired within the period	267.182	39.663	1.648	8.920	137.745	23.272	478.430
Value of loans removed from impaired category	(241.581)	(31.334)	(870)	(4.790)	(114.775)	(4.016)	(397.366)
Proceeds from impaired loans	(20.333)	(6.299)	-	(933)	(11.915)	(1.698)	(41.178)
Write off of impaired loans and advances	(84.953)	(1.758)	(138)	(234)	(5.449)	(238)	(92.770)
Disposal of impaired loans and advances	-	-	-	-	(72.915)	-	(72.915)
Exchange differences and other movement	31.369	379	(175)	796	8.381	592	41.342
Balance 31.12.2014	**916.441**	**137.265**	**5.497**	**29.213**	**689.653**	**99.337**	**1.877.406**
Accumulated impairment provision	(287.803)	(53.950)	(1.311)	(7.580)	(288.419)	(39.079)	(678.142)
Net value of impaired loans and advances	**628.638**	**83.315**	**4.186**	**21.633**	**401.234**	**60.258**	**1.199.264**

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

LOAN-TO-VALUE RATIO (LTV) OF MORTGAGE LENDING

	Mortgage Loans	
	31.12.2015 €´000	**31.12.2014** €´000
< 50%	177.215	189.124
50% - 70%	175.582	191.776
71% - 80%	94.876	133.103
81% - 90%	112.809	144.653
91% - 100%	94.685	182.891
101% - 120%	183.349	343.728
121% - 150%	207.759	267.577
> 150%	294.252	170.362
Total exposure	1.340.527	1.623.214
Average LTV (%)	74.40%	77.70%

BREAKDOWN OF COLLATERAL AND GUARANTEES

	31.12.2015 Value of collateral received			
	Real estate collateral €´000	Financial collateral €´000	Other collateral €´000	Total €´000
Retail lending	1.092.570	29.780	3.889	1.126.239
Corporate lending	727.255	55.950	15.061	798.266
Public sector	-	390	78	468
Total	1.819.825	86.120	19.028	1.924.973

	31.12.2014 Value of collateral received			
	Real estate collateral €´000	Financial collateral €´000	Other collateral €´000	Total €´000
Retail lending	1.354.145	7.197	52.984	1.414.326
Corporate lending	1.029.772	14.144	177.105	1.221.021
Public sector	-	386	-	386
Total	2.383.917	21.727	230.089	2.635.733

The Bank has not received any collaterals it may sell or re-assign in case of no default by the debtor.

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

REPOSSESSED COLLATERALS

	31.12.2015						
	Balance Sheet balances					Disposals	
	Value of collaterals repossessed 31.12.2015	of which in 2015	Accumulated impairment allowance 31.12.2015	of which in 2015	Carrying amount of collaterals repossessed 31.12.2015	Net disposal Value	Net gain/(loss) on disposal
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Real Estate	559	-	-	-	559	-	-

	31.12.2014						
	Balance Sheet balances					Disposals	
	Value of collaterals repossessed 31.12.2014	of which in 2014	Accumulated impairment allowance 31.12.2014	of which in 2014	Carrying amount of collaterals repossessed 31.12.2014	Net disposal Value	Net gain/(loss) on disposal
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Real Estate	559	-	-	-	559	-	-

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

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

31.12.2015	Cyprus			Greece			Rest of Europe			Other countries		
	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
	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000
Retail lending	**952.534**	**577.679**	**229.677**	**1.889**	**1.198**	**470**	**650.777**	**437.258**	**210.783**	**73.246**	**45.175**	**17.235**
Mortgage	630.109	355.651	128.909	1.702	1.078	416	641.156	428.311	206.080	67.560	39.887	14.562
Consumer	242.986	173.031	80.145	168	114	50	9.179	8.746	4.619	5.478	5.218	2.621
Credit cards	14.877	5.660	2.940	19	6	4	246	201	84	201	63	46
Small business loans	64.562	43.337	17.683	-	-	-	196	-	-	7	7	6
Corporate lending	**1.139.713**	**597.785**	**334.537**	**12.433**	**3.465**	**5.482**	**2.240**	-	-	**1.493**	-	-
Financial institutions	52.551	13.784	19.201	-	-	-	-	-	-	-	-	-
Manufacturing	55.609	32.459	19.797	1.636	703	842	-	-	-	-	-	-
Real estate Development	82.544	29.551	13.915	-	-	-	-	-	-	-	-	-
Construction	636.497	364.048	192.818	1.229	696	619	-	-	-	1.493	-	-
Wholesale and retail trade	122.569	67.920	41.060	7.441	1.973	3.146	2.240	-	-	-	-	-
Transportation	7.124	3.498	2.799	-	-	-	-	-	-	-	-	-
Tourism	85.251	34.037	10.280	1.720	2	767	-	-	-	-	-	-
Services	22.499	19.266	10.069	29	4	3	-	-	-	-	-	-
Other sectors	75.069	33.220	24.598	378	87	105	-	-	-	-	-	-
Public sector	**468**	**-**	**62**	-	-	-	-	-	-	-	-	-
Total	**2.092.715**	**1.175.464**	**564.276**	**14.322**	**4.663**	**5.952**	**653.017**	**437.258**	**210.783**	**74.739**	**45.175**	**17.235**

Note.: Accumulated impairment allowance includes losses incurred but not reported (IBNR). IBNR concerns provisions for non-impaired loans and advances.

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

LOANS AND ADVANCES TO CUSTOMERS, IMPAIRED LOANS, IMPAIRMENT ALLOWANCE BY PRODUCT LINE, INDUSTRY AND GEOGRAPHICAL REGION (cont.)

31.12.2014	Cyprus			Greece			Rest of Europe			Other countries		
	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
	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000
Retail lending	**812.550**	**433.386**	**134.297**	**2.388**	**2.100**	**489**	**992.617**	**614.536**	**256.668**	**85.121**	**38.394**	**16.768**
Mortgage	556.354	278.198	69.942	2.006	1.831	407	984.342	601.989	254.675	80.512	34.424	15.146
Consumer	191.241	121.854	54.542	352	265	81	7.807	11.203	1.949	4.164	3.944	1.615
Credit cards	14.242	4.853	1.283	30	4	1	265	618	44	439	20	5
Small business loans	50.713	28.481	8.530	-	-	-	203	726	-	6	6	2
Corporate lending	**1.489.447**	**788.147**	**383.751**	**1.042**	**843**	**216**	**1**	**-**	**-**	**54.984**	**-**	**63**
Financial institutions	17.127	5.112	3.168	-	-	-	-	-	-	-	-	-
Manufacturing	53.259	29.042	15.926	-	-	-	-	-	-	21.107	-	-
Real estate Development	215.986	69.119	37.748	-	-	-	-	-	-	-	-	-
Construction	878.766	543.382	255.406	843	843	200	-	-	-	2.080	-	63
Wholesale and retail trade	112.635	68.467	32.551	-	-	-	1	-	-	31.796	-	-
Transportation	10.695	2.171	1.569	-	-	-	-	-	-	-	-	-
Tourism	117.791	32.871	13.208	-	-	-	-	-	-	-	-	-
Services	81.775	37.155	24.073	199	-	16	-	-	-	1	-	-
Other sectors	1.413	828	102	-	-	-	-	-	-	-	-	-
Public sector	**775**	**-**	**33**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**2.302.772**	**1.221.533**	**518.081**	**3.430**	**2.943**	**705**	**992.618**	**614.536**	**256.668**	**140.105**	**38.394**	**16.831**

Note.: Accumulated impairment allowance includes losses incurred but not reported (IBNR). IBNR concerns provisions for non-impaired loans and advances.

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

INTEREST INCOME RECOGNISED BY QUALITY OF LOANS AND ADVANCES AND PRODUCT LINE

	31.12.2015		
	Interest income on non impaired loans and advances €´000	Interest income on impaired loans and advances €´000	Total interest income €´000
Retail lending	29.298	58.232	87.530
Corporate lending	23.470	31.253	54.723
Total interest income	52.768	89.485	142.253

	31.12.2014		
	Interest income on non impaired loans and advances €´000	Interest income on impaired loans and advances €´000	Total interest income €´000
Retail lending	32.338	41.273	73.611
Corporate lending	54.760	32.341	87.101
Public sector	40	-	40
Total interest income	87.138	73.614	160.752

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

ANALYSIS OF FORBORNE LOANS AND ADVANCES TO CUSTOMERS

	31.12.2015		
	Total amount of loans and advances €΄000	Total amount of forborne loans and advances €΄000	Forborne loans and advances (%)
Neither past due nor impaired	1.026.921	219.770	21,40
Past due but not impaired	145.312	44.931	30,92
Impaired	1.662.560	482.475	29,02
Total (before impairment)	2.834.793	747.176	26,36
Individual impairment allowance	(355.288)	(33.696)	9,48
Collective impairment allowance	(442.958)	(123.519)	27,88
Total net amount	2.036.547	589.961	28,97
Value of collateral	**1.924.973**	**580.489**	**30,16**

	31.12.2014		
	Total amount of loans and advances €΄000	Total amount of forborne loans and advances €΄000	Forborne loans and advances (%)
Neither past due nor impaired	1.298.379	342.240	26,36
Past due but not impaired	263.140	157.311	59,78
Impaired	1.877.406	609.194	32,45
Total (before impairment)	3.438.925	1.108.745	32,24
Individual impairment allowance	(349.975)	(29.310)	8,37
Collective impairment allowance	(442.310)	(221.805)	50,15
Total net amount	2.646.640	857.630	32,40
Value of collateral	**2.635.733**	**878.585**	**33,33**

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

FORBORNE LOANS AND ADVANCES TO CUSTOMERS BY TYPE OF FORBEARANCE

	31.12.2015 €´000
Deferal of interest payment	2.235
Reduced payment schedule	52.246
Grace period	151.902
Extension of repayment schedule	14.123
Capitalisation of arrears	228.458
Partial write off of debt	105.518
Other	35.479
Total net value	589.961

	31.12.2014 €´000
Deferal of interest payment	8.238
Reduced payment schedule	25.204
Grace period	415.688
Extension of repayment schedule	166.109
Capitalisation of arrears	113.806
Partial write off of debt	10.909
Other	117.676
Total net value	857.630

FORBORNE LOANS AND ADVANCES TO CUSTOMERS BY PRODUCT LINE

	31.12.2015 €´000	31.12.2014 €´000
Retail lending		
Mortgage	429.086	696.206
Consumer	48.215	37.498
Credit card	-	1
Small business loans	11.281	7.797
	488.582	741.502
Corporate lending		
Large	94.632	111.197
SME's	6.747	4.931
	101.379	116.128
Total net value	589.961	857.630

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

FORBORNE LOANS AND ADVANCES TO CUSTOMERS BY GEOGRAPHIC AREA

	31.12.2015 €΄000
Cyprus	375.054
Greece	737
Other European countries	187.012
Other countries	27.158
Total net value	589.961

	31.12.2014 €΄000
Cyprus	416.146
Greece	1.011
Other European countries	404.513
Other countries	35.960
Total net value	857.630

OTHER RECEIVABLES

31.12.2015	**Deposits with Central Bank of Cyprus** €΄000	**Loans and advances to financial institutions** €΄000	**Derivative financial instruments** €΄000	**Investments available for sale** €΄000	**Total** €΄000
AA- to AAA	-	285	-	-	285
A- to A+	-	47.964	-	-	47.964
Lower than A-	339.981	10.565	2.885	96.907	450.338
Unrated	-	-	-	1.651	1.651
Not past due nor impaired	**339.981**	**58.814**	**2.885**	**98.558**	**500.238**
31.12.2014					
AA- to AAA	-	311	-	40.973	41.284
A- to A+	-	2.295	-	-	2.295
Lower than A-	63.451	217.830	1.279	298.951	581.511
Unrated	-	-	-	1.651	1.651
Not past due nor impaired	**63.451**	**220.436**	**1.279**	**341.575**	**626.741**

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

AVAILABLE IN CENTRAL BANKS – ADVANCES TO CREDIT INSTITUTIONS – DERIVATIVE FINANCIAL INSTRUMENTS – BASED ON CREDIT RATING

	31.12.2015				
	Balances with Central Bank of Cyprus €´000	**Due from banks €´000**	**Derivative financial assets €´000**	**Investment securities available for sale €´000**	**Total €´000**
Not past due and not impaired	339.981	58.814	2.885	98.558	500.238
Past due but not impaired	-	-	-	-	-
Impaired	-	-	-	-	-
Exposure value before impairment	339.981	58.814	2.885	98.558	500.238
Less:					
Accumulated impairments	-	-	-	-	-
Net exposure value	339.981	58.814	2.885	98.558	500.238

	31.12.2014				
	Balances with Central Bank of Cyprus €´000	**Due from banks €´000**	**Derivative financial assets €´000**	**Investment securities available for sale €´000**	**Total €´000**
Not past due and not impaired	63.451	220.436	1.279	341.575	626.741
Past due but not impaired	-	-	-	-	-
Impaired	-	-	-	-	-
Exposure value before impairment	63.451	220.436	1.279	341.575	626.741
Less:					
Accumulated impairments	-	-	-	-	-
Net exposure value	63.451	220.436	1.279	341.575	626.741

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

FINANCIAL ASSETS SUBJECT TO CREDIT RISK – Analysis by sector

	31.12.2015												
	Credit institutions & other financial services	Manufacturing and crafts	Real estate developments	Construction	Wholesale and retail trade	Public sector	Transport	Tourism	Other sectors	Individuals and small businesses	Total	Provisions	Total net value
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Credit risk exposure associated with balance sheet items:													
Balances with Central Banks	339.981	-	-	-	-	-	-	-	-	-	**339.981**	-	**339.981**
Due from banks	58.814	-	-	-	-	-	-	-	-	-	**58.814**	-	**58.814**
Loans and advances to customers	52.939	61.989	83.705	645.433	146.954	468	7.999	90.470	108.396	1.636.440	**2.834.793**	798.246	**2.036.547**
Derivative financial assets	2.885	-	-	-	-	-	-	-	-	-	**2.885**	-	**2.885**
Investment securities available for sale	1.651	-	-	-	-	96.907	-	-	-	-	**98.558**	-	**98.558**
Total value of on balance sheet items subject to credit risk (a)	**456.270**	**61.989**	**83.705**	**645.433**	**146.954**	**97.375**	**7.999**	**90.470**	**108.396**	**1.636.440**	**3.335.031**	**798.246**	**2.536.785**
Other on balance sheet items not subject to credit risk	52.037	-	-	-	-	-	-	-	-	-	**52.037**	-	**52.037**
Total assets	**508.307**	**61.989**	**83.705**	**645.433**	**146.954**	**97.375**	**7.999**	**90.470**	**108.396**	**1.636.440**	**3.387.068**	**798.246**	**2.588.822**
Credit risk exposure related to off-balance sheet items:													
Letters of guarantee, Letters of Credit	**4.908**	**1.729**	**5**	**12.744**	**18.762**	**22**	**339**	**1.849**	**15.505**	**1.521**	**57.384**	**-**	**57.384**
Undrawn facilities and credit limits that cannot be revoked	**1.248**	**14.540**	**1.810**	**15.982**	**22.528**	**110**	**6.743**	**3.896**	**19.190**	**49.137**	**135.184**	**-**	**135.184**
Total value of off balance sheet items subject to credit risk (b)	**6.156**	**16.269**	**1.815**	**28.726**	**41.290**	**132**	**7.082**	**5.745**	**34.695**	**50.658**	**192.568**	**-**	**192.568**
Total value of exposure subject to credit risk (a+b)	**462.426**	**78.258**	**85.520**	**674.159**	**188.244**	**97.507**	**15.081**	**96.215**	**143.091**	**1.687.098**	**3.527.599**	**798.246**	**2.729.352**

35. RISK MANAGEMENT (cont.)

35.1 Credit risk (cont.)

FINANCIAL ASSETS SUBJECT TO CREDIT RISK – Analysis by sector

	31.12.2014												
	Credit institutions & other financial services	Manufacturing and crafts	Real estate developments	Construction	Wholesale and retail trade	Public sector	Transport	Tourism	Other sectors	Individuals and small businesses	Total	Provisions	Total net value
	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000
Credit risk exposure associated with balance sheet items:													
Balances with Central Banks	63.451	-	-	-	-	-	-	-	-	-	**63.451**	-	**63.451**
Due from banks	220.436	-	-	-	-	-	-	-	-	-	**220.436**	-	**220.436**
Loans and advances to customers	17.127	74.366	215.986	881.688	144.431	775	10.696	117.791	83.388	1.892.677	**3.438.925**	792.285	**2.646.640**
Derivative financial assets	1.279	-	-	-	-	-	-	-	-	-	**1.279**	-	**1.279**
Investment securities available for sale	22.265	-	-	-	-	319.310	-	-	-	-	**341.575**	-	**341.575**
Total value of on balance sheet items subject to credit risk (a)	**324.558**	**74.366**	**215.986**	**881.688**	**144.431**	**320.085**	**10.696**	**117.791**	**83.388**	**1.892.677**	**4.065.666**	**792.285**	**3.273.381**
Other on balance sheet items not subject to credit risk	54.390	-	-	-	-	-	-	-	-	-	**54.390**	-	**54.390**
Total assets	**378.948**	**74.366**	**215.986**	**881.688**	**144.431**	**320.085**	**10.696**	**117.791**	**83.388**	**1.892.677**	**4.120.056**	**792.285**	**3.327.771**
Credit risk exposure related to off-balance sheet items:													
Letters of guarantee, Letters of Credit	**4.265**	**1.558**	**48**	**16.952**	**27.931**	**34**	**145**	**610**	**6.855**	**917**	**59.315**	**-**	**59.315**
Undrawn facilities and credit limits that cannot be revoked	**9.256**	**15.995**	**5.150**	**29.138**	**12.539**	**113**	**6.850**	**4.668**	**23.255**	**47.294**	**154.258**	**-**	**154.258**
Total value of off balance sheet items subject to credit risk (b)	**13.521**	**17.553**	**5.198**	**46.090**	**40.470**	**147**	**6.995**	**5.278**	**30.110**	**48.211**	**213.573**	**-**	**213.573**
Total value of exposure subject to credit risk (a+b)	**338.078**	**91.919**	**221.184**	**927.778**	**184.902**	**320.232**	**17.691**	**123.069**	**113.498**	**1.940.888**	**4.279.238**	**792.285**	**3.486.953**

35. RISK MANAGEMENT (cont.)

35.2 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 Alpha Bank Group and in particular according to the Policy manuals and Procedures in areas of market risk and the management of assets and liabilities.

The Bank has set limits for the following risks:

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

Positions held in these commodities are continuously monitored and assessed for percentage cover and for any potential excess of current limits.

35.2.1 Interest rate risk

Interest rate risk arises from the different readjustment dates in the interest bearing assets and liabilities of the Bank.

The Bank analyses the interest rate gaps for each time period for each currency (interest rate gap analysis) for all interest bearing elements and uses this analysis to measure the effects of the change in interest rates.

From the Interest Rate Gap Analysis and from the application of alternative scenarios regarding the changes in market interest rates or changes in the Bank's base interest rates, the Bank is able to calculate the immediate changes in net interest income and equity relating to available for sale securities. In the interest rate decrease scenarios the change is assessed up to a feasible point (interest rate set to zero) in accordance with the effective yield curves per currency.

Interest rate variation scenario (parallel fall or rise in yield curves)	Sensitivity for net interest income (€'000)	Sensitivity of Equity (€'000)
+100 basis points	10.360	-104
-100 basis points	3.880	0

35.2.2 Foreign currency risk

The Bank undertakes foreign currency risk due to the volatility of foreign exchange rates. The open position per currency resulting from all operations is managed centrally. Bank policy is that positions are closed out promptly using spot or FX derivative transactions. All resulting open positions are subject to the foreign currency risk limits that are set within the scope of policy-making for financial risk management and monitored accordingly.

35. RISK MANAGEMENT (cont.)

35.2 Market risk (cont.)

INTEREST RATE AND FOREIGN EXCHANGE RISK AT 31 DECEMBER 2015

CURRENCY – USD ($)	Total €000	Up to 7 days €000	8 to 30 days €000	1month to 3 months €000	4 to 6 months €000	7 to 12 months €000	1 year to 5 years €000	More than 5 years €000	Non-interest bearing position €000
Cash	219	-	-	-	-	-	-	-	219
Loans and advances to financial institutions	33.205	33.205	-	-	-	-	-	-	-
Loans and advances to corporates	11.216	675	7.650	171	1.438	171	1.111	-	-
Loans and advances to individuals	8.776	427	2.887	3.401	1.469	592	-	-	-
Derivative financial assets	36.741	-	-	-	36.741	-	-	-	-
TOTAL ASSETS	90.157	34.307	10.537	3.572	39.648	763	1.111	-	219
Due to banks	-	-	-	-	-	-	-	-	-
Due to customers	78.973	16.370	8.119	13.739	5.295	7.360	22.472	5.618	-
Derivative financial liabilities	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	78.973	16.370	8.119	13.739	5.295	7.360	22.472	5.618	-
NET POSITION IN USD	11.184	17.937	2.418	(10.167)	34.353	(6.597)	(21.361)	(5.618)	219

35. RISK MANAGEMENT (cont.)

35.2 Market risk (cont.)

INTEREST RATE AND FOREIGN EXCHANGE RISK AT 31 DECEMBER 2015 (cont.)

CURRENCY – EURO (€)	Total €000	Up to 7 days €000	8 to 30 days €000	1month to 3 months €000	4 to 6 months €000	7 to 12 months €000	1 year to 5 years €000	More than 5 years €000	Non-interest bearing position €000
Cash	349.329	339.981	-	-	-	-	-	-	9.348
Loans and advances to financial institutions	7.902	7.902	-	-	-	-	-	-	-
Investment securities available for sale	96.970	-	27.397	68.545	1.028	-	-	-	-
Loans and advances to corporates	708.457	196.780	47.652	309.010	87.727	9.151	58.137	-	-
Loans and advances to individuals	659.842	281.813	105.331	229.106	16.715	5.038	21.839	-	-
Derivative financial assets	607.489	11.742	99.235	473.681	22.831	-	-	-	-
TOTAL ASSETS	2.429.989	838.218	279.615	1.080.342	128.301	14.189	79.976	-	9.348
Due to banks	149.971	71.168	32.401	-	42.901	3.501	-	-	-
Due to customers	1.751.924	172.992	103.578	293.905	420.188	400.707	315.118	43.605	1.831
Subordinated bonds	116.334	-	-	114.984	1.350	-	-	-	-
Derivative financial liabilities	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	2.018.229	244.160	135.979	408.889	464.439	404.208	315.118	43.605	1.831
NET POSITION IN EURO	411.760	594.058	143.636	671.453	(336.138)	(390.019)	(235.142)	(43.605)	7.517

35. RISK MANAGEMENT (cont.)

35.2 Market risk (cont.)

INTEREST RATE AND FOREIGN EXCHANGE RISK AT 31 DECEMBER 2015 (cont.)

CURRENCY – SWISS FRANC (CHF)	Total €000	Up to 7 days €000	8 to 30 days €000	1month to 3 months €000	4 to 6 months €000	7 to 12 months €000	1 year to 5 years €000	More than 5 years €000	Non-interest bearing position €000
Cash	3	-	-	-	-	-	-	-	3
Loans and advances to financial institutions	6.208	6.208	-	-	-	-	-	-	-
Loans and advances to corporates	138.551	4.248	6.863	117.762	9.349	329	-	-	-
Loans and advances to individuals	418.233	38.807	214.805	129.253	31.334	4.034	-	-	-
Derivative financial assets	-							-	-
TOTAL ASSETS	562.995	49.263	221.668	247.015	40.683	4.363	-	-	3
Due to customers	518	157	4	10	15	30	242	60	-
Derivative financial liabilities	562.990	9.229	92.293	461.468	-	-	-	-	-
TOTAL LIABILITIES	563.508	9.386	92.297	461.478	15	30	242	60	-
NET POSITION IN SWISS FRANCS	(513)	39.877	129.371	(214.463)	40.668	4.333	(242)	(60)	3

35. RISK MANAGEMENT (cont.)

35.2 Market risk (cont.)

INTEREST RATE AND FOREIGN EXCHANGE RISK AT 31 DECEMBER 2014

CURRENCY – USD ($)	Total €000	Up to 7 days €000	8 to 30 days €000	1 month to 3 months €000	4 to 6 months €000	7 to 12 months €000	1 year to 5 years €000	More than 5 years €000	Non-interest bearing position €000
Cash	-	-	-	-	-	-	-	-	-
Loans and advances to financial institutions	42	41	1	-	-	-	-	-	-
Loans and advances to corporates	16	-	8	1	2	1	4	-	-
Loans and advances to individuals	13	-	8	3	2	-	-	-	-
Derivative financial assets	79	27	-	52	-	-	-	-	-
TOTAL ASSETS	150	68	17	56	4	1	4	-	-
Due to banks	-	-	-	-	-	-	-	-	-
Due to customers	141	34	12	16	12	13	44	10	-
Derivative financial liabilities	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	141	34	12	16	12	13	44	10	-
NET POSITION IN USD	9	34	5	40	(8)	(12)	(40)	(10)	-

35. RISK MANAGEMENT (cont.)

35.2 Market risk (cont.)

INTEREST RATE AND FOREIGN EXCHANGE RISK AT 31 DECEMBER 2014 (cont.)

CURRENCY – EURO (€)	Total €000	Up to 7 days €000	8 to 30 days €000	1month to 3 months €000	4 to 6 months €000	7 to 12 months €000	1 year to 5 years €000	More than 5 years €000	Non-interest bearing position €000
Cash	74.305	63.450	-	-	-	-	-	-	10.855
Loans and advances to financial institutions	172.729	172.729	-	-	-	-	-	-	-
Investment securities available for sale	341.242	10.000	-	120.000	170.028	40.214	1.000	-	-
Loans and advances to corporates	978.837	301.124	122.540	360.870	141.379	7.523	45.401	-	-
Loans and advances to individuals	646.927	274.185	117.900	216.411	14.061	4.608	19.762	-	-
Derivative financial assets	923.609	16.633	-	331.920	410.201	164.855	-	-	-
TOTAL ASSETS	3.137.649	838.121	240.440	1.029.201	735.669	217.200	66.163	-	10.855
Due to banks	643.239	94.919	434.756	70.024	40.038	3.502	-	-	-
Due to customers	1.923.582	231.017	158.721	237.811	349.120	511.459	389.318	45.271	865
Subordinated bonds	100.256	-	-	100.256	-	-	-	-	-
Derivative financial liabilities	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	2.667.077	325.936	593.477	408.091	389.158	514.961	389.318	45.271	865
NET POSITION IN EURO	470.572	512.185	(353.037)	621.110	346.511	(297.761)	(323.155)	(45.271)	9.990

35. RISK MANAGEMENT (cont.)

35.2 Market risk (cont.)

INTEREST RATE AND FOREIGN EXCHANGE RISK AT 31 DECEMBER 2014 (cont.)

CURRENCY – SWISS FRANC (CHF)	Total €000	Up to 7 days €000	8 to 30 days €000	1month to 3 months €000	4 to 6 months €000	7 to 12 months €000	1 year to 5 years €000	More than 5 years €000	Non-interest bearing position €000
Cash	9	-	-	-	-	-	-	-	9
Loans and advances to financial institutions	1.825	1.825	-	-	-	-	-	-	-
Loans and advances to corporates	224.664	16.094	36.497	130.141	41.634	298	-	-	-
Loans and advances to individuals	671.410	56.387	377.277	195.969	37.571	4.206	-	-	-
Derivative financial assets	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	897.908	74.306	413.774	326.110	79.205	4.504	-	-	9
Due to customers	1.877	114	3	7	1.511	22	176	44	-
Derivative financial liabilities	931.470	16.633	-	332.668	415.835	166.334	-	-	-
TOTAL LIABILITIES	933.347	16.747	3	332.675	417.346	166.356	176	44	-
NET POSITION IN SWISS FRANCS	(35.439)	57.559	413.771	(6.565)	(338.141)	(161.852)	(176)	(44)	9

35. RISK MANAGEMENT (cont.)

35.3 Liquidity risk

Liquidity risk relates to the Bank's ability to maintain sufficient funds to cover its planned or extraordinary obligations; that is the replacement of the existing funds as they come due or withdrawn, or to meet customer needs for further advances.

The political developments in Greece created temporary significant uncertainty which led to outflows of deposits. These outflows, had been reduced during the second semester of 2015. The Bank monitors the maturity of its assets and liabilities and takes measures to manage liquidity risk under the current economic conditions. It also ensures that all regulatory prudential liquidity ratios are met.

35. RISK MANAGEMENT (cont.)

35.3 Liquidity risk

31.12.2015	With no fixed maturity €΄000	On demand 0-7 days €΄000	8 days to 3 months €΄000	Between 3 months and 1 year €΄000	More than 1 year €΄000	Total €΄000
Assets						
Cash and balances with Central Bank of Cyprus	-	9.776	339.981	-	-	349.757
Due from banks	-	53.920	4.894	-	-	58.814
Loans and advances to customers	179.934	16.137	132.155	220.096	1.488.225	2.036.547
Investment securities available for sale	1.651	92.010	-	-	4.897	98.558
Derivative financial assets	-	-	-	-	2.885	2.885
Other assets	3.213	-	-	-	-	3.213
Total Assets	**184.798**	**171.843**	**477.030**	**220.096**	**1.496.007**	**2.549.774**
Liabilities						
Subordinated bonds	-	-	1.183	4.369	126.119	131.671
Due to banks	-	27	62.139	3.742	95.611	161.519
Due to customers	-	70.466	426.417	872.890	491.543	1.861.316
Derivative financial liabilities	-	379	-	-	-	379
Other liabilities	17.581	-	-	-	-	17.581
Total liabilities	**17.581**	**70.872**	**489.739**	**881.001**	**713.273**	**2.172.466**
Off balance sheet items						
Letter of guarantees	-	4.985	12.840	33.316	4.434	55.575
Undrawn Credit facilities	-	23.013	119.299	255	-	142.567
	-	**27.998**	**132.139**	**33.571**	**4.434**	**198.142**

Liabilities are stated based on the estimated payment on maturity.

35. RISK MANAGEMENT (cont.)

35.3 Liquidity risk

31.12.2014	With no fixed maturity €´000	On demand 0-7 days €´000	8 days to 3 months €´000	Between 3 months and 1 year €´000	More than 1 year €´000	Total €´000
Assets						
Cash and balances with Central Bank of Cyprus	-	11.411	63.454	-	-	74.865
Due from banks	-	218.667	1.769	-	-	220.436
Loans and advances to customers	173.026	11.088	148.356	289.146	2.025.024	2.646.640
Investment securities available for sale	1.651	320.827	-	-	19.097	341.575
Derivative financial assets	-	-	-	-	1.279	1.279
Other assets	3.707	-	-	-	-	3.707
Total Assets	**178.384**	**561.993**	**213.579**	**289.146**	**2.045.400**	**3.288.502**
Liabilities						
Subordinated bonds	-	-	712	2.138	107.125	109.975
Due to banks	-	26.176	14.290	31.205	586.326	657.997
Due to customers	-	106.717	455.482	939.552	607.869	2.109.620
Derivative financial liabilities	-	8.865	-	-	-	8.865
Other liabilities	23.531	-	-	-	-	23.531
Total liabilities	**23.531**	**141.758**	**470.484**	**972.895**	**1.301.320**	**2.909.988**
Off balance sheet items						
Letter of guarantees	-	2.647	11.716	32.156	6.837	53.356
Undrawn Credit facilities	-	24.362	137.193	255	-	161.810
	-	**27.009**	**148.909**	**32.411**	**6.837**	**215.166**

Liabilities are stated based on the estimated payment on maturity.

35. RISK MANAGEMENT (cont.)

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

- the organisational structure to manage operational risk
- the collection and process of data relating to operational risk events
- the monitoring of key operational risk indicators in the business activity sectors
- The evaluation of the operational risk and the determination of risk mitigation action

Under this Framework, the Bank operates an Operational Risk Management Committee which is overseeing the implementation of the operational risk management policy of the Bank 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 agreement

Simultaneously the Bank in cooperation with Alpha Bank 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.

35.5 Regulatory compliance

The Bank 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 Alpha Bank Group Compliance Head and reports to the Board of Directors of the Bank through the Audit Committee.

35. RISK MANAGEMENT (cont.)

35.5 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 for the "Prevention of money laundering and terrorism financing", it implements appropriate procedures to ensure timely and on-going compliance of the Bank with the supervisory framework, in relation to the prevention of the financial system being used for money laundering and terrorism financing.

35.6 Transfers – Pledge of financial assets

In 2015 the bank pledged "Loans and advances to customers" of nominal values €260 mil. to Alpha Bank AE to obtain liquidity. On 31.12.2014 there were no commitments on the Bank's assets.

35.7 Offsetting financial assets / liabilities

On 31 December 2015, there were no transactions for which the Bank was required to offset its financial assets or financial liabilities in accordance with the requirements of IAS 32.

36. ECONOMIC ENVIRONMENT

Cyprus Economy

During the period 2013 - 2015 the Cypriot economy operated under the three year adjustment program which was agreed with the European Commission, the European Central Bank and the International Monetary Fund (collectively referred to as "Troika") with which the Republic of Cyprus secured its financial needs for the period up to an amount of 10 billion. Capital controls were introduced from the start of the program in March 2013.

Despite the difficult internal and external economic environment, 2015 presented a positive growth of 1.6% compared to a decline of 2.3% in 2014 and 5.4% in 2013. The positive growth rates occurred earlier than Troika's projections. The GDP increased in constant prices to €15.176 mil. from €14.939 million in 2014. Moody's projects a growth of 1.4% in 2016, which will be based on the recovery of consumer spending and the strengthening of the services sector. According to forecasts of the International Monetary Fund, they predict growth of 1.6% for 2016.

The resistance and growth of the Cyprus economy is attributed mainly to the positive performance of tourism and services sector, and to the decreased labor costs. Tourism increased in 2015 by 8.9% compared to 2014. The unstable political environment of competing destinations of Egypt and Turkey impacted positively the growth of tourism in Cyprus. The construction sector, which previously pushed the growth did not contribute sufficiently enough. The Cyprus economy continues to show negative inflation of 1.2% for 2015. Negative inflation of 1.7% occurred also in 2014. The reduction of Retail Price Index mainly due to the significant reduction in rent, prices of domestic goods and petroleum products. In an environment of weak economic activity, low productivity with adjustments in salaries and low energy prices, inflationary pressures are expected to remain subdued in the short term. The IMF forecasts for 2016 an inflation rate of 0.6%. Despite the positive performance of the economy, and encouraging decrease in the unemployment rate by 7% in 2015, the overall unemployment rate remains at the same high level as in 2013 (15.3% in 2015, 16.2% in 2014).

Unlike unemployment, confidence in the Cyprus economy has increased due to consecutive positive assessments by the Troika. Fitch has upgraded the Republic of Cyprus in October 2015 from B- to B + with a positive outlook. Moody's has upgraded Cyprus economy in November 2015 by two notches from B3 to B1 with stable outlook. The Republic of Cyprus, capitalizing the positive reviews, successfully issued in October 2015 a ten-year bond of € 1 billion with an interest rate of 4.25% and in April 2015 a seven-year bond of € 1 billion with 3.875% interest rate.

Strict implementation of the provisions of the adjustment program resulted in the gradual restoration of confidence in the economy thus removing in April 2015 all capital restrictions introduced in March 2013 to protect the economy from capital outflow. The abolishment assisted the rise of investment interest from abroad with investment in banks' shares and acquisitions of retail companies.

The Cyprus economy benefited from the introduction of the Quantitative Easing program that was announced by the European Central Bank as long as the adjustment program was in force.

36. ECONOMIC ENVIRONMENT (cont.)

Cyprus Economy (cont.)

According to the Ministry of Finance, the economic outlook is optimistic for the period 2016 - 2018 and it is estimated that medium term objectives will be met without further fiscal measures, while the public debt will fall below the rate of 100% in 2018. They project growth of 1.8% for 2016 and 2% for 2017. The 2016 Budget that has been approved by the parliament is in balance. Unemployment is expected to drop to 14,5% in 2016, 13,2% in 2017 and 11,9% in 2018. At the same time, inflation is projected in 2016 to increase to 0.9% driven by an increase in private demand. For 2017 and 2018, the inflation rate is expected to rise to 1,3% and 1,5% respectively.

It is estimated by the Ministry of Finance that the upward trend of public debt will be reversed, limiting it to 105,1% of GDP by the end of 2016 and is expecting it to fall below 100% by 2018. Specifically, for 2017, it is estimated that government debt will be reduced to 102,6% of GDP, for 2018 it will be reduced to 96,2% of GDP and by the end of 2020 is expected to decrease to 88,3% of GDP.

External environment

The appreciation of US dollar and sterling pound against euro improved the competitiveness of exports, services and tourism which increased by 8,9% in 2015.The low oil prices, the GDP growth and the low inflation rate in the European Union and the Eurozone support recovery through the strengthening of foreign demand. The appreciation of the Swiss franc against the Euro in early 2015 by 18% affected negatively the banks' loan portfolios. The appreciation was limited until the end of 2015 to 10%. On the contrary, the appreciation of the Euro against the Russian currency, and the penalties imposed on Russia, adversely affect tourist arrivals and exports.

Cyprus benefits from the geopolitical developments in the Middle East and the relations between Russia and Turkey, since the cheaper competing tourist destinations of Egypt and Turkey are considered dangerous. The economic environment in Greece and imposition of capital controls in 2015 creates uncertainties in the local environment due to the traditional trade and economic relations.

36. ECONOMIC ENVIRONMENT (cont.)

Banking environment

The challenges of the financial sector, are primarily associated with high rates of non-performing loans and high private debt. Efforts have been intensified to restructure non-performing loans with a view to improve banks' portfolios. At the same time, efforts to deleverage and reduce the size of the banking sector have continued through the sale of assets and withdrawal from other markets.

In 2015, for the first time since 2013, the increased confidence on the banking system resulted in increased customer deposits. In 2013, deposits were decreased drastically because of the capitalisation of the banks with customer deposits (Bail in). Confidence in the banking system gradually comes back as a result of the positive performance of the economy, the upgrade by rating agencies and the elimination of all capital controls.

Systemic banks are presenting high capital adequacy ratios (CET1) ranging from 12% - 16%. During simulation exercises in crisis situations (tests stress) conducted in October 2015 by the European Central Bank and the introduction of more strict assumptions, it was revealed that local systemic banks should further increase their provision for impairments by €1 billion. This was successfully implemented at the end of 2015.

In 2015 interest rates decreased on both customer deposits and loans and advances. The decrease was the result of the intervention of the Central Bank of Cyprus who imposes fines in the form of capital when deposit rates offered are higher than euribor plus 200 basis points.

In December 2015, Moody's upgraded the prospects of the banking sector from negative to stable, assessing that the difficult periods have passed.

For the first time, since January 2015 the systemic Cypriot banks are under the supervision of the European Supervisory Mechanism. This further enhances the confidence on the banking system. Additionally, since 1.1.2016, the banks are supervised by the Single Resolution Board (SRB) who has the responsibility to trigger the resolution of the banks in case they experience insolvency problems.

36. ECONOMIC ENVIRONMENT (cont.)

Legal Framework

Through the implementation of the adjustment program that was agreed with Troika, a number of new laws have passed :

- The Insolvency framework of natural persons which defines the procedures of restructuring debts of individuals, to ensure the repayment of creditors and maintain, where possible, the residency house. It also set the criteria for the cancellation of debts up to €25,000.

- The amendment of the Transfers and Mortgage immovable property Law by which:

  - banking institutions have the right to dispose properties without the intervention of the government authorities

  - title deeds will be issued to buyers of integrated development projects, provided they fully pay the agreed amount

- The Law on Sale/Purchase of Credit Facilities by which credit institutions are granted the right to dispose credit facilities to third parties, provided that the buyers obtain relevant permission from Central Bank of Cyprus.

- The amendment to the Bankruptcy Law which modernizes the bankruptcy process of natural persons. One of the major amendments provides that the bankrupt is restored automatically after three years from the date of the bankruptcy order.

- The amendment of the Companies Act which aims:

  - to modernize the dissolution of companies. The amendment states that a liquidator can be appointed not only by the court but also by the creditors. Additionally, the liquidator may be an independent licensed professional insolvency consultant.

  - to the establishment of a mechanism for the restructuring of a company's debts in an effort to restore business activity and to maintain viable businesses. According to the provisions of the law, an independent insolvency consultant can be appointed who will provide a settlement plan that will be examined by the company's creditors and shareholders and be confirmed by the court.

- The Law of Insolvency Consultants by which the profession is regulated.

36. ECONOMIC ENVIRONMENT (cont.)

Greek economy

The Greek economy, where the mother company operates, despite the strong headwinds of the last months of 2015, showed resilience that appears to mitigate the initially expected negative consequences, due to the prolonged negotiations with the partners, the bank holiday and the imposition of capital controls. That was the result of the milder than expected consequences in the economy from the restrictions in capital movements, the significant increase of tourism activity and the big decline in oil prices.

The adjustment programs implemented in Greece since 2010, managed to address the main macroeconomic and fiscal imbalances, despite delays and divergences. Specifically, the large general government deficit narrowed while the ¾ of total adjustment required was accomplished (final target for a primary surplus of 3.5% of GDP from 2018, as compared to a deficit of 10.1% of GDP in 2009).

Moreover, the current account deficit narrowed, losses in competitiveness recouped and the rigidities in labor market eased. Additionally, it was observed a notable restructuring in production in favor of tradable goods and services and generally in favor of the more productive enterprises in each economic sector. The new Loan Agreement with the partners, contributed significantly to the decline in uncertainty and the restoration of confidence.

Risks and uncertainties

The main risks that the banking sector is facing is the non performing loans and the high level of private sector debt that both remain an unstable factor in the smooth growth of the economy.

The implementation of legislations regarding the disposal of properties and the sale of loans which are expected to be operational in 2016; will probably enforce the borrowers to repay or restructure their loans.

The completion of the adjustment program and the termination of supervision of the Cyprus economy by the International Monetary Fund may create complacency conditions related to economic reforms, resulting in a negative impact on the ratings of rating agencies resulting in a delay of the efforts of the Cyprus Republic for an upgrade to investment grade.

Any final outcome of the political problem of Cyprus might generate serious economic consequences that cannot be predicted with certainty.

37. 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 not measured at fair value

	31.12.2015				
	Level 1	Level 2	Level 3	Total fair value	Total book value
	€΄000	€΄000	€΄000	€΄000	€΄000
Financial assets					
Loans and advances to customers	-	-	1.976.376	1.976.376	2.036.547
Financial liabilities					
Subordinated bonds	-	54.000	-	54.000	116.334
Due to customers	-	-	1.847.853	1.847.853	1.851.788

	31.12.2014				
	Level 1	Level 2	Level 3	Total fair value	Total book value
	€΄000	€΄000	€΄000	€΄000	€΄000
Financial assets					
Loans and advances to customers	-	-	2.646.775	2.646.775	2.646.640
Financial liabilities					
Subordinated bonds	-	60.643	-	60.643	100.256
Due to customers	-	-	2.097.371	2.097.371	2.095.462

The fair value of deposits and subordinated 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.

37. FAIR VALUE (cont.)

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

	31.12.2015			
	Level 1	Level 2	Level 3	Total fair value
	€΄000	€΄000	€΄000	€΄000
Financial Assets				
Investment securities available for sale	-	96.907	1.651	98.558
Derivative financial assets	-	2.885	-	2.885
Financial liabilities				
Derivative financial liabilities	-	379	-	379

	31.12.2014			
	Level 1	Level 2	Level 3	Total fair value
	€΄000	€΄000	€΄000	€΄000
Financial Assets				
Investment securities available for sale	-	339.924	1.651	341.575
Derivative financial assets	-	1.279	-	1.279
Financial liabilities				
Derivative financial liabilities	-	8.865	-	8.865

To determine the fair value of the investment in the company JCC Payments Systems Limited at Level 3, the equity method has been used.

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).

37. FAIR VALUE (cont.)

The table below presents the reconciliation of the opening balance with the closing balance of fair values categorized in Level 3 of the fair value hierarchy.

	Investment securities available for sale €΄000
1 January 2015	1.651
Transfers To/From Level 3	-
Purchases/Disposals	-
Changes in fair value	-
31 December 2015	1.651

	Investment securities available for sale €΄000
1 January 2014	1.651
Transfers To/From Level 3	-
Purchases/Disposals	-
Changes in fair value	-
31 December 2014	1.651

Throughout the period there were no transfers to/from Level 3 hierarchy of fair values.

38. CAPITAL ADEQUACY

The capital adequacy of the Bank is supervised by the parent company Alpha Bank S.A., which is considered to be a significant credit institution by the Single Supervisory Mechanism of the European Central Bank. Supervision is overseen along with the support of local supervisory authorities. The Central Bank of Cyprus within the context of its supervisory role, has adopted the European Guidelines for banking supervision.

Since 1 January 2014, a new regulation is in force, known as CRR and a new directive known as CRD IV, which constitute the European regulations framework in implementing Basel III.

CRR Regulation, which is binding on all member states of the European Union, defines the new requirements with regard to capital, liquidity and leverage. Furthermore, the regulation brings changes in the definition of capital, the calculation of risk weighted assets and introduces new measures relating to the calculation of leverage and liquidity.

The CRD Directive, which should be adopted by each member state, defines the capital buffers and the minimum capital requirements which financial institutions must maintain , as well as the practices that should be followed in respect to governance, compensations, and transparency. The Central Bank of Cyprus, with a view to harmonize with CRD IV, has proceeded to transfer the provisions of the above Directive by amending the Banking law and by introducing the new Macro-Prudential Oversight Law of 2015. Based on the Macro-Prudential Oversight Law of 2015, which is in force from January 1, 2016, Central Bank of Cyprus has been declared as the designated authority for the macro prudential supervision of the financial system.

The implementation of the regulation allows for a transition period for some of the increased capital requirements and other measures. The Central Bank of Cyprus on 26 May 2014 set out the transitional provisions in relation to own funds. In addition, on 29 May 2014, the Central Bank of Cyprus has set the minimum capital requirement of Common equity Tier I at 8%. The Central Bank of Cyprus may require additional capital requirements for risks not fully covered by Pillar I (Pillar II). It is noted that Pillar II requirements depend on a specific point in time, thus they are subject to change.

According to the provisions of the Macro-Prudential Oversight Law of 2015, the Central Bank of Cyprus as the competent authority shall determine on a quarterly basis the levels of countercyclical capital buffer, according to the methodology described in the Act. The Central Bank of Cyprus on December 31, 2015 and March 3, 2016 has announced the countercyclical capital buffer for the first two quarters of 2016 to 0%. Furthermore, the Central Bank of Cyprus as the competent authority for the classification and calculation of buffer rate for other systemically important banks (O-SII). On 1.2.2016 the Central Bank of Cyprus informed the Bank that it has been classified as another systemically important institution (Other Systemically Important Institution- O-SII) with a buffer rate of 0.5%. The O-SII requirement is implemented gradually over a period of 4 years, starting from January 1, 2019.

The capital adequacy of the Bank on December 31, 2015 exceeds the minimum capital requirements of Pillar I and Pillar II, allowing the Bank a capital buffer. In early 2015, the European Central Bank (ECB), has notified the Bank of its final decision on the minimum level of total capital adequacy ratio required, on an ongoing basis.

38. CAPITAL ADEQUACY (cont.)

The required ratio of Common equity Tier I according to the requirements of Pillar I is set at 8% and the additional requirement to cover Pillar II was determined by ECB to be 3,5% at December 31, 2013 while the transitional capital Tier I ratio was set at 5,5%. According to ECB's decision, Common Equity Tier I ratio may decrease from provisions recognised since 31st December 2013 up to 8%. As a result, the capital requirements resulting from Pillar II are dynamic and subject to change depending on the performance of the Bank.

The capital adequacy ratios according to CRR and the transitional provisions as adopted by the Central Bank of Cyprus on 31 December 2015 are analysed below:

	31.12.2015	31.12.2014
	€΄000 Basel III	€΄000 Basel III
Regulatory Capital		
Transitional Common Equity Tier I	**370.175**	**378.352**
Additional transitional Tier I	63.616	63.298
Total Tier I	**433.791**	**441.650**
Tier II	63.061	67.778
Total transitional capital	**496.852**	**509.428**
Total risk weighted assets	**2.119.784**	**2.507.784**
Transitional Common Equity Tier I ratio	**17,5%**	**15,1%**
Transitional Tier I ratio	**20,5%**	**17,6%**
Transitional total capital adequacy ratio	**23,4%**	**20,3%**

39. PARTICIPATION OF DIRECTORS IN THE BANK'S SHARE CAPITAL

The Board of Directors members, their spouses and their children do not hold directly or indirectly any interest in the Bank's share capital in accordance with article 60(4) of the Cyprus Stock Exchange Law at 31 December 2015.

During the period covering from 31 December 2015 and 30 days before the notification for convening the Annual General Meeting, there were no fluctuations in the above ratios.

40. RELATED PARTY TRANSACTIONS

All transactions with the board members, the key management personnel and their related parties are performed at arm's length.

a) Transactions with Directors of the Board

	31.12.2015 €΄000	31.12.2014 €΄000
Loans and advances to Board of Directors members and related parties	91	585
Deposits by Board of Directors members and related parties	436	655
	From 1 January to	
	31.12.2015	31.12.2014
Non executive Directors		
Board members fees	113	55
Executive Directors		
Salaries and benefits	433	538
Social insurance contributions by employer etc.	18	29
Retirement benefits	9	17
Total remuneration for executive directors	460	584

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

b) Transactions with Key Management Personnel

The Bank considers the members of the Executive committee as key management personnel.

	31.12.2015 €΄000	31.12.2014 €΄000
Loans and advances to key management personnel and related parties	578	154
Deposits by key management personnel and related parties	1.158	942
	From 1 January to	
	31.12.2015	31.12.2014
Key management personnel		
Salaries and benefits	631	472
Social insurance contributions by employer etc.	61	61
Retirement benefits	35	41
Total remuneration for key management personnel	727	574

40. RELATED PARTY TRANSACTIONS (cont.)

(c) Transactions with parent company

During the year, the parent company Alpha Bank S.A. has granted guarantees totaling €30.199 thous. (2014: €25.212 thous.) in relation to loans and advances granted to specific clients.

	31.12.2015 €΄000	31.12.2014 €΄000
Assets		
Due from banks	9.838	173.751
Derivative financial assets	2.885	1.279
	12.723	175.030
Liabilities		
Due to banks (Note 23)	155.434	621.025
Derivative financial liabilities	379	8.865
Subordinate bonds	27.683	21.860
Convertible capital securities	64.000	64.000
Other liabilities	187	-
	247.683	715.750

	From 1 January to	
	31.12.2015 €΄000	31.12.2014 €΄000
Income		
Interest and similar income	3.272	5.868
Gain financial transactions	-	360
	3.272	6.228
Expenses		
Interest and similar income	1.622	4.898
Gain financial transactions	417	-
Staff costs	336	231
	2.375	5.129

On 14.5.2015 the bank pledged in favor of Alpha Bank AE “Loans and advances to customers” as collateral for liquidity obtained. On 31.12.2015, the book value of the collateral amounted to €260 mil.

40. RELATED PARTY TRANSACTIONS (cont.)

(d) Transactions with Alpha Bank Group companies

	31.12.2015	31.12.2014
	€΄000	€΄000
Assets		
Due from banks	35	16
Other assets	1.015	2
	1.050	18
Liabilities		
Due to banks (Note 23)	-	140
Due to customers	230.611	22.235
Subordinate bonds	10.269	4.913
Other liabilities	2.933	7.389
	243.813	34.677

	From 1 January to	
	31.12.2015	31.12.2014
	€΄000	€΄000
Income		
Interest and similar income	2	-
Fees and commission income	-	745
Other income	562	-
	564	745
Expenses		
Interest expense and similar charges	1.356	853
Fees and commission expense	-	24
Other expenses	87	837
	1.443	1.714

No profit or loss arose from the transfer of loans to other companies of Alpha Bank Group (note 17).

(e) Transactions with the Hellenic Financial Stability Fund (HFSF) and its subsidiaries

The Bank did not have any transactions with the HFSF or its subsidiaries during the year 2015.

41. ACQUISITION OF EMPORIKI BANK

The Board of Directors of the Bank, in a meeting which took place on 19 December 2014 decided that the Bank will purchase 100% of the share capital from companies of the Alpha Bank Group, that hold the issued share capital of Emporiki Bank Cyprus Limited, and then proceed with the merger of Emporiki Bank Cyprus Limited with the Bank through absorption.

On 1.3.2015 the Bank, implemented the decision by the Board of Directors, and completed the acquisition of 100% of the share capital of Emporiki Bank Cyprus Ltd after obtaining all regulatory approvals.

The acquisition was effected with an increase of the Bank's share capital on March 30, 2015 and the issuance of 14.974.178 new ordinary shares of nominal value €0,85 each. The shares granted as consideration to existing shareholders of Emporiki Bank Cyprus Ltd at a price of €2,66. The total value amounted to € 39.860 thousand.

On 27/3/2015 the operational and legal merger of the two companies was completed.

The merged companies both before and after the acquisition were companies under common control, ie. under the control of Alpha Bank SA. The accounting policy of the Bank is the accounting recognition of all business combinations at fair value in accordance with IFRS 3 even in cases of companies that were already under common control. Applying the above policy, negative goodwill on acquisition arises which has been regarded as a transaction with owners and has been recognized in equity.

Emporiki Bank Cyprus Limited was founded in 1993 and belonged to the Credit Agricole Group S.A until 1/2/2013, on which date Alpha Bank S.A. obtained control of Emporiki Bank S.A. (parent company of Emporiki Bank Cyprus Limited) which resulted in Emporiki Bank Cyprus Limited becoming a subsidiary company of Alpha Bank S.A. On the date of acquisition by the Bank, Emporiki Bank Cyprus Limited was operating with 4 branches.

The benefits of absorption of Emporiki Bank Cyprus Limited focus on:

- the strengthening of Alpha Bank's presence in the local market,
- the acquisition of a loans portfolio with high coverage of impairment provisions,
- the existence of important synergies relating to operating costs, financing costs and revenue, which are expected to take place within three years from completion of the acquisition.

At the acquisition date (1.03.2015) of Emporiki Bank Cyprus Ltd, net assets were valued at fair value. Due to the short time between the acquisition date (1.3.2015) and merger (27.03.2015), it is estimated that any changes in the fair value of the net assets of Emporiki Bank Cyprus Ltd are not significant and therefore no new valuation of the net assets of Emporiki Bank Cyprus Ltd was performed. The net assets of Emporiki Bank Cyprus Ltd recognized on 31.3.2015,were adjusted with the results of Emporiki Bank Cyprus Ltd. for the period 1.3.2015 - 31.03.2015.

The valuation at fair value of the net assets of Emporiki Bank Cyprus Limited has finalised on the last quarter of 2015. From the final evaluation, no adjustments arose on the provisional fair values which were recognized in the financial statements of 31.03.2015. From the transaction and the goodwill recognised, no tax liability arises.

41. ACQUISITION OF EMPORIKI BANK (cont.)

The table below shows the fair values of the net assets of Emporiki Bank Cyprus Ltd on the merger date (27.3.2016) and recognized in the financial statements of the Bank.

	Fair value €'000
Assets	
Cash and deposits with Central Bank	32.849
Due from banks	2.980
Loans and advances to customers	364.427
Derivative financial assets	112
Property, plant and & equipment	358
Intangible assets	29
Other assets	62
Total assets	**400.817**
Liabilities	
Subordinate bonds	15.936
Due to banks	222.236
Deposits from customers	117.066
Derivative financial liability	4.142
Other liabilities	811
Total liabilities	**360.191**
Net assets	**40.626**
Consideration	39.860
Negative Goodwill	766

The negative goodwill of € 766 thous. has been recognized in Equity.

The table below shows the total revenue, expenses and pre-tax income results that would have been incurred for the Bank if the merger with Emporiki Bank Cyprus Ltd was occurred on 1.1.2015.

	Bank results 1.1 to 31.12.2015 *
Total income	112.136
Total expenses	(161.508)
Losses before tax	(49.372)
Losses after tax	(49.464)

* The amounts include the results of Emporiki Bank Cyprus Ltd from 1.1 - 27.03.2015

42. CORPORATE EVENTS

In December 2015 Visa Europe informed its members about the forthcoming sale of 100% of its share capital to Visa Inc. The sale, which is subject to the required regulatory approvals, is expected to be completed in the second quarter of 2016. The calculation of the transaction price is based on the net income of Visa Europe which each member has contributed for a specific period of time. The transaction price was set at €16,5 billion, out of which €11,5 billion will be paid in cash and €5 billion in preference shares. The Bank will recognize its attributable amount based on its contribution to the net income of Visa Europe, on the completion of the transaction in 2016. Furthermore it is noted that within four years from the completion of the transaction, the members are expected to receive a total amount of €4,7 billion depending on the net income which each member will contribute during the period.

43. EVENTS AFTER THE BALANCE SHEET DATE

Voluntary Retirement Program

In order to achieve substantial benefits in operational costs, the Bank announced a Voluntary Retirement Program. The program was in force from 29.2.2016 to 24.3.2016. A total number of 247 employees applied for the program. The total of the compensation will be € 31,3 million. The annual estimated benefit will be €12,7 mil. No obligations arise from the program for 2015.

Deposits Guarantee Scheme

On 11/2/2016 the parliament passed a law with which the provisions of the European Directive 2014/49 are adopted, concerning the protection of customer deposits. The new legislation provides for the contribution to the Deposits Guarantee Fund, with an aim to build a fund by 3 July 2024, equal to 0,8% of the covered deposits.

EU Directive 2014/59 concerning the recovery and resolution of financial institutions

On 11/2/2016 the parliament passed a law with which the provisions of the European Directive 2014/59 are adopted, concerning the recovery and resolution of financial institutions. The new legislation provides for the contribution to a Resolution Fund with an aim to build a fund by December 2024, equal to 1,0% of the covered deposits. The contributions of the financial institutions will be based not only on the level of their covered deposits but also on their risk profile.

The financial statements were approved for issue by the Board of Directors of the Bank on 26 April 2016.

Additional Risk Disclosures 2015
(Unaudited)

Additional Risk Disclosures
(Unaudited)

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. Tables A and B for 31.12.2015 and 31.12.2014 depict non performing loans according to the reporting standards of European Banking Authority (EBA) as these have been adopted by Central Bank of Cyprus since February 2015.

Tables A and B for 31.12.2015 and 31.12.2014 have been prepared using different definitions to those used for the preparation of note 35 "Risk Management" and therefore these figures are not comparable.

According to the EBA technical standards on Forbearance and Non Performing exposures the following definitions were used:

Definition of non-performing exposure

An exposure is considered non-performing when:

- It is materially past due more than 90 days (according to the materiality definitions given by the Central Bank of Cyprus)
- The debtor is assessed as unlikely to pay its credit obligations in full without realization of collateral, regardless of the existence of any past due amount or of the number of days past due
- It is considered as being in "default" according to CRR definition, or is considered as impaired according to IFRS.

Exposures include all on and off balance sheet exposures without the use of collaterals, excluding held for trading exposures

Definition of forborne exposure

An exposure is considered forborne when:

- The forbearance measure includes concessions towards a debtor facing or about to face financial difficulties

Additional risks disclosures (cont.)
(Unaudited)
LOAN PORTFOLIO ANALYSIS – TABLE A

31 December 2015

	Total Credit Facilities				Provision for impairment and fair value adjustment on initial recognition			
			of which exposures with forbearance measures				of which exposures with forbearance measures	
	Gross Loans and advances[1]	of which non performing	Exposures with forbearance measures	of which non performing	Total provision for impairment	of which non performing	Exposures with forbearance measures	of which non performing
	€’000	€’000	€’000	€’000	€’000	€’000	€’000	€’000
General Governments	**691**	**-**	**-**	**-**	**61**	**-**	**-**	**-**
Other financial corporations	**54.158**	**22.121**	**10.366**	**1.940**	**19.400**	**18.671**	**743**	**743**
Non-financial corporations	**1.162.658**	**693.833**	**131.284**	**103.979**	**339.528**	**324.808**	**26.283**	**25.272**
of which: Small and Medium-sized Enterprises	1.162.658	693.833	131.284	103.979	339.528	324.808	26.283	25.272
of which: Commercial real estate	866.614	516.812	108.353	85.827	230.452	226.852	19.940	19.269
Non-financial corporations per sector	1.162.658	693.833			339.528			
Construction	657.739	414.247			199.781			
Wholesale and retail trade	145.884	85.369			48.084			
Hotel and restaurants	89.149	41.327			11.821			
Real estate	91.818	41.656			16.897			
Manufacturing	62.810	41.728			22.093			
Other	115.258	69.506			40.852			
Households	**1.617.286**	**1.019.311**	**605.584**	**413.692**	**439.257**	**412.987**	**130.187**	**118.954**
of which: Residential mortgage loans	1.430.233	894.780	565.768	379.874	370.112	346.517	115.820	105.191
of which: credit for consumption	170.318	112.189	25.304	20.800	53.598	51.379	6.032	5.390
Total	**2.834.793**	**1.735.265**	**747.176**	**519.611**	**798.246**	**756.464**	**157.215**	**144.969**

1. Excluding loans and advances to central banks and credit institutions.

2. For the purposes of the presentation of above disclosures , the accumulated provision for impairment, includes the fair value adjustment for the loans and advances of Emporiki Bank Cyprus Ltd portfolio which was acquired on its fair value balance. For the purpose of credit risk monitoring this adjustment is considered as part of the provisions. In note 17 «Loans and advances to customers» this adjustment has been deducted from the balances before provision

Additional Risk Disclosures (cont.)

(Unaudited)

ANALYSIS OF LOAN PORTFOLIO– TABLE A
31 December 2014

	Total Credit Facilities				Provision for impairment and fair value adjustment on initial recognition			
	Gross Loans and advances[1]	of which non performing	of which exposures with forbearance measures: Exposures with forbearance measures	of which exposures with forbearance measures: of which non performing	Total provision for impairment and fair value on initial recognition	of which non performing	of which exposures with forbearance measures: Exposures with forbearance measures	of which exposures with forbearance measures: of which non performing
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
General Governments	**1.059**	**-**	**-**	**-**	**38**	**-**	**-**	**-**
Other financial corporations	**18.516**	**6.138**	**956**	**666**	**3.353**	**1.693**	**122**	**102**
Non-financial corporations	**1.576.620**	**913.888**	**165.320**	**123.976**	**388.766**	**346.874**	**36.399**	**29.076**
of which: Small and Medium-sized Enterprises	1.576.620	913.888	165.320	123.976	388.766	346.874	36.399	29.076
of which: Commercial real estate	948.898	525.050	129.625	104.486	207.189	207.189	27.583	22.805
Non-financial corporations per sector	1.576.620	913.888			388.766			
Construction	894.925	603.316			258.568			
Wholesale and retail trade	154.368	105.076			33.594			
Hotel and restaurants	119.116	33.391			13.359			
Real estate	218.785	88.978			36.128			
Manufacturing	78.665	32.150			16.565			
Other	110.761	50.977			30.552			
Households	**1.842.730**	**1.058.051**	**942.469**	**529.786**	**400.128**	**343.189**	**214.593**	**166.286**
of which: Residential mortgage loans	1.547.321	889.201	816.615	454.970	319.352	271.288	172.345	130.956
of which: credit for consumption	89.446	47.876	19.122	15.828	15.138	14.326	4.583	4.226
Total	**3.438.925**	**1.978.077**	**1.108.745**	**654.429**	**792.285**	**691.756**	**251.114**	**195.464**

Additional Risk Disclosures (cont.)
(Unaudited)

LOAN PORTFOLIO ANALYSIS PER LOAN ORIGINATION DATE – TABLE B

31 December 2015

	Total loans portfolio			Loans to non-financial corporations			Loans to other financial corporations			Loans to households		
Loan origination date	Gross loans and advances	Non performing exposures	Provisions	Gross loans and advances	Non performing exposures	Provisions	Gross loans and advances	Non performing exposures	Provisions	Gross loans and advances	Non performing exposures	Provisions
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Within 1 year	35.614	11.680	2.896	19.741	3.506	941	13	-	1	15.860	8.174	1.954
1 - 2 years	85.941	52.952	21.270	26.242	16.059	4.898	187	135	107	59.512	36.758	16.265
2 - 3 years	117.143	71.913	32.781	33.640	24.621	8.702	583	569	419	82.920	46.723	23.660
3 - 5 years	299.626	157.961	77.927	136.547	57.220	27.023	84	56	15	162.995	100.685	50.889
5 - 7 years	424.767	303.477	139.601	177.829	140.514	67.822	2.183	1.673	793	244.755	161.290	70.986
7 - 10 years	1.501.903	940.735	423.206	553.585	340.341	169.867	25.803	2.815	1.618	922.515	597.579	251.721
Over 10 years	369.108	196.547	100.502	215.074	111.572	60.275	25.305	16.873	16.445	128.729	68.102	23.782
Total	2.834.102	1.735.265	798.185	1.162.658	693.833	339.528	54.158	22.121	19.400	1.617.286	1.019.311	439.257
General Governments	691	-	61									
Total	2.834.793	1.735.265	798.246									

For the purposes of the presentation of above disclosures, accumulated provision for impairment, includes the fair value adjustment for the loans and advances of Emporiki Bank Cyprus Ltd portfolio which was acquired on its fair value balance. For the purpose of credit risk monitoring this adjustment is considered as part of the provisions. In note 17 «Loans and advances to customers» this adjustment has been deducted from the balances before provision

Additional Risk Disclosures (cont.)
(Unaudited)

LOAN PORTFOLIO ANALYSIS PER LOAN ORIGINATION DATE – TABLE B

31 December 2014

	Total Loans Portfolio			Loans to non-financial corporations			Loans to other financial corporations			Loans to households		
Loan Origination date	Gross Loans and Advances	Non performing exposures	Provisions	Gross Loans and Advances	Loan Origination date	Gross Loans and Advances	Non performing exposures	Provisions	Gross Loans and Advances	Loan Originatio n date	Gross Loans and Advances	Non performing exposures
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Within 1 year	86.118	58.077	20.267	35.380	23.615	7.671	286	124	89	50.452	34.338	12.507
1 - 2 years	79.508	48.206	19.088	28.971	16.120	7.609	686	497	363	49.851	31.589	11.115
2 - 3 years	165.047	88.809	31.174	92.447	39.467	14.555	1.906	-	259	70.694	49.342	16.360
3 - 5 years	419.527	272.040	94.626	248.696	182.910	63.192	2.224	2.157	422	168.533	86.972	31.012
5 - 7 years	1.046.642	649.598	278.731	383.822	268.915	129.375	3.017	1.530	715	659.802	379.154	148.641
7 - 10 years	1.372.500	755.197	297.321	590.939	307.839	124.935	4.962	1.448	677	776.304	445.910	171.703
Over 10 years	269.583	106.149	51.079	196.365	75.022	41.429	5.435	382	828	67.093	30.746	8.790
Total	3.437.866	1.978.077	792.247	1.576.620	913.888	388.766	18.516	6.138	3.353	1.842.730	1.058.051	400.128
General Governments	1.059	-	38									
Total	3.438.925	1.978.077	792.285									

Additional Risk Disclosures (cont.)
(Unaudited)

The table below presents the encumbered and unencumbered assets of the Bank to the extent that these assets are pledged for the financial needs of the bank.

An asset is considered as encumbered if it has been pledged as collateral, either to obtain funding or in any transaction that requests collateral. Such asset is no longer available for the bank to be pledged as collateral or obtain funding.

CARRYING AND FAIR VALUE OF ENCUMBERED AND UNENCUMBERED ASSETS

31 December 2015	**Carrying amount of encumbered assets**	**Fair value of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair value of unencumbered assets**
	€'000	€'000	€'000	€'000
Assets				
Equity instruments	-	-	1.651	1.651
Debt securities	-	-	96.907	96.907
Other assets	259.879	259.879	2.230.385	2.170.214
Total	**259.879**		2.328.943	

31 December 2014	**Carrying amount of encumbered assets**	**Fair value of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair value of unencumbered assets**
	€'000	€'000	€'000	€'000
Assets				
Equity instruments	-	-	1.651	1.651
Debt securities	-	-	339.925	339.925
Other assets	-	-	2.986.195	2.986.060
Total	-	-	3.327.771	

Additional Risk Disclosures (cont.)
(Unaudited)

CARRYING AND FAIR VALUE OF ENCUMBERED AND UNENCUMBERED COLLATERALS

31 December 2015

	Fair value of encumbered collateral received or own debt securities issued	Fair value collaterals received or own debt securities issued available for encumbrance
	€'000	€'000
Collaterals received by the Bank		
Equity instruments	-	-
Debt securities	-	-
Other	-	-
Own debt securities issued other than own covered bonds or asset backed securities	-	-
Total	-	-

31 December 2014

	Fair value of encumbered collateral received or own debt securities issued	Fair value collaterals received or own debt securities issued available for encumbrance
	€'000	€'000
Collaterals received by the Bank		
Equity instruments	-	-
Debt securities	-	75.243
Other	-	-
Own debt securities issued other than own covered bonds or asset backed securities	-	-
Total	-	75.243

Additional Risk Disclosures (cont.)
(Unaudited)

ENCUMBERED ASSETS AND COLLATERALS RECEIVED BY THE BANK AND ASSOCIATED COMPANIES

31 December 2015	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and Asset Backed Securities encumbered
	€'000	€'000
Carrying amount of selected financial liabilities	70.958	-
Total	70.958	-

31 December 2014	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and Asset Backed Securities encumbered
	€'000	€'000
Carrying amount of selected financial liabilities	-	-
Total	-	-