

ALPHA BANK CYPRUS LIMITED

ANNUAL REPORT 2014

ALPHA BANK CYPRUS LIMITED

REPORT FOR THE YEAR 2014

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

Board of Directors	Sp. N. Filaretos, Chairman
	Ch. C. Giampanas, Vice-Chairman
	G. A. Georgiou, Managing Director
	A. M. Michaelides
	Dr. A. K. Kritiotis
	I. S. Monastiriotis
	N. Mavrogenis
	I. Rouvitha Panou (Appointed on 28 January 2015)
	L. A. Papagarifallou (Resigned on 28 January 2015)
	L. A. Papalambrianou (Resigned on 29 August 2014)
Secretary	M. Malahtou Pampalli (Appointed on 30 July 2014)
	M. Aristidou (Resigned on 30 July 2014)
Legal Advisers	Chryssafinis & Polyviou LLC
	Andreas V. Zachariou & Co. LLC
	L. Papafilippou & Co. LLC
Independent Auditors	KPMG Limited
Registered Office	Corner of Chilonos & Gladstonos Street Stylianou Lena Square, Nicosia
Head Office	Alpha Bank Building 3, Lemesos Avenue Nicosia

ALPHA BANK CYPRUS LIMITED**STATEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE PERSON RESPONSIBLE FOR THE FINANCIAL STATEMENTS**

In accordance with Article 9 sections (3)(c) and (7) of the Transparency Requirements (Traded Securities in Regulated Markets) Law of 2007 (“Law”) we, the members of the Board of Directors and the Bank’s person responsible for the financial statements of Alpha Bank Cyprus Limited for the year ended 31 December 2014, confirm that, to the best of our knowledge:

- a) the annual financial statements which are presented on pages 18 - 124:
 - (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

Sp. N Filaretos - Chairman

G. A. Georgiou – Managing Director

Ch. C. Giampannas – Vice-Chairman

A. M. Michaelides – Board Member

I. Rouvitha Panou – Board Member

Dr. A. K. Kritiotis – Board Member

I. S. Monastiriotis – Board Member

N. Mavrogenis – Board Member

D. Karatsis – Head of Financial Control Division

Nicosia, 20 April 2015

ALPHA BANK CYPRUS LIMITED

BOARD OF DIRECTORS' REPORT (cont.)

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 2014.

PRINCIPAL ACTIVITIES

During 2014, 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

<i>In €' m.</i>	<i>Change</i>	From 1 January to 31.12.2014	31.12.2013
Total income	-1.7%	125.4	127.6
Total expenses	-0.4%	53.8	54.0
Profit from operations before provisions	-2.7%	71.6	73.6
Impairment losses and provisions to cover credit risk	-10.2%	155.1	172.8
Loss for the year after tax	20.0%	-83.1	-103.9
Loss per share		-52.1 cent	-72.7 cent

<i>In €'m.</i>		31.12.2014	31.12.2013
Net loans and advances to customers	-23.7%	2,646.6	3,467.1
Deposits from customers	3.1%	2,095.5	2,031.9

Net Interest income amounted to Euro 114.1 mil., an increase of 6.5% compared to Euro 107.1 mil. for the year 2013, mainly due to the reduction of 23.4% in the interest expenses compared to the reduction of 5.7% from interest income.

Total income of the Bank for the year 2014 amounted to Euro 125.4 million, a decrease of 1.7% compared to Euro 127.6 million for the year 2013, mainly due to the reduction of net income from fees and commissions and the profit from sale of investments recorded in 2013.

Total expenses of the Bank for the year 2014 amounted to Euro 53.8 million, a decrease of 0.4% compared to Euro 54.0 million for the year 2013. The cost to income ratio was 42.9%, and is not materially different to the year 2013 which was 42.3%.

Impairment losses and provisions to cover credit risk for the year 2014 amounted to Euro 155.1 million, a decrease of 10.2% compared to Euro 172.8 for the year 2013. Allowance for impairment losses amounted to Euro 792.3 million as at December 31, 2014, and represent 23.0% of total gross loans and advances to customers compared to 16.8% for the year 2013.

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

Net loans and advances to customers amounted to Euro 2,646.6 million as at December 31, 2014, a decrease of 23.7% from December 31, 2013. Total deposits from customers amounted to Euro 2,095.5 million, an increase of 3.1% from December 31, 2013. Net loans to deposits ratio was 126.3% compared to 170.6% at the end of 2013.

FINANCIAL RESULTS

The results of the Bank are presented in the Statement of Comprehensive Income on page 18 of the financial statements.

The losses for the year attributable to the owners amounted to €83,143,118 (2013: losses €103,863,668).

DIVIDENDS

The Board of Directors do not recommend the payment of dividend for the year 2014 (2013: €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 and hazards 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 Alpha Bank Group.

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.

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 2014 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).

ALPHA BANK CYPRUS LIMITED**BOARD OF DIRECTORS' REPORT (cont.)****RISK MANAGEMENT (cont.)**

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, 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 handling 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.

A detailed description of risk management is presented in note 38 of the financial statements.

CAPITAL ADEQUACY**Capital adequacy – Ratios**

On December 31, 2014 Common Equity Tier I (CETI) ratio of the Bank was 15.1% (with transitional provisions), Additional Tier I ratio was 17.6% (with transitional provisions) and total Capital Adequacy ratio was 20.3% (with transitional provisions).

As of 1 January 2014, a new regulation known as CRR and a new directive known as CRD IV are effective for the capital adequacy calculations. The Central Bank of Cyprus has chosen to gradually implement the new regulation and directive based on the transitional provisions which were announced on 26 May 2014. Furthermore, on 29 May 2014 the Central Bank of Cyprus set the minimum ratio for CETI at 8% with transitional provisions on the capital requirements of Pillar I. The Bank continues to satisfy the minimum capital requirements of Pillar I and the supplementary requirements of Pillar II.

ALPHA BANK CYPRUS LIMITED**BOARD OF DIRECTORS' REPORT (cont.)****CAPITAL ADEQUACY (cont.)****Capital adequacy – Alpha Bank A.E.**

Within 2014 the Bank of Greece announced the capital needs for the Greek banks taking into account expected losses as defined in the Baseline Scenario of the Blackrock Solutions assessment. The capital needs of Alpha Bank A.E reached € 262 mil., which was covered by the increase in share capital by €1.2 billion which was completed in March 2014. The increase in share capital has eased the repurchase of preference shares from the Greek Government which took place in April 2015.

Furthermore, at the end of 2014 the European Central Bank (ECB) announced the results of the Comprehensive Assessment 2014 whereby Alpha Bank A.E succeeded in surpassing the minimum requirement of 5.5% and 8% for the ratio of Common Equity Tier I (CETI), both for the adverse and baseline scenario for both static and dynamic assumptions, with a capital surplus ranging between €1.3 billion and €3.1 billion. The overall assessment arises from the incorporation (Join Up) of the Asset Quality Review results (AQR) and the Stress Test simulation. Based on the announcement of ECB, the Common Equity Tier I (CETI) of 31.12.2013 is adjusted based on AQR methodology, by 1.8% or €942 mil. after tax.

FUTURE DEVELOPMENT

The improvement of the local economy and the structural changes promoted for the implementation of the program agreed with Troika is expected to stabilize the risks to which the Bank is exposed. The continuous credit upgrades of the Cyprus economy by international credit rating agencies, is expected to also reduce liquidity risk.

The achievement of satisfactory profitability of the Bank will remain uncertain mainly due to the level of Non Performing Loans.

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

- a. Containment of past due loans and effective Non Performing Loans management,
- b. Maintaining and attracting new deposits,
- c. Containment of operating expenses and increase in productivity, and
- d. Continuous improvement in the quality of service provided to customers.

ALPHA BANK CYPRUS LIMITED**BOARD OF DIRECTORS' REPORT (cont.)****SHARE CAPITAL**

There were no changes to the share capital of the Bank during the year.

As part of the acquisition of Emporiki Bank Cyprus Ltd, on 30 March 2015 the Board of Directors of Alpha Bank Cyprus Ltd increased the share capital of the Bank 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. As a result of the above issue, the share capital of the Bank amounts to €148,303,051 divided into 174,474,178 ordinary shares of nominal value €0.85 each.

BRANCHES

The Bank is currently comprised of a modern network of 25 branches (2013:29) and other specialized units which are effectively supported by ATMs, internet banking and mobile banking. The number of branches has decreased by 4 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:

SP. N. Filaretos, Chairman
Ch. C. Giampanas, Vice-Chairman
G. A. Georgiou, Managing Director
A. M. Michaelides
Dr. A. K. Kritiotis
I. S. Monastiriotis
N. Mavrogenis
I. Rouvitha Panou (Appointed on 28 January 2015)

ALPHA BANK CYPRUS LIMITED

BOARD OF DIRECTORS' REPORT (cont.)

CORPORATE GOVERNANCE REPORT

Introduction

Alpha Bank Cyprus Limited (hereinafter «the Bank») is a subsidiary of Alpha Bank S.A., which is listed on the Athens Stock Exchange. The corporate governance framework which is applied by the Bank aims to protect the interests of all stakeholders. For the implementation of the Corporate Governance Framework, the Bank follows the provisions of a relative Directive issued by Central Bank of Cyprus. Until August 2014, the Directive of the Central Bank for the Framework of Principles of Operation and Criteria of Assessment of Banks' Internal Governance and Internal Control Systems of Banks applied. This was replaced by the Directive on Governance and Management Arrangements in Credit Institutions to which the Bank began harmonization proceedings, which are ongoing. 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 .

ALPHA BANK CYPRUS LIMITED**BOARD OF DIRECTORS' REPORT (cont.)****CORPORATE GOVERNANCE REPORT (cont.)****Obligations**

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

The Staff Manual contains the provisions which cover the general duties of Employees, the required confidentiality, the expected behavior outside of the 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 frameworks such as the enforcement of relevant legislation regarding health and safety in the work environment of the Group and the prohibition of smoking in all areas of the Bank without exception.

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

Board of Directors

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

The main duties of the Board of Directors during 2014 were:

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

The Board of Directors convened on a regular basis in order to fulfill its duties. Within 2014, 13 board meetings took place.

The Board of Directors is comprised of Executive and non-Executive members. The non-Executive independent members of the Board of Directors need to fulfill independence criteria which are set by the provisions of Central Bank of Cyprus Directive in relation to the fitness and probity of the members of the Board. The restructuring process of the Board of Directors which began in 2014 following the Directive on Governance and Management, will be completed upon approval by the Central Bank of Cyprus, so as, inter alia, the majority of the members of the Board of Directors and the Chairman are independent.

ALPHA BANK CYPRUS LIMITED

BOARD OF DIRECTORS' REPORT (cont.)

CORPORATE GOVERNANCE REPORT (cont.)

Board of Directors (cont.)

In accordance with the Article of Association of the Bank, the number of members of the Board of Directors is between six and eighteen, unless otherwise decided in a General Meeting. At every annual General Meeting, the 1/3 of the relevant Directors resign from their position. The Directors who resign are those with the longest service from the date of their most recent election. A departing Director is entitled to run for re-election. Each new Director who is appointed holds position only until the next General Meeting, and can be reelected, but is not taken into account when determining which Directors are to depart based on rotation. The Managing Director is not subject to rotation and is not taken into account when determining the Director to depart by rotation. As a result of the harmonization with the Directive on Governance and Management Arrangements in Credit Institutions of 2014, the existing Articles of Association of the Bank are under review.

At 31 December 2014, 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	Banking
Members	George A. Georgiou	Managing Director	Banking
	Andreas K. Kritiotis	Independent Non-Executive	CEO of an Insurance Company
	Andreas M. Michaelides	Independent Non-Executive	Accountant/Business Consultant
	Ioannis S. Monastiriotis	Non-Executive	Banking
	Lazaros A. Papagarifallou	Non-Executive	Banking
	Nikolas A. Mavrogenis	Executive – General Director Operations	Banking

On 29.8.2014 Mr. Lambros Papalamprinou resigned from the Board of Directors.

On 31.12.2014, Mr Spyros N. Filaretos, Christos C. Giampanas, Ioannis S. Monastiriotis and Lazaros A. Papagarifallou were executive officers of the parent company Alpha Bank A.E. In January 2015 Mr. Christos C. Giampanas resigned from Alpha Bank A.E. but remained as a non-executive officer of the Board of Directors of the Bank.

ALPHA BANK CYPRUS LIMITED

BOARD OF DIRECTORS' REPORT (cont.)

CORPORATE GOVERNANCE REPORT (cont.)

Board of Directors (cont.)

Mr Andreas Michaelides and Dr. Andreas K. Kritiotis are non-executive members of the Board of Directors. Mr Andreas M. Michaelides has been appointed as a senior independent director.

In accordance with Article 89 and 90 of the Articles of Association of the Bank, during the Annual General Meeting on 15.10.2014, Mr Lazaros A. Papagarifallou, Andreas Kritiotis and Andreas Michaelides were reelected to the Board of Directors of the Bank.

As part of the restructuring plan of the Board of Directors of the Bank, the Board of Directors appointed Mrs. Irene Rouvitha Panou on 28/01/2015 as a new independent member of the Board of Directors and simultaneously accepted the resignation of Mr. Lazaros A. Papagarifallou who served on the Board as a non-executive, non-independent member.

The approval of the Central Bank of Cyprus is obtained, in order to appoint members to the Board of Directors in accordance with Directive on the Assessment of the Fitness and Probity of Members of the Management Body and Managers of Authorized Credit Institutions which replaced in November 2014 the fitness and probity (Assessment Criteria) of Directors and Managers of Banks Directive.

On the date of this report, 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
	Andreas K. Kritiotis	Independent Non-Executive	CEO of an Insurance Company
	Andreas M. Michaelides	Independent Non-Executive	Accountant/Business Consultant
	Ioannis S. Monastiriotis	Non-Executive	Banking
	Nikolas A. Mavrogenis	Executive – Senior Manager Operations	Banking
	Irene Rouvitha Panou	Independent Non-Executive	Economist/ Business Consultant

ALPHA BANK CYPRUS LIMITED**BOARD OF DIRECTORS' REPORT (cont.)****CORPORATE GOVERNANCE REPORT (cont.)*****Board of Directors (cont.)******Remuneration of Executive Members***

The remuneration and benefits of Executive and non-Executive Members are described in note 43 of the financial statements.

Board Committees

The Audit Committee, Risk Management Committee and the Nominations / Internal Governance Committee were active throughout the course of 2014. 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.

Audit Committee

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

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

The Committee convenes at least four times per year or more frequently if required by circumstances. During 2014 the Committee convened six times.

As at 31 December 2014, the composition of the Audit Committee was as follows:

- Andreas Michaelides, Chairman
- Christos C. Giampanas
- Andreas Kritiotis

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 Controls
- The assessment of other test audits.

As of 25 February 2015, the composition of the Audit Committee is as follows:

- Andreas Kritiotis, Chairman
- Ioannis Monastiriotis
- Irene Rouvitha Panou

ALPHA BANK CYPRUS LIMITED**DIRECTORS' REPORT** (cont.)**CORPORATE GOVERNANCE REPORT** (cont.)***Risk Management Committee***

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

- The configuration and monitoring of risk taking strategies of all kinds, within the broader framework of strategy and policies of the Bank
- The development of an internal risk management system and its integration into the business related decision making process across the spectrum of all activities of the Bank.
- The determination of the principles governing risk management in order to detect, predict, measure, monitor, control and address such risks, consistent with the applicable business strategy and the adequacy of available resources.
- The evaluation on an annual basis of, the adequacy and effectiveness of risk management policies and acceptable limits, the adequacy of provisions and in general the capital adequacy in relation to the amount and type of risk exposure.

The Committee convenes at least four times a year. During 2014 the Committee convened five times.

As at 31 December 2014, the composition of the Risk Management Committee was as follows:

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

As of 25 February 2015, the composition of the Risk Management Committee is as follows:

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

ALPHA BANK CYPRUS LIMITED

DIRECTORS' REPORT (cont.)

CORPORATE GOVERNANCE REPORT (cont.)

Nominations/Internal Governance Committee

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

- Assessment of the effectiveness of the Board of Directors itself from the perspective of corporate governance.
- The evaluation on an annual basis of the skills, knowledge and expertise of the members of the Board of Directors.
- The submission of proposals and the commencement of the rotation and replacement of members of the Board of Directors.

The Committee convenes at least once a year or more frequently depending on the circumstances. During 2014 the Committee met three times.

As at 31 December 2014, the composition of the Nominations/Internal Governance Committee was as follows:

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

As of 25 February 2015, the composition of the Nominations/Internal Governance Committee was as follows:

- Christos C. Giampanas, Chairman
- Andreas Kritiotis
- Andreas M. Michaelides

SHAREHOLDERS HOLDING MORE THAN 5% OF THE SHARE CAPITAL

As at 31 December 2014 and 20 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 2014	20 April 2015
	%	%
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 42 of the financial statements.

RELATED PARTY TRANSACTIONS

Transactions with related parties are described in note 43 of the financial statements.

ALPHA BANK CYPRUS LIMITED**DIRECTORS' REPORT** (cont.)**EVENTS AFTER THE REPORTING PERIOD**

Events after the reporting period are described in note 46 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, 20 April 2015

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 18 to 124, which comprise the statement of financial position as at 31 December 2014, 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.

ALPHA BANK CYPRUS LIMITED

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Alpha Bank Cyprus Limited as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

Emphasis of Matter

We draw attention to note 44 of the 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 ability of the Bank to continue as going concern. Our opinion is not qualified in respect of this matter.

Report on Other Legal Requirements

Pursuant to the requirements of the Auditors and Statutory Audit of Annual and 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 3 to 12 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 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

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

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

Nicosia, 20 April 2015

ALPHA BANK CYPRUS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

	Note.	From 1 January to 31.12.2014 €	31.12.2013 €
Interest income	5	171.111.461	181.525.434
Interest expense	5	<u>(57.017.452)</u>	<u>(74.414.692)</u>
Net interest income		<u>114.094.009</u>	<u>107.110.742</u>
Fees and commission income	6	10.542.385	14.835.973
Fees and commission expense	6	<u>(1.137.176)</u>	<u>(1.395.773)</u>
Net income from fees and commissions		<u>9.405.209</u>	<u>13.440.200</u>
Net profit/(loss) on changes of financial instruments measured at fair value	7	359.604	(331.325)
Profit on disposal of investments available for sale		36.794	6.018.279
Other income from operations	8	<u>1.465.717</u>	<u>1.347.922</u>
		<u>1.862.115</u>	<u>7.034.876</u>
Total Income		<u>125.361.333</u>	<u>127.585.818</u>
Loss on disposal of investment in subsidiary		-	(85.400)
Staff costs	9	(35.472.248)	(38.368.970)
Depreciation and amortisation	20& 21	(2.081.138)	(2.311.510)
Other expenses	10	<u>(16.237.117)</u>	<u>(13.224.622)</u>
Total Expenses		<u>(53.790.503)</u>	<u>(53.990.502)</u>
Impairment losses and provisions to cover credit risk	11	<u>(155.119.978)</u>	<u>(172.842.090)</u>
Loss for the year before tax	12	(83.549.148)	(99.246.774)
Tax	13	<u>406.030</u>	<u>(4.616.894)</u>
Loss for the year after tax		<u>(83.143.118)</u>	<u>(103.863.668)</u>
Other comprehensive income recognised directly to equity:			
Amounts that may be reclassified in the statement of comprehensive income			
(Deficit)/Surplus on revaluation of investments	18	(322.838)	3.933.619
Transfer on disposal of investments available for sale	18	<u>(36.794)</u>	<u>(5.945.997)</u>
Other comprehensive expenses for the year		<u>(359.632)</u>	<u>(2.012.378)</u>
Total comprehensive expense for the year attributable to the owners of the Bank		<u>(83.502.750)</u>	<u>(105.876.046)</u>
Loss per share (€ cent)	14	<u>(52.13)</u>	<u>(72.72)</u>

The notes on pages 22 to 124 form an integral part of the financial statements.

ALPHA BANK CYPRUS LIMITED

STATEMENT OF BALANCE SHEET

	Note	31.12.2014 €	31.12.2013 €
Assets			
Cash and deposits with Central Bank	15	74.864.630	42.507.963
Loans and advances to financial institutions	16	220.435.526	232.180.826
Loans and advances to customers	17	2.646.639.610	3.467.061.546
Investment securities available for sale	18	341.575.175	17.100.521
Derivative financial assets	19	1.279.360	2.469.601
Property, plant and equipment	20	24.278.021	27.378.828
Intangible assets	21	876.551	1.009.088
Investment property	22	2.022.985	-
Deferred tax	23	12.092.185	8.658.609
Other assets	24	<u>3.707.055</u>	<u>5.253.241</u>
Total assets		<u>3.327.771.098</u>	<u>3.803.620.223.</u>
Liabilities			
Subordinated bonds	26	100.256.177	100.274.358
Deposits from financial institutions	27	654.000.159	1.102.232.585
Deposits from customers	28	2.095.462.364	2.031.940.141
Derivative financial liabilities	19	8.864.569	15.669.463
Tax	25	711.947	711.947
Other liabilities	29	<u>23.531.001</u>	<u>24.344.098</u>
Total liabilities		<u>2.882.826.217</u>	<u>3.275.172.592</u>
Equity			
Share capital	30	135.575.000	135.575.000
Convertible capital securities	31	64.000.000	64.000.000
Reserves	32	<u>245.369.881</u>	<u>328.872.631</u>
Total equity		<u>444.944.881</u>	<u>528.447.631</u>
Total equity and liabilities		<u>3.327.771.098</u>	<u>3.803.620.223.</u>
Off balance sheet items	33	<u>213.573.053</u>	<u>231.735.540</u>

The financial statements were approved by the Board of Directors on 20 April 2015.

Ch. C. Giampanas
Vice-Chairman

G. A. Georgiou
Managing Director

D. Karatsis
Head of Financial
Control Division

The notes on pages 22 to 124 form an integral part of the financial statements.

ALPHA BANK CYPRUS LIMITED**STATEMENT OF CHANGES IN EQUITY**

	Share Capital (note 30) €	Share Premium €	Investment revaluation reserve €	Difference on the conversion of share capital into euro reserve €	Retained earnings €	Total reserves €	Convertible capital Securities (note 31) €	Total Equity €
1 January 2014	135.575.000	63.334.698	(79.395)	599.951	265.017.377	328.872.631	64.000.000	528.447.631
Total comprehensive expense for the year								
Loss for the year	-	-	-	-	(83.143.118)	(83.143.118)	-	(83.143.118)
Other comprehensive income/(expense)								
Revaluation of investments available for sale	-	-	(322.838)	-	-	(322.838)	-	(322.838)
Transfer to the statement of comprehensive income on disposal of investments	-	-	(36.794)	-	-	(36.794)	-	(36.794)
31 December 2014	135.575.000	63.334.698	(439.027)	599.951	181.874.259	245.369.881	64.000.000	444.944.881
1 January 2013	118.575.000	15.334.698	1.932.983	599.951	368.881.045	386.748.677	-	505.323.677
Total comprehensive expense for the year								
Loss for the year	-	-	-	-	(103.863.668)	(103.863.668)	-	(103.863.668)
Other comprehensive income/(expense)								
Revaluation of investments available for sale	-	-	3.933.619	-	-	3.933.619	-	3.933.619
Transfer to the statement of comprehensive income on disposal of investments	-	-	(5.945.997)	-	-	(5.945.997)	-	(5.945.997)
Transaction with the owners of the Bank								
Issue of convertible capital securities	-	-	-	-	-	-	64.000.000	64.000.000
Issue of share capital	17.000.000	48.000.000	-	-	-	48.000.000	-	65.000.000
31 December 2013	135.575.000	63.334.698	(79.395)	599.951	265.017.377	328.872.631	64.000.000	528.447.631

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

The notes on pages 22 to 124 form an integral part of the financial statements.

ALPHA BANK CYPRUS LIMITED

STATEMENT OF CASH FLOWS

		From 1 January to	
		31.12.2014	31.12.2013
	Note	€	€
Cash flows from operations			
Loss for the year before tax		(83.549.148)	(99.246.774)
Adjustments for:			
Depreciation of property, plant and equipment	20	1.518.050	1.820.473
Amortization of intangible assets	21	563.088	491.037
Loss from sale of investment in subsidiary		-	85.400
Write off of property, plant and equipment	10	85.521	450.514
Profit on disposal of investment securities available for sale		(36.794)	(6.018.279)
Profit on disposal of plant and equipment		(9.041)	(12.724)
Dividends received	8	(171.605)	(225)
Reversal of Provisions for litigation or arbitration disputes	29(i)	(188.000)	(13.916)
Impairment losses and provisions to cover credit risk charged to the statement of comprehensive income	11	<u>156.900.840</u>	<u>173.902.841</u>
Profit from operations before changes in working capital		<u>75.112.911</u>	<u>71.458.347</u>
Decrease in loans and advances to clients		663.521.096	96.452.556
Decrease in derivative financial assets		1.190.241	3.292.364
Decrease in other assets		2.105.254	6.676.768
(Decrease)/Increase in other liabilities		(625.097)	7.516.820
Decrease in deposits from financial institutions		(471.449.399)	(343.938.638)
Increase/(Decrease) in deposits from customers		63.522.223	(568.731.897)
(Decrease)/Increase in interest from bonds		(18.181)	97.647
(Decrease)/Increase in derivative financial liabilities		<u>(6.804.894)</u>	<u>13.461.188</u>
Net cash flow from/(for) operations before tax		<u>326.554.154</u>	<u>(713.714.845)</u>
Tax paid	25	<u>(3.027.545)</u>	<u>(3.677.038)</u>
Net cash flow from/(for) operations		<u>323.526.609</u>	<u>(717.391.883)</u>
Cash flows from investing activities			
Net proceeds from disposal of subsidiary company		-	100
Payments for the purchase of investment securities available for sale	18	(765.251.500)	(30.000.000)
Proceeds from disposal of investment securities available for sale		440.454.008	209.117.427
Payments for purchase of property, plant and equipment	20	(1.133.479)	(455.674)
Proceeds from sale of property, plant and equipment		57.702	12.724
Payments for purchase of intangible assets	21	(430.551)	(564.422)
Dividends received	8	<u>171.605</u>	<u>225</u>
Net cash flows (for) / from investing activities		<u>(326.132.215)</u>	<u>178.110.380</u>
Cash flows from financing activities			
Issue of shares	30	-	65.000.000
Issue of convertible capital securities	31	-	<u>64.000.000</u>
Net cash flows from financing activities		-	<u>129.000.000</u>
Net decrease in cash and cash equivalents for the year		(2.605.606)	(410.281.503)
Cash and cash equivalents at beginning of year	37	<u>257.823.204</u>	<u>668.104.707</u>
Cash and cash equivalents at end of year	37	<u>255.217.598</u>	<u>257.823.204</u>

The notes on pages 22 to 124 form an integral part of the financial statements.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. 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.

2. BASIS OF PREPARATION

(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 1.1.2014 to 31.12.2014 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 amounts included in these financial statements are presented in Euro, unless otherwise stated in the relevant notes.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**2. BASIS OF PRESENTATION (cont.)****(d) Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations**

The accounting policies followed for the preparation of the financial statements have been consistently applied by the Bank in the years 2013 and 2014, after taking into account the following new standards, amendments of standards and Interpretation 21 which were issued by the International Accounting Standards Board (IASB), adopted by the European Union and applied on 1.1.2014:

The estimates and criteria applied by the Bank in reaching a decision, which affect the drafting of the financial statements, are based on historical information and assumptions which, under the present conditions, are thought to be reasonable. The estimates and decision making criteria, are reassessed to take into consideration current developments. The consequences of potential changes are reflected in the financial statements during the year that they occur.

- **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 27** “Separate Financial Statements”: Investment Entities (Regulation 1174/20.11.2013)

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

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

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. BASIS OF PRESENTATION (cont.)

- **Amendment to International Accounting Standard 32** “Financial Instruments: Presentation”: Offsetting financial assets and financial liabilities (Regulation 1256/13.12.2012)

On 16.12.2011, the International Accounting Standards Board issued an amendment to IAS 32 regarding offsetting of financial assets and financial liabilities. The amendment to IAS 32 relates to the addition of application guidance concerning the right to offset.

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

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

On 29.5.2013, the International Accounting Standards Board issued an amendment to IAS 36 with which it removed the requirement, introduced following the issuance of IFRS 13, to disclose the recoverable amount of each cash generating unit to which a material amount of the carrying amount of goodwill or intangible assets with indefinite useful life has been allocated, regardless of whether an impairment loss had been recognized. Furthermore, the above amendment added the following disclosure requirements:

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

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

- **Amendment of International Financial Reporting Standard 39** “Disclosures – Offsetting Financial Assets and Financial Liabilities” (Regulation 1256/13.12.2012)

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. BASIS OF PRESENTATION (cont.)

On 27.6.2013, the International Accounting Standards Board issued an amendment to IAS 39 which provides an exception to the requirement to discontinue hedge accounting when the hedging instrument expires or is sold, terminated or exercised. The exception is provided when the over-the-counter (OTC) derivative designated in a hedging relationship is novated to a central counterparty and at the same time the novation meets all the following conditions:

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

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

- **IFRIC Interpretation 21 “Levies”** (Regulation 634/13.6.2014)

On 20.5.2013, the International Accounting Standards Board issued IFRIC 21 “Levies” which addresses the accounting treatment of levies imposed by governments. According to IFRIC 21, a liability to pay a levy shall be recognized in the financial statements when the obligating event, that triggers the payment of the levy, occurs. The obligating event that triggers the payment of the levy is defined as the activity of the entity that triggers the liability in accordance with the relevant legislation.

The adoption of IFRIC 21 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 1.1.2014 and have not been early adopted by the Bank.

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

Effective for annual periods beginning on or after 1.7.2014

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. BASIS OF PRESENTATION (cont.)

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 amendment will have no impact on the Bank since the Bank applies a "Defined Contribution" scheme

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

Effective for annual periods beginning on or after 1.7.2014

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 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:

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

For the year ended 31 December 2014

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

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**2. 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 of other standards and mainly of 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 an impact on its financial statements.

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

For the year ended 31 December 2014

2. BASIS OF PRESENTATION (cont.)

- **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 for annual periods beginning on or after 1.1.2016

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 recognition 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.

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

- **Amendment to International Financial Reporting Standard 11** “Joint Arrangements”: Accounting for acquisition of interests in joint operations

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.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. BASIS OF PRESENTATION (cont.)

- **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.

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

Effective for annual periods beginning on or after 1.1.2017

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.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. BASIS OF PRESENTATION (cont.)

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.

- **Amendment to International Accounting Standard 1** “Presentation of Financial Statements”: Disclosure Initiative

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.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. 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

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:

- (a) 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
- (b) 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

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

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,

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. BASIS OF PRESENTATION (cont.)

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.

- **Improvements to International Accounting Standards – cycle 2012-2014**

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.

- (e) **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:

- **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.

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

For the year ended 31 December 2014

2. BASIS OF PRESENTATION (cont.)**(e) Estimates, decision making criteria and significant sources of uncertainty (cont.)**

- **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.

- **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.

- **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 recognizes in the year in which they finalized.

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

For the year ended 31 December 2014

2. BASIS OF PRESENTATION (cont.)**(e) Estimates, decision making criteria and significant sources of uncertainty (cont.)**

- **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 judgments are reviewed on an ongoing basis in order to take into account current conditions, and the effect of any changes is recognized in the period in which the estimates are revised.

- **Going concern assumption**

The financial statements have been prepared based on the going concern assumption. Despite the recent developments in the economic environment of Cyprus and taking into account the capital restructuring of the Bank as mentioned in notes 39 and 44 of the financial statements, the Board and Management of the Bank consider that the Bank is able to continue its operations as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Foreign currencies

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

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

For the year ended 31 December 2014

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

Interest receivable 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.

Income and expenses from fees and commissions

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

Dividend Income

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

Expenses on improvements, repairs and maintenance

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

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

Segment analysis

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 are reviewed regularly by the Board of Directors of the Bank to take decisions about resources to be allocated to the segment and assess its performance viability, and for which discrete financial information is available.

Financial Instruments**Recognition date**

Acquisitions or disposals of financial assets required to be delivered within the time limit as prescribed in the regulations and standard rules of the relevant market, are recognised at the date of transaction thus the date when the 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, unless a financial asset or liability is not measured at fair value through profit or loss.

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

For the year ended 31 December 2014

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

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

Derecognition

The 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 separate 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 statement of financial position 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.

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

For the year ended 31 December 2014

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

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

The 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.

In every other circumstance, 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.

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

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)**Financial Instruments (cont.)****Loans and receivables**

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

The 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 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).

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

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)**Financial Instruments (cont.)****(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 any measures taken 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.

(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 of 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 38 of the financial statements.

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

For the year ended 31 December 2014

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

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.

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.

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

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)**Financial Instruments (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 statement of financial position is transferred to the statement of comprehensive income. If events occur following the recognition of impairment loss this will result in a decrease in the already recognised impaired amount, these amounts are recognized as income in the income statement, only in the event that it concerns bonds. In contrast, impairment losses in shares or interests in mutual funds are not reversed in the results.

During the year ended 31 December 2014 there was no indication of impairment of investments available for sale.

Impairment of assets

The Bank assesses 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.

Retirement Benefit scheme

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.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Investments in immovable property

These investments are initially recognized at cost, increasing with any transaction expenses related to its acquisition. After initial recognition they are valued at cost, less any accumulated depreciation and any accumulated losses from impairment.

Subsequent expenditure increases the value of the property, alternatively are recognized as a separate property, only when it is very likely that a future economic benefit will arise. Maintenance and repairs expenses of the property are recognized in the statement of comprehensive income. For depreciation purposes, the useful life has been set equal to the properties in use, using the straight line method.

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.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**3. SIGNIFICANT ACCOUNTING POLICIES (cont.)**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.

Tax

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

Increase of special contribution for the defence rate on interest income

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

Immovable property tax

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

Special tax levy on bank deposits

Special tax levy on financial institutions was increased from 0,11% to 0,15% with effect from 1 January 2013. According to current legislation, special tax levy is imposed on deposits as at the end of the previous year and is payable in four equal quarterly installments.

Deferred tax

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 applying at the year end. Any deferred tax assets arising from deductible temporary differences are recognised to the extent that it is expected that taxable profits will be available in the future.

Any adjustment in deferred 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.

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

For the year ended 31 December 2014

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

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.

Financial guarantee contracts

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

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

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

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

Other assets

Non-current assets which are acquired via auction but are not immediately available for sale or do not anticipate to sell within one year are presented in Other Assets and are valued at the lower of cost (or carrying amount) and fair value.

Cash and cash equivalents

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

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

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)**Definition of Related parties**

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.

Subordinated bonds

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

The 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.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

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.

Convertible Capital Securities

The convertible capital securities are of indefinite maturity financial instruments issued by the Bank. 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 Tier 1 capital for the purpose of calculating the capital adequacy ratio.

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.

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

For the year ended 31 December 2014

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

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

Operating leases

Leases on assets arising where the 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.

Comparatives

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

4. OPERATING SEGMENTS

The Bank, in reassessing 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, loan impairments, profit/(loss) before tax and certain information on assets and liabilities with regard to the above segments.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**4. OPERATING SEGMENTS (cont.)**

31.12.2014	Retail Banking €000	Corporate Banking €000	Treasury €000	Other €000	Total €000
Net Interest Income	36.680	36.098	41.316	-	114.094
Net Commission Income	7.950	1.455	-	-	9.405
Other Income	-	-	<u>1.862</u>	-	<u>1.862</u>
Total Income	44.630	37.553	43.178	-	125.361
Total Expenses	(21.500)	(9.026)	-	(23.264)	(53.790)
Loan Impairments	<u>(78.615)</u>	<u>(76.505)</u>	-	-	<u>(155.120)</u>
(Loss)/Profit before Tax	(55.485)	(47.978)	43.178	(23.264)	(83.549)
Assets	1.484.455	1.162.185	636.875	44.256	3.327.771
Liabilities	1.910.110	185.352	754.000	33.364	2.882.826
Capital expenditure	-	-	-	880	880
Depreciation	848	327	-	906	2.081

31.12.2013	Retail Banking €000	Corporate Banking €000	Treasury €000	Other €000	Total €000
Net Interest Income	42.548	39.055	25.508	-	107.111
Net Commission Income	11.516	1.924	0	-	13.440
Other Income	-	-	<u>7.035</u>	-	<u>7.035</u>
Total Income	54.064	40.979	32.543	-	127.586
Total Expenses	(22.935)	(8.872)	-	(22.184)	(53.991)
Loan Impairments	<u>(86.058)</u>	<u>(86.784)</u>	-	-	<u>(172.842)</u>
(Loss)/Profit before Tax	(54.929)	(54.677)	32.543	(22.184)	(99.247)
Assets	1.592.493	1.874.569	291.789	44.769	3.803.620
Liabilities	1.845.311	186.629	1.202.233	41.000	3.275.173
Capital expenditure	-	-	-	974	974
Depreciation	941	364	-	1.007	2.312

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**4. OPERATING SEGMENTS (cont.)****Retail Banking**

Includes all individuals (Retail banking customers), professionals and small businesses, which are operating in Cyprus and abroad. Through its branch network it handles 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 which are operating in Cyprus. It handles 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.

5. NET INTEREST INCOME

	From 1 January to	
	31.12.2014	31.12.2013
	€	€
Interest income		
Deposits with the Central Bank of Cyprus	35.593	137.675
Loans and advances to financial institutions	3.963.445	1.291.390
Loans and advances to customers	160.751.870	174.513.419
Derivatives held for risk mitigation	2.000.694	3.536.407
Government bonds	4.342.887	1.168.732
Corporate bonds	<u>16.972</u>	<u>877.811</u>
<i>Total interest income</i>	<u>171.111.461</u>	<u>181.525.434</u>
Interest expense		
Deposits from financial institutions	(4.620.351)	(4.005.406)
Deposits from customers	(49.317.379)	(67.772.114)
Subordinated bonds	<u>(3.079.722)</u>	<u>(2.637.172)</u>
<i>Total interest expense</i>	<u>(57.017.452)</u>	<u>(74.414.692)</u>
<i>Net interest income</i>	<u>114.094.009</u>	<u>107.110.742</u>

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**6. NET INCOME FROM FEES AND COMMISSIONS**

	From 1 January to 31.12.2014 €	31.12.2013 €
Fees and commission income		
Commission income	5.816.956	10.036.859
Income from fees	4.697.944	4.745.198
Income from study fees	<u>27.485</u>	<u>53.916</u>
<i>Total fees and commissions income</i>	<u>10.542.385</u>	<u>14.835.973</u>
Fees and commission expenses		
Expenses from fees	(725.178)	(720.537)
Commission expenses	<u>(411.998)</u>	<u>(675.236)</u>
<i>Total fees and commissions expenses</i>	<u>(1.137.176)</u>	<u>(1.395.773)</u>
<i>Net income from fees and commissions</i>	<u>9.405.209</u>	<u>13.440.200</u>

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

	From 1 January to 31.12.2014 €	31.12.2013 €
Surplus/(Deficit) on revaluation of derivatives held for trading	<u>359.604</u>	<u>(331.325)</u>
	<u>359.604</u>	<u>(331.325)</u>

8. OTHER INCOME FROM OPERATIONS

	From 1 January to 31.12.2014 €	31.12.2013 €
Revenue from foreign exchange transactions	1.294.112	1.372.586
Expenses from foreign exchange transactions – unrealized loss	-	(24.889)
Dividend income	<u>171.605</u>	<u>225</u>
	<u>1.465.717</u>	<u>1.347.922</u>

ALPHA BANK CYPRUS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2014****9. STAFF COSTS**

	From 1 January to 31.12.2014	31.12.2013
	€	€
Wages and salaries	32.559.423	33.805.267
Other staff costs	547.080	563.797
Contribution to Provident Fund	<u>2.365.745</u>	<u>3.999.906</u>
	<u>35.472.248</u>	<u>38.368.970</u>

The number of employees of the Bank as at 31 December 2014 amounted to 743 employees (2013: 737 employees).

10. OTHER EXPENSES

	From 1 January to 31.12.2014	31.12.2013
	€	€
Advertisement and promotion expenses	1.748.790	1.429.064
Rents payable	1.343.589	1.436.255
Repairs and maintenance	535.907	649.736
Write off of property, plant and equipment	85.521	450.514
Professional expenses	3.528.850	1.324.406
Legal fees	2.780.953	1.866.770
Subscriptions for card use (VISA)	914.363	1.107.345
Computer maintenance and supplies	846.214	1.142.143
Insurance	682.146	758.445
Electricity	916.841	925.829
Other expenses	<u>2.853.943</u>	<u>2.134.115</u>
	<u>16.237.117</u>	<u>13.224.622</u>

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

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**11. IMPAIRMENT LOSSES AND PROVISIONS TO COVER CREDIT RISK**

	Note	31.12.2014 €	31.12.2013 €
Impairment losses on loans and advances to customers	17	156.900.840	173.902.841
Proceeds from written off debts		<u>(1.780.862)</u>	<u>(1.060.751)</u>
		<u>155.119.978</u>	<u>172.842.090</u>

12. LOSS FOR THE YEAR BEFORE TAX

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

	Note	From 1 January to 31.12.2014 €	31.12.2013 €
Directors' remuneration:			
Executive Directors	43(a)	584.422	594.220
Non-Executive Directors	43(a)	55.000	55.000
Independent auditors' remuneration for statutory audit of annual accounts		50.000	50.000
Independent auditors' remuneration for other review services		4.500	4.500
Independent auditors' remuneration for other non-audit services		156.441	45.632
Depreciation of property, plant and equipment	20	1.518.050	1.820.473
Amortization of intangible assets	21	563.088	491.037
Rent payable	10	1.343.589	1.436.255

13. TAX

	Note	From 1 January to 31.12.2014 €	31.12.2013 €
Overseas tax – previous years		-	2.434.280
Special bank levy		3.027.546	3.443.064
Deferred tax - credit	23	<u>(3.433.576)</u>	<u>(1.260.450)</u>
(Credit) / Debit for the year		<u>(406.030)</u>	<u>4.616.894</u>

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**13. TAX (cont.)**

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 contribution for defence.

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

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

The 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.

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

		From 1 January to		
		31.12.2014		31.12.2013
	%	€	%	€
Accounting loss before tax		<u>(83.549.148)</u>		<u>(99.246.774)</u>
Tax calculated at applicable tax rates (nominal tax rate)	12,50	(10.443.644)	12,50	(12.405.847)
Tax effect of expenses not deductible for tax purposes	(0,37)	305.305	(0,58)	567.727
Tax effect of allowances and income not subject to tax	0,38	(314.190)	0,29	(283.338)
Tax effect of loss for the year	(8,40)	7.018.953	(10,94)	10.861.008
Overseas tax – previous years	-	-	(2,45)	2.434.280
Special Tax Levy	<u>(3,62)</u>	<u>3.027.546</u>	<u>(3,47)</u>	<u>3.443.064</u>
Tax as per statement of comprehensive income (effective tax rate)	<u>0,49</u>	<u>(406.030)</u>	<u>(4,65)</u>	<u>4.616.894</u>

The Bank has not recognized deferred tax assets amounting to €19.696.311 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.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**14. LOSS PER SHARE**

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

	From 1 January to 31.12.2014	31.12.2013
Losses attributable to the owners (€)	<u>(83.143.118)</u>	<u>(103.863.668)</u>
Weighted average number of shares	<u>159.500.000</u>	<u>142.833.333</u>
Loss per share (€ cent)	<u>(52.13)</u>	<u>(72.72)</u>

15. CASH AND DEPOSITS WITH CENTRAL BANK

	31.12.2014 €	31.12.2013 €
Cash and cash equivalents	11.414.291	20.014.125
Balances with Central Bank of Cyprus	<u>63.450.339</u>	<u>22.493.838</u>
	<u>74.864.630</u>	<u>42.507.963</u>

Deposits with the Central Bank of Cyprus bear interest based on the interbank rate of the relevant 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 38 of the financial statements.

16. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS

	31.12.2014 €	31.12.2013 €
Placements with Alpha Bank Group	174.132.668	228.001.653
Placements with other financial institutions	<u>46.302.858</u>	<u>4.179.173</u>
	<u>220.435.526</u>	<u>232.180.826</u>

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 38 of the financial statements.

ALPHA BANK CYPRUS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

17. LOANS AND ADVANCES TO CUSTOMERS

	31.12.2014	31.12.2013
	€	€
Loans and advances to customers	3.438.924.971	4.165.755.445
Allowance for impairment losses	<u>(792.285.361)</u>	<u>(698.693.899)</u>
	<u>2.646.639.610</u>	<u>3.467.061.546</u>

The fair value of loans and advances to customers approximated to their carrying amount as presented in the statement of financial position, after deducting the provision for impairment (note 40).

	31.12.2014	31.12.2013
	€	€
<i>Analysis by industry sector</i>		
Manufacturing	74.366.099	69.322.788
Tourism	117.790.789	121.230.211
Trade	144.431.632	138.138.951
Buildings and construction	1.097.674.497	1.747.766.898
Business and loans to individuals	1.892.676.440	1.984.277.467
Other sectors	<u>111.985.514</u>	<u>105.019.130</u>
	<u>3.438.924.971</u>	<u>4.165.755.445</u>
<i>Analysis by geographical region</i>		
Cyprus	2.302.772.145	2.952.674.507
Greece	3.430.324	4.239.218
Other European countries	992.617.412	1.061.990.424
Other countries	<u>140.105.090</u>	<u>146.851.296</u>
	<u>3.438.924.971</u>	<u>4.165.755.445</u>

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 38 of the financial statements.

During the year loans with carrying value €676 mil. were transferred to a company of Alpha Bank Group. In essence all the risks and rewards of ownership have been transferred and as such, they were derecognized from the statement of financial position.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**17. LOANS AND ADVANCES TO CUSTOMERS (cont.)****Allowance for impairment losses**

	Impairment allowance reserve €
2014	
1 January	698.693.899
Impairment losses on loans and advances to customers (note.11)	156.900.840
Unwinding of interest	42.207.136
Impairment losses on loans transferred	(19.570.154)
Amounts used for write offs	(92.770.180)
Exchange difference	<u>6.823.820</u>
	<u>792.285.361</u>
2013	
1 January	493.874.732
Impairment losses on loans and advances to customers (note.11)	173.902.841
Unwinding of interest	41.698.307
Amounts used for write offs	(7.418.865)
Exchange difference	<u>(3.363.116)</u>
	<u>698.693.899</u>

18. INVESTMENT SECURITIES AVAILABLE FOR SALE*Investments available for sale at fair value*

	31.12.2014 €	31.12.2013 €
Government bonds and debentures	319.310.043	15.449.950
Corporate bonds and shares	<u>22.265.132</u>	<u>1.650.571</u>
	<u>341.575.175</u>	<u>17.100.521</u>
Listed in Stock Exchanges	339.924.604	15.449.950
Non Listed	<u>1.650.571</u>	<u>1.650.571</u>
	<u>341.575.175</u>	<u>17.100.521</u>
Geographical analysis based on issuer's region:		
- Cyprus	52.526.190	17.100.521
- Greece	248.075.875	-
- Germany	20.358.548	-
- Luxembourg	<u>20.614.562</u>	<u>-</u>
	<u>341.575.175</u>	<u>17.100.521</u>

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**18. INVESTMENT SECURITIES AVAILABLE FOR SALE (cont.)**

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

The movement of investments available for sale is as follows:

	Government bonds and debentures €	Corporate bonds and shares €	Total €
31.12.2014			
1 January	15.449.950	1.650.571	17.100.521
Additions	744.422.500	20.829.000	765.251.500
Matured/Disposed Securities	(443.721.000)	-	(443.721.000)
Interest receivable	4.342.887	16.972	4.359.859
Interest received	(849.716)	(243.151)	(1.092.867)
Revaluation transferred from financial position on disposal	36.794	-	36.794
Revaluation transferred to equity	<u>(371.372)</u>	<u>11.740</u>	<u>(359.632)</u>
 31 December	 <u>319.310.043</u>	 <u>22.265.132</u>	 <u>341.575.175</u>
31.12.2013			
1 January	46.228.347	145.983.700	192.212.047
Additions	30.000.000	-	30.000.000
Matured/Disposed Securities	(64.500.000)	(137.517.232)	(202.017.232)
Interest receivable	694.230	-	694.230
Interest received	(656.674)	(1.119.472)	(1.776.146)
Revaluation transferred from financial position on disposal	(106.246)	(5.839.751)	(5.945.997)
Revaluation transferred to equity	<u>3.790.293</u>	<u>143.326</u>	<u>3.933.619</u>
 31 December	 <u>15.449.950</u>	 <u>1.650.571</u>	 <u>17.100.521</u>

The analysis of the above assets at maturity date is reported in note 38 of the financial statements.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**19. DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS & LIABILITIES)**

	31.12.2014		31.12.2013	
	Assets €	Liabilities €	Assets €	Liabilities €
Derivatives nominal value				
<i>Foreign exchange derivatives</i>				
Futures	-	-	8.716	-
Currency swaps	<u>67.987.874</u>	<u>941.156.161</u>	<u>247.035.573</u>	<u>1.339.778.822</u>
	<u>67.987.874</u>	<u>941.156.161</u>	<u>247.044.289</u>	<u>1.339.778.822</u>
Total derivatives	<u>67.987.874</u>	<u>941.156.161</u>	<u>247.044.289</u>	<u>1.339.778.822</u>
Fair value of derivatives				
	31.12.2014		31.12.2013	
	Assets €	Liabilities €	Assets €	Liabilities €
<i>Foreign exchange derivatives</i>				
Futures	-	-	51	-
Currency swaps	<u>1.279.360</u>	<u>8.864.569</u>	<u>2.469.550</u>	<u>15.669.463</u>
	<u>1.279.360</u>	<u>8.864.569</u>	<u>2.469.601</u>	<u>15.669.463</u>
Total derivatives	<u>1.279.360</u>	<u>8.864.569</u>	<u>2.469.601</u>	<u>15.669.463</u>

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**20. PROPERTY, PLANT AND EQUIPMENT**

	Land (note 2)	Buildings and improvements on leasehold premises (note 1,2)	Plant and Equipment	Total
Cost	€	€	€	€
1 January 2014	5.671.333	33.571.598	19.237.364	58.480.295
Additions	-	289.513	843.966	1.133.479
Disposals	-	(712.473)	(620.316)	(1.332.789)
Write offs	-	-	(258.830)	(258.830)
Transfer to investment property	(2.022.985)	-	-	(2.022.985)
Transfer to other assets	<u>(559.068)</u>	<u>-</u>	<u>-</u>	<u>(559.068)</u>
31 December 2014	<u>3.089.280</u>	<u>33.148.638</u>	<u>19.202.184</u>	<u>55.440.102</u>
1 January 2013	5.671.333	34.325.851	19.630.814	59.627.998
Additions	-	109.612	346.062	455.674
Disposals	-	-	(117.697)	(117.697)
Write offs	<u>-</u>	<u>(863.865)</u>	<u>(621.815)</u>	<u>(1.485.680)</u>
31 December 2013	<u>5.671.333</u>	<u>33.571.598</u>	<u>19.237.364</u>	<u>58.480.295</u>

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**20. PROPERTY, PLANT AND EQUIPMENT (cont.)**

	Land (note 2)	Buildings and improvements on leasehold premises (note 1,2)	Plant and Equipment	Total
	€	€	€	€
Depreciation				
1 January 2014	-	13.707.863	17.393.604	31.101.467
Charge for the year	-	895.253	622.797	1.518.050
Disposals	-	(636.320)	(610.948)	(1.247.268)
Write offs	-	-	(210.168)	(210.168)
31 December 2014	-	<u>13.966.796</u>	<u>17.195.285</u>	<u>31.162.081</u>
1 January 2013	-	13.095.039	17.338.818	30.433.857
Charge for the year	-	1.034.162	786.311	1.820.473
Disposals	-	-	(117.697)	(117.697)
Write offs	-	(421.338)	(613.828)	(1.035.166)
31 December 2013	-	<u>13.707.863</u>	<u>17.393.604</u>	<u>31.101.467</u>
Net book value				
1 January 2013	<u>5.671.333</u>	<u>21.230.812</u>	<u>2.291.996</u>	<u>29.194.141</u>
31 December 2013	<u>5.671.333</u>	<u>19.863.735</u>	<u>1.843.760</u>	<u>27.378.828</u>
31 December 2014	<u>3.089.280</u>	<u>19.181.842</u>	<u>2.006.899</u>	<u>24.278.021</u>

Note 1: As part of the restructuring plan, the Bank proceeded during 2014 in closing several branches. As a result the value recognized as cost for the modification and improvement of leasehold properties have been written off from cost and accumulated depreciation. The net book value of the written off values on 31 December 2014 amounts to €76.154.

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

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**21. INTANGIBLE ASSETS**

	Computer Software of the Bank €
Cost	
1 January 2014	7.633.707
Additions	430.551
Write offs	-
31 December 2014	<u>8.064.258</u>
1 January 2013	7.070.246
Additions	564.422
Write offs	(961)
31 December 2013	<u>7.633.707</u>
Amortization	
1 January 2014	6.624.619
Charge for year	563.088
Write offs	-
31 December 2014	<u>7.187.707</u>
1 January 2013	6.134.543
Charge for the year	491.037
Write offs	(961)
31 December 2013	<u>6.624.619</u>
Net book value	
1 January 2013	<u>935.703</u>
31 December 2013	<u>1.009.088</u>
31 December 2014	<u>876.551</u>

22. INVESTMENT PROPERTY

	Land €
Cost of construction	
Transfer from property, plant & equipment	<u>2.022.985</u>
31 December 2014	<u>2.022.985</u>
Amortization	
31 December 2014	-
Net book value	
31 December 2013	-
31 December 2014	<u>2.022.985</u>

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**22. INVESTMENTS IN PROPERTY (cont.)**

The fair value of investment property on 31.12.2014 amounted to €6.5 mil. The fair value of immoveable property is calculated in accordance with the methods described in note 2 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.

23. DEFERRED TAX

	Tax losses €	Difference between depreciation and capital allowances €	Total €
31.12.2014			
1 January	9.600.000	(941.391)	8.658.609
Credit in the statement of comprehensive income	<u>3.453.587</u>	<u>(20.011)</u>	<u>3.433.576</u>
31 December	<u>13.053.587</u>	<u>(961.402)</u>	<u>12.092.185</u>
31.12.2013			
1 January	8.177.274	(779.115)	7.398.159
Credit in the statement of comprehensive income	<u>1.422.726</u>	<u>(162.276)</u>	<u>1.260.450</u>
31 December	<u>9.600.000</u>	<u>(941.391)</u>	<u>8.658.609</u>

The deferred tax assets and liabilities arise from the following:

	31.12.2014 €	31.12.2013 €
Deferred tax asset		
Tax losses	13.053.587	9.600.000
Deferred tax liability		
Difference between depreciation and capital allowances	<u>(961.402)</u>	<u>(941.391)</u>
Deferred tax asset	<u>12.092.185</u>	<u>8.658.609</u>

Deferred tax is provided for all temporary differences under the liability method using the applicable tax rates (Note 13). In case of tax losses the applicable tax rate is 12.5%.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**24. OTHER ASSETS**

	31.12.2014 €	31.12.2013 €
Other receivables and prepayments	1.584.030	530.903
Assets from auctions	559.068	-
Interest prepayments	<u>1.563.957</u>	<u>4.722.338</u>
	<u>3.707.055</u>	<u>5.253.241</u>

25. TAX

	31.12.2014 €	31.12.2013 €
Corporation tax payable	<u>711.947</u>	<u>711.947</u>

The movement of the account is analysed as follows:

1 January	711.947	(1.488.359)
Charge for the year	3.027.545	5.877.344
Payments	<u>(3.027.545)</u>	<u>(3.677.038)</u>
31 December	<u>711.947</u>	<u>711.947</u>

26. SUBORDINATED BONDS**Subordinated bonds at amortised cost**

	31.12.2014 €	31.12.2013 €
1 January	100.274.358	100.176.711
Interest payable	3.079.722	2.637.172
Payments	<u>(3.097.903)</u>	<u>(2.539.525)</u>
31 December	<u>100.256.177</u>	<u>100.274.358</u>

ALPHA BANK CYPRUS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2014**26. SUBORDINATED BONDS (cont.)**

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

The 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.

27. DEPOSITS FROM FINANCIAL INSTITUTIONS

	31.12.2014	31.12.2013
	€	€
Amounts due to companies of Alpha Bank Group	621.164.926	1.066.460.919
Amounts due to other financial institutions	<u>32.835.233</u>	<u>35.771.666</u>
	<u>654.000.159</u>	<u>1.102.232.585</u>

The exposure of the Bank to liquidity risk and analysis of deposits from financial institutions by maturity is disclosed in note 38 of the financial statements.

ALPHA BANK CYPRUS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2014****28. DEPOSITS FROM CUSTOMERS**

	31.12.2014	31.12.2013
	€	€
Current	487.582.217	562.046.878
Savings	10.335.835	7.378.228
Fixed term or notice	<u>1.597.544.312</u>	<u>1.462.515.035</u>
	<u>2.095.462.364</u>	<u>2.031.940.141</u>

The exposure of the Bank to liquidity risk and analysis of deposits from customers by maturity are disclosed in note 38 of the financial statements.

29. OTHER LIABILITIES

	31.12.2014	31.12.2013
	€	€
Accrued expenses	5.415.620	3.554.467
Provisions for litigation and arbitration (Note i)	77.000	265.000
Other payables	16.602.840	19.158.369
Taxes payables on behalf of clients	<u>1.435.541</u>	<u>1.366.262</u>
	<u>23.531.001</u>	<u>24.344.098</u>

(i) Provisions for litigation and arbitration

	31.12.2014	31.12.2013
	€	€
1 January	265.000	344.600
Reversal for the year	(216.000)	(55.316)
Provision for the year	28.000	41.400
Payments for the year	<u>-</u>	<u>(65.684)</u>
31 December	<u>77.000</u>	<u>265.000</u>

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**30. SHARE CAPITAL**

	31.12.2014		31.12.2013	
	Number of shares	€	Number of shares	€
<i>Authorised</i>				
(Ordinary shares of €0,85 each)	<u>600.000.000</u>	<u>510.000.000</u>	<u>600.000.000</u>	<u>510.000.000</u>
<i>Issued and fully paid</i>				
1 January	159.500.000	135.575.000	139.500.000	118.575.000
Issue of shares	—	—	<u>20.000.000</u>	<u>17.000.000</u>
31 December (Ordinary shares of €0,85 each)	<u>159.500.000</u>	<u>135.575.000</u>	<u>159.500.000</u>	<u>135.575.000</u>

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

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

31. CONVERTIBLE CAPITAL SECURITIES

	31.12.2014	31.12.2013
	€	€
Issue of convertible capital securities	<u>64.000.000</u>	<u>64.000.000</u>

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 the year 2014.

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

For the year ended 31 December 2014

31. CONVERTIBLE CAPITAL SECURITIES (cont.)

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.

32. RESERVES

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

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

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**32. RESERVES (cont.)**

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 20% for the year 2013 and 17% in 2014 and after will be payable on the deemed dividend distribution at the extent which owners (individuals and companies) at the end of the two year period after the end of taxable year that the profits are reported, are taxable Cyprus residents. The amount of deemed distribution of dividends is reduced by any realised dividend that has already been distributed for the year during which the profits are reported. The special defence contribution is paid by the Company for the account of the owners.

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

33. OFF BALANCE SHEET LIABILITIES

	31.12.2014	31.12.2013
	€	€
Contingent liabilities		
Bank guarantees	<u>51.762.632</u>	<u>61.639.729</u>
Commitments		
Letters of credit and letters of guarantees	7.552.248	4.790.820
Undrawn credit facilities	<u>154.258.173</u>	<u>165.304.991</u>
	<u>161.810.421</u>	<u>170.095.811</u>
Total off balance sheet liabilities	<u>213.573.053</u>	<u>231.735.540</u>

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

Documentary credits which are in the form of letters of credit relating to imports/exports commit the 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 38 of the financial statements.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**33. OFF BALANCE SHEET LIABILITIES (cont.)**

	Financial Services Sector €	Manufacturing €	Buildings & Construction €	Trading €	Tourism industry €	Other €	Individual €	Total €
31.12.2014								
Exposure to credit risk relating to off balance sheet items:								
Letters of credit and letters of guarantees	4.265.108	1.558.216	16.999.137	27.930.957	610.010	7.034.850	916.602	59.314.880
Undrawn credit facilities	9.255.503	15.994.681	34.288.355	12.538.863	4.668.543	30.218.125	47.294.103	154.258.173
Total	13.520.611	17.552.897	51.287.492	40.469.820	5.278.553	37.252.975	48.210.705	213.573.053
31.12.2013								
Exposure to credit risk relating to off balance sheet items:								
Letters of credit and letters of guarantees	501.105	743.674	23.817.257	25.653.942	1.799.099	11.663.352	2.252.120	66.430.549
Undrawn credit facilities	1.678.968	16.854.213	37.606.362	13.104.076	2.450.063	44.054.228	49.557.081	165.304.991
Total	2.180.073	17.597.887	61.423.619	38.758.018	4.249.162	55.717.580	51.809.201	231.735.540

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**34. TRANSFERS / COMMITMENTS OF FINANCIAL ASSETS**

The Bank for the years 2014 and 2013 did not have any financial asset commitments.

35. OTHER CONTINGENT LIABILITIES**Lease commitments**

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

	31.12.2014	31.12.2013
	€	€
Within one year	1.471.356	1.089.641
Between one to five years	4.472.726	3.360.048
More than five years	<u>4.525.005</u>	<u>2.601.334</u>
	<u>10.469.087</u>	<u>7.051.023</u>

Litigation

As at 31 December 2014, 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 matters (note 29) 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.

Tax issues

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.

36. CAPITAL COMMITMENTS

As at 31 December 2014, the Bank's commitments for capital expenditure for which no provision has been made in the financial statements amounted to €879.932 (2013: €973.944) and represents additional work performed for the new Head Office buildings and for the cost of refurbishment of new branches.

ALPHA BANK CYPRUS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2014****37. CASH AND CASH EQUIVALENTS**

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

	Note	31.12.2014 €	31.12.2013 €
Cash and deposits	15	74.864.630	42.507.963
Loans and advances to financial institutions	16	220.435.526	232.180.826
Deposits from financial institutions		<u>(40.082.558)</u>	<u>(16.865.585)</u>
		<u>255.217.598</u>	<u>257.823.204</u>

38. 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 handling of the action taken to prevent and minimize risks.
- Effective capital planning in order to cover the risks undertaken.

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

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

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

For the year ended 31 December 2014

38. RISK MANAGEMENT (cont.)

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

The Board of Directors and the Risk Management Committee are responsible for the risk assessment and the coordination of activities required for their management, through the supervision of the strategy and the procedures of risk management.

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

The Unit has the following departments:

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

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

Facilities are authorized by Committees, 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.

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

For the year ended 31 December 2014

38. RISK MANAGEMENT (cont.)**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 and the mortgaged collaterals that generate income.

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.

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).

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

38. RISK MANAGEMENT (cont.)

Credit risk (cont.)

Debtors rating

Debtors are rated at the following credit risk ratings:

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

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

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

An important mean of mitigating the credit risk is the use of collateral from creditors.

By collateral it is implied, assets of any nature or rights, which are available to Alpha Bank Group, either from the creditors or from third persons, to be used as additional sources of liquidity against debts.

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.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

38. RISK MANAGEMENT (cont.)

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

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

38. RISK MANAGEMENT (cont.)

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.

Provisions are collectively calculated on examination of the following conditions depending on the sector to which they belong:

Wholesale Banking Sector

- Size of the client
- Economic activity.

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

For the year ended 31 December 2014

38. RISK MANAGEMENT (cont.)**Credit risk (cont.)****Wholesale Banking Sector (cont.)**

- Rank – Performing/Restructured/ Arrears.
- Coverage ratio based on LTV ratio.

Retail Banking Sector

- Nature of facility
- Rank – Performing/Restructured/ Arrears.

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. The values of the assets are adjusted based on residential property index provided by the Central Bank of Cyprus so as to value them at market value. The timeframe for the recoverability of collateral has been defined at three years at a considerably more conservative value and are discounted to net present value.

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.

In January 2015, the Swiss National Bank abolished the upper limit rate between the Euro and the Swiss Franc and as a consequence the Swiss currency was significantly appreciated against the Euro. The appreciation of the exchange rate is expected to have an adverse impact on the recoverability of loans and advances which were issued on that currency.

The Bank, under the impairment process of loans and advances, will assess the impact of the above change of the exchange rate and determine the expected cash flows of the relevant portfolio

Restructuring

The maintenance of a healthy loan portfolio implies a continuous monitoring and assessment of its clients, in order to pre-emptively identify future liquidity problems which might impact the repayment of obligations towards the Bank and the Alpha Bank Group.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

38. RISK MANAGEMENT (cont.)

Credit risk (cont.)

Restructuring (cont.)

The credit tools commonly used by the Bank and the Group to manage liquidity problems faced by its clients in the repayment of their debts is the restructuring of their finances by renegotiating the original terms of the loan agreement.

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

Furthermore, under European Commission Regulation EU 2015/227 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

Furthermore, the Bank on 31.12.2014 reassessed the perimeter of restructured loans for all its sectors under European Commission Regulation (EU) 2015/227 of 9 January 2015 and the technical standards implementation of the European Banking Authority and incorporated the relevant definitions into its Credit Risk Policy.

Henceforth, based on the above conditions the development, quality and effectiveness of these loans shall be monitored. The above reassessment renders the comparative depiction of restructured loans for 31.12.2014 and 31.12.2013 non-feasible.

DEFINITIONS:

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

Past Due Loans

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

Non Performing Exposures

A loan is considered non-performing if one of the following conditions applies:

- Legal proceedings have commenced.
- It is in arrears over 90 days due

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

38. RISK MANAGEMENT (cont.)

Credit risk (cont.)

Non Performing Exposures (cont.)

- It is considered as Unlikely to pay (as defined below)
- It is considered impaired
- Characterized as forborne non-performing loan in accordance with the provisions of the European Commission Regulation EU 2015/227 of 9 January 2015 on the amendment of the Commission Implementing Regulation EU No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation EU No 575/2013 of the European Parliament and of the Council.

Performing Exposures

For the purposes of client monitoring, a loan is marked as performing if:

- it is in arrears less than 90 days,
 - is not subject to legal proceedings,
 - the creditor does not display signs of inability to repay its obligations,
 - it is not impaired,
 - contamination effect does not apply,
- or
- is a forborne performing loan in accordance with the provisions of the European Commission Regulation (EU) 2015/227 of 9 January 2015 on the amendment of the Commission Implementing Regulation (EU) No 680/2014

• **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.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**38. RISK MANAGEMENT (cont.)****Credit risk (cont.)****Impaired Loans**

Impaired loans are those loans defined as follows:

- Loans for which an impairment amount has been calculated under the individual assessment method,
- Loans in arrears over 90 days or under legal proceedings, which have been impaired on a collective basis,
- The loans of the Retail portfolio 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.

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 ths. and €1 mil.

Credit facilities granted to customers beyond the characteristics shown above fall under the Retail Banking sector

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**38. RISK MANAGEMENT (cont.)****Credit risk (cont.)****FINANCIAL INSTRUMENTS CREDIT RISK**

	31.12.2014			31.12.2013		
	Exposure before impairment €	Impairment €	Net exposure to credit risk €	Exposure before impairment €	Impairment €	Net exposure to credit risk €
A. Credit risk exposure relating to on balance sheet items						
Balances with Central Banks	63.450.339	-	63.450.339	22.493.838	-	22.493.838
Balances with financial institutions	220.435.526	-	220.435.526	232.180.826	-	232.180.826
Loans and advances to customers	3.438.924.971	792.285.361	2.646.639.610	4.165.755.445	698.693.899	3.467.061.546
Derivative financial assets	1.279.360	-	1.279.360	2.469.601	-	2.469.601
Available for sale securities::						
- Available for sale (government bonds)	319.310.043	-	319.310.043	15.449.950	-	15.449.950
- Available for sale (other)	22.265.132	-	22.265.132	1.650.571	-	1.650.571
Total amount of on balance sheet items exposed to credit risk (a)	4.065.665.371	792.285.361	3.273.380.010	4.440.000.231	698.693.899	3.741.306.332
Other on balance sheet items not exposed to credit risk	54.391.088	-	54.391.088	62.313.891	-	62.313.891
Total assets	4.120.056.459	792.285.361	3.327.771.098	4.502.314.122	698.693.899	3.803.620.223
B. Credit risk exposure relating to off balance sheet items:						
Letters of guarantee, letters of credit and other guarantees	59.314.880	-	59.314.880	66.430.549	-	66.430.549
Undrawn loan agreements and credit limits that cannot be recalled (committed)	154.258.173	-	154.258.173	165.304.991	-	165.304.991
Total amount of off balance sheet items exposed to credit risk (b)	213.573.053	-	213.573.053	231.735.540	-	231.735.540
Total credit risk exposure (a+b)	4.279.238.424	792.285.361	3.486.953.063	4.671.735.771	698.693.899	3.973.041.872

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

ALPHA BANK CYPRUS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

38. RISK MANAGEMENT (cont.)

Credit Risk (cont.)

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

	31.12.2014								
	Non impaired loans and advances		Impaired loans and advances		Total gross amount €	Accumulated impairment allowance		Past due but not impaired €	Individually assessed €
	Neither past due nor impaired €	Past due but not impaired €	Individually assessed €	Collectively assessed €		Individually assessed €	Neither past due nor impaired €		
Retail lending									
Mortgage	582.882.796	123.889.856	63.051.678	853.389.795	1.623.214.125	24.214.058	315.955.971	1.283.044.096	1.287.672.962
Consumer	57.439.507	8.859.356	36.258.343	101.006.996	203.564.202	20.400.496	37.786.246	145.377.460	90.531.608
Credit cards	9.303.067	176.827	668.090	4.828.395	14.976.379	180.495	1.153.379	13.642.505	1.273.395
Small Business Loans	17.824.670	3.883.872	2.825.343	26.387.849	50.921.734	1.081.503	7.450.092	42.390.139	34.847.947
	<u>667.450.040</u>	<u>136.809.911</u>	<u>102.803.454</u>	<u>985.613.035</u>	<u>1.892.676.440</u>	<u>45.876.552</u>	<u>362.345.688</u>	<u>1.484.454.200</u>	<u>1.414.325.912</u>
Corporate lending									
Large	608.696.355	121.922.680	588.474.974	101.177.065	1.420.271.074	268.806.805	74.227.120	1.077.237.149	1.126.976.112
SME's	21.457.271	4.407.211	80.111.474	19.226.458	125.202.414	35.292.322	5.704.160	84.205.932	94.045.459
	<u>630.153.626</u>	<u>126.329.891</u>	<u>668.586.448</u>	<u>120.403.523</u>	<u>1.545.473.488</u>	<u>304.099.127</u>	<u>79.931.280</u>	<u>1.161.443.081</u>	<u>1.221.021.571</u>
Public sector	<u>775.032</u>	<u>11</u>	<u>-</u>	<u>-</u>	<u>775.043</u>	<u>-</u>	<u>32.714</u>	<u>742.329</u>	<u>385.956</u>
Total	<u>1.298.378.698</u>	<u>263.139.813</u>	<u>771.389.902</u>	<u>1.106.016.558</u>	<u>3.438.924.971</u>	<u>349.975.679</u>	<u>442.309.682</u>	<u>2.646.639.610</u>	<u>2.635.733.439</u>

An amount of €114.143.373 that is included in accumulated impairment allowance under “Collectively assessed” relates to IBNR provisions. An amount of €20.640.663 is included in impaired loans and advances relating to restructured loans past due < 90 days.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

38. RISK MANAGEMENT (cont.)

Credit Risk (cont.)

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

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

An amount of €65.059.144 that is included in accumulated impairment allowance under “Collectively assessed” relates to IBNR provisions. An amount of €63.408.477 is included in impaired loans and advances relating to restructured loans past due < 90 days.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

38. RISK MANAGEMENT (cont.)

Credit risk (cont.)

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

	31.12.2014				
	Strong €	Satisfactory €	Watch list (higher risk) €	Total neither past due nor impaired €	Value of collateral €
Retail lending					
Mortgage	-	582.882.796	-	582.882.796	510.996.502
Consumer	-	57.439.507	-	57.439.507	29.567.898
Credit cards	-	9.303.067	-	9.303.067	941.424
Small Business Loans	-	17.824.670	-	17.824.670	12.827.353
	-	667.304.231	-	667.450.040	554.333.177
Corporate lending					
Large	4.891.505	369.039.275	234.765.574	608.696.355	545.145.113
SME's	451.464	10.999.337	10.006.471	21.457.271	20.439.952
	5.342.969	380.038.612	244.772.045	630.153.626	565.585.065
Public sector	-	775.032	-	775.032	385.956
Total	5.342.969	1.048.117.875	244.917.854	1.298.378.698	1.120.304.198
	31.12.2013				
	Strong €	Satisfactory €	Watch list (higher risk) €	Total neither past due nor impaired €	Value of collateral €
Retail lending					
Mortgage	-	681.383.210	-	681.383.210	602.867.649
Consumer	-	62.537.033	-	62.537.033	30.256.941
Credit cards	-	9.848.972	-	9.848.972	676.644
Small Business Loans	-	21.608.721	-	21.608.721	14.488.401
	-	775.377.936	-	775.377.936	648.289.635
Corporate lending					
Large	4.177.346	186.350.104	991.012.898	1.181.540.348	1.106.971.538
SME's	1.062.553	15.961.806	12.200.963	29.225.322	27.069.120
	5.239.899	202.311.910	1.003.213.861	1.210.765.670	1.134.040.658
Public sector	-	383.527	731.668	1.115.195	750.742
Total	5.239.899	978.073.373	1.003.945.529	1.987.258.801	1.783.081.035

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

38. RISK MANAGEMENT (cont.)

Credit risk (cont.)

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

	31.12.2014						
	Retail Lending				Corporate Lending		Total past due but not impaired
	Mortgage €	Consumer €	Credit cards €	Small Business Loans €	Large €	SME's €	
1 - 30 days	43.599.761	6.137.594	85.375	1.916.873	21.374.687	1.711.989	74.826.279
31 - 60 days	13.140.482	1.887.235	55.822	1.108.422	44.671.969	724.438	61.588.368
61 - 90 days	67.149.613	834.527	35.630	858.577	23.452.375	1.970.784	94.301.506
91 - 180 days	-	-	-	-	602	-	602
181 - 360 days	-	-	-	-	32.423.058	-	32.423.058
> 360 days	-	-	-	-	-	-	-
Total	<u>123.889.856</u>	<u>8.859.356</u>	<u>176.827</u>	<u>3.883.872</u>	<u>121.922.691</u>	<u>4.407.211</u>	<u>263.139.813</u>
Value of collateral	<u>105.804.521</u>	<u>3.582.785</u>	<u>17.094</u>	<u>3.193.267</u>	<u>115.256.372</u>	<u>3.741.733</u>	<u>231.595.772</u>

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

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

38. FINANCIAL RISK MANAGEMENT (cont.)

Credit risk (cont.)

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

	31.12.2014						
	Retail Lending				Corporate Lending		Total Impaired €
	Mortgage €	Consumer €	Credit cards €	Small Business Loans €	Large €	SME's €	
Without arrears	154.093.189	12.934.244	285.846	1.793.027	121.441.724	4.933.883	295.481.913
1 - 30 days	13.460.835	2.484.906	16.114	1.172.632	1.451.733	60.412	18.646.632
31 - 60 days	5.283.763	948.180	15.268	297.064	6.630.608	-	13.174.883
61 - 90 days	15.372.858	884.118	49.281	482.294	12.443.695	451.037	29.683.283
91 - 180 days	106.276.440	3.279.024	64.501	733.977	4.444.024	3.151.049	117.949.015
181 - 360 days	46.802.662	19.567.426	2.207.479	6.033.955	94.443.244	11.969.136	181.023.902
> 360 days	<u>287.348.373</u>	<u>43.217.457</u>	<u>1.548.136</u>	<u>11.120.469</u>	<u>160.377.917</u>	<u>39.692.492</u>	<u>543.304.844</u>
Net value of impaired loans and advances	<u>628.638.120</u>	<u>83.315.355</u>	<u>4.186.625</u>	<u>21.633.418</u>	<u>401.232.945</u>	<u>60.258.009</u>	<u>1.199.264.472</u>
Value of collateral	<u>670.871.938</u>	<u>57.380.925</u>	<u>314.877</u>	<u>18.827.327</u>	<u>466.574.627</u>	<u>69.863.774</u>	<u>1.283.833.468</u>

	31.12.2013						
	Retail Lending				Corporate Lending		Total Impaired €
	Mortgage €	Consumer €	Credit cards €	Small Business Loans €	Large €	SME's €	
Without arrears	381.946.262	18.701.534	852	1.254.512	231.989.674	1.814.423	635.707.257
1 - 30 days	8.116.774	1.922.642	-	464.676	31.427.492	1.572.877	43.504.461
31 - 60 days	9.446.823	1.041.391	-	615.723	4.683.979	323.816	16.111.732
61 - 90 days	8.716.919	973.214	-	20.546	4.003.608	-	13.714.287
91 - 180 days	9.086.366	5.038.009	199.853	1.837.886	4.354.326	923.223	21.439.663
181 - 360 days	3.042.457	5.144.919	2.115.015	2.600.537	26.549.389	3.732.114	43.184.431
> 360 days	<u>268.378.156</u>	<u>56.571.744</u>	<u>951.539</u>	<u>10.853.844</u>	<u>181.034.100</u>	<u>36.778.148</u>	<u>554.567.531</u>
Net value of impaired loans and advances	<u>688.733.757</u>	<u>89.393.453</u>	<u>3.267.259</u>	<u>17.647.724</u>	<u>484.042.568</u>	<u>45.144.601</u>	<u>1.328.229.362</u>
Value of collateral	<u>753.371.862</u>	<u>62.544.348</u>	<u>315.340</u>	<u>17.160.266</u>	<u>567.466.973</u>	<u>59.685.654</u>	<u>1.460.544.443</u>

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**38. RISK MANAGEMENT (cont.)****Credit Risk (cont.)****RECONCILIATION OF IMPAIRED LOANS AND ADVANCES BY LOAN CATEGORY**

	31.12.2014						
	<u>Retail Lending</u>				<u>Corporate Lending</u>		Total
	Mortgages	Consumer	Credit cards	Small business loans	Large businesses	SMEs businesses	
	€	€	€	€	€	€	€
Balance 01.01.2014	964.757.467	136.615.603	5.032.624	25.453.890	748.579.756	81.424.777	1.961.864.117
Value of loans categorized as impaired within the period	267.181.745	39.662.608	1.647.922	8.920.092	137.745.225	23.271.943	478.429.535
Value of loans taken off from impaired category	(241.580.657)	(31.334.813)	(870.499)	(4.790.016)	(114.774.852)	(4.015.626)	(397.366.463)
Proceeds from impaired loans	(20.332.860)	(6.298.759)	-	(933.220)	(11.915.356)	(1.697.679)	(41.177.874)
Write off of impaired loans and advances	(84.953.053)	(1.758.895)	(138.312)	(233.567)	(5.448.603)	(237.750)	(92.770.180)
Disposal of impaired loans and advances	-	-	-	-	(72.914.918)	-	(72.914.918)
Exchange differences and other movement	31.368.831	379.593	(175.250)	796.014	8.380.788	592.267	41.342.243
Balance 31.12.2014	916.441.473	137.265.337	5.496.485	29.213.193	689.652.040	99.337.932	1.877.406.460
Accumulated impairment provision	287.803.353	53.949.982	1.309.860	7.579.775	288.419.095	39.079.923	678.141.988
Net value of impaired loans and advances	628.638.120	83.315.355	4.186.625	21.633.418	401.232.945	60.258.009	1.199.264.472

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

38. FINANCIAL RISK MANAGEMENT (cont.)

Credit risk (cont.)

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

	31.12.2014	31.12.2013
	Mortgage Loans	
	€	€
< 50%	189.124.387	188.498.056
50% - 70%	191.775.512	238.092.210
71% - 80%	133.103.200	157.572.407
81% - 90%	144.652.980	185.430.390
91% - 100%	182.891.398	227.721.074
101% - 120%	343.727.899	382.100.782
121% - 150%	267.576.783	189.086.124
> 150%	<u>170.361.966</u>	<u>136.353.665</u>
Total exposure	<u>1.623.214.125</u>	<u>1.704.854.708</u>
Average LTV (%)	<u>77.70%</u>	<u>75.32%</u>

BREAKDOWN OF COLLATERAL AND GUARANTEES

	31.12.2014			
	Value of collateral received			
	Real estate collateral	Financial collateral	Other collateral	Total
	€	€	€	€
Retail Lending	1.354.144.989	7.196.646	52.984.277	1.414.325.912
Corporate Lending	1.029.771.637	14.144.804	177.105.130	1.221.021.571
Public sector	-	385.956	-	385.956
Total	<u>2.383.916.626</u>	<u>21.727.406</u>	<u>230.089.407</u>	<u>2.635.733.439</u>
	31.12.2013			
	Value of collateral received			
	Real estate collateral	Financial collateral	Other collateral	Total
	€	€	€	€
Retail Lending	1.488.104.447	8.480.837	46.572.056	1.543.157.340
Corporate Lending	1.312.969.542	40.018.179	542.748.715	1.895.736.436
Public sector	-	750.742	-	750.742
Total	<u>2.801.073.989</u>	<u>49.249.758</u>	<u>589.320.771</u>	<u>3.439.644.518</u>

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

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**38. RISK MANAGEMENT (cont.)****Credit Risk (cont.)****REPOSSESSED COLLATERALS****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
	€	€	€	€	€	€	€
Real Estate	<u>559.068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>559.068</u>	<u>-</u>	<u>-</u>

31.12.2013

	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
	€	€	€	€	€	€	€
Real Estate	<u>559.068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>559.068</u>	<u>-</u>	<u>-</u>

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**38. RISK MANAGEMENT (cont.)****Credit Risk (cont.)****LOANS AND ADVANCES TO CUSTOMERS, IMPAIRED LOANS, IMPAIRMENT ALLOWANCE BY PRODUCT LINE, INDUSTRY AND GEOGRAPHICAL REGION****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
	€	€	€	€	€	€	€	€	€	€	€	€
Retail Lending	812.550.058	433.385.962	134.297.488	2.388.375	2.100.294	488.616	992.617.020	614.535.892	256.668.187	85.120.987	38.394.341	16.767.949
Mortgage	556.354.178	278.197.866	69.941.704	2.006.337	1.830.763	407.007	984.341.958	601.988.885	254.674.834	80.511.652	34.423.957	15.146.484
Consumer	191.241.373	121.853.796	54.542.448	352.428	264.627	80.463	7.806.789	11.202.965	1.948.997	4.163.612	3.943.952	1.614.834
Credit cards	14.241.912	4.853.259	1.283.206	29.610	4.904	1.146	265.088	617.843	44.356	439.769	20.479	5.166
Small Business												
Loans	50.712.595	28.481.041	8.530.130	-	-	-	203.185	726.199	-	5.954	5.953	1.465
Corporate Lending	1.489.447.044	788.146.903	383.750.544	1.041.950	842.734	217.237	391	121	1	54.984.103	213	62.625
Financial institutions	17.126.686	5.111.696	3.167.842	-	-	-	-	-	-	142	-	-
Manufacturing	53.259.012	29.042.358	15.926.201	25	-	-	2	2	-	21.107.060	1	-
Real Estate												
Development	215.986.038	69.118.943	37.747.502	-	-	-	-	-	-	149	-	-
Construction	878.765.672	543.381.688	255.406.197	842.784	842.734	200.642	-	-	-	2.079.854	212	62.625
Wholesale and retail trade	112.635.442	68.466.614	32.551.241	-	-	-	304	119	-	31.795.886	-	-
Transportation	10.695.409	2.171.322	1.568.857	-	-	-	73	-	-	-	-	-
Tourism	117.790.789	32.871.472	13.207.619	-	-	-	-	-	-	-	-	-
Services	81.774.714	37.154.814	24.072.900	199.141	-	16.595	-	-	-	1.012	-	-
Other sectors	1.413.282	827.996	102.185	-	-	-	12	-	1	-	-	-
Public sector	775.043	-	32.714	-	-	-	-	-	-	-	-	-
Total	2.302.772.145	1.221.532.865	518.080.746	3.430.324	2.943.028	705.853	992.617.412	614.536.013	256.668.188	140.105.090	38.394.554	16.830.574

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

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NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**38. RISK MANAGEMENT (cont.)****Credit Risk (cont.)****LOANS AND ADVANCES TO CUSTOMERS, IMPAIRED LOANS, IMPAIRMENT ALLOWANCE BY PRODUCT LINE, INDUSTRY AND GEOGRAPHICAL REGION (cont.)****31.12.2013**

	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
	€	€	€	€	€	€	€	€	€	€	€	€
Retail Lending	829.537.220	425.767.729	132.000.119	2.465.053	828.271	225.853	1.060.296.970	671.794.222	246.749.098	91.978.224	33.469.362	12.809.474
Mortgage	564.111.489	270.141.599	70.223.218	1.754.224	765.572	198.061	1.050.919.441	663.752.694	244.508.054	88.069.554	30.097.601	11.920.479
Consumer	198.835.784	125.321.662	50.584.870	688.769	58.496	26.317	8.887.191	7.885.821	2.182.851	3.578.070	3.349.624	880.959
Credit cards	14.790.083	4.856.008	1.925.069	22.060	4.203	1.475	279.249	155.707	58.193	325.151	16.707	6.313
Small Business												
Loans	51.799.864	25.448.460	9.266.962	-	-	-	211.089	-	-	5.449	5.430	1.722
Corporate Lending	2.122.022.092	830.003.536	306.419.319	1.774.165	-	110.525	1.693.454	71	100.357	54.873.072	926	273.342
Financial institutions	5.154.228	2.568.987	589.658	-	-	-	-	-	-	568	87	61
Manufacturing	47.567.458	23.243.776	13.208.229	22	-	-	-	-	-	21.755.308	1	-
Real Estate												
Development	454.109.082	77.070.186	27.056.963	-	-	-	-	-	-	279	150	105
Construction	1.291.075.503	586.358.292	212.723.174	-	-	-	-	-	-	2.582.034	212	236.709
Wholesale and retail trade	107.605.651	52.879.082	23.988.742	-	-	-	81	-	-	30.533.219	-	-
Transportation	7.635.011	2.259.297	1.127.336	-	-	-	-	-	-	-	-	-
Tourism	121.230.211	51.089.677	8.175.331	-	-	-	-	-	-	-	-	-
Services	86.050.922	34.534.234	19.547.314	1.774.143	-	110.525	1.693.373	71	100.357	1.664	476	36.467
Other sectors	1.594.026	5	2.572	-	-	-	-	-	-	-	-	-
Public sector	1.115.195	-	5.812	-	-	-	-	-	-	-	-	-
Total	2.952.674.507	1.255.771.265	438.425.250	4.239.218	828.271	336.378	1.061.990.424	671.794.293	246.849.455	146.851.296	33.470.288	13.082.816

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

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NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**38. FINANCIAL RISK MANAGEMENT (cont.)****Credit risk (cont.)****INTEREST INCOME RECOGNISED BY QUALITY OF LOANS AND ADVANCES
AND PRODUCT LINE**

	31.12.2014		
	Interest income on non impaired loans and advances €	Interest income on impaired loans and advances €	Total interest income €
Retail lending	32.337.544	41.272.933	73.610.477
Corporate lending	54.760.351	32.340.803	87.101.154
Public sector	<u>40.239</u>	<u>-</u>	<u>40.239</u>
Total interest income	<u>87.138.134</u>	<u>73.613.736</u>	<u>160.751.870</u>

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

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NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**38. FINANCIAL RISK MANAGEMENT (cont.)****Credit risk (cont.)****ANALYSIS OF RESTRUCTURED LOANS AND ADVANCES TO CUSTOMERS**

	31.12.2014		
	Total amount of loans and advances €	Total amount of restructured loans and advances €	Restructured loans and advances (%)
Neither past due nor impaired	1.298.378.698	342.239.525	26,36
Past due but not impaired	263.139.813	157.310.673	59,78
Impaired	<u>1.877.406.460</u>	<u>609.194.050</u>	32,45
Total (before impairment)	3.438.924.971	1.108.744.248	32,24
Individual impairment allowance	(349.975.679)	(29.309.173)	8,37
Collective impairment allowance	<u>(442.309.682)</u>	<u>(221.804.744)</u>	50,15
Total net amount	<u>2.646.639.610</u>	<u>857.630.331</u>	32,40
Value of collateral	<u>2.635.733.439</u>	<u>878.585.034</u>	33,33
	31.12.2013		
	Total amount of loans and advances €	Total amount of restructured loans and advances €	Restructured loans and advances (%)
Neither past due nor impaired	1.987.258.801	90.373.950	4,55
Past due but not impaired	216.632.527	4.122.268	1,90
Impaired	<u>1.961.864.117</u>	<u>833.254.651</u>	42,47
Total (before impairment)	4.165.755.445	927.750.869	22,27
Individual impairment allowance	(298.257.981)	(45.009.491)	15,09
Collective impairment allowance	<u>(400.435.918)</u>	<u>(114.439.477)</u>	28,58
Total net amount	<u>3.467.061.546</u>	<u>768.301.901</u>	22,16
Value of collateral	<u>3.439.644.518</u>	<u>777.007.144</u>	22,59

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NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**38. FINANCIAL RISK MANAGEMENT (cont.)****Credit risk (cont.)****RESTRUCTURED LOANS AND ADVANCES TO CUSTOMERS BY
RESTRUCTURED SCHEME**

	31.12.2014
	€
Deferral of interest payment	8.238.050
Reduced payment schedule	25.204.226
Grace period	415.688.012
Extension of repayment schedule	166.109.182
Capitalisation of arrears	113.805.665
Write off fraction of debt	10.908.981
Other	<u>117.676.215</u>
Total net value	<u>857.630.331</u>

**RESTRUCTURED LOANS AND ADVANCES TO CUSTOMERS BY
PRODUCT LINE**

	31.12.2014	31.12.2013
	€	€
Retail lending		
Mortgage	696.205.787	408.226.777
Consumer	37.497.724	22.638.781
Credit Card	1.338	852
Small Business Loans	<u>7.797.187</u>	<u>2.355.456</u>
	<u>741.502.036</u>	<u>433.221.866</u>
Corporate lending		
Large	111.197.506	333.141.265
SME's	<u>4.930.789</u>	<u>1.938.770</u>
	<u>116.128.295</u>	<u>335.080.035</u>
Total net value	<u>857.630.331</u>	<u>768.301.901</u>

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NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**38. FINANCIAL RISK MANAGEMENT (cont.)****Credit risk (cont.)****RESTRUCTURED LOANS AND ADVANCES TO CUSTOMERS BY
GEOGRAPHIC REGIONS**

	31.12.2014
	€
Cyprus	416.145.959
Greece	1.010.611
Other European countries	404.513.290
Other countries	<u>35.960.471</u>
Total net value	<u>857.630.331</u>

OTHER RECEIVABLES

	Deposits with the Central Bank of Cyprus	Loans and advances to financial institutions	Derivative financial instruments	Investments available for sale	Total
2014	€	€	€	€	€
AA- to AAA	-	310.805	-	40.973.110	41.283.915
A- to A+	-	2.295.009	-	-	2.295.009
Lower than A-	63.450.339	217.829.712	1.279.360	298.951.494	581.510.905
Unrated	-	-	-	1.650.571	1.650.571
Not past due nor impaired	63.450.339	220.435.526	1.279.360	341.575.175	626.740.400
2013					
AA- to AAA	-	133.034	-	-	133.034
A- to A+	-	1.452.847	-	-	1.452.847
Lower than A-	22.493.838	230.594.945	2.469.550	15.449.950	271.008.283
Unrated	-	-	51	1.650.571	1.650.622
Not past due nor impaired	22.493.838	232.180.826	2.469.601	17.100.521	274.244.786

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NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**38. RISK MANAGEMENT (cont.)****Credit Risk (cont.)****AVAILABLE IN CENTRAL BANKS – ADVANCES TO CREDIT INSTITUTIONS – DERIVATIVE FINANCIAL INSTRUMENTS – BASED ON CREDIT RATING**

	31.12.2014				
	Cash at Central Bank	Advances to credit institutions	Financial assets derivative instruments	Investments available for sale	Total
Not past due and not impaired	63.450.339	220.435.526	1.279.360	341.575.175	626.740.400
Past due but not impaired	-	-	-	-	-
Impaired	-	-	-	-	-
Exposure value before impairment	63.450.339	220.435.526	1.279.360	341.575.175	626.740.400
Less:					
Accumulated impairments	-	-	-	-	-
Net exposure value	63.450.339	220.435.526	1.279.360	341.575.175	626.740.400

	31.12.2013				
	Cash at Central Bank	Advances to credit institutions	Financial assets derivative instruments	Investments available for sale	Total
Not past due and not impaired	22.493.838	232.180.826	2.469.601	17.100.521	274.244.786
Past due but not impaired	-	-	-	-	-
Impaired	-	-	-	-	-
Exposure value before impairment	22.493.838	232.180.826	2.469.601	17.100.521	274.244.786
Less:					
Accumulated impairments	-	-	-	-	-
Net exposure value	22.493.838	232.180.826	2.469.601	17.100.521	274.244.786

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NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**38. RISK MANAGEMENT (cont.)****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
Credit risk exposure associated with balance sheet items													
Cash at Central Banks	63.450.339	-	-	-	-	-	-	-	-	-	63.450.339	-	63.450.339
Loans and advances to financial institutions	220.435.526	-	-	-	-	-	-	-	-	-	220.435.526	-	220.435.526
Loans and advances to customers	17.126.828	74.366.099	215.986.187	881.688.310	144.431.632	775.043	10.695.482	117.790.789	83.388.161	1.892.676.440	3.438.924.971	792.285.361	2.646.639.610
Derivative financial instruments	1.279.360	-	-	-	-	-	-	-	-	-	1.279.360	-	1.279.360
Investments available for sale	22.265.133	-	-	-	-	319.310.042	-	-	-	-	341.575.175	-	341.575.175
Total value of on balance sheet items subject to credit risk (a)	324.557.186	74.366.099	215.986.187	881.688.310	144.431.632	320.085.085	10.695.482	117.790.789	83.388.161	1.892.676.440	4.065.665.371	792.285.361	3.273.380.010
Other on balance sheet items not subject to credit risk	54.391.088	-	-	-	-	-	-	-	-	-	54.391.088	-	54.391.088
Total assets	378.948.274	74.366.099	215.986.187	881.688.310	144.431.632	320.085.085	10.695.482	117.790.789	83.388.161	1.892.676.440	4.120.056.459	792.285.361	3.327.771.098
Credit risk exposure related to off-balance sheet items:													
Letters of guarantee, Letters of Credit and other guarantees	4.265.108	1.558.215	47.570	16.951.567	27.930.957	33.903	145.294	610.010	6.855.654	916.602	59.314.880	-	59.314.880
Undrawn facilities and credit limits that cannot be revoked	9.255.503	15.994.681	5.150.072	29.138.285	12.538.863	113.296	6.850.319	4.668.543	23.254.510	47.294.101	154.258.173	-	154.258.173
Total value of off balance sheet items subject to credit risk (b)	13.520.611	17.552.896	5.197.642	46.089.852	40.469.820	147.199	6.995.613	5.278.553	30.110.164	48.210.703	213.573.053	-	213.573.053
Total value of exposure subject to credit risk (a+b)	338.077.797	91.918.995	221.183.829	927.778.162	184.901.452	320.232.284	17.691.095	123.069.342	113.498.325	1.940.887.143	4.279.238.424	792.285.361	3.486.953.063

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NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**38. RISK MANAGEMENT (cont.)****Credit Risk (cont.)****FINANCIAL ASSETS SUBJECT TO CREDIT RISK – Analysis by sector**

	31.12.2013												
	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
Credit risk exposure associated with balance sheet items													
Cash at Central Banks	22.493.838	-	-	-	-	-	-	-	-	-	22.493.838	-	22.493.838
Loans and advances to financial institutions	232.180.826	-	-	-	-	-	-	-	-	-	232.180.826	-	232.180.826
Loans and advances to customers	5.154.796	69.322.788	454.109.361	1.293.657.537	138.138.951	1.115.195	7.635.011	121.230.211	91.114.128	1.984.277.467	4.165.755.445	698.693.899	3.467.061.546
Derivative financial instruments	2.469.601	-	-	-	-	-	-	-	-	-	2.469.601	-	2.469.601
Investments available for sale	1.650.571	-	-	-	-	15.449.950	-	-	-	-	17.100.521	-	17.100.521
Total value of on balance sheet items subject to credit risk (a)	263.949.632	69.322.788	454.109.361	1.293.657.537	138.138.951	16.565.145	7.635.011	121.230.211	91.114.128	1.984.277.467	4.440.000.231	698.693.899	3.741.306.332
Other on balance sheet are not subject to credit risk	62.313.891	-	-	-	-	-	-	-	-	-	62.313.891	-	62.313.891
Total assets	326.537.392	73.012.171	454.683.690	1.298.299.019	148.139.071	16.565.145	8.606.688	122.712.179	99.906.035	1.953.852.732	4.502.314.122	698.693.898	3.803.620.223
Credit risk exposure related to off-balance sheet items:													
Letters of guarantee, Letters of credit and other guarantees	501.105	743.674	210.400	23.606.857	25.390.903	-	263.039	1.799.099	11.663.352	2.252.120	66.430.549	-	66.430.549
Undrawn facilities and credit limits that cannot be revoked	1.678.968	16.854.213	5.092.860	32.513.502	6.382.937	-	6.721.139	2.450.063	44.054.228	49.557.081	165.304.991	-	165.304.991
Total value of off balance sheet items subject to credit risk (b)	2.180.073	17.597.887	5.303.260	56.120.359	31.773.840	-	6.984.178	4.249.162	55.717.580	51.809.201	231.735.540	-	231.735.540
Total value of exposure subject to credit risk (a+b)	266.129.705	86.920.675	459.412.621	1.349.777.896	169.912.791	16.565.145	14.619.189	125.479.373	146.831.708	2.036.086.668	4.671.735.771	698.693.899	3.973.041.872

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**38. FINANCIAL RISK MANAGEMENT (cont.)****Credit risk (cont.)****Market risk**

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

The management policy followed for Market risk as well as the accepted limits are set by the Asset and Liability Committee (ALCO), within which the Treasury Division operates. The Asset and Liability Committee acts within the parameters set by the relevant policies of 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.

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 the interest bearing elements and uses this analysis for measuring the effects of a change in interest rates in its revenues. The above analysis enables the Bank to measure the effects of an interest rate change to its Economic value, as well as the net interest income, enabling the Bank to monitor effectively interest rate risk.

Currency	Change in interest rate scenario (parallel shift in yield curve)	Impact on net interest income (for a period of one year) (€'000)	Impact on equity (€'000)
EURO	+50	945	5.478
	-50	(945)	(5.478)
US DOLLAR	+50	293	939
	-50	(293)	(939)
SWISS FRANC	+50	(1.408)	1.435
	-50	1.408	(1.435)
Other Currencies	+50	(109)	143
	-50	109	(143)

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NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**38. RISK MANAGEMENT (cont.)****Interest Rate risk (cont.)****SENSITIVITY ANALYSIS RELATING TO INTEREST RATE RISK AT 31 DECEMBER 2014**

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 year €000s	Non- interest bearing position €000
Cash	252	-	-	-	-	-	-	-	252
Loans and advances to financial institutions	41.903	41.186	717	-	-	-	-	-	-
Loans and advances to corporates	15.539	63	8.091	551	1.277	543	3.528	-	1.486
Loans and advances to individuals	13.458	195	2.503	2.145	931	124	-	-	7.560
Derivative financial assets	78.921	26.304	-	52.617	-	-	-	-	-
TOTAL ASSETS	150.073	67.748	11.311	55.313	2.208	667	3.528	-	9.298
Deposits from financial institutions	390	390	-	-	-	-	-	-	-
Deposits from customers	141.170	34.083	11.846	15.694	12.066	12.842	44.299	10.340	-
Derivative financial liabilities	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	141.560	34.473	11.846	15.694	12.066	12.842	44.299	10.340	-
NET POSITION IN USD	8.513	33.275	(535)	39.619	(9.858)	(12.175)	(40.771)	(10.340)	9.298

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**38. RISK MANAGEMENT (cont.)****Interest Rate risk (cont.)****SENSITIVITY ANALYSIS RELATING TO INTEREST RATE RISK AT 31 DECEMBER 2014 (cont.)**

	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
CURRENCY – EURO (€)									
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	155.206	75.462	181.837	24.737	7.373	45.401	-	488.821
Loans and advances to individuals	646.927	141.490	67.517	126.742	7.846	3.811	19.762	-	279.759
Derivative financial assets	923.609	16.633	-	331.920	410.201	164.855	-	-	-
TOTAL ASSETS	3.137.649	559.508	142.979	760.499	612.812	216.253	66.163	-	779.435
Deposits from financial institutions	643.239	94.919	434.756	70.024	40.038	3.502	-	-	-
Deposits from 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	233.572	(450.498)	352.408	223.654	(298.708)	(323.155)	(45.271)	778.570

ALPHA BANK CYPRUS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

38. RISK MANAGEMENT (cont.)

Interest Rate risk (cont.)

SENSITIVITY ANALYSIS RELATING TO INTEREST RATE RISK AT 31 DECEMBER 2014 (cont.)

	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
CURRENCY – SWISS FRANC (CHF)									
Cash	9	-	-	-	-	-	-	-	9
Loans and advances to financial institutions	1.825	1.825	-	-	-	-	-	-	-
Loans and advances to corporates	224.664	921	4.425	86.740	15.846	-	-	-	116.732
Loans and advances to individuals	671.410	25.249	167.173	70.594	15.965	1.813	-	-	390.616
Derivative financial assets	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	897.908	27.995	171.598	157.334	31.811	1.813	-	-	507.357
Deposits from 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)	11.248	171.595	(175.341)	(385.535)	(164.543)	(176)	(44)	507.357

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NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**38. RISK MANAGEMENT (cont.)****Interest Rate risk (cont.)****SENSITIVITY ANALYSIS RELATING TO INTEREST RATE RISK AT 31 DECEMBER 2014 (cont.)**

	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 pPosition €000
CURRENCY – USD (\$)									
Cash	325	-	-	-	-	-	-	-	325
Loans and advances to financial institutions	8.953	8.082	871	-	-	-	-	-	-
Loans and advances to corporates	13.300	4.086	5.821	67	1.465	-	-	-	1.861
Loans and advances to individuals	8.503	280	3.379	2.997	1.043	229	-	-	575
Derivative financial assets	160.581	14.975	98.361	47.245	-	-	-	-	-
TOTAL ASSETS	191.662	27.423	108.432	50.309	2.508	229	-	-	2.761
Deposits from financial liabilities	1.002	1.002	-	-	-	-	-	-	-
Deposits from customers	190.715	141.944	22.536	12.543	5.796	6.744	1.152	-	-
Derivative financial liabilities	9	-	-	9	-	-	-	-	-
TOTAL LIABILITIES	191.726	142.946	22.536	12.552	5.796	6.744	1.152	-	-
NET POSITION IN USD	(64)	(115.523)	85.896	37.757	(3.288)	(6.515)	(1.152)	-	2.761

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**38. RISK MANAGEMENT (cont.)****Interest Rate risk (cont.)****SENSITIVITY ANALYSIS RELATING TO INTEREST RATE RISK AT 31 DECEMBER 2013 (cont.)**

	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
CURRENCY – EURO (€)									
Cash	41.754	22.494	-	-	-	-	-	-	19.260
Loans and advances to financial institutions	217.120	217.120	-	-	-	-	-	-	-
Investment securities available for sale	17.101	-	14.513	-	28	-	1.000	-	1.560
Loans and advances to corporates	1.372.566	699.195	131.242	211.595	149.161	762	-	-	180.611
Loans and advances to individuals	640.911	389.007	106.381	44.815	8.725	1.547	-	-	90.436
Derivative financial assets	1.407.100	29.041	483.014	9	247.036	648.000	-	-	-
TOTAL ASSETS	3.696.552	1.356.857	735.150	256.419	404.950	650.309	1.000	-	291.867
Deposits from financial liabilities	1.085.474	355.636	726.635	-	-	3.203	-	-	-
Deposits from customers	1.803.641	559.538	274.532	250.644	223.392	302.793	191.839	-	903
Subordinated bonds	100.274	-	-	100.274	-	-	-	-	-
Derivative financial liabilities	184.176	15.000	119.176	50.000	-	-	-	-	-
TOTAL LIABILITIES	3.173.565	930.174	1.120.343	400.918	223.392	305.996	191.839	-	903
NET POSITION IN EURO	522.987	426.683	(385.193)	(144.499)	181.558	344.313	(190.839)	-	290.964

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**38. RISK MANAGEMENT (cont.)****Interest Rate risk (cont.)****SENSITIVITY ANALYSIS RELATING TO INTEREST RATE RISK AT 31 DECEMBER 2013 (cont.)**

	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
CURRENCY – SWISS FRANC (CHF)									
Cash	24	-	-	-	-	-	-	-	24
Loans and advances to financial institutions	519	519	-	-	-	-	-	-	-
Loans and advances to corporate	482.387	6.531	128.015	176.505	106.816	-	-	-	64.520
Loans and advances to individuals	873.775	65.063	450.574	194.238	33.979	2.789	-	-	127.132
Derivative financial instruments	19.143	-	19.143	-	-	-	-	-	-
TOTAL ASSETS	1.375.848	72.113	597.732	370.743	140.795	2.789	-	-	191.676
Deposits from customers	1.925	459	-	1.466	-	-	-	-	-
Derivative financial liabilities	1.384.816	-	488.759	-	244.379	651.678	-	-	-
TOTAL LIABILITIES	1.386.741	459	488.759	1.466	244.379	651.678	-	-	-
NET POSITION IN SWISS FRANCS	(10.893)	71.654	108.973	369.277	(103.584)	(648.889)	-	-	191.676

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

For the year ended 31 December 2014

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

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

With regard to loans in foreign currency, the Bank mitigates its exchange risk through the use of FX swaps. Therefore the effect of the devaluation of the Euro against the Swiss Franc in January 2015 is not expected to significantly impact the results of the Bank.

Liquidity risk

Liquidity risk arises from the potential difficulty in finding adequate liquid funds to cover the obligations of the Bank; that is the replacement of the existing funds as they come due or withdrawn, or to meet customer needs for further advances. The Bank monitors the maturity of its assets and liabilities and takes measures to manage liquidity risk under the current economic conditions.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**38. RISK MANAGEMENT (cont.)****Liquidity risk (cont.)**

	With no fixed maturity	On demand 0-7 days	8 days to 3 months	Between 3 months and 1 year	More than 1 year	Total
	€	€	€	€	€	€
31.12.2014						
Assets						
Cash and deposits with Central Bank of Cyprus	-	11.410.868	63.453.762	-	-	74.864.630
Loans and advances to financial institutions	-	218.666.416	1.769.110	-	-	220.435.526
Loans and advances to customers (after impairment)	173.025.874	11.087.778	148.355.757	289.146.104	2.025.024.097	2.646.639.610
Investment securities available for sale	1.650.571	320.827.859	-	-	19.096.745	341.575.175
Derivative financial assets	-	-	-	-	1.279.360	1.279.360
Other assets	3.707.055	-	-	-	-	3.707.055
	178.383.500	561.992.921	213.578.629	289.146.104	2.045.400.202	3.288.501.356
Liabilities						
Subordinated bonds	-	-	712.492	2.137.483	107.124.944	109.974.922
Deposits from financial institutions	-	26.175.956	14.289.676	31.205.523	586.326.211	657.997.365
Deposits from customers	-	106.716.722	455.481.766	939.552.389	607.868.811	2.109.619.688
Derivative financial liabilities	-	8.864.569	-	-	-	8.864.569
Other liabilities	23.531.001	-	-	-	-	23.531.001
Total liabilities	23.531.001	141.757.247	470.483.934	972.895.395	1.301.319.966	2.909.987.543
Off balance sheet items						
Letter of guarantees	-	2.647.068	11.715.429	32.156.163	6.837.389	53.356.049
Undrawn Credit facilities	-	24.362.231	137.193.158	255.032	-	161.810.421
	-	27.009.299	148.908.587	32.411.195	6.837.389	215.166.470

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

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**38. RISK MANAGEMENT (cont.)****Liquidity risk (cont.)**

	With no fixed maturity €	On demand 0-7 days €	8 days to 3 months €	Between 3 months and 1 year €	More than 1 year €	Total €
31.12.2013						
Assets						
Cash and deposits with Central Bank of Cyprus	-	20.014.125	22.493.838	-	-	42.507.963
Loans and advances to financial institutions	-	226.997.955	5.182.872	-	-	232.180.827
Loans and advances to customers (after impairment)	585.568.896	21.527.368	42.171.954	156.049.660	2.661.743.669	3.467.061.547
Investment securities available for sale	1.650.571	13.904.955	-	-	1.544.995	17.100.521
Derivative financial assets	-	-	-	-	2.469.601	2.469.601
Other assets	5.253.241	-	-	-	0	5.253.241
Assets	592.472.708	282.444.403	69.848.664	156.049.660	2.665.758.265	3.766.573.700
Liabilities						
Subordinated bonds	-	-	749.083	2.247.250	110.487.167	113.483.500
Deposits from financial institutions	-	5.076.578	42.904.977	8.687.197	1.060.634.215	1.117.302.967
Deposits from customers	-	428.447.313	786.969.990	509.201.008	319.500.224	2.044.118.535
Derivative financial liabilities	-	15.669.463	-	-	-	15.669.463
Other liabilities	24.344.098	-	-	-	-	24.344.098
Total liabilities	24.344.098	449.193.354	830.624.050	520.135.455	1.490.621.606	3.314.918.563
Off balance sheet items						
Letter of guarantees	-	9.846.831	14.595.374	30.306.369	6.891.155	61.639.729
Undrawn Credit facilities	-	27.369.738	142.471.041	255.032	-	170.095.811
	-	37.216.569	157.066.415	30.561.401	6.891.155	231.735.540

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

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

For the year ended 31 December 2014

38. FINANCIAL RISK MANAGEMENT (cont.)**Operational risk**

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

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

Under this Framework, the 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.

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.

ALPHA BANK CYPRUS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2014****38. FINANCIAL RISK MANAGEMENT (cont.)****Regulatory compliance (cont.)**

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

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

Financial assets – liabilities subject to offsetting

On 31 December 2014, 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.

39. ECONOMIC ENVIRONMENT

The Cyprus economy, despite local and foreign financial difficulties, decreased in 2014 by 2,3% compared to 5,4% of 2013. The performance for 2014 was much better than originally anticipated by Troika.

The resilience of the Cyprus economy is mainly due to the positive performance of the tourism and services sectors as well as the reduction in labour costs. Another important role was the development of confidence to the local economy and the financial sector.

Despite the encouraging performance of the economy, unemployment continues to remain at the same high levels with 2013. (16,2 in 2014, 15,9% in 2013).

In contrast to unemployment, there was a drop in average consumer prices which mainly came from the reduction in rents, the prices of local production and the cost of electricity. In an environment defined by subdued economic activity, with adjustments in wages and low energy prices, inflationary pressures are expected to remain subdued in the medium term.

Confidence in the Cypriot Economy increased due to the continuous positive reviews by Troika. This resulted in the upgrade of the sovereign rating of the Republic of Cyprus by the international credit rating agencies, thus increasing the possibilities of borrowing from international markets.

Fiscal consolidation efforts in public finances continued and the objectives of the program agrees with Troika were met comfortably. The fiscal balance during 2014 recorded a surplus of €68 mil. in contrast to a deficit of €844 mil. for 2013. The total positive effect amounted to €912 mil.

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

For the year ended 31 December 2014

39. ECONOMIC ENVIRONMENT (cont.)

The financial performance of Cyprus was one of the best for the Eurozone in 2014, and was mainly achieved due to further consolidation measures as well as a more efficient tax collection. Total government spending continued to decrease reflecting a prudent implementation of the state budget.

The challenges facing the economy and the financial sector, are mainly related with the high percentage of non-performing loans as well as the observable delay in the implementation of new foreclosures law. The implementation of the relevant law, is expected within 2015, in conjunction with the implementation of the new streamlined insolvency law.

Despite the challenges faced by the financial system, all systemic banks have been fully recapitalized and have successfully passed the stress tests imposed by the European Central Bank in 2014. The Quantitative Easing programme announced by the European Central Bank is expected to have a positive effect. The Republic of Cyprus will not participate in the programme until it successfully completes the next assessment by Troika.

The challenges expected to face the Cypriot economy during 2015, are related with the surrounding uncertainty of the European economic revival, the economic crisis in Russia and the political and economic uncertainty in Greece.

Because United Kingdom is a traditional source of tourism, positive impact is expected from the growth of UK economy and the devaluation of Euro against UK sterling

The economy, according to a report issued by the International Monetary Fund, is expected to grow by 0,4% in 2015.

40. 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.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

40. FAIR VALUE (cont.)

Fair value hierarchy of financial assets and liabilities not measured at fair value

31.12.2014					
	Level 1	Level 2	Level 3	Total fair value	Total book value
	€	€	€	€	€
Financial assets					
Loans and advances to customers	-	-	2.646.775.000	2.646.775.000	2.646.639.610
Financial liabilities					
Subordinated bonds	-	60.643.000	-	60.643.000	100.256.117
Deposits from customers	-	-	2.097.371.000	2.097.371.000	2.095.462.364
31.12.2013					
	Level 1	Level 2	Level 3	Total fair value	Total book value
	€	€	€	€	€
Financial assets					
Loans and advances to customers	-	-	3.467.112.000	3.467.112.000	3.467.061.546
Financial liabilities					
Subordinated bonds	-	50.000.000	-	50.000.000	100.274.358
Deposits from customers	-	-	2.032.364.778	2.032.364.778	2.031.940.141

The fair value of deposits and 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.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**40. FAIR VALUE (cont.)****Fair value hierarchy of financial assets and liabilities measured at fair value**

31.12.2014				
	Level 1	Level 2	Level 3	Total fair value
	€	€	€	€
Financial Assets				
Investment available for sale	-	339.924.604	1.650.571	341.575.175
Derivative financial assets	-	1.279.360	-	1.279.360
Financial liabilities				
Derivative financial liabilities	-	8.864.569	-	8.864.569
31.12.2013				
	Level 1	Level 2	Level 3	Total fair value
	€	€	€	€
Financial Assets				
Investment available for sale	-	15.449.950	1.650.571	17.100.521
Derivative financial assets	-	2.469.601	-	2.469.601
Financial liabilities				
Derivative financial liabilities	-	15.669.463	-	15.669.463

To determine the fair value of the Group investment in the company JCC Payments Systems Limited at Level 3 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).

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**40. 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.

	Investments available for sale €
2014	
Balance 1 January	1.650.571
Transfers To/From Level 3	-
Purchases/Disposals	-
Changes in fair value	<u>-</u>
Balance 31 December	<u>1.650.571</u>
	Investments available for sale €
2013	
Balance 1 January	1.650.571
Transfers To/From Level 3	-
Purchases/Disposals	-
Changes in fair value	<u>-</u>
Balance 31 December	<u>1.650.571</u>

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

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

For the year ended 31 December 2014

41. CAPITAL ADEQUACY

The capital adequacy of the Bank is supervised by the parent company Alpha Bank S.A., which is considered to be significant credit institution for 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.

During 2013, the Central Bank of Cyprus required, for Pillar I, a minimum 8% Core Tier I ratio plus a margin which was calculated based on the percentage of the assets of the Bank compared to the gross domestic product of the Republic of Cyprus.

In addition, the Central Bank of Cyprus required a minimum Tier I ratio equal to Core Tier I plus a margin of 1,5% and a minimum total capital adequacy ratio equal to Tier I plus a margin of 2%.

On 31 December 2013, the Central Bank of Cyprus increased the Core Tier I ratio to 9%, with a temporary suspension (with no minimum) of the capital requirements for Tier I and total capital adequacy ratio.

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 harmonizing 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.

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), considering the provisions of CRD IV and CRR.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**41. CAPITAL ADEQUACY (cont.)**

The capital adequacy ratios according to CRR and the transitional provisions as adopted by the Central Bank of Cyprus on 31 December 2014 are analysed below:

	31.12.2014	31.12.2013
	€000	€000
<i>Regulatory Capital</i>	Basel III	Basel II
Transitional Common equity tier I/ Core tier I capital	378.352	463.439
Transitional additional tier I / Additional tier I	63.298	64.000
Transitional tier I capital / Total tier I capital	441.650	527.439
Tier II capital	67.778	90.000
Transitional total capital /Total capital	509.428	617.439
Total risk weighted assets	2.507.784	2.920.063
Transitional Common equity tier I ratio / Core tier I ratio	15,1%	15,9%
Transitional tier I ratio / Tier I ratio	17,6%	18,1%
Transitional Total capital adequacy ratio/ Total capital adequacy ratio	20,3%	21,1%

42. 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 2014.

During the period covering from 31 December 2014 and 30 days before the notification for convening the Annual General Meeting, there were no fluctuations in the above ratios.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**43. RELATED PARTY TRANSACTIONS**

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

(a) Transactions with Directors of the Board

	31.12.2014 €	31.12.2013 €
Loans and advances to Board of Directors Members and Related Parties	584.616	471.453
Deposits by Board of Directors Members and Related Parties	655.086	1.003.244
<i>Non executive Directors</i>		
Members of the Board fees	55.000	55.000
<i>Executive Directors</i>		
Salaries and benefits	538.252	554.262
Social insurance contributions by employer etc.	29.346	16.065
Retirement benefits	16.824	23.893
Total remuneration for executive directors	584.422	594.220

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.

	31.12.2014 €	31.12.2013 €
Loans and advances to Key Management Personnel and Related Parties	154.348	653.122
Deposits by Key Management Personnel and Related Parties	941.545	1.694.661
<i>Key Management Personnel</i>		
Salaries and benefits	471.807	647.300
Social insurance contributions by employer etc.	60.827	61.360
Retirement benefits	40.983	85.677
Total remuneration for Key Management Personnel	573.617	794.337

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**43. RELATED PARTY TRANSACTIONS (cont.)****(c) Transactions with parent company**

During the year, the parent company Alpha Bank S.A. has granted guarantees totaling €25.212.016 (2013: €179.361.029) in relation to loans and advances granted to specific clients.

	31.12.2014	31.12.2013
	€	€
Assets		
Loans and advances to financial institutions	173.751.021	227.975.038
Derivative financial instruments	<u>1.279.360</u>	<u>2.469.550</u>
	<u>175.030.381</u>	<u>230.444.588</u>
Liabilities		
Deposits from financial institutions	621.025.328	1.066.460.919
Derivative financial instruments	8.864.569	15.669.463
Bonds	21.860.057	21.646.200
Convertible capital securities	64.000.000	64.000.000
Other liabilities	<u>-</u>	<u>59.388</u>
	<u>715.749.954</u>	<u>1.167.835.970</u>
	From 1 January to	
	31.12.2014	31.12.2013
	€	€
Income		
Interest income	5.868.358	4.520.012
Gain on revaluation of derivative financial instruments to their fair value	<u>359.604</u>	<u>-</u>
	<u>6.227.962</u>	<u>4.520.012</u>
Expenses		
Interest expense	4.897.717	4.068.911
Loss on revaluation of derivative financial instruments to their fair value	-	331.325
Staff costs	<u>230.814</u>	<u>-</u>
	<u>5.128.531</u>	<u>4.400.236</u>

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**43. RELATED PARTY TRANSACTIONS (cont.)****(d) Transactions with Alpha Bank Group companies**

	31.12.2014	31.12.2013
	€	€
Assets		
Loans and advances to financial institutions	15.876	26.616
Other assets	<u>2.601</u>	<u>100</u>
	<u>18.477</u>	<u>26.716</u>
Liabilities		
Deposits by financial institutions	139.598	-
Deposits by customers	22.235.405	19.917.510
Bonds	4.912.553	4.700.000
Other liabilities	-	13.334
Other payable accounts	<u>7.389.349</u>	<u>16.261.670</u>
	<u>34.676.905</u>	<u>41.092.514</u>
	From 1 January to	
	31.12.2014	31.12.2013
	€	€
Income		
Income from commission and fees	<u>745.058</u>	<u>759.145</u>
	<u>745.058</u>	<u>759.145</u>
Expenses		
Interest expense	852.551	910.645
Expense from commission and fees	23.883	-
Loss on sale of investment in subsidiary	-	85.400
Other expenses	<u>837.310</u>	<u>660.151</u>
	<u>1.713.744</u>	<u>1.656.196</u>

No profit or loss arose from the sale 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 2014.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

44. GOING CONCERN

The Bank applied the going concern basis for the purposes of preparing the financial statements for 31 December 2014. The main uncertainties in applying the going concern basis are the financial difficulties in Cyprus and Greece which resulted in difficulties in the repayment of loans and advances by customers and some loss of deposits.

The capital adequacy and liquidity of the Bank are also affected by the parent company Alpha Bank S.A. and the economic environment in Greece where it resides. The assets and liabilities held by the Bank with its parent company on 31 December 2014 are presented in note 43 of the financial statements. The activities of the parent have been adversely affected by the crisis in Greek Public debt and mainly by the participation in the restructuring program, (PSI) by exchanging all of the selected bonds issued by the Greek State and loans guaranteed by the Hellenic Republic with new bonds with unfavourable terms. The recession of the Greek economy, the political developments and the uncertain economic environment increased the number of non-performing loans and the loss of deposits, especially at the end of 2014 and early 2015. The parent company as well as other systemic banks in Greece have received significant amounts of liquidity from the Stability Fund of the European Central Bank as a result of the severe lack of liquidity in the Greek banking system.

In 2015 the European Central Bank (ECB) abolished the exemption for securities which are issued or guaranteed by the Greek Government and as a result they can be used in the open market operations policy of the Eurosystem irrespective of the fact that they do not satisfy the minimum credit rating requirements. This decision does not have an impact as far as it concerns to Greek banks, which satisfy their liquidity needs via the emergency liquidity fund of the Bank of Greece, in monetary policy operations. The maximum short-term funding limit is defined by the Board of Directors of the ECB, which is periodically reviewed.

The Board of Directors is not in a position to predict all the developments which could adversely impact the Bank and consequently what impact they could have on its financial performance, cash flows, financial position and capital.

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 checks 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
- reinforcement of the capital base of the Bank during 2013 by €129 mil. via issuance of ordinary shares for €65 mil. and convertible capital securities for €64 mil. thereby covering its capital requirements
- the satisfactory level of capital adequacy ratios of the Bank
- the ability of the Bank to access funding via the Central Bank of Cyprus.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

44. GOING CONCERN (cont.)

- the drafting of a business plan, if the need arises, for further capital and liquidity needs.
- reduction of exposure to Greek Government bonds by €248 mil. by their sale in 2015.

The Board of Directors believes that if it is in need of liquidity or capital, these needs will be manageable and can be covered. As a result of the above, the financial statements have been prepared based on the going concern principle.

45. 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.

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

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. Until 1/2/2013, Emporiki Bank Cyprus Limited operated with a network of 12 branches and provided a complete range of banking services to individuals and small, medium and large businesses. On the date of acquisition by the Bank, Emporiki Bank Cyprus Limited had 4 branches.

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

- the strengthening of Alpha Banks'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.

The valuation at fair value of the net assets of Emporiki Bank Cyprus Limited has not been completed due to the narrow time frame between the completion of the acquisition and the publication of these financial statements.

ALPHA BANK CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**45. ACQUISITION OF EMPORIKI BANK (cont.)**

For this reason, the present Financial Statements do not disclose information relating to the fair and contractual values of receivables acquired and the estimated cash flow not expected to be collected, as well as information relating to contingent liabilities and on the value of intangible assets which will be recognised on completion of the accounting merger.

The table below displays the temporary fair values of net assets of Emporiki Bank Cyprus Limited on the date that control was completed (1.3.2015).

	Temporary fair value 1.3.2015 €'000
Assets	
Cash and deposits with Central Bank	33.634
Loans and advances to financial institutions	8.403
Loans and advances to customers	362.171
Derivative financial instruments	27
Property, plant and & equipment	372
Intangible assets	31
Other assets	<u>380</u>
Total assets	<u>405.018</u>
Liabilities	
Bonds	16.356
Deposits from financial institutions	222.249
Deposits from customers	122.781
Derivative financial instruments	1.477
Other liabilities	<u>1.219</u>
Total assets	<u>364.082</u>
Net assets	40.936
Consideration	<u>39.860</u>
Negative Goodwill	1.076

ALPHA BANK CYPRUS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2014****45. ACQUISITION OF EMPORIKI BANK (cont.)**

The amount for the acquisition was covered on 30 March 2015 by the issue of 14.974.178 new ordinary shares of nominal value Euro 0,85 at a price of Euros 2,662, which were granted in exchange to former shareholders of Emporiki Bank Cyprus Limited. Therefore the value of the consideration amounted to €39.860 thousand. The amount of €1.076 thousand represent the negative goodwill arising based on the provisional fair values.

46. EVENTS AFTER THE REPORTING PERIOD**Acquisition and Merger of Emporiki Bank Cyprus Limited**

On 1 March 2015 the Bank completed the acquisition of 100% of the share capital, which represents the issued share capital of Emporiki Bank Cyprus Limited and as such became the sole shareholder.

The acquisition was financed by an increase of the share capital of the Bank with the issue of 14.974.178 new ordinary shares of nominal value Euros 0,85, which will be allocated as exchange to the former shareholders of Emporiki Bank Cyprus Limited, as part of the transaction to merge the two banks.

Simultaneously it has been decided by the Group to implement the legal and operational merger of the two companies (Alpha Bank Cyprus Limited and Emporiki Bank Cyprus Limited). The merger was approved by the Central Bank of Cyprus acting in its capacity as a supervising authority on 29 December 2014 and simultaneously was approved by the Cyprus Courts on 13 March 2015.

On 27 March 2015 the operational and the legal merger between the two companies was completed with an official notification by the Registrar of Companies and Official Receiver.

Transfer of loans to a company belonging to Alpha Bank Group

On 17 March 2015 loans of carrying €159 mil. were transferred to a company belonging to Alpha Bank Group. The transfer includes the transfer of all the risks and rewards of ownership and as such they will be derecognised from the bank's financial statements

The financial statements were approved for issue by the Board of Directors of the Bank on 20 April 2015.

**Additional Risk Disclosures 2014
(Unaudited)**

ALPHA BANK CYPRUS LIMITED**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. The relevant tables are presented below.

Tables A and B for 31.12.2014 and 31.12.2013 have been prepared using different definitions to those used for the preparation of Note 38 Risk Management and therefore these figures are not comparable.

The disclosures for 2013 have been prepared based on information and tables supplied by the Central Bank of Cyprus, in February 2014. The Central Bank of Cyprus in February 2015 has modified the reporting tables. The tables for 2014 show non performing loans (NPLs) according to the definitions given by the European Banking Authority (EBA). As a result, the tables for 2014 and 2013 are not comparable

According to the EBA technical standards on Forbearance and Non Performing exposures the following definitions were used for 2014 tables:

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

ALPHA BANK CYPRUS LIMITED

Additional risks disclosures (cont.)
(Unaudited)
LOAN PORTFOLIO ANALYSIS – 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		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 non performing			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

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

ALPHA BANK CYPRUS LIMITED

Additional Risk Disclosures (cont.)
(Unaudited)ANALYSIS OF LOAN PORTFOLIO BY INDUSTRY – TABLE A
31 December 2013

	<u>Total Credit Facilities</u>	<u>Performing credit facilities</u>			<u>Non performing credit facilities</u>
	€'000	Not restructured facilities €'000	Restructured facilities €'000	Total €'000	€'000
1. Credit facilities to corporate legal entities	1.982.065	155.081	1.064.789	1.219.870	762.195
Construction	1.199.667	17.110	638.554	655.664	544.003
Real estate	435.399	28.949	334.049	362.998	72.401
Tourism	110.924	36.151	50.038	86.189	24.735
Wholesale and retail trade	102.867	8.880	29.887	38.767	64.100
Manufacturing	56.263	25.548	1.018	26.566	29.697
Other	76.945	38.443	11.243	49.686	27.259
2. Credit facilities to retail legal entities	258.824	68.007	37.779	105.786	153.038
Construction	109.076	17.582	19.071	36.653	72.423
Real estate	46.258	16.986	4.106	21.092	25.166
Tourism	22.664	6.142	6.301	12.443	10.221
Wholesale and retail trade	17.673	5.320	1.022	6.342	11.331
Manufacturing	11.860	3.317	1.352	4.669	7.191
Other	51.293	18.660	5.927	24.587	26.706
3. Credit facilities to private individuals	1.924.866	496.858	523.035	1.019.893	904.973
Credit facilities for the purchase/ construction of immovable property	1.682.149	424.365	492.339	916.704	765.445
(a) owner occupied	495.808	154.009	142.364	296.373	199.435
(b) for other purposes	1.186.341	270.356	349.975	620.331	566.010
Consumer loans	172.208	36.557	24.499	61.056	111.152
Credit cards	13.413	8.584	1	8.585	4.828
Current accounts	41.162	23.398	4.976	28.374	12.788
Credit facilities to sole traders	15.934	3.954	1.220	5.174	10.760
4. Total credit facilities (1+2+3)	4.165.755	719.946	1.625.603	2.345.549	1.820.206
Provisions	698.694	6.736	57.500	64.236	634.458

Alpha Bank Group applies different definitions to those of Central Bank of Cyprus, especially in respect to restructured facilities. According to the Group policies, any changes to the initial terms of a facility are distinguished on the basis of financial difficulties of the debtor to meet its contractual obligations. An amendment to the terms is not considered to meet financial difficulties of a debtor when:

- There was a renegotiation of the terms of the agreement within the context of good banking practice and under market conditions
- There is not an indication that the debtor will not meet its contractual obligations
- The facilities of the debtor, were performing when the terms were amended

The amendments of the initial terms on the basis of above, are not considered for the Group, restructurings. The analysis of the portfolio on 31.12.2013, according to the Group definitions is shown below.

	<u>Total credit facilities</u>	<u>Performing credit facilities</u>				<u>Non performing credit facilities</u>
	€'000	Not restructured credit facilities €'000	Rescheduling €'000	Restructured facilities €'000	Total €'000	€'000
Total Credit facilities	4.165.755	719.946	1.150.390	475.213	2.345.549	1.820.206
Provisions	698.694	6.736	22.938	34.562	64.236	634.458

ALPHA BANK CYPRUS LIMITED**Additional Risk Disclosures (cont.)
(Unaudited)**

The above table presents the Non-Performing Loans (NPLs) as defined in the Directive issued by the CBC 'Definition of Non-performing and Restructured Credit Facilities' ('Directive'), which became effective as of 1st July 2013.

Definition of non-performing credit facility

A non-performing credit facility is defined as:

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

Definition of restructured credit facility

A restructured credit facility is defined as:

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

LOAN PORTFOLIO ANALYSIS PER LOAN ORIGINATION DATE – TABLE B[illegible]

ALPHA BANK CYPRUS LIMITED

Additional Risk Disclosures (cont.)
(Unaudited)

LOAN PORTFOLIO ANALYSIS PER LOAN ORIGINATION DATE – TABLE B

31 December 2013

Loan Origination date	<u>Total Loans Portfolio</u>			<u>Credit facilities to legal entities</u>			<u>Credit facilities to private individuals for the purchase/construction of immovable property¹</u>			<u>Credit facilities to private individuals/Other²</u>		
	Total credit facilities	Non performing credit facilities	Provisions	Total credit facilities	Non performing credit facilities	Provisions	Total credit facilities	Non performing credit facilities	Provisions	Total credit facilities	Non performing credit facilities	Provisions
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Within 1 year	51.456	16.557	4.280	26.574	11.522	1.226	10.874	2.079	909	14.009	2.957	2.145
1 - 2 years	134.051	39.338	12.970	92.681	26.715	7.202	15.138	2.092	718	26.232	10.531	5.049
2 - 3 years	85.239	32.052	8.768	52.207	19.026	3.957	17.995	3.876	1.071	15.038	9.150	3.740
3 - 5 years	543.687	312.005	109.170	273.011	190.112	58.032	233.851	99.196	41.869	36.825	22.697	9.269
5 - 7 years	2.532.142	1.063.885	433.855	1.328.187	479.246	178.552	1.127.845	532.945	233.031	76.110	51.694	22.273
7 - 10 years	547.455	256.125	87.466	247.119	117.012	34.475	257.937	114.691	43.604	42.399	24.422	9.387
Over 10 years	271.724	100.244	42.184	221.110	71.600	32.243	18.509	10.568	2.561	32.104	18.077	7.380

Note 1: Credit facilities to private individuals for the purchase/construction of immovable property include facilities for housing and other purposes.

Note 2: Credit facilities to private individuals/other include all other facilities to individuals

ALPHA BANK CYPRUS LIMITED

**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.

The bank did not have any encumbered assets during 2014 that were pledged as collateral.

CARRYING AND FAIR VALUE OF ENCUMBERED AND UNENCUMBERED ASSETS**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	-		-	
	-		-	
Total	<u>-</u>		<u>3,327.771</u>	

31 December 2013

	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	-	-	15.450	15.450
Other assets	-		-	
	-		<u>3,786.519</u>	
Total	<u>-</u>		<u>3,803.620</u>	

ALPHA BANK CYPRUS LIMITED

Additional Risk Disclosures (cont.)
(Unaudited)

CARRYING AND FAIR VALUE OF ENCUMBERED AND UNENCUMBERED COLLATERALS

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	<u>-</u>	<u>75.243</u>

31 December 2013

	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	<u>-</u>	<u>-</u>

ALPHA BANK CYPRUS LIMITED

Additional Risk Disclosures (cont.)
(Unaudited)

ENCUMBERED ASSETS AND COLLATERALS RECEIVED BY THE BANK AND ASSOCIATED LIABILITIES

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	-	-

31 December 2013

	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	-	-