ALPHA BANK CYPRUS LIMITED

Pillar III Disclosures of the year 2023

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List of Abbreviations

Abbreviation	Definition
ALCo	Assets and Liabilities Committee
AT1	Additional Tier 1
BRC	Board Risk Committee
BRRD	Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council
BRRD II	Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC
CBC	Central Bank of Cyprus
CBEA	Cyprus Bankers Employers' Association
CBR	Combined Buffer Requirement
CCB	Capital Conservation Buffer
CCF	Credit Conversion Factor
CCyB	Countercyclical Capital Buffer
CET1	Common Equity Tier 1
CFO	Chief Finance Officer
CFP	Contingency Funding Plan
CLA	Collective Labour Agreements
CRC	Credit Risk Committee
CRD	Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC
CRD V	Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures
CRM	Credit Risk Mitigation
CRO	Chief Risk Officer
CRR	Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012

Abbreviation	Definition
CRR II	Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012.
CUBE	Cyprus Union of Bank Employees
Dpd	Days Past Due
DSCR	Debt Service Coverage Ratio
E&S	Environmental and Social
EAD	Exposure at Default
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ECL	Expected Credit Loss
EIF	European Investment Fund
EU	European Union
ExCo	Executive Committee
FNPE	Forborne Non-Performing Exposure
FPE	Forborne Performing Exposure
FSD	Financial Services Division
FX	Foreign Exchange
GDP	Gross Domestic Product
GMRA	Global Master Repurchase Agreement
HQLA	High-Quality Liquid Assets
HRD	Human Resources Division
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
ICT	Information and Communication Technology
IFRS 9	International Financial Reporting Standard 9: Financial Instruments
ILAAP	Internal Liquidity Adequacy Assessment Process
IPRE	Income-Producing Real Estate
IRRBB	Interest Rate Risk in the Banking Book
ISDA	International Swap and Derivatives Association
IT	Information Technology

Abbreviation	Definition
ITS	Implementing Technical Standards
KRIs	Key Risk Indicators
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LRE	Leverage Ratio Exposure
LTV	Loan-to-Value
MLD	Market and Liquidity Department
MORD	Market and Operational Risk Division
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
MRTs	Material Risk Takers
NCA	National Competent Authority
NPV	Net Present Value
NSFR	Net Stable Funding Ratio
OCR	Overall Capital Requirement
ORC	Operational Risk Committee
O-SII	Other Systemically Important Institution
OTC	Over the Counter
P2R	Pillar II requirement
PD	Probability of Default
POCI	Purchased or Originated Credit Impaired
RAF	Risk Appetite Framework
RAS	Risk Appetite Statement
RMF	Risk Management Framework
RMU	Risk Management Unit
RTS	Regulatory Technical Standards
RWAs	Risk-Weighted Assets
SA	Standardised Approach
SICR	Significant Increase in Credit Risk
SME	Small and Medium-sized Enterprises
SPE	Single Point of Entry
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process

Abbreviation	Definition
SRMR	Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010
SRMR II	Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 806/2014 as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms
SSM	Single Supervisory Mechanism
T2	Tier 2
TAC	Troubled Assets Committee
TCAR	Total Capital Adequacy ratio
TLAC	Total Loss-Absorbing Capacity
TREA	Total Risk Exposure Amount
UTP	Unlikeliness to Pay
VSS	Voluntary Separation Scheme
YoY	Year-on-Year

1 Introduction

1.1 General Information

Alpha Bank Cyprus Ltd (the "Bank") is a credit institution based in Cyprus, offering a wide range of banking and financial services to Retail, Small and Medium-sized Enterprises ("SME"), Corporate and International customers since 1960. It is 100% indirectly owned by Alpha Bank S.A. and a member of Alpha Services and Holdings S.A. ("the Group"). The Bank is supervised by the Central Bank of Cyprus ("CBC") and the European Central Bank ("ECB").

1.2 Structure of the Pillar III Disclosures

The Pillar III Disclosures Report for year 2023 ("the Report") is structured in 13 chapters.

Chapter 1 outlines the significant developments that took place during 2023.

Chapter 2 provides an overview of the supervisory and regulatory framework to which the Bank is subject to and presents a summary of the Bank's key metrics.

Chapter 3 and 4 provide full information on capital and leverage, including quantitative information on the Bank's capital base and capital requirements.

Chapters 5 - 12 describe the Bank's Risk Management Framework, and provide detailed information on credit risk, concentration risk, environmental and social risk, counterparty credit risk, operational risk, liquidity risk and asset encumbrance.

Finally, chapter 13 presents the basic principles governing the Bank's Remuneration Policy and provides quantitative information on the remuneration granted by the Bank.

1.3 Significant developments

1.3.1 Project Sky

On 16.6.2023, Alpha Bank AE Group transferred a portfolio of Cypriot Non-Performing Loans and Real Estate, with a total book value before impairments of €2.3 billion (Project Sky) to a company affiliated with Cerberus Capital Management through the sale of all the shares of SkyCAC, a subsidiary of Alpha Services and Holdings SA. Due to the above transaction in September 2023, via "TUPE transfer" a number of employees of Alpha Bank Cyprus Ltd were transferred to Altamira for the management of the said portfolio.

1.3.2 Minimum Requirement for Own Funds and Eligible Liabilities

In line with the decision of the Single Resolution Board ("SRB") and as per its communication with the CBC on 8 April 2021, the Bank is required to maintain a minimum requirement for own funds and eligible liabilities ("MREL"). The requirement is determined based on Directive 2014/59/EU[1] (Bank Recovery and Resolution Directive or "BRRD") as amended by Directive (EU) 2019/879[2] ("BRRD II"), which was transposed into Cyprus legislation in May 2021 via the Resolution of Credit Institutions and Investment Firms Laws of 2016 and 2021.

On March 5, 2024, the Group received communication from the Central Bank of Cyprus regarding the final decision on the minimum requirement for own funds and eligible liabilities (MREL). The requirements are set out on the basis of the above regulations. At the same time, with the same

[1] Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council.

[2] Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC

decision, the Resolution Authority defined the Single Point of Entry (SPE) resolution strategy. Alpha Bank Cyprus belongs to the resolution group of Alpha Bank A.E. According to the decision, from January 1, 2024, Alpha Bank Cyprus will have to meet minimum MREL requirements of 21.44% as a percentage of Risk Weighted Assets (RWAs) and 5.91% of the Leverage Ratio Exposure - LRE). The MREL expressed as a percentage of risk-weighted assets does not include the Combined Buffer Requirement (CBR), which amounts to 3.35% from the application of the countercyclical buffer (November 30, 2023).

MREL ratio on 31.12.2023 amounts to 28.8%, which includes 2023 profits approved by the European Central Bank amounting to Euro 64 million. At the same time, a bond amounting to Euro 45 million ceased to be eligible for MREL purposes. The relevant bond was repaid in full at the beginning of 2024 after approval by the European Resolution Authority.

MREL requirements are in line with the Group's expectations. The long-term funding plan includes the continuous monitoring of the ratio so that adequate buffer is kept on top of the supervisory requirements.

1.3.3 Sale of Non performing exposures to a related entity

On March 8, 2024, the Group transferred the entire portfolio of non-performing loans with reference date 31.12.2023 to a company of Alpha Bank AE Group at their fair value in cash amounting to Euro 47,7 million. For these loans, all the risks and rewards have been transferred and were derecognized from the Balance Sheet.

1.3.4 Review of the financial position and performance of the Bank during the year 2023

Key financial data *(amounts in EUR million)*	*Change*	**From 1 January to** **31.12.2023**	**31.12.2022**
Net interest income	126,1%	100,4	44,4
Total income	84,3%	129,4	70,2
Total expenses	-15,0%	(51,0)	(60,0)[3]
Profit / (Loss) before impairment	649,5%	78,7	10,5
Impairment losses and provisions to cover credit risk	538,1%	(13,4)	(2,1)
Profit / (Loss) after income tax	884,6%	64,0	6,5
Accumulated impairments to cover credit risk	81,5%	(29,4)	(16,2)
Loans and advances to customers	-2,8%	992,4	1.021,0
Due to customers	12,4%	2.740,2	2.436,9
Net loans to deposits ratio	-560 bps	36,3%	41,9%
Non-performing exposures	37,9%	(70,6)	(51,2)
NPE ratio	20 bps	6,9%	4,9%
NPE coverage ratio	69,5 bps	30,0%	17,7%
Transitional Common Equity Tier 1 Ratio	390 bps	19,0%	15,1%

[3] Includes VSS cost of €9,6m

Key financial data *(amounts in EUR million)*	*Change*	**From 1 January to** **31.12.2023**	**31.12.2022**
Transitional Total Capital Adequacy Ratio	380 bps	24,7%	20,9%
Liquidity Coverage Ratio		200,8%	191,7%
Net Stable Funding Ratio		240,8%	209,9%

Table 1: Key financial data as at 31.12.2023

- The **cost-to-income ratio**, excluding the one-off implementation cost of the Voluntary Separation Scheme ("VSS") in 2023, amounted to 39,5% in 2023 compared to 71,6% in 2022.
- **Impairment losses and provisions** to cover credit risk increased by 538,1% in 2023 reaching €13, million compared to €2,1 million in 2022.
- **Accumulated impairments** to cover credit risk for on-balance sheet exposures amounted to €29,4 million compared to €16,2 million in 2022.
- **Net loans and advances to customers** amounted to €992,4 million as at 31.12.2023 compared to €1.021,0 million as at 31.12.2022. The decrease is mainly attributed to the repayment of loans**.**
- **Amounts due to customers** as at 31.12.2023 increased by 12,4% compared to those in 2022, from €2.436,9 million to €2.740,2 million. Consequently, the **net loans-to-deposits ratio** decreased from 41,9% in 2022 to 36,3% in 2023.
- **Non-performing exposures**, increased from 51,2 million in 2022 to 70,6 million in 2023. They represent 4,9% of gross loans in 2022 and 6,9% of gross loans of 2023 respectively.
- The **coverage ratio of non-performing exposures**, as per the definition of the EBA, reached 41,6% in 2023 compared to 31,6% in 2022. The calculation is Provisions plus fair value adjustment of loans / Non Performing exposures according to EBA definition.
- As at 31.12.2023, the Bank's transitional Common Equity Tier 1 ("CET1") ratio amounted to 19,0% (2022: 15,1%) and the transitional Total Capital Adequacy ratio ("TCAR") amounted to 24,7% (2022: 20,9%). The increase in the CET1 ratio and the TCAR is mainly driven by the operational profitability and the decrease of Risk Weighted Assets.

2 Pillar III Disclosures Overview

The Report is prepared in accordance with the disclosure requirements laid down in Part Eight of "*Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012*" ("CRR") and "*Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC*" ("CRD"), as adopted by the Cyprus legislation.

On 07.05.2020 the Bank was assessed by the Central Bank of Cyprus as Other Systemically Important Institution ("O-SII"). In view of its classification as an O-SII and in line with point 146 of Article 4 of the CRR[4], the Bank is considered a large institution and consequently, a large subsidiary as per point 147 of Article 4 of the CRR[5]. Further to the above, and as per the second sub-

[4] As per point 146 of Article 4 of the CRR, " 'large institution' means an institution that meets any of the following conditions: (a) it is a G-SII; (b) it has been identified as an other systemically important institution (O-SII) in accordance with Article 131(1) and (3) of Directive 2013/36/EU; (c) it is, in the Member State in which it is established, one of the three largest institutions in terms of total value of assets; (d) the total value of its assets on an individual basis or, where applicable, on the basis of its consolidated situation in accordance with this Regulation and Directive 2013/36/EU is equal to or greater than EUR 30 billion".

[5] As per point 147 of Article 4 of the CRR, " 'large subsidiary' means a subsidiary that qualifies as a large institution".

paragraph of Article 13(1) of the CRR relating to the disclosure requirements for large subsidiaries of EU parent institutions, the Bank is required to disclose the information specified in Articles 437, 438, 440, 442, 450, 451, 451a and 453 on an individual basis, or where applicable in accordance with the CRR and Directive 2013/36/EU, on a sub-consolidated basis. The Bank is therefore subject to limited disclosure requirements of Part Eight of the CRR.

The Report was approved by the Risk Committee of the Board of Directors.

2.1 Supervision and Regulatory Framework

2.1.1 Single Supervisory Mechanism

Since November 2014, the Bank is supervised through its parent company, Alpha Bank S.A. (ultimate beneficial owner), which is considered an O-SII and is under the direct supervision of the ECB in accordance with the Single Supervisory Mechanism ("SSM") framework. The Bank's supervision is also conducted with the support of the National Competent Authority ("NCA") which is the CBC. The latter, within the context of its supervisory role, has adopted the European Guidelines for banking supervision.

The applicable banking regulatory framework in the European Union ("EU"), implementing the Basel III framework, covers areas such as capital adequacy, recovery and resolution, internal governance, internal control system and supervisory reporting. It is effective from 1 January 2014 and is implemented by the CRR and CRD IV both of which have been amended by Regulation (EU) 2019/876[6] ("CRR II") and Directive (EU) 2019/878[7] ("CRD V"), respectively. CRD V has been transposed by the CBC into Cyprus legislation.

Within the context of harmonization with CRD IV, the CBC proceeded with the incorporation of the CRD IV provisions into the Business of Credit Institutions Law and with the introduction of the Macroprudential Oversight of Institutions Law of 2015, which was amended in February 2017 with retrospective effect from 1st January 2016, setting the minimum regulatory capital ratios (CET1, Tier 1 and capital adequacy) that the Bank should maintain. It is noted that the said Law has also been amended in response to CRD V.

Furthermore, based on the Macroprudential Oversight of Institutions Law of 2015, the CBC as the competent authority responsible for the macroprudential oversight of the financial system, determines on a quarterly basis the levels of countercyclical capital buffer ("CCyB").

2.1.2 Recovery and Resolution

The European Bank Recovery and Resolution Directive[8], establishes a framework for the recovery and resolution of credit institutions and investment firms. It introduced a set of common rules to deal with banking crises across the EU and the orderly recovery and resolution of financial institutions, with the aim of avoiding significant adverse effects on financial stability and to ensure that shareholders and creditors (including unsecured depositors) will share the burden in case of a potential recapitalization and / or liquidation. The BRRD was transposed into Cyprus legislation by

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[6] Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012.

[7] Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.

[8] Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council

the Resolution of Credit and Other Institutions Law of 2013, enacted in March 2013 and amended thereafter, until it was replaced by the Resolution of Credit Institutions and Investments Firms Law of 2016, enacted in March 2016.

Amongst others, the BRRD requires Member States to ensure that institutions prepare and regularly update a Recovery Plan setting out the following:

- The measures that may be taken to restore the financial position following a significant deterioration thereof;
- A framework of recovery indicators determining the areas in which such measures could be implemented; and
- A set of hypothetical scenarios of instability affecting either the institution alone or the entire financial system which are used to assess the feasibility of the recovery measures being considered.

The Bank develops its Recovery Plan on an annual basis, taking into consideration applicable EU Regulations and Directives, national laws, relevant Regulatory Technical Standards ("RTS") and Guidelines published by the EBA as well as reports published by the ECB on lessons learnt and best practices.

The BRRD also established the framework to create a Single Resolution Mechanism ("SRM"), the second pillar of the European Banking Union, which was subsequently developed through Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 ("SRMR"). Under the SRM, the SRB in cooperation with the NRAs are responsible for the design of the specific resolution strategy and resolution plan for each credit institution which, amongst others, includes the resolution actions that could be executed following adequate preparation.

Following a legislative reform in November 2016 ("banking reform package"), the regulatory framework applicable to recovery and resolution topics has been amended, introducing the following updates:

- CRR II amending CRR in relation to the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements.
- Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 806/2014 as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms ("SRMR II"), applicable from 28 December 2020.
- Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC ("BRRD II"). The Directive has been transposed into Cyprus legislation in June 2021.
- On 12 May 2021, the Implementing Technical Standards ("ITS") on disclosure and reporting of MREL and Total Loss-Absorbing Capacity ("TLAC") were published in the Official Journal of the European Union implementing the changes introduced by the BRRD II. The reporting requirements became applicable from 30 June 2021, while the application date for disclosure requirements varies between those for the TLAC and those for MREL.

- In November 2021, the EBA published updated Guidelines on recovery plan indicators, initially issued in 2015. The Guidelines establish a common EU approach for developing the framework of recovery plan indicators, providing additional guidance on indicators' calibration, monitoring and breaches notifications. The Guidelines also emphasize the importance of constant monitoring of recovery indicators and timely notification of their breaches to supervisors. Lastly, the minimum list of indicators includes three new additional recovery indicators (MREL / TLAC, asset encumbrance and liquidity position) to the minimum list of recovery indicators while the cost of wholesale funding indicator has been removed.
- In January 2022, the EBA published its final Guidelines for institutions and resolution authorities on improving banks' resolvability. These Guidelines represent a significant step in complementing the EU legal framework in the field of resolution based on international standards and leveraging on EU best practices

2.2 Key Metrics

The following table provides key regulatory metrics and ratios as well as related input components as defined by the amended versions of CRR and CRD. They comprise own funds, risk-weighted assets ("RWAs"), capital ratios, additional requirements based on the SREP, capital buffer requirements, leverage ratio, liquidity coverage ratio and net stable funding ratio.

Template EU KM1 - Key metrics template (amounts in EUR million)			
	31.12.2023	30.06.2023	31.12.2022
Available own funds (amounts)			
Common Equity Tier 1 (CET1) capital	212	185	166
Tier 1 capital	276	249	230
Total capital	276	249	230
Risk-weighted exposure amounts			
Total risk exposure amount	1.118	1.083	1.099
Capital ratios (as a percentage of risk-weighted exposure amount)			
Common Equity Tier 1 ratio (%)	19,00%	17,12%	15,10%
Tier 1 ratio (%)	24,72%	23,03%	20,93%
Total capital ratio (%)	24,72%	23,03%	20,93%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3,00%	3,00%	3,00%
of which: to be made up of CET1 capital (percentage points)	1,69%	1,69%	1,69%
of which: to be made up of Tier 1 capital (percentage points)	2,25%	2,25%	2,25%
Total SREP own funds requirements (%)	11,00%	11,00%	11,00%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)			
Capital conservation buffer (%)	2,50%	2,50%	2,50%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-

Template EU KM1 - Key metrics template (amounts in EUR million)			
	31.12.2023	30.06.2023	31.12.2022
Institution specific countercyclical capital buffer (%)	0,6%	-	-
Systemic risk buffer (%)	-	-	-
Global Systemically Important Institution buffer (%)	-	-	-
Other Systemically Important Institution buffer (%)	0,25%	0,25%	0,25%
Combined buffer requirement (%)	3,35%	2,75%	2,75%
Overall capital requirements (%)	14,35%	13,75%	13,75%
CET1 available after meeting the total SREP own funds requirements (%)	6,5%	2,6%	4,1%
Leverage ratio			
Total exposure measure	3.445	3.112	3.015
Leverage ratio (%)	8,02%	6,79%	7,63%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)			
Additional own funds requirements to address the risk of excessive leverage (%)	-		
of which: to be made up of CET1 capital (percentage points)	-		
Total SREP leverage ratio requirements (%)	3,00%		
Leverage ratio buffer requirement (%)	-		
Overall leverage ratio requirement (%)	3,00%		
Liquidity Coverage Ratio			
Total high-quality liquid assets (HQLA) (Weighted value -average)	1.331	-	1.167
Cash outflows - Total weighted value	725	-	686
Cash inflows - Total weighted value	48	-	82

Template EU KM1 - Key metrics template (amounts in EUR million)			
	31.12.2023	30.06.2023	31.12.2022
Total net cash outflows (adjusted value)	677	-	604
Liquidity coverage ratio (%)	201%	-	192%
Net Stable Funding Ratio			
Total available stable funding	2.465	-	2.155
Total required stable funding	1.023	-	1.027
NSFR ratio (%)	241%	-	210%

Table 2: Template EU KM1 - Key metrics template

3 Capital Management

The Bank maintains a capital management policy to ensure a sound capital adequacy position both from an economic and a regulatory perspective. Particularly, the Bank preserves such capital to support its strategy, cover the risks arising from its business, and comply with the regulatory requirements, at all times. Specific risk limits are set in line with the Bank's risk appetite and are continuously monitored for deviations.

The capital adequacy requirements set by the SSM / ECB, are used by the Bank as the basis for its capital management. The Bank seeks to maintain sufficient capital to ensure that these requirements are met.

The Bank remains focused on the efficient implementation of its Strategic Plan and the deleveraging of the NPEs according to its NPE Plan.

3.1 Capital Ratios

The Capital Adequacy Ratio compares the Bank's regulatory capital (own funds) against the risks that the Bank undertakes in the form of RWAs. Regulatory capital includes CET1 capital (share capital and reserves), Additional Tier 1 ("AT1") capital (hybrid securities) and Tier 2 ("T2") capital (subordinated debt). The Bank uses the Standardised Approach ("SA") for the calculation of RWAs for the purpose of credit and operational risk. It is noted that the Bank is not currently exposed to market risk.

In accordance with the regulatory framework outlined in Section 2.1 above, the following own funds requirements were applicable to the Bank during the year 2023, comprising its Overall Capital Requirement ("OCR"):

- Pillar I requirement, according to Article 92(1) of the CRR, specifying the following:
  - CET1 capital ratio of 4,5%;
  - Tier 1 capital ratio of 6%;
  - TCAR of 8%.
- Pillar II requirement[9] ("P2R") of 3%, according to Article 16(2)(a) of the Council Regulation (EU) No 1024/2013;
- Combined Buffer Requirement ("CBR") according to Article 128(6) of the CRD, as follows:
  - Capital Conservation Buffer ("CCB") of 2,5% held in the form of additional CET1 capital;
  - O-SII Buffer of 0,25% held in the form of additional CET1 capital[10].
  - Countercyclical Capital Buffer to be held in the form of additional CET1 capital. The CCyB was set at 0,5% near the year end of 2023 by the CBC.

In view of the above, and as per the SREP, the minimum OCR for year 2023 changes at 14,35% compared to that for the year 2022.

As at 31.12.2023, the Bank's CET1 capital amounted to c.€212 million, its total regulatory capital to c.€276 million and the RWAs to c.€1.118 million, resulting to a CET1 ratio of 19,0% and a TCAR of 24,7%.

The following table presents the Bank's capital adequacy ratios according to the CRR provisions set by the CBC:

[9] It is noted that the assessment of the Pillar II capital requirement is performed annually by the supervisory authorities.

[10] The Bank's O-SII Buffer will remain at 0,25% in 2023.

Capital Adequacy (amounts in EUR million)		
	31.12.2023	**31.12.2022**
Capital Type		
Common Equity Tier 1 Capital	212	166
Additional Tier 1 Capital	64	64
Tier 1 Capital	276	230
Tier 2 Capital	-	-
Total Regulatory Capital	**276**	**230**
Total Risk-Weighted Assets	**1.118**	**1.099**
Capital Ratios (%)		
Common Equity Tier 1 Ratio	19,0%	15,1%
Tier 1 Ratio	24,7%	20,9%
Capital Adequacy Ratio (Tier 1 + Tier 2)	24,7%	20,9%

Table 3: Capital Adequacy

3.2 Capital Requirements under Pillar I

The Bank calculates and reports to the designated authorities its capital requirements (Pillar I RWAs) according to the provisions of the CRR and the EBA ITS.

As noted above, for Pillar I capital requirements, the Bank applies the standardised approach for credit and operational risk. The Bank is not currently exposed to and hence, does not hold any capital for market risk.

The Pillar I minimum capital requirements are calculated at 8% of RWAs. The total RWAs of c.€1.118 million are comprised of:

- €956 million of credit risk RWAs, representing c. 85% of the Bank's total capital requirements; and
- €162 million from operational risk RWAs.

Compared to the year 2022, the Bank's RWAs experienced an incline of c.€19 million (1,7%) from €1.099 million to €1.118 million.

The following table summarises RWAs and minimum capital requirement by risk type. The own funds requirement is calculated as 8% of RWAs.

Template EU OV1 – Overview of total risk exposure amounts (in EUR million)			
	Total risk exposure amounts ("TREA")		**Total own funds requirements**
	31.12.2023	**31.12.2022**	**31.12.2023**
Credit risk (excluding CCR)	955	980	76
Of which the standardised approach	955	980	76
Of which the Foundation IRB (F-IRB) approach	-	-	-
Of which slotting approach	-	-	-
Of which equities under the simple risk-weighted approach	-	-	-

Template EU OV1 – Overview of total risk exposure amounts (in EUR million)			
	Total risk exposure amounts ("TREA")		Total own funds requirements
	31.12.2023	31.12.2022	31.12.2023
Of which the Advanced IRB (A-IRB) approach	-	-	-
Counterparty credit risk - CCR	-	1	-
Of which the standardised approach	-	-	-
Of which internal model method (IMM)	-	-	-
Of which exposures to a CCP	-	-	-
Of which credit valuation adjustment - CVA	-	-	-
Of which other CCR	-	1	-
Settlement risk	-	-	-
Securitisation exposures in the non-trading book (after the cap)	-	-	-
Of which SEC-IRBA approach	-	-	-
Of which SEC-ERBA (including IAA)	-	-	-
Of which SEC-SA approach	-	-	-
Of which 1250% / deduction	-	-	-
Position, foreign exchange and commodities risks (Market risk)	-	-	-
Of which the standardised approach	-	-	-
Of which IMA	-	-	-
Large exposures	-	-	-
Operational risk	163	118	13
Of which basic indicator approach	-	-	-
Of which standardised approach	163	118	13
Of which advanced measurement approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Total	**1.118**	**1.099**	**89**

Table 4: Template EU OV1 – Overview of total risk exposure

3.3 Minimum Requirement for Own Funds and Eligible Liabilities

The MREL ensures sufficient loss-absorbing capacity in resolution and it includes a risk and a leverage-based dimension. MREL is therefore expressed as two ratios both of which must be met:

(i) As a percentage of Total Risk Exposure Amount, (the "MREL-TREA"); and

(ii) As a percentage of the Leverage Ratio Exposure ("LRE"), (the "MREL-LRE").

On March 5, 2024, the Group received communication from the Central Bank of Cyprus regarding the final decision on the minimum requirement for own funds and eligible liabilities (MREL). The requirements are set out on the basis of the amended Bank Recovery and Resolution Directive ("BRRD II"), which was incorporated into Cyprus law in May 2021 with the Law on Resolution of Credit Institutions and Investment Companies (Laws of 2016 and 2021). At the same time, with the same decision, the Resolution Authority defined the Single Point of Entry (SPE) resolution strategy. Alpha Bank Cyprus belongs to the resolution group of Alpha Bank A.E. According to the decision, from January 1, 2024, Alpha Bank Cyprus will have to meet minimum MREL requirements of 21.44% as a percentage of Risk Weighted Assets (RWAs) and 5.91% of the Leverage Ratio Exposure - LRE. The MREL expressed as a percentage of risk-weighted assets does not include the Combined Buffer Requirement (CBR), which amounts to 3.35% from the application of the countercyclical buffer (November 30, 2023).

MREL ratio on 31.12.2023 stands at 28.8%, which includes 2023 profits approved by the European Central Bank amounting to Euro 64 million. At the same time, a bond amounting to Euro 45 million ceased to be eligible for MREL purposes. The relevant bond was repaid in full at the beginning of 2024 after approval by the European Resolution Authority.

MREL requirements are in line with the Group's expectations. The long-term funding plan includes the continuous monitoring of the ratio so that adequate buffer is kept on top of the supervisory requirements.

It is further noted that the SRB determined, by the same decision, Alpha Bank S.A as the Group’s resolution entity and a Single Point of Entry (“SPE”) strategy for resolution purposes. Alpha Bank Cyprus belongs to the resolution group of Alpha Bank S.A.

3.4 Own Funds Structure

As at 31.12.2023 the Bank’s share capital amounted to c.€180 million divided into 212.581.358 ordinary shares with voting rights and nominal value of €0,85, and a share premium of c.€ 103 million. Further analysis of the Bank’s share capital and share premium is provided in Notes 30 and 32 of the 2023 audited Financial Statements.

AT1 capital consists of hybrid securities amounting to €64 million as at 31.12.2023.

The Bank's total capital adequacy as at 31.12.2023 stands at 24,7% which exceeds the minimum Pillar I and Pillar II capital requirements, providing the Bank with significant capital buffer.

Template EU CC1 - Composition of regulatory own funds (in EUR million)			
	Amounts	Amounts	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
	31.12.2023	31.12.2022	
Common Equity Tier 1 (CET1) capital: instruments and reserves			
Capital instruments and the related share premium accounts	283	283	(c) and (d)
of which: Ordinary Shares	180	180	(c)
of which: Share Premium	103	103	(d)
Retained earnings	(125)	(130)	(f)
Accumulated other comprehensive income (and other reserves)	4	3	(e)
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**162**	**156**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Intangible assets (net of related tax liability) (negative amount)	(6)	(4)	(a)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	(9)	(7)	(b)
Profit / (Loss) for the current financial year	64	6	

Template EU CC1 - Composition of regulatory own funds (in EUR million)			
	Amounts	**Amounts**	**Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation**
	31.12.2023	**31.12.2022**	
Other regulatory adjustments	1	15	
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**50**	**10**	
Common Equity Tier 1 (CET1) capital	**212**	**166**	
Additional Tier 1 (AT1) capital: instruments			
Capital instruments and the related share premium accounts	64	64	(g)
of which: classified as equity under applicable accounting standards	64	64	(g)
of which: classified as liabilities under applicable accounting standards	-	-	
Additional Tier 1 (AT1) capital before regulatory adjustments	**64**	**64**	
Additional Tier 1 (AT1) capital: regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 (AT1) capital	**-**	**-**	
Additional Tier 1 (AT1) capital	**64**	**64**	
Tier 1 capital (T1 = CET1 + AT1)	**276**	**230**	
Tier 2 (T2) capital: instruments			
Tier 2 (T2) capital before regulatory adjustments	**-**	**-**	
Tier 2 (T2) capital: regulatory adjustments			
Total regulatory adjustments to Tier 2 (T2) capital	**-**	**-**	
Tier 2 (T2) capital	**-**	**-**	
Total capital (TC = T1 + T2)	**276**	**230**	
Total Risk exposure amount	**1.118**	**1.099**	
Capital ratios and requirements including buffers			
Common Equity Tier 1 capital	19,00%	15,10%	
Tier 1 capital	24,72%	20,93%	
Total capital	24,72%	20,93%	
Institution CET1 overall capital requirements	9,54%	8,94%	
of which: capital conservation buffer requirement	2,50%	2,50%	
of which: countercyclical capital buffer requirement	-	-	
of which: systemic risk buffer requirement	-	-	
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0,25%	0,25%	
of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1,69%	1,69%	
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	6,5%	6,26%	

Table 5: Template EU CC1 - Composition of regulatory own funds

3.5 Reconciliation of regulatory own funds to the balance sheet according to IFRS

The following table provides a reconciliation of the Bank’s regulatory own funds to its balance sheet as at 31.12.2023 and 31.12.2022.

It is noted that since the Bank meets the obligations laid down in Part Eight of the CRR on an individual and group basis, its scope of accounting and prudential consolidation are the same.

Template EU CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements (in EUR million)			
	Balance sheet as in published financial statements and under the regulatory scope of consolidation	**Balance sheet as in published financial statements and under the regulatory scope of consolidation**	**Reference**
	31.12.2023	**31.12.2022**	
Assets			
Cash and balances with central banks	1.309	1.079	
Due from banks	340	213	
Derivative financial assets	-	-	
Loans and advances to customers	992	1.021	
Investment securities			
Measured at fair value through other comprehensive income	5	5	
Measured at amortised cost	682	578	
Measured at fair value through profit or loss	5	4	
Investment in subsidiaries	10	11	
Investment property	2	2	
Property, plant and equipment	22	23	
Intangible assets	6	4	(a)
Deferred tax assets	9	7	(b)
Other assets	13	10	
Assets classified as held for sale	-	-	
Total assets	**3.395**	**2.957**	
Liabilities			
Due to banks	235	158	
Derivative financial liabilities	3	2	
Due to customers	2.740	2.437	
Debt securities in issue and other borrowed funds	90	90	
Other liabilities	31	38	
Provisions	5	5	
Total liabilities	**3.104**	**2.730**	
Shareholders' Equity			
Share Capital	180	180	(c)
Share premium	103	103	(d)
Reserves	-	-	(e)
Retained earnings	(56)	(120)	(f)
Amounts directly recognized in equity and associated with assets classified as held for sale	64	64	(g)
Total shareholders' equity	**291**	**227**	

Table 6: Template EU CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements

3.6 IFRS 9 Capital Impact

On 12 December 2017, the EU adopted Regulation (EU) 2017/2395[11] of the European Parliament and of the Council amending Regulation (EU) No 575/2013, as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on regulatory capital and leverage ratios. The said Regulation inserted Article 473a in the CRR which introduced a 5-year transitional period allowing banks to add to the CET1 ratio the post-tax amount of the difference in provisions that resulted from the transition to the IFRS 9 in relation to the provisions that have been recognised at 31.12.2017 in accordance with International Accounting Standard ("IAS") 39 ("Static" amount).

The Bank has decided to make use of Article 473a of the CRR but did not adopt the amendments introduced by Regulation (EU) No 873/2020 in response to the COVID-19 pandemic. In view of the above, the impact of the IFRS 9 implementation was fully phased-in by 1 January 2023.

The following table shows a comparison of own funds and capital and leverage ratios with and without the application of the transitional arrangements as at 31.12.2023 and 31.12.2022.

Template IFRS 9 / Article 468-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR (in EUR million)

	31.12.2023	31.12.2022
Available capital (amounts)		
CET1 capital	212	166
CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	212	152
CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	-	-
Tier 1 capital	276	230
Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	276	206
Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	-	-
Total capital	276	230
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	276	206
Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	-	-
Risk-weighted assets (amounts)		
Total risk-weighted assets	1.118	1.099
Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1.118	1.085
Capital ratios		
CET1 (as a percentage of risk exposure amount)	19,0%	14,0%
CET1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19,0%	15,1%
CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	19,0%	13,8%
Tier 1 (as a percentage of risk exposure amount)	24,7%	20,9%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	24,7%	19,9%
Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	-	-

[11] Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017 amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State.

Template IFRS 9 / Article 468-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR (in EUR million)		
	31.12.2023	**31.12.2022**
Total capital (as a percentage of risk exposure amount)	24,7%	20,9%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	24,7%	19,9%
Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	-	-
Leverage ratio		
Leverage ratio total exposure measure	3.445	3.015
Leverage ratio	8,0%	7,8%
Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,0%	7,1%
Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	-	-

Table 7: Template IFRS 9 / Article 468-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR

3.7 Capital Buffers

The Countercyclical Capital Buffer is a CRD IV requirement, designed to help counter procyclicality in the financial system. Credit institutions are required to set aside additional CET1 capital during periods of excessive credit growth to help maintain the supply of credit and dampen the downswing of the financial cycle during recessionary periods. The main purpose of the CCyB is to increase the banks' resilience in good times to be able to absorb potential losses that could arise in a downturn and to support the continued supply of credit to the real economy. For 2022, the CBC set the countercyclical buffer at 0%. The CCyB is also currently set at 0% in most other countries in which the Bank has significant exposures, as per the tables below. However, in November 2022, Central Bank of Cyprus announced that the countercyclical buffer increased to 0,5% effective 1.12.2023.

Template EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (in EUR million)														
31.12.2023	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	CCyB rate (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
Breakdown by country:													
United Arab Emirates	1	-	-	-	-	1	-	-	-	-	-	0,12%	0,00%
Belgium	3	-	-	-	-	3	-	-	-	-	-	0,21%	0,00%
Cyprus	809	-	-	-	-	809	44	-	-	44	550	64,72%	0,50%
Germany	9	-	-	-	-	9	-	-	-	-	-	0,60%	0,00%
Spain	7	-	-	-	-	7	1	-	-	1	13	0,86%	0,00%
France	14	-	-	-	-	14	1	-	-	1	13	1,47%	0,50%
United Kingdom	121	-	-	-	-	121	8	-	-	8	100	11,94%	2,00%
Greece	141	-	-	-	-	141	9	-	-	9	113	13,82%	0,00%
Ireland	2	-	-	-	-	2	-	-	-	-	-	0,20%	0,00%
Italy	6	-	-	-	-	6	-	-	-	-	-	0,43%	0,00%
Luxemburg	16	-	-	-	-	16	1	-	-	1	13	1,71%	0,50%
Monaco	14	-	-	-	-	14	1	-	-	1	13	1,37%	0,00%
Netherlands	5	-	-	-	-	5	-	-	-	-	-	0,59%	1,00%
Romania	13	-	-	-	-	13	1	-	-	1	13	0,82%	1,00%
Russia	4	-	-	-	-	4	-	-	-	-	-	0,34%	0,00%
Sweden	1	-	-	-	-	1	-	-	-	-	-	0,04%	2,00%
Ukraine	1	-	-	-	-	1	-	-	-	-	-	0,04%	0,00%
United States of America	6	-	-	-	-	6	1	-	-	1	13	0,68%	0,00%
Republic of South Africa	1	-	-	-	-	1	-	-	-	-	-	0,04%	0,00%
Total	**1.174**	**-**	**-**	**-**	**-**	**1.174**	**67**	**-**	**-**	**67**	**838**	**100,00%**	

Table 8: Template EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer – 31.12.2023

Template EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (in EUR million)													
31.12.2022	**General credit exposures**		**Relevant credit exposures – Market risk**		**Securitisation exposures Exposure value for non-trading book**	**Total exposure value**	**Own fund requirements**				**Risk-weighted exposure amounts**	**Own fund requirements weights (%)**	**CCyB rate (%)**
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
Breakdown by country:													
United Arab Emirates	2	-	-	-	-	2	-	-	-	-	-	0,15%	0,00%
Belgium	4	-	-	-	-	4	-	-	-	-	-	0,39%	0,00%
Cyprus	790	-	-	-	-	790	43	-	-	43	538	61,7%	0,00%
Germany	8	-	-	-	-	8	-	-	-	-	-	0,49%	0,00%
Spain	7	-	-	-	-	7	1	-	-	1	13	0,84%	0,00%
France	9	-	-	-	-	9	1	-	-	1	13	0,97%	0,00%
United Kingdom	133	-	-	-	-	133	8	-	-	8	100	12,15%	0,00%
Greece	175	-	-	-	-	175	11	-	-	11	138	15,96%	0,00%
Ireland	2	-	-	-	-	2	-	-	-	-	-	0,20%	0,00%
Italy	11	-	-	-	-	11	1	-	-	1	13	1,01%	0,00%
Luxemburg	14	-	-	-	-	14	1	-	-	1	13	1,62%	
Monaco	14	-	-	-	-	14	1	-	-	1	13	1,38%	0,00%
Netherlands	5	-	-	-	-	5	-	-	-	-	-	0,57%	0,00%
Romania	16	-	-	-	-	16	1	-	-	1	13	0,82%	0,50%
Serbia	15	-	-	-	-	15	1	-	-	1	13	0,72%	0,00%
Russia	4	-	-	-	-	4	-	-	-	-	-	0,35%	0,00%
Ukraine	1	-	-	-	-	1	-	-	-	-	-	0,07%	0,00%
United States of America	5	-	-	-	-	5	-	-	-	-	-	0,55%	0,00%
Republic of South Africa	1	-	-	-	-	1	-	-	-	-	-	0,05%	0,00%
Total	**1.216**	**-**	**-**	**-**	**-**	**1.216**	**69**	**-**	**-**	**69**	**867**	**100,00%**	

Table 9: Template EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer – 31.12.2022

Template EU CCyB2 - Amount of institution-specific countercyclical capital buffer (in EUR million)		
	31.12.2023	**31.12.2022**
Total risk exposure amount	1.118	1.099
Institution specific countercyclical capital buffer rate	0,01%	-
Institution specific countercyclical capital buffer requirement	7,00	-

Table 10: Template EU CCyB2 - Amount of institution-specific countercyclical capital buffer

3.8 Internal Capital Adequacy Assessment Process

The Internal Capital Adequacy Assessment Process is an integral part of the Bank's Internal Control System. It is aligned with best practices and the general principles and requirements set by the regulatory framework, including the guidelines provided by the SSM and / or the EBA. The ICAAP facilitates the following:

- The identification, analysis, monitoring and the overall assessment of risks;
- The improvement of various systems / procedures / policies related to the assessment and management of risks;
- The estimation of the required level of internal capital for the coverage of all risks; and
- Capital planning taking into consideration the Bank's risk appetite and the business / strategic plan in a forward-looking assessment.

As a process, ICAAP is a constant, ongoing and recurring set of actions / streams that are carried out as part of the day-to-day operation of the Bank. The ICAAP report is updated at least annually, or more frequently, whenever there is a material change.

The Bank identifies the following key components of the ICAAP process:

1. **Risk Identification and Materiality Assessment Process**, consisting of:
   (i) An annual review of the Risk Inventory comprised of an extensive list of external (regulatory etc.) and internal risks.
   (ii) Materiality assessment of the identified risk types based on quantitative / qualitative criteria.
   (iii) Inclusion of all material risks in the Bank's Risk Registry, demonstrating their severity before and after controlling and mitigating actions.

2. **Capital Adequacy Assessment**

   The Capital Adequacy Assessment involves the quantification of internal capital for the identified material risk types. For the determination of internal capital requirements, the Bank uses the Pillar I regulatory capital as a starting point whilst also taking into account additional capital, where required, via the use of more sophisticated methodologies and definitions.

   Pillar II internal capital requirements represent more accurately the risk profile of the Bank, since they cover a wider range of risks and utilize more sophisticated and risk sensitive approaches.

3. **Capital Planning and Stress Testing**

   Capital planning and stress testing involves the forward-looking view and assessment of risks, evolution of available capital and capital requirements, under baseline and alternative adverse scenarios. A reverse stress scenario is also considered.

4. **Monitoring and reporting**

   Monitoring and reporting of ICAAP results involves the on-going and regular monitoring of key ICAAP metrics and relevant reporting to appropriate committees, in line with the ICAAP governance framework. In view of the ICAAP multi-year plan and the relevant ECB guidelines, the following overarching principles are defined with respect to the ICAAP setup and implementation by the Bank:

- The Board of Directors has the overall responsibility for the implementation of ICAAP with a clear and transparent assignment of responsibilities to the Board Risk Committee ("BRC") and Senior Management.
- ICAAP is an integral part of the Bank's management framework as it is integrated into the business, decision-making and risk management processes.
- The ICAAP contributes to the continuity of the Bank by ensuring its capital adequacy from different but complementary perspectives.
    - Under the economic perspective, the Bank ensures that any risks that may affect its capital position are adequately covered by internal capital in line with its internal capital adequacy assessment. Under this perspective, the Bank's assessment covers the full universe of risks that may have a material impact on its capital position, taking into account fair value considerations for its current assets, liabilities and risks.
    - The normative perspective is an assessment of the Bank's ability to fulfil all its capital-related regulatory and supervisory requirements and demands, and to cope with other external financial constraints on an ongoing basis. The capital plan is comprised of baseline and adverse scenarios and covers a forward-looking horizon of at least three years. The Bank also conducts reverse stress testing, as per regulatory requirements, leveraging on the outcome of the adverse scenario.
    - Both perspectives mutually inform each other and are integrated into all material business activities and decisions.
- ICAAP risk quantification methodologies are adequate, consistent and independently validated.
- Regular stress testing ensures capital adequacy in adverse circumstances.
- The Bank has integrated climate stress test in its ICAAP in order to arrive to the climate risk Pillar II add-on for Credit Risk. The climate stress test performed is a forward-looking exercise designed to measure the Bank's exposure to climate risks, using climate risk impact on macroeconomic factors in order to assess the potential impact of climate change on its financial position. More specifically, the Bank leveraged on internally developed methodologies and the "Delayed Transition" climate scenario, as provided by the Central Banks and Supervisors Network for Greening the Financial System ("NGFS"), which reflects transition and physical risks emanating from a late introduction of climate policies. The impact of the perimeter affected by the climate risk scenario is derived through two main factors: an increase in the probability of default an increase in the transition from Stage 1 to Stage 2.

3.9 Own Funds Instruments

The following table outlines the basic characteristics of the capital instruments issued by the Bank and held by the Group through private placement.

Template EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments (amounts in EUR million)	
Issuer	Alpha Bank Cyprus Ltd
Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	N/A

Template EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments (amounts in EUR million)	
Public or private placement	Private
Governing law(s) of the instrument	Cyprus
Contractual recognition of write down and conversion powers of resolution authorities	N/A
Regulatory treatment	
Current treatment taking into account, where applicable, transitional CRR rules	N/A
Post-transitional CRR rules	Additional Tier I
Eligible at solo / (sub-)consolidated / solo & (sub-)consolidated	Solo / Cons
Instrument type (types to be specified by each jurisdiction)	Tier I
Amount recognised in regulatory capital or eligible liabilities	€ 64
Nominal amount of instrument	€64mil
Issue price	100%
Redemption price	100%
Accounting classification	Liability – Amortised cost
Original date of issuance	1.11.2013
Perpetual or dated	Perpetual
Original maturity date	N/A
Issuer call subject to prior supervisory approval	N/A
Optional call date, contingent call dates and redemption amount	N/A
Subsequent call dates, if applicable	N/A
Coupons / dividends	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	N/A
Existence of a dividend stopper	N/A
Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A

Template EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments (amounts in EUR million)	
Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
Existence of step up or other incentive to redeem	N/A
Noncumulative or cumulative	N/A
Convertible or non-convertible	N/A
If convertible, conversion trigger(s)	N/A
If convertible, fully or partially	N/A
If convertible, conversion rate	N/A
If convertible, mandatory or optional conversion	N/A
If convertible, specify instrument type convertible into	N/A
If convertible, specify issuer of instrument it converts into	N/A
Write-down features	N/A
If write-down, write-down trigger(s)	N/A
If write-down, full or partial	N/A
If write-down, permanent or temporary	N/A
If temporary write-down, description of write-up mechanism	N/A
Type of subordination (only for eligible liabilities)	N/A
Ranking of the instrument in normal insolvency proceedings	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
Non-compliant transitioned features	N/A
If yes, specify non-compliant features	N/A
Link to the full term and conditions of the instrument (signposting)	N/A

Table 11: Main features of regulatory own funds instruments and eligible liabilities instruments

4 Leverage

The leverage ratio, which is defined as Tier 1 capital divided by the total exposure measure, is a binding requirement with the application of the CRR II package, as of June 2021. The “risk of excessive leverage” means the risk that results from an institution's vulnerability due to leverage or contingent leverage that may require unintended corrective measures to its business plan, including distressed selling of assets which might result in losses or in valuation adjustments to its remaining assets.

The level of the leverage ratio as at 31.12.2023 was 8,0% (according to the transitional definition of Tier I capital), compared to 7,8% as at 31.12.2022. Therefore, the Bank's leverage ratio is significantly above the 3% minimum threshold applied by the competent authorities, implying that the Bank is not taking on excessive leverage risk.

The Bank submits to the regulatory authorities the leverage ratio on a quarterly basis and monitors the level and the factors that affect the ratio.

Specifically, Bank's leverage ratio in 2023 compared to that in 2022 has remained relatively unchanged due to the following factors:

- Increase of total assets.
- The negative impact from the full application of IFRS 9 transitional provisions, from 75% to 100%.
- the positive impact from operating profitability.

It is noted that for the purpose of the leverage ratio calculation, the Bank did not make use of any temporary exemptions applicable to certain exposures with central banks due to the COVID-19 pandemic.

The table below provides a reconciliation of the total exposure measure with the total assets disclosed in the published financial statements as at 31.12.2023 and 31.12.2022.

Template EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures (in EUR million)

	31.12.2023	31.12.2022
Total assets as per published financial statements	3.395	2.957
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-	-
(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-	-
(Adjustment for temporary exemption of exposures to central banks (if applicable))	-	-
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-	-
Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-	-
Adjustment for eligible cash pooling transactions	-	-
Adjustment for derivative financial instruments	6	-
Adjustment for securities financing transactions (SFTs)	-	-
Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	46	53
(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-	-
(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-	-

Template EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures (in EUR million)		
	31.12.2023	**31.12.2022**
Other adjustments	(2)	5
Total exposure measure	**3.445**	**3.015**

Table 12: Template EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

The following table presents a breakdown of the components of the leverage exposure, the minimum requirements, and buffers as at 31.12.2023 and 31.12.2022.

Template EU LR2 - LRCom: Leverage ratio common disclosure (in EUR million)		
	CRR leverage ratio exposures	
	31.12.2023	**31.12.2022**
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives, SFTs, but including collateral)	3.186	2.877
Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
(General credit risk adjustments to on-balance sheet items)	-	-
(Asset amounts deducted in determining Tier 1 capital)	-	-
Total on-balance sheet exposures (excluding derivatives and SFTs)	**3.186**	**2.877**
Derivative exposures		
Replacement cost associated with SA-CCR derivatives transactions (i.e., net of eligible cash variation margin)	1	-
Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	5	1
Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
Exposure determined under Original Exposure Method	-	-
(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-	-
Adjusted effective notional amount of written credit derivatives	-	-
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
Total derivatives exposures	**6**	**1**
Securities financing transaction (SFT) exposures		
Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	-
(Netted amounts of cash payables and cash receivables of gross SFT assets)	207	-
Counterparty credit risk exposure for SFT assets	-	83
Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
Agent transaction exposures	-	-
(Exempted CCP leg of client-cleared SFT exposure)	-	-
Total securities financing transaction exposures	**207**	**83**
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	76	76
(Adjustments for conversion to credit equivalent amounts)	(30)	(23)
(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
Off-balance sheet exposures	**46**	**53**
Excluded exposures		

Template EU LR2 - LRCom: Leverage ratio common disclosure (in EUR million)		
	CRR leverage ratio exposures	
	31.12.2023	31.12.2022
(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-	-
(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
(Excluded guaranteed parts of exposures arising from export credits)	-	-
(Excluded excess collateral deposited at triparty agents)	-	-
(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
(Total exempted exposures)	**-**	**-**
Capital and total exposure measure		
Tier 1 capital	**276**	**230**
Total exposure measure	**3.445**	**3.015**
Leverage ratio		
Leverage ratio (%)	8,0%	7,8%
Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	-	-
Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	-	-
Regulatory minimum leverage ratio requirement (%)	3,0%	3,0%
Additional own funds requirements to address the risk of excessive leverage (%)	-	-
of which: to be made up of CET1 capital	-	-
Leverage ratio buffer requirement (%)	-	-
Overall leverage ratio requirement (%)	3,0%	3,0%
Choice on transitional arrangements and relevant exposures		
Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional
Disclosure of mean values		
Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	-	-
Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	3.445	3.015
Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	3.445	3.015
Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8,0%	7,8%
Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8,0%	7,8%

Table 13: Template EU LR2 - LRCom: Leverage ratio common disclosure

Template EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (in EUR million)		
	CRR leverage ratio exposures	
	31.12.2023	**31.12.2022**
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**3.188**	**2.877**
Trading book exposures	-	-
Banking book exposures, of which:	3.188	2.877
Covered bonds	-	-
Exposures treated as sovereigns	1.648	1.351
Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	-	-
Institutions	295	283
Secured by mortgages of immovable properties	480	510
Retail exposures	172	180
Corporates	326	320
Exposures in default	48	41
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	219	192

Table 14: Template EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

5 General Information on Risk Management

The Bank is fully committed in applying the best practices and achieving the highest standards of corporate governance in every aspect of its business, including risk management.

Risk management is essential in promoting the Bank's strategic, business and financial objectives and forms an integral part of the strategy-setting process, including the business planning process and the risk appetite policy which defines the maximum acceptable risk appetite for each type of risk.

The Bank's key risk categories include, amongst others, credit risk, market risk, liquidity risk, counterparty risk and operational risk, and climate and ESG risk. In order to ensure that the impact of the said risk types on its financial results, long-term strategic goals and reputation are minimized, the Bank has developed mechanisms and procedures for the timely identification, measurement, monitoring and mitigation of risks as well as for the assessment of their potential impact on the achievement of the objectives set.

5.1 Risk Management Framework and Principles

The Bank has established a framework of thorough management of risks, based on best practices and regulatory requirements. This framework, based on the common European legislation and the current system of common banking rules, principles and standards, is improving continuously over time and is applied in the daily conduct of the Bank's activities, making the corporate governance of the Bank effective.

The main objective of the Bank on risk management is to maintain the high quality internal corporate governance and compliance, within the regulatory and supervisory provisions, in order to ensure confidence in the conduct of its business activities through the sound provision of financial services.

The Bank's Risk Management Framework, as a fundamental part of the Bank's corporate and risk governance framework, is based upon the following guiding principles:

The Bank's Risk Management Framework, as a fundamental part of the Bank's corporate and risk governance framework, is based upon the following guiding principles:

- Development of a sound risk culture that incorporates risk awareness risk taking and risk management and control in the decisions of management and employees during the day-to-day activities considering their impact on the risks they assume.
- Definition of the Bank's RAF which is articulated via the Risk Appetite Statement ("RAS") and establishes the individual and aggregate levels and types of risk that the Bank is willing to assume in achieving its strategic business activities within its risk capacity.
- Monitoring of risk limits for the prompt identification and notification of breaches.
- Definition of the Bank's risk management policies that are adherent to the RAS and are supported by appropriate control procedures and processes ensuring that all material risks and associated risk concentrations are identified, measured, limited, controlled, mitigated and reported on a timely and comprehensive basis.
- Promotion of transparency through clear communication lines.
- Active role of contributing staff in Risk Management. The staff is equipped with the necessary skills and means for effective risk management and understands its roles and responsibilities emanating from the Bank's RMF.
- Documentation of processes related to risk identification, measurement, monitoring, reporting and control / mitigation.
- Provision of adequate information to the Bank and Business Units' Management.

5.2 Risk Appetite Framework (RAF)

The RAF constitutes a major component in the Bank's overall approach to the risk and capital strategy, including policies, processes, controls and systems through which risk appetite is established, communicated throughout the Bank and monitored. The RAF includes the Risk Appetite Statement, risk limits and an outline of the roles and responsibilities of those overseeing its implementation and monitoring, ensuring the alignment of the Bank's corporate and business strategy, the financial and capital planning and the RMF. The risk appetite is the core tool for better aligning overall corporate strategy, capital allocation, and risk.

The Bank's Risk Management Unit defines and recommends to the Board's Risk Committee (BRC) the risk appetite of the Bank, taking into consideration the business strategy, business plan, risk management framework / culture and the internal capital and liquidity adequacy assessment. At this stage, strategic objectives are translated into risk appetite qualitative statements and risk appetite quantitative measures i.e., key risk indicators ("KRIs"). The BRC reviews and recommends to the Board of Directors the Bank's RAF and statement for approval, considering also ESG risks, i.e. the risks of any negative financial impact to the Company stemming from the current or prospective impacts of ESG factors on its counterparties, such as climate-related risks and ensuring alignment with the Bank's strategic objectives and capital allocation. Overall, risk appetite sets out the level of risk that the Board of Directors is willing to take in pursuit of its business objectives.

The effective articulation of risk appetite aids the Bank in running its business by providing guidance on acceptable levels of risk while pursuing strategic objectives, thus facilitating the achievement of the most efficient balance between risk and return.

Successful implementation of the RAF depends upon the effective interaction between the Bank's Board of Directors, Senior Management Risk Management Unit and operating Business Areas.

5.3 Risk Governance Structure

The Bank has set a robust internal governance framework, which includesa transparent organizational structure, a management body that is responsible for proper risk management processes and for strong internal control system and ensures that the Bank holds sufficient capital to meet both its own funds and its internal capital targets.

The Bank, taking into account the nature, the scale and the complexity of its activities, as well as the risk profile, develops a risk management strategy based on the following three lines of defense, which are the key factors for its efficient operation. They provide a clear set of rules and standards to be applied to a cohesive operating model, one that provides a framework for the articulation of accountabilities and responsibilities for managing risk across the Bank

In particular:

- 1st line of defense Units (process owners) have the primary responsibility to own and manage risks associated with day-to-day operational activities.
- The second line of defense consists of the Risk Management Unit ("RMU") and of other relevant functions which are independent from the first line of defense. These functions complement the business lines' risk activities through monitoring and reporting responsibilities. They are responsible for overseeing the Bank's risk-taking activities for the individual risk assessment and the aggregation of risk.. The second line of defense also includes the following independent Divisions:
    - Compliance Division which monitors, amongst others, compliance with laws, corporate governance rules, regulations, codes and policies of the Bank and reports to the Senior Management and the Board of Directors how the Bank manages its compliance risk. Compliance policies are approved by the Board of Directors and are communicated internally.
    - Information Security and Personal Data Protection Division which monitors, and reports, amongst others, on risk-related practices and information and oversees compliance with Information and Communication Technology, security and data protection issues, as well as the Bank's compliance with the Group Information Security Framework, so that there is alignment with the legislation, international standards and best practices.
- The Internal Audit Function provides independent, objective assurance and consulting services designed to add value and improve the Bank's operations. The mission of Internal Audit Function is to enhance and protect organizational value by conducting risk- based audits, reviewing the internal governance arrangements, processes and mechanisms to ascertain that they are sound and effective, implemented and consistently applied and to provide objective assurance, advice, and insight.

  The Internal Audit Function helps the Bank accomplish its objectives by providing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.
- The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee and Board of Directors on the adequacy and effectiveness of governance, risk management, and control processesfor the Bank.

The Bank's Board of Directors and Board Risk Committee, as well as the Management Committees of the Bank have separate and distinct roles in ensuring the effective implementation of the Bank-wide RMF and related policies across the Bank.

5.3.1 Board of Directors and Board Risk Committee

The Board of Directors and Board Risk Committee define and oversee the implementation of the Bank's Risk Management Framework, taking into account the financial and macroeconomic environment, the Bank's capital and liquidity position and the material risks that the Bank is exposed to. In this capacity, the Board of Directors approves the Bank's risk management strategy whose implementation is delegated to the BRC and the Senior Management. In view of the above, the Board of Directors and the BRC are responsible to ensure that the Executive Management of the Bank takes all necessary measures to identify, evaluate, manage and monitor the risks the Bank is exposed to as a whole.

Furthermore, the Board Risk Committee proposes to the Board of Directors the approval of the risk appetite limits and any risk exposure which would result in the breach of the risk limits set.

5.3.2 Executive Committee

The Executive Committee acts as a collective corporate body of the Bank. The Committee's powers and authorities are determined by way of a CEO act, delegating powers and authorities to the Committee. The indicative main responsibilities of the Committee include but are not limited to the following:

The Executive Committee prepares the strategy, business plan and annual budget, including the strategy on Environmental, Social and Governance (ESG) issues, of the Bank for submission to and approval by the Board of Directors of the Bank.

Moreover, the Executive Committee manages the implementation of the strategy, business plan and annual budget of the Bank, as approved by the Board of Directors, and reports accordingly to the Board of Directors. Prepares and submits for approval by the Board of Directors the annual Financial Statements and interim Financial Results, actively participates in the Internal Capital Adequacy Assessment Process and the Internal Liquidity Adequacy Assessment Process.

Further to the above, the Committee is responsible for the implementation of: the overall risk strategy, including the institution's risk appetite and its risk management framework, an adequate and effective internal governance and internal control framework, the selection and suitability assessment process for Key Function Holders, the amounts, types and distribution of both internal capital and regulatory capital and the targets for the liquidity management of the Bank.

The Committee discusses issues related to the Bank's Purpose and Values, culture and human resources as well as approves and manages any collective program proposed by the Human Resources Division for the Staff.

In addition, the Committee is responsible for the implementation of the Bank's strategy on ESG issues, the distribution of means for achieving targets for the liquidity management of the Bank and any arrangements aimed at ensuring the integrity of the accounting and financial reporting systems, including financial and operational controls, risk management and compliance with the law and the relevant standards.

5.3.3 Risk Management Unit

The Bank's Risk Management Unit is assigned with the responsibility of implementing the Bank's RMF according to the directions of the BRC and operates independently from any executing processes. Furthermore, the Risk Management Unit provides an overarching risk control framework for a more comprehensive and effective identification and handling of all risk types linked to the Bank's risk appetite are supported by the following Committees: the Assets-Liabilities Management Committee, the Credit Risk Committee and the Operational Risk Committee.

Under the supervision of the Chief Risk Officer ("CRO"), the following Risk Divisions / Departments operate within the Bank and are assigned with the responsibility of implementing the Risk Management Framework:

- The Credit Risk Division:
    - Regulatory Requirements and Corporate Governance Department;
    - Policy Department;
    - Credit Control Department;
    - Credit Risk Methodologies Department;
    - Data Analysis Department;
    - Impairment Assessment Department;
- The Market and Operational Risk Division:
    - Market and Liquidity Risk Department; and
    - Operational Risk Department.
- Credit Risk Model Validation Department

5.4 Risk Management Policies

The Bank's RMF, articulated via the risk management policies, processes, procedures and methodologies adopted and implemented throughout the institution, provides a coherent and structured approach in identifying, assessing and managing risk. The risk management policies are defined and regularly reviewed by the BRC and approved by the Board of Directors.

The Bank's risk policies specify the rules and criteria for the handling of risks and are specific to each key type of risk the Bank is exposed to. The Bank's Risk Policies include the following:

- Credit Risk Management Policies;
- Market Risk Management Policies;
- Operational Risk Management Policies;
- Liquidity Risk Policy; and
- Interest Rate Risk in the Banking Book ("IRRBB") Policy.

The guiding principles are effectively communicated to all organizational levels in order to build a uniform understanding of risk management objectives.

The Internal Audit Division is responsible for providing an independent review of the integrity of the overall risk management policies and relevant processes to ensure the appropriateness and effectiveness of the controls applied.

In pursuing the Bank's strategic business goals, the RMF, which includes the relevant risk management policies, procedures and systems, is regularly reviewed, to ensure that risk management and regulatory risk reporting are always compliant with the relevant regulatory guidelines as well as the principles of corporate governance.

5.5 Stress Test Framework

Performing stress tests constitutes a key risk management tool, fully integrated into core risk reporting and capital and liquidity planning at the Bank, which provides indications of the capital required to absorb losses under the assumption of specific extreme hypothetical scenarios. The stress testing exercises are conducted according to the requirements of the respective regulatory framework and are integrated into the Bank's capital / liquidity planning and risk management processes. The results of stress tests are used both as an input into the process of establishing the Bank's risk appetite and reviewing of the internal limits as well as a planning tool to determine the effectiveness of new and existing business strategies and their impact on the capital utilization and liquidity position.

6 Credit Risk

6.1 General Information

Credit risk arises from the potential weakness of borrowers' or counterparties' to repay their debts on time as they arise from their loan obligations to the Bank. The Bank is exposed credit risk to in view of its business model as well as the volatility experienced in the environment in which the Bank operates due to macroeconomic factors.

In managing its exposure to credit risk, the Bank has developed the Credit Risk Management Framework which comprises a series of credit risk policies, procedures systems and models for the continuous, timely and systematic monitoring of the loan portfolio and the identification, measurement, management, monitoring and validation of credit risk, in line with the relevant supervisory guidelines as well as the Bank's credit risk appetite and respective limits. The Credit Risk Management Framework is being continuously reviewed and enhanced so as to:

- Include any updates issued by the regulatory authorities;
- Take into consideration the macroeconomic and political environment;
- Facilitate the portfolio management and the decision-making processes;
- Contribute towards the prevention of any potential negative effects on the Bank's financial results.

The Bank's credit risk appetite expresses the level of credit risk that the Bank is willing to assume in order to achieve its business objectives and is among the key contributors in the business planning process, promoting the appropriate alignment of corporate strategy, capital allocation and risk. It is expressed via a set of minimum quantitative metrics and qualitative statements.

Furthermore, the Bank uses internal rating / scoring systems for its loan portfolios in order to evaluate and classify both performing and non-performing exposures. The internal rating / scoring systems and the resulting parameters are validated by the Credit Risk Models Validation Department on a regular basis, as part of the Bank's internal assessment process.

6.2 Credit Risk Governance

The principles of the Credit Risk Management Framework are implemented through an appropriate governance and organizational structure based on the "three lines of defense" model which establishes distinct roles and responsibilities across functions and committees and covers all credit risk areas involved. The first line of defense comprises the Business and Operations Units, the second line consists of the Credit Risk Division and the Credit Risk Model Validation Department and the third line of defense is the Internal Audit Division.

6.2.1 Credit Risk Division

The management of credit risk is undertaken by the Credit Risk Division under the supervision of the Bank's CRO and is assigned with the following responsibilities:

- The establishment of the Bank's credit risk appetite and credit risk policies;

- The active monitoring of the Bank's credit risk profile relative to its credit risk appetite limits;
- The assessment of any credit risk limit breaches;
- The independent measurement, analysis and monitoring of risks as well as the development, monitoring and implementation of relevant credit risk management models;
- The facilitation of the quarterly process of the impairment calculation of credit exposures, including the responsibility to ensure the adequacy of the loan portfolio impairments in line with IFRS 9 requirements;
- The monitoring and submission of regulatory and internal reports on the Bank's credit portfolio, including the determination of single name limits as well as portfolio limits for specific industries and countries; and
- The performance of credit controls to assess the quality of the loan portfolio and to ensure that the first line of defense operates within the framework set for the effective management of credit risk.
- The assessment of material new wholesale lending proposals in terms of credit risk, their impact on capital ratios and Risk Appetite limits.

Dedicated departments within the Credit Risk Division develop credit rating and evaluation models which meet the regulatory and institutional requirements and ensure that these are available for day-to-day credit processing by the Business Units. A separate Department is responsible for validating the credit risk rating systems and models and has direct reporting line to the CRO of the Bank.

6.2.1.1 Credit Risk Model Validation Department

The Credit Risk Model Validation Department was established to reinforce the Bank's second line of defense and is charged with the responsibility for the continuous monitoring and statistical validation of the Bank's credit risk models, ensuring their robustness and reliability. In particular, it undertakes the validation of the models used for the measurement and evaluation of the Bank's credit risk in accordance with the Model Risk Management Framework which is based on the supervisory framework and international best practices.

6.2.2 Credit Risk Committee

The Credit Risk Committee oversees the Bank's credit risk activities and the implementation of the relevant strategy. It is primarily responsible for evaluating the adequacy and effectiveness of the Bank's credit risk management including credit risk taking, monitoring and management by business line, geographical area, product activity, sector etc., as well as for the approval of recommendations on the implementation of actions aimed towards the mitigation of the Bank's exposure to credit risk.

The CRC provides initial approval of the quarterly results of the loan impairment test process prior to their submission to the Board Risk Committee and final approval by the Bank's Board of Directors. Further to the above the Committee is notified in regards to the following:

- The development and update of credit risk models.
- The validation results of the credit risk models.
- The progress made on projects related to supervisory guidelines as well as projects which are important to the Bank and related to Credit Risk
- Updates performed on the Credit Risk Policies and Bank's Risk and Capital Strategy document subsequently to their approval by the Bank's Board of Directors

- Monitoring of the Bank's credit risk appetite.
- The reports submitted by the Risk Management Unit to the Board of Directors and the BRC.
- The results derived by credit risk stress tests.
- The results of credit controls performed. The Committee may request a specific time plan from the responsible Units for compliance with the relevant recommendations.
- Evaluation of important findings arising from the reviews performed by internal or external auditors related to the credit policy and credit risk management.
- Review of the results and decisions on required actions on issues stemming from external evaluation processes / audits including the SREP and SSM Audits.

The members of the Credit Risk Committee are the following:

- Chief Executive Officer (Chairman of the Committee);
- Chief Risk Officer;
- Senior General Manager – COO;
- Chief Financial Officer; Credit Risk Manager
- General Manager Wholesale
- Chief Retail Banking Officer
- Chief Wealth and International Banking Officer

6.3 Credit approval process

The Bank, following international best practices and taking into consideration the prevailing institutional framework set by legislation, regulations, ministerial decrees / decisions, etc., has established a robust Credit Risk Management Framework, in which the key principles and guidelines, the procedures and actions followed and the responsibilities of all related Units and officers are clearly defined based on the "four eyes principle".

6.3.1 Wholesale Banking

Within this context, all wholesale banking credit proposals are prepared by the Business Units, are reviewed by the Credit Units and are subsequently forwarded for assessment and final decision to the respective Credit Committee based on the total credit exposure, the borrower risk rating, the provided collaterals and the environmental and social risk evaluation. For material wholesale banking exposures a risk opinion is prepared by the Risk Management Unit of the Bank.

There are three (3) Wholesale Banking Credit Committees, with escalating credit approval levels, whose main responsibility involve the review and evaluation of credit requests of companies or group of companies under the competence of Wholesale Banking Units, based on specific criteria and conditions set out in the International Network Wholesale Banking Credit Manual. These Committees are the following:

- Wholesale Banking Country Credit Committee I;
- Wholesale Banking Country Credit Committee II;
- Wholesale Banking Country Credit Committee III.

Wholesale Banking Arrears Committees

The Wholesale Banking Arrears Committees review and evaluate requests of debtors with non-performing exposures under the competence of the Asset Strategic Remedial Management Unit based on specific criteria and conditions set out in the Wholesale Arrears Management Policy.

The Arrears Committees are divided into the following categories:

- Wholesale Banking Country Arrears Committee I;
- Wholesale Banking Country Arrears Committee II.

6.4 Credit quality of exposures

6.4.1 Definitions

In analyzing the Bank's exposures subject to credit risk, the following definitions are relevant:

6.4.1.1 Performing exposures

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

- The exposure is less than 90 days past due;
- No legal actions have been undertaken by the Bank against the exposure;
- It is not assessed as Unlikely to Pay ("UTP") as defined in section 6.4.1.5;
- It is not classified as credit impaired;

or

- The exposure is classified as Forborne Performing Exposure ("FPE"), as defined in the Commission Implementing Regulation (EU) 2021/451 of 17 December 2020 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to supervisory reporting of institutions and repealing Implementing Regulation (EU) No 680/2014.

6.4.1.2 Past due exposures

Past due exposures are defined as exposures that are materially more than one (1) day past due (i.e. the sum of the principal, interest and charges / commissions that is over one day past due at the account level).

6.4.1.3 Non-Performing exposures

An exposure is considered as Non-Performing when at least one of the following criteria apply at the time of the credit risk rating assessment:

- The exposure is materially more than 90 days past due (NPL).

  The amount due exceeds EUR 100 for Retail Banking Exposures or EUR 500 for Wholesale Banking Exposures and the amount due exceeds 1% of the total on balance sheet exposures.
- Legal actions have been undertaken by the Bank – Legal (NPL);
- The exposure is classified as Forborne Non-Performing Exposure ("FNPE"), as defined in the Commission Implementing Regulation (EU) 2021/451 of 17 December 2020 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to supervisory reporting of institutions and repealing Implementing Regulation (EU) No 680/2014;
- It is assessed as UTP.

6.4.1.4 Forborne exposures

An exposure is considered forborne if there is a significant modification of initial contractual terms by granting more favorable terms (concession) or partial or total refinancing of current outstanding debts (Refinancing) to borrowers with financial difficulty.

Financial difficulty is defined as the situation where borrowers are unable to comply or are about to face difficulties in servicing their credit obligations as per the current loan repayment schedule due to the worsening of their financial status.

6.4.1.5 Unlikeliness to Pay

An exposure is flagged as “Unlikely to Pay” when the Bank assesses that the borrower is unlikely to fully meet their credit obligations, without recourse to actions such as liquidation of collateral, regardless of the existence of any past due amount or the number of days past due. Exempted are cases where the collateral is part of the production and trade chain of the borrower (e.g., properties for Real Estate companies, corporate shares for Holding companies).

Wholesale Banking

For Wholesale Banking exposures, the procedure is distinguished in two pillars:

- Events are determined upon the occurrence of which the exposure is classified as non-performing without any assessment needed by any Credit Committee (Hard UTP Triggers);
- Triggers are determined upon the occurrence of which the obligor is assessed by the relevant Wholesale Banking Credit Committee to decide whether the borrower’s exposures should be assessed as non-performing (Soft UTP Triggers).

  This assessment takes place when

  - evaluating requests for granting new credit facilities (to existing or new customers)
  - evaluating requests for modification/refinancing existing customer facilities
  - reviewing the borrower’s credit limits depending on its credit ratings and in accordance with the International Wholesale Banking Credit Manual.
  - triggers are identified (at any time)

  If a borrower is flagged as UTP, then their credit risk rating should be D (Default) according to Bank’s rating system or 5 Default for Borrowers assessed using Slotting Models and their credit facilities are categorized as Non Performing. If a borrower flagged as UTP belongs to a group of companies, then the group should also be assessed by the competent Credit Committee for the existence or not of UTP triggers.

Wholesale Banking – Hard UTP triggers

For Wholesale Banking exposures the following Hard UTP triggers apply:

- Loan is accelerated or called / Institution has called any collateral including a guarantee / Lawsuit, execution or enforced execution in order to collect debt.
- License withdrawal of particular importance to companies which require public authorisation to carry out their activities, such as banks and insurance companies. Indicatively, the same applies to technical and construction companies, as well as companies operating, amongst others, in the telecommunications, pharmaceutical, mining, transport, food, chemical, petroleum, recycling and media sectors.

- Refinancing / extension of loans whose lifetime exceeds the economic lifetime of the funded investment.
- Fraud cases.
- Exceeding the minimum acceptable contractually agreed Loan-to-Value (“LTV”) for loans collateralized with securities such as bonds, shares, etc. (Margin Financing).
- Disappearance of an active market for the obligor’s financial instruments held by the Bank.
- Write- or restructuring with partial debt forgiveness.
- The credit institution or the leader of consortium starts bankruptcy / insolvency proceedings.
- Out-of-court settlement / negotiation between banks and the borrower for settlement / debt repayment of borrowers which are under bankruptcy proceedings (application for the bankruptcy).
- The borrower has requested to enter into bankruptcy or insolvency status (application for the bankruptcy).
- A bank has initiated bankruptcy or insolvency proceedings.
- Sale of Credit Obligation
- Diminished Financial obligations with NPV Loss exceeding 1%.
- There are strong indications that the borrower is unable to meet his debt obligations (e.g. termination of business).
- Cured FPL exposure where Days past Due exceed 30 days (30+dpd) (at facility level)
- Cured FPL exposures where new forbearance measure is granted (at facility level)
- The Borrower is under Asset Strategic Remedial Management Unit’s monitoring
- Writ of execution for an obligor

Wholesale Banking – Soft UTP triggers

Additionally, for Wholesale Banking exposures, the following Soft UTP triggers exist:

- Exposures that were modified by providing a “balloon” payment while the initial terms of the loan agreement did not include this repayment method, as well as exposures whose initial terms of the respective loan agreement included a “balloon” payment and were modified by increasing the “balloon” amount with a simultaneous reduction of the current instalment.
- Multiple modifications of the same exposure.
- Deterioration of the leverage ratio (Debt-to-Equity).
- An exposure was purchased or sold with deep discount that reflects the low credit quality of the borrower (at obligor level).
- The debt service coverage ratio (“DSCR”) indicates that debt is not viable.
- Loss of an important customer or lessee representing a significant percentage of the turnover or the total property income, respectively.
- A turnover decrease resulting in a cash flows reduction.
- An affiliated customer, representing at least 20% of turnover, has applied for bankruptcy.
- An external auditor report with qualified or adverse opinion that results to significant deterioration of key financial ratios of the borrower and to worsened estimated future cash flows of the borrower.

- It is expected that an exposure with repayment at maturity or a due instalment cannot be refinanced under current market conditions.
- The borrower has breached the financial covenants of the loan agreement.
- There is significant deterioration in the activity prospects of the sector in which the borrower operates.
- Adverse changes in the ownership structure or the management of the company or serious administrative problems.
- A third party (excluding banks) has initiated bankruptcy or insolvency proceedings (application for Bankruptcy).
- Overdue payments to Tax Authorities and Social Security Funds.
- Disappearance of an active market for the borrower's financial instruments, not held by the Bank.
- Diminished Financial obligations with NPV Loss less than or equal to 1%
- Defaulted exposures in Alpha Bank Group.
- Cured FPL exposure where Days past Due exceed 30 days (30+dpd) (at obligor level)
- Cured FPL exposure where new forbearance measure is granted (at obligor level)

Retail Banking the procedure is distinguished in two pillars

For Retail Banking exposures, the following procedure is adhered to:

- Events are determined upon the occurrence of which the exposure is classified as non-performing without any assessment needed by any Credit Committee (Hard UTP Triggers);
- Triggers are determined upon the occurrence of which the obligor is assessed by the relevant Committee to decide whether the borrower's exposures should be classified as non-performing (Soft UTP Triggers).

  The soft UTP assessment takes place during the assessment of a forbearance request by the competent Retail Banking Arrears Committee. If an exposure is considered UTP, then it is flagged as non-performing in the Bank's systems.

Retail Banking – Hard UTP triggers

For Retail Banking exposures the following Hard UTP triggers exist:

- The borrower has gone bankrupt.
- Fraud cases
- The borrower has passed away.
- Denouncement of loan agreement.
- Legal actions, sale or judicial sale have been initiated in order to collect the debt (e.g. foreclosure measures against debt collection).
- Debt forgiveness / Write-off amount.
- Diminished Financial obligations with NPV Loss exceeding 1%
- Diminished Financial obligations with NPV Loss less than or equal to 1% and Balloon payment surpasses 20%
- Diminished Financial obligations with NPV Loss less than or equal to 1% and non-payment of principal above 1 year

- Diminished Financial obligations with NPV Loss less than or equal to 1% and multiple restructurings
- Obligor restructuring request is rejected
- Cured FPL exposure where Days past Due exceed 30 days (30+dpd)
- Cured FPL exposures where new forbearance measure is granted

Retail Banking – Soft UTP triggers

Additionally, for Retail Banking exposures the following Soft UTP triggers exist:

- The borrower has other exposures in the Bank in default.
- The borrower is unemployed.
- The borrower is the sole owner of a company with exposures in default which have been personally guaranteed.
- Inadequate Borrower's financials
- License Withdrawn

6.4.1.6 Curing of non-performing exposures

Non-performing exposures are reclassified to performing status, when concerns regarding the ability of the borrower to meet their contractual obligations are eliminated (absence of concern).

In general, the exit criteria implemented by the Bank are in line with the provisions of the Commission Implementing Regulation (EU) 2021/451 of 17 December 2020 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to supervisory reporting of institutions and repealing Implementing Regulation (EU) No 680/2014.

6.4.1.7 Defaulted exposures

An exposure is considered as Default when the criteria specified by the definition of Non – Performing Exposures are met.

6.4.1.8 Credit impaired exposures

An exposure is considered credit impaired when the criteria specified by the definition of non-performing exposures are met.

6.4.2 Expected Credit Loss Estimation Methodology

The Bank recognizes, on a quarterly basis, a provision for expected credit losses on loans and advances to borrowers not measured at fair value through profit or loss as well as on letters of guarantee, letters of credit and undrawn loan commitments.

The Loan Impairment Methodology is common and applicable to both the Wholesale and Retail Banking portfolios.

6.4.2.1 Portfolio classification in stages based on credit risk (staging)

Following its initial recognition, an exposure is classified into stages based on its credit risk characteristics. Specifically, the classification of loans into stages is based on the change in their credit quality since initial recognition. In view of the above, upon initial recognition, the Bank must determine whether an exposure is considered credit impaired (Credit Impaired at Initial Recognition).

Purchased or Originated Credit Impaired (“POCI”) exposures include the following:

- Exposures which at the time of purchase meet the criteria of non-performing exposures.
- Exposures for which there has been a change in repayment terms, either due to financial difficulty or not, resulting in the simultaneous derecognition of the initial credit exposure and recognition of a newly originated credit impaired asset (POCI), except for wholesale banking exposures whose derecognition is the result of a change in obligor, in which case the creditworthiness of the new obligor is re-assessed.

The calculated expected credit losses of POCI exposures are the lifetime losses.

The staging of exposures not classified as POCI is performed as follows:

- Stage 1 includes performing credit exposures which have no significant increase in credit risk (“SICR”) since initial recognition date. The expected credit losses are recognised based on the probability of default within the next twelve months, and the assessment is carried out on a collective basis.
- Stage 2 includes performing credit exposures which have exhibited significant increase in credit risk since initial recognition date. The expected credit losses calculated are the lifetime losses and the assessment is performed on a collective basis.
- Stage 3 includes the non-performing / defaulted credit exposures. The expected credit losses calculated are the lifetime losses and the assessment is performed on a collective or an individual basis.

All possible movements between Stages of credit risk are presented below:

- An exposure which has been classified in Stage 1 in previous quarter of reference could be classified either in Stage 1 in the next reporting quarter, if the credit risk has not deteriorated and the exposure is still performing, or in Stage 2, if the exposure is still performing but the credit risk has deteriorated, or in Stage 3 if the exposure is non-performing / defaulted.
- An exposure which has been classified in Stage 2 in previous quarter of reference could be classified either in Stage 1 in the next reporting quarter, if the exposure is performing and does not meet any of the SICR criteria and in particular, in the case of forborne performing exposures, if the exit criteria from the two-year probation period are met. It could also remain in Stage 2, if the credit risk has not substantially changed, or be transferred to Stage 3, if the exposure is non-performing / defaulted.
- An exposure which has been classified in Stage 3 in previous quarter of reference could be classified either in Stage 1 in the next reporting quarter, if the exposure is performing and does not meet any of the SICR criteria, or transferred in Stage 2, if it is no longer considered as non-performing, or remain in Stage 3, if it is still non-performing / defaulted.

6.4.2.2 Significant Increase in Credit Risk

For the timely identification of significant increase in credit risk for an Exposure after the initial recognition (“SICR”) leading to the calculation of lifetime credit losses of the exposure instead of twelve months credit losses, the risk of default at the reference date is compared to the risk of default at the initial recognition date for all Performing Exposures, including those with no days past due (Delinquencies).

The assessment to determine whether an exposure demonstrates a significant increase in credit risk is based on the following types of indicators:

- **Quantitative Indicators**: They refer to the use of quantitative information and more specifically, to the comparison between the PD at the reference date and the PD at initial recognition date. The assessment of significant increase in credit risk takes into consideration the absolute and the relative increase of the annualised PD between the reference date and the initial recognition date. The relative increase can range between 60%-200% and the absolute increase can range between 1%-3%. Additionally, the Credit Risk Rating is taken into account separately as a criterion for determining the SICR

  In relation to exposures transferred from Alpha Bank S.A, the SICR assessment is based on the increase of PD (between the reporting date and the initial recognition date) where the increase can range between 75% and 200% Additionally, the Credit Risk Rating is taken into account separately as a criterion for determining the SICR.

  It is noted that the established critical points – both for the absolute and relative increase- are validated on an annual basis, in order to confirm their correct application and to confirm that the established criteria have sufficiently identified the significant increase in credit risk.

  In addition, for specialized lending portfolios (Structured Finance, Shipping Finance and Income Producing Real Estate ("IPRE")), a deterioration of the respective slotting grade since initial recognition to Category 4 (high risk zone), is considered an indication of SICR. (applies also to Alpha Bank S.A exposures).

- **Qualitative Indicators**: They refer to the use of qualitative information which is not necessarily reflected in the PD, such as the classification of an exposure as performing forborne (subject to a two-year probation period according to the EBA ITS) or the existence of financial difficulties). Additional qualitative indicators for the Wholesale Banking and Retail Banking portfolios are included within the Bank's early warning mechanism according to which, depending on the assessment performed, an exposure may be considered to experience significant increase in credit risk.

- **Other Indicators (Backstop Indicators)**: In addition to the abovementioned types of indicators, the Bank considers, by definition, that SICR occurs when exposures exhibit more than 30 days past due. In this way, the Bank also addresses cases for which no indication of significant deterioration in credit risk exists based on the quantitative and qualitative indicators.

6.4.2.3 Types of impairment assessment

Expected credit losses are calculated on a quarterly basis at the account-level with the assessment of exposures being undertaken either individually or collectively.

6.4.2.3.1 Exposures subject to Individual Assessment

The Expected Credit Losses calculation is carried out either on an individual basis, taking into account the significance of the exposure, the fact that certain exposures do not share common credit risk characteristics and the existence or not of sufficient historical data, or on a collective basis.

The following Wholesale Banking exposures are assessed individually for provisioning:

- Borrowers with at least one non-performing exposure whose Customer General Limit in the Bank exceeds the amount of €750.000.
- Specialized Lending exposures (e.g. Shipping loans, Structured / Project Finance and IPRE), in case there is at least one Non- Performing Exposure, regardless of the Customer General Limit.

- Exposures which do not share common characteristics with other loan exposures and for which there is lack of relevant and sufficient historical data to facilitate collective assessment, may be individually assessed.

The following Retail Banking exposures are assessed individually for provisioning:

- Borrowers with at least one non-performing exposure and total outstanding debit balances exceeding €1,5 million.

6.4.2.3.2 Exposures subject to Collective Assessment

Collective assessment applies to credit exposures which are not individually assessed i.e., exposures classified in Stage 1 and Stage 2 as well as non-performing exposures which do not meet the criteria for individual assessment, after having been categorized based on similar characteristics of the credit risk group and the portfolio that the borrower or the credit facility belong to.

For the categorisation of credit facilities into groups with similar credit risk characteristics, the following indicative attributes are considered:

- Staging according to credit risk;
- Type of product;
- Time in default;
- Existence of collateral, taking into account the percentage of collateral coverage (Loan-to-Value);
- Credit risk rating;
- Repayment behaviour (e.g., days in arrears).
- Modification type;

The grouping of exposures is re-evaluated regularly to ensure that each group is comprised of loans with similar credit risk characteristics. The expected credit loss calculation is performed on an account level.

6.4.2.4 Expected Credit Loss calculation

The measurement of expected credit losses is performed as follows:

- For financial assets, the credit loss is equal to the present value of the difference between:
  - (i) the contractual cash flows; and
  - (ii) the cash flows that the Bank expects to receive.
- For undrawn revolving loan commitments, the credit loss is equal to the present value of the difference between:
  - (i) the contractual cash flows that are due if the holder of the loan commitment draws down the loan; and
  - (ii) the cash flows that the Bank expects to receive if the loan is drawn down.
- For letters of guarantee and letters of credit, the loss is equal to the difference between the payments expected to be made in reimbursing the beneficiary for an incurred credit loss and any amounts that the Bank expects to receive from the holder.

6.4.2.4.1 Credit Risk parameters

The mechanism for the expected credit loss calculation is based on the following credit risk parameters, which are generated via the use of statistical models and techniques that are based on historical data.

6.4.2.4.1.1 Probability of Default

It is an estimate of the probability of a borrower or exposure defaulting over a specific time horizon. Credit Risk Models / Ratings constitute the main input in order to determine the probability of default. The Bank uses statistical models in order to analyze the collected data and make estimates of the remaining probability of default over the life of the exposures and how they will evolve over time based, among other things, on macroeconomic variables.

Wholesale portfolio

In estimating the PD for the wholesale portfolio, the credit rating models of credit risk are informed by a series of parameters which can be grouped as follows:

- Financial Analysis: The borrower's financial capability (liquidity indicators, debt-to-revenue etc.);
- Competitors' analysis: The borrower's comparative position in the market in which it operates, mainly in relation to its competitors;
- Current and historical behavioural data of the borrower either towards the Bank or towards third parties (delinquencies, repayment behaviour, etc.); and
- Qualitative characteristics of the borrower (strong and sound management, management succession, appropriate facilities and equipment, etc.).

As regards Specialized Lending, the PD is estimated at the facility level based on dedicated expert based models.

Retail portfolio

In estimating the PD of an account for the retail portfolio, credit risk behavioural models have been utilised which, depending on the portfolio, assess a series of parameters which can be grouped as follows:

- Loan type (product).
- Loan behavioural characteristics in the last period such as, payments made, delinquencies (e.g., overdue amount, past due days), the outstanding balance, type of transaction, the credit limit usage.

6.4.2.4.1.2 Exposure at default

Exposure at default ("EAD") is an estimate of the amount of the exposure at the time of the default. The approved credit limits which have not been fully disbursed represent a potential credit exposure and are converted into a credit exposure equal to the approved undrawn credit limit multiplied by a Credit Conversion Factor ("CCF").

6.4.2.4.1.3 Loss given Default

Loss given default ("LGD") is an estimate of the loss which will occur if the default occurs at a given time. It is based on the difference between the contractual cash flows due and those expected to be received, including the liquidation of collaterals (if they exist), the curing probability and the cash recoveries based on historical data.

For unsecured loans, the LGD considers expected recovery rates which vary throughout the recovery period as well as the curing probability and the probability to modify.

Expected recoveries from tangible collateral take into account the following inputs:

- The most recent valuation of collateral (collateral valuation updated within the year);
- The time required for the liquidation or sale of the collateral which is 7,5 years for collectively assessed exposures; For individually assessed exposures the respective time period, in most cases, varies between 3-5 years, depending on the specific characteristics of the collateral, the status of actions, as well as the specific facts and circumstances of each case);
- The expected market value of tangible collateral at the time of liquidation / sale that is based on the expected future evolution of property prices and the expected sale price.

The liquidation haircut on the value of real estate collateral used in the collective impairment calculation amounts to 25% (including sale costs), whilst the corresponding haircut used in the individual impairment assessment varies depending on the specific characteristics and circumstances of each case.

The expected cash flows are discounted using the original effective interest rate of the exposure.

Lastly, it is noted that for exposures secured with tangible collateral, the LGD may vary under each macroeconomic scenario used.

With respect to cure rate estimates, statistical models have been developed for the retail portfolio, based on historical observations, which incorporate the effect of the macroeconomic environment through relevant indicators (unemployment, annual percentage change of GDP).

For exposures transferred from Alpha Bank S.A, more representative assumptions are considered based on the input provided by Alpha Bank S.A..

6.4.2.4.2 Incorporation of forward-looking information

The Bank calculates expected credit losses based on the weighted probability of three alternative scenarios. Specifically, the Bank uses forecasts of macroeconomic variables which affect the level of expected credit losses of the loan portfolio, under a baseline and two alternative macroeconomic scenarios - an upside and adverse scenario - and generates the associated cumulative probabilities.

The macroeconomic variables that were assessed in relation to their impact on the level of expected credit losses are the Gross Domestic Product (“GDP”), the unemployment rate, the inflation as well as the forward-looking prices of residential and commercial real estate.

The forecasted average year-on-year (“YoY”) percentage change in real GDP and property price indices as well as the projected average unemployment rate for the period 2024 – 2026 for the Cypriot economy as at 31.12.2023, are the following:

Cypriot Economy	2024 - 2026		
	Adverse Scenario	Baseline scenario	Upside Scenario
Change in Real GDP	1,1%	3,0%	4,8%
Unemployment Rate	7,6%	5,7%	3,9%

Change in Residential Real Estate Prices	1,0%	3,2%	5,6%
Change in Commercial Real Estate Prices	-0,5%	1,3%	2,9%

Table 15: Forecasts of the relevant macroeconomic variables for the Cypriot economy as at 31.12.2023

Similarly, the forecasted average YoY percentage change in real GDP and property price indices as well as the projected average unemployment rate for the period 2024 – 2026 for the Greek economy as at 31.12.2023 that are considered for the expected credit loss calculation of exposures transferred from Alpha Bank S.A, are the following:

Greek Economy	2024 - 2026		
	Adverse Scenario	Baseline scenario	Upside Scenario
Change in Real GDP	0,1%	2,0%	3,9%
Unemployment Rate	10,9%	9,0%	7,2%
Change in Residential Real Estate Prices	0,5%	3,4%	6,4%
Change in Commercial Real Estate Prices	0,4%	2,0%	3,8%
Inflation	3,5%	2,5%	1,5%

Table 16: Forecasts of the relevant macroeconomic variables for the Greek economy as at 31.12.2023

The production of the baseline scenario, supported by a consistent economic description, serves as the starting point and constitutes the most likely scenario according to the current economic conditions and the Bank's basic assessment of the course of the economy.

The cumulative probabilities attached to the macroeconomic scenarios indicate that the economy performs better or worse than forecasts of the baseline scenario and the alternative scenarios i.e., the upside and the adverse scenarios. For each of the alternative scenarios, the expected credit loss is calculated and weighted by the probability of each scenario in order to calculate the weighted expected credit loss.

The cumulative probability assigned to the baseline scenario for the Cypriot economy is 70%, while a cumulative probability of 15% is assigned to the adverse as well as the upside scenarios.

As regards the Greek economy, the cumulative probability assigned to the corresponding baseline scenario is 60% while a cumulative probability of 20% is assigned to the adverse as well as the upside scenario.

It is noted that as regards the expectation of future prices of residential and commercial real estate considered during 2023, the Bank used forecasts generated by statistical models that were provided by a third party which specialises in the real estate market.

Post model Adjustments (PMA)

Management proceeds, when deemed necessary, to additional adjustments which cannot be captured by the expected credit losses internal models at the specific point in time. These adjustments are recognized by the Bank after detailed review of the results that the expected credit losses internal models calculated, market and/or data that cannot be incorporated in the internal models due their nature.

The Bank implements a robust internal process and governance framework to timely recognize any required adjustment as well support the management, the calculation and application of these adjustments.

The Bank's governance framework requires such adjustments to be adequately documented and approved by the Bank's appropriate authorization levels.

On a regular basis and at least on each reporting period, the Bank examines whether the PMA have a more permanent impact and there is the necessary historical data in order to incorporate it in the expected credit losses internal models.

In this context and considering the inflationary pressures and the increase in lending costs/interest rates which have affected both the households and the corporates, along with the uncertainty with regards to the macroeconomic outlook, the Bank has established an accumulated PMA as of 31.12.2023 of € 5.9mil.

6.4.3 Inherent Model Risk

The Bank, recognising the existence of inherent model risk emanating from the complexity of credit risk models and their dependence on credit risk parameters which are, in turn, estimated based on other models, has adopted the Model Risk Management Framework of the Group, which includes the principles governing the Development of Credit Risk Models Policy and the Credit Risk Model Validation Framework.

In this context, the Credit Risk Model Validation Department of the Bank undertakes an independent validation of all credit risk models which are used for the purpose of calculating the IFRS 9 expected credit losses.

6.4.4 Analysis of exposures' credit quality

The following tables provide a breakdown of the Bank's loans and advances and debt securities by residual maturity as at 31.12.2023 and 31.12.2022.

Template EU CR1-A: Maturity of exposures (in EUR million)						
31 December 2023	Net exposure value					
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
Loans and advances	-	130	143	720	-	993
Debt securities	-	90	470	122	-	682
Total	**-**	**220**	**613**	**842**	**-**	**1.675**

Table 17: Template EU CR1-A: Maturity of exposures - 31 December 2023

Template EU CR1-A: Maturity of exposures (in EUR million)						
31 December 2022	**Net exposure value**					
	On demand	**<= 1 year**	**> 1 year <= 5 years**	**> 5 years**	**No stated maturity**	**Total**
Loans and advances	-	145	241	635	-	1.021
Debt securities	-	63	430	85	-	578
Total	**-**	**208**	**671**	**720**	**-**	**1.599**

Table 18: Template EU CR1-A: Maturity of exposures - 31 December 2022

The tables below disclose the gross carrying amounts of defaulted and non-defaulted exposures to non-financial corporations and their related accumulated impairment and negative fair value changes due to credit risk per industry as at 31.12.2023 and 31.12.2022.

Template EU CQ5: Credit quality of loans and advances to non-financial corporations by industry (in EUR million)						
31 December 2023	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which loans and advances subject to impairment		
			Of which defaulted			
Agriculture, forestry and fishing	1	-	-	1	-	-
Mining and quarrying	3	-	-	3	-	-
Manufacturing	44	1	1	31	1	-
Electricity, gas, steam and air conditioning supply	23	-	-	23	-	-
Water supply	-	-	-	-	-	-
Construction	109	4	4	109	2	-
Wholesale and retail trade	61	1	1	61	1	-
Transport and storage	36	-	-	36	-	-
Accommodation and food service activities	54	-	-	54	1	-
Information and communication	1	-	-	1	-	-
Financial and insurance activities	-	-	-	-	-	-
Real estate activities	58	-	-	58	-	-
Professional, scientific and technical activities	7	-	-	7	-	-
Administrative and support service activities	8	-	-	8	1	-
Public administration and defense, compulsory social security	-	-	-	-	-	-
Education	-	-	-	-	-	-
Human health services and social work activities	1	-	-	1	-	-
Arts, entertainment and recreation	-	-	-	-	-	-
Other services	3	-	-	3	-	-
Total	**409**	**6**	**6**	**396**	**6**	**-**

Table 19: Template EU CQ5: Quality of loans and advances to non-financial corporations by industry - 31 December 2023

Template EU CQ5: Credit quality of loans and advances to non-financial corporations by industry (in EUR million)						
31 December 2022	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which loans and advances subject to impairment		
			Of which defaulted			
Agriculture, forestry and fishing	1	-	-	1	-	-
Mining and quarrying	3	-	-	3	-	-
Manufacturing	49	0	0	35	-	-
Electricity, gas, steam and air conditioning supply	26	-	-	26	-	-
Water supply	-	-	-	-	-	-
Construction	117	4	4	117	1	-
Wholesale and retail trade	54	1	1	54	1	-
Transport and storage	56	-	-	56	-	-
Accommodation and food service activities	40	-	-	40	2	-
Information and communication	1	-	-	1	-	-
Financial and insurance activities	-	-	-	-	-	-
Real estate activities	58	0	0	58	-	-
Professional, scientific and technical activities	6	0	0	6	1	-
Administrative and support service activities	6	-	-	6	-	-
Public administration and defense, compulsory social security	-	-	-	-	-	-
Education	0	-	-	0	-	-
Human health services and social work activities	1	-	-	1	-	-
Arts, entertainment and recreation	-	-	-	-	-	-
Other services	1	-	-	1	-	-
Total	**419**	**5**	**5**	**405**	**4**	**-**

Table 20: Template EU CQ5: Quality of loans and advances to non-financial corporations by industry - 31 December 2022

The tables below disclose the gross carrying amounts of defaulted and non-defaulted exposures and their related accumulated impairment, provisions, and negative fair value changes due to credit risk per significant geographical area as at 31.12.2023 and 31.12.2022.

Template EU CQ4: Quality of non-performing exposures by geography (in EUR million)							
31 December 2023	Gross carrying / nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which subject to impairment			
			Of which defaulted				
On-balance sheet exposures	**3.348**	**71**	**71**	**2.023**	**29**		**-**
Cyprus	2.302	50	50	1.005	21		-
Greece	519	-	-	496	1		-
United Kingdom	124	17	17	124	6		-
Other EU countries	238	1	1	235	-		-
Other countries	165	3	3	163	1		-
Off-balance sheet exposures	**179**	**2**	**2**			**3**	
Greece	157	2	2			3	
United Kingdom	19	-	-			-	
Romania	-	-	-			-	
Cyprus	-	-	-			-	
Other EU countries	3	-	-			-	
Other countries	-	-	-			-	
Total	**3.527**	**73**	**73**	**2.023**	**29**	**3**	**-**

Table 21: Template EU CQ4: Quality of non-performing exposures by geography - 31 December 2023

Template EU CQ4: Quality of non-performing exposures by geography (in EUR million)							
31 December 2022	Gross carrying / nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which subject to impairment			
			Of which defaulted				
On-balance sheet exposures	**2.894**	**51**	**51**	**1.807**	**15**		**-**
Cyprus	2.021	38	38	948	11		-
Greece	378	-	-	364	1		-
United Kingdom	120	11	11	120	3		-
Other EU countries	171	-	-	171	-		-
Other countries	204	2	2	204	-		-
Off-balance sheet exposures	**187**	**3**	**3**			**4**	
Greece	165	3	3			4	
United Kingdom	13	-	-			-	
Romania	9	-	-			-	
Cyprus	-	-	-			-	
Other EU countries	-	-	-			-	
Other countries	-	-	-			-	
Total	**3.081**	**54**	**54**	**1.782**	**15**	**4**	**-**

Table 22: Template EU CQ4: Quality of non-performing exposures by geography - 31 December 2022

Template EU CQ2: Quality of forbearance (in EUR million)		
	Gross carrying amount of forborne exposures	Gross carrying amount of forborne exposures
	31 December 2023	31 December 2022
Loans and advances that have been forborne more than twice	117	60
Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	2	1

Table 23: Template EU CQ2: Quality of forbearance

The tables below provide information on the amount and quality of forborne exposures for loans and advances, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received as at 31.12.2023 and 31.12.2022.

Template EU CQ1: Credit quality of forborne exposures (in EUR million)								
31 December 2023	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
Cash balances at central banks and other demand deposits	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**122**	**31**	**31**	**31**	**3**	**9**	**136**	**20**
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-
Non-financial corporations	102	3	3	3	2	1	100	2
Households	20	28	28	28	1	8	36	18
Debt Securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loan commitments given	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**122**	**31**	**31**	**31**	**3**	**9**	**136**	**20**

Table 24: Template EU CQ1: Credit quality of forborne exposures – 31 December 2023

Template EU CQ1: Credit quality of forborne exposures (in EUR million)								
31 December 2022	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
Cash balances at central banks and other demand deposits	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**155**	**27**	**27**	**27**	**3**	**4**	**155**	**21**
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-
Non-financial corporations	108	3	3	3	2	-	99	2
Households	47	24	24	24	1	4	56	19
Debt Securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loan commitments given	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**155**	**27**	**27**	**27**	**3**	**4**	**155**	**21**

Table 25: Template EU CQ1: Credit quality of forborne exposures – 31 December 2022

The tables below present an ageing analysis of accounting past due exposures as at 31.12.2023 and 31.12.2022.

Template EU CQ3: Credit quality of performing and non-performing exposures by past due days (in EUR million)												
31 December 2023	Gross carrying amount / nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Cash balances at central banks and other demand deposits	**1.311**	**1.311**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**1.283**	**1.277**	**6**	**71**	**10**	**9**	**12**	**13**	**21**	**2**	**4**	**71**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	333	333	-	-	-	-	-	-	-	-	-	-
Other financial corporations	2	2	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	403	403	-	6	2	-	1	1	1	-	1	6
Of which SMEs	239	239	-	6	2	-	1	1	1	-	1	6
Households	545	539	6	65	8	9	11	12	20	2	3	65
Debt securities	**683**	**683**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-

Template EU CQ3: Credit quality of performing and non-performing exposures by past due days (in EUR million)												
31 December 2023	Gross carrying amount / nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
General governments	388	388	-	-	-	-	-	-	-	-	-	-
Credit institutions	120	120	-	-	-	-	-	-	-	-	-	-
Other financial corporations	87	87	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	88	88	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	**177**			**2**								**2**
Central banks	-			-								-
General governments	-			-								-
Credit institutions	-			-								-
Other financial corporations	4			-								-
Non-financial corporations	125			2								2
Households	48			-								-
Total	**3.454**	**3.271**	**6**	**73**	**10**	**9**	**12**	**13**	**21**	**2**	**4**	**73**

Table 26: Template EU CQ3: Credit quality of performing and non-performing exposures by past due days - 31 December 2023

Template EU CQ3: Credit quality of performing and non-performing exposures by past due days (in EUR million)												
31 December 2022	Gross carrying amount / nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Cash balances at central banks and other demand deposits	**1.073**	**1.073**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**1.192**	**1.160**	**32**	**51**	**12**	**5**	**7**	**10**	**12**	**2**	**3**	**51**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	207	207	-	-	-	-	-	-	-	-	-	-
Other financial corporations	15	15	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	414	388	26	5	3	1	-	-	-	-	1	5
Of which SMEs	243	234	9	5	3	1	-	-	-	-	1	5
Households	556	550	6	46	9	4	7	10	12	2	2	46
Debt securities	**578**	**578**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	304	304	-	-	-	-	-	-	-	-	-	-

Template EU CQ3: Credit quality of performing and non-performing exposures by past due days (in EUR million)												
31 December 2022	Gross carrying amount / nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Credit institutions	106	106	-	-	-	-	-	-	-	-	-	-
Other financial corporations	95	95	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	73	73	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	**184**			**3**								**3**
Central banks	-			-								-
General governments	-			-								-
Credit institutions	-			-								-
Other financial corporations	1			-								-
Non-financial corporations	121			3								3
Households	62			-								-
Total	**3.027**	**2.811**	**32**	**54**	**12**	**5**	**7**	**10**	**12**	**2**	**3**	**54**

Table 27: Template EU CQ3: Credit quality of performing and non-performing exposures by past due days - 31 December 2022

The information disclosed in the tables below outline the amount and quality of performing, non-performing and forborne exposures for loans and advances, debt securities and off-balance sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk as well as the amounts of collateral and financial guarantees received as at 31.12.2023 and 31.12.2022.

Template EU CR1: Performing and non-performing exposures and related provisions (in EUR million)

31 December 2023	Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Cash balances at central banks and other demand deposits	**1.311**	**1.311**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**1.283**	**1.029**	**254**	**71**	**-**	**71**	**7**	**1**	**6**	**21**	**-**	**21**	**1**	**779**	**46**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	333	333	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	2	1	1	-	-	-	-	-	-	-	-	-	-	1	-
Non-financial corporations	403	264	139	6	-	6	4	-	4	2	-	2	-	291	3
of which SMEs	239	200	39	6	-	6	2	-	2	2	-	2	-	172	3
Households	545	431	114	65	-	65	3	1	2	19	-	19	1	487	43
Debt securities	**683**	**683**	**-**	**-**	**-**	**-**	**1**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Template EU CR1: Performing and non-performing exposures and related provisions (in EUR million)															
31 December 2023	Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
General governments	388	388	-	-	-	-	1	1	-	-	-	-	-	-	-
Credit institutions	120	120	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	87	87	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	88	88	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	**177**	**149**	**28**	**2**	**-**	**2**	**2**	**-**	**2**	**1**	**-**	**1**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	4	4	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	125	98	27	2	-	2	2	-	2	1	-	1	-	-	-
Households	48	47	1	-	-	-	-	-	-	-	-	-	-	-	-
Total	**3.454**	**3.172**	**282**	**73**	**-**	**73**	**10**	**2**	**8**	**22**	**-**	**22**	**1**	**779**	**46**

Table 28: Template EU CR1: Performing and non-performing exposures and related provisions - 31 December 2023

Template EU CR1: Performing and non-performing exposures and related provisions (in EUR million)															
31 December 2022	Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Cash balances at central banks and other demand deposits	**1.073**	**1.073**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**1.192**	**923**	**269**	**51**	**-**	**51**	**5**	**-**	**5**	**9**	**-**	**9**	**1**	**804**	**38**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	207	207	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	15	14	1	-	-	-	-	-	-	-	-	-	-	15	-
Non-financial corporations	414	270	144	5	-	5	3	-	3	1	-	1	-	304	4
of which SMEs	243	190	53	5	-	5	1	-	1	1	-	1	-	173	4
Households	556	432	124	46	-	46	2	-	2	8	-	8	1	485	34
Debt securities	**578**	**578**	**-**	**-**	**-**	**-**	**1**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	304	304	-	-	-	-	1	1	-	-	-	-	-	-	-
Credit institutions	106	106	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	95	95	-	-	-	-	-	-	-	-	-	-	-	-	-

Template EU CR1: Performing and non-performing exposures and related provisions (in EUR million)															
31 December 2022	Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Non-financial corporations	73	73	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	**184**	**148**	**36**	**3**	**-**	**3**	**2**	**-**	**2**	**2**	**-**	**2**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	121	86	35	3	-	3	2	-	2	2	-	2	-	-	-
Households	62	61	1	-	-	-	-	-	-	-	-	-	-	-	-
Total	**3.027**	**2.722**	**305**	**54**	**-**	**54**	**8**	**1**	**7**	**11**	**-**	**11**	**1**	**804**	**38**

Table 29: Template EU CR1: Performing and non-performing exposures and related provisions - 31 December 2022

The tables below summarises the changes in the gross amount of non-performing loans and advances as at 31.12.2023 and 31.12.2022.

Template EU CR2: Changes in the stock of non-performing loans and advances (in EUR million)		
	Gross carrying amount	**Gross carrying amount**
	31 December 2023	**31 December 2022**
Initial stock of non-performing loans and advances	51	51
Inflows to non-performing portfolios	38	29
Outflows from non-performing portfolios	(18)	(29)
Outflows due to write-offs	(1)	(1)
Outflow due to other situations	(17)	(28)
Final stock of non-performing loans and advances	71	51

Table 30: Template EU CR2: Changes in the stock of non-performing loans and advances

Template EU CR2a: Changes in the stock of non-performing loans and advances and related net accumulated recoveries (in EUR million)		
31 December 2023	**Gross carrying amount**	**Related net accumulated recoveries**
Initial stock of non-performing loans and advances	51	
Inflows to non-performing portfolios	38	
Outflows from non-performing portfolios	(18)	
Outflow to performing portfolio	(6)	
Outflow due to loan repayment, partial or total	(7)	
Outflow due to collateral liquidations	-	-
Outflow due to taking possession of collateral	(1)	-
Outflow due to sale of instruments	-	-
Outflow due to risk transfers	-	-
Outflows due to write-offs	(1)	
Outflow due to other situations	(3)	
Outflow due to reclassification as held for sale	-	
Final stock of non-performing loans and advances	71	

Table 31: Template EU CR2a: Changes in the stock of non-performing loans and advances and related net accumulated recoveries – 31 December 2023

Template EU CR2a: Changes in the stock of non-performing loans and advances and related net accumulated recoveries (in EUR million)		
31 December 2022	Gross carrying amount	Related net accumulated recoveries
Initial stock of non-performing loans and advances	51	
Inflows to non-performing portfolios	29	
Outflows from non-performing portfolios	(29)	
Outflow to performing portfolio	(17)	
Outflow due to loan repayment, partial or total	(6)	
Outflow due to collateral liquidations	-	-
Outflow due to taking possession of collateral	-	-
Outflow due to sale of instruments	-	-
Outflow due to risk transfers	-	-
Outflows due to write-offs	(1)	
Outflow due to other situations	(5)	
Outflow due to reclassification as held for sale	-	
Final stock of non-performing loans and advances	51	

Table 32: Template EU CR2a: Changes in the stock of non-performing loans and advances and related net accumulated recoveries – 31 December 2022

6.5 Credit risk mitigation

Credit risk mitigation ("CRM") techniques reduce exposure value and expected loss. According to CRR, only specific types of credit risk mitigation are eligible for capital adequacy calculation purposes.

6.5.1 Collateral valuation and management policies and procedures

Collateral can be used to mitigate the credit risk that may arise from the obligor's inability to fulfill their contractual obligations.

Collaterals include all types of assets the rights over which are granted to the Bank, either by the obligors or third parties, to be used as additional sources for the recovery of its claims.

In case of real estate loans, maximum LTV (loan amount to property commercial value) limits have been set, depending upon loan purpose and type of collateral. The amount the customer contributes to the asset being financed is a very important factor during the loan approval process since it directly affects customer's repayment ability.

In case the debtor is a private individual, the Bank seeks their insurance against death or permanent disability.

As regards wholesale borrowers, loan repayment depends on the viability and growth prospects of the company, the servicing capacity of the company and its owners, the circumstances prevailing in the sectors and markets they are active in, as well as unexpected factors affecting their operations, either positively or negatively.

Especially for tangible collaterals, the Bank entrusts independent qualified appraisers who have the necessary qualifications, ability and experience to execute the valuation as per Article 208(3)(b) of the CRR. The selection of appraisers is subject to specific criteria, while their performance is assessed on an ongoing basis.

According to the Bank's Collateral Policy, the valuation of collaterals is closely monitored. During a valuation, the property's exposure to climatic risks, such as risk of fire, flood or drought, as well as any burdensome characteristics that may affect the value of the property, are taken into account, additionally to the characteristics of the property. Depending on the right or the underlying asset on which a pledge is registered, the periodic revaluation frequency varies.

In addition to the review of collateral values, the Bank also validates collateral values on a regular basis. Through proper sampling, the Bank audits the procedures relating to the implementation of the Bank's Collateral Policy and the verification of property valuations (back-testing), on a regular basis. Audits are based on indices and individual assessments to ensure that the proper collateral valuation is captured in the Bank's core systems and controls are in place.

The information presented in the tables in section 6.5.2.3 below summarize the amount and quality of performing and non-performing credit facilities as at 31.12.2023 and 31.12.2022 with the corresponding collateral amounts and financial guarantees received by the Bank.

6.5.2 Description of the main collateral types

Collateral used to mitigate credit risk, both for mortgage and other lending is diversified. There are two broad categories of collateral:

- Guarantees; and
- Tangible collateral.

6.5.2.1 Guarantees

A guarantee constitutes a legally enforceable relationship between the Bank and the guarantor, through which the guarantor assumes the responsibility of honoring the contractual obligations of the borrower in the event where the latter defaults. It is documented and pre-supposes the existence of a legally enforceable relationship between the Bank and the borrower (principal debt).

The provided guarantees usually encountered in the banking practice include the following:

- Personal guarantees;
- Corporate guarantees;
- Credit Institutions guarantees;
- Cyprus Government guarantees;
- Guarantee Programs of the European Investment Fund ("EIF");
- Letters of Comfort.

6.5.2.2 Tangible Collateral

The most common types of tangible collateral are the following:

- Mortgages on real estate properties; and
- Pledges on commodities, deposits and cheques or claims and receivables.

To enhance the effectiveness of credit risk mitigation, all mortgages and, if applicable, pledged assets are covered by an insurance contract with the Bank designated as the beneficiary.

Tangible collateral value is estimated on a regular basis, at least annually, except for cases where the contract provides otherwise, in the case of known changes on the property or in the business process, or in the case where there are urban planning changes or other considerable factors; in the case of exceptional / unforeseen events, additional valuation can take place.

The initial real estate property valuations, are carried out through on-site appraisals and internal property inspections.

6.5.2.3 Credit risk mitigation analysis

The following tables present all CRM techniques adopted by the Bank under the accounting framework regardless of whether these techniques are recognised under CRR, including, all types of collateral, financial guarantees and credit derivatives used for all secured exposures.

Template EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques (in EUR million)

31 December 2023	Unsecured carrying amount	Secured carrying amount			
			Of which secured by collateral	Of which secured by financial guarantees	
					Of which secured by credit derivatives
Loans and advances	1.798	838	832	6	-
Debt securities	683	-	-	-	
Total	2.481	838	832	6	-

Template EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques (in EUR million)					
31 December 2023	**Unsecured carrying amount**	**Secured carrying amount**			
			Of which secured by collateral	**Of which secured by financial guarantees**	
					Of which secured by credit derivatives
Of which non-performing exposures	4	46	46	-	-
Of which defaulted	4	46			

Table 33: Template EU CR3: CRM techniques overview: Disclosure of the use of credit risk mitigation techniques - 31 December 2023

Template EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques (in EUR million)					
31 December 2022	**Unsecured carrying amount**	**Secured carrying amount**			
			Of which secured by collateral	**Of which secured by financial guarantees**	
					Of which secured by credit derivatives
Loans and advances	1.459	842	836	6	-
Debt securities	578	-	-	-	
Total	2.037	842	836	6	-
Of which non-performing exposures	4	38	38	-	-
Of which defaulted	4	38			

Table 34: Template EU CR3: CRM techniques overview: Disclosure of the use of credit risk mitigation techniques - 31 December 2022

The following tables present the risk-weighted exposure amounts, the on- and off-balance sheet exposure values by exposure class before and after the application of conversion factors and the associated credit risk mitigation (if any), as well as the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure.

Template EU CR4 – standardised approach – Credit risk exposure and CRM effects (in EUR million)						
31 December 2023	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
Exposure classes	On-balance sheet exposures	Off-balance sheet exposures	On-balance sheet exposures	Off-balance sheet exposures	RWAs	RWAs density (%)
Central governments or central banks	1.647	-	1.647	-	-	-
Regional government or local authorities	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
International organisations	43	-	43	-	-	-
Institutions	295	-	296	-	113	38
Corporates	325	107	322	26	309	89
Retail	172	69	144	11	114	74
Secured by mortgages on immovable property	481	-	479	-	2-2	42
Exposures in default	48	-	48	-	51	106
Exposures associated with particularly high risk	95	-	73	-	109	149
Covered bonds	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-
Equity	21	-	21	-	21	100
Other items	47	-	47	-	36	77
Total	**3.174**	**176**	**3.120**	**37**	**955**	**30**

Table 35: Template EU CR4: Standardised approach – Credit risk exposure and CRM effects - 31 December 2023

Template EU CR4 – standardised approach – Credit risk exposure and CRM effects (in EUR million)						
31 December 2022	**Exposures before CCF and before CRM**		**Exposures post CCF and post CRM**		**RWAs and RWAs density**	
Exposure classes	**On-balance sheet exposures**	**Off-balance sheet exposures**	**On-balance sheet exposures**	**Off-balance sheet exposures**	**RWAs**	**RWAs density (%)**
Central governments or central banks	1.351	-	1.351	-	-	-
Regional government or local authorities	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
International organisations	15	-	15	-	-	-
Institutions	283	-	283	-	109	39
Corporates	319	97	319	27	309	89
Retail	180	63	151	8	117	74
Secured by mortgages on immovable property	510	22	509	9	218	42
Exposures in default	41	-	40	-	45	113
Exposures associated with particularly high risk	102	-	80	-	120	150
Covered bonds	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-
Equity	11	-	11	-	11	100
Other items	65	-	65	-	51	78
Total	**2.877**	**182**	**2.824**	**44**	**980**	**34**

Table 36: Template EU CR4: Standardised approach – Credit risk exposure and CRM effects - 31 December 2022

Template EU CQ6: Collateral valuation - loans and advances (in EUR million)

31 December 2023	Loans and advances											
		Performing		Non-performing								
			Of which past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days						
							Of which: past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years
Gross carrying amount	1.353	1.283	6	71	11	60	9	12	13	20	3	3
Of which secured	898	833	5	65	10	55	8	11	11	19	3	3
Of which secured with immovable property	828	764	5	64	9	55	8	11	11	19	3	3
Of which instruments with LTV higher than 60% and lower or equal to 80%	225	216		9	2	7						
Of which instruments with LTV higher than 80% and lower or equal to 100%	241	230		11	1	10						
Of which instruments with LTV higher than 100%	151	115		36	4	32						
Accumulated impairment for secured assets	24	6	-	18	2	16	1	2	3	7	1	2
Collateral												
Of which value capped at the value of exposure	832	786	5	46	8	38	7	8	9	12	1	1

Template EU CQ6: Collateral valuation - loans and advances (in EUR million)

31 December 2023	Loans and advances											
		Performing		Non-performing								
			Of which past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days						
							Of which: past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years
Of which immovable property	768	723	5	45	7	38	7	8	9	12	1	1
Of which value above the cap	636	582	3	54	28	26						
Of which immovable property	515	461	2	54	28	26						
Financial guarantees received	6	6	-	-	-	-	-	-	-	-	-	-
Accumulated partial write-off	1	-	-	1	1	-	-	-	-	-	-	-

Table 37: Template EU CQ6: Collateral valuation – loans and advances - 31 December 2023

Template EU CQ6: Collateral valuation - loans and advances (in EUR million)											
31 December 2022	Loans and advances										
		Performing		Non-performing							
			Of which past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days					
							Of which: past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years
Gross carrying amount	1.243	1.192	31	51	11	40	4	7	11	13	2	3
Of which secured	1.113	1.066	24	47	10	37	3	6	10	13	2	3
Of which secured with immovable property	816	769	24	47	10	37	3	6	10	13	2	3
Of which instruments with LTV higher than 60% and lower or equal to 80%	227	221		6	1	5						
Of which instruments with LTV higher than 80% and lower or equal to 100%	190	181		9	2	7						
Of which instruments with LTV higher than 100%	202	175		27	5	22						
Accumulated impairment for secured assets	9	2	1	7	1	6	-	1	3	2	-	-
Collateral												
Of which value capped at the value of exposure	837	799	22	38	9	29	3	5	7	10	2	2

Template EU CQ6: Collateral valuation - loans and advances (in EUR million)												
31 December 2022	Loans and advances											
		Performing		Non-performing								
			Of which past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days						
							Of which: past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years
Of which immovable property	746	708	21	38	9	29	3	5	7	10	2	2
Of which value above the cap	670	649	11	21	8	13						
Of which immovable property	456	436	11	20	7	13						
Financial guarantees received	6	6	-	-	-	-	-	-	-	-	-	-
Accumulated partial write-off	1	-	-	1	1	-	-	-	-	-	-	-

Table 38: Template EU CQ6: Collateral valuation – loans and advances - 31 December 2022

The tables below disclose the stock of collateral obtained by taking possession which remains recognised in the Bank's balance sheet as at 31.12.2023 and 31.12.2022.

Template EU CQ7: Collateral obtained by taking possession and execution processes (in EUR million)				
	31 December 2023		31 December 2022	
	Collateral obtained by taking possession		Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	-	-	-	-
Other than PP&E	6	1	10	2
Residential immovable property	4	1	5	1
Commercial Immovable property	2	-	5	1
Movable property (auto, shipping, etc.)	-	-	-	-
Equity and debt instruments	-	-	-	-
Other collateral	-	-	-	-
Total	**6**	**1**	**10**	**2**

Table 39: Template EU CQ7: Collateral obtained by taking possession and execution processes

Template EU CQ8: Collateral obtained by taking possession and execution processes – vintage breakdown (in EUR million)													
31 December 2023	Debt balance reduction		Total collateral obtained by taking possession										
					Foreclosed ≤ 2 years		Foreclosed > 2 years ≤ 5 years		Foreclosed > 5 years		Of which non-current assets held-for-sale	
	Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
Collateral obtained by taking possession classified as PP&E	-	-	-	-								
Collateral obtained by taking possession other than that classified as PP&E	6	-	6	1	-	-	2	-	4	1	-	-
Residential immovable property	4	-	4	1	-	-	-	-	4	1	-	-
Commercial immovable property	2	-	2	-	-	-	2	-	-	-	-	-
Movable property (auto, shipping, etc.)	-	-	-	-	-	-	-	-	-	-	-	-
Equity and debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-	-	-	-	-	-	-
Total	**6**	**-**	**6**	**1**	**-**	**-**	**2**	**-**	**4**	**1**	**-**	**-**

Table 40: Template EU CQ8: Collateral obtained by taking possession and execution processes – vintage breakdown – 31 December 2023

Template EU CQ8: Collateral obtained by taking possession and execution processes – vintage breakdown (in EUR million)

31 December 2022	Debt balance reduction		Total collateral obtained by taking possession									
					Foreclosed ≤ 2 years		Foreclosed > 2 years ≤ 5 years		Foreclosed > 5 years		Of which non-current assets held-for-sale	
	Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
Collateral obtained by taking possession classified as PP&E	-	-	-	-								
Collateral obtained by taking possession other than that classified as PP&E	10	-	10	2	-	-	10	2	-	-	-	-
Residential immovable property	5	-	5	1	-	-	5	1	-	-	-	-
Commercial immovable property	5	-	5	1	-	-	5	1	-	-	-	-
Movable property (auto, shipping, etc.)	-	-	-	-	-	-	-	-	-	-	-	-
Equity and debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-	-	-	-	-	-	-
Total	**10**	**-**	**10**	**2**	**-**	**-**	**10**	**2**	**-**	**-**	**-**	**-**

Table 41: Template EU CQ8: Collateral obtained by taking possession and execution processes – vintage breakdown – 31 December 2022

7 Credit Concentration risk

Credit Concentration Risk is a specific form of credit risk which arises from the low degree of diversification across products, counterparties or groups of counterparties, sectors, geographical regions, or collaterals.

Credit Concentration Risk is monitored on a regular basis by the Bank both at the obligor-level / group of connected entities as well as at the business sector level, through detailed reporting to Senior Management and the Board of Directors.

In line with the supervisory framework, the Bank adopts and implements the regulatory provisions regarding Large Exposures, while the capital requirements for single-name and sector concentration risks are estimated within the context of Pillar II.

In relation to concentration risk at the level of obligor / group of connected entities, the supervisory limits are defined as follows:

- Supervisory limit of 25% on Tier 1 Capital, on which no excess is allowed;
- Supervisory limit of 10% on Tier 1 Capital, breaches of which shall be notified to the Central Bank of Cyprus.

Furthermore, the Bank's RAF includes relevant concentration risk limits which are regularly monitored by the relevant Committees in order to take timely corrective actions, where deemed necessary.

8 Environmental, Social and Governance (ESG)

8.1 Our approach towards sustainable development

Alpha Bank Cyprus is committed to investing in sustainable development and its actions are guided by environmental sustainability, social responsibility and good governance.

The Bank is in close communication with the Alpha Bank Group for the development of its Environmental, Social and Governance (ESG) ambition in line with the United Nations Sustainable Development Goals, the 2030 Agenda goals as well as the Paris Climate Agreement's targets.

Alpha Bank ESG strategy is articulated through three commitments, one for each ESG pillar.

- Support an Environmentally Sustainable Economy
- Foster healthy economies and societal progress
- Ensure robust & transparent governance

The Bank is committed to allocate 100 million euros to new sustainable lending, including 30 million euros to Renewable Energy Investments by the end of 2026. Moreover, the Bank targets zero financing to activities harming species diversity, habitats and waterbodies.

Alpha Bank is committed to maintain the certification 'Equality Employer' that is awarded by the National Certification Body of the Department of Labor Relations for the Implementation of Good Practices on Gender Equality in the Working Environment.

In terms of robust and transparent governance, the Bank ensures the diversity and independence of the Board of Directors. It maintains at least 40% female representation and more than 50% Board independence.

In 2023, the Bank continued the efforts on a number of activities on environmental impact, on employer impact, and social impact aiming to support customers and society towards an effective ESG-transition.

Alpha Bank Cyprus is committed to minimising its environmental footprint and to promoting a green economy. In this context, the Bank has adopted and promoted practices towards operational net zero, paperless banking and circular economy. Indicatively, the Bank has proceeded during 2023 with the following actions:

- Completion of the preparation of the revised energy Audit Reports
- Estimation of Scope 1 and Scope 2 GHG (Greenhouse Gas) relating emissions to own operations certified with the standard ISO 14064-1:2018 in order to set the baseline for carbon neutrality target
- Estimation of Scope 3 financed emissions using the PCAF methodology and certified with the ISO 14064-1:2018

  The Bank's emissions for 2022 and 2023 are presented below:

	GHG Emissions in CO2eq (tn)
2022	458,357.5
2023	407,661.2

- In cooperation with the Group, the Bank performed environmental and social impact assessment by voluntarily applying the Principles of Responsible Banking (PRB) impact analysis tools. For Alpha Bank Cyprus the two key impacts are: 1) Availability, accessibility, affordability, quality of resources & services and 2) Climate stability.

8.2 Sustainable Finance

Alpha Bank Cyprus aims to integrate sustainability and climate risk criteria in the decision-making processes, including strategy, risk management, lending, and operations. To this end, the Bank adopted the Group Sustainable Finance Framework (SFF) in 2023. The Framework was developed in accordance with market best practices reflected in the principles established by the International Capital Market Association and the Loan Market Association.

The Framework defines in detail the criteria and process to classify financial products and services as sustainable covering both dedicated and general-purpose financing. An external review of the Framework was conducted by an independent third party to validate the environmental and social credentials for positive contribution to the UN SDGs and to demonstrate its credibility as a tool for capital allocation decisions.

The Sustainable Finance Framework, enables the Bank to classify sustainable lending solutions offered to its customers. The Bank aims to operationalize the Sustainable Finance Framework within 2024.

8.3 Environmental, Social and Governance Risk

With the aim to adequately manage Climate and ESG risks, the Bank has:

1. Further enhanced its **Operating Model**. Indicatively:

- The Board “Nomination Committee” was renamed to “Nomination, Corporate Governance and Sustainability Committee” and was assigned the ESG related responsibilities
- Introduction of the The “Governance and Sustainability Division”
- The responsibilities of Risk Management Function were enhanced to consider ESG related risk management activities

2. Introduced the **Group’s Sustainable Finance Framework (SFF)** which follows a set of globally accepted industry guidelines. SFF is a guide that sets out a series of approaches and procedures required for classifying financing as sustainable, hence enabling the identification and categorization of sustainable activities.

Defined in its **RCS document** qualitative and quantitative statements related to ESG under each main risk**Asset Quality / Credit Risk**

The Bank is committed in integrating ESG risks into its overall risk management framework. In this context, the Bank will regularly monitor its exposure concentration to climate-sensitive sectors in its loan portfolio through the relevant indicators within its RAF tracking the level of concentration of the Bank’s loan portfolio exposures to sectors that are more sensitive to climate transition risks.

The Bank has already in place the Environmental and Social Risk Policy which sets out the following:

- Definition of critical sectors which are associated with potential environmental and social risks;
- Industry-specific exclusion list i.e., a list of industries that the Bank does not finance;
- Industry sectors associated with environmental and social risks and considered critical, albeit at different levels as indicated by the corresponding classification into High, Medium and Low risk categories;
- Compliance with the applicable national environmental and social regulations and international standards;
- Integration of environmental and social risk assessment and monitoring procedures into the existing risk management procedures.

As per the aforementioned Policy, the Bank has limited appetite towards environmental and social risk. It has therefore established specific assessment procedures as part of the credit approval process and due diligence requirements that are to be understood and met without exception before the Bank considers the granting of financial products and services to wholesale borrowers and / or the financing of projects.

The main objective of the assessment is the identification of potential risk at the point of credit granting arising from the operations of obligors that may be connected with environmental and social damage, or may impose a direct threat of such damage, having as a result a negative impact on the business operations and financial results of the Bank.

In the first quarter of 2024, the Bank proceeded with an update and renaming of the aforementioned policy **“Climate related, Environmental, Social and Governance Risk Management Policy on Bank’s Business Lending**" hereinafter referred to as the "Policy", to include the basic principles and rules regarding the assessment of climate related, environmental, social and governance risks in the context of the Bank's business lending approval process. The policy has been further enriched in regards to the following:

- Enrichment of the specific Exclusion List – relates to activities, established on specific criteria that address high climate and ESG risks, which are not funded by the Bank and the Group;
- Introduction of Climate Policy Relevant Sectors' (CPRS) List, which is a classification of economic activities in terms of transition risk assessment. In particular, it is a standardized classification of activities based on their energy technology (e.g. based on fossil fuel, or renewable energy), whose revenues could be positively or negatively affected by a disorderly transition to a low-carbon economy;
- Introduction of the “ICAP-CRIF” grading model in the assessment of clients' ESG profile and the classification into ESG risk zones;
- Further integration of environmental risk assessment and monitoring procedures into the existing risk management procedures. In this context, in the credit approval process the climate related, environmental, social and governance (ESG) risks dimension is taken into account through the overall (combination of obligor and transaction) assessment as outlined below:
    - **Obligor creditworthiness assessment**: At the moment, ESG materiality is more pronounced in the NFC portfolio, and especially towards the corporate portfolio, where credit risk exposures are significant and more concentrated vis-à-vis other portfolios, which makes the need for engagement with corporate clients to perform an assessment and support their journey to reducing transition risk critical. To this end, the Bank introduced a granular sector-specific obligor assessment during the credit origination process that assesses material topics for each one of the designated sectors against certain environmental, social and governance criteria. Considering the above, the Bank participates in an interbank project through the Association of Cypriot Banks for the deployment of ESG questionnaires and a data repository for the information provided through these questionnaires. The purpose of the project is inter alia to facilitate businesses as well as to educate them through providing an ESG report with actions that could improve their footprint. The platform will be hosting the questionnaires to be completed by the obligors and will provide full data along with E, S, G and ESG total obligor ratings.
    - **Transaction assessment:** On top of obligor-level characteristics, the Bank has also introduced specific criteria to evaluate each transaction requested, including the alignment with specific criteria as defined on the Bank’s Sustainable Finance Framework, in order to identify and capture “Sustainable” and “Non-Sustainable” activities.
    - **Energy Performance Certificates** are obtained for new originations (according to the enforcement of the relevant Law (i.e. building permit issue date 01/01/2017 onwards) in order to optimize the information on the quality of the properties that secure the loans

Further to the above:

- the “**Collateral Policy**” has been updated indicating the need for valuers to consider in their valuation reports, amongst other, property characteristics. as well as the property’s exposure to climate risks (fire, flood or drought) as these may affect the value of the property. Further to the above, insurance coverage for climate related risks is required over and above of the existing requirement for earthquake and fire coverage for the mortgaged properties. The climate related risks relate to risk of flood (mandatory for new lending) and other extreme weather phenomena such as hurricanes and landslides.

- the **"Credit Risk Early Warning Policy"** has been enhanced in regards to definition of the Early Warning Trigger "Extraordinary events" as a material trigger and the detailed description of the actions that need to be undertaken by the Business Units in the case where natural disasters have occurred (fires, floods and earthquakes etc).

- Implemented a **comprehensive set of ESG key and supporting indicators in its RAF** to better monitor the progress towards its sustainability goals. The Bank will monitor the indicators on a regular basis. The list of indicators increased from 5 to 17 within Q1.2024 (including, among others, new originations to sectors considered more sensitive to transition risks, exposures secured by properties with EPC label worse than D, sustainable disbursements, etc.).

Finally, the Bank already offers solutions for mortgage insurance through a full range of products including benefits associated with risks related with natural disasters, such as flood and storm. After 2015, flood risk is covered in collateral insurance contracts through the affiliated Insurance Company and the general practice in Cyprus is to include flood risk in the respective contracts..

Furthermore, as regards C&E risks, the Bank recognizes that they are transversal, cross-cutting risks rather than stand-alone risk types and therefore it of incorporates such risks as drivers of existing financial and non-financial risk categories (e.g., credit risk, market risk, liquidity risk, reputational risk etc.) in its risk management framework. Hence, the Bank has strengthened its materiality assessment process, accounting for climate-related and environmental risk drivers in the assessment of credit, market, liquidity, operational and reputational risk, leveraging on both quantitative and qualitative related aspects depending on the nature of the risk under examination.

- **Liquidity Risk**
  - The Bank aims to design products, which closely correspond to the customers' preferences, taking into account investors' increasing level of sophistication and consciousness as regards the criteria used to classify investments as 'green' / 'sustainable'.
  - The Bank has in place adequate liquidity buffers in order to respond to potential sharp increases in its customers' demand for liquidity due to physical risks, both in terms of precautionary deposit outflows and for the purposes of financing the recovery of affected clients.

- **Operational Risk**
  - The Bank records and regularly monitors the number of climate-related and environmental risk events (conduct and physical risk events) incurred per year, as well as the respective amounts of losses;
  - The Bank aims to proactively manage losses resulting from physical risk, due to extreme weather events, taking appropriate mitigation actions. In this context, the Bank safeguards that the facilities and infrastructure used for its core activities is regularly assessed against such threats and vulnerabilities and is insured against damages from

extreme weather events. Also, the Bank ensures that a robust Business Continuity Plan is in place, encompassing provisions for climate risk issues;

- The Bank safeguards the suitability of its building facilities through the performance of regular on-site inspections, to ensure the health and the safety of its employees and customers, as well as their protection from potential physical hazards;
- The Bank has in place robust controls to safeguard the safety of its infrastructure and personnel. More specifically, all Bank's buildings have in place fire protection systems and emergency exit provisions, while back-up buildings and IT infrastructure are also available to secure business continuity
- The Bank aims to proactively manage losses resulting from conduct risk with respect to climate-related and environmental issues, taking appropriate mitigation actions. For this purpose, the Bank carries out regular training/awareness initiatives for its staff, to ensure that the Bank's personnel is informed regarding climate-risk issues and Bank' responsibilities in this area.
- The Bank has incorporated ESG factors in the monitoring of the operational risk across the six key components of Operational Risk Framework:
  - Risk Taxonomy (inclusion of E, S and G flags);
  - Loss Events Management (mapping of loss events to the newly introduced ESG flag);
  - Risk and Control Self-Assessment (RCSA) (mapping of RCSA risks and controls related to ESG risks to the ESG flag);
  - Scenario Analysis (inclusion of ESG related scenarios);
  - KRIs (in the process of introducing new KRIs for monitoring ESG risk exposures); and
  - Outsourcing Risk Assessment (incorporation of questions regarding climate risk drivers in the Bank's Vendor Risk Assessment Questionnaire).

  The Bank is in the process of introducing enhancements in order to facilitate the monitoring of internal processes that are being established to prevent greenwashing going forward (through the introductions of internal controls around the identification and tagging of sustainable finance exposures).

9 Counterparty Credit Risk

Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. An economic loss would occur if the portfolio of transactions with the counterparty has a positive economic value to the Bank at the time of counterparty.

According to the CRR 575/2013, the term transaction refers to the following:

- Over the counter ("OTC") derivative transactions, such as foreign exchange ("FX") or interest rate derivative transactions;
- Repurchase transactions, securities or commodities lending or borrowing transactions or margin lending transactions; and
- Long settlement transactions.

The Bank engages only in the first two types of transactions.

The exposures generating counterparty credit risk are monitored on a daily basis. The Bank has set limits per counterparty and per product.

In order to reduce counterparty credit risk exposures, the Bank uses the following two types of bilateral contracts in relation to financial products transactions with financial institutions:

- **International Swap and Derivatives Association ("ISDA")**: defines the general terms governing the conduct of bilateral contracts on derivatives, such as FX Swaps, Interest Rate Swaps, Cross Currency Swaps, etc. The Credit Support Annex ("CSA"), which is an annex to ISDA, defines the conditions under which collateral is exchanged in the context of these derivatives transactions.
- **Global Master Repurchase Agreement ("GMRA")**: defines the terms governing the conduct of transactions of interbank lending backed by securities and defines the conditions under which collateral is exchanged in the context of these transactions e.g. Repurchase Agreement, Securities Lending, Collateralized Loan.

Under these contracts (ISDA - CSA, GMRA), the contracting parties are obliged to exchange collateral in case the daily revaluation procedure of their bilateral term transactions results in a negative price movement minimizing counterparty credit risk. The amount of collateral required is calculated on a regular basis and agreed between the counterparties.

As regards to foreign currency swaps, the risk of loss to the Bank is the potential difference between the current value of the collateral and change in the market value of the transactions. As a result, frequent settlement of any difference with collateral exchange eliminates the risk of losses due to counterparty credit risk.

As regards repos and reverse repos, where the Bank exchanges securities for cash for a specific period of time, these are included in counterparty limits as they involve counterparty credit risk. The maximum potential loss to the Bank is capped by the difference between the market value of securities held (or assigned) and the respective interbank transaction. Through GMRA contracts, the aforementioned risk is minimized with the exchange of required collateral whose value is daily monitored.

10 Operational Risk

The Bank acknowledges the need for managing the operational risks that stem from its business activities, as well as the need for holding adequate capital, in order to absorb potential losses related with this type of risk.

According to the Bank's Policy which is based on both industry practices and regulatory requirements, Operational Risk is defined as the risk of financial or qualitative effects resulting from inadequate or failed internal processes, IT systems, people (intentionally or unintentionally) and external events. The Bank acknowledges that there are certain operational risk sub-categories which due to their nature and relevance are considered an integral part of operational risk management. Such operational risk sub-categories are the following:

1. Legal Risk

2. Information and Communication Technology (ICT) Risk

3. Fraud Risk

4. Conduct Risk

5. Model Risk

6. Compliance Risk

7. Outsourcing Risk

8. Reputational Risk

10.1 Operational Risk Framework

The Bank has adopted and implemented its Operational Risk Framework which focuses on the following areas:

• Operational Risk Events: management of operational risk events occurring across the Bank

• Risk Assessments and Scenario Analysis: various operational risk assessments are performed (e.g. Risk & Control Self-Assessment, Outsourcing Risk Assessment) and Scenarios are developed to proactively identify and mitigate potential operational risk exposures.

• Indicators: Key Risk Indicators have been developed (both at RAF and operational level) to monitor the operational risk exposures

• Mitigating Actions: Corrective actions are developed and monitored to mitigate the operational risk exposures

• Risk Transfer: The partial transfer of certain types of Operational Risk through the purchase and activation of certain Insurance Policies, i.e., Bankers Blanket Bond, Civil Liability, Directors and Officers Liability, Cyber Crime Bond

• Reporting: Internal and regulatory reports are generated and disseminated to various stakeholders across the Bank

• Capital Requirements: calculation of capital requirements for operational risk (under Pillar I and II).

The Framework is reviewed on a regular basis and updated when deemed necessary in order to continuously enhance it. It is supported by an appropriate organizational structure with clear roles and responsibilities under the core assumption that the prime responsibility for operational risk management remains with the operational units throughout the Bank. This structure includes three lines of defense and interaction with corporate governance, ensuring the coverage of all operational risks and the involvement of the Bank's senior management in managing them. The roles and responsibilities of the relevant Bank's Committees and Units that are in place in order to ensure the proper implementation of the operational risk framework are as follows:

• Operational Risk Committee, which is delegated by the Board Risk Committee to supervise operational risk management activities.

• Market and Operational Risk Division develops in collaboration with respective Group Division, the appropriate tools, processes, procedures and techniques relevant to operational risk management, monitors the implementation of appropriate action plans for its mitigation at Bank level and submits reports to the relevant Committees and Senior Management of the Bank.

• Bank Business Areas, which manage their operational risks and are responsible for the implementation of the Operational Risk Framework. In addition to their own operational risks, some Units may be delegated to manage or have an oversight role in specific areas of operational risk (e.g. Compliance, Information Security and Data Protection Divisions). All Divisions appoint an Operational Risk Coordinator. The Operational Risk Coordinator is an Officer with experience and knowledge of the Unit's operations and activities and holds a position allowing him to work closely with other Officers of the Unit. He/she is appointed by the Unit Manager and is mainly responsible for providing information and support, raising awareness among the Management of the Unit on Operational Risk issues and participating actively in the implementation of the operational risk management processes/actions within the Unit.

• Internal Audit, which provides an independent review of the integrity, appropriateness and effectiveness of the overall risk management process. In addition, it provides assurance that the internal controls and operational risk mitigation practices implemented by the Business Areas are sufficient and appropriate for the type and complexity of risk-taking activities.

Additionally, the Bank's Operational Risk Management Framework adheres to the following principles:

• Applicability: It is applied to all levels within the Bank.

• Accountability: Bank's Divisions are responsible for managing their operational risk in line with the Operational Risk Management Framework. To this extent, they are the owners of the operational risks associated with their activities and they are supported by the Operational Risk Unit in the identification, assessment, monitoring and mitigation of their risks.

• Compliance: The Bank's Operational Risk ensures that the Bank adheres to the regulatory requirements set by the Bank's Regulators.

• Transparency and Information Dissemination: Operational Risk Management is an integral part of the Bank's activities. Identification and management of operational risk are performed so as to maintain a constant flow of information and enhance the decision-making process.

• Risk Mitigation and Transfer: The Bank's primary defenses against non-financial risk are its policies, procedures and internal controls.

10.2 Own funds requirements for operational risk

The calculation of capital requirements for operational risk is performed in accordance with the Standardized Approach of the Capital Requirements Regulation 575/2013. Specifically, the Bank's gross operating income for 2021, 2022 and 2023 is split into the eight Basel Business Lines.

The Gross Income for operational risk capital requirements is defined as the sum of the following elements:

• Interest receivable and similar income (used as one of the components for the calculation of Net Interest Income)

• Interest payable and similar charges (used as one of the components for the calculation of Net Interest Income)

• Income from shares and other variable or fixed yield securities (used as one of the components for the calculation of Net Interest Income)

• Commissions/ Fees receivable

• Commissions/ Fees payable

• Net profit or loss on financial operations

• Other operating income

It is noted that the first three bullets listed above represent the main inputs towards the calculation of Net Interest Income (NII) which is one of the main profit drivers related to core banking activities.

Therefore, the Gross Income definition is as follows:

Gross Income = NII + Net Commissions + Net profit or loss on financial operations + Other operating income

The capital requirements for operational risk are the average, over the three years mentioned above, of the risk-weighted gross income. According to Regulation (EU) No 575/2013, the risk weighted gross income is calculated each year across the eight (8) business lines by using specific beta factors.

In particular, the respective capital charges on a Bank basis as at 31.12.2023 are presented in the following table:

Template EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts (in EUR million)					
31.12.2023	Relevant indicator			Own funds requirements	Risk exposure amount
Banking activities	Year-3	Year-2	Last year		
Banking activities subject to basic	-	-	-	-	-

Template EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts (in EUR million)					
31.12.2023	Relevant indicator			Own funds requirements	Risk exposure amount
Banking activities	Year-3	Year-2	Last year		
indicator approach (BIA)					
Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	9	10	20	13	162
Subject to TSA:	-	-	-	-	-
Subject to ASA:	-	-	-	-	-
Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

Table 42: Template EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts – 31.12.2023

Template EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts (in EUR million)					
31.12.2022	Relevant indicator			Own funds requirements	Risk exposure amount
Banking activities	Year-3	Year-2	Last year		
Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-

Template EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts (in EUR million)					
31.12.2022	Relevant indicator			Own funds requirements	Risk exposure amount
Banking activities	Year-3	Year-2	Last year		
Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	10	9	10	9	118
Subject to TSA:	-	-	-	-	-
Subject to ASA:	-	-	-	-	-
Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

Table 43: Template EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts – 31.12.2022

11 Liquidity Risk

Liquidity risk is defined as the risk arising from the Bank's inability to meet its obligations as they become due, or fund new business, without incurring substantial losses, as well as the inability to manage unplanned contraction or changes in funding sources. Liquidity risk also arises from the Bank's failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value. Liquidity risk is also a balance sheet risk, since it may arise from banking book activities.

11.1 Liquidity Risk Management Strategies and Processes

Alpha Bank's liquidity risk management principles are documented in the "Liquidity Risk Policy" which provides a reference document to guide the Bank's Units when implementing actions for liquidity risk management, measurement, and control. The individual roles and responsibilities within the Liquidity Risk Management Framework Governance have been laid out in ILAAP, designed to provide clarity and transparency across all involved stakeholders. The Bank has established a Liquidity Risk Management Framework according to which the management of liquidity risk is conducted through the timely identification of liquidity needs, of all funding sources available to the Bank and an assessment of the most cost-effective way to meet the identified liquidity requirements.

Furthermore, the ILAAP facilitates effective liquidity planning in view of the Bank's Risk Appetite Framework and Business Plan. The ILAAP constitutes one of the pillars supporting the Bank in the implementation of its overall business strategy and continuous operation under normal and adverse economic conditions. It aims to ensure that sufficient levels of liquidity are maintained on an ongoing basis by identifying the key liquidity and funding risks to which the Bank is exposed, by monitoring and measuring these risks and by maintaining tools and resources to manage and mitigate these risks.

11.1.1 Internal Liquidity Adequacy Assessment Process (ILAAP)

The ILAAP is an integral part of the Bank's overall management framework and is aligned with the general principles and requirements set by the relevant Regulatory Framework (2013/36/EU, article 86 and EBA/GL/2016/10, Guidelines on ICAAP and ILAAP information collected for SREP purposes).

Following the aforementioned guidelines, the ILAAP report analyses the following areas:

• Key elements of liquidity risk management and ILAAP Framework: Description of the risk appetite framework for liquidity and funding risks is presented, and its integration with ILAAP. Moreover, a comprehensive description of the Bank's policies regarding funds transfers pricing, liquidity stress testing, asset encumbrance and intraday liquidity is provided.

• Alpha Bank's Background Overview: The Bank's key balance sheet figures and liquidity profile is presented.

• The Bank's forward-looking liquidity & funding position under the normative perspective is presented under baseline and adverse scenarios (3-year projection of balance sheet figures and key liquidity risk metrics).

• The Bank's forward-looking liquidity & funding position under the economic perspective is presented (liquidity buffer evolution under a short term systemic, idiosyncratic and combined shock)

• A statement of the level of appropriateness of the liquidity risk management mechanisms and the results of ILAAP, with comprehensive description of the liquidity and funding risks that the Bank faces, taking into account the current macro-economic environment as well as country-specific and idiosyncratic factors are included as part of the Internal Liquidity Adequacy Assessment Process (ILAAP) approved by the Board of Directors in March 2024.

11.1.1.1 Treasury Division

The Treasury Division is responsible for the day-to-day management of balance sheet items including funding transactions as well as securities portfolios, in line with the approved relevant limits and policies.

11.1.1.2 Market and Liquidity Risk Department

The activities of the MLRD are executed independently from those of the Treasury Division and are subject to the supervision of the Bank's CRO. Specifically, the MLD is charged with the following responsibilities:

- Design and monitoring of the liquidity risk management policies;
- Introduction and application of appropriate methods and models for the identification, measurement, monitoring and controlling of liquidity risk, including the performance

of stress testing, as well as the methodologies for liquidity indicators i.e. liquidity coverage ratio ("LCR") and net stable funding ratio ("NSFR");

- Establishment and monitoring of risk limits and early warning liquidity indicators within the context of the Bank's RAF;
- Escalation of any limit breach to the relevant Committees following the escalation process;
- Preparation and submission of reports to the Board of Directors and Senior Management, through competent Committees;
- Preparation and submission of liquidity risk and funding monitoring regulatory reports;
- Development and recommendation, in collaboration with the Group Market Risk Control of appropriate stress test scenarios;
- Development and recommendation, in cooperation with the Treasury Division, of the Contingency Funding Plan ("CFP").

11.1.1.3 Assets - Liabilities Committee

The ALCo is assigned with the following responsibilities within the Liquidity Risk Management Framework and the Risk Appetite Framework:

- Formulation and management of the Bank's asset and liability portfolio structure in view of its business strategy;
- Monitoring of the quantitative and qualitative aspects of liquidity risk, including the monitoring of stress tests results and compliance with the liquidity limits;
- Endorsement of the CFP and recommendation to the BRC for approval;

11.1.2 Liquidity risk reporting and measurement systems

The Bank's Senior Management is updated daily on current liquidity risk exposure levels to ensure that the Bank's liquidity risk profile remains within the approved RCS limits and receives a daily liquidity report detailing liquid assets and deposit changes.

Regulatory and internal reports are prepared on a periodic basis for the purpose of updating the Bank's Senior Management and for ALCo decision-making

It is noted that the Bank's parent entity is considered the main liquidity provider in cases of liquidity restrain, with frequent monitoring being undertaken by the Group through relevant suitable reporting and communication, both on a regular and ad hoc basis.

11.1.3 Liquidity Stress Testing and Scenario Analysis

The Bank performs stress testing to evaluate the impact on the Bank's liquidity position that could result from short term extreme, yet plausible, stress events, to identify, better understand and manage its potential vulnerabilities and risk concentrations. The short stress scenarios that are conducted, are idiosyncratic, systemic and combined, encompassing both bank-specific and market-wide stress events that are calibrated to different levels of severity. The stress testing has a key role in the Bank's risk appetite, limits' framework and business planning processes. In particular, through the scenario analysis the Bank monitors the nature and amount of embedded liquidity risk exposure and limits liquidity risk to acceptable levels, thus supporting a number of decision-making processes.

Furthermore, a long-term stress test is performed under three (3) macroeconomic systemic scenarios of varying severity (the scenario assumptions relate to the macroeconomic environment as well as the evolution of key business and risk metrics) over a 3-year horizon. These scenarios are conducted annually in line with the Business Plan and the forward-looking assessment performed under the normative perspective of ILAAP / ICAAP. The key role of long-term stress testing is to ensure that sufficient levels of liquidity are maintained on an ongoing basis by identifying the key liquidity and funding risks to which the Bank is exposed, by monitoring and measuring these risks, and by maintaining tools and resources to manage and mitigate these risks.

11.1.4 Outline of the Contingency Funding Plans

The Contingency Funding Plan (CFP) is a dedicated document of the Bank aiming to ensure confidence and the continuation of the Bank's operations by defining the procedures that the Bank will implement to fund cash flow shortfalls which may occur in the event of a liquidity stress event / crisis. Specifically, the following aspects for the appropriate management of liquidity shortfalls in emergency situations are addressed:

- Establishment of clear lines of responsibility, including clear escalation procedures. The Bank has established pre-defined escalation levels aimed at maximizing the likelihood that it will be able to undertake certain measures to address liquidity or funding shortfalls.
- Identification of bank-specific and market-wide liquidity threats and risk factors and assessment of alternative funding sources and contingency procedures.
- Determination of key liquidity indicators and triggers.

11.2 Regulatory Ratios

The Bank calculates and monitors the LCR and the NSFR on a monthly and quarterly basis respectively, as per the provisions of the CRR and in line with the guidance issued by the Central Bank of Cyprus.

The LCR assesses the adequacy of the Bank's high quality liquid assets to cover its net cash outflows over the next 30 days under crisis conditions. The LCR became mandatory on 1 October 2015. The regulatory limit established is 100%.

In contrast to the LCR which assesses the short-term liquidity profile of the Bank, the NSFR assesses the Bank's long-term liquidity profile and funding. The aim of the NSFR is to reduce the Bank's dependence on short-term sources of funding by requiring credit institutions to fund their activities via a stable funding structure. The NSFR became binding in June 2021 and it should be equal to at least 100%.

Throughout 2023, both ratios exceeded the regulatory minimum level of 100% with the LCR amounting to 200,84% and the NSFR amounting to 240,84% as at 31.12.2023.

11.2.1 Liquidity Coverage Ratio

The following table provides a breakdown of the LCR as of 31 December 2023, in accordance with Article 453 of the Regulation (EU) No 575/2013 and the respective guidelines on LCR disclosure (EBA/GL/2017/01). The figures are calculated as simple averages of end-of-month observations over the twelve months preceding the end of each quarter.

Template EU LIQ1 - Quantitative information of LCR (in EUR million)								
31 December 2023	**Total unweighted value (average)**				**Total weighted value (average)**			
Quarter ending on	**31.12.2023**	**30.09. 2023**	**30.06.2023**	**31.03.2023**	**31.12. 2023**	**30.09. 2023**	**30.06.2023**	**31.03.2023**
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS								
Total high-quality liquid assets (HQLA)					**1.331**	**1.257**	**1.200**	**1.201**
CASH – OUTFLOWS								
Retail deposits and deposits from small business customers, of which:	1.833	1.786	1.748	1.721	149	143	137	133
Stable deposits	1.008	1.019	1.028	1.039	50	51	51	52
Less stable deposits	825	768	720	682	99	92	86	81
Unsecured wholesale funding	714	693	678	677	539	518	494	489
Operational deposits (all counterparties) and deposits in networks of cooperative banks	0	0	0	0	0	0	0	0
Non-operational deposits (all counterparties)	714	693	678	677	539	518	494	489
Unsecured debt	0	0	0	0	0	0	0	0
Secured wholesale funding					0	0	0	3
Additional requirements	40	46	52	59	8	8	9	9
Outflows related to derivative exposures and other collateral requirements	6	6	6	6	6	6	6	6
Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
Credit and liquidity facilities	35	41	46	54	2	3	3	3
Other contractual funding obligations	25	34	36	37	25	34	36	37
Other contingent funding obligations	146	144	145	146	3	3	3	3
TOTAL CASH OUTFLOWS					**725**	**706**	**679**	**674**

Template EU LIQ1 - Quantitative information of LCR (in EUR million)								
31 December 2023	**Total unweighted value (average)**				**Total weighted value (average)**			
Quarter ending on	**31.12.2023**	**30.09. 2023**	**30.06.2023**	**31.03.2023**	**31.12. 2023**	**30.09. 2023**	**30.06.2023**	**31.03.2023**
CASH INFLOWS								
Secured lending (e.g., reverse repos)	6	19	19	19	6	19	19	19
Inflows from fully performing exposures	28	31	32	38	20	24	25	32
Other cash inflows	84	84	83	83	22	21	21	21
TOTAL CASH INFLOWS	**118**	**134**	**134**	**140**	**48**	**64**	**64**	**73**
Inflows subject to 75% cap	118	134	134	140	48	64	64	73
TOTAL ADJUSTED VALUE								
LIQUIDITY BUFFER[12]					**1.331**	**1.257**	**1.200**	**1.201**
TOTAL NET CASH OUTFLOWS					**677**	**642**	**614**	**601**
LIQUIDITY COVERAGE RATIO					**200%**	**200%**	**199%**	**203%**

Table 44: Template EU LIQ1: Quantitative information of LCR – 31 December 2023

[12] The Liquidity Buffer of the Bank is primarily comprised of Central Bank reserves as well as Level 1 and Level 2B securities.

In line with Table 44 above, the Bank's LCR remained almost stable throughout 2023, whilst consistently remaining above the minimum regulatory requirement of 100% and the Bank's risk tolerance limit, at all times. Regarding the components of the LCR both the amount of the high-quality liquid assets ("HQLA") and Bank's net cash outflows, experienced a gradual increase during 2023.

Specifically, the increase in the Bank's HQLA during 2023 is mainly attributed to the increase in customer deposits as well as net loan repayments, resulting to an equivalent increase in the Bank's deposits held with the CBC (Target).

In view of the above, it is noted that the Bank's main funding source consists of customer deposits. Supplementary funding sources include interbank funding from the Group as well as proceeds from the issue of the MREL bond.

Similarly, net cash outflows experienced an increase in 2023 compared to year 2022 due to the increased customer deposits, a significant proportion of which is comprised of financial customer deposits which exhibit a high outflow rate.

11.2.2 Net Stable Funding Ratio

The table below discloses the Bank's NSFR as at 31.12.2023 and provides an overview of the amount of available stable funding and of required stable funding.

Template EU LIQ2: Net Stable Funding Ratio (in EUR million)					
31 December 2023	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items					
Capital items and instruments	**291**	**-**	**-**	**-**	**291**
Own funds	291	-	-	-	291
Other capital instruments		-	-	-	-
Retail deposits		**1.352**	**374**	**255**	**1.852**
Stable deposits		726	151	109	942
Less stable deposits		626	223	146	910
Wholesale funding		**914**	**40**	**129**	**321**
Operational deposits		-	-	-	-
Other wholesale funding		914	40	129	321
Interdependent liabilities		**-**	**-**	**-**	**-**
Other liabilities	**-**	**35**	**1**	**1**	**1**
NSFR derivative liabilities	-				
All other liabilities and capital instruments not included in the above categories		35	1	1	1
Total available stable funding (ASF)					**2.465**
Required stable funding (RSF) Items					
Total high-quality liquid assets (HQLA)					**32**
Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
Deposits held at other financial institutions for operational purposes		-	-	-	-

Template EU LIQ2: Net Stable Funding Ratio (in EUR million)					
31 December 2023	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Performing loans and securities		**422**	**76**	**932**	**827**
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		-	-	-	-
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		340	-	1	24
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		61	27	412	305
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		2	2	31	22
Performing residential mortgages, of which:		14	15	335	319
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		13	13	310	214
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		7	35	185	178
Interdependent assets		-	-	-	-
Other assets	-	**106**	**3**	**99**	**157**
Physical traded commodities				-	-
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	-	-
NSFR derivative assets		2	-	-	2
NSFR derivative liabilities before deduction of variation margin posted		0	-	-	-
All other assets not included in the above categories		104	3	99	155
Off-balance sheet items		1	-	90	8
Total RSF					**1.023**
Net Stable Funding Ratio (%)					**241%**

Table 45: Template EU LIQ2: Net Stable Funding Ratio – 31 December 2023

12 Encumbered and Unencumbered Assets

The Bank is funded through unsecured and secured funding lines. Secured funding lines may involve encumbrance of:

(a) the assets of the Bank;

(b) any collateral received by the Bank; and

(c) own debt instruments issued and held by the Bank.

The Bank adopts and applies the following definition for asset encumbrance, in line with EBA regulatory guidelines:

"An asset is encumbered if it has been pledged or subject to any form of arrangement to secure, collateralise or credit enhance any on-Balance Sheet or off-Balance Sheet transactions from which they cannot be freely withdrawn.

Assets pledged that are subject to any restrictions in withdrawal, such as assets that require prior approval before withdrawal or replacement by other assets, should be considered encumbered".

Asset encumbrance is an integral part of Bank's liquidity, funding, and collateral management process.

Given the nature and source of funding or transactions that require Bank's assets to be encumbered, the Bank utilises collateral agreements with the respective counterparties, where the terms and conditions clearly stipulate the Bank's and the counterparty's rights and obligations on collateral posted. Where relevant, widely accepted market standardised agreements are utilised, such as GMRAs, ISDAs and CSAs in the relevant transactions that these apply.

13 Remuneration Policy

The Bank has established a Remuneration Policy which adheres to the corporate governance principles and complies with all applicable legislative and regulatory requirements, as follows:

- Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC;
- Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution's risk profile that is comparably as material as that of staff members or categories of staff referred to in Article 92(3) of that Directive;
- EBA Guidelines on sound remuneration policies under Directive 2013/26/EU;
- The Business of Credit Institutions Law of 1997, as subsequently amended;
- The CBC Internal Governance of Credit Institutions Directive of 2021;
- Provisions of labour legislation and the applicable collective labour agreements.

In view of the above, the Bank's Remuneration Policy was revised during the year 2023, to incorporate the relevant provisions.

13.1 Principles

The Bank's Remuneration Policy adheres to the following principles:

- is aligned with the Bank's long-term interests including its corporate culture and values, business strategy and goals and incorporates measures for the avoidance of conflicts of interest;
- does not generate incentives for relevant persons to favour their own or the Bank's interests over those of consumers;
- is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of the Bank's RAF;
- is based on performance and risk-taking evaluation criteria, pursuant to which the amount of variable remuneration is determined;
- correlates staff remuneration with the risks they undertake and manage;
- ensures that the fixed and variable components of remuneration are appropriately balanced and consider the rights and interests of consumers.

The Remuneration Policy covers all remuneration categories, either arising from the applicable Collective Labour Agreements or provided voluntarily by the Bank and makes a clear distinction between the criteria for the setting of the following types of remuneration:

- **Basic fixed remuneration** which primarily reflects relevant professional experience, organizational responsibility, and the skillset of the individual in view of the job requirements and responsibilities;
- **Variable remuneration** which reflects risk-adjusted performance in accordance with or in excess of assigned duties and responsibilities.

13.1.1 Fixed Remuneration Principles

Remuneration is fixed where the conditions for its award and its amount:

- are based on predetermined criteria;
- are non-discretionary, reflecting the level of professional experience and seniority of staff;
- are transparent with respect to the individual amount awarded to the individual staff member;
- are permanent, i.e., maintained over a period tied to the specific role and organizational responsibilities;
- are non-revocable in that the permanent amount is only changed via Collective Labour Agreements or following renegotiation in line with national criteria on wage setting;
- cannot be reduced, suspended, or cancelled;
- do not provide incentives for risk assumption; and
- do not depend on performance.

The Bank adopts the Collective Labour Agreements ("CLA") in force, agreed between the Cyprus Bankers Employers' Association ("CBEA") and the Cyprus Union of Bank

Employees[13] ("CUBE"), and / or any future collective agreements agreed between the Bank and CUBE, which are of certain duration, and are renewed through the procedure of collective bargaining.

Staff entrusted with control duties and engaged in control functions, are independent from the business units they oversee, have appropriate authority and are remunerated, in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

13.1.2 Variable Remuneration Principles

The variable component of total remuneration is optional and relates to bonus or other reward schemes that may vary from one year to the next. For variable remuneration to be granted, fulfilment of the Bank's goals as well as personal performance in accordance with the evaluation criteria in force are taken into account.

Performance measurement used for the calculation of variable remuneration includes adjustments in relation to current and future risks and takes into consideration cost of capital and liquidity required.

Variable remuneration can be awarded in various forms, as follows:

- Cash;
- Instruments (shares of equivalent ownership interests);
- Guaranteed variable remuneration;
- Other means.

It is noted that the instruments used for the reward of variable remuneration aim to align staff incentives with the risk-adjusted performance of the Bank. Furthermore, guaranteed variable remuneration is exceptional, may only occur when hiring new staff, where the Bank has a sound and strong capital base and is limited to the first year of employment.

The Bank acknowledges that proper application of a variable remuneration policy is considered a necessary tool for the management of human resources and for attracting and / or retaining key performers / talented staff and can contribute significantly towards the achievement of the Bank's goals as per the applicable business plan.

The total variable remuneration awarded by the Bank must not limit its ability to maintain or restore a sound capital base in the long term and takes into consideration the interests of shareholders and owners, depositors, investors, and other stakeholders.

It is noted that the Bank applies the derogation of Article 94(3) of the CRD relating to the composition of variable remuneration, the percentage of variable remuneration that is deferred and the treatment of discretionary pension benefits, for staff members whose annual variable remuneration does not exceed €50.000 and does not represent more than one third of their total annual remuneration.

13.1.2.1 Deferred Payments

The potential variable remuneration includes a part which can be deferred depending on the business cycle, the nature of the business activity, the risks it involves and the activities of the staff to whom it pertains.

A substantial portion, and in any event at least 50% of the variable remuneration component is deferred over a period which is not less than three (3) to five (5) years. In the case of a

[13] The CUBE is the trade union representing approximately 99% of bank employees in Cyprus.

variable remuneration component of a particularly high amount, at least 60% of the amount shall be deferred.

Before paying out the deferred part of cash or the vesting of deferred instruments, a re-assessment of performance is undertaken and, if necessary, an ex-post risk adjustment is applied to align variable remuneration to additional risks that have been identified or have materialised after the award. This applies also where multi-year accrual periods are used.

13.1.2.1.1 Vesting of Deferred Remuneration

The first deferred portion does not vest sooner than 12 months after the start of the deferral period which ends when the awarded variable remuneration has vested or when the amount was reduced to zero as malus was applied.

Deferred remuneration can either vest fully at the end of the deferral period or be spread out over several payments during the deferral period, but not faster than on a pro-rata basis.

Vesting does not take place more frequently than on a yearly basis to ensure a proper assessment of risks before the application of ex-post adjustments.

13.1.2.2 Malus and Clawback arrangements

The potential variable remuneration is subject to malus and clawback arrangements, which are explicit ex-post risk adjustment mechanisms under which the Bank adjusts remuneration of identified staff members (e.g., through revocation or cancellation of awarded remuneration).

The Bank has the option, at its absolute discretion, of non-payment of up to 100% of the variable remuneration at any stage of the payment period, or to require the recall of variable remuneration where the member of the staff:

- participated in or was responsible for behaviour which caused significant damages to the Bank;
- did not fulfil the appropriate standards of competence and decency.

13.1.2.3 Severance Pay and Separation Schemes

Payments connected to early agreement termination or redemption from agreements of prior employment, reflect the performance achieved over time and are planned in such a manner so as not to reward failure or commission of misconduct.

The Bank, with a view to enhance its competitive advantage in the challenging European and national banking environment, may apply voluntary separation schemes providing exit incentives, in the context of its organisational transformation and the renewal of its human resources. The said schemes operate under specific terms and conditions, taking into account the applicable legislation and practices and are a part of the fixed remuneration.

13.1.3 Balance between fixed and variable remuneration

Fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow for the operation of a fully flexible policy on variable remuneration components, including the possibility of paying no variable remuneration.

The following principles relating to variable remuneration are adhered to by the Bank:

- The fixed and the variable components of total remuneration are appropriately balanced and is granted after taking into account the long-term performance and total results of the Bank.

- The Bank's shareholders may approve a higher maximum level of the ratio between the fixed and variable components of remuneration provided that the overall level of the variable component does not exceed 100% of the fixed component of the total remuneration for each individual. Any approval of a higher ratio shall be carried out in accordance with the specific procedure laid out in the CBC's Directive on Internal Governance of Credit Institutions of 2021.

13.2 Governance

The governance system set up by the Bank, ensures a thorough review of the Remuneration Policy and an assessment of its implementation. Specifically, the Bank's Remuneration Policy is regularly reviewed, at least annually or whenever deemed necessary, to be kept harmonised with the requirements of the internal business and external regulatory environment. Furthermore, its implementation is subject to central and independent review, at least on an annual basis, to assess compliance vis-à-vis the remuneration policies and procedures adopted by the Bank's Board of Directors during the execution of its supervisory duties.

During the year 2021, the duties of the Remuneration Committee were undertaken by the Remuneration Committee of Alpha Bank S.A., following a corresponding approval of the CBC in that respect. It is noted that the Group Remuneration Committee comprised of four (4) members, including the Chair.

It is further noted that as of January 2023, the Bank has established its local Remuneration Committee to exercise competent and independent judgment on the Bank's remuneration policy and practices and the incentives created for managing risk, capital and liquidity.

13.2.1 Human Resources Division

The Bank's Human Resources Division ("HRD") is charged with the following responsibilities:

- Updating of the Remuneration Policy.
- Paying of salaries, bonuses, corporate and other benefits to the Bank's personnel, in accordance with the Bank's policy and decisions.
- Provision of support to members of the Bank's General Management and Senior Management, coordinating actions required for the implementation of the Remuneration Policy.

13.2.2 Remuneration Committee, Board Risk Committee and Boards of Directors

As at 31.12.2021, the Remuneration Committee and the Board of Directors of Alpha Bank S.A. as well as the Bank's Board of Directors were responsible for the following:

- The maintenance of a fixed-to-variable remuneration ratio such that staff do not depend on being granted a bonus and excessive risk-taking is not encouraged.

  It is noted that fixed remuneration of control functions staff is determined by the Collective Labour Agreements, while variable remuneration is determined by the Remuneration Committee and the Board of Directors of Alpha Bank S.A. and the Bank. It is noted that variable remuneration is determined individually for the members of General Management, Senior Management and the Heads of the independent control functions, and collectively for the rest of the staff.
- Direct supervision of the remuneration of the heads of control functions and Senior Management.

Specifically, the Board of Directors of Alpha Bank S.A. is responsible for:

- The approval and determination of the Remuneration Policy, taking into consideration the requirements of the applicable regulatory framework and collective labour agreements.
- The supervision of the application of policies, practices and implementation procedures thereof.

The Bank's Board of Directors is responsible for the following, taking into account the relevant recommendations and decisions of the Remuneration Committee of Alpha Bank S.A.:

- Ensuring compliance of the Remuneration Policy with national provisions and directives emanating from the applicable regulatory framework and collective labour agreements through periodic review.
- Adopting and overseeing the effective implementation of the Remuneration Policy;
- Ensuring that the Remuneration Policy and practices are in line with the Bank's risk appetite, prevent conflicts of interest and promote the sound and effective risk management.
- Ensuring the proper execution of the identification process for categories of staff whose professional activities have a material impact on the Bank's risk profile, in accordance with the qualitative and quantitative criteria set out in the Commission Delegated Regulation (EU) 2021/923. Specifically, the Non-Executive members of the Board of Directors are responsible for the following:
    - Approval of the identification process as part of the policy;
    - Involvement in the design of the self-assessment;
    - Ensuring that the assessment for the identification of staff is properly made in accordance with the Commission Delegated Regulation (EU) 2021/923 and the respective EBA guidelines;
    - Overseeing the identification process on an ongoing basis;
    - Approval of any material exemptions from or changes to the adopted policy and monitoring of their effect;
    - Approval or oversight of any exclusion of staff pursuant to Article 4(2) of the Commission Delegated Regulation (EU) 2021/923 based on which the Bank deems that the qualitative criteria defined in the Commission Delegated Regulation (EU) 2021/923 are not met by the staff, as they in fact do not have a material impact on the Bank's risk profile;
    - Periodic review of the approved policy and, if needed, its amendment.

Furthermore, without prejudice to the full responsibility borne by the Board Directors regarding risks, the Risk Committee of the Board of Directors contributes towards the formulation of appropriate remuneration policies and practices and, subject to the duties of the Remuneration Committee of Alpha Bank S.A., examines whether the incentives provided for by the remuneration system take into account the Bank's risk profile, its capital and liquidity position and its schedule of proceeds.

As from January 2023, the Bank has established its local Remuneration Committee to exercise competent and independent judgment on the Bank's remuneration policy and practices and the incentives created for managing risk, capital and liquidity and undertaken the above.

13.3 Remuneration of Specific Functions and Material Risk Takers

Material Risk Takers ("MRTs") refer to categories of staff whose professional activities have a material impact on the Bank's risk profile in accordance with the criteria set out in the CRD and the Commission Delegated Regulation (EU) 2021/923.

As per Article 92(3) of the CRD, categories of staff whose professional activities have a material impact on the institution's risk profile shall, at least, include:

- all members of the Board of Directors and Senior Management;
- staff members with managerial responsibility over the Bank's control functions or material business units;
- staff members entitled to significant remuneration in the preceding financial year, provided that the following conditions are met:
    - the staff member's remuneration is equal to or greater than €500.000 and equal to or greater than the average remuneration awarded to the members of the Bank's Board of Directors and Senior Management;
    - the staff member performs the professional activity within a material business unit and the activity is of a kind that has a significant impact on the relevant business unit's risk profile.

Furthermore, as per Articles 5 and 6 of the Commission Delegated Regulation (EU) 2021/923, the identification of MRTs also considers a set of quantitative and qualitative criteria to ensure that the Bank's individual risk profile is considered appropriately. Indicatively, the following criteria are specified, amongst others:

- **Qualitative Criteria:** Relate to staff being charged with managerial responsibilities for any of the risk categories set out in Articles 79 to 87 of the CRD[14] or is a voting member of a committee responsible for the management of any of the risk categories set out in those Articles or has the authority to commit to credit risk exposures or market risk transactions above certain thresholds expressed as a percentage of the Bank's CET1 capital.
- **Quantitative Criteria:** Relate to staff who have been awarded remuneration in excess of certain thresholds, considering that the total remuneration awarded to staff reflects their responsibilities, duties, abilities, skills and performance as well as the business line in which they are active.

Should at least one of the qualitative or quantitative criteria specified in Articles 5 and 6 of the Commission Delegated Regulation (EU) 2021/923 are fulfilled for a member of staff, they are characterised as "Identified Staff" or "Material Risk Taker".

The list of the MRTs is reviewed and approved annually in accordance with the Bank's Remuneration Policy.

13.4 Remuneration of Non-Executive Members of the Board of Directors

The remuneration of Non-Executive members of the Board of Directors consists only of a fixed component which is proportional to their responsibilities and considers their participation in Board Committees. The remuneration of Non-Executive Members of the Board of Directors is approved by the shareholders at an Annual General Meeting.

[14] The risk categories set out in Articles 79 to 87 of the CRD are the following: credit and counterparty risk, residual risk, concentration risk, securitisation risk, market risk, interest risk arising from non-trading book activities, operational risk, liquidity risk, risk of excessive leverage.

The Non-Executive members of the Board of Directors holding executive positions within the Group of Alpha Bank S.A. receive no pay.

13.5 Quantitative information on awarded remuneration

The tables below provide aggregate quantitative information on remuneration, broken down by senior management and members of staff whose professional activities have a material impact on the risk profile of the Bank as at 31.12.2023 and 31.12.2022.

Template EU REM1 - Remuneration awarded for the financial year (in 000 EUR)					
31 December 2023		MB Supervisory function	MB Management function	Other senior management	Other identified staff
Fixed remuneration	Number of identified staff	6	3	6	28
	Total fixed remuneration	324	514	541	2.481
	Of which: cash-based	324	469	502	2.296
	Of which: shares or equivalent ownership interests	-	-	-	-
	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
	Of which: other instruments	-	45	39	185
	Of which: other forms	-	-	-	-
Variable remuneration	Number of identified staff	-	-	-	-
	Total variable remuneration	-	-	-	-
	Of which: cash-based	-	-	-	-
	Of which: deferred	-	-	-	-
	Of which: shares or equivalent ownership interests	-	-	-	-
	Of which: deferred	-	-	-	-
	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
	Of which: deferred	-	-	-	-
	Of which: other instruments	-	-	-	-
	Of which: deferred	-	-	-	-
	Of which: other forms	-	-	-	-
	Of which: deferred	-	-	-	-
Total remuneration		324	514	541	2.481

Table 46: Template EU REM1 - Remuneration awarded for the financial year – 31 December 2023

As per Table 46 above, the Bank did not award any variable remuneration during the year 2023.

Template EU REM1 - Remuneration awarded for the financial year (in 000 EUR)					
31 December 2022		**MB Supervisory function**	**MB Management function**	**Other senior management**	**Other identified staff**
Fixed remuneration	Number of identified staff	5	2	6	26
	Total fixed remuneration	296	344	634	2.519
	Of which: cash-based	296	308	406	1.991
	Of which: shares or equivalent ownership interests	-	-	-	-
	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
	Of which: other instruments	-	36	27	168
	Of which: other forms	-	-	201	360
Variable remuneration	Number of identified staff	-	-	-	-
	Total variable remuneration	-	-	-	-
	Of which: cash-based	-	-	-	-
	Of which: deferred	-	-	-	-
	Of which: shares or equivalent ownership interests	-	-	-	-
	Of which: deferred	-	-	-	-
	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
	Of which: deferred	-	-	-	-
	Of which: other instruments	-	-	-	-
	Of which: deferred	-	-	-	-
	Of which: other forms	-	-	-	-
	Of which: deferred	-	-	-	-
Total remuneration		296	344	634	2.519

Table 47: Template EU REM1 - Remuneration awarded for the financial year – 31 December 2022

The tables below provide aggregate quantitative information on remuneration, broken down by business area for those categories of staff whose professional activities have a material impact on the risk profile of the Bank as at 31.12.2023 and 31.12.2022.

Template EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) (in 000 EUR)										
31 December 2023	**Management body remuneration**			**Business areas**						
	MB Supervisory function	**MB Management function**	**Total MB**	**Investment banking**	**Retail banking**	**Asset management**	**Corporate functions**	**Independent internal control functions**	**All other**	**Total**
Total number of identified staff										**43**
Of which: members of the MB	6	3	8							
Of which: other senior management				1	1	-	3	1	-	
Of which: other identified staff				3	2	-	8	9	6	
Total remuneration of identified staff	324	514	838	357	228	-	1119	766	553	
Of which: variable remuneration	-	-	-	-	-	-	-	-	-	
Of which: fixed remuneration	324	514	838	357	228	-	1.119	765	553	

Table 48: Template EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) – 31 December 2023

Template EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) (in 000 EUR)										
31 December 2022	Management body remuneration			Business areas						
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
Total number of identified staff										**40**
Of which: members of the MB	6	2	8							
Of which: other senior management				-	-	-	-	6	-	
Of which: other identified staff				1	3	-	12	3	7	
Total remuneration of identified staff	296	344	640	115	265	-	968	1.021	785	
Of which: variable remuneration	-	-	-	-	-	-	-	-	-	
Of which: fixed remuneration	296	344	640	115	265	-	968	1.021	785	

Table 49: Template EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) – 31 December 2022

Remuneration granted to the Non-Executive members of the Board of Directors comprises 39% of the total remuneration to the Board of Directors compared to 46% in 2022.

It is noted that the Bank did not award any deferred remuneration for previous performance periods nor did it pay out any amount of deferred remuneration due to vest during the year ended 31.12.2023 nor did it perform any performance adjustments during the year. Furthermore, the Bank did not remunerate any individual more than €1 million during the year ended 31.12.2023.