ALPHA BANK

# GROUP OF ALPHA BANK CYPRUS LIMITED

PILLAR III Disclosures of the year 2020

(In accordance with Regulation (EU) 575/2013)

| **Reference** | **Content** | Page |
|---|---|---|
| *1* | General Information | 2 |
| *2* | Pillar III Disclosures overview | 2 |
| *3* | Supervision and regulatory framework | 3 |
| *4* | Capital management | 3 |
| *4.1* | Capital ratios | 5 |
| *4.2* | IFRS 9 Capital impact | 7 |
| *4.3* | Capital buffers | 8 |
| *4.4* | Own funds | 9 |
| *4.5* | Capital requirements | 12 |
| *5* | Leverage | 13 |
| *6* | General information on risk management | 16 |
| *6.1* | Risk management framework and principles | 16 |
| *6.2* | Risk appetite framework (RAF) | 17 |
| *6.3* | Risk Governance structure | 17 |
| *6.4* | Risk Management policies | 20 |
| *6.5* | Stress Testing | 21 |
| *6.6* | General Information | 21 |
| *7* | Credit Risk Division | 25 |
| *7.1* | Credit Risk | 25 |
| *7.2* | Credit risk mitigation | 65 |
| *7.3* | Concentration risk | 74 |
| *8* | Counterparty credit risk | 76 |
| *9* | Operational risk | 79 |
| *10* | Encumbered and Unencumbered Assets | 79 |
| *11* | Remuneration Policy | 81 |

# 1. General Information

## 1.1 General

Alpha Bank Cyprus Ltd (the "Bank") with its subsidiaries (" Alpha Bank Cyprus Group" or "the Group" ) are indirectly a 100% subsidiaries of the Greek bank Alpha Bank AE and member of Group Alpha Bank AE. It operates in Cyprus since 1960, offering a wide range of high-quality financial products and services, for Retail, SME, Corporate and International customers.

The corporate events of strategic importance for the Bank in 2020 were the following:

- Disposal of Non performing exposures with accounting value Euro649 million
- Acquisition of healthy corporate loans and bonds with value Euro311 million
- Streamlining the network with the closure of 5 branches
- Operation of a Voluntary retirement scheme

## 1.2 COVID – 19 Outbreak

In the face of the Covid-19 pandemic, the Bank has timely implemented with discipline all the appropriate measures to minimise risks, to protect its employees, to ensure its business continuity and to deliver on its social responsibility to support customers and the economy, in line with the evolving situation. Alpha Bank is closely monitoring the situation on COVID-19 and continuously assesses the potential impact of the pandemic on the Bank's asset quality, risk profile and the execution of its Business Plan to which the Bank remains fully committed.

# 2. Pillar III Disclosures overview

Alpha Bank Cyprus' Pillar III Report is prepared in accordance with disclosure requirements as laid down in Part Eight of the "Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms" (Capital Requirements Regulation, or "CRR") and the "Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms" (Capital Requirements Directive 4, or "CRD 4") as adopted by Cypriot legislation.

The Bank has been assessed by the competent authority (Central Bank of Cyprus) on 07.05.2020 as Other Systemically Important Institution (O-SII). Due to its classification, the Bank is required to disclose the information of EBA Guidelines paragraph 7 and 8 regarding articles 437,438,440,442,450,451 and 453 thus covering part 8 of EU Regulation 575/2013 (the CRR).

The report was approved by the Board's Risk Committee.

## 3. Supervision and Regulatory Framework

The Single Supervisory Mechanism (SSM) is a system of financial supervision composed of the European Central Bank (ECB) and national competent authorities (NCAs). Since November 2014, Alpha Bank Cyprus is supervised through its parent by the SSM. Supervision is overseen along with the support of local supervisory authorities. The Central Bank of Cyprus within the context of its supervisory role, has adopted the European Guidelines for banking supervision.

The European banking regulatory framework, applicable to financial institutions in the European Market, covers areas such as capital adequacy, recovery and resolution, internal governance, internal control system and supervisory reporting. The framework on prudential requirements and prudential supervision is effective from 1st January 2014 and includes EU directive 2013/36 (CRD), and the EU Regulation 575/2013 (CRR).

Based on the Macroprudential Oversight Institutions Law of 2015 the Central Bank of Cyprus as the competent authority responsible for macro-prudential oversight of the financial system, determines on a quarterly basis the levels of countercyclical capital buffer, according to the methodology described in the Law.

According to the framework the minimum own funds requirements are as follows:
On top of the minimum own funds requirements, capital buffers will be gradually implemented from 1.1.2016.
In particular:

- Capital Conservation buffer up to 2,5%
- O-SII buffer from 1% up to 3%
- Countercyclical buffer from 0% up to 2,5%

Regarding O-SII buffer, Central Bank of Cyprus conducts a scoring process, yearly, based on the consolidated FINREP/COREP data. According to this process, the Bank should comply with a buffer of 0,5% by 2023, applying 0,125% phase-in percentages starting from 2019 with years 2020 to 2021 having the same percentage.

For 2019 and 2020 the Central Bank of Cyprus, set the countercyclical buffer at zero per cent (0%).

## 4. Capital Management

The Capital Strategy of the Bank commits to maintain sound capital adequacy both from economic and regulatory perspective. It aims at monitoring and adjusting the Bank's capital levels, taking into consideration capital markets' demand and supply, in an effort to achieve the optimal balance between the economic and regulatory considerations.

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

## Main elements impacting Asset Quality, Capital and Liquidity

Amounts due to customers on 31 December 2020 amounted to Euro 2.102,3 million, presenting a decrease of 3,1%, compared to Euro 2.169,5 million in 31 December 2019. The net loans to deposits ratio changed from 69,0% on 31 December 2019, to 64,8% on 31 December 2020.

Non-performing exposures, according to the definition of the European Banking Authority (EBA), stood at Euro 388,7 million compared to Euro 1.140,4 million in 2019. These represent the 25,2% of gross loans, compared to 54,1% in 2019.

On 31 December 2020, coverage ratio of non performing exposures, according to the definition of the European Banking Authority (EBA), stands at 46,8% compared to 53,5% on 31 December 2019.

Net Interest income in 2020 amounted to Euro 51,9 million, presenting a decrease of 12,6% compared to Euro 59,4 million in 2019. The decrease is mainly attributed to the sale of a non-performing portfolio, the decrease of which was offset by a purchase of loans by the Group and the decrease of the deposits interest rates.

Total income of the Group amounted to Euro 73,4 million in 2020, compared to Euro 78,9 million in 2019. The total decrease of income during 2020 of 6,8%, is mainly attributed to the sale of non-performing portfolio, whose impact was offset by a purchase of loans and bonds.

Total expenses of the Group for 2020, amounted to Euro 88,0 million, compared to Euro 61,7 million for the previous year. The increase of total expenses is mainly due to the implementation of a voluntary separation scheme for personnel in 2020, the cost of which amounted to Euro 26,2 million. Excluding the cost of the voluntary separation scheme, 2020 costs has a slight increase of 0,2%. The cost to income ratio, excluding non-repeat voluntary exit costs, is at 84,2% for 2020 compared to 79,3% in 2019.

Impairment loss and provisions to cover credit risk were increased in 2020 Euro 53,9 compared to Euro 5,3 million in 2019. The increase is due both to the deterioration of the economic environment due to the Covid 19 and to the increase of credit risk.

Accumulated impairments to cover credit risk for on balance sheet balances amounted to Euro 181,9 million on 31 December 2020, covering 11,8% of gross loans, representing a decrease of 235,7% compared to 31 December 2019, due to the sale of a portfolio of non-performing loans. Accumulated impairments include the fair value adjustment of the loan portfolio acquired at fair value, as well as exposures that were initially designated as Purchased or Originated Credit Impaired (POCI). The total fair value adjustment amounted on 31.12.2020 to Eur 28,0 mil. (2019: Eur 93,1 mil.)

Net loans and advances to customers on 31 December 2020 amounted to Euro 1.361,3 million, decreased by 9,0% compared to Euro 1.496,1 million at December 31, 2019. The main reason relates to the deleveraging efforts and the sale of a portfolio of non-performing loans amounted to Euro 280 million. In compensation for the sale of a non-performing portfolio, the Group purchased performing loans from Alpha Bank AE amounted to Euro 251 million and bonds amounted to Euro 60 million.

## 4.1 Capital Ratios

The Capital Adequacy Ratio is calculated as the result of the Bank's regulatory capital (own funds) to its risk-weighted assets. Regulatory capital includes CET1 capital (share capital and reserves), additional Tier 1 capital (hybrid securities) and Tier 2 capital (subordinated debt). Risk-weighted assets include the credit risk of the banking book, the market risk of the trading book, the operational risk, the counterparty credit risk/CCR and credit valuation adjustment/CVA. The Bank has no market risk or CCR for the year 2020.

At the end of December 2020, Alpha Bank Cyprus's CET1 stood at approx. Euro 239 million; RWAs amounted to Euro 1.557 million resulting in a CET1 ratio of 15,4%, and Capital Adequacy Ratio of 19,5%.

The Bank operates well above regulatory ratios set for the year 2021.

| **Table 1. Capital Adequacy Ratios** | **(in Euro million)** | |
|---|---|---|
| **Capital Type** | **31.12.2020** | **31.12.2019** |
| CET1 | 239 | 289 |
| Additional Tier 1 Capital | 64 | 64 |
| Additional Tier 2 Capital | - | 1 |
| Total Regulatory Capital | 303 | 354 |
| Risk Weighted Assets | 1.557 | 1.753 |
| **Capital Ratios** | | |
| CET1 Ratio | 15,4% | 16,5% |
| Tier 1 Ratio | 19,5% | 20,2% |
| Capital Adequacy Ratio (Tier 1 + Tier 2) | 19,5% | 20,2% |

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

The supervision is conducted in accordance with the European Regulation 575/2013 (CRR) and the relevant European Directive 2013/36 (CRD IV), which was incorporated into the Cyprus Law. The framework is broadly known as Basel III. The Central Bank of Cyprus, with a view to harmonize with CRD IV, has proceeded to transfer the provisions of the above Directive by amending the Banking law and by introducing the new Macro-Prudential Oversight Law of 2015, which was amended in early February 2017 with retrospective effect from 1.1.2016, setting the minimum ratios (equity capital, Tier I capital and capital adequacy) that the Group should maintain.

In accordance with the above framework for the calculation of the capital adequacy ratio, the transitional provisions in force are followed.

- Besides the 8% capital adequacy limit, there are applicable limits for Common Equity Ratio and Tier I ratio of 4,5% and 6%, respectively
- The maintenance of capital buffers additional to the Common Equity Capital, from 1.1.2019 of 2,5% is maintained
- Central Bank of Cyprus, set the following capital buffers for 2020:

  Other systemically important institutions' (O-SII) buffer 0,5% (0,25% applicable for year 2020).
  Countercyclical capital buffer equal to «zero percent» 0%.

ECB informed Alpha Bank that for the year 2020 the minimum limit for the Overall Capital Requirement (OCR) is 13,75%. The OCR is composed by the minimum own funds requirements (8%), according to article 92(1) of the CRR, the additional Pillar II own funds requirements (P2R), according to article 16(2) (a) of the Regulation 1024/2013/EU which corresponds to 3%, and the combined buffer requirements (CBR), according to article 128(6) of the Directive 2013/36/EU which correspond to 2,75%. The above minimum ratio should be maintained on a phase-in basis under applicable transitional rules of the CRR / CRD IV, at all times.

Respectively, for the year 2021, the ratios requirements under the ECB's decision are maintained at 13,75%, due to the change adopted by CBC where the gradual increase of OSII requirement has been extended by 1 year, with the percentage applicable for 2020 to remain the same for 2021 as well.

As per the recently announced regulatory measures by EBA and ECB, in view of the COVID-19 outbreak, capital regulatory thresholds for European banking institutions have been relaxed. Specifically, the European Central Bank (ECB) and the European Banking Authority (EBA) announced the following relaxation measures for the minimum capital and liquidity requirements for Banks in the Eurozone:

• Banks are temporarily allowed to operate below the level of capital defined by the Pillar 2 Guidance, the Capital Conservation Buffer and the Countercyclical Buffer.

• Furthermore, the upcoming change under CRD5 regarding the P2R buffer was brought forward allowing the Pillar 2 Requirement (P2R) to be covered by Additional Tier 1 (AT1) capital and Tier 2 (T2) capital and not only by CET 1.

### Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

Banks in the European Union are also required to meet at all times a minimum requirement for own funds and eligible liabilities (“MREL”) which ensures that banks have sufficient loss absorbing capacity in resolution to avoid recourse to taxpayers’ money. Relevant laws are the Single Resolution Mechanism Regulation (“SRMR”) and the Bank Recovery and Resolution Directive (“BRRD”).

MREL is determined by the competent resolution authorities on a case-by-case basis, depending on the respective preferred resolution strategy. Guidance is provided through the MREL policy published by the SRB on 20 May 2020, which incorporates the criteria set out in BRRD2/CRR2 and establishes new transition periods (Intermediate target in 2022 and final target in 2024).

In the case of Alpha Bank, MREL is determined by the Single Resolution Board (“SRB”). While there is no statutory minimum level of MREL, the SRM Regulation and the BRRD set out criteria which the resolution authority must consider when determining the relevant required level of MREL.

## 4.2 IFRS9 Capital Impact

On December 12, 2017 the EU adopted Regulation No 2395/2017of the European Parliament and of the Council amending EU Regulation 575/2013, as regards transitional arrangements to mitigate the impact of the introduction of IFRS 9 on regulatory capital and leverage ratios. The new Regulation inserts a new article 473a in CRR 575/2013 which introduces a 5-year transitional period which allows 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 recognized at 31.12.2017 in accordance with IAS 39 ("Static” amount). The weighting factors were set per year at 0.95 in 2018, 0.85 in 2nd, 0.7 in 3rd, 0.5 in 4th and 0.25 in the last year. The factor applicable for 2020 is 70%.

The Bank has decided to make use of Article 473a of the above Regulation and applies the transitional provisions.

The table below shows a comparison of own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9.

| **Table 2.: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs** | | **(in Euro million)** |
|---|---|---|
| **Available capital (amounts)** | **31.12.2020** | **31.12.2019** |
| CET1 capital | 239 | 289 |
| CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 200 | 242 |
| Tier 1 capital | 303 | 353 |
| Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 264 | 306 |
| Total capital | 303 | 354 |
| Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 264 | 307 |
| **Risk-weighted assets (amounts)** | | |
| Total Risk-weighted assets | 1.557 | 1.753 |
| Total Risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 1.518 | 1.705 |
| **Capital ratios** | | |
| CET 1 ratio (%) | 15,4% | 16,5% |
| CET1 ratio (%) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 12,9% | 14,2% |
| Tier 1 ratio (%) | 19,5% | 20,2% |
| Tier 1 ratio (%) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 17,0% | 17,9% |
| Total ratio (%) | 19,5% | 20,2% |
| Total ratio (%) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 17,0% | 18,0% |
| **Leverage ratio** | | |
| Leverage ratio total exposure measure | 2.584 | 2.698 |
| Leverage ratio | 11,7% | 13,1% |
| leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 10,4% | 11,5% |

## 4.3 Capital Buffers

The countercyclical capital buffer (CCyB) is a CRD IV requirement, designed to help counter pro-cyclicality in the financial system. Credit institutions are required to set aside additional common equity tier 1 capital during periods of excessive credit growth. This will help maintain the supply of credit and dampen the downswing of the financial cycle. The main purpose of the CCyB is to increase the banks' resilience in good times to absorb potential losses that could arise in a downturn and to support the continued supply of credit to the real economy. According to Central Bank of Cyprus, as National Competent Authority, during 2020, the countercyclical buffer was set at 0%. CCyB is also currently 0% in most other countries in which Alpha Bank has significant exposures. The total CCyB for Alpha Bank Cyprus is close to zero.

### 4.4 Own Funds

On 31.12.2020 the Bank's share capital amounts to Euro 180.694.153 divided into 212.581.357 ordinary shares with voting rights with nominal value of Euro 0,85 and a share premium of Euro 102.661.420. Further analysis of the share capital and share premium is provided in notes 30 and 32 of 2020 Financial Statements.

Additional Tier I capital consists of hybrid securities. The amount included as part of Tier I for 2020 stands at Euro 64 million.

The Bank's total capital adequacy on 31 December 2020 stands at 19,5% which exceeds the minimum capital requirements of Pillar I and Pillar II, providing the Bank with significant capital buffer. It is noted that the Pillar II capital requirement assessment is performed annually by the supervisory authority, with a specific supervisory process that is dynamic as it is subject to change over time.

The following table presents the analysis of Own Funds structure, as defined in CRR575/2013:

| Table 3. Own Funds Structure | (in Euro million ) | |
|---|---|---|
| **Type** | **31.12.2020** | **31.12.2019** |
| Share capital | 181 | 181 |
| Share premium | 103 | 103 |
| Accumulated other comprehensive income (and other reserves) | -84 | -42 |
| Reserves & Retained Earnings | -95 | -54 |
| AFS reserves | 11 | 12 |
| Adjustments due to IFRS 9 transitional adjustments | **39** | **47** |
| PVA | **-** | **-** |
| **Common equity tier 1 capital before regulatory adjustments** | **239** | **289** |
| Profit / (Loss) for the year | -71 | 10 |
| Intangible Assets | -2 | -2 |
| DTA | -6 | -8 |
| Other transitional adjustments | - | - |
| **Total regulatory adjustments to common equity tier 1** | **79** | **-10** |
| **Common equity tier 1 capital (CET1)** | **239** | **289** |
| Hybrid instruments | 64 | 64 |
| **Additional Tier I before regulatory adjustments** | **64** | **64** |
| Hybrid instruments transitional adjustments | - | - |
| Total regulatory adjustments to additional Tier I | - | - |
| **Additional Tier I (AT1)** | **64** | **64** |
| **Tier I Capital (CET1 + AT1)** | **303** | **353** |
| Subordinated loan | - | 1 |
| **Tier II capital before regulatory adjustments** | - | 1 |
| Total regulatory adjustments to Tier II | - | 0 |
| **Tier II capital** | **-** | **1** |
| **Total Capital (TC = Tier I + Tier II)** | **303** | **354** |
| **Total RWA** | **1.557** | **1.753** |
| **Common equity tier 1 Ratio** | **15,4%** | **16,5%** |
| **Tier I Ratio** | **19,5%** | **20,2%** |
| **Capital Adequacy Ratio (Tier I + Tier II)** | **19,5%** | **20,2%** |

**The following table shows the capital instruments issued by the Bank and are held by Alpha Bank Group through private placement and are presented with their basic characteristics.**

| Table 4. Other capital instruments held by Alpha Bank Group | | 2020 |
|---|---|---|
| 1 | Issuer | Alpha Bank Cyprus Ltd |
| 2 | Unique identifier | N/A |
| 3 | Governing law(s) of the instrument | Cyprus |
| | **Regulatory treatment** | |
| 4 | Transitional CRR rules | N/A |
| 5 | Post transitional CRR rules | Additional Tier I |
| 6 | Eligible at solo/(sub-) consolidated/solo & (sub) consolidated | Solo / Cons |
| 7 | Instrument type (types to be specified by each jurisdiction) | Tier I |
| 8 | Amount recognised in regulatory capital (currency in million, as at 31.12.2019 | €64 |
| 9 | Nominal amount of instrument | €64mil |
| 9a | Issue price | 100% |
| 9b | Redemption price | 100% |
| 10 | Accounting classification | Liability – Amortised cost |
| 11 | Original date of issuance | 1.11.2013 |
| 12 | Perpetual or dated | Perpertual |
| 13 | Original maturity date | - |

## 4.5 Capital Requirements

The Bank calculates and reports to the designated authorities its capital requirements (Pillar I RWAs) according to the provisions of the CRR and implementing the Technical Standards developed by the EBA.

For the capital requirements of Pillar I, the bank applies the standardized approach for credit risk and operational risk. The Bank does not have any capital for market risk.

The minimum capital requirements under Pillar I are calculated as 8% of RWA. RWAs are calculated by applying the IFRS 9 five-year phase-in period. The Euro 1.557 million are decomposed into: Euro 1.435 million from Credit Risk, which represents approx. 92% of total capital requirements, and Euro 122 million from Operational Risk. During the financial year of December 2019 to December 2020, the total risk weighted assets of the Group were decreased by Euro 195 million.

The objectives of the Bank's capital management policy is to ensure that the Bank has sufficient capital to cover the risks of its business and support its strategy and at all times to comply with regulatory capital requirements.

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 following table summarises Risk Weighted Assets (RWA) and minimum capital requirement by risk type. Minimum capital requirement is calculated at 8% of RWA

| **Table 5a. EU OV1 – Overview of RWAs 2020** | **( In Euro million)** | |
|---|---|---|
| Risk Category | RWAs | Minimum capital requirements |
| Credit Risk (excluding CCR) | 1.435 | 115 |
| Of which standardized approach | 1.435 | 115 |
| **Operational risk** | 122 | 10 |
| Of which standardised approach | 122 | 10 |
| **Total** | 1.557 | 125 |

| Table 5b. EU OV1 – Overview of RWAs 2019 | ( In Euro million) | |
|---|---|---|
| Risk Category | RWAs | Minimum capital requirements |
| Credit Risk (excluding CCR) | 1.630 | 130 |
| Of which standardized approach | 1.630 | 130 |
| **Operational risk** | 123 | 10 |
| Of which standardised approach | 123 | 10 |
| **Total** | 1.753 | 140 |

## 5. Leverage

The leverage ratio is defined as Tier 1 capital divided by the total exposure measure and it is a binding requirement from the beginning of 2019. 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 with reference date 31.12.2020 was 11,7%, (31.12.2019: 13,1%) according to the transitional definition of Tier 1 capital significantly over the 3% minimum threshold applied by the competent authorities, implying that the Bank is not taking on excessive leverage risk.

In the table below, the Bank's leverage ratio is presented:

| Table 6. Summary reconciliation of accounting assets and leverage ratio exposures (in Euro million ) | | |
|---|---|---|
| | 2020 | 2019 |
| Total assets as per published financial statements | 2.498 | 2.600 |
| Transitional adjustments due to IFRS 9 | 39 | 47 |
| Adjustments for derivative financial instruments | 1 | 3 |
| Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures) | 53 | 58 |
| Other | -8 | -10 |
| **Leverage ratio total exposure measure** | **2.583** | **2.698** |

| **Table 7.** Leverage ratio common disclosure | (in Euro million ) | |
|---|---|---|
| | **2020** | **2019** |
| **On-balance sheet exposures (excluding derivatives and SFTs)** | **CRR leverage ratio exposures** | **CRR leverage ratio exposures** |
| On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral) | 2.529 | 2.443 |
| **Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)** | **2.529** | **2.443** |
| **Derivative exposures** | | |
| Replacement cost associated with all derivatives transactions | - | 1 |
| Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method) | 1 | 2 |
| (Deductions of receivables assets for cash variation margin provided in derivatives transactions) | | |
| **Total derivatives exposures** | **1** | **3** |
| **SFT exposures** | | |
| Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions | | |
| Counterparty credit risk exposure for SFT assets | - | 194 |
| **Total securities financing transaction exposures** | **-** | **194** |
| **Other off-balance sheet exposures** | | |
| Off-balance sheet exposures at gross notional amount | 197 | 198 |
| (Adjustments for conversion to credit equivalent amounts) | -144 | -140 |
| **Other off-balance sheet exposures** | **53** | **58** |
| **Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)** | | |
| Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet)) | | |
| Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet)) | | |
| **Capital and total exposure measure** | | |
| Tier 1 capital | 303 | 353 |
| Leverage ratio total exposure measure | 2.583 | 2.698 |
| **Leverage ratio** | | |
| **Leverage ratio** | **11,7%** | **13,1%** |
| **Choice on transitional arrangements and amount of derecognised fiduciary items** | | |
| Choice on transitional arrangements for the definition of the capital measure | Transitional | Transitional |
| Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013 | | |

| Table 8. Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) | | (in Euro million) |
|---|---|---|
| | 31.12.2020 | 31.12.2019 |
| **On-balance sheet exposures (excluding derivatives and SFTs)** | **CRR leverage ratio exposures** | **CRR leverage ratio exposures** |
| **Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:** | **2.529** | **2.443** |
| Banking book exposures, of which: | 2.529 | 2.443 |
| Exposures treated as sovereigns | 548 | 422 |
| Institutions | 297 | 270 |
| Secured by mortgages of immovable properties | 481 | 370 |
| Retail exposures | 160 | 166 |
| Corporate | 545 | 411 |
| Exposures in default | 253 | 572 |
| Other exposures | 245 | 232 |

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.

# 6. General Information on Risk Management

The Bank is fully committed to 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 to promoting the Bank's strategic, business and financial objectives and forms an integral part of the business strategy-setting process, including the business planning process and the risk appetite policy, as it defines the maximum acceptable risk appetite regarding each type of risk.

The key risk categories for Alpha Bank include credit risk, market risk, liquidity risk, country risk and operational risk. In order to ensure that the impact of the said risks on the Bank's financial results, long-term strategic goals and reputation are minimized, the Bank apply identification, forecasting, measurement, monitoring, control and mitigation practices for the highest as well as for emerging risks, through an internal governance process based on the use of credit tools and risk management processes.

The Bank's strategy, in line with Alpha Bank Group's strategy, for risk management and risk undertaking, applied in all of the Bank Units' activities, is strictly aligned with the best international practices, as well as with the current legislation and the regulatory and supervisory rules, while it evolves continuously through the development of a single risk management culture, which is shared across the Bank.

## 6.1 Risk Management Framework and Principles

The Bank has established a comprehensive risk management framework, which is improving continuously over time and takes into account the common European legislation and banking system rules, the regulatory principles and supervisory guidance and the best international practices. This risk management framework is implemented in the course of day-to-day business enabling corporate governance to remain effective.

The Bank's main focus throughout 2020 was to maintain the highest operating standards, ensure compliance with regulatory risk rules and retain confidence in the conduct of its business activities through sound and robust provision of sustainable financial services.

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

- Development of a sound Bank 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 risk appetite framework (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 advance of and in order to achieve its strategic business activities within its risk capacity.
- Definition of the Bank's risk management policies that are adherent to the RAS and is supported by appropriate control procedures and processes.

- Development of the processes to ensure that all material risks and associated risk concentrations are identified, measured, limited, controlled, mitigated and reported on a timely and comprehensive basis.
- Monitoring of risk limits with alignment with the Bank's business goals.
- Transparency promoted through clear communication lines.

- Active role of contributing staff in Risk Management. The staff is equipped with all the necessary skills and means which are necessary for effective Risk Management and understands its roles and responsibilities related to the Bank's Risk Management Framework.
- Documentation of all processes related to risk identification, measurement, monitoring, reporting and control/mitigation.
- Providing adequate information to Bank and Business Units Management.

### 6.2 Risk Appetite Framework

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 (RAS), risk limits and an outline of the roles and responsibilities of those overseeing the implementation and monitoring of the RAF, ensuring the alignment of the Bank's corporate and business strategy, the financial and capital planning and the risk management framework. The Risk Appetite is the core tool for better aligning overall corporate strategy, capital allocation, and risk. The Senior Management of the Bank defines and recommends the Risk Appetite, taking into consideration the business strategy, business plan, risk management framework/culture and internal capital adequacy assessment. At this stage, strategic objectives are translated into risk appetite qualitative statements and risk appetite quantitative measures (Key Risk Indicators-KRIs). The Board Risk Committee reviews and recommends to the Board of Directors for approval the Bank's RAF and statement, ensuring alignment with the Bank's strategic objectives and capital allocation. Overall, Risk Appetite sets out the level of risk that the BoD is willing to take in pursuit of its business objectives.

The effective expression of Risk Appetite aids the Bank in running its business by providing guidance on acceptable levels of risk while pursuing strategic objectives, thus providing a significant link in achieving the most efficient balance between risk and return.

Successful implementation of RAF depends upon effective interactions between the Board and Senior Management of the Bank.

### *6.3 Risk* Governance *Structure*

The Bank has set a robust internal governance framework, which includes a 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 requirements and its internal capital targets.

The Bank's risk strategy and risk management framework are organized according to the principles of three lines of defense, which have a decisive role in the Bank's effective 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:

- The Business Units constitute the first line of defense and risk "ownership" which identifies and manages the risks that arise when conducting banking business. This includes assessing and reporting of their exposures for identifying the relevant risks, taking into account the Bank's approved risk appetite, as well as its policies, procedures, controls and limits.

- The second line of defense consists of the Risk function and other relevant functions, 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 independent Compliance function. The Compliance function, among other things, monitors compliance with laws, corporate governance rules, regulations, codes and policies of the Bank. The BoD approves the compliance policies that are communicated internally. The function ensures compliance with the policies and reports to the senior management and the BoD on how the Bank manage their compliance risk.

- Internal Audit constitutes the third line of defense. Internal Audit is an independent function, reporting to the Audit Committee of the Board of Directors and audits the activities of the Bank, including the Risk Management function.

The Board of Directors and the Board Risk Committee of the Bank, as well as the Management Committees of the Bank have separate and distinct roles in providing the final and ultimate levels of defense, ensuring the effective implementation of the Bank-wide risk management Framework and policies within the Bank.

### Committees at the Executive Management Level

#### 1. Executive Committee (ExCo)

The Bank's Executive Committee (ExCo), as the senior executive body of the Bank is responsible, among other things, to prepare the strategy, business plan and annual budget of the Bank for submission and approval by the Board of Directors (BoD) as well as the annual financial statements.

Further to the above, the Committee is responsible to monitor the local and global economy, to be informed of market developments and to examine matters related to business planning and policies of the Bank.

The ExCo is mandated by the BRC to review and approve the risk management policies and ensures that the risk management strategy and appetite are incorporated in the Bank's business decision-making process. The ExCo assigns authorities and responsibilities to specific committees comprised of members of the Bank's General Management, including the Assets and Liabilities Committee ("ALCO"), the Credit Risk Committee and the Operational Risk Committee.

The Bank's ExCo in its capacity as the Senior Management of the Bank is responsible to recommend to the BRC an appropriate RAF which should be consistent with the business and risk strategy of the Bank.

## 2. General Manager-level Management Committees

### *Assets and Liabilities Committee ("ALCO")*

Frequency: At least monthly

The Committee:

- decides on matters regarding the management of Asset-Liability and cash management issues, i.e. liquidity, hedging strategy, capital structure, proposals for new products/services or modification of existing products/services, products pricing, portfolios, etc.
- assesses financial risks and decides on the risk hedging strategy and actions.

### *Credit Risk Committee*

Frequency: At least quarterly

The Committee assesses the adequacy and efficiency of the credit risk management policies and procedures of the Bank and plans the required corrective actions.

### *Operational Risk Committee*

Frequency: At least quarterly

The Committee takes cognizance of and decides upon issues related to Operational Risk and the Internal Control Framework.

### *The Troubled Assets Committee ("TAC")*

Frequency: At least quarterly

The Committee formulates, evaluates and approves the Wholesale and the Retail Banking NPE management strategy.

## Risk Divisions

The Bank Risk Divisions are assigned with the responsibility of implementing the Bank's Risk Management Framework, according to the directions of the Board Risk Committee and operate independently from any executing processes.

Furthermore, the Risk Divisions that provide 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 Committee, the Credit Risk Committee and the Operational Risk Committee.

Under the supervision of the Chief Risk Officer, the following Risk Divisions/ Departments operate within the Bank and are assigned with the responsibility of implementing the risk management framework:

***Credit Risk Division***

- Regulatory Requirements and Corporate Governance Department
- Policy Department
- Credit Control Department
- Credit Risk Methodologies Department
- Data Analysis Department
- Collective Impairment Assesment Department
- Individual Impairment Assessment Department

***Market and Operational Risk Division***

- Market and Liquidity Risk Department
- Operational Risk Department

***Credit Risk Model Validation Department***

The Credit Risk Model Validation Department was established, with the perspective to reinforce Bank's Second "line of defense". The Department is under the CRO and is responsible for the 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 supervisory framework and best practices.

## 6.4 Risk Management Policies

The Bank's has a structured risk strategy in place that is perceived within the organization as an integrated business model that incorporates all the risk management processes, policies, procedures and methodologies adopted and implemented throughout the institution. The Bank's risk strategy objective is to provide a coherent and structured approach towards identifying, assessing and managing risk. It is based on the Risk Policies defined by the Board Risk Committee and approved by the Board of Directors.

- Risk Policies include all central rules of conduct for handling risks and are set out in specific Manuals for each risk. These are reviewed regularly and adapted whenever necessary and approved by the BoD Risk Committee. The Bank's Risk Policies are the following:
  - Credit Risk Management Policies
  - Market Risk Management Policy
  - Operational Risk Management Policy
  - Assets-Liability Risk Management Policy and
  - Interest Rate Risk Banking Book (IRRBB)
- The guiding principles are effectively communicated to all organizational levels in order to build a uniform understanding of risk management objectives.
- Internal Audit 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 the pursuit of the Bank's strategic business goals, the risk management framework which includes the relevant risk management policies, procedures and systems are regularly reviewed, to ensure that risk management and regulatory risk reporting are always compliant with the relevant regulatory guidelines as well as with the principles of corporate governance.

## 6.5 Stress Testing

Performing stress tests constitutes a key risk management tool, fully integrated into core risk reporting, capital and liquidity planning at the Bank level, which provides indications of the capital required to absorb losses under the assumption of specific extreme hypothetical scenarios. Stress tests are conducted according to the requirements of the regulatory framework and constitute a fundamental part of the Bank's Risk Management Framework with the aim of assessing the impact of business decisions on the Bank's capital position.
Credit Risk

## 6.6 General Information

Credit risk arises from the potential weakness of borrowers' or counterparties' to repay their debts as they arise from their loan obligations to the Bank. The primary objective of the Bank's strategy for the credit risk management in order to achieve the maximization of the adjusted to risk performance is the continuous, timely and systematic monitoring of the loan portfolio and the maintenance of the credit risks within the framework of acceptable overall risk limits. At the same time, the conduct of daily business within a clearly defined framework of granting credit is ensured. The framework of the Bank's credit risk management is developed based on a series of credit policy procedures, systems and models for measuring, monitoring and validating credit risk. These models are subject to an ongoing review process in order to ensure full compliance with the current institutional and regulatory framework as well as the international best practices and their adaptation to the requirements of respective economic conditions and to the nature and extent of the Bank's business.

The Credit Risk Appetite expresses the level of credit risk that the Bank is willing to assume in order to achieve the business objectives and the expected risk-adjusted return, as defined by a set of minimum quantitative metrics and qualitative standards.

The Credit Risk Appetite is amongst the key contributors in the business planning process, promoting the appropriate alignment of corporate strategy, capital allocation and risk. Top-down risk appetite serves as the limit for risk-taking for the bottom-up planning from the business functions. Risk Tolerance Limits and credit risk management policies are calibrated to the credit risk appetite.

The Bank identifies and assesses existing and potential risks inherent in any product or activity as the basis for effective credit risk management. The identification, analysis and control of credit risk are achieved through a safety net of internal procedures, policies and controls. The Bank uses internal rating / scoring systems for its loan portfolios, in order to evaluate and classify both performing and non-performing relationships. 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. Furthermore there are in place sets of reporting tools and frameworks which are used on regular intervals, assisting the management to identify early in some cases, or in due time in some other, potential threats, risky portfolio sections and problematic relationships. The results of risk identification and assessment are incorporated in the overall credit risk policy, procedures and limit setting process. The overall process is further aided by the implementation of an appropriate organizational structure with clearly defined roles and responsibilities for its Personnel and Business Units, in order to manage all kinds of credit risk-bearing activities.

The Bank has prepared its operational and system infrastructure in line with the International Financial Reporting Standard (IFRS) 9. Alpha Bank's current credit risk management framework consists of a set of governance rules, policies and procedures, as well as rating / scoring systems, covering the whole range of the Bank's portfolio, and is under continuous review and enhancement 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 to preventing any potential negative effects in the Bank's financial results.

With main scope to further strengthen and improve the credit risk management framework Bank's Risk Divisions implemented in 2020 a series of actions. The most important ones were the following:

**Actions Addressing COVID 19 – issues**

- Implementation of new financing initiatives in order to support borrowers with short-term liquidity constraints to mitigate the impact of the pandemic.

- Amendment of the Bank Loan Impairment Policy, taking into consideration the EBA Guidelines "on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis", to incorporate the Forbearance Classification, the Unlikeliness-to-pay (UTP) assessment and the identification of Default of exposures affected due to COVID-19 effect.

- Development of a Methodological approach in order to regulate the measurement of the effects of Covid-19 pandemic, on the expected cash flows of eligible borrowers for individual assessment, taking into account the impact of the pandemic on the risk profile of each business sector.

- The Policy Department proceeded with lending policy revisions, with the aim of further strengthening the Risk Management Framework, taking into consideration the revised regulatory guidelines in response to COVID – 19 pandemic.

- The Data Analysis Department proceeded with the preparation of internal and supervisory reports, in relation to the implementation and monitoring of the Loan Installment Suspension Decree - (COVID-19).

- With a view to avoid excessive NPE formation from clients that entered the loan instalment moratorium scheme designed by the Cyprus government, the Bank initiated and completed within Q4 2020 a client outreach program, aiming to the provision of the appropriate solutions to COVID-19 affected clients.

**NPE reduction plan**

- NPE deleveraging through the sale of a portfolio of NPEs - €702million – to a Group Subsidiary Alpha Credit Acquisition Company.

- Continuous implementation of the Retail Transformation Plan for the management of the Arrears Portfolio, through the offering of more fit for purpose solutions to the borrowers such as, consecutive repayment plan with debt forgiveness and debt to asset swaps, ensuring the full settlement of his debt and reducing the impairment needs.

**Other actions and Programs**

- Revision of the Bank’s Risk Appetite Framework indicators and risk appetite limits, taking into account the Bank's strategic plan, risk management framework, as well as the macroeconomic environment in which the Bank operates, and the relevant supervisory guidelines.

- Implementation and completion of a Program to ensure the Bank’s compliance with the regulatory requirements deriving from the Guidelines on the application of the Definition of Default under Article 178 of Regulation (EU) No 575/2013. The Bank adopted the new Definition of Default and the Materiality threshold for credit obligations past due, as defined in the relevant European regulation applicable on the 1st of January 2021.

- Design the implementation of a Program for the incorporation of the EBA Guidelines on loan origination and monitoring (EBA/GL/2020/06). The guidelines are applicable from 30 June 2021 and apply to institutions’ internal governance arrangement and procedures in relation to credit-granting processes, and throughout the life cycle of credit facilities. Furthermore, these guidelines apply to the risk management practices, policies, processes and procedures for loan origination and monitoring of performing exposures, and their integration into the risk management frameworks.

- Preparation for the first time of a bail in playbook as per the requirements of the Single Resolution Board, in relation to the actions that may need to take place in case the Bank or the Parent reaches the point of non-viability. The actions include among other governance arrangements, description of step-by-step process, characteristics of the instruments covered in capitalization and bail in.

- Update of the impairments calculation methodology and upgrade of the Loan Impairment Calculator system. Furthermore, the Bank proceeded with the updating of the calculation process and impairment methodology for loans transferred from the Group.

- Participation of the Data Analysis Department in an ongoing project for the creation of a dedicated risk data mart and the automation of supervisory and internal reporting. The aforementioned project is estimated to be completed in 2021.

- The Credit Control Department carried out a number of credit controls within 2020 in accordance with the approved credit control plan. The aim of these controls is to ensure the adequate management of credit risk and the review of the quality of the loan portfolio.

- The Credit Risk Methodologies Department, responsible for the development, monitoring and maintenance of credit risk models, implements where necessary revisions of credit risk models based on the findings of the Credit Risk Models Validation Department, the results of the monitoring process and the business needs.

- Developed for the first time the IRRBB policy and methodology, ensuring alignment with the provisions of the respective policies of the Group and the relevant EBA guidelines.

- Developed and adopted a robust and structured Model Risk Management Framework in order to effectively address risks that may arise from the use of models.

- Revised the Operational Risk Management Policy to align with the Group's respective Policy.

## 7 Credit Risk Division

### 7.1 Credit Risk

The management of credit risk is organized under the supervision of the Chief Risk Officer of the Bank by a Division that is responsible for establishing the Bank's credit risk appetite and credit risk policies, reviewing the approval and follow-up processes in the Business Units, facilitating the quarterly process of calculating the impairment of credit exposures and monitoring and submitting regulatory and internal reports on the Bank's credit portfolio, including the determination of portfolio limits for specific industries and countries. Dedicated departments develop credit rating and evaluation models and ensure that they are available for day-to-day credit processing at the Business Units and meet regulatory and institutional requirements. A separate Department is responsible for validating the credit risk rating systems and models and has direct reporting line to the Chief Risk Officer of the Bank.

The Credit Risk Committee of the Bank has an oversight of the credit risk activities and the implementation of relevant strategy. The Committee is responsible for the evaluation of the adequacy and the effectiveness of policies and procedures of Bank's credit risk management regarding credit risk taking, monitoring and management by business line, geographic area, product activity, sector etc., as well as approving recommendation on necessary structural mitigating actions. The Committee approves the Credit risk policies for Wholesale and Retail Banking - as well as initially - approves the Impairment Policy and Write-Off Policy which is subsequently submitted to the Board of Directors for final approval through the Board Risk Committee. The basic responsibilities of the Committee are:

- Approval and monitoring of the Bank's Credit Risk Appetite.

- Regular review and update of the Bank's credit risk policies.

- Periodical review of the development of credit risk by sector and geographic area and concentration risk where the Bank operates.

- Overview of the reports of the Risk Divisions submitted to the Board of Directors and the Board Risk Committee.

- Approval of Wholesale and Retail Credit Policy Manuals.

- Initial approval of the Group Loan Impairment Policy and the Group Write-off Policy.

- Approval of the development and update of the Credit Risk Models and the relevant Governance Framework for the Credit Risk Model Management policy. Notification of the validation results for the credit risk measurement models. Approval of the ECL Methodology.

- Approval of the quarterly results of loan impairment test process.

- Notification of the most important findings resulting from the conduct of credit reviews by the Credit Control Department. The Committee may request from the competent Units specific timetable of compliance with the relevant recommendations.

- Notification on the strategy for management of arrears, arrears procedures regulations and the Bank's arrears Committees, approved by the Troubled Assets Committee. In any case, the Committee may recommend adjustments to the arrears management strategy taking into account the Bank's Business Plan for the reduction of non-performing exposures as well as the current macroeconomic conditions in the Cyprus economy.

- Review of the results derived by credit risk stress tests.

- Evaluation of important findings included in the reviews that are performed by internal or external auditors related to the credit policy and credit risk management.

- Review of the results and decision on required actions on issues stemming from external evaluation processes including SREP, SSM Audits.

- Notification and review of the progress of projects related to supervisory guidelines (e.g. new definition of default, provisioning calendar) as well as important projects for the Bank related to Credit Risk.

The members of the Credit Risk Committee are the following:

- Chief Executive Officer (Chairman of the Committee);
- Chief Risk Officer;
- General Manager Operations
- Financial Services Division Manager;
- General Manager Business Development
- Arrears Management Advisor

**Credit approval process**

The Bank, following best international practices and taking into account the prevailing institutional framework set by legislation, regulations, ministerial decrees/decisions, etc, has established a robust credit risk management framework, where 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.

Within this context, all 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.

**International/Wholesale Banking Credit Committees**

The Credit Committees with escalating credit approval levels, mainly review and evaluate credit requests for companies/ 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.

The Credit Committees according to their approval authority level are divided into the following categories:

Country Credit Committee I

Country Credit Committee II

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 Arrears Units 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 Arrears Committee I

Wholesale Banking Arrears Committee II

## Credit Quality of Exposures

### Definitions

The following definitions of exposures are provided:

#### 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 against the exposure;
- No unlikeliness to pay is reported on the exposure.
- The exposure is not classified as impaired;

Or

- The exposure is classified as forborne performing exposure, as defined in the aforementioned commission Implementing Regulation (EU) 2015/227 of 9 January 2015.

#### 2. Past Due Exposures

An Exposure is past due if the counterparty's credit obligation is materially more than one day past due. The amount due is considered as the sum of the principal, interests and charges/commissions that is over one day due at the account level.

### 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 more than 90 days past due (NPL); The amount due exceeds Euro 100 for Retail Exposures or Euro 500 for Wholesale Exposures and the amount due exceeds 1% of the total on balance sheet exposures. In particular, for overdraft facilities, an exposure is past due after having exceeded its approved limit.

- Legal actions have been undertaken by the Bank – Legal (NPL)

- The exposure is classified as Forborne Non – Performing Exposure, as defined in the Implementing Regulation (EU) 227/9.1.2015.

- It is assessed as Unlikely to Pay (UTP).

When a Wholesale Banking borrower has an exposure that is more than 90 days past due and the amount of this exposure exceeds 20% of total exposures of the borrower, then all exposures of the borrower are considered as non-performing (Pulling Effect).

### 4. Forborne Exposures

An exposure is considered as 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 the 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.

According to the EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/15 and EBA/GL/2020/02), exposures that have received payment holidays as a result of COVID-19 are not subject to automatic classification to forborne to the extent that the measures provided are applied to a wide range of product and/or customer categories (as opposed to being tailored to the specific situations of individual debtors).

The aforementioned treatment of forbearance is – in consistence with the regulatory guidance – applied only when the following conditions are met:

- The moratoria are general, i.e. they are not creditor-specific, as the duration of the conditions are standardized for all debtors. That said, specific products may be provided to broader borrower categories. Similar payment relief measures are taken by other Greek banks.

- The measures provide solely for amendments to the payment schedule over a pre-determined, limited period of time, and do not alter other loan terms and conditions, such as interest rates.

- There is no material loss on the exposure in Net Present Value terms.

- The moratoria do not apply to new loan contracts granted after the date the moratoria were announced.

- The moratoria were launched in response to the COVID-19 pandemic and their total duration do not exceed 9 months.
- The creditworthiness of the borrower is not estimated to be significantly affected by the Covid-19 crisis in long term.

### 5. Unlikeliness to Pay

An exposure is flagged as 'Unlikely To Pay' (UTP) when it is less than 90 days past due and the Bank assesses that the borrower is unlikely to fully meet his credit obligations, without the liquidation of collateral, regardless the existence of any past due amount or the number of days past due, with the exception of the cases of collaterals that are part of the production and trade chain of the borrower (e.g. properties for Real Estate companies, corporate shares for Holding companies).

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

a) Events are determined which when occur the exposure is identified as Non-Performing (Hard UTP Triggers) without any assessment needed by any Credit Committee,
b) Triggers are determined which when occur, the borrower should be assessed by the relative Wholesale Banking Credit Committee to decide if the borrower's exposures should be identified as Non-Performing or not (Soft UTP Triggers).

This assessment takes place when reviewing borrower's credit limits depending on its credit ratings and in accordance with the International Wholesale Banking Credit Manual. If a borrower is flagged as UTP, then his credit risk rating should be D (Default) according to Bank's rating system or Default for Borrowers assessed using Slotting Models. 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 trigger.

The Bank accounts for the COVID-19 impact on each borrower's ability to pay through consideration of deteriorating financials / income, market information (e.g. sector trends, loan exposures to other banks), early warning triggers, etc.

According to the EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/15 and EBA/GL/2020/02), the identification of past due amounts is based on the revised payment schedule. Institutions shall perform a UTP assessment, prioritizing exposures with past due balances in relation to the revised payment schedule.

In this context, the UTP assessment for the COVID-19 affected perimeter is based on the following principles:

- If an exposure is already classified as NPE at the time of application of the COVID-19 measures (e.g. payment moratorium), such classification is retained.
- The application of Hard UTP criteria (automatic classification to NPE) and Soft UTP criteria (subject to assessment by the competent Credit Committee) is performed

according to the existing procedures, where the assessment is based upon the revised payment schedule under the COVID-19 moratoria. The evaluation of the Soft UTP criteria is based on reasonable supportable information with focus on the post-moratoria period, considering all measures taken and the potential impact on borrowers' creditworthiness.

- The probation period of exposures classified as forborne before the pandemic that are part of the COVID-19 moratoria shall be adjusted based on the duration of the enacted measures. Also, for the COVID-19 moratoria perimeter, the probation period of exposures already classified as NPE before the pandemic freezes (i.e. no curing from Stage 3 to Stage 2) over the duration of the moratoria period.

For Wholesale Banking exposures the following Hard UTP Triggers apply:

- Denouncement of loan agreement
- Liquidation of collaterals and initiation of foreclosure measures by the Bank when the borrower does not have operational cash flows for the repayment of his debt obligations (excluding e.g. checks).
- Legal actions, sale or judicial sale in order to collect the claim (e.g. foreclosure instead of debt collection).
- Withdrawal of a license of particular importance in companies that require public authorization to carry out their activities such as banks and insurance companies. The same applies for technical and construction companies, telecommunications companies, pharmaceutical, mining, transport, food, chemical, petroleum, recycle, media etc.
- Refinancing / Extensions of loans whose lifetime exceeds the economic lifetime of the funded investment.
- There are strong indications that the borrower is unable to meet his debt obligations (e.g. termination of business).
- Fraud cases
- Excess of the minimum acceptable Loan to Value (LTV) as depicted conventionally for asset-based loans (asset-based financing).
- Companies that are unable to raise liquidity without bank financing (e.g. share capital increase failure, bond issues).
- Write-off because of default
- Debt Forgiveness with or without forbearance (conditional or not) at least for the first 12 months since the debt forgiveness.
- The credit institution or the leader of consortium starts bankruptcy/insolvency proceedings (application for insolvency).
- A credit event is declared under the International Swaps and Derivatives Association - ISDA).
- Out-of-court settlement/negotiation between Banks and Borrower for settlement / debt repayment of borrowers that are under bankruptcy proceedings (application for the bankruptcy).
- The borrower has requested to enter into bankruptcy or insolvency status (application for bankruptcy).
- A Bank has initiated bankruptcy or insolvency proceedings (application for bankruptcy).

Additionally, for Wholesale Banking exposures, the following Soft UTP tiggers 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 that the initial terms of the loan agreement included the ‘balloon’ payment and were modified by including an increase of the amount of "balloon" and simultaneously by reducing the current installment.
- Multiple modifications in 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.
- The debt service coverage ratio indicates that debt is not viable
- 5 Years Credit Default Swaps (CDS) above 1.000 bps in the last 12 months.
- Loss of an important customer or lessee
- A turnover decrease resulting in a cash flows reduction.
- An affiliated customer, representing representing decrease in turnover, has applied for bankruptcy.
- An external auditor report with restrictions or reservations 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 installment cannot be refinanced under current market conditions.
- There are no refinancing options
- The borrower has exceeded the financial terms of the loan agreement.
- There is significant deterioration of the borrower’s sector activity prospects.
- Adverse changes in the ownership structure or the management of the company or serious administrative problems.
- A third party (excluding Banks) has started bankruptcy or insolvency proceedings (application for Bankruptcy).
- Due payments to Tax Authorities and Social Security Funds.

For Retail Banking, the procedure is distinguished in two pillars:

(a) Events are determined which when occur the exposure is identified as Non-Performing (**Hard UTP Triggers**) without any assessment needed by any Retail Banking Credit Committee,

(b) Triggers are determined which when occur, the borrower should be assessed by the relative Retail Banking Non-Performing Unit to decide if the borrower’s exposures should be assessed as Non-Performing or not (**Soft UTP Triggers**).

This assessment takes place at the date of a forbearance request. If finally an exposure is flagged as UTP, then it should be assigned as Non-Performing in the systems of the Bank.

COVID-19 modifications, either public or private moratoria, should not be considered as a UTP trigger event. However, where the moratorium applies to exposures that were already classified as defaulted at the moment of the application of the moratorium, this classification will be maintained.

For exposures of the Covid-19 moratoria perimeter both Hard UTP and Soft criteria are assessed according to the existing process.

For Retail Banking Exposures the following Hard UTP Triggers exist:

- Debtor is under the Bankruptcy Law.
- Fraud has been confirmed at the expense of the Bank.
- The borrower has passed away.
- At least 3 forbearances for the same exposure within a 12 months' time period.
- An out-of-court settlement / negotiation is underway between banks and borrower for settlement / repayment of debts of borrowers who are under bankruptcy proceedings (application for bankruptcy).
- Denouncement of loan agreement.
- Collaterals liquidation and foreclosure procedures have been initiated by the Bank when the borrower does not have operational cash flows to repay debt obligations (excluding e.g. checks).
- Legal actions, alienation or judicial sale in order to collect the debt have been initiated (e.g. foreclosure measures against debt collection).
- Debt Forgiveness with or without forbearance (conditional or not), at least for the first 12 months since the debt forgiveness.

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

- Multiple forbearances in the same exposure
- The borrower has other exposures in the Bank in default.
- The borrower is unemployed.
- The borrower has applied for bankruptcy or insolvency (application for bankruptcy).
- The borrower is the sole owner of a company with exposures in default and for which he has provided personal guarantees.

It is noted that the Bank has adopted the new Definition of Default that applies from 1.1.2021, according to the EBA guideline (Article 178 of Regulation (EU) No 575/2013), adjusting its Policies and updating the Hard και Soft UTP triggers by implementing new ones for both the Retail and Wholesale Banking Portfolios, such as Diminished Financial obligations (NPV Loss), Sale of Credit Obligations, Default to Other Group Companies.

## 6. Curing of Non-Performing Exposures

For the **Curing** of a Non-Performing Exposure and its reclassification as Performing, any concerns for the ability of the borrower to meet their contractual obligations should have been eliminated (**Absence of Concern**).

In general, all the exit criteria are met according to the aforementioned European Commission Implementing Regulation 2018/1627 of 9 October 2018 amending Implementing Regulation (EU) No. 680/2014 of the Commission and Executive Committee Acts of Bank of Greece E.C.A. 42 / 30.05.2014 and modifications thereof E.C.A. 47 / 02.09.2015, 102 / 30.08.2016 and 136 / 2.4.2018.

**7. Default Exposures**

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

8. **Credit Impaired Exposures**

An exposure is considered as Credit Impaired when the criteria specified by the definition of Non-Performing Exposures are met.

**<u>Loan Impairment Assessment Methodology</u>**

The Loan Impairment Methodology is uniform and applicable both to Wholesale and Retail Banking Portfolios. The Bank carries out the loan impairment measurement and recognition procedure per calendar quarter.

**Portfolio Classification in Stages based on the Credit Risk (Staging)**

Following an exposure's initial recognition, classification to Stages based on its credit risk characteristics. The classification of loans in stages is based on the changes of the credit quality compared to the initial recognition.

Upon initial recognition of an exposure, the Bank must determine whether the exposure is considered to be credit impaired (Credit Impaired at Initial Recognition).

The Purchased or Originated Credit Impaired category ("POCI") includes the following financial assets:

- Exposures that meet the criteria of non-performing exposures at the time of purchase ("Purchased").
- Exposures for which accounting derecognition of the old exposure occurs and a new exposure is recognized, and for which the following apply ("Originated"): if the exposure was classified as credit impaired prior to derecognition (hence NPE), the new exposure will maintain this classification and will be classified as POCI.

For exposures not classified as POCI, the classification in stages is performed as follows:

- Stage 1 includes performing credit exposures which have not had significant increase in credit risk since initial recognition. The expected credit losses are recognised based on the probability of default within the next twelve months, and the assessment is performed on a collective basis, with the exception of borrowers assessed on an individual basis.

- Stage 2 includes credit exposures which have had significant increase in credit risk since initial recognition but which are not classified as non-performing. The expected credit losses calculated are the lifetime losses and the assessment is performed on a collective basis, with the exception of borrowers assessed on an individual basis.

- Stage 3 includes the non-performing / defaulted credit exposures. The expected credit losses calculated are the lifetime losses and the assessment is performed either on a collective or on an individual basis, depending on the characteristics of the exposure.

With regards to POCI exposures, the expected credit losses calculated are the lifetime losses.

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/default.
- 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 criteria of “Significant increase in credit risk” and in particular, for case of Forborne Performing exposure, if the exit criteria from the 2-years’ 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/default.
- 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 criteria of “Significant increase in credit risk”, or transferred in Stage 2, if it is no longer considered as non-performing, or remain in Stage 3, if it is still nonperforming/ default.

The Bank does not make use of the exemption provided by the standard for low credit risk exposures.

Especially for exposures affected by Covid-19 and taking into consideration that:

- Probability of Default is the primary indicator in order to determine deterioration since initial recognition
- PD Models are not designed to cater for the economic circumstances that currently exist (Covid 19),

post model adjustments (PMAs) were used in order to reflect risks and other uncertainties that are not included in the underlying ECL models. PMAs on existing models' output, are well controlled, authorized and documented.

**Significant Increase in Credit Risk**

For the timely identification of significant increase in credit risk of an exposure since initial recognition ("SICR") and the measurement of lifetime expected credit loss, as opposed to expected credit loss within the next twelve months, the risk of default at the reference date is compared to the risk of default at initial recognition for all performing exposures, including those with zero days past due (no delinquency).

The assessment of whether credit risk has increased significantly since initial recognition is based on the following:

- Quantitative Indicators: They refer to the use of quantitative information and more specifically to the comparison between the probability of default ("PD") at the reference date and the probability of default at the initial recognition date. The assessment of significant increase in credit risk takes into consideration both the absolute increase of PD between the reporting date and the initial recognition date (established absolute threshold of increase in PD by 4 percentage points), as well as the relative increase of PD between the reporting date and the initial recognition date (established relative threshold of doubling of PD). The established absolute and relative thresholds used for determining whether credit risk has increased significantly since initial recognition are assessed on an annual basis, in order to document the materiality of statistical differentiation. Particularly for specialized lending portfolios (Project Finance and Shipping Finance), a deterioration of the respective slotting grade since initial recognition to Category 4 (high risk), is considered to be an indication of significant increase in credit risk. With regards to exposures transferred from the Group, the assessment of significant increase in credit risk takes into account both the absolute (Alpha Bank S.A: 5 percentage points, Alpha Bank Romania: 0,5-1 percentage points, depending on the asset class of the loans) and the relative (Alpha Bank S.A: doubling of PD, Alpha Bank Romania: 25-50% increase of PD) between the reporting ant the initial recognition date.

- Qualitative Indicators: They refer to the use of qualitative information which is not necessarily captured within the probability of default, such as the classification of an exposure as performing forborne (FPL, for at least two years according to EBA ITS). Additional qualitative indicators for both the Wholesale Banking portfolios and the Retail Banking portfolios are included within the mechanisms of the Bank's Early Warning Policy, where, depending on the assessment performed, the credit risk of an exposure may be considered to have significantly increased.

- Other indicators (Backstop Indicator): In addition to the above, in order to ensure that cases with no indication of significant credit risk deterioration based on the quantitative and qualitative indicators are addressed, the Bank also considers, by definition, that a significant increase in credit risk occurs for exposures with more than 30 days past due.

**Expected Credit Loss estimation**

**Impairment Methodology**

The Bank carries out the impairment recognition and measurement procedure per calendar quarter. The impairment 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 risk characteristics and
  - that there are not sufficient historical data, or
- Collectively for the remaining exposures

**Exposures assessed on individual basis (Individual Assessment)**

**Individual assessment for impairment**

The following exposures to Companies are assessed on an individual basis:

- Borrowers with at least one Non-Performing Exposure whose Customer General Limit in the Bank exceeds the amount of €750.000, with the exception of Specialized Lending exposures which are assessed individually in case there is at least one non performing exposure, irrespective of the clients' general limit.

The following exposures to Individuals are assessed on an individual basis:

- Borrowers with at least one Non-Performing Exposure and total debit outstanding balances over €1,5million.

**Exposures assessed on a collective basis (Collective Assessment)**

The Collective Assessment applies to credit exposures which are not assessed individually 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 classification of credit facilities into groups with similar credit risk characteristics, the following indicative attributes are considered:

- Staging according to Credit Risk;
- Type of Product;
- Currency of Product;
- Time in default;
- Existing Collateral taking into account the type and the percentage rate of coverage (Loan to Value);
- Repayment behavior (e.g. days in arrears);
- Country of residence of the account owner

**Calculation of expected credit loss**

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:
    a. the contractual cash flows and

    b. 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:
    a. the contractual cash flows that are due if the holder of the loan commitment draws down the loan; and

    b. 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 expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Bank expects to receive from the holder.

**Credit risk parameters**

The mechanism for the measurement of expected credit loss on a collective basis is based on the following credit risk parameters:

- Probability of Default (PD): It is an estimate of the probability of default over a specific time horizon. The estimation of PD relies on the use of statistical credit rating and scoring models, based on which the credit quality of borrowers is evaluated across the main portfolio segments of the Bank. Such models take into consideration a range of quantitative and qualitative parameters, including amongst others, information regarding the current and historical behavior of borrowers.

- Exposure at default (EAD): Exposure at Default is an estimate of the amount of the exposure at the time of the default. The approved credit limits that 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).

- Loss given default (LGD): Loss given default is an estimate of the loss that 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 realization of collaterals and the probability of a non-performing exposure returning to a performance status.

More specifically, for the determination of expected future cash flows, the Bank takes into consideration new data and information stemming from expected future events, which relate mainly to changes in the timing of cash flow payments and recoveries from the liquidation of collateral, based on the solutions offered in the context of the management of the NPE perimeter.

Expected recoveries from tangible collateral are based on the following inputs: most recent (updated within the year) market value of the collateral, the time required for the liquidation or sale of the collateral (5 years for collectively assessed exposures, whilst for individually assessed exposures the respective time horizon varies according to the status of actions, as well as the specific facts and circumstances of each case), expected market value of tangible collateral at the time of liquidation/sale based on the expected evolution of property prices in future years, and expected recoveries through either a consensual or non-consensual process. The haircut used in the collective assessment for the realization of tangible collateral amounts to 25% (including sale costs), whilst the respective haircut used in the individual assessment varies according to the specific characteristics and circumstances of each case. The expected cash flows are discounted using the original effective interest rate of the exposure. Last, it is noted that for exposures secured with tangible collateral, the LGD may vary under each macroeconomic scenario used. For exposures transferred from the Group, more representative assumptions are considered which are provided by the Alpha Bank S.A. and Alpha Bank Romania.

**Incorporation of forward looking information**

The Bank calculates expected credit losses based on the weighted probability of three alternative scenarios.

More specifically, the Bank uses forecasts for the possible evolution of macroeconomic variables that affect the level of expected credit losses of loan portfolios, under a baseline and two alternative macroeconomic scenarios (an upside and a downside), while it also produces the cumulative probabilities associated with those scenarios.

The annual average for the period 2021-2023 of macroeconomic variables for the Cypriot economy, affecting both the estimation of the probability of default and the expected loss given default, are the following:

| **Cypriot Economy** | Adverse Scenario | Base Scenario | Upside Scenario |
|---|---|---|---|
| Change in Real GDP (%) | 1,6% | 3,6% | 5,5% |
| Unemployment rate (%) | 8,5% | 6,7% | 4,7% |
| Change in Residential Real Estate prices (% | 1,4% | 3,6% | 5,7% |
| Change in Commercial Real Estate prices (%) | 0,9% | 2,7% | 4,5% |

The annual average for the period 2021-2023 of macroeconomic variables for the Greek and Romanian economy, which are taken into account for exposures transferred from Alpha Bank S.A. and Alpha Bank Romania, are the following:

| **Greek Economy** | Adverse Scenario | Base Scenario | Upside Scenario |
|---|---|---|---|
| Change in Real GDP (%) | 2,2% | 4,1% | 6,2% |
| Unemployment rate (%) | 16,6% | 15,0% | 13,4% |
| Change in Residential Real Estate prices (% | 0,8% | 3,0% | 5,4% |
| Change in Commercial Real Estate prices (%) | 2,2% | 3,9% | 5,8% |

| **Romanian Economy** | Adverse Scenario | Base Scenario | Upside Scenario |
|---|---|---|---|
| Change in Real GDP (%) | 1,2% | 3,8% | 4,9% |
| Unemployment rate (%) | 6,5% | 5,5% | 4,8% |
| Change in Residential Real Estate prices (% | 1,3% | 2,0% | 4,0% |
| Change in Commercial Real Estate prices (%) | -1,7% | -0,3% | 3,0% |

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, that is the upside and the adverse scenarios. For each of the alternative scenarios, the expected credit loss is calculated and weighted against 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 the cumulative probability assigned to the adverse and upside scenarios is 15% for each scenario. Similarly, the cumulative probability assigned to the baseline scenario for the Greek and Romanian economy is 60% and 50%, respectively, while the cumulative probability assigned to the adverse scenario is 20% and 40%, respectively, and to the upside scenario 20% and 10%, respectively.

### Inherent Model Risk

The Bank, recognizing the inherent model risk derived from the model complexity and aggregated model risk, has adopted the Model Risk management framework of the Group, which includes the principles of credit risk models development standards and risk models validation framework. In this context, the independent Risk Models Validations division/department of the Group and the Bank validate all credit risk models used for the calculation of IFRS9 expected credit losses.

## Governance

The Credit Risk Committee is responsible for the initial approval of the Expected Credit Losses as well as the approval of the methodologies developed for calculating the expected credit loss (ECL Methodology) for loan portfolio.

The Board of Directors approves the Loan Impairment Policy through the Risk Management Committee.

Total and average amount of exposures net of impairments and before any credit risk mitigation (CRM) and any credit conversion factor (CCF) (on and off-Balance-Sheet) by regulatory exposure class are displayed in the following table:

**Table 9. EU CRB-B - Total and average net amount of exposures as of 31.12.2020**
**(in Euro million)**

| **Exposure Class** | **Net Value of Exposures at the end of the period** | **Average Net Value of Exposures over the period** |
|---|---|---|
| Central governments or central banks | 548 | 485 |
| Institutions | 297 | 382 |
| Corporates | 654 | 595 |
| *of which SMEs* | 207 | 185 |
| Retail | 213 | 221 |
| *of which SMEs* | 36 | 39 |
| Secured by mortgages on immovable property | 517 | 452 |
| *of which SMEs* | 118 | 76 |
| Exposures in default | 253 | 413 |
| Items associated with particularly high risk | 105 | 116 |
| Equity exposures | 19 | 18 |
| Other exposures | 122 | 105 |
| **Total** | **2.728** | 2.785 |

**Table 9. EU CRB-B - Total and average net amount of exposures as of 31.12.2019**
**(in Euro million)**

| **Exposure Class** | **Net Value of Exposures at the end of the period** | **Average Net Value of Exposures over the period** |
|---|---|---|
| Central governments or central banks | 422 | 597 |
| Institutions | 467 | 331 |
| Corporates | 535 | 563 |
| *of which SMEs* | 163 | 269 |
| Retail | 228 | 230 |
| *of which SMEs* | 41 | 43 |
| Secured by mortgages on immovable property | 387 | 367 |
| *of which SMEs* | 34 | 42 |
| Exposures in default | 572 | 559 |
| Items associated with particularly high risk | 127 | 118 |
| Equity exposures | 17 | 11 |
| Other exposures | 88 | 75 |
| **Total** | **2.843** | **2.851** |

Under CRD IV a geographical analysis of credit exposures is required which is presented below. The Bank's primary market is Cyprus.

Table 10. EU CRB-C - Geographical breakdown of exposures as of 31.12.2020 (in Euro million)

| Exposure Class | Cyprus | Greece | EU countries | Other countries | Total |
|---|---|---|---|---|---|
| | Net Exposure values | | | | |
| Central governments or central banks | 468 | 41 | 39 | - | 548 |
| Institutions | 5 | 148 | 46 | 98 | 297 |
| Corporates | 237 | 213 | 68 | 136 | 654 |
| Retail | 158 | 1 | 47 | 7 | 213 |
| Secured by mortgages on immovable property | 361 | 78 | 72 | 6 | 517 |
| Exposures in default | 224 | - | 7 | 22 | 253 |
| Items associated with particularly high risk | 105 | | - | | 105 |
| Equity exposures | 19 | | - | | 19 |
| Other exposures | 122 | | - | | 122 |
| **Total** | **1.699** | **481** | **279** | **269** | **2.728** |

Table 10. EU CRB-C - Geographical breakdown of exposures as of 31.12.2019 (in Euro million)

| Exposure Class | Cyprus | Greece | EU countries | Other countries | Total |
|---|---|---|---|---|---|
| | Net Exposure values | | | | |
| Central governments or central banks | 390 | 22 | 10 | - | 422 |
| Institutions | 5 | 328 | 74 | 60 | 467 |
| Corporates | 240 | 133 | 49 | 113 | 535 |
| Retail | 164 | 2 | 54 | 8 | 228 |
| Secured by mortgages on immovable property | 295 | 19 | 48 | 25 | 387 |
| Exposures in default | 426 | 1 | 122 | 23 | 572 |
| Items associated with particularly high risk | 127 | | | | 127 |
| Equity exposures | 17 | | | | 17 |
| Other exposures | 88 | | | | 88 |
| **Total** | **1.752** | **505** | **357** | **229** | **2.843** |

The industry classification in the below table is based on the activity of the immediate counterparty. Exposures include on and off-Balance-Sheet exposures less allowances/impairments.

**Table 11. EU CRB-D - Concentration of exposures by industry or counterparty type as of 31.12.2020**
**(in Euro million)**

**Net Exposure values**

| Exposure Class | Manufacturing | Electricity, gas,steam and air conditioning | Construction | Wholesale and retail trade | Transport and storage | Accommodation and food service activities | Real Estate Activities | Other Sectors [1] | Not stated [1] | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Central governments or central banks | | | | | | | | 548 | | 548 |
| Institutions | | | | | | | | 297 | | 297 |
| Corporates | 8 | 27 | 11 | 97 | 135 | 51 | 38 | 287 | | 654 |
| Retail | 2 | - | 3 | 9 | 1 | 2 | 1 | 195 | | 213 |
| Secured by mortgages on immovable property | 59 | | 2 | 22 | 15 | 19 | 50 | 350 | | 517 |
| Exposures in default | 3 | | 8 | 12 | 1 | 3 | 3 | 223 | | 253 |
| Items associated with particularly high risk | | | 105 | | | | - | - | | 105 |
| Equity exposures | | | | | | | | | 19 | 19 |
| Other exposures | | | | | | | | | 122 | 122 |
| **Total** | **72** | **27** | **129** | **140** | **152** | **75** | **92** | **1.900** | **141** | **2.728** |

| Table 11. EU CRB-D - Concentration of exposures by industry or counterparty type as of 31.12.2019 (in Euro million) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net Exposure values** | | | | | | | | | | |
| **Exposure Class** | **Manufacturing** | **Electricity, gas,steam and air conditioning** | **Construction** | **Wholesale and retail trade** | **Transport and storage** | **Accommodation and food service activities** | **Real Estate Activities** | **Other Sectors [1]** | **Not stated [1]** | **Total** |
| Central governments or central banks | | | | | | | | 422 | | 422 |
| Institutions | | | | | | | | 467 | | 467 |
| Corporates | 43 | 34 | 42 | 97 | 89 | 52 | 23 | 155 | | 535 |
| Retail | 4 | 1 | 6 | 16 | 1 | 3 | 1 | 196 | | 228 |
| Secured by mortgages on immovable property | 11 | | 1 | 13 | 1 | 20 | 20 | 321 | | 387 |
| Exposures in default | 9 | | 84 | 36 | 2 | 9 | 22 | 410 | | 572 |
| Items associated with particularly high risk | | | 124 | | | | 3 | - | | 127 |
| Equity exposures | | | | | | | | | 17 | 17 |
| Other exposures | | | | | | | | | 88 | 88 |
| **Total** | **67** | **35** | **257** | **162** | **93** | **84** | **69** | **1.971** | **105** | **2.843** |

(1) Other sectors/ counterparties includes Agriculture, Forestry and fishing, Mining and quarrying, water supply, Information and Communication, Professional, scientific and technical activities, Administrative and support service activities, Public administration and defence, compulsory social security, Education, Human health services and social work activities, Arts, entertainment and recreation as well as Mortgages, Consumer Loans & Cards.

The following table presents the Credit risk exposures by contractual residual maturity, including on Balance Sheet exposures less allowances/impairments.

**Table 12. EU CRB-E - Maturity of exposures as of 31.12.2020**

(in Euro million)

| | Net Exposure values | | | | | |
|---|---|---|---|---|---|---|
| **Exposure Class** | **On Demand** | **<=1 year** | **>1 year <=5 years** | **>5 years** | **Not stated maturity (1)** | **Total** |
| Central governments or central banks | 216 | 332 | | | | 548 |
| Institutions | 39 | 258 | | | - | 297 |
| Corporates | 52 | 187 | 214 | 91 | - | 544 |
| Retail | 18 | 2 | 25 | 116 | - | 161 |
| Secured by mortgages on immovable property | 24 | 5 | 76 | 376 | - | 481 |
| Exposures in default | 11 | 66 | 22 | 154 | - | 253 |
| Items associated with particularly high risk | - | - | 86 | 19 | - | 105 |
| Equity exposures | | | | | 19 | 19 |
| Other exposures | - | | | - | 122 | 122 |
| **Total** | **360** | **850** | **423** | **756** | **141** | **2.530** |

**Table 12. EU CRB-E - Maturity of exposures as of 31.12.2019**

(in Euro million)

| | Net Exposure values | | | | | |
|---|---|---|---|---|---|---|
| **Exposure Class** | **On Demand** | **<=1 year** | **>1 year <=5 years** | **>5 years** | **Not stated maturity (1)** | **Total** |
| Central governments or central banks | 210 | 212 | | | | 422 |
| Institutions | 12 | 454 | | | 1 | 467 |
| Corporates | 54 | 107 | 186 | 64 | - | 411 |
| Retail | 21 | 2 | 26 | 117 | - | 166 |
| Secured by mortgages on immovable property | 18 | 5 | 39 | 308 | - | 370 |
| Exposures in default | 342 | 21 | 47 | 162 | - | 572 |
| Items associated with particularly high risk | 3 | 1 | 114 | 9 | - | 127 |
| Equity exposures | | | | | 17 | 17 |
| Other exposures | 16 | | | 4 | 68 | 88 |
| **Total** | **676** | **802** | **412** | **664** | **86** | **2.640** |

(1)The category "No stated maturity" includes exposures included in Other Assets (Premises , Equity etc).

The table below presents gross carrying values of credit risk exposures and specific credit risk adjustments .

**Table 13. EU CR1-A - Credit quality of exposures by exposure class as of 31.12.2020**

**(in Euro million)**

| | **Gross carrying amount of** | | | |
|---|---|---|---|---|
| **Exposure Class** | **Defaulted exposures** | **Non-defaulted exposures** | **Specific credit risk adjustment** | **Net values** |
| Central governments or central banks | | 548 | | 548 |
| Institutions | | 298 | | 298 |
| Corporates | | 661 | 7 | 654 |
| of which SMEs | | 211 | 4 | 207 |
| Retail | | 216 | 3 | 213 |
| of which SMEs | | 37 | 1 | 36 |
| Secured by mortgages on immovable property | | 522 | 6 | 516 |
| of which SMEs | | 118 | | 118 |
| Exposures in default | 388 | | 136 | 252 |
| Items associated with particularly high risk | 1 | 105 | - | 106 |
| Equity exposures | | 19 | | 19 |
| Other exposures | | 122 | | 122 |
| **Total** | **389** | **2.491** | **152** | **2.728** |
| of which: Loans | 389 | 1.159 | 148 | 1.400 |
| of which: Debt Securities | | 605 | | 605 |
| of which: Off-balance sheet exposures | | 202 | 4 | 198 |

**Table 13. EU CR1-A - Credit quality of exposures by exposure class as of 31.12.2019**

**(in Euro million)**

| | **Gross carrying amount of** | | | |
|---|---|---|---|---|
| **Exposure Class** | **Defaulted exposures** | **Non-defaulted exposures** | **Specific credit risk adjustment** | **Net values** |
| Central governments or central banks | | 422 | | 422 |
| Institutions | | 467 | | 467 |
| Corporates | | 541 | 6 | 535 |
| of which SMEs | | 164 | 1 | 163 |
| Retail | | 233 | 5 | 228 |
| of which SMEs | | 42 | 1 | 41 |
| Secured by mortgages on immovable property | | 394 | 7 | 387 |
| of which SMEs | | 34 | | 34 |
| Exposures in default | 1.122 | | 550 | 572 |
| Items associated with particularly high risk | 18 | 114 | 5 | 127 |
| Equity exposures | | 17 | | 17 |
| Other exposures | | 88 | | 88 |
| **Total** | **1.140** | **2.276** | **573** | **2.843** |
| of which: Loans | 1.140 | 973 | 570 | 1.543 |
| of which: Debt Securities | | 443 | | 443 |
| of which: Off-balance sheet exposures | | 206 | 3 | 203 |

The following table shows the Non Financial corporation amounts broken down by significant industry .

**Table 14: NPE 1 - Credit quality of loans and advances by industry as of 31.12.2020**

**(in Euro million)**

| | 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 | 2 | 0 | 0 | 2 | 0 | |
| Mining and quarrying | 3 | 0 | 0 | 3 | 0 | |
| Manufacturing | 70 | 3 | 3 | 53 | 2 | |
| Electricity, gas, steam and air conditioning supply | 27 | 0 | 0 | 27 | 0 | |
| Water supply | 0 | 0 | 0 | 0 | 0 | |
| Construction | 127 | 12 | 12 | 128 | 7 | |
| Wholesale and retail trade | 106 | 8 | 8 | 106 | 6 | |
| Transport and storage | 150 | 0 | 0 | 150 | 0 | |
| Accommodation and food service activities | 73 | 1 | 1 | 73 | 4 | |
| Information and communication | 2 | 0 | 0 | 2 | 0 | |
| Financial and insurance activities | 0 | 0 | 0 | 0 | 0 | |
| Real estate activities | 91 | 2 | 2 | 91 | 1 | |
| Professional, scientific and technical activities | 8 | 0 | 0 | 8 | 0 | |
| Administrative and support service activities | 11 | 2 | 2 | 11 | 1 | |
| Public administration and defence, compulsory social security | 0 | 0 | 0 | 0 | 0 | |
| Education | 1 | 0 | 0 | 1 | 0 | |
| Human health services and social work activities | 1 | 0 | 0 | 1 | 0 | |
| Arts, entertainment and recreation | 1 | 0 | 0 | 1 | 0 | |
| Other services | 3 | 2 | 2 | 3 | 2 | |
| **Total** | 676 | 30 | 30 | 660 | 23 | |

**Table 14: NPE 1 - Credit quality of loans and advances by industry as of 31.12.2019**

**(in Euro million)**

| | 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 | 10 | 9 | 9 | 10 | 6 | |
| Mining and quarrying | 5 | 1 | 1 | 5 | 1 | |
| Manufacturing | 62 | 21 | 21 | 62 | 14 | |
| Electricity, gas, steam and air conditioning supply | 20 | 1 | 1 | 20 | 1 | |
| Water supply | | | | | | |
| Construction | 349 | 223 | 223 | 349 | 146 | |
| Wholesale and retail trade | 113 | 55 | 55 | 113 | 36 | |
| Transport and storage | 90 | 2 | 2 | 90 | 1 | |
| Accommodation and food service activities | 87 | 15 | 15 | 87 | 11 | |
| Information and communication | 3 | 2 | 2 | 3 | 1 | |
| Financial and insurance activities | | | | | | |
| Real estate activities | 76 | 34 | 34 | 76 | 14 | |
| Professional, scientific and technical activities | 15 | 11 | 11 | 15 | 2 | |
| Administrative and support service activities | 15 | 6 | 6 | 15 | 4 | |
| Public administration and defence, compulsory social security | | | | | | |
| Education | | | | | | |
| Human health services and social work activities | 1 | | | 1 | | |
| Arts, entertainment and recreation | 1 | | | 1 | | |
| Other services | 17 | 14 | 14 | 17 | 9 | |
| **Total** | 864 | 394 | 394 | 864 | 246 | |

The following table presents the credit quality of the Bank's exposures broken down by significant geographical area.

**Table 15: NPE 2 - Quality of non-performing exposures by geography as of 31.12.2020**

(in Euro million)

| | 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** | **2.524** | **389** | **389** | **2.524** | **182** | | |
| Cyprus | 1.503 | 347 | 347 | 1.503 | 158 | | |
| Greece | 424 | 1 | 1 | 424 | 4 | | |
| Other EU countries | 312 | 9 | 9 | 312 | 5 | | |
| Other countries | 285 | 32 | 32 | 285 | 15 | | |
| **Off-balance-sheet exposures** | **202** | **1** | **1** | | | | |
| Cyprus | 0 | 0 | 0 | | | 0 | |
| Greece | 175 | 1 | 1 | | | 4 | |
| Other EU countries | 27 | 0 | 0 | | | 0 | |
| Other countries | 0 | 0 | 0 | | | 0 | |
| **Total** | **2.726** | **390** | **390** | **2301** | **182** | **4** | **0** |

| Table 15: NPE 2 - Quality of non-performing exposures by geography as of 31.12.2019 (in Euro million) | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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** | 3.094 | 1.140 | 1.140 | **3.094** | 610 | | |
| Cyprus | 1.886 | 847 | 847 | 1.886 | 451 | | |
| Greece | 472 | 1 | 1 | 472 | 2 | | |
| Other EU countries | 501 | 259 | 259 | 501 | 143 | | |
| Other countries | 235 | 33 | 33 | 235 | 14 | | |
| **Off-balance-sheet exposures** | 204 | 8 | 8 | | | 4 | |
| Cyprus | 173 | 8 | 8 | | | 4 | |
| Greece | 31 | | | | | | |
| Other EU countries | | | | | | | |
| Other countries | | | | | | | |
| **Total** | 3.298 | 1.148 | 1.148 | 3.094 | 610 | 4 | |

The following table provides an overview of quality of forbearance

**Table 16: NPE 6 -** Quality of forborne exposures 31.12.2020
(in Euro million)

| | Gross carrying amount of forborne exposures |
|---|---|
| Loans and advances that have been forborne more than twice | 86 |
| Non - performing forborne loans and advances that failed to meet the non - performing exit criteria | 93 |

**Table 16: NPE 6 -** Quality of forborne exposures 31.12.2019
(in Euro million)

| | Gross carrying amount of forborne exposures |
|---|---|
| Loans and advances that have been forborne more than twice | 115 |
| Non - performing forborne loans and advances that failed to meet the non - performing exit criteria | 233 |

The following table provides an overview of the quality of forborne exposures as per Commission Implementing Regulation (EU) No 680/2014 as at 31.12.2019 and 31.12.2020.

**Table 17: NPE 3 -** Credit quality of forborne exposures as at 2020
(in Euro million)

| | 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 | | | | |
| Loans and advances | **91** | **218** | **218** | **218** | **4** | **64** | **195** | **124** |
| *-Central banks* | | | | | | | | |
| *-General governments* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *-Credit institutions* | | | | | | | | |
| *-Other financial corporations* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *-Non-financial corporations* | 6 | 11 | 11 | 11 | 0 | 4 | 9 | 5 |
| *-Households* | 85 | 207 | 207 | 207 | 4 | 60 | 186 | 119 |
| **Debt securities** | - | | | | | | | |
| Loan commitments given | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **91** | **218** | **218** | **218** | **4** | **64** | **195** | **124** |

**Table 17: NPE 3 -** Credit quality of forborne exposures as at 2019
(in Euro million)

| | 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 | | | | |
| Loans and advances | **96** | **421** | **421** | **421** | **3** | **151** | **293** | **219** |
| *-Central banks* | - | - | - | - | - | - | - | - |
| *-General governments* | - | - | - | - | - | - | - | - |
| *-Credit institutions* | - | - | - | - | - | - | - | - |
| *-Other financial corporations* | 1 | 1 | 1 | 1 | - | - | - | - |
| *-Non-financial corporations* | 6 | 68 | 68 | 68 | 0 | 21 | 41 | 37 |
| *-Households* | 89 | 352 | 352 | 352 | 3 | 130 | 252 | 182 |
| **Debt securities** | - | - | - | - | - | - | - | - |
| Loan commitments given | - | - | - | - | - | - | - | - |
| **Total** | **96** | **421** | **421** | **421** | **3** | **151** | **293** | **219** |

The following tables provide an overview of the quality of non performing exposures as per Commission Implementing Regulation (EU) No 680/2014 as at 31.12.2019 and 31.12.2020.

**Table 18: NPE 4a -** Credit quality of performing and non-performing exposures by past due days as at 31.12.2020
(in Euro million)

| | 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 year ≤ 5 years | Past due > 5 year ≤ 7 years | Past due > 7 years | Of which defaulted |
| **Loans and advances** | **1.529** | **1.508** | **21** | **389** | **88** | **6** | **6** | **33** | **85** | **66** | **105** | **389** |
| *Central banks* | 216 | 216 | | | | | | | | | | |
| *General governments* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Credit institutions* | 159 | 159 | | | | | | | | | | |
| *Other financial corporations* | 30 | 30 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Non-financial corporations* | 646 | 633 | 13 | 30 | 4 | 0 | 0 | 2 | 5 | 6 | 13 | 30 |
| *of which SMEs* | 483 | 471 | 12 | 30 | 4 | 0 | 0 | 2 | 5 | 6 | 13 | 30 |
| *Households* | 478 | 470 | 8 | 359 | 84 | 6 | 6 | 31 | 80 | 60 | 92 | 359 |
| **Debt securities** | **605** | **605** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| *Central banks* | | | | | | | | | | | | |
| *General governments* | 332 | 332 | | | | | | | | | | |
| *Credit institutions* | 132 | 132 | | | | | | | | | | |
| *Other financial corporations* | 103 | 103 | | | | | | | | | | |
| *Non-financial corporations* | 38 | 38 | | | | | | | | | | |
| **Off-balance-sheet exposures** | **202** | | | **1** | | | | | | | | **1** |
| *Central banks* | | | | | | | | | | | | |
| *General governments* | 0 | | | 0 | | | | | | | | 0 |
| *Credit institutions* | 1 | | | 0 | | | | | | | | 0 |
| *Other financial corporations* | 5 | | | 0 | | | | | | | | 0 |
| *Non-financial corporations* | 139 | | | 1 | | | | | | | | 1 |
| *Households* | 57 | | | 0 | | | | | | | | 0 |
| **Total** | **2.336** | **2.113** | **21** | **390** | **88** | **6** | **6** | **33** | **85** | **66** | **105** | **390** |

**Table 18: NPE 4a -** Credit quality of performing and non-performing exposures by past due days as at 31.12.2019
(in Euro million)

| | 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 year ≤ 5 years | Past due > 5 year ≤ 7 years | Past due > 7 years | Of which defaulted |
| **Loans and advances** | **1.509** | **1.486** | **23** | **1.140** | **126** | **26** | **37** | **109** | **210** | **242** | **390** | **1.140** |
| *Central banks* | 210 | 210 | - | - | - | - | - | - | - | - | - | - |
| *General governments* | - | - | - | - | - | - | - | - | - | - | - | - |
| *Credit institutions* | 332 | 332 | - | - | - | - | - | - | - | - | - | - |
| *Other financial corporations* | 37 | 37 | - | 3 | - | - | - | - | - | 2 | 1 | 3 |
| *Non-financial corporations* | 468 | 467 | 1 | 396 | 46 | 3 | 10 | 33 | 51 | 57 | 196 | 396 |
| *of which SMEs* | 355 | 355 | - | 396 | 46 | 3 | 10 | 33 | 51 | 57 | 196 | 396 |
| *Households* | 462 | 440 | 22 | 741 | 80 | 23 | 27 | 76 | 159 | 183 | 193 | 741 |
| **Debt securities** | 443 | 443 | - | - | - | - | - | - | - | - | - | - |
| *Central banks* | - | - | - | - | - | - | - | - | - | - | - | - |
| *General governments* | 213 | 213 | - | - | - | - | - | - | - | - | - | - |
| *Credit institutions* | 131 | 131 | - | - | - | - | - | - | - | - | - | - |
| *Other financial corporations* | 83 | 83 | - | - | - | - | - | - | - | - | - | - |
| *Non-financial corporations* | 16 | 16 | - | - | - | - | - | - | - | - | - | - |
| **Off-balance-sheet exposures** | **198** | **-** | **-** | **8** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **8** |
| *Central banks* | - | | | - | | | | | | | | - |
| *General governments* | 1 | | | - | | | | | | | | - |
| *Credit institutions* | - | | | - | | | | | | | | - |
| *Other financial corporations* | 1 | | | 4 | | | | | | | | 4 |
| *Non-financial corporations* | 146 | | | 4 | | | | | | | | 4 |
| *Households* | 50 | | | - | | | | | | | | - |
| **Total** | **2.150** | **1.929** | **23** | **1.148** | **126** | **26** | **37** | **109** | **210** | **242** | **390** | **1.148** |

The following table provides an overview of the credit quality of non-performing exposures and related impairments, provisions and valuation adjustments by portfolio and exposure class as at 31.12.2019 and 31.12.2020.

**Table 19:NPE 5a -** Performing and non-performing exposures and related provisions 31.12.2020
(in Euro million)

| | Gross carrying amount/nominal amount | | | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | | | | 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 | | |
| **Loans and advances** | **1.155** | **1.216** | **313** | **389** | **0** | **389** | **11** | **3** | **8** | **171** | **0** | **171** | **901** | 180 |
| *Central banks* | 216 | 216 | | | | | | | | | | | | |
| *General governments* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Credit institutions* | 159 | 159 | | | | | | | | | | | | |
| *Other financial corporations* | 30 | 30 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 29 | 0 |
| *Non-financial corporations* | 646 | 476 | 170 | 30 | 0 | 30 | 6 | 3 | 3 | 17 | 0 | 17 | 466 | 10 |
| *of which SMEs* | 483 | 317 | 166 | 30 | 0 | 30 | 5 | 2 | 3 | 17 | 0 | 17 | 400 | 10 |
| *Households* | 478 | 335 | 143 | 359 | 0 | 359 | 5 | 0 | 5 | 154 | 0 | 154 | 406 | 170 |
| **Debt securities** | **605** | **605** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | 0 |
| *Central banks* | | | | | | | | | | | | | | |
| *General governments* | 332 | 332 | | | | | | | | | | | | |
| *Credit institutions* | 132 | 132 | | | | | | | | | | | | |
| *Other financial corporations* | 103 | 103 | | | | | | | | | | | | |
| *Non-financial corporations* | 38 | 38 | | | | | | | | | | | | |
| **Off-balance-sheet exposures** | **202** | **187** | **15** | **1** | **0** | **1** | **5** | **1** | **4** | **0** | **0** | **0** | **0** | 0 |
| *Central banks* | | | | | | | | | | | | | | |
| *General governments* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Credit institutions* | 1 | 1 | | | | | | | | | | | | |
| *Other financial corporations* | 5 | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Non-financial corporations* | 139 | 125 | 14 | 1 | 0 | 1 | 5 | 1 | 4 | 0 | 0 | 0 | 0 | 0 |
| *Households* | 57 | 56 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **2.336** | **2.008** | **328** | **390** | **0** | **390** | **16** | **4** | **12** | **171** | **0** | **171** | **901** | **180** |

**Table 19:NPE 5a -** Performing and non-performing exposures and related provisions 31.12.2019
(in Euro million)

| | Gross carrying amount/nominal amount | | | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | | | | 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 | | |
| **Loans and advances** | **1.509** | **1.307** | **203** | **1.140** | **-** | **1.140** | **11** | **4** | **6** | **599** | **-** | **599** | **645** | **481** |
| *Central banks* | 210 | 210 | - | - | - | - | - | - | - | - | - | - | - | - |
| *General governments* | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *Credit institutions* | 332 | 332 | - | - | - | - | - | - | - | - | - | - | - | - |
| *Other financial corporations* | 37 | 35 | 2 | 3 | - | 3 | - | - | - | 2 | - | 2 | 31 | 1 |
| *Non-financial corporations* | 468 | 398 | 71 | 396 | | 396 | 5 | 3 | 1 | 241 | - | 241 | 239 | 155 |
| *of which SMEs* | 355 | 285 | 71 | 396 | | 396 | 3 | 2 | 1 | 241 | - | 241 | 233 | 155 |
| *Households* | 462 | 332 | 130 | 741 | | 741 | 6 | 1 | 5 | 356 | - | 356 | 375 | 325 |
| **Debt securities** | **443** | **443** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| *Central banks* | 0 | 0 | - | - | - | - | - | - | - | - | - | - | - | - |
| *General governments* | 213 | 213 | - | - | - | - | - | - | - | - | - | - | - | - |
| *Credit institutions* | 131 | 131 | - | - | - | - | - | - | - | - | - | - | - | - |
| *Other financial corporations* | 83 | 83 | - | - | - | - | - | - | - | - | - | - | - | - |
| *Non-financial corporations* | 16 | 16 | - | - | - | - | - | - | - | - | - | - | - | - |
| **Off-balance-sheet exposures** | **198** | **188** | **9** | **8** | **-** | **8** | **3** | **3** | | **1** | **-** | **1** | **-** | **-** |
| *Central banks* | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *General governments* | 1 | | 1 | | - | - | - | - | | - | - | - | - | - |
| *Credit institutions* | | | | | - | - | - | - | | - | - | - | - | - |
| *Other financial corporations* | 1 | | | 4 | - | 4 | - | - | | - | - | - | - | - |
| *Non-financial corporations* | 146 | 139 | 7 | 4 | - | 4 | 3 | 3 | | 1 | - | 1 | - | - |
| *Households* | 50 | 49 | 1 | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **2.150** | **1.938** | **212** | **1.148** | **-** | **1.148** | **14** | **7** | **6** | **600** | **-** | **600** | **645** | **481** |

The table below shows the movement in the provision on loans and advances to customers.

| Table 20. EU CR2-A - Changes in the stock of general and specific risk adjustments as of 31.12.2020 (in Euro million) | |
|---|---|
| | **Accumulated specific credit risk adjustment** |
| **Opening balance 1.1.2020** | 610 |
| Increase due to amounts set aside for estimated loan losses during the period | 54 |
| Decrease due to amounts set aside for estimated loan losses during the period | -1 |
| Decreases due to amounts taken against accumulated credit risk adjustment | -79 |
| Impact of exchange rate differences | -3 |
| Change of present value of the impairment losses | 24 |
| Sale of loans | **-420** |
| Other adjustments | **-3** |
| **Closing balance 31.12.2020** | **182** |
| Recoveries on credit risk adjustments recorded directly to the statement of profit or loss | 5 |

| Table 20. EU CR2-A - Changes in the stock of general and specific risk adjustments as of 31.12.2019 (in Euro million) | |
|---|---|
| | **Accumulated specific credit risk adjustment** |
| **Opening balance 1.1.2019** | 716 |
| Increase due to amounts set aside for estimated loan losses during the period | 85 |
| Decrease due to amounts set aside for estimated loan losses during the period | -87 |
| Decreases due to amounts taken against accumulated credit risk adjustment | -163 |
| Impact of exchange rate differences | 7 |
| Change of present value of the impairment losses | 42 |
| Other adjustments | **10** |
| **Closing balance 31.12.2019** | **610** |
| Recoveries on credit risk adjustments recorded directly to the statement of profit or loss | 6 |

ALPHA BANK

The following table provides an overview of the movements (inflows and outflows) of non-performing loans and advances during the period from 01.01.2020 to 31.12.2020. Given the fact that the Group has fully aligned Defaulted and impaired exposures with the EBA NPE definition, the disclosure requirement regarding CR2-B (Flow of Defaulted/ Impaired exposures) is covered by the provided NPE flow (Table 21).

**Table 21: NPE 8 -** Changes in the stock of non-performing loans and advances 31.12.2020 (in Euro million)

| | Gross carrying amount | Related net accumulated recoveries |
|---|---|---|
| **Initial stock of non-performing loans and advances** | 1.140 | |
| Inflows to non-performing portfolios | 192 | |
| Outflows from non-performing portfolios | 942 | |
| Outflow to performing portfolio | 21 | |
| Outflow due to loan repayment, partial or total | 17 | |
| Outflow due to collateral liquidation | 0 | - |
| Outflow due to taking possession of collateral | 6 | 5 |
| Outflow due to sale of instruments | 697 | - |
| Outflow due to risk transfer | | - |
| Outflow due to write-off | 31 | |
| Outflow due to other situations | 170 | |
| Outflow due to reclassification as held for sale | | |
| **Final stock of non-performing loans and advances** | 390 | |

**Table 21: NPE 8 -** Changes in the stock of non-performing loans and advances 31.12.2019 (in Euro million)

| | Gross carrying amount | Related net accumulated recoveries |
|---|---|---|
| **Initial stock of non-performing loans and advances** | 1.286 | |
| Inflows to non-performing portfolios | 248 | |
| Outflows from non-performing portfolios | 394 | |
| Outflow to performing portfolio | 55 | |
| Outflow due to loan repayment, partial or total | 54 | |
| Outflow due to collateral liquidation | 2 | - |
| Outflow due to taking possession of collateral | 51 | 29 |
| Outflow due to sale of instruments | - | - |
| Outflow due to risk transfer | - | - |
| Outflow due to write-off | 140 | |
| Outflow due to other situations | 92 | |
| Outflow due to reclassification as held for sale | | |
| **Final stock of non-performing loans and advances** | 1.140 | |

Under Standardised approach, credit risk is measured by applying risk weights outlined in CRD IV based on the exposure class to which the exposure is allocated. The following tables outline the Standardised exposure classes by CRD IV prescribed risk weight. Exposures subject to Counterparty Credit Risk are not included in the table

**Table 22:** EU CR5 - Standardized approach 31.12.2020
(in Euro million)

| Exposure classes | Risk Weight | | | | | | | | | | | | | | | Total | Of which unrated |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 0% | 2% | 4% | 10% | 20% | 25% | 35% | 50% | 70% | 75% | 100% | 150% | 250% | 370% | 1250% | | |
| Central governments or central banks | 548 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 548 | |
| Regional government or local authorities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0 | |
| Public sector entities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0 | |
| Multilateral development banks | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0 | |
| International organisations | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0 | |
| Institutions | - | - | - | - | 153 | - | - | 104 | - | - | 16 | 24 | - | - | - | 297 | |
| Corporates | - | - | - | - | - | - | - | 46 | - | - | 608 | - | - | - | - | 654 | |
| Retail | - | - | - | - | - | - | - | - | - | 213 | - | - | - | - | - | 213 | |
| Secured by mortgages on immovable property | - | - | - | - | - | - | 330 | 101 | - | 39 | 47 | - | - | - | - | 517 | |
| Exposures in default | - | - | - | - | - | - | - | - | - | - | 232 | 21 | - | - | - | 253 | |
| Items associated with particularly high risk | - | - | - | - | - | - | - | - | - | - | - | 105 | - | - | - | 105 | |
| Covered bonds | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0 | |
| Collective investments undertakings | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0 | |
| Equity | - | - | - | - | - | - | - | - | - | - | 19 | - | - | - | - | 19 | |
| Other items | 54 | - | - | - | 2 | - | - | - | - | - | 66 | - | - | - | - | 122 | |
| **Total** | 602 | - | - | - | 155 | - | 330 | 251 | - | 252 | 988 | 150 | - | - | - | 2.728 | |

**Table 22:** EU CR5 - Standardized approach 31.12.2019
(in Euro million)

| Exposure classes | Risk Weight | | | | | | | | | | | | | | | Total | Of which unrated |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 0% | 2% | 4% | 10% | 20% | 25% | 35% | 50% | 70% | 75% | 100% | 150% | 250% | 370% | 1250% | | |
| Central governments or central banks | 422 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 422 | |
| Regional government or local authorities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0 | |
| Public sector entities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0 | |
| Multilateral development banks | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0 | |
| International organisations | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0 | |
| Institutions | - | - | - | - | 335 | - | - | 116 | - | - | 6 | 10 | - | - | - | 467 | |
| Corporates | - | - | - | - | - | - | - | 72 | - | - | 463 | - | - | - | - | 535 | |
| Retail | - | - | - | - | - | - | - | - | - | 228 | - | - | - | - | - | 228 | |
| Secured by mortgages on immovable property | - | - | - | - | - | - | 299 | 28 | - | 32 | 29 | - | - | - | - | 388 | |
| Exposures in default | - | - | - | - | - | - | - | - | - | - | 504 | 68 | - | - | - | 572 | |
| Items associated with particularly high risk | - | - | - | - | - | - | - | - | - | - | - | 127 | - | - | - | 127 | |
| Covered bonds | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0 | |
| Collective investments undertakings | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0 | |
| Equity | - | - | - | - | - | - | - | - | - | - | 17 | - | - | - | - | 17 | |
| Other items | 16 | - | - | - | 4 | - | - | - | - | - | 67 | - | - | - | - | 87 | |
| **Total** | 438 | - | - | - | 339 | - | 299 | 216 | - | 260 | 1.086 | 205 | - | - | - | 2.843 | |

## 7.2 Credit Risk mitigation

Credit risk mitigation techniques reduce exposure value and expected loss. According to CRR 575/2013, only specific types of credit risk mitigation are eligible for capital adequacy calculation purposes.

### 7.2.1Collateral valuation and management policies and procedures

Collateral can be used in order to mitigate Credit Risk in cases where a customer or counterparty to a financial instrument fails to meet their contractual obligations.

Collaterals are holdings or rights of every type provided to the Bank by its debtors or third parties to be used as additional funding sources in case of claim liquidation.

The main collateral types held for retail customers are mortgages, cash and guarantees. Additionally, in case of real estate loans maximum Loan to Value (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 to have her/him insured against death or permanent disability.

As far as wholesale customers are concerned, loan repayment depends upon the viability and growth perspectives of the company, the servicing capacity of the company and its owners, the circumstances prevailing at the sectors and markets they are active in, as well as unexpected factors, positively or negatively affecting their operation.

Depending on the type of collateral, the assessments of the value of collateral is carried out by partners (Appraisers), with the necessary expertise and specialisation. The selection of the appraiser is subject to specific criteria, while their performance is assessed on an ongoing basis.

Especially for tangible collaterals, the Bank entrusts independent qualified appraisers who have the necessary qualifications, ability and experience in evaluation (as defined in the article 208 paragraph 3 of the EU Regulation No 575/2013).

According to the Bank's Loan Collateral Policy, the existence and the valuation of both pledged collateral and mortgaged property are closely monitored. Depending on the right or the underlying asset on which a pledge is registered, the periodic revaluation frequency varies from one month to one year.

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

### 7.2.2 Description of the main collateral types

Collateral used to mitigate risk, both for mortgage and other lending is diversified. There are two broad categories of collateral: Contractual collaterals - guarantees and tangible collaterals.

Guarantees are the most common collateral type of the first category. A guarantee is a legally enforceable relationship between the Bank and the borrower, through which the guarantor assumes the responsibility of paying the debt. It is documented and presupposes the existence of another legally enforceable relationship between the Bank and the borrower (loan).

The provided guarantees are usually found in the banking practice into: Personal Guarantee, Corporate Guarantee, Credit Institutions Guarantee, Cyprus Government Guarantee, Letter of Comfort. The most common types of tangible collateral are: mortgages on real estate properties and pledges on commodities, deposits and cheques or claims and receivables.

Tangible collateral value is estimated on a regular basis, at least annually, except for cases where the contract foresees something different, in cases of known changes on the property or in the business process, or in cases there are urban planning changes or other considerable factors; in case of exceptional/unforeseen events, additional valuation can take place. In case of significant negative changes at collateral values, the Bank seeks to restore the loan to collateral value ratio to the desired levels. The initial valuations of a real estate property, provided as collateral, are carried out through on-site appraisals and internal property inspections to further improve the effect of credit risk mitigation, the Bank requests that all mortgages are covered by an insurance contract and the compensation is assigned to the Bank. The same might apply, on a case-by-case basis, on other physical collaterals as well.

The following table presents the exposure value covered through eligible collateral and guarantees / credit derivatives for each asset class, based on regulatory standards while it also shows the volume of unsecured and secured exposures. Secured exposures are limited to those exposures against which eligible collateral which meets CRR definitions is held and has been used in the calculation of the Group’s capital requirements. Haircuts are applied consistent with CRR requirements.

| Table 23: EU CR3 – CRM techniques – Overview as of 31.12.2020 (In Euro million) | | | | | |
|---|---|---|---|---|---|
| | Exposures unsecured – Carrying amount | Exposures secured – Carrying amount | Exposures secured by collateral | Exposures secured by financial guarantees | Exposures secured by credit derivatives |
| Total Loans | 750 | 848 | 625 | - | - |
| Total debt securities | 604 | - | - | - | - |
| **Total exposures** | **1.354** | **848** | **625** | **-** | **-** |
| of which defaulted | 73 | 181 | - | - | - |

| Table 23: EU CR3 – CRM techniques – Overview as of 31.12.2019 (In Euro million) | | | | | |
|---|---|---|---|---|---|
| | Exposures unsecured – Carrying amount | Exposures secured – Carrying amount | Exposures secured by collateral | Exposures secured by financial guarantees | Exposures secured by credit derivatives |
| Total Loans | 863 | 883 | 645 | - | - |
| Total debt securities | 443 | - | - | - | - |
| **Total exposures** | **1.306** | **883** | **645** | **-** | **-** |
| of which defaulted | 249 | 337 | - | - | - |

The table below presents Standardised exposures on two different basis (before CCF and CRM and after CCF and CRM) excluding exposures with counterparties.

**Table 24: EU CR4 - Standardized approach – credit risk exposure and Credit Risk Mitigation (CRM) effects as of 31.12.2020**

**(in Euro million)**

| | Exposures before CCF and CRM | | Exposures post CCF and CRM | | RWAs and RWA density | |
|---|---|---|---|---|---|---|
| **Exposure classes** | **On-Balance-sheet amount** | **Off-Balance-Sheet amount** | **On-Balance-Sheet amount** | **Off-Balance-Sheet amount** | **RWAs** | **RWA density** |
| Central governments or central banks | 548 | - | 548 | - | - | 0% |
| Regional government or local authorities | - | - | - | - | - | - |
| Public sector entities | - | - | - | - | - | - |
| Multilateral development banks | - | - | - | - | - | - |
| International organisations | - | - | - | - | - | - |
| Institutions | 297 | 1 | 297 | - | 135 | 45% |
| Corporates | 544 | 109 | 541 | 29 | 517 | 91% |
| Retail | 161 | 53 | 134 | 4 | 101 | 73% |
| Secured by mortgages on immovable property | 481 | 35 | 479 | 9 | 209 | 43% |
| Exposures in default | 253 | - | 252 | - | 263 | 104% |
| Items associated with particularly credit risk | 105 | - | 83 | - | 125 | 150% |
| Equity | 19 | - | 19 | - | 19 | 100% |
| Other items | 122 | - | 122 | - | 66 | 55% |
| **Total** | **2.530** | **198** | **2.475** | **42** | **1.435** | **57%** |

| Table 24: EU CR4 - Standardized approach – credit risk exposure and Credit Risk Mitigation (CRM) effects as of 31.12.2019 (in Euro million) | | | | | | |
|---|---|---|---|---|---|---|
| | Exposures before CCF and CRM | | Exposures post CCF and CRM | | RWAs and RWA density | |
| Exposure classes | On-Balance-sheet amount | Off-Balance-Sheet amount | On-Balance-Sheet amount | Off-Balance-Sheet amount | RWAs | RWA density |
| Central governments or central banks | 422 | - | 422 | - | - | 0% |
| Regional government or local authorities | - | - | - | - | - | - |
| Public sector entities | - | - | - | - | - | - |
| Multilateral development banks | - | - | - | - | - | - |
| International organisations | - | - | - | - | - | - |
| Institutions | 467 | - | 282 | - | 109 | 39% |
| Corporates | 411 | 124 | 405 | 36 | 405 | 92% |
| Retail | 166 | 62 | 140 | 4 | 105 | 73% |
| Secured by mortgages on immovable property | 370 | 17 | 369 | 8 | 165 | 44% |
| Exposures in default | 572 | - | 570 | - | 604 | 106% |
| Items associated with particularly credit risk | 127 | - | 105 | - | 157 | 150% |
| Equity | - | - | 17 | - | 17 | 100% |
| Other items | 88 | - | 88 | - | 68 | 77% |
| **Total** | **2.640** | **203** | **2.398** | **48** | **1.630** | **67%** |

The table below discloses collateral valuation and other information on loans and advances

| **Table 25: NPE 7 -** Collateral valuation - Loans and advances (in Euro million) | 31.12.2020 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Loans and advances** | | | | | | | | | | | |
| | | **Performing** | | **Non-performing exposures** | | | | | | | | |
| | | | **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 year ≤ 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 | 1.918 | 1.529 | 21 | 389 | 90 | 299 | 6 | 6 | 32 | 84 | 66 | 105 |
| *Of which secured* | 1.296 | 970 | 20 | 326 | 74 | 252 | 5 | 5 | 25 | 77 | 56 | 84 |
| *Of which secured with immovable property* | 1.099 | 776 | 20 | 323 | 73 | 250 | 5 | 5 | 25 | 77 | 56 | 82 |
| *Of which instruments with LTV higher than 60% and lower or equal to 80%* | 147 | 139 | | 8 | 4 | 4 | | | | | | |
| *Of which instruments with LTV higher than 80% and lower or equal to 100%* | 259 | 236 | | 23 | 12 | 11 | | | | | | |
| *Of which instruments with LTV higher than 100%* | 511 | 230 | | 281 | 51 | 230 | | | | | | |
| Accumulated impairment for secured assets | 182 | 11 | 0 | 171 | 12 | 159 | 1 | 1 | 16 | 37 | 38 | 66 |
| Collateral | | | | | | | | | | | | |
| *Of which value capped at the value of exposure* | 1.081 | 901 | 18 | 180 | 58 | 122 | 4 | 4 | 15 | 42 | 23 | 34 |
| *Of which immovable property* | 878 | 699 | 0 | 179 | 57 | 122 | 4 | 4 | 15 | 42 | 23 | 34 |
| Financial guarantees received | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

**Table 25: NPE 7 -** Collateral valuation - Loans and advances 31.12.2019
(in Euro million)

| | Loans and advances | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Performing | | Non-performing exposures | | | | | | | | |
| | | | 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 year ≤ 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 | 2.649 | 1.510 | 22 | 1.140 | 127 | 1.013 | 26 | 37 | 109 | 209 | 241 | 391 |
| *Of which secured* | 1.757 | 725 | 21 | 1.032 | 119 | 913 | 23 | 29 | 98 | 190 | 221 | 352 |
| *Of which secured with immovable property* | 1.675 | 649 | 20 | 1.026 | 118 | 908 | 23 | 29 | 98 | 189 | 220 | 349 |
| *Of which instruments with LTV higher than 60% and lower or equal to 80%* | 197 | 142 | | 55 | 23 | 32 | | | | | | |
| *Of which instruments with LTV higher than 80% and lower or equal to 100%* | 154 | 88 | | 66 | 21 | 45 | | | | | | |
| *Of which instruments with LTV higher than 100%* | 961 | 118 | | 844 | 52 | 792 | | | | | | |
| Accumulated impairment for secured assets | 610 | 10 | 1 | 600 | 15 | 585 | 5 | 10 | 55 | 111 | 145 | 259 |
| Collateral | | | | | | | | | | | | |
| *Of which value capped at the value of exposure* | 1.126 | 645 | 17 | 481 | 91 | 390 | 18 | 22 | 51 | 90 | 83 | 126 |
| *Of which immovable property* | 1.059 | 580 | | 479 | 91 | 387 | 18 | 22 | 50 | 90 | 82 | 125 |
| Financial guarantees received | - | - | - | - | - | - | - | - | - | - | - | - |

The following table provides an overview of foreclosed assets obtained from non-performing exposures as at 31.12.2020.

**Table 26: NPE 9 -** Collateral obtained by taking possession and execution processes 31.12.2020 (in Euro million)

| | Collateral obtained by taking possession | |
|---|---|---|
| | **Value at initial recognition** | **Accumulated negative changes** |
| Property, plant and equipment (PP&E) | 0 | 0 |
| Other than PP&E | 46 | 4 |
| Residential immovable property | 26 | 2 |
| Commercial immovable property | 20 | 2 |
| Movable property (auto, shipping, etc.) | 0 | 0 |
| Equity and debt instruments | 0 | 0 |
| Other | 0 | 0 |
| **Total** | **46** | **4** |

The table below provides an overview of collateral obtained by taking possession (by type and by time since date of foreclosure) as at 31.12.2020.

**Table 27: NPE 10 -** Collateral obtained by taking possession and execution processes-vintage breakdown 31.12.2020 (in Euro million)

| | 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 | 46 | 4 | 46 | 4 | 30 | 2 | 16 | 2 | - | - | 5 | 1 |
| *Residential immovanle property* | 26 | 1 | 26 | 1 | 18 | 1 | 15 | 2 | - | - | 4 | 1 |
| *Commercial immovable property* | 20 | 3 | 20 | 3 | 12 | 1 | 1 | - | - | - | 1 | - |
| *Movable property (auto, shipping, etc.)* | - | - | - | - | - | - | - | - | - | - | - | - |
| *Equity and debt instruments* | - | - | - | - | - | - | - | - | - | - | - | - |
| *Other* | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | 46 | 4 | 46 | 4 | 30 | 2 | 16 | 2 | - | - | 5 | 1 |

**Table 27: NPE 10 -** Collateral obtained by taking possession and execution processes-vintage breakdown 31.12.2019
(in Euro million)

| | 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 | 47 | 2 | 47 | 2 | 38 | 2 | 8 | - | 1 | - | 4 | 1 |
| *Residential immovanle property* | 27 | 1 | 27 | 1 | 18 | 1 | 8 | - | 1 | 0 | 3 | 1 |
| *Commercial immovable property* | 20 | 1 | 20 | 1 | 20 | 1 | 0 | - | - | - | 1 | - |
| *Movable property (auto, shipping, etc.)* | - | - | - | - | - | - | - | - | - | - | - | - |
| *Equity and debt instruments* | - | - | - | - | - | - | - | - | - | - | - | - |
| *Other* | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | 47 | 2 | 47 | 2 | 38 | 2 | 8 | - | 1 | - | 4 | 1 |

## 7.3 Concentration risk

Concentration Risk is a specific form of credit risk which arises due to the low degree of diversification between counterparties, products or group of counterparties, sectors, geographic regions, products or collaterals.

The Bank monitors on a regular basis concentration risk through detailed reporting to Senior Management and the Board of Directors. According to the supervisory framework, the Bank adopts and complies with the regulatory directives regarding Large Exposures, while the capital requirements for single name and sector concentration risks are estimated in the context of Pillar 2 of Basel II.

Additionally the Bank's risk appetite framework includes relevant concentration risk limits that are regularly monitored by the relevant Bank Committees in order to take corrective actions where deemed necessary.

# 8 Counterparty Credit Risk

Counterparty credit risk is the risk of default of a counterparty before the final settlement of all existing transactions' cash flows. An economic loss would occur if the portfolio of transactions with the counterparty has a positive economic value to the Group at the time of counterparty default. According to CRR 575/2013 the term transaction refers to:

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

Alpha Bank Group only has the first two types of transactions.
The exposures generating counterparty credit risk are monitored on a daily basis. The Group has set limits per counterparty group, per counterparty and per product.
In order to reduce counterparty credit risk exposure, Alpha Bank Group uses two types of bilateral contracts as far as financial products transactions of financial institutions are concerned, which are:

- ISDA (International Swap and Derivatives Association): defines the general terms governing the conduct of bilateral contracts on derivatives, such as FX Swaps, Interest Rate Swaps, Cross Currency Swaps, etc. CSA (Credit Support Annex), which is an annex to ISDA, defines the conditions under which collateral is exchanged in the context of these derivatives transactions.
- GMRA (Global Master Repurchase Agreement): defines the terms for conducting 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) contracting parties are obliged to exchange any negative valuation that concerns the sum of all the underlying transactions. Consequently Alpha Bank Group exchanges required collateral as mentioned in the contracts and therefore the existing counterparty credit risk is minimized.

The amount of collateral required is calculated on a regular basis and agreed between counterparties. For transactions that are governed by these contracts, the risk of loss for the Alpha Bank Group is the potential difference between the current value of the collateral and the market value of transactions. As a result, frequent settlement of any difference with collateral exchange eliminates the risk of losses due to counterparty credit risk.

As far as repos and reverse repos are concerned, where Alpha Bank Group exchanges securities for cash for a specific period of time, they are included in counterparty limits as they involve counterparty credit risk. The maximum potential loss of the Group 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.

The table below reflect the Group's counterparty credit exposures, including the impact of netting and collateral. Current credit exposures consist of the replacement cost of contracts together with potential future credit exposure.

| **Table 28:** EU CCR1 - Analysis of CCR exposure by approach (in Euro million) | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Approach** | **Notional** | **Replacement cost/current market value** | **Potential future credit exposure** | **EEPE** | **Multiplier** | **EAD post CRM** | **RWAs** |
| Mark to market | 80 | 1 | - | - | - | 1 | 1 |
| Financial collateral comprehensive method (for SFTs) | - | - | - | - | - | - | - |

According to CRR 575/2013 Article 381, financial institutions are required to calculate the own funds requirements for Credit Valuation Adjustment (CVA Risk).

The CVA reflects the current market value of the counterparty credit risk to the institution. Own Funds requirements for CVA risk, are calculated for all derivative transactions with financial institutions all OTC derivative instruments excluding credit derivatives.

In order to calculate CVA, Alpha Bank incorporates the Standardized methodology according to article 384 of CRR 575/2013. Value at Risk is calculated with a 99% confidence interval and with one-year risk horizon.

The most important factors that influence the capital requirements of CVA are the Weight of the counterparty, the real notional-weighted maturity, the contribution of the exposures to the counterparties as well as the number of the counterparties of the portfolio.

| **Table 29:** EU CCR2 - CVA capital charge 31.12.2020 (in Euro million) | | | | |
|---|---|---|---|---|
| | **Exposure value T** | **RWAs T** | **Exposure value T-1** | **RWAs T-1** |
| All portfolios subject to the standardised method | - | - | - | - |
| **Total subject to the CVA capital charge** | - | - | - | - |

| **Table 29:** EU CCR2 - CVA capital charge 31.12.2019 (in Euro million) | | | | |
|---|---|---|---|---|
| | **Exposure value T** | **RWAs T** | **Exposure value T-1** | **RWAs T-1** |
| All portfolios subject to the standardised method | - | - | - | - |
| **Total subject to the CVA capital charge** | - | - | - | - |

The table below presents the CCR exposures by regulatory portfolio and risk:

| **Table 30:** EU CCR3 - Standardized approach – CCR exposures by regulatory portfolio and risk (in Euro million) | | | | | | | | | | | **2020** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Exposure classes** | **Risk Weight** | | | | | | | | | | **Total** | **Of which unrated** |
| | **0%** | **2%** | **4%** | **10%** | **20%** | **50%** | **70%** | **75%** | **100%** | **150%** | | |
| Central governments or central banks | - | - | - | - | - | - | - | - | - | - | - | - |
| Institutions | - | - | - | - | 1 | - | - | - | - | - | 1 | - |
| Corporates | - | - | - | - | - | - | - | - | - | - | - | - |
| Retail | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | - | - | - | - | 1 | - | - | - | - | - | 1 | - |

| **Table 30:** EU CCR3 - Standardized approach – CCR exposures by regulatory portfolio and risk (in Euro million) | | | | | | | | | | | **2019** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Exposure classes** | **Risk Weight** | | | | | | | | | | **Total** | **Of which unrated** |
| | **0%** | **2%** | **4%** | **10%** | **20%** | **50%** | **70%** | **75%** | **100%** | **150%** | | |
| Central governments or central banks | - | - | - | - | - | - | - | - | - | - | - | - |
| Institutions | - | - | - | - | 197 | - | - | - | - | - | 197 | - |
| Corporates | - | - | - | - | - | - | - | - | - | - | - | - |
| Retail | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | - | - | - | - | 197 | - | - | - | - | - | 197 | - |

## 9 Operational risk

The Bank acknowledges the need for managing the operational risk that stems 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.

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

Further analysis regarding the Operational Risk Framework of the Bank is presented in note 38.4 of the Financial Statements of 2020

## 10 Encumbered and Unencumbered assets

The Group is funded through unsecured and secured funding lines. Secured funding lines may involve encumbrance of (a) the assets of the Group, (b) any collateral received by the Group and (c) own debt instruments issued and held by the Group.

The Group 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 Group's liquidity, funding and collateral management process. In this context, asset encumbrance risk management framework incorporates and adopts the overarching principles of the Group's Risk Management Framework as well as the Group's RAF.

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

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

| Table 31a – Encumbered and Unencumbered Assets as of 31.12.2020 (in Euro million) | | | | |
|---|---|---|---|---|
| **A. Assets** | | | | |
| | **Carrying amount of encumbered assets** | **Fair Value of encumbered assets** | **Carrying amount of unencumbered assets** | **Fair Value of unencumbered assets** |
| Assets | 108 | 108 | 1.777 | 1.810 |
| Equity Instruments | - | - | 9 | 9 |
| Debt Instruments | - | - | 604 | 605 |

| **B. Collateral Received** | | |
|---|---|---|
| | **Fair value of encumbered collateral received or own debt securities issued** | **Fair value of collateral received or own debt securities issued available for encumbrance** |
| Collateral received | - | - |
| Debt Instruments | - | - |

| Table 31b – Encumbered and Unencumbered Assets as of 31.12.2019 (in Euro million) | | | | |
|---|---|---|---|---|
| **A. Assets** | | | | |
| | **Carrying amount of encumbered assets** | **Fair Value of encumbered assets** | **Carrying amount of unencumbered assets** | **Fair Value of unencumbered assets** |
| Assets | 135 | 135 | 2.014 | 2.122 |
| Equity Instruments | - | - | 8 | 8 |
| Debt Instruments | - | - | 442 | 442 |

| **B. Collateral Received** | | |
|---|---|---|
| | **Fair value of encumbered collateral received or own debt securities issued** | **Fair value of collateral received or own debt securities issued available for encumbrance** |
| Collateral received | - | 185 |
| Debt Instruments | - | - |

## 11. Remuneration policy

Alpha Bank Cyprus Ltd is applying a Remuneration policy, coherent with Group guidelines, and aligned with local and European regulatory framework, as well as the applicable collective labour agreement.

The Remuneration policy:

- is in accordance with the values, business strategy, goals and, generally, the long-term interests of the Bank;
- aligns personal and corporate goals in a long-term perspective and incorporates measures for the avoidance of conflicting interests;
- promotes effective risk management, discourages excessive risk taking thereof, and prevents or minimises the appearance of conflict-of-interest situations which are detrimental to correct, prudent and sound risk management. It is noted, that the risk-taking is decided by Committees / Approving Bodies that operate on the basis of specific terms of reference;
- correlates remunerations of the Bank's Human Resources with the risks undertaken and managed therefrom;
- is based on evaluation criteria of performance and of degree of risk-taking, pursuant to which the amount of variable remuneration is determined;

### Legal Framework

The regulatory framework, as well as the applicable collective labour agreement, on the basis of which remuneration policy is required and effected, comprises, inter alia, of the Governance and Management Arrangements Directive of 2014 of the Central Bank of Cyprus, as well as of the relevant guidelines of the European Banking Authority i.e. European Directives 2013/36/EU – CRD IV and 604/2014, as these are amended or replaced from time to time.

### The Proportionality principle

The policy complies with the regulatory framework and is designed taking into account each unit's size, internal structure, nature and complexity of activities. In particular, the Bank aims to match the Remuneration Policy and practices with the individual risk profile and the strategy of the Bank and the Group.

The application of the proportionality principle, is based on the following indicative criteria and the criteria provided in the EBA/GL/2015/22 guidelines:

1. The size of the Bank e.g. value of assets and liabilities, exposure to risk, level of its regulatory own funds, number of staff and branches of the Bank.
2. The internal organization of the Bank, the use of internal methods for the measurement of capital requirements and its corporate goals.

3. The nature, scope and complexity of its business activities and the associated risks.

## Principles of Remuneration Structuring

The Remuneration policy covers all forms of remuneration either arising from the applicable Collective Labour Agreement or provided voluntarily by the Bank, meaning:

- Fixed remuneration, salaries;
- Variable remuneration; The variable component of the total compensation is optional and refers to bonus or other reward schemes that may vary per year. In order for variable remuneration to be paid, the achievement of the Bank's goals as well as personal performance in accordance with the evaluation criteria in force are taken into account. The balance between fixed and variable remuneration is of major priority in order to assure market competitiveness in connection with minimisation of risk assumption.
- Benefits associated with work position / role;
- Benefits associated with employees leaving the Bank, given voluntarily and at the absolute discretion of the Bank, where appropriate.

The proportion between the components of the total remunerations is sought to be:

- Incentivizing to the attainment of goals;
- Flexible and adaptable to the current applicable conditions of the market;
- Risk adjusted, taking into account present and future risks;
- Proactive, predicting potential deferral adjustment, future non-payment and/or recall of variable remuneration.

## Risk alignment of Remuneration

Remuneration policy also applies to, as provided for, Executive and Non-Executive Members of the Board of Directors of the Bank, Members of General Management of the Bank, Senior Management, as well as other Personnel whose professional activities have a material impact on the risk profile of the Bank.

Personnel that has been entrusted with control duties and the Personnel of Control Units (Risk Management Division, Internal Audit Division, Compliance Division, Company Information Security Officer), is independent from the business units it supervises, has the appropriate powers and is remunerated, as regards voluntary remunerations, according to the attainment of goals connected to its duties, irrespective of performance of the business Units it controls.

The Remuneration Policy also applies, according to special provisions, to staff whose activities have a material impact on the risk profile of the Bank (Material Risk Takers).
The list of the Material Risk Takers is reviewed and approved annually according to Group procedures.

It is pointed out that non-executive members of the Board of Directors are remunerated only by fixed remuneration.

## Variable Remuneration

The variable component of the total compensation is optional and refers to bonus or other reward schemes that may vary per year. In order for variable remuneration to be paid, the achievement of the Bank's goals as well as personal performance in accordance with the evaluation criteria in force are taken into account. The balance between fixed and variable remuneration is a major priority in order to assure market competitiveness in connection with minimisation of risk assumption. The principle of non-assumption of excessive risk, in particular, is assured through the existing Committees / Approving Bodies which are legislated bodies that operate on the basis of specific procedures.

Correct and selective application of variable remuneration policy is considered a necessary tool for administering human resources, as well as attracting and/or retaining senior officers.

Variable remuneration contains a deferred part on the basis of the business cycle, the nature of business activity, the risks it entails and the activities of the members of Personnel it concerns.

Indicative forms of variable remuneration:

- Cash;
- Other means;
- Guaranteed variable remuneration is inconsistent with healthy risk management or the principle of performance reward and are not included in the future remuneration schemes. Exceptionally, they may be granted to newly-hired Personnel for the first year of its employment, provided that the Bank possesses a healthy and strong capital base.

## Pay – out process / ex post risk adjustment of variable remuneration

The Bank's Remuneration Policy foresees that the payment of 40% of annual variable remuneration component may be deferred for a period of 3-5 years and such remuneration is paid as long as the beneficiary continues to be in the service of the Bank, and the beneficiary is eligible to variable remuneration on the year of payment. Thus, the deferral element constitutes a core characteristic of granting bonuses, which acts as deterrent for assuming excessive risks and contributes to the maintenance of long-term business relationship. In case where the annual bonus is deemed to be particularly high, then the payment of 60% of the amount may be deferred and not only of 40%.

The Bank has the option, at its absolute discretion, of non-payment up to 100% of the variable remuneration at any stage of the payment period (malus), or to require the recall of variable remuneration (clawback) where the member of Personnel: (i) participated in or was responsible for behaviour which caused significant damages to the Bank; (ii) did not fulfil the appropriate standards of competence and decency.

Total variable remuneration shall generally shrink significantly when the Bank presents subdued or negative financial performance, taking into account both current remuneration and reductions to remunerations already collected, including through malus or reimbursement arrangements.

### Remuneration Committee (RemCo)

The Central Bank of Cyprus has approved an exemption, so that the duties of the remuneration committee will be performed by the Remuneration Committee of Alpha Bank Group. Based on this arrangement, the decisions of the Remuneration Committee and the Board of Directors of Alpha Bank S.A., are referred to the Board of Directors of Alpha Bank Cyprus Ltd for ratification.

### Other relevant Stakeholders / Parties

Human Resources Division, Internal Audit Division, Compliance Division and Risk Management Division are involved in the design, review and implementation of remuneration policy.

Implementation of Remuneration Policy is subject, at least annually, to central and independent internal control as to comply with the remuneration policies and procedures adopted by the Boards of Directors during the exercising of their supervisory duties. Particularly, Internal Audit Division ensures through the control program, the evaluation, at least on an annual basis, of the implementation of the remuneration policy by the senior management officers and of the compliance thereof, with the relevant policies and procedures adopted by the Board of Directors.

### Quantitative – Qualitative Remuneration data

All necessary data are submitted to the competent authorities according to the regulatory reporting requirements.

Tables


| A/A | Table | Page |
|---|---|---|
| 1 | Table 1. Capital Adequacy Ratios | 5 |
| 2 | Table 2. Comparison of institutions own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS9 or analogous ECLs | 8 |
| 3 | Table 3. Own Funds Structure | 10 |
| 4 | Table 4. Other capital instruments held by Alpha Bank Group | 11 |
| 5 | Table 5. EU OV1 – Overview of RWAs | 12 |
| 6 | Table 6. Summary reconciliation of accounting assets and leverage ratio exposures | 13 |
| 7 | Table 7. Leverage ratio common disclosure | 14 |
| 8 | Table 8. Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) | 15 |
| 9 | Table 9. EU CRB-B - Total and average net amount of exposures | 41 |
| 10 | Table 10. EU CRB-C - Geographical breakdown of exposures | 42 |
| 11 | Table 11. EU CRB-D - Concentration of exposures by industry or counterparty type | 43 |
| 12 | Table 12. EU CRB-E - Maturity of exposures | 45 |
| 13 | Table 13. EU CR1-A - Credit quality of exposures by exposure class | 46 |
| 14 | Table 14. NPE 1 - Credit quality of non financial loans and advances by industry | 48 |
| 15 | Table 15. NPE 2 - Quality of non-performing exposures by geography | 50 |
| 16 | Table 16. NPE 6 - Quality of forborne exposures | 52 |
| 17 | Table 17. NPE 3 – Credit quality of forborne exposures | 53 |
| 18 | Table 18. NPE 4 – Credit quality of performing and non performing exposures by past due dates | 55 |
| 19 | Table 19. NPE 5 – Performing and non performing exposures and related provisions | 57 |
| 20 | Table 20. EU CR2-A - Changes in the stock of general and specific risk adjustments | 59 |
| 21 | Table 21. NPE 8 – Changes in the stock of non performing loans and advances | 60 |
| 22 | Table 22. CR5 – Standardized approach | 61 |
| 23 | Table 23. EU CR3 – CRM Technique overview | 65 |
| 24 | Table 24. EU CR4 - Standardized approach - Credit risk exposure and credit risk mitigation (CRM) | 66 |
| 25 | Table 25. NPE 7 – Collateral valuation – Loans and advances | 68 |
| 26 | Table 26. NPE 9 – Collateral obtained by taking possession and execution processes | 70 |
| 27 | Table 27 NPE 10- Collateral obtained by taking possession and execution processes – vintage breakdown | 71 |
| 28 | Table 28 CCR1 – Analysis of CCR exposure by approach | 74 |
| 29 | Table 29 CCR2 – CVA capital charge | 74 |
| 30 | Table 30 CCR3 – Standardised approach- CCR exposures by regulatory portfolio risk | 75 |
| 31 | Table 31. Encumbered and unencumbered assets | 77 |