



ALPHA BANK

CHAIRMAN OF THE BOARD OF DIRECTORS

Vasileios T. Rapanos
Chairman of the Board of Directors
Alpha Services & Holdings
Stadiou 40
Athens
Greece

Athens 19 July, 2023

Ordinary General Meeting – 27 July 2023

Dear Shareholders,

On 5th July 2023, the Board of Directors of Alpha Services and Holdings S.A., 100 % parent of Alpha Bank S.A. (“Alpha Bank” or “Bank”), called the Ordinary General Meeting (“OGM”), scheduled to take place on 27th July 2023. The OGM is convened to consider the Agenda and vote on the proposed Draft Resolutions.

We are writing to provide clarification to the updates we are introducing to our remuneration practices, related to the Draft Resolutions. Specifically, we are providing additional disclosure and rationale in support of Resolutions 8 and 16 of the Draft Resolutions.

After fifteen years, we are reintroducing the payment of variable remuneration for the Executive Members of our Board of Directors; this is due to the lifting of restrictions that were previously imposed on us in the form of a salary cap and bonus ban for members of our Board of Directors and Senior Management as a result of the application of the HFSF law to Greek systemic banks. These restrictions, as amended most recently in July of 2022, included, among others, requiring the completion of the Restructuring Plan of the Bank and the reduction of the Group NPE ratio to below 10%. The Bank has satisfied all requirements of the HFSF law.

It is worth noting that Greece is emerging from an extended era of difficult economic conditions. As we continue our journey of transition during the next several years, it is imperative that we have skilled individuals leading our Bank, making sound decisions, and driving sustainable growth. Attracting and retaining talent is crucial, as variable compensation remains legally restricted. To this end, the proposed update to our Remuneration Policy strikes a careful balance between aligning executive compensation with shareholder value creation and acknowledging the realities of our current market conditions.

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We acknowledge that we have not disclosed individual metrics and targets under the Performance Incentive Plan (“PIP”) and the Retention Plan. The reason is that we published on 7 June 2023 an ambitious strategy for 2023 until 2025¹ (the “New Business Plan”) which sets specific targets and performance metrics for the Bank as a whole but also per area of responsibility for our management team. The Board intends to calibrate the Performance Incentive Plan targets and the Retention Plan conditions to be in line with long-term targets of the New Business Plan.

In line with this approach and as detailed in our Explanatory Note on the Variable Remuneration Framework, the performance-based elements of the variable remuneration are linked to annually adjusted individual targets for Management, derived from the targets communicated in our new 3-year Business Plan and Strategy, thereby ensuring alignment of Management incentives with the delivery of long-term strategic objectives and shareholder interests.

Importantly, the CEO’s performance is assessed based on Group targets (Total Economic profit, Profit after tax, NPE stock, Customer Satisfaction Indexes, Total Opex) with 30% weight, Individual Targets (NPE ratio, Delivery of Strategic transactions, Transformation Plan KPIs, ESG objectives) with 40% weight and Value-based Targets (per the behaviours of the Group Corporate Purpose & Values) with 30% weight.

While we understand that these targets can be further detailed, we do believe they are a concrete first step in the evolution of our remuneration framework.

We would also like to clarify for our Shareholders, that our Retention Plan, aims at retaining members of the Senior Management Team who hold roles of increased gravitas, and who have significant impact in the achievement of the long-term strategic goals of the company, while taking also into account the market scarcity of the role and the estimated flight risk. Retention payouts are offset by, rather than added to, the performance bonuses for the same people, assuming their performance targets have been achieved. The intended term of the Plan is expected to run to 2028 while, additionally, the minimum period of prior service under the Retention Plan has been set at 12 months. To be noted, the Retention Plan payout structure and allocation follows the award, deferral and lock-up periods defined in our Remuneration Policy and is compliant with all regulatory and legal requirements.

We expect the total variable remuneration awarded under the Retention Plan for the period 2023-2028 not to exceed 50% of the total variable remuneration of the same period. Additionally, we will observe all EBA requirements as regards the cap on variable remuneration (which today stands at 100% of total fixed remuneration).

We want to take this opportunity to assure you that the Board has thoroughly assessed all proposed resolutions and strongly believes that they are not only necessary but also in the best interest of our Bank and its Shareholders.

¹ [20230607-deltio-typou-en.pdf \(alphaholdings.gr\)](#)

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The Remuneration Policy plays a crucial role in attracting, retaining, and motivating top talent within our organization, something which has been extremely challenging during the past 13 years. It is our firm belief that a competitive compensation package is essential for ensuring that we have the right individuals leading our Bank, making sound decisions, and driving sustainable growth. Thus, we are proposing an updated Remuneration Policy to reflect not only recent developments in the regulatory remuneration framework but also introduce market – standard rules for competitive remuneration for the Executive Members of our Board and Senior Management. We want to emphasize that the proposed update to our Remuneration Policy has been carefully crafted, taking into account market conditions, competitive pressures, and the long-term interests of our Bank and its Shareholders. This is further explained in our Note of the Variable Remuneration of the Bank available at its website². The Board is confident that this policy update is both necessary and well-aligned with our strategic objectives. We are committed to delivering sustainable growth, ensuring transparency, and aligning executive compensation with long-term shareholder value creation. As our conditions evolve towards a more normalized and less restricted environment, we commit to continue enhancing our Remuneration Policy with additional elements in line with best market practice, and to provide such revisions for approval by our Shareholders.

We hope that this information will provide you with additional colour and help to develop a more informed decision ahead of the OGM. We remain open to constructive dialogue and welcome your feedback as we allow this process to unfold with added detail. Together, we can navigate the challenges ahead and continue building a stronger, more prosperous future for our Bank and its Shareholders.

Thank you for your continued support.

Yours faithfully,

Vasileios T. Rapanos
Chairman of the Board of Directors

² [explanatory-note-on-variable-remuneration.pdf \(alphaholdings.gr\)](#)