ALPHA BANK ROMANIA S.A.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ENDORSED BY THE EUROPEAN UNION

CONTENTS **PAGE**

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Alpha Bank Romania S.A.,
Bucharest, Romania

Report on the Audit of the Financial Statements

Opinion

1. We have audited the financial statements of Alpha Bank Romania S.A. (the Bank), with registered office in 237B, Calea Dorobantilor, District 1, Bucharest, Romania, identified by unique tax registration code RO5062063, which comprise the statement of financial position as at December 31, 2019, and the income statement and statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the financial statements.

2. The financial statements as at December 31, 2019 are identified as follows:

   - Equity 1,837,455 KRON
   - Net profit for the financial year 79,033 KRON

3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and with National Bank of Romania Order no 27/2010 for the approval of Accounting regulation in accordance with International Financial Reporting Standards as adopted by the European Union, with subsequent amendments ("Order 27/2010").

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named "the Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

5. We draw attention to Note 36 in the financial statements describing management's evaluation of the potential impact of the effects of the COVID-19 coronavirus on the Bank. Our opinion is not modified in respect of this matter.

Key Audit Matters

6. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

Nature of the area of focus	How our audit addressed the key audit matter
Collective impairment of loans and advances to customers	
Following the adoption of IFRS 9, the Bank accounts for credit losses based on expected credit losses (ECL): for a period up to 12 month for credit exposures for which the credit risk did not increase significantly since origination and for credit life time for those with significant increase in credit risk, as detailed in impairment policy from Note 3)p)i) to the financial statements. As at 31 December 2019, the Bank's main financial statements line with significant impact from the adoption of IFRS 9 is Loans and advances to customers amounting to 11,963,459 KRON (net of related impairment allowances amounting to 488,760 KRON). The Bank exercises significant judgement using subjective assumptions over both when and how much to record as impairment for Loans and advances to customers. Because Loans and advances to customers form a major portion of the Bank's assets, and due to the significance of the Management professional judgments applied in classifying loans and advances to customers into various stages stipulated in IFRS 9 and determining related impairment requirements, this audit area is considered a key audit matter. Key areas of judgement included: - The interpretation of the requirements to determine impairment under the application of IFRS 9, which is reflected in the expected credit loss model; - Assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customers; - The identification of exposures with a significant deterioration in credit quality.	We have examined the impairment charges for loans and advances to customers and evaluated the IFRS 9 assumptions made according to the description of the key audit matter using our risk assessment, industry knowledge and involving our Credit Risk experts. We performed the following procedures: • Testing of key controls including: - Controls for quality assurance of the source data used in validation ECL related models; - Controls related to timely identification of impairment triggers, including significant increase in credit risk; - Controls related to the debtors' financial performance assessment and estimation of future cash flows. • Obtaining and checking the evidence to support the assumptions used in: - Validation of the models for computation of the key risk parameters (12 month probability of default, lifetime probability of default and Loss given default), including procedures on the source data quality; - Validation of the expected credit loss models; - Validation of the stage allocation; - Validation of models to reflect the potential impact of future macro-economic conditions in the ECL computation. • Testing the implementation of the new methodology into the ECL computation systems, including: - Test the general IT controls related to data sources and computations of ECL; - Assessment on a sample basis of the credit quality and stage allocation; - Test on a sample basis the ECL computations.

Interest and Fee Income Recognition	
Refer to Note 6 and 7 of the financial statements For the year ended 31 December 2019 the interest income represents 647,624 KRON and fee and commission income represents 122,630 KRON, the main source being loans to customers. These are the main contributors to the operating income of the Bank affecting the Bank's profitability. While interest income is accrued over the expected life of the financial instrument using the effective interest rate, the recognition of fee income depends on the nature of the fees as follows: • Fees that are directly attributable to the financial instrument are part of the effective interest rate and accrued over the expected life of such an instrument and are presented as interest income. • Fees for services provided are recognized when service is provided and are presented as fee and commission income. • Fees for the execution of an act are recognized when the act has been completed and are presented as fee and commission income. Revenue recognition specifics, a high volume of individually small transactions which depends on data quality of interest and fee inputs and on IT solutions for their recording, resulted in this matter being identified as a key audit matter.	We have tested the design and operating effectiveness of the key internal controls and focused on: • Interest/fee inputs on customer loans and deposits; • Recording/ changes of fees and interest rates; • Management oversight and control on interest and fee income, including budget monitoring; • IT controls relating to access rights and change management of relevant automated controls with the assistance of our IT specialists. We performed also the following procedures with regard to interest and fees revenue recognition: - We evaluated the accounting treatment performed by the Bank in respect of fees charged to clients to determine whether the methodology complies with the requirement of the relevant accounting standards. We have focused our testing on challenging the correct classification of: • Fees that are identified as directly attributable to the financial instrument and are part of the effective interest rate; • Fees that are not identified as directly attributable to the financial instrument. - We assessed the completeness and accuracy of data used for the calculation of interest and fee income. - We evaluated the mathematical formula used for accruing the relevant income over expected life of the loan. - We have assessed the interest and fee income by building our own expectation on the revenue and compared with the actual results of the Bank.

Other information- Administrator's Report

7. Management is responsible for preparation and presentation of the other information. The other information comprises the Administrator's report, which includes the non-financial information declaration, but does not include the financial statements and our auditor's report thereon.

   Our opinion on the financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

   In connection with our audit of the financial statements for the year ended December 31, 2019, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   With respect to the Administrator's report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of the National Bank of Romania Order no 27/2010, articles 12-16.

On the sole basis of the procedures performed within the audit of the financial statements, in our opinion:

a) the information included in the administrators' report for the financial year for which the financial statements have been prepared is consistent, in all material respects, with these financial statements;

b) the administrators' report has been prepared, in all material respects, in accordance with the provisions of the National Bank of Romania Order no 27/2010, articles 12-16.

Moreover, based on our knowledge and understanding concerning the Bank and its environment gained during the audit on the (standalone) financial statements prepared as at December 31, 2019, we are required to report if we have identified a material misstatement of this Administrator's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

8. Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and Order 27/2010 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

10. Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

11. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

12. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

    - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

13. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

14. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

16. We have been appointed by the General Assembly of Shareholders / Associates on 9 May 2019 to audit the financial statements of Alpha Bank Romania S.A. for the financial year ended December 31, 2019. The uninterrupted total duration of our commitment is 3 years, covering the financial years ended 31 December 2017 until the 31 December 2019.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Bank that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.

- No non-audit services referred to in Article 5 (1) of EU Regulation No.537 / 2014 were provided.

The engagement director on the audit resulting in this independent auditor's report is Claudiu Ghiurluc.

Claudiu Ghiurluc, Director

For signature, please refer to the original signed Romanian version.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. AF 3113

On behalf of:

DELOITTE AUDIT S.R.L.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. FA 25

The Mark Building, 84-98 and 100-102 Calea Grivitei,
8th Floor and 9th Floor, District 1
Bucharest, Romania
April 30, 2020

ALPHA BANK ROMANIA SA
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019
(all amounts are expressed in RON thousand ("RON '000")

	Note	Year ended 31 December 2019 RON'000	Year ended 31 December 2018 RON'000
Interest and similar income	**6**	647,624	595,305
Interest expense	**6**	(163,612)	(129,894)
Net interest income		**484,012**	**465,411**
Fee and commission income	**7**	122,630	108,582
Fee and commission expense	**7**	(31,791)	(23,753)
Net fee and commission income		**90,839**	**84,829**
Dividend income		904	1,025
Gains less losses from derecognition of financial assets measured at amortised cost	**9**	125	(12,003)
Gains less losses on financial transactions	**8**	42,700	39,028
Other operating income		3,362	2,558
Net operating income		**621,942**	**580,848**
Impairment losses and provisions to cover credit risk	**10**	(24,632)	(44,604)
Staff costs	**11**	(191,120)	(174,021)
Depreciation and amortization	**17**	(68,548)	(20,395)
General administrative expenses	**12**	(240,985)	(229,054)
Operating expenses		**(525,285)**	**(468,074)**
Share from loss of associates	**15**	(240)	(395)
Profit before tax		**96,417**	**112,379**
Income tax expense	**26**	(17,384)	(91,336)
Net profit for period		**79,033**	**21,043**

The Bank, from 1.1.2019 applied IFRS 16 retrospectively, without restating the comparative information in accordance with the transitional requirements of the Standard, with the cumulative effect of the initial application, if any, recognized directly in equity as at 1.1.2019, and therefore the information for the comparative year is not comparable.

The financial statements were authorized for issue by the Board of Directors on 28 April 2020 and were signed on its behalf by:

Sergiu Oprescu
Executive President

Gabriel Mateescu
Executive Financial Vice-president

The accompanying notes form an integral part of these financial statements.

ALPHA BANK ROMANIA SA
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019
(all amounts are expressed in RON thousand ("RON '000")

	Year ended 31 December 2019	Year ended 31 December 2018
	RON'000	**RON'000**
Net profit for the period	**79,033**	**21,043**
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Net change in reserves of securities designated as at fair value through other comprehensive income	(232)	5,580
Income tax	72	(858)
Total amount that may be reclassified to profit or loss, after income tax	**(160)**	**4,722**
Amounts that will not be reclassified to profit or loss		
Gains/(Losses) from equity instruments designated as at fair value through other comprehensive income	5,604	1,543
Income tax	(897)	(247)
Total amount that will not be reclassified to profit or loss, after income tax	**4,707**	**1,296**
Other comprehensive income, net of tax	**4,547**	**6,018**
Total comprehensive income	**83,580**	**27,061**

The Bank, from 1.1.2019 applied IFRS 16 retrospectively, without restating the comparative information in accordance with the transitional requirements of the Standard, with the cumulative effect of the initial application, if any, recognized directly in equity as at 1.1.2019, and therefore the information for the comparative year is not comparable.

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Executive Financial Vice-president

ALPHA BANK ROMANIA SA
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2019
(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

	Note	31 December 2019 RON'000	31 December 2018 RON'000
ASSETS			
Cash and balances with National Bank of Romania	**13**	2,501,035	2,694,448
Due from other banks	**14**	1,700,517	1,706,029
Investment securities measured at fair value through other comprehensive income	**15**	1,248,210	1,218,365
Investments in associates	**15**	169	409
Loans and advances to customers	**16**	11,963,459	11,153,438
Property and equipment	**17**	253,499	99,082
Intangible assets	**17**	22,358	27,701
Deferred tax assets	**26**	24	-
Assets held for sale	**19**	7,560	9,063
Other assets	**19**	122,309	46,139
TOTAL ASSETS		**17,819,140**	**16,954,674**
LIABILITIES AND EQUITY			
Due to banks	**20**	1,617,927	2,260,417
Derivative financial liabilities	**18**	-	1,420
Due to customers	**21**	12,467,697	11,572,626
Debt securities issued and other borrowed funds	**22**	1,372,031	488,551
Subordinated debt	**23**	238,979	724,574
Provisions	**24**	24,376	23,162
Liabilities for current income tax and other liabilities	**25**	260,675	129,643
Deferred tax liabilities	**26**	-	406
Total liabilities		**15,981,685**	**15,200,799**
Share capital	**27**	983,145	983,145
Reserves	**28**	164,335	159,674
Retained earnings		689,975	611,056
Total equity		**1,837,455**	**1,753,875**
TOTAL LIABILITIES AND EQUITY		**17,819,140**	**16,954,674**

The Bank, from 1.1.2019 applied IFRS 16 retrospectively, without restating the comparative information in accordance with the transitional requirements of the Standard, with the cumulative effect of the initial application, if any, recognized directly in equity as at 1.1.2019, and therefore the information for the comparative year is not comparable.

The financial statements were authorized for issue by the Board of Directors on 28 April 2020 and were signed on its behalf by:

Sergiu Oprescu
Executive President

Gabriel Mateescu
Executive Financial Vice-president

The accompanying notes form an integral part of these financial statements.

ALPHA BANK ROMANIA SA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019
(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

	Share capital	Reserves	Retained earnings	Total
Balance as at 01 January 2018	**983,145**	**149,333**	**594,336**	**1,726,814**
Changes for the period 1.1.-31.12.2018				
Net profit for the period	-	-	21,043	**21,043**
Other comprehensive income recognised directly in equity, after income tax	-	4,722	1,296	**6,018**
Total other comprehensive income, net of income tax	-	**4,722**	**22,339**	**27,061**
Appropriation of legal reserves	-	5,619	(5,619)	**-**
Balance as at 31 December 2018	**983,145**	**159,674**	**611,056**	**1,753,875**
Balance as at 01 January 2019	**983,145**	**159,674**	**611,056**	**1,753,875**
Changes for the period 1.1.-31.12.2019				
Net profit for the period	-	-	79,033	**79,033**
Other comprehensive income recognised directly in equity, after income tax	-	(160)	4,707	**4,547**
Total other comprehensive income, net of income tax	**-**	**(160)**	**83,740**	**83,580**
Appropriation of legal reserves	-	4,821	(4,821)	**-**
Balance as at 31 December 2019	**983,145**	**164,335**	**689,975**	**1,837,455**

The financial statements were authorized for issue by the Board of Directors on 28 April 2020 and were signed on its behalf by:

Sergiu Oprescu
Executive President

Gabriel Mateescu
Executive Financial Vice-president

ALPHA BANK ROMANIA SA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
(all amounts are expressed in RON thousand ("RON '000"), unless otherwise stated)

	Note	Year ended 31 December 2019	Year ended 31 December 2018
Cash flow from operating activities			
Profit before taxation		96,417	112,379
Adjustments:			
Impairment losses and provisions to cover credit risk	**10**	35,642	39,955
Dividend and similar income		(904)	(1,025)
Depreciation and amortization	**17**	68,548	20,395
Fixed assets written-off and impairment	**17**	803	368
Loss/(Gain) from sales of assets recovered from customers		(443)	597
Share of loss in associates		240	395
Other adjustments*		(37,771)	(10,570)
Operating profit before changes in operating assets and liabilities		**162,532**	**162,494**
Changes in operating assets:			
Decrease/(increase) in amounts due from other banks		39,156	(95,834)
Decrease/(increase) in loans and advances to customers		(815,239)	(254,886)
Decrease/(increase) in other assets		(75,573)	245,290
Total changes in operating assets		**(851,656)**	**(105,430)**
Changes in operating liabilities			
(Decrease)/increase in amounts due to banks		(642,483)	(1,108,889)
(Decrease)/increase in amounts due to customers		900,612	2,117,791
(Decrease)/increase in other liabilities		125,665	11,686
Total changes in operating liabilities		**383,794**	**1,020,588**
Net cash from operations		**(305,330)**	**1,077,652**
Income tax paid		(144,898)	(66,213)
Net cash flows from operating activities		**(450,228)**	**1,011,439**
Cash flow from investing activities			
Purchase of property and equipment and intangibles	**17**	(42,231)	(37,943)
Proceeds from sale/maturities of investment securities		1,800,986	1,458,220
Purchase of investment securities		(1,816,004)	(1,340,908)
Dividends received		904	1,025
Net cash flows from investing activities		**(56,345)**	**80,394**

The accompanying notes form an integral part of these financial statements.

	Note	Year ended 31 December 2019	Year ended 31 December 2018
Cash flow from financing activities			
Repayments of lease liabilities	**25**	(45,378)	(54)
Debt securities issued and other borrowed funds	**22**	890,387	254,958
Subordinated loans	**23**	(503,260)	-
Net cash flows from financing activities		**341,749**	**254,904**
Effect of exchange rate differences on cash and cash equivalents		4,847	(217)
Net increase / (decrease) in cash and cash equivalents		**(159,977)**	**1,346,520**
Cash and cash equivalents at 1 January	**33**	4,051,034	2,704,514
Cash and cash equivalents at 31 December	**33**	**3,891,057**	**4,051,034**
Interest received		616,342	568,112
Interest paid		180,947	114,602

*Other adjustments as at 31 December 2019 include mainly accrued interest (RON 48.6 million) and foreign exchange difference related to subordinated loans (RON 12.2 million).

The financial statements were authorized for issue by the Board of Directors on 28 April 2020 and were signed on its behalf by:

Sergiu Oprescu
Executive President

Gabriel Mateescu
Executive Financial Vice-president

1. REPORTING ENTITY

Alpha Bank Romania SA (the "Bank") was incorporated in Romania in 1994 and is licensed by the National Bank of Romania to conduct banking activities. The Bank is principally engaged in wholesale and retail banking operations in Romania. Currently, the Bank operates through its head office located in Bucharest and 130 branches (31 December 2018: 130). As of 31 December 2019, 36 were located in Bucharest (31 December 2018: 36) and 94 in other cities in Romania (31 December 2018: 94).

The registered office of the Bank is:

Alpha Bank Romania SA
Calea Dorobantilor no. 237B, District 1
Bucharest
Romania

As of 31 December 2019, the members of Board of Directors were as follows:

- Mr. Christos Giampanas, Chairman
- Mr. Sergiu Bogdan Oprescu, Member and Executive President
- Mr. Evangelos Kalamakis, Member
- Mr. Nikolaos Zagorisios, Member
- Mrs. Mariana Antoniou, Member
- Mr. Georgios Michalopoulos, Member
- Mrs. Irene Rouvitha Panou, Independent Member
- Mr. Radu Gheorghe Deac, Independent Member
- Mrs. Sorana-Rodica Baciu, Independent Member

The Bank serves a broad client base that includes corporations and individuals and offers banking services to local and international entities which include but are not limited to wholesale and retail banking operation, issuing of cards under the VISA and MasterCard network, mortgage and consumer loans, money transfers, trade finance.

The number of employees as at 31 December 2019 was 2,053 (31 December 2018: 2,052).

Alpha Bank AE, the parent company of the Bank, based in Greece, 40 Stadiou Street 102 52 Athens, prepares a set of consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union for the year ended 31 December 2019, available on the following web site: www.alpha.gr.

As at 31 December 2019 and 31 December 2018, the Bank had no subsidiaries.

2. BASIS OF PRESENTATION

a) Statement of compliance

These financial statements relate to the financial year ended 31 December 2019 and they have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union, in accordance with Regulation 1606/2002 of the European Parliament and the Council of the European Union on 19 July 2002 and sanctioned by the Order no. 27/2010 issued by National Bank of Romania.

The accounts of the Bank are maintained in RON.

b) Basis of measurement

The financial statements of the Bank have been prepared on the historical cost basis, except for some assets and liabilities that are measured at fair value:

- Derivative financial instruments
- Investment securities measured at fair value through other comprehensive income.

c) Going concern principle

The Bank applied the going concern principle for the preparation of the financial statements as at 31.12.2019.

For the application of this principle, the Bank takes into consideration current economic developments in order to make projections for future economic conditions of the environment in which it operates. The main factor that cause uncertainties regarding the application of this principle relate to the economic environment in Romania and abroad (especially in Greece where the Parent is located), as well as to the effects of the spread of coronavirus (COVID-19) in Europe in the first quarter of 2020.

The Romanian economy increased by 4.1% in 2019, while the inflation rate was at 3,8%, less than the 4.6% recorded for 2018. A slower increase in economy is expected for 2020, while inflation rate is expected to maintain at a similar level.

At the level of Romanian banking system, a decrease in non-performing loans ratio up to 4.08% took place in 2019, from 4.96% in 2018. Central Bank policy rate maintained to 2.5%. Also the compulsory reserve rates maintained at the same level of 8%, both for RON and foreign currency. The Romanian money market presented an increasing trend in interest rates, so that ROBOR 3M increased from 3.02% in 2018 to 3.18% at the end of 2019, while EURIBOR decreased from -0.31% to -0.38% in the same period.

The prolonged recession that the Greek economy has experienced in recent years led to the significant deterioration in the creditworthiness of corporate and individuals and, consequently, to the rapid increase in non-performing loans, resulting in the recognition of significant impairment losses by the Parent Bank and by the Greek banking system in general. Within the previous year, in particularly in August 2018, the third financial support program of the Hellenic Republic was successfully completed, while providing the possibility of forming a cash buffer aiming at reducing any potential financial risks after the completion of the program. It is also noted that the Hellenic Republic is taking steps to gradually recover its access to the financial markets to meet its financing needs.

The emergence of coronavirus in Europe in the first quarter of 2020, which soon received pandemic features, is adding a major uncertainty in terms of both macroeconomic developments and the ability of businesses to operate under the regime of the restrictive measures imposed. This development is expected to adversely affect the ability of borrowers to repay their liabilities and, consequently, the amount of expected credit risk losses. The financial implications depend to a large extent on how long this crisis will last and vary on a case-by-case basis as each sector of the economy is affected differently. In the context of efforts to relieve individuals and businesses most

2. BASIS OF PRESENTATION (CONTINUED)

c) Going concern principle (continued)

affected by the coronavirus and its associated restrictive measures, the Romanian government has announced a package of tax and other relief measures.

At the same time, the supervisory authorities of the systemic banks are taking several measures to enhance the liquidity of the credit institutions and to facilitate the gradual absorption of the pandemic effects on the capital adequacy ratios, as specifically described in note 36. Regarding the Bank's liquidity levels, it has been noted that there has been no adverse change due to COVID-19.

Based on the above and considering:

- the solid capital and liquidity position (please see note 4.f and note 30) that will sustain the bank's activity under adverse conditions;
- the actions taken by the Bank to address the issue of non-performing loans;
- the measures taken by the Bank to protect its employees from coronavirus, the implementation of actions under the Business Continuity Plan and the activation of the ability for teleworking at a large scale whilst ensuring that critical operations are performed;
- the decisions of the Eurozone countries to adopt a series of fiscal and other measures to stimulate the economy, as well as the decisions of banks' supervisory authorities to provide liquidity and capital adequacy support to the extent that this is affected by the spread of the coronavirus.

the Bank estimates that, at least for the next 12 months, the conditions for the application of the going concern principle for the preparation of its financial statements are met.

d) Functional and presentation currency

The Bank's management considers that the functional currency, as defined by IAS 21 "The Effects of Changes in Foreign Exchange Rates" is RON. The financial statements are presented in Romanian Lei ("RON"), rounded to the nearest thousand, unless otherwise indicated.

The exchange rates of major foreign currencies were:

Currencies	31 December 2019	31 December 2018	% Increase/(Decrease)
Euro (EUR)	1: RON 4.7793	1: RON 4.6639	2.47%
US Dollar (USD)	1: RON 4.2608	1: RON 4.0736	4.60%

e) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and judgments applied by the Bank in preparing the financial statements are based on historical information and assumptions which at present are considered appropriate.

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

2. BASIS OF PRESENTATION (CONTINUED)

e) Use of estimates and judgments (continued)

Impairment losses on loans and advances to customers

In accordance with the internal impairment assessment methodology (refer to Note 3.p), the Bank reviews its loan portfolios to assess impairment and determines whether an impairment loss should be recorded in the income statement. The Bank makes judgments as to whether there is any observable data indicating an objective evidence of impairment that has an impact on the estimated future cash flows from an individual loan or a portfolio of loans. Management uses estimates based on historical loss experience for loans with similar credit risk characteristics. The individual assessment is based on management's best estimate on the present value of the cash flows that are expected to be received. In estimating these cash-flows, management makes judgments about counterparty's financial situation and the net realizable value of any underlying collateral. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment losses of non – financial assets

The Bank, at each year-end balance sheet date, assesses for impairment non–financial assets, and in particular property, plant and equipment, right-of-use assets, intangible assets and assets held for sale. Internal estimates are used to a significant degree to determine the recoverable amount of the assets, i.e. the higher between the fair value less costs to sell and the value in use.

Provisions and contingent liabilities

The Bank recognizes provisions when it estimates that it has a present legal or constructive obligation that can be estimated reliably, and it is almost certain that an outflow of economic benefits will be required to settle the obligation. In contrast, when it is possible that an outflow of resources will be required, or when the amount of liability cannot be measured reliably, the Bank does not recognize a provision but it provides disclosures for contingent liabilities, taking into consideration their materiality. The estimation for the probability of the outflow as well as for the amount of the liability are affected by factors which are not controlled by the Bank, such as court decisions, the practical implementation of the relevant legislation and the probability of default of the counterparty, for those cases which are related to the exposure to off-balance sheet items.

Fair value of financial instruments

The Bank measures fair values using the fair value hierarchy that reflects the significance of the inputs used in making the measurements (refer to note 3.k).

Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The management uses its judgment to select the valuation method and make assumptions that are mainly based on market conditions existing at each balance sheet date.

Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in determination of fair value. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

2. BASIS OF PRESENTATION (CONTINUED)

e) Use of estimates and judgments (continued)

In determining fair values, the Bank uses averages of reasonably possible alternative inputs. When alternative assumptions are available within a wide range, judgments exercised in selecting the most appropriate point in the range include evaluation of the sources quality (for example, the experience and expertise of the brokers providing different quotes within a range, giving greater weight to a quote from the original broker of the instrument who has the most detailed information about the instrument) and the availability of corroborating evidence in respect of some inputs within the range.

Assets and liabilities which are measured at fair value or for which fair value is disclosed are categorized according to the inputs used to measure their fair value as follows:

- Level 1 inputs: quoted market prices (unadjusted) in active markets
- Level 2 inputs: directly or indirectly observable inputs
- Level 3 inputs: unobservable inputs used by the Bank, to the extent that relevant observable inputs are not available

f) Adoption of new and amended Standards

All changes in accounting policies represent the effect of changes in relevant International Financial Reporting Standards as endorsed by the European Union.

The accounting policies for the preparation of the financial statements have been consistently applied by the Bank to the years 2018 and 2019 after taking into account the following new standards and amendments to standards as well as IFRIC 23 which were issued by the International Accounting Standards Board (IASB), adopted by the European Union and applied on 1.1.2019:

- **Amendment to International Financial Reporting Standard 9 "**Financial Instruments": Prepayment Features with Negative Compensation (Regulation 2018/498/22.3.2018) Effective for annual periods beginning on or after 1.1.2019.

On 12.10.2017 the International Accounting Standards Board issued an amendment to IFRS 9 that permits some pre-payable financial assets with negative compensation features, that would otherwise been measured at fair value through profit or loss, to be measured at amortized cost or at fair value through OCI. The amendment to IFRS 9 clarifies that a financial asset passes the SPPI criterion regardless of the event or circumstance that cause the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

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

- **International Financial Reporting Standard 16** "Leases" (Regulation 2017/1986/ 31.10.2017)

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

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

2. BASIS OF PRESENTATION (CONTINUED)

f) Adoption of new and amended Standards (continued)

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

At initial recognition, the right-of-use asset comprises the amount of the initial measurement of the lease liability, any initial direct costs, any lease payments made before the commencement date as well as an estimate of dismantling costs.

At initial recognition, the lease liability is equal to the present value of the lease payments that are not paid at that date.

Impact from IFRS 16 Implementation

The Bank applied the standard to all active, as at 1.1.2019, lease contracts, with the cumulative effect of initially applying the standard, if any, recognized directly in equity as at 1.1.2019 in accordance with the transitional requirements of the standard and did not restate comparative information. As a result, the figures of 2018 are not comparable.

The Bank applied the practical expedient provided by IFRS 16 and did not reassess on initial application whether a contract is, or contains, a lease and applied the standard only to contracts that were identified as leases in accordance with IAS 17. Additionally, the Bank on transition has elected to make use of the following practical expedients provided by the standard:

- apply a single discount rate based on the lease term for all types of contracts,
- exclude initial direct costs from the measurement of the right-of-use asset,
- use hindsight to determine the lease term if the contract contains options to extend or terminate the lease and
- for the determination of the cost of the right-of-use asset it considered that right-of-use asset is equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before the date of initial application.

In addition, the Bank elected to make use of the practical expedient and did not apply the requirements of the standard to leases for which the lease term is less than 12 months (short term), as well to leases for which the underlying asset is of low value when new (less than EUR 5,000).

It is noted that the Bank has made assumptions for extension for leases expiring within 2019 that however are expected to be renewed.

The Bank in order to discount remaining lease payments used incremental borrowing rate (IBR) which is determined using as reference rate the secured funding rate of the Alpha Bank A.E., adjusted for different currencies and taking into consideration local government yield curves.

As a result of the application of IFRS 16, the Bank recognized on 1.1.2019 right-of-use assets of RON 176.2 million and lease liabilities of RON 173.8 million. The difference between the 2 figures represents pre-paid expenses for the first months in 2019 which were already recognized before the application of the new standard, and therefore there was no effect on equity as at 1.1.2019

2. BASIS OF PRESENTATION (CONTINUED)

f) Adoption of new and amended Standards (continued)

- **Amendments to IAS 19** "Employee Benefits" - Plan Amendment, Curtailment or Settlement (Regulation 2019/402/13.3.2019)

On 7.2.2018 the International Accounting Standards Board issued an amendment to IAS 19 with which it specified how companies determine pension expenses when changes to a defined benefit pension plan occur. In case that an amendment, curtailment or settlement takes place IAS 19 requires a company to re-measure its net defined benefit liability or asset. The amendments to IAS 19 require specifically a company to use the updated assumptions from this re-measurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In addition, the amendment to IAS 19 clarifies the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

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

- **Amendment to International Accounting Standard 28** "Investments in Associates": Long-term Interests in Associates and Joint Ventures (Regulation 2019/237/8.2.2019)

On 12.10.2017 the International Accounting Standards Board issued an amendment to IAS 28 to clarify that long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture — to which the equity method is not applied — should be accounted using IFRS 9, including its impairment requirements. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28.

The above amendment does not apply to the financial statements of the Bank.

- **Improvements to International Accounting Standards** – cycle 2015-2017 (Regulation 2019/412/14.3.2019)

As part of the annual improvements project, the International Accounting Standards Board issued, on 12.12.2017, non-urgent but necessary amendments to various standards.

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

- **IFRIC Interpretation 23** "Uncertainty over Income Tax Treatments" (Regulation 2018/1595/23.10.2018)

On 7.6.2017 the International Accounting Standards Board issued IFRIC 23. The Interpretation clarifies application of recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The Interpretation specifically clarifies the following:

- An entity shall determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty.
- The estimations for the examination by taxation authorities shall be based on the fact that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
- For the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment.
- An entity shall reassess an estimate if the facts and circumstances change or as a result of new information.

The adoption of IFRIC 23 had no impact on the financial statements of the Bank.

2. BASIS OF PRESENTATION (CONTINUED)

f) Adoption of new and amended Standards (continued)

Except for the standards mentioned above, the European Union has adopted the following amendments to standards which are effective for annual periods beginning after 1.1.2020 and have not been early adopted by the Bank:

- **Amendment to International Financial Reporting Standard 9** "Financial Instruments", to **International Accounting Standard 39** "Financial Instruments" and to **International Financial Reporting Standard 7** "Financial instruments: Disclosures": Interest rate benchmark reform (Regulation 2020/34/15.1.2020).
  Effective for annual periods beginning on or after 1.1.2020.

On 26.9.2019 the International Accounting Standards Board issued amendments to IFRS 9, IAS 39 and IFRS 7, according to which temporary exceptions from the application of specific hedge accounting requirements are provided in the context of interest rate benchmark reform.
In accordance with the exceptions, entities applying those hedge accounting requirements may assume that the interest rate benchmark is not altered as a result of the interest rate benchmark reform. Relief is provided regarding the following requirements:

- the highly probable requirement in cash flow hedge
- prospective assessments
- separately identifiable risk components

The Bank estimates that the adoption of the above amendments has no impact on the financial statements of the Bank.

- **Amendments to International Accounting Standard 1** "Presentation of Financial Statements" and **to International Accounting Standard 8** "Accounting Policies, Changes in Accounting Estimates and Errors: "Definition of material" (Regulation 2019/2104/29.11.2019).
  Effective for annual periods beginning on or after 1.1.2020.

On 31.10.2018 the International Accounting Standards Board, as part of the Disclosure Initiative, issued amendments to IAS 1 and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition.

The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments include examples of circumstances that may result in material information being obscured.

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

- **Amendments to References to the Conceptual Framework in IFRS Standards** (Regulation 2019/2075/29.11.2019).

Effective for annual periods beginning on or after 1.1.2020

On 29.03.2018, the International Accounting Standards Board published the Amendments to References to the Conceptual Framework in IFRS Standards, together with the revised Conceptual Framework for Financial Reporting.

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

2. BASIS OF PRESENTATION (CONTINUED)

f) Adoption of new and amended Standards (continued)

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

- **Amendment to International Financial Reporting Standard 3** "Business Combinations": Definition of a Business.
  Effective for annual periods beginning on or after 1.1.2020.

On 22.10.2018 the International Accounting Standards Board issued an amendment to IFRS 3 aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments:

- clarify the minimum requirements required in order a business to have been acquired,
- the assessment for the acquisition of either a business or a group of assets is simplified and it is based on current condition of acquired elements rather than on the market participant's ability to integrate them into his own processes,
- the definition of outputs is amended so that apart from the revenue arising from ordinary activities falling within the scope of IFRS 15, it also includes other income from main activities such as income from investment services,
- guidance is added to assess whether a production process is substantive both in cases where a product is produced at the date of acquisition and in cases where there is no product produced,
- an optional exercise is introduced based on the fair value of the assets acquired to assess whether a business or group of assets has been acquired.

The Standard does not apply for the Bank's financial statements.

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

On 11.9.2014 the International Accounting Standards Board issued an amendment to IFRS 10 and IAS 28 in order to clarify the accounting treatment of a transaction of sale or contribution of assets between an investor and its associate or joint venture. In particular, IFRS 10 was amended in order to be clarified that in case that as a result of a transaction with an associate or joint venture, a parent loses control of a subsidiary, which does not contain a business, as defined in IFRS 3, it shall recognize to profit or loss only the part of the gain or loss which is related to the unrelated investor's interests in that associate or joint venture.

The remaining part of the gain from the transaction shall be eliminated against the carrying amount of the investment in that associate or joint venture. In addition, in case the investor retains an investment in the former subsidiary and the former subsidiary is now an associate or joint venture, it recognizes the part of the gain or loss resulting from the re-measurement at fair value of the investment retained in that former subsidiary in its profit or loss only to the extent of the unrelated investor's interests in the new associate or joint venture. The remaining part of the gain is eliminated against the carrying amount of the investment retained in the former subsidiary.

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

2. BASIS OF PRESENTATION (CONTINUED)

f) Adoption of new and amended Standards (continued)

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

- **International Financial Reporting Standard 14** "Regulatory deferral accounts". Effective for annual periods beginning on or after 1.1.2016.

On 30.1.2014 the International Accounting Standards Board issued IFRS 14. The new standard, which is limited-scope, addresses the accounting treatment and the disclosures required for regulatory deferral accounts that are maintained in accordance with local legislation when an entity provides rate-regulated goods or services. The scope of this standard is limited to first-time adopters that recognized regulatory deferral accounts in their financial statements in accordance with their previous GAAP. IFRS 14 permits these entities to capitalize expenditure that non-rate-regulated entities would recognize as expense.

It is noted that European Union has decided not to launch the endorsement of this standard and to wait for the final standard.

The above standard does not apply to the financial statements of the Bank.

- **International Financial Reporting Standard 17** "Insurance Contracts"
  Effective for annual periods beginning on or after 1.1.2021

On 18.5.2017 the International Accounting Standards Board issued IFRS 17 which replaces IFRS 4 "Insurance Contracts". In contrast to IFRS 4, the new standard introduces a consistent methodology for the measurement of insurance contracts. The key principles in IFRS 17 are the following:

An entity:

- identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder;
- separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;
- divides the contracts into groups that it will recognize and measure;
- recognizes and measures groups of insurance contracts at:
  i. a risk-adjusted present value of the future cash flows (the fulfillment cash flows) that incorporates all of the available information about the fulfillment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset);
  ii. an amount representing the unearned profit in the group of contracts (the contractual service margin);
- recognizes the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately;
- presents separately insurance revenue, insurance service expenses and insurance finance income or expenses and
- discloses information to enable users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

2. BASIS OF PRESENTATION (CONTINUED)

f) Adoption of new and amended Standards (continued)

It is also noted that in November 2018 the International Accounting Standards Board proposed to defer the IFRS 17 effective date to 1.1.2022.

The above standard does not apply to the financial statements of the Bank.

- **Amendment to the International Accounting Standard 1** "Presentation of Financial Statements": Classification of liabilities as current or non-current.

  Effective for annual periods beginning on or after 1.1.2022.

On 23.1.2020, the International Accounting Standards Board issued amendments to IAS 1 relating to the classification of liabilities as current or non-current. More specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if the liability must be classified as current or non-current.
- Management expectations about events after the balance sheet date must not be taken into account.
- The amendments clarify the situations that are considered settlement of a liability.

The above amendment will not have any impact on Bank's financial statements since in the Bank balance-sheet liabilities are not distinguished between current and non-current

g) Consolidated entities: Associates

The Bank's participation in Alpha Finance Romania S.A is at the level of 26.68% share from capital, as can be seen in note 15.

The Bank accounts for this investment using the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post acquisition change in the Bank's share of net assets of the associate. In case the losses according to the equity method exceed the investment in ordinary shares, they are recognized as a reduction of other elements that are essentially an extension of the investment in the associate.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies for the preparation of the financial statements have been consistently applied by the Bank to the years 2018 and 2019.

a) Transactions in foreign currency

Transactions in foreign currencies are translated into the functional currency of the Bank at exchange rates at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated into the functional currency at the exchange rate at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at exchange rates at the dates the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of non-monetary financial assets measured at fair value through other comprehensive income, which are included in the fair value reserve in equity.

3. SIGNIFICANT ACCOUNTING POLICIES

b) Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components.

Operating segments are determined and measured based on the information provided to the Executive Committee of the Bank, which is the body responsible for the allocation of resources between the Bank's operating segments and the assessment of their performance.

Based on the above, as well as the Bank's administrative structure and activities, the following operating segments have been determined:

- Retail Banking
- Wholesale Banking
- Treasury
- Other

It is noted that the methods used to measure operating segments for the purpose of reporting to the Executive Committee are not different from those required by the International Financial Reporting Standards.

c) Interest income and expense

Interest income and expense is recognized in the income statement for all interest bearing financial assets and liabilities.

Interest income and expense is recognised on an accrual basis and measured using the effective interest method.

Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Bank estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate.

For financial assets, in particular, the following apply:

- For those financial assets classified within stage 1 or stage 2 for the purpose of expected credit losses measurement, interest income is calculated by applying effective interest rate to the gross carrying amount of the asset.
- For those financial assets classified within stage 3 for the purpose of expected credit losses measurement, interest income is calculated by applying the effective interest rate to the amortised cost of the asset.
- For purchased or originated credit impaired financial assets interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset.

Borrowing costs that are directly attributable to assets that require a substantial period of time to get ready for their intended use or sale are capitalized as part of the cost of the asset. Capitalisation ceases when substantially all the activities necessary to prepare the asset for its intended use are complete.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Fees and commission

Fees and commissions income and expenses that are integral to the effective interest rate as a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income arising on the financial services provided by the Bank are recognised as follows:

- For services provided by the Bank over time including cash management services, brokerage services, investment advice, financial planning, income is recognised as the service is being provided to the customer.
- If a performance obligation is not satisfied over time, it is satisfied at a point in time. For services such as executing transactions and services (e.g. money transfer, currency exhange transactions, customers' trading in securities and coordinating and arranging syndicated loan transactions), the execution and completion of the transaction requested by the customer signals the point in time when the service is transferred to the customer and the related fee / commission income is recognised.

e) Gain less losses on financial transactions

Gains less losses on financial transaction include:

- fair value changes of financial assets and liabilities,
- gains and losses arising from the modification of the contractual terms of financial assets measured at fair value through profit or loss,
- gains and losses arising from the derecognition of financial assets and liabilities due to early repayment, disposal or significant modification of the contractual terms, except for gains and losses arising from the derecognition of financial assets measured at amortised cost which are recognized in a separate line item of the Income Statement,
- gains and losses arising from the impairment or disposal of Bank entities that have not been classified as discontinued operations,
- exchange differences arising from the translation of financial instruments denominated in foreign currencies.

f) Gains and losses arising from derecognition of financial assets measured at amortized cost

Gains less losses on derecognition of financial assets measured at amortised cost include:

- Gains and losses from the derecognition of financial assets measured at amortised cost
- The difference, at initial recognition, between the nominal and the fair value of a financial asset measured at amortised cost that is the result of the derecognition of another financial asset due to significant modification of its contractual terms.

g) Dividends

Dividend income is recognized in the income statement when the right to receive income is established.

h) Income tax expense

Income tax for the period comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of prior periods.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Income tax expense (continued)

Deferred tax is recognized using the balance sheet method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary deductible differences are the difference between the carrying amount of an asset or liability in the balance sheet and its tax base, which will result in amounts that are deductible in the determination of taxable profit for future periods in which the carrying amount of the asset or liability is recovered or settled.

Taxable temporary differences are temporary differences that will result in taxable amounts in determining taxable profit or tax loss of future periods, when the carrying amount of the asset or liability is recovered or settled.

The existence of a deductible or taxable temporary difference depends only on a comparison of the carrying amount of an asset/ liability and its tax base at the end of the reporting period and is not affected by any future changes in the carrying amount.

The amount of deferred tax recognized is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

The tax rate used to calculate the current and deferred tax position at 31 December 2019 is 16% (31 December 2018: 16%).

i) Financial assets and liabilities

i) Initial Recognition

The Bank recognises a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument.

Upon initial recognition the Bank measures financial assets and liabilities at fair value. Financial instruments not measured at fair value through profit or loss are initially recognised at fair value plus transaction costs and minus income or fees that are directly attributable to the acquisition or issue of the financial instrument.

It is noted that loans and bonds are recognized in the balance sheet at the settlement date. For bonds that are measured at fair value, the change in fair value during the period between the trade date and the settlement date is recognized in profit or loss or in other comprehensive income based on the bond's classification category.

ii) Classification and subsequent measurement of financial assets

The Bank classifies its financial assets as:

- Financial assets measured at amortised cost
- Financial assets measured at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition
- Equity instruments designated at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets measured at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial assets and liabilities (continued)

For each of the above categories the following apply:

a) Financial assets measured at amortised cost

In this category are classified the financial assets that satisfy both of the following criteria:
- are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows,
- the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The above category is measured at amortised cost using effective interest method and is periodically assessed for expected credit losses, as it is further described in note 3.*p.i).*

b) Financial assets measured at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition

In this category are classified the financial assets that satisfy both of the following criteria:
- are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets,
- the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The above category is periodically assessed for expected credit losses, as it is further described in note 3.*p.i).*

c) Equity instruments designated as at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition

In this category are classified equity instruments that are neither held for trading nor contingent consideration recognised by an acquirer in a business combination and that Bank decides, at initial recognition, to measure at fair value through other comprehensive income. This decision is irrevocable. With the exception of dividends, which are directly recognized in profit or loss, all other gains and losses arising from those instruments are directly recognized in other comprehensive income and are not reclassified to profit or loss.

For those equity instruments there is no impairment assessment.

d) Financial assets measured at fair value through profit or loss

Financial assets included in this category are:
- those acquired principally for the purpose of selling in the near term to obtain short term profit (held for trading).
- those that do not meet the criteria to be classified into one of the above categories
- those the Bank designated, at initial recognition, as at fair value through profit or loss; this classification option, which is irrevocable, is used when the designation eliminates an accounting mismatch which would otherwise arise from measuring financial assets and liabilities on a different basis (i.e. amortized cost) in relation to another financial asset or liability (i.e. derivatives which are measured at fair value through profit or loss).

As at the reporting date, the Bank had not designated, at initial recognition, any financial assets as at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial assets and liabilities (continued)

iii) Business Model assessment

The business model reflects how the Bank manages its financial assets in order to generate cash flows. That is, the Bank's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Bank's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. Accordingly, business model does not depend on management's intentions for an individual instrument but it is determined on a higher level of aggregation.

The business models of the Bank are determined by the Asset Liability Committee (ALCO) or the Executive Committee (ExCo) which decides on the determination of a new business model both for the loans and the securities portfolio. In this context:

- Loans and advances to customers and due from banks are included in the business model whose objective is to hold financial assets in order to collect contractual cash flows (hold to collect)
- For bonds and in general for fixed income investments, the Bank has identified the following business models:
    - Business model whose objective is to hold financial instruments in order to collect their contractual cash flows (hold to collect)
    - Business model that aims both at collecting contractual cash flows and selling (hold to collect and sell)
    - Trading portfolio.

The determination of the above business models has been based on:

- The way the performance of the business model and the asset portfolios held within it are evaluated and reported to the Bank key management personnel.
- The risks that affect the performance of the business model (and the asset portfolios held within) and, in particular, the way those risks are managed.
- The way managers of the business are evaluated (e.g., whether the evaluation is based on the fair value of the assets managed or the contractual cash flows collected).
- The expected frequency and value of sales.

The Bank, at each reporting date, reassesses its business models in order to confirm that there has been no change compared to the prior period or application of a new business model. In the context of the reassessment of the hold to collect business model past sales as well as expected future sales are taken into account. In this assessment, the following cases of sales are considered consistent with a hold to collect business model:

a) Sales of non-performing loans due to the credit deterioration of the debtor, excluding those sales of loans considered as credit impaired at origination.
b) Sales made close to the maturity of the financial assets so that the proceeds from the sales approximate the collection of the remaining contractual cash flows. In these cases, the Bank defines as 'close', what is less than 5% of the total life of the instrument remaining at the time of sale.
c) Sales (excluding a and b) which are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent). The Bank has defined the following thresholds:
    - Significance: Sales exceeding 5% the previous reporting period gross balance of the respective portfolio
    - Frequency: Significant sale transactions occurring more than twice a year.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial assets and liabilities (continued)

iv) Solely Payments of Principal and Interest (SPPI) assessment

For the purposes of applying the SPPI assessment:

- Principal is the fair value of the asset at initial recognition (which may change over the life of the financial asset, for example if there are repayments of principal).
- Interest is the consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks (i.e. liquidity risk) and costs, as well as a profit margin.

Contractual terms that introduce exposure to risks and volatility in contractual cash flows that are not related to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

In this context, in assessing whether contractual cash flows are SPPI, the Bank assesses whether the instrument contain contractual terms that change the timing or amount of contractual cash flows. More specifically, the following are taken into account:

- Leveraged payments
- Payments linked with the variability in exchange rates
- Conversion to equity terms
- Interest rates indexed to non-interest variables
- Prepayment or extension options
- Terms that limit the Bank's claim to the cash flows from specified assets or based on which the Bank has no contractual right to unpaid amounts
- Interest-free deferred payments
- Terms based on which the performance of the instruments is affected by equity or commodity prices

Especially in the case of financing of a special purpose vehicle, in order for the loan to meet the criterion that its cash flows are solely payments of principal and interest on the principal amount outstanding, among other, at least one of the following conditions should apply:

- At initial recognition, LTV (Loan to Value) shall not exceed the threshold of 80% or LLCR (Loan Life Coverage Ratio) shall be at least equal to the threshold of 1.25.
- The equity of the special purpose vehicle shall amount to at least 20% of its total assets.
- There are sufficient collaterals that are not related to the asset being funded.

In addition, in determining whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding, it is assessed whether time value of money element has been modified. Time value of money is the element of interest that provides consideration for only the passage of time. That is, the time value of money element does not provide consideration for other risks or costs associated with holding the financial asset. However, in some cases, the time value of money element may be modified. That would be the case, for example, if a financial asset's interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate or if a financial asset's interest rate is periodically reset to an average of particular short- and long-term interest rates. In such cases, the Bank assesses the modification to determine whether the contractual cash flows represent solely payments of principal and interest on the principal amount outstanding. The objective of the assessment is to determine how different the contractual (undiscounted) cash flows could be from the (undiscounted) cash flows that would arise if the time value of money element was not modified (benchmark test).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial assets and liabilities (continued)

The effect of the modified time value of money element must be considered in each reporting period and cumulatively over the life of the instrument. If the Bank concludes that the contractual (undiscounted) cash flows could be significantly different from the (undiscounted) benchmark cash flows, the contractual cash flows are not solely payments of principal and interest on the principal amount outstanding. According to the policy set by the Bank, the above assessment test does not result in significant different contractual cash flows when the cumulative difference over the life of the instrument does not exceed 10% and at the same time the number of individual cash flows with a difference of more than 10% do not exceed 5% of total reporting periods of the asset until maturity.

v) Reclassification of financial assets

Reclassifications of financial assets between measurement categories occur when, and only when, the Bank changes its business model for managing the assets. In this case the reclassification is applied prospectively. Changes in the business model of the Bank are expected to be rare. They arise from senior management decisions as a result of external or internal changes which must be significant to the entity's operations and demonstrable to external parties.

If the Bank reclassifies a financial asset out of the amortized cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss. The same happens if the Bank reclassifies a financial asset out of the amortized cost measurement category and into the fair value through other comprehensive income measurement category, however in this case the difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification. However, the loss allowance would be derecognized (and thus would no longer be recognized as an adjustment to the gross carrying amount) but instead would be recognized as an accumulated impairment amount in other comprehensive income.

If the Bank reclassifies a financial asset out of the fair value through profit or loss measurement category and into the amortised cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount. At this date, the effective interest rate of the asset is calculated while the date of the reclassification is treated as the date of initial recognition for impairment calculation purposes.

If the Bank reclassifies a financial asset out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value. As in the above case, at this date, the effective interest rate of the asset is calculated while the date of the reclassification is treated as the date of initial recognition for impairment calculation purposes.

If a financial asset is reclassified out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the asset is reclassified at its fair value at the measurement date. However, the cumulative gain or loss previously recognized in other comprehensive income is reversed and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. This reversal affects other comprehensive income but does not affect profit or loss and therefore is not a reclassification adjustment under IAS 1. The effective interest rate and the calculation of expected credit losses are not affected. However, the loss allowance is recognized as an adjustment to the gross carrying amount of the financial asset from the reclassification date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial assets and liabilities (continued)

If the Bank reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment (in accordance with IAS 1) at the reclassification date.

vi) Derecognition of financial assets

The Bank derecognizes financial assets when:

- the cash flows from the financial assets expire,
- the contractual right to receive the cash flows of the financial assets is transferred and at the same time both risks and rewards of ownership are transferred,
- loans or investments in securities are no longer recoverable and consequently are written off,
- the contractual cash flows of the assets are significantly modified.

In the case of transactions where despite the transfer of the contractual right to recover the cash flows from financial assets both the risk and rewards remain with the Bank, no derecognition of these financial assets occurs. The amount received by the transfer is recognized as a financial liability.

In the case of transactions, whereby the Bank neither retains nor transfers risks and rewards of the financial assets, but retains control over them, the financial assets are recognized to the extent of the Bank's continuing involvement. If the Bank does not retain control of the assets then they are derecognised, and in their position the Bank recognizes, distinctively, the assets and liabilities which are created or retained during the transfer.

In case of a change in the contractual terms of a financial asset, the change is considered significant and therefore it results in the de-recognition of the original asset and the recognition of a new one when one of the following criteria is met:

- Change of issuer/debtor
- Change in denomination currency
- Consolidation of different types of contracts
- Addition or deletion of equity conversion terms
- Separation of a non-SPPI debt instrument into two or more new instruments so that the reason that leads to SPPI failure of the original instrument is not included in all of the new instruments.

In case of de-recognition due to significant modification, the difference between the carrying amount of the original asset and the fair value of the new asset is directly recognized in the Income Statement. Additionally, in case the original asset was measured at fair value through other comprehensive income, the cumulative gains or losses recognized in other comprehensive income is recycled to profit or loss.

In contrast, if the change in contractual cash flows is not significant, the gross carrying amount of the asset is recalculated by discounting new contractual cash flows with the original effective interest rate and the difference compared to the current gross carrying amount is directly recognized in profit or loss (modification gain or loss). Fees related to the modification adjust the carrying amount of the asset and are amortised over the remaining term of the modified financial asset through the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial assets and liabilities (continued)

vii) Subsequent measurement of financial liabilities

The Bank classifies financial liabilities in the following categories for measurement purposes:

a) Financial liabilities measured at fair value through profit or loss

i. This category includes financial liabilities held for trading, that is:
   - financial liabilities acquired or incurred principally with the intention of selling or repurchasing in the near term for short term profit, or
   - derivatives; liabilities arising from either derivatives held for trading are presented as "derivative financial liabilities" and are measured according to the principles set out in note 3.i.x).

ii. This category also includes financial liabilities which are designated by the Bank at fair value through profit or loss upon initial recognition, when:
   - doing so results in more relevant information, because either:
     - it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
     - a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Bank's key management personnel;

     or
   - the contract contains one or more embedded derivatives and the Bank measures the compound financial instrument as a financial liability measured at fair value through profit or loss unless:
     - the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract or
     - it is clear with little or no analysis when a similar hybrid instrument is first considered that the separation of the embedded derivative(s) is prohibited.

It is noted that in the above case, the amount of the change in fair value attributable to the Bank's own credit risk is recognized in other comprehensive income, unless this treatment would create or enlarge an accounting mismatch in profit or loss. Amounts recognized in other comprehensive income are never recycled to profit or loss.

b) Financial liabilities carried at amortized cost

The liabilities classified in this category are measured at amortized cost using the effective interest method.

All financial instruments that don't qualify to be classified as financial liabilities at fair value through profit or loss are classified in this category.

c) Liabilities arising from financial guarantees and commitments to provide loans at a below market interest rate

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment.

The financial guarantee contracts and the commitments to provide loans at a below market interest rate are initially recognized at fair value, and measured subsequently at the higher of:
- the amount of the provision determined during expected credit loss calculation,
- the amount initially recognized less cumulative amortization.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial assets and liabilities (continued)

viii) Derecognition of financial liabilities

The Bank derecognizes a financial liability (or part thereof) when its contractual obligations are discharged or cancelled or expired.

In cases that a financial liability is exchanged with another one with substantially different terms, the exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new one. The same applies in cases of a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor). The terms are considered substantially different if the discounted present value of the cash flows under the new terms (including any fees paid net of any fees received), discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability.

In cases of derecognition, the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

ix) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is presented in the balance sheet, only in cases when the Bank has both the legal right and the intention to settle them on a net basis, or to realize the asset and settle the liability simultaneously.

x) Derivative financial instruments

Derivatives are financial instruments that upon inception have a minimal or zero value that subsequently changes in accordance with a particular underlying instrument (foreign exchange, interest rate, index or other variable).

All derivatives are recognized as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivatives are entered into for trading purposes and they are measured at fair value.

In case a derivative is embedded in a financial asset, the embedded derivative is not separated and the hybrid contract is accounted for based on the classification requirements for financial assets.

j) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity including: cash, current accounts with banks, short term due from banks and Reverse Repo agreements. Short-term balances due from banks are amounts that initial mature within three months. Cash is carried at nominal value and cash equivalents are carried at amortized cost in the statement of financial position.

k) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at the date. The fair value of a liability reflects its nonperformance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Fair value measurement (continued)

The fair value of financial instruments that are not traded in an active market is determined by the use of valuation techniques, appropriate in the circumstances, and for which sufficient data to measure fair value are available, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. If observable inputs are not available, other model inputs are used which are based on estimations and assumptions such as the determination of expected future cash flows, discount rates, probability of counterparty default and prepayments. In all cases, the Bank uses the assumptions that 'market participants' would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Assets and liabilities which are measured at fair value or for which fair value is disclosed, are categorized according to the inputs used to measure their fair value as follows:

- Level 1 inputs: quoted market prices (unadjusted) in active markets,
- Level 2 inputs: directly or indirectly observable inputs,
- Level 3 inputs: unobservable inputs used by the Bank, to the extent that relevant observable inputs are not available.

The best evidence of a fair value of a financial instrument at initial recognition is normally the transaction price – the fair value of a consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at the fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of an instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The principal inputs to the valuation techniques used by the Bank are:

- Bond prices - quoted prices available for government bonds and certain corporate securities;
- Credit spreads - these are derived from active market prices, prices of credit default swaps or other credit-based instruments, such as debt. Values between and beyond available data points are obtained by interpolation and extrapolation;
- Interest rates - these are principally benchmark interest rates such as the LIBOR (London Interbank Offered Rate), OIS (Overnight Index Swaps) and other quoted interest rates in the swap, bond and futures markets. Values between and beyond available data points are obtained by interpolation and extrapolation;
- Foreign currency exchange rates - observable markets both for spot and forward contracts and futures;
- Equity and equity index prices - quoted prices are generally readily available for equity shares listed on stock exchanges and for major indices on such shares;
- Price volatilities and correlations - Volatility and correlation values are obtained from pricing services or derived from option prices;
- Unlisted equities - financial information specific to the Bank or similar industry sector;
- Loans and Deposits - market data and Bank/customer specific parameters.

The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Where the Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank entity and the counterparty where appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Fair value measurement (continued)

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties to the extent that the Bank believes a third-party market participant would take them into account in pricing a transaction.

The most important category of non-financial assets for which fair value is estimated is real estate property. The process, mainly, followed for the determination of the fair value is summarized below:

- Assignment to the engineer - valuer
- Case study- Setting of additional data
- Autopsy - Inspection
- Data processing - Calculations
- Preparation of the valuation report

To derive the fair value of the real estate property, the valuer chooses among the three following valuation techniques:

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

Examples of inputs used to determine the fair value of properties and which are analyzed to the individual valuations, are the following:

- Commercial property: price per square meter, rent growth per annum, long-term vacancy rate, discount rate, rate of return on expenses, lease term, rate of non-leased properties/units for rent.
- Residential property: Net return, revertible yield, net rental per square meter, rate of continually non leased properties/units, expected rent value per square meter, discount rate, rate of return on expenses, lease term etc.
- General assumptions such as the age of the building, residual useful life, square meter per building etc. are also included in the analysis of the individual valuation assessments.

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

l) Property and equipment

i) Recognition and measurement

Items of property and equipment are measured at their cost less accumulated depreciation value and impairment losses. Capital expenditure on property and equipment in the course of construction is capitalized and depreciated once the assets enter into use. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Right of use assets are also included in this category (the accounting policies applicable to those assets are presented in note 3.n).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Property and equipment (continued)

ii) Subsequent costs

The Bank recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the Bank and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognized in the income statement as an expense as incurred.

iii)Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives for the current and comparative periods are as follows:

Buildings	33 years
Equipment	3 – 18 years
Motor vehicles	5 - 9 years
Other tangible fixed assets	3 – 24 years

Land is not depreciated but it is tested for impairment. Depreciation methods, useful lives and residual values are reassessed periodically and adjusted if appropriate.

m) Intangible assets

Intangible assets consist of purchased and in-house developed software.

Costs associated with developing or maintaining software programs are recognized as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of the software is three to five years.

n) Leases

The Bank as a lessee

The Bank is required to recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term, for all leases, except for short-term leases under 12 months and leases of low-value assets. In case of short-term or low-value contracts (less than 5.000 EUR when new), the Bank does not recognize a lease liability or a right of use on its balance sheet, instead the payments made under operating leases are recognized in profit or loss on a straight-line basis over the lease term.

Upon initial recognition, the Bank shall measure the lease liability at the present value of the lease payments that are not paid at that date net of cash lease incentives.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Leases (continued)

The right of use asset will be measured upon initial recognition as the value of the lease liability as of the initial measurement adjusted with any lease payments made to the lessor at or before the commencement date, initial direct costs related to the respective lease contract and any lease incentives received from the lessor.

In order to determine the incremental Borrowing Rate, the Bank will use as reference rate the secured funding rate of Alpha Bank A.E. adjusted for different currencies taking also into consideration local government yield curves.

The Bank subsequently measures the right-of-use asset using a cost model. To apply a cost model, the Bank measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. The method of depreciation that the Bank applies is the straight-line method, over the shorter of the lease term or the useful life of the right-of-use asset.

After the initial recognition, the Bank measures the lease liability by adjusting the carrying amount to reflect interest on the lease liability and the lease payments made. The carrying amount of the lease liability is also adjusted with any modifications or reassessments of the lease contract.

Right of use assets are included within Property, plant and equipment and the lease liability is included in Other liabilities.

The Bank as a lessor

The bank acts as a lessor only for assets under operating leases. The leased asset is recognized and depreciation is charged over its estimated useful life. Income arising from the leased asset is recognized as other income on an accrual basis.

o) Assets held for sale

Non-current assets or disposal groups that are expected to be recovered principally through a sale transaction, along with the related liabilities, are classified as held-for-sale. The above classification is used if the asset is available for immediate sale in its present condition and its sale is highly probable. Assets held for sale are initially recognized and subsequently remeasured at the lower of their carrying amount and fair value less cost to sell. Any loss arising from the above measurement is recorded in profit or loss and can be reversed in the future. Assets in this category are not depreciated. Gains or losses from the sale of these assets are recognized in the income statement.

Non - current assets that are acquired through enforcement procedures but are not available for immediate sale or are not expected to be sold within a year are included in "Other Assets" and are measured at the lower of cost (or carrying amount) and net realizable value which is their expected sale price after deduction of any sale expenses.

Non-current assets held for sale, that the Bank subsequently decides either to use or to lease, are reclassified to the categories of property, plant and equipment or investment property respectively. During their reclassification, they are measured at the lower of their recoverable amount and their carrying amount before they were classified as held for sale, adjusted for any depreciation, amortization or revaluation that would have been recognized had the assets not been classified as held for sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Identification and measurement of impairment

i) Impairment losses for financial assets

Credit impairment losses on loans and advances to customers, undrawn loan commitments, letters of credit and letters of guarantee

The Bank, at each reporting date, recognizes a loss allowance for expected credit losses on loans and advances to customers not measured at fair value through profit or loss as well as for off-balance sheet exposures (letters of guarantee, letters of credit, and undrawn loan commitments).

The loss allowance for loans and off-balance sheet exposures is based on expected credit losses related to the probability of default within the next twelve months, unless there has been a significant increase in credit risk from the date of initial recognition in which case expected credit losses are recognized over the life of the instrument. In addition, if the financial asset falls under the definition of purchased or originated credit impaired (POCI) financial assets, a loss allowance equal to the lifetime expected credit losses is recognized.

a) Default definition

The Bank has adopted as default definition non-performing exposures (NPE), as defined in the EC Regulation 2015/227 of 9 January 2015 amending Implementing Regulation (EU) No. 680/2014 of the Commission with subsequent modifications, the definition of default used for accounting purposes being harmonized with the one used for regulatory purposes.

b) Classification of exposures into stages based on credit risk (Staging)

For the purposes of calculating expected credit losses, the exposures are classified into stages as follows:

- Stage 1: Stage 1 includes performing exposures that do not have significant increase in credit risk since initial recognition. Stage 1 also includes exposures for which credit risk has been improved and the exposure has been reclassified from stages 2 or 3. In this stage, expected credit losses are recognized based on the probability of default within the next twelve months.
- Stage 2: Stage 2 includes performing exposures for which there has been a significant increase in credit risk since initial recognition. Stage 2 also includes exposures for which credit risk has been improved and the exposure has been reclassified from stage 3. In this stage, lifetime expected credit losses are recognized.
- Stage 3: Stage 3 includes non-performing/impaired exposures. In this stage, lifetime expected credit losses are recognized.

As an exception to the above, for purchased or originated credit impaired (POCI) exposures, lifetime expected credit losses are always recognized. Purchased or originated credit impaired exposures include:

- Exposures that at the time of acquisition meet the criteria to be classified as non-performing exposures.
- Exposures for which there has been a change in repayment terms, either due to financial difficulty or not, which resulted in derecognition and recognition of a new impaired asset (POCI). If the exposure before derecognition was classified as impaired the new loan is classified as POCI. However, especially for Wholesale Banking exposures, in the case where the newly recognized loan is the result of a change of borrower whose overall creditworthiness is better than the previous one, based on an assessment by the competent Credit Committee, the new borrower does not have financial difficulties and simultaneously has presented a viable business plan and no debt has been written-down, then the exposure will not be classified as POCI.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Identification and measurement of impairment (continued)

c) Significant increase in credit risk

In determining significant increase in credit risk of an exposure since initial recognition and the recognition of lifetime expected credit losses instead of 12 months expected credit losses, the Bank assesses, at each reporting date, the risk of default compared to the risk of default at initial recognition for all its performing exposures including those with no delinquencies.

The assessment of the significant increase in credit risk is based on the following:

- Quantitative Indicators: refers to the quantitative information used and more specifically to the comparison of the probability of default (PD) between the reporting date and the date of initial recognition. For Specialised Lending Exposures (e.g. IPRE) for which credit risk rating has deteriorated compared to the credit risk rating at initial recognition, this is considered to indicate significant increase in credit risk.
- Qualitative Indicators: refers to the qualitative information used which is not necessarily reflected in the probability of default, such as the classification of an exposure as forborne performing (FPL, according to EBA ITS). Additional qualitative indicators, both for corporate and retail portfolios are also reflected through the Early Warning indicators where depending on the underlying assessment, an exposure can be considered to have a significant increase in credit risk or not. Especially for special lending portfolio, additional qualitative indicators are captured through slotting category.
- Backstop Indicators: in addition to the above, and in order to capture cases for which there are no triggers reflecting the increase in credit risk, based on qualitative and quantitative indicators, the 30 days past due indicator is used as a backstop.

d) Calculation of expected credit loss

The measurement of expected credit losses is performed as follows:

- For financial assets, a credit loss is the present value of the difference between:
  i. the contractual cash flows and
  ii. the cash flows that the Bank expects to receive
- For undrawn loan commitments, a credit loss is the present value of the difference between:
  i. the contractual cash flows that are due if the holder of the loan commitment draws down the loan; and
  ii. the cash flows that the Bank expects to receive if the loan is drawn down.
- For letters of guarantee and letters of credit, the loss is equal to the 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.

The Bank calculates impairment losses either on a collective (collective assessment) or on an individual basis (individual assessment), taking into account the significance of an exposure or the borrower's limit. In addition, exposures that do not have common credit risk characteristics or for which there are no sufficient historical behavioural data are assessed on an individual basis.

The Bank calculates expected credit losses based on the weighted probability of three scenarios, which are used in the computation of forward looking risk parameters such as PD, LGD weighted averaged. More specifically, the Bank's Chief Economist produces and reviews forecasts on a quarterly basis on the possible evolution of macroeconomic variables that affect the level of expected credit losses of loan portfolios under a baseline and under alternative macroeconomic scenarios and also proposes the probabilities associated with these scenarios.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Identification and measurement of impairment (continued)

The mechanism for calculating expected credit loss is based on the following credit risk parameters:

- Probability of Default (PD): It is an estimate of the probability of a debtor to default over a specific time horizon.
- Exposure at default (EAD): Exposure at Default is an estimate of the amount of the exposure at the time of the default taking into account: (a) expected changes in the exposure after the reporting date, including principal and interest payments; (b) the expected use of credit limits and (c) accrued interest. 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). The Credit Conversion factor of credit exposure is calculated based on statistical models.
- 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 liquidation of collaterals and cure rate.

e) Presentation of expected credit losses in financial statements

Loss allowances for expected credit losses are presented in the Balance Sheet as follows:

- Financial assets measured at amortised cost: loss allowance is presented as a deduction from the gross carrying amount of the assets.
- Financial assets measured at fair value through other comprehensive income: for those assets no loss allowance is separately recognized in the Balance Sheet, however, its amount is disclosed in the notes to the financial statements;
- Undrawn loan commitments and letters of credit/letters of guarantee: loss allowance is recognized in line "Provisions" of liabilities in Balance Sheet.

The amount of expected credit losses charged for the period is presented in the caption "Impairment losses and provisions to cover credit risk". In the same caption the following are also recognized: recoveries from written-off loans measured at amortised cost or at fair value through other comprehensive income, modification gains or losses of loans measured at amortised cost or at fair value through other comprehensive income and the favourable changes in expected credit losses of POCI assets in case expected credit losses are less than the amount of expected credit losses included in the estimated cash flows on initial recognition.

f) Write-offs

The Bank proceeds with the write-off of loans and advances to customers when it has no reasonable expectations for their recovery. In this case, the loss allowance is used against the carrying amount of the financial asset.

Credit impairment losses on due from banks and bonds

The Bank, at each reporting date, recognizes a loss allowance for expected credit losses on due from banks and bonds not measured at fair value through profit or loss.

The loss allowance is based on expected credit losses related to the probability of default within the next twelve months, unless there has been a significant increase in credit risk from the date of initial recognition in which case expected credit losses are recognized over the life of the instrument. In addition, if the financial asset falls under the definition of purchased or originated credit impaired (POCI) financial assets, a loss allowance equal to the lifetime expected credit losses is recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Identification and measurement of impairment (continued)

a) Default definition

Due from banks and bonds are considered impaired when the external rating of the issuer/counterparty is equivalent to default (D). In case there is no external rating, then the instrument is characterized as impaired based on internal rating. If there is also an exposure to the corporate issuer/counterparty to the loan portfolio which has been classified as impaired, the instrument is also characterized as impaired.

b) Classification of due from banks and bonds into stages based on credit risk (Staging)

For the purposes of calculating expected credit losses, the exposures are classified into stages as follows:

- Stage 1: Stage 1 includes non-impaired instruments that do not have significant increase in credit risk since initial recognition. Stage 1 also includes instruments for which credit risk has been improved and the instrument has been reclassified from stages 2 or 3. In this stage, expected credit losses are recognized based on the probability of default within the next twelve months.
- Stage 2: Stage 2 includes non-impaired instruments for which there has been a significant increase in credit risk since initial recognition. Stage 2 also includes instruments for which credit risk has been improved and the instrument has been reclassified from stage 3. In this stage, lifetime expected credit losses are recognized.
- Stage 3: Stage 3 includes impaired instruments. In this stage, lifetime expected credit losses are recognized.

As an exception to the above, for purchased or originated credit impaired (POCI) instruments, lifetime expected credit losses are always recognized. An instrument is characterized as purchased or originated credit impaired when:

- The instrument (or the issuer) has an external rating that corresponds to default at the time of acquisition
- Corporate bonds resulting from debt restructuring are classified as purchased or originated credit impaired, based on the guidelines applicable to the loan portfolio.

When a debt security has been purchased at a large discount and does not fall into any of the categories mentioned above, the Bank examines the transaction in detail (transaction price, recovery rate, issuer's financial condition at the time of purchase, etc.) in order to determine whether it should be recognised as purchased or originated credit-impaired (POCI). Classification in this category requires documentation and approval by the relevant committees of the Bank.

c) Significant increase in credit risk

The classification into stages for the purpose of expected credit loss measurement is based on the credit rating of rating agencies (available rating scales from Moody's, Fitch, S&P) and on the issuer / counterparty PD (12 months).

The determination of significant increase in credit risk for non-investment grade securities is based on the following two conditions:

- Downgrade in the issuer / counterparty's credit rating on the reporting dates compared to the credit rating on the date of the initial recognition.
- Increase in the probability of default of the issuer / counterparty for the 12-month period compared to the corresponding probability of default at initial recognition.

Additionally, the Bank monitors the change in the credit spread since initial recognition. A change in credit spread at the reporting date that exceeds a specific threshold compared to the credit margin prevailing at the date of initial recognition is a trigger for reviewing the securities classification stage.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Identification and measurement of impairment (continued)

d) Calculation of expected credit loss

The expected credit loss is the present value of the difference between:

i. the contractual cash flows and
ii. the cash flows that the Bank expects to receive

For the calculation of the expected credit loss, the following parameters are used:

- Probability of default (PD): the probability of default over the next 12 months is used to calculate the expected credit loss for 12 months, and the probability of default over the life
- of the instrument is used to calculate the lifetime expected credit losses. Exposure at default (EAD): In case of securities, the Bank estimates the future unamortized cost in order to calculate the EAD. In particular, for each period, EAD is the maximum loss that would result from issuer / counterparty potential default.
- Loss given default (LGD) is the percentage of the total exposure that the Bank estimates as unlikely to recover at the time of the default. The Bank distinguishes sovereigns from non-sovereign issuers / counterparties as regards to the LGD estimation. In case the Bank has also granted a loan to the issuer / counterparty of the security, the estimated LGD is aligned to corresponding estimate for the loan portfolio (considering any potential collaterals the loan portfolio is likely to have against the unsecured debt securities).

e) Presentation of expected credit losses in financial statements

Loss allowances for expected credit losses are presented in the Balance Sheet as follows:

- Financial assets measured at amortised cost: loss allowance is presented as a deduction from the gross carrying amount of the assets.
- Financial assets measured at fair value through other comprehensive income: for those assets no loss allowance is separately recognized in the Balance Sheet, however, its amount is disclosed in the notes to the financial statements.

The amount of expected credit losses charged for the period is presented in the caption "Impairment losses and provisions to cover credit risk". The caption includes also the favourable changes in expected credit losses of POCI assets in case expected credit losses are less than the amount of expected credit losses included in the estimated cash flows on initial recognition.

ii) Impairment losses for non-financial assets

The Bank assess as at each balance sheet date its non-financial assets for impairment, particularly property, plant and equipment, investment property, right of use assets and other intangible assets.

An impairment loss is recognized in profit or loss when the recoverable amount of an asset is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

In assessing whether there is an indication that an asset may be impaired both external and internal sources of information are considered, of which the following are indicatively mentioned:

- The asset's market value has declined significantly, more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect have taken place during the period or will take place in the near future, in the technological, economic or legal environment in which the entity operates or in the market to which the asset is dedicated.
- Significant unfavorable changes in foreign exchange rates.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Identification and measurement of impairment (continued)

- Market interest rates or other rates of return of investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use.
- The carrying amount of the net assets of the entity is greater than its market capitalization.
- Evidence is available of obsolescence or physical damage of an asset.
- Specifically for right of use assets, triggers for impairment include:
    - The existence of leased properties that are neither used nor leased by the Bank.
    - The fact that the present value of the leases received in the event of a sublease is lower than the value of the rents paid under the lease.

Fair value less costs to sell is the amount received from the sale of an asset (less the cost of disposal) in an orderly transaction between market participants.

Value in use is the present value of the future cash flows expected to be derived from an asset or cash – generating unit through their use and not from their disposal. For the valuation of property, plant and equipment, value in use incorporates the value of the asset as well as all the improvements which render the asset perfectly suitable for its use by the Bank.

q) Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for restructuring is recognized when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

The Bank does not recognize in the statement of financial position contingent liabilities which relate to:

- possible obligations resulting from past events whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the Bank, or
- present obligations resulting from past events for which:
    - it is not probable that an outflow of resources will be required, or
    - the amount of liability cannot be measured reliably.

The Bank provides disclosures for contingent liabilities taking into consideration their materiality.

r) Related Parties

According to IAS 24, a related party is a person or entity that is related to the entity that is preparing its financial statements.

For the Bank, in particular, related parties are considered:

- Parent company Alpha Bank and the entities that constitute for the Bank or the parent company:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Related Parties (continued)

- a subsidiary,
- a joint venture,
- an associate
- a Post-Employment Benefit Plan

- A person and his close family members, if that person is a member of the key management personnel.

The Bank considers as key management personnel all the members of the Bank's and the Parent Company's Board of Directors and Executive Committee, including close family members of the above-mentioned persons.

s) Employee benefits

i. Short term service benefits

Short-term employee benefits include wages, salaries, bonuses and social security contributions. Short-term employee benefits are measured on an un-discounted basis and recognized as expense when services are rendered. Short term employee benefits include items expected to be settled wholly before twelve months after the end of the period in which the employees rendered the related services.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into an entity and will have no legal or constructive obligation to pay further amounts.

The Bank, in the normal course of business makes payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and unemployment benefit. All employees of the Bank are members and are also legally obliged to make defined contributions (included in the social security contributions) to the Romanian State pension plan (a State defined contribution plan). All relevant contributions to the Romanian State pension plan are recognized as an expense in the income statement as incurred. The Bank does not have any further obligations.

The Bank does not operate any independent pension scheme and, consequently, have no obligation in respect of pensions. The Bank does not operate any other post retirement benefit plan. The Bank has no obligation to provide further services to former employees.

iii. Termination benefits

When the Bank decides to terminate the employment before retirement or the employee accepts the Bank's offer of benefits in exchange for termination of employment, the liability and the relative expense for termination benefits are recognized at the earlier of the following dates:

- when the Bank can no longer withdraw the offer of those benefits;
  and
- when the Bank recognizes restructuring costs, which involve the payment of termination benefit.

4. RISK MANAGEMENT

a) Introduction and overview

The Bank has exposure to the following main risks:

- credit risk
- liquidity risk
- market risk, comprising interest rate risk and foreign currency risk
- financial risk of the banking portfolio
- taxation risks
- operational risks

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Bank Chief Risk Officer supervises the Risk Management Division and reports on a regular basis and ad hoc to the Management Committees, the Risk Management Committee and to the Board of Directors. As far as credit risk is concerned the reporting to the above mentioned committees and to the Credit Risk Committee covers the following areas:

- The portfolio risk profile by rating grade
- The transition among rating grades and / or states (migration matrices, transition rates)
- The estimation of the relevant risk parameters by rating grade, group of clients, portfolios etc.
- The estimation of PD's and LGD's for impairment purposes
- The changes in the rating process, in the criteria or in each specific parameter.
- The concentration risk (by risk type, industry sector, regions, currency, collateral and portfolio, product etc.).

Under the supervision of the Bank Chief Risk Officer the Risk Management Division has been assigned with the responsibility of implementing the risk management framework, according to the directions of the Risk Management Committee:

- Capital Management and Planning Department
- Wholesale Credit Risk Management Department
- Retail Credit Risk Management Department
- Modelling Department
- Market and Liquidity Risk Management Department
- Operational Risk Management Department
- Risk Controlling Department

4. RISK MANAGEMENT (CONTINUED)

a) Introduction and overview (continued)

Risk Management Division ensures compliance and monitors the implementation of the risk policies in line with the Group and local regulatory requirements. The Bank's Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank's Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

b) Credit risk

i) Management of credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

A. Legal entities portfolios

Credit facilities belonging to Legal entities are included in the following categories subject to the characteristics of the credit facility and the obligor, as shown in the table below:

	Portfolio	**Characteristics**
Obligors under the competence of Wholesale Banking	Corporate	Companies with turnover > Euro 50 million
	SME	Companies with turnover > Euro 2.5 million and < Euro 50 million or companies with credit limit > Euro 1 million
Obligors under the competence of Retail Banking	SME	Companies with turnover < Euro 2.5 million and credit limit < Euro 1 million

1. Credit Risk Approval Process

The limits of the Credit Committees are determined in accordance to Total Credit Exposure, which can be approved by the Bank. Total Credit Exposure: A company's overall credit risk is defined as the sum of all credit risks arising from all credit facilities provided by the Bank as a whole, to a single company, or a group of associated companies, including any financing provided to their owners (mortgages, loans for share acquisition, personal/consumer loans, credit cards, etc.). The total credit exposure (company or group of companies and their owners') includes the following:

- Working Capital limits and credit lines (overdraft);
- Letters of Credit/Letters of Guarantee limits;
- Credit Cards prepayment limit;
- Corporate Cards limits;
- Medium and long-term loans (current outstanding/exposure for facilities that have been fully drawn or limit amount of undrawn facilities);
- Special credit limits or loans, or any form of personal financing to the company's business owners (mortgage loans, consumer loans, shares' purchase, credit cards etc.)

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

1.1 Credit Approval Limits - Credit Committees

For legal entities, the Bank's Credit Committees Structure is the following:

- Country Credit Committee
- Credit Committee I
- Credit Committee II

In addition to Credit Approval Limits per Credit Committee competence, the Bank has set Country credit limits for direct and indirect exposures, used when assessing foreign counterparty's credit risk.

1.2. Credit Limit Expiry/Renewal date

The credit limits' expiry/renewal date is determined by the competent Credit Committees. The basic factor for the determination of the credit limit expiry is the client's credit rating, which is not a standalone approval or rejection criterion, but the basis for determining the minimum security/collateral required and the respective pricing. As a rule, for clients that have been rated in the Low, Medium and Acceptable credit risk zones, reviews are carried out on an annual basis, for moderate risk - Watch List clients, on a semi-annual basis while obligors that have been rated as in the High Risk zone are reviewed on a quarterly basis. Deviations from the above rule are allowed, only with proper approval from the competent Credit Committees.

1.3. Environmental and social risk

Within Credit Risk Management Framework and Credit Policy, it has been integrated the assessment of the strict compliance of the principles of an environmentally and socially responsible financing towards legal entities. The main purpose is the management of potential risk arising from the operations of obligors that may be connected with damage to the environment or the society or with any direct threat of such damage, having as a result a negative impact on the business operations and financial results of the Bank.

2. Credit Risk Measurement and Internal Ratings

The assessment of the obligors' creditworthiness and their rating in credit risk scales is established through rating systems.

The rating of the Bank's obligors with the use of credit risk rating systems constitutes a basic tool for:

- The decision-making process of Credit Committees for the approval/ renewal of credit limits and the implementation of the appropriate pricing policy (interest rate spreads etc.).

- The estimation of the future behaviour of obligors which belong to a group with similar characteristics.

- The early recognition of potential troubled facilities (early alert mechanism) and the prompt, effective action for the minimization of the expected loss for the Bank.

- The assessment of the quality of the Bank's loan portfolio and the credit risk undertaken.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

The aim of the credit risk rating systems is the estimation of the probability that the obligors will not meet their contractual obligations to the Bank.

The rating system employed by the Bank is Alpha Bank Rating System (ABRS) which incorporates different credit rating models. ABRS model - applied to companies with full financial statements, IPRE Slotting – rating model dedicated to real estate transactions.

All current and prospective clients of the Bank are assessed based on the appropriate credit risk rating model and within pre-specified time frames.

For the estimation of the obligor's credit risk, the Bank uses credit rating models to evaluate a series of parameters, which can be grouped as follows:

- Financial Analysis: obligor's financial ability (liquidity ratios, debt to income etc.).
- Peers' Analysis: Obligor's comparative position in the market in which it operates mostly compared to its peers.
- Behavioural status and history of the obligor with the Bank and with third parties (debt in arrears, adverse transaction records, etc.).
- Obligor's qualitative characteristics (solid and health administration, management succession, appropriate infrastructure and equipment etc.).

The credit rating models which are currently employed by the Bank are differentiated based on:

- The credit facility's specific characteristics.
- The available information for the obligor's assessment.

For each of the credit rating models, different parameters may be used, each of which contributes in a specific manner to the relevant assessment.

Borrowers Rating Scale

Obligors are rated in the following rating scales: ABRS – rating scale: AA, A+, A, A-, BB+, BB, BB- ,B+, B, B-, CC+, CC, CC-, C, D, D0, D1, D2.

For special purpose finance (Income Producing Real Estate / IPRE) special models have been designed (slotting approach) with the categorization scale 1 to 5, where category 5 represents defaulted customers.

For presentation purposes of table "Loans by credit quality and IFRS9 Stage", the "strong" rating includes the ABRS rating scales AA, A+, A, A- , BB+, and IPRE Category 1 , "satisfactory" rating includes the ABRS rating scales BB, BB-, B+, B, B-, CC+, CC and IPRE Categories 2 and 3, and "under close monitoring" (higher risk) includes the ABRS rating scales CC-, C and IPRE Category 4. Last, "default" category, includes the rating scales D, D0, D1, D2 and IPRE category 5.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

B. Retail banking portfolio

Retail banking involves the lending facilities offered to borrowers covering traditional banking products and services such as:

- Housing loans/Mortgages
- Consumer Loans and Credit Cards
- Very small entities (VSE), i.e. personal or family businesses regardless of the credit limit and annual turnover

1. Credit Risk Approval Process

Alpha Bank monitors customer Total Credit Risk Exposure (For Individuals and Small Businesses), which refers to the sum of all revolving limits of an obligor, all the balances of long term facilities and for the case of legal entities the total exposure of facilities given to stakeholders of customer companies.

Additionally, facilities for which the customer is guarantor or co-debtor are also taken into account.
Individuals:

- Requested loan amount or limit.
- Limits of credit/charge cards, revolving loans and overdraft facilities, as well as outstanding balances of Consumer loans.
- Housing loans (the outstanding balances of the loans which have been fully disbursed or the initial approved loan amount for cases of loans which have not been fully disbursed).

2. Credit Risk Measurement

A fundamental parameter in assessing Retail Banking Credit Risk is the existence of Credit Rating Models that are developed and employed throughout the credit cycle at Bank level. The aforementioned models are segmenting population in homogenous risk groups (pools) and are categorized, as follows, in:

- Behaviour Models, which assess the customer's performance and predict the probability of going default within the following months.
- Application Credit Scoring Models, which assess application data – mainly demographic- and predict the probability of going default within the following months.

These models and the probabilities of default that derive from them, contribute a significant role in risk management and decision making throughout Alpha Bank.

Specifically, the models are used in the following segments:

- In decision making of credit assessment and credit limit assignment.
- In predicting future performance of customers belonging to the same pool of common characteristics.
- In identifying high risk accounts in time to schedule all necessary actions so as to reduce expected losses for the Bank.
- In assessing the Bank's portfolio quality and credit risk.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

The parameters taken into consideration vary, according to the model's type and product category that it assesses. Indicatively, the following factors are listed:

- Personal/ demographic: data the customer's age, profession, marital status
- Loan characteristics: product that he applied for, loan term, loan amount, financing purpose.
- Behaviour data: payments during latest period of time, max delinquency, outstanding loan balance versus loan limit, transaction type.

Moreover, the models are reviewed, validated and updated on an annual basis and are subject to continuous quality control so as to ensure at any time their predictive power.

Furthermore, on a regular basis the Bank conducts exercises simulating crisis situations (Stress Tests) where the potential impact on the financial results of the Bank are explored due to unfavourable developments both in obligors' transactional behaviour as well as in the broader financial - macroeconomic environment.

For presentation purposes of table "Loans by credit quality and IFRS 9 Stage", the classification in "Strong", "Satisfactory" and "Watch List" categories, for Retail Banking loans is based on the twelve-month Probability of Default. The range of probabilities that determines this classification has derived from an analysis aiming at optimizing discriminatory power between categories; therefore ranges might differ for each category as presented below:

	Range of probability of default		
Rating classification	**Secured**	**Unsecured**	**Credit cards**
Strong	up to 1%	up to 1.30%	up to 3.5%
Satisfactory	From 1% up to 18.50%	From 1.3% up to 18.50%	From 3.5% up to 18.50%
Watch list	over 18.5%	over 18.5%	over 18.5%

Definitions

The following definitions are applied as guidance to the following paragraphs/tables:

The Public Sector includes:

- The Central Government (all departments or Ministries and Public Administration)
- Local Authorities
- Companies dedicated to public sector activities

Past Due Exposures

Past due exposures are defined as exposures that are minimum one day past due.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

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). In case of exposures that are not forborne, which exited the NPL criteria, a 3 months out of NPL probation period is set, period in which the exposure is reported as NPL.
- Legal actions have been undertaken by the Bank (NPL).
- The exposure is classified as Forborne Non-Performing Exposure, as defined in the Implementing Regulation (EU) 227/9.1.2015 and NBR Order 9/2017.
- 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.

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

- An exposure over 90 days past due (NPL) can be directly cured only by Cash Payment of the amount over 90 days past due (NPL Curing).
- An exposure may be assessed as UTP for a reporting period, however, if the trigger ceases to apply at some point, then automatically the exposure may no longer be flagged as UTP (UTP Curing).
- For the curing of forborne non-performing exposures (FNPL), it is necessary to assess the borrower's ability to comply with the conditions agreed after the forbearance (FNPL Curing).

The Forborne Exposures that meet any of the following criteria are classified as Non-performing forborne:

1. They are supported by insufficient payment plans (either initial or subsequent payment plans, depending on the case)
2. They include contractual terms that delay the timing of regular repayment installments in a manner that prevents the appropriate classification assessment, such as when grace periods over two years for capital repayment are granted.
3. They have been reclassified from the performing classification, including remodified exposures or exposures over 30 days past due.

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

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

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

Unlikely to Pay Exposures

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 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) *Hard UTP Triggers* – events that determine the classification of the exposure as Non-Performing without any assessment by any Credit Committee,
(b) *Soft UTP Triggers* - the borrower should be assessed by the competent Credit Committee to decide if the borrower's exposures should be identified as Non-Performing or not. This assessment takes place at the date of revision of the borrower's credit limits based on the credit risk rating, as defined in the International Network Wholesale Banking Credit Manual or anytime an Early Alert Report is issued.

The following Hard UTP Triggers apply for Wholesale Banking Division Borrowers

- 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.
- Withdrawal of a license of particular importance in companies that require public authorization to carry out their activities.
- 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 contractually, for loans collateralized with securities, e.g. bonds, shares, etc. (Margin Financing).
- Disappearance of an active market for the debtor's financial instruments, hold by the Bank.
- 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.
- 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 credit institution or the leader of consortium starts bankruptcy/insolvency proceedings (application for insolvency).
- The borrower has requested to enter in bankruptcy or insolvency status.
- A Bank has initiated bankruptcy or insolvency proceedings.

4. RISK MANAGEMENT (CONTINUED)
b) Credit risk (continued)
i) Management of credit risk (continued)

The following Soft UTP Triggers apply for Wholesale Banking Divisions Borrowers:

- 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 representing material decrease in the turnover or the total property income, respectively.
- A turnover decrease resulting in a cash flows reduction.
- An affiliated customer, representing material 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.
- Disappearance of an active market for the debtor's financial instruments, not hold by the Bank.
- The borrower has exceeded the financial terms of the loan agreement.
- There is significant deterioration of the borrower's activity sector 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.

If finally a borrower is flagged as UTP, then his credit risk rating is classified to "D" in the Bank systems or Slotting category 5 for Borrowers assessed using Slotting Models. It is noted that if a borrower flagged as UTP belongs to a Group of companies, then this group is also assessed as a whole by the competent Credit Committee for the existence or not of UTP.

For the retail Banking Portfolio, the procedure is the following:

(a) Identification of events which when occur lead to the transfer of the exposure to Non - Performing status without requiring an assessment by any Credit Committee (Hard UTP Triggers),

(b) Identification of triggers which when occur, lead to borrower's credit assessment by the relevant Retail Banking Credit Committee in order to determine whether borrower's exposures should be classified as Non-Performing or not (Soft UTP Triggers).

This assessment takes place at the date of a forbearance request. If an exposure is flagged as UTP, then it is classified as Non-Performing by the Bank.

4. RISK MANAGEMENT (CONTINUED)
b) Credit risk (continued)
i) Management of credit risk (continued)

For Retail Banking exposures the following triggers are considered for classification of exposures as unlikely to pay:

a) Hard UTP triggers

- A trial date is set for registration under Bankruptcy Law.
- Fraud has been confirmed at the expense of the Bank.
- The borrower has passed away.
- Multiple 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.
- 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.
- The borrower has notified the Bank upon the decision of giving in the immovable property to the bank in order to extinguish / close the debt from the mortgage contract, based on the provisions of the Law No. 77/ 2016.

b) **Soft UTP Triggers:**

- Multiple forbearances in the same exposure
- The borrower has other exposures 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.

C. Expected Credit Loss Estimation Methodology

The procedure implemented for the impairment calculation in respect to Exposures and other claims stemming from Retail Banking and Wholesale Banking activities is in accordance with the International Financial Reporting Standards 9 (IFRS 9).

The Bank recognizes an exposure in the financial statement position when it becomes a party to the contractual provisions of the exposure. Subsequently, the exposures are classified in Stages based on the criteria defined below.

Portfolio Classification in stages based on the credit risk (staging)

The classification of loans in stages is based on the changes of the credit quality compared to the initial recognition. The adoption of this model aims to: a) the timely recognition and measurement of credit losses prior to their realization, b) the classification of exposures depending on the deterioration of their credit quality, c) the more accurate measurement of expected credit losses.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

Upon initial recognition of an exposure, the Bank determines whether this exposure is considered as credit impaired (Credit Impaired at Initial Recognition).The Bank is likely to create credit impaired exposures as in the case of major modifications in the contractual repayment terms that result in the de-recognition of the initial credit exposure in the Bank's financial statement position, except the derecognition results in a loan granted to another debtor with better financial standing. An exposure classified as POCI remains POCI, throughout its lifetime and provided that no de recognition has taken place in the meantime.

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

Stage 1 includes performing credit exposures that have no significant increase in credit risk since the initial recognition date. The expected credit losses calculated are the twelve months losses from the date of the financial statements and the assessment is carried out on a collective basis with the exception of borrowers assessed on an individual basis as per criteria defined below.

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

Stage 3 includes the non-performing / default exposures. The expected credit losses calculated are the lifetime losses and the assessment is performed on a collective or individual basis as per criteria below.

Significant increase in credit risk

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

The assessment for deciding if an exposure shows significant increase in credit risk or not is based on the following three types of Indicators:

- Quantitative Indicators: They refer specifically to the comparison between the probability of default (PD) at the reference date and the probability of default at the initial recognition date. For Specialized Lending Exposures (e.g. IPRE) the credit risk rating deterioration compared to credit risk rating at initial recognition is considered to indicate significant increase in credit risk.
- Qualitative Indicators: They refer to use of qualitative information which is not necessarily depicted in the probability of default, such as the assessment of an exposure as performing forborne (FPL according to EBA ITS) or as exposure with financial difficulty; qualitative indicators are included in Early Warning Policy, indicators which are identified through credit risk rating (e.g. economic data evolution, activity sector).
- Backstop Indicators: addressing cases where there is no evidence of significant credit risk deterioration based on the quantitative and qualitative indicators; exposures over 30 days past due are considered by definition to show a significant increase in credit risk.

In case of exposures to Companies, the following 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 Euro 400,000;
- Exposures that do not share common risk characteristics or for which no relevant historical data that enables a collective analysis is available.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

In case of exposures to Individuals, exposures are assessed individually, per portfolio, if they are Non-Performing Exposures (NPE), and if total debit outstanding balance is over Euro 250,000.

Any other exposure is assessed collectively.

Expected Credit Loss Calculations

According to IFRS 9 standard, recognition of credit losses can occur irrespectively of a credit event. On the contrary, an entity always estimates the expected credit losses and the changes in expected credit losses. The amount of expected credit losses is updated monthly so as to reflect the changes in the credit risk since initial recognition and thus provide timely information on expected credit losses.

The assessment is carried out at the customer level for the individually assessed Borrowers and at loan level for the collectively assessed customers.

EXPECTED CREDIT LOSS CALCULATION METHODOLOGY - INDIVIDUAL ASSESSMENT

The discounted cash flows represent the amount calculated according to the following methodology:

- The estimation of future cash flows.
- The measurement of the recoverable amount that reflects the cash flows that may result from the liquidation of collateral.
- The time period until the liquidation / sale.
- The discounting of the above described cash flows by the exposure's Effective Interest Rate (EIR), which for fixed rate exposures is the original effective interest rate, while for variable rate exposures is the current effective interest rate. When the EIR of exposure is not available, the current nominal interest rate is used.

The estimation of the future cash flows is carried out according to the following two approaches:

- Scenario Going Concern. In this case, the operating cash flow of the borrower or the guarantor continues to be used and can be used for debt repayments, while there is limited value of collateral for the exposure or the collaterals cannot be executed without affecting the operating cash-flows.

In this case, the detailed cash flow analysis requires a thorough analysis of: the borrower's financial situation, the business plans, the projections etc. so as to determine the future cash flows available for collection.

- Scenario 'Gone Concern', when the collaterals are liquidated. This occurs if:

a. The exposure is past due for a long time.
b. The future operating cash flows of the borrower are estimated to be low or negative.
c. The exposure is covered by collaterals at a significant level and these collaterals are crucial for generating cash flows.
d. The implementation of the 'Going Concern' scenario is going to significantly affect in a negative way the amount that the Bank can recover.
e. There is a significant degree of uncertainty regarding the estimation of future operating cash flows.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

The bank uses three scenarios for the calculation of expected loss: base scenario, optimist and pessimist (adverse). The weight allocated to each scenario is proposed by the Risk Management Division and approved by the Credit Risk Committee. For 2019, the weights allocated to each scenario as per Bank's Chief Economist view on the business cycle evolution were: 50 % base scenario, 20% optimist and 30 % pessimist. For 2018, the weights allocated to each scenario as per Bank's Chief Economist view on the business cycle evolution were: 50 % base scenario, 30% optimist and 20 % pessimist.

For purposes of the expected credit loss calculation, the value of the collaterals - if the liquidation is not consensual – is reduced by a percentage which depends on the type of collateral in order to adapt the current value of the collateral at market value under foreclosure.

- Exposures classified as POCI are assessed using individual assessment methodology.

EXPECTED CREDIT LOSS CALCULATION METHODOLOGY - 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 followings are considered:

- Staging according to Credit Risk
- Type of Product
- Days Past Due
- Indication of default
- Modification of contractual terms for borrowers showing financial difficulty (Forbearance Measures)
- Collateral existence taking into account the type and coverage rate (Loan to Value)
- Write-Off
- Credit Risk Rating
- Activity Sector
- Time in default

Calculation of expected credit loss

Expected Credit Loss is updated at each reporting date to reflect the changes in the credit risk since initial recognition and thus provide timely information on evolution of expected credit losses.

The measurement of Expected Credit Losses is performed as follows:

- For financial assets, a credit loss is the present value of the difference between:
    - the contractual cash flows and
    - the cash flows that the Bank expects to receive
- For undrawn loan commitments, a credit loss is the present value of the difference between:
    - the contractual cash flows that are due if the loan commitment drawn down the loan; and
    - the cash flows that the Bank expects to receive if the loan is drawn down.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

- 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.

Incorporation of forward-looking information

The Bank calculates Expected Credit Losses based on the weighted probability of three alternative scenarios. More specifically, the Bank's Chief Economist produces forecasts for the possible evolution of macroeconomic variables that affect the level of Expected Credit Losses of loan portfolios under a baseline and under two alternative macroeconomic scenarios (an upside and an adverse one) and also produces the cumulative probabilities associated with these scenarios.

The macroeconomic variables affecting the level of expected credit losses are the Gross Domestic product (GDP), the unemployment rate, the long-term government bond yields and forward looking prices of residential and commercial real estates.

The yearly average for the period 2020 - 2022 of macroeconomic variables affecting both the Probability of Default and the expected Loss Given Default are the following:

	2020-2022		
	Adverse	**Base**	**Upside**
Real GDP growth	1.08%	3.10%	4.16%
Unemployment	5.90%	4.40%	3.74%
RRE prices (% change)	1.80%	3.92%	5.70%
CRE Price Index (% change)	-0.30%	3.42%	4.52%
HICP (change, %)	2.34%	3.14%	2.98%

The production of baseline scenario, supported by a consistent economic description, 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 of the macroeconomic scenarios for the economy will indicate that the economy performs better or worse than forecasts of the baseline scenario and the alternative scenarios, i.e. the upside and downside scenario. For each one 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 base scenario is 50%, while probability assigned to the adverse scenario is 30 % and upside scenario is 20%.

Credit risk parameters

Calculation of Expected Credit Loss is based on the following credit risk parameters which are developed parameters, through internal statistical models based on historical data:

• **Probability of Default (PD):** It is an estimate of the probability of a debtor to default over a specific time horizon.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)
i) Management of credit risk (continued)

For assessing the probability of default, the credit risk rating models assess a series of parameters that can be grouped as follows:

- Financial Analysis: The Borrower's Financial Capacity (Liquidity Indicators, Debt to Revenue etc.)
- Competitor's analysis: the borrower's comparative position in the market in which operates, mainly in relation to its competitors (mainly applicable to debtors of Wholesale Banking)
- Current and historical debtor's behavioral data either towards the Bank or towards third parties (delinquencies, repayment behavior, etc.), and
- Qualitative characteristics of the debtor (strong and sound management, management succession, appropriate facilities and equipment, etc.).

Credit Ratings constitute the main input in order to determine the probability of default. The Bank uses statistical models in order to analyze the collected data and make estimates of the remaining probability of default over the life of the exposures and how they will evolve over time based, among other things, on macroeconomic variables.

• **Exposure at default (EAD):** Exposure at Default is an estimate of the amount of the exposure at the time of the default taking into account: (a) expected changes in the exposure after the reporting date, including principal and interest payments; (b) the expected use of credit limits and (c) accrued interest. 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). The Credit Conversion factor of credit exposure is calculated based on statistical models. The maximum period for which credit losses are calculated is the remaining contractual maturity of a financial instrument unless the Bank has the legal right to recall the financial instrument earlier. In particular, for Credit Cards and revolving exposures to individuals, the maximum period is set at three years, while for revolving loans to Small Businesses, the corresponding maturity is set at four years. Regarding Wholesale Banking revolving exposures, the period is set to one year, given the thorough credit review performed at least once a year.

The Bank uses EAD models that reflect the characteristics of the portfolios.

• **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 liquidation of collaterals and cure rate based on historical data or based on relevant the Business Plan, which incorporates the estimated evolution of management actions. Furthermore, in cases that cash flows are expected to derive from the sale of loans, the Bank has incorporated, as the base scenario, the expected sales price into Expected Credit Losses calculation.

For unsecured loans, the estimated expected losses at the time of the default, take into account expected recovery rates which vary throughout the recovery period as well as the probability of curing.

Expected recoveries from tangible collaterals take into account the following inputs: the most recent valuation (updated within the year) for the market value of the collateral, the time required for the liquidation or sale of the tangible collateral (ranging between 1 to 3 years depending on the legal action status of the loan), the expected market value at liquidation /sale date based on the evolution of RRE/ CRE indices for the next 3 years, the expected recoveries through foreclosure process or sale as derived from historical data obtained for foreclosures and sales of collateral.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

i) Management of credit risk (continued)

Last, the recovery rate of the group is adjusted to reflect value of preferential claims. Expected cash flows are discounted using the original effective interest rate.

In addition, cure rate is in line with Bank's business plan for the reduction of NPE (sale, restructuring etc.)

Last, for secured exposures, the LGD varies based on each macroeconomic scenario.

Undrawn commitments

According to IFRS 9, these contracts fall within the scope for expected credit losses recognition. In estimating the expected credit losses over the life of an undrawn loan commitment, the Bank assesses the expected part of the loan commitment that will be used throughout its expected life.

Credit impairment losses on due from banks and bonds

The Bank, at each reporting date, recognizes a loss allowance for expected credit losses on due from banks and bonds not measured at fair value through profit or loss.

The loss allowance is based on expected credit losses related to the probability of default within the next twelve months, unless there has been a significant increase in credit risk from the date of initial recognition in which case expected credit losses are recognized over the life of the instrument. In addition, if the financial asset falls under the definition of purchased or originated credit impaired (POCI) financial assets, a loss allowance equal to the lifetime expected credit losses is recognized.

For the purposes of calculating expected credit losses, the exposures are classified into stages.

The expected credit loss is the present value of the difference between the contractual cash flows and the cash flows that the Bank expects to receive. For present value calculation, original effective interest rate is used as a discount rate.

The classification into stages for the purpose of expected credit loss measurement is based on the credit rating of rating agencies (Moody's, Fitch, S&P) and on the issuer / counterparty PD (12 months).

The determination of significant increase in credit risk for non-investment grade securities is based on the following two conditions:

- Downgrade in the issuer / counterparty's credit rating on the reporting dates compared to the credit rating on the date of the initial recognition (at least two notches).
- Increase in the probability of default of the issuer / counterparty for the 12-month period compared to the corresponding probability of default at initial recognition (The 12-month PD at reporting date is above 5% in absolute terms and has increased more than 50% compared to the respective PD existing at initial recognition date).

Additionally, the Bank monitors the change in the credit spread since initial recognition. A change in credit spread at the reporting date that exceeds a specific threshold (500 bps) compared to the credit margin prevailing at the date of initial recognition is a trigger for reviewing the securities classification stage.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

ii) Credit risk mitigation

1. Collaterals

The regular repayment of credit facilities is directly connected with the obligors' viability and prospects, the strength of the companies and their shareholders, the sector in which they operate and the current market conditions, as well as other unforeseeable factors that may arise during the companies' operating cycle and influence their operations in a positive or negative way.

Collaterals are received both for Wholesale and Retail lending in order to mitigate credit risk that may arise from the obligor's inability to fulfil their contractual obligations.

The mitigation tools applied by the Bank include two broad categories: intangible and tangible collaterals.

2. Intangible Collaterals

Intangible collaterals encompass the protection commitments and mechanisms and form the framework of the obligations and rights that are typically included and described in specific contractual documents that bind the Bank and the borrowers during the lending process with specific commitments. The commitments undertaken involve a third party to substitute for the primary debtor in the event of the latter's default or the primary debtor itself (natural or legal entities) to honour the contractual loan agreements and their prompt repayment to the Bank and on the other hand the Bank has the right to claim them.

The main type of intangible collateral that the Bank uses to protect the bank against the risk of losses due to debtor insolvency is the Guarantee (i.e. personal guarantee, corporate guarantee, letter of guarantee etc.)

3. Tangible Collaterals

Tangible collaterals provide the Bank with the right of possessing ownership on an asset (movable or immovable). Tangible collaterals are distinguished between mortgages registered over immovable properties and mortgages (pledges) on movable assets (e.g., commodities, checks, bills of exchange) or on claims and rights.

In order to better secure credit facilities granted, mortgage and pledged assets are covered by an insurance contract, with assignment of the relevant insurance contract to the Bank.

3.1. Mortgages

Mortgages are registered on real estate or immovable assets which can be liquidated as indicatively reported below:

Real estate properties:

- Residential Real Estate
- Commercial Real Estate
- Industrial Buildings
- Land

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

ii) Credit risk mitigation (continued)

Other immovable assets

- Ships and aircrafts.

Periodic revaluation of mortgaged property According to Alpha Bank Credit Policy, the existence and the valuation of mortgaged property is closely monitored. The frequency of the appraisal is usually not exceeding one year, except for residential real estate properties, for which the reassessment is carried out in an interval of up to 3 years, for household loans. In case of significant evolutions of the real estate market, the Bank applies more frequent revaluations for the respective type of properties.

All valuations are carried out by certified appraisers (ANEVAR members).

3.2. Pledges

A Pledge is tangible collateral which provides seniority right from a movable asset whose ownership remains with a third party.

Pledges can be registered on movable assets or on rights that have not been excluded or banned from exchanges and are liquid as indicatively indicated below:

- Raw materials, products or commodities
- Machinery (movable)
- Bill of Lading
- Bill of exchange
- Cheques and promissory notes
- Securities
- Deposit
- Any type of claim that can be pledged

Periodic revaluation of pledges

Depending on the right or the underlying asset on which a pledge is registered, the periodic revaluation varies from one month to one year.

Financial collaterals consist mainly of pledges on deposits (cash collateral).

Other collaterals consist mainly of pledges on other than financial collaterals, such as equipment and stocks, as well as commercial papers.

4. Acceptable Value

The Bank calculates the value of the received securities/collaterals based on the potential proceeds that could arise if and when these are liquidated. This calculation refers to the acceptable value/haircut of the securities/collaterals provided to the Bank by its obligors.

For the calculation of the forced-sale value, the following need to be considered:

- The quality of the securities/assets
- Their market value
- The degree of ability to liquidate
- The time required for their liquidation

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

iii) Exposure to credit risk

- Their liquidation cost
- The current charges on the assets
- The privileged priority of third parties on the product of liquidation (e.g. Public Sector, employees, etc.)

The above have to be accounted for when determining the haircuts for each collateral/security. Haircuts, depending on their nature are expressed as a percentage of their market value, their nominal value or their weighted average value.

Forbearance

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

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

In the context of the Commission Implementing Regulation (EU) 227/2015 of the European Committee dated 9 January 2015 and the executive technical standards of European Banking Authority, with subsequent modifications and amendments, translated in NBR Order 9/2017, the Bank assumes the resulting regulatory obligations for forborne exposures.

Forbearance measures should be applied on the basis of the risk, cooperativeness and viability of each debtor and consist of concessions that are robust and sustainable, through the renegotiation of the initial terms and conditions of the debt contract duly taking into account the causes of the debtor's financial difficulties.

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

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

Write-offs and write-downs of bad debts

Bad Debt Write-off is defined as the reduction of the gross carrying amount of a financial asset, when there is no reasonable expectation of recovery. The write-off refers to the accounting write-off of a debt or a portion of it, i.e. the removal of the financial asset or part of it from the balance sheet, which does not necessarily entail the waiver of the legal right to recover the debt. In the event that the Bank decides to waive its legal right to recover the debt, this is called Debt Forgiveness and this waiver may include either on or off-balance sheet items as well.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

iii) Exposure to credit risk (continued)

Bad Debt Write-down is defined as the definitive reduction of a debt or portion of it, as a result of a legally binding decision or agreement (court judgment, contractual agreement etc.), which is not further claimable. It is noted that this category encompasses Definitive write-downs which are unconditional and Conditional Write-Downs (Contingent Write-Down) subject to the achievement by the Customer of a specific performance (usually, upon the successful implementation of a specific repayment program).

Indicative conditions for the submission of proposals for writing-off a part or the whole of bad debts include, but are not limited to, the following:

- The relevant Agreements with the Customers have been terminated.
- Payment Orders have been issued against all liable parties to such Agreements.
- The actions regarding the investigation of immovable property have been completed without any results.
- The procedure for the registration of encumbrances, in accordance with the Non-Performing Loans Manuals in force for Wholesale Banking and Retail Banking, respectively, has been completed.
- At least one real estate property has been auctioned, so that the preferential claims (through the final creditor's classification list) and, by extension, the Bank's potential losses, are finalised.
- In cases where the likelihood of further recovery of the debt is considered to be particularly low, due to:

    - the fact that the debtors are placed under special liquidation;
    - the proven existence of preferential claims of a significant amount and the adoption of a decision to cease litigation actions, in order to avoid non-collectable enforcement costs;
    - the fact that further litigation actions seeking collection of the claim is economically unprofitable (e.g. low-value collateral),

  the write-off requires the existence of an impairment provision in the same amount, established no later than in the quarter preceding the submission of the proposal.

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

iii) Exposure to credit risk (continued)

I. Financial instruments credit risk

	31.12.2019			31.12.2018		
	Exposure before impairment	**Impairment**	**Net exposure to credit risk**	**Exposure before impairment**	**Impairment**	**Net exposure to credit risk**
A. Credit risk exposure relating to balance sheet items						
Balances with Central Banks	2,197,748	-	**2,197,748**	2,395,632	431	**2,395,201**
Due from Banks	1,700,594	77	**1,700,517**	1,706,417	388	**1,706,029**
Loans and advances to customers	12,452,219	488,760	**11,963,459**	11,647,312	493,874	**11,153,438**
Derivative Financial Assets	-	-	**-**	-	-	**-**
Debt Investment Securities at FVOCI	1,248,646	436	**1,248,210**	1,218,582	217	**1,218,365**
Total carrying amount of on balance sheet items exposed to credit risk (a)	**17,599,207**	**489,273**	**17,109,934**	**16,967,943**	**494,910**	**16,473,033**
Other on balance sheet items not exposed to credit risk	709,206	-	**709,206**	481,641	-	**481,641**
Total assets	**18,308,413**	**489,273**	**17,819,140**	**17,449,584**	**494,910**	**16,954,674**
B. Credit risk exposures relating to off balance sheet items:						
Letters of guarantee and letters of credit (Note 29)	615,961	4,056	**611,905**	493,285	4,623	**488,662**
Undrawn credit facilities (Note 29)	1,747,752	13,793	**1,733,959**	1,429,852	9,904	**1,419,948**
Total carrying amount of off balance sheet items exposed to credit risk (b)	**2,363,713**	**17,849**	**2,345,864**	**1,923,137**	**14,527**	**1,908,610**
Total credit risk exposure (a + b)	**19,962,920**	**507,122**	**19,455,798**	**18,891,080**	**509,437**	**18,381,643**

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

iii) Exposure to credit risk (continued)

II. Loans and advances to customers by asset quality

	31.12.2019									
	AT AMORTISED COST									
	Stage 1					Stage 2				
	Non past due	Past due	Total	Allowance	Total carrying amount	Non past due	Past due	Total	Allowance	Total carrying amount
Retail Lending	**5,070,579**	**256,931**	**5,327,510**	**4,954**	**5,322,556**	**638,076**	**391,382**	**1,029,458**	**20,407**	**1,009,051**
Mortgage	4,384,516	209,944	**4,594,460**	807	**4,593,653**	519,209	300,760	**819,969**	6,991	**812,978**
Consumer	610,205	43,580	**653,785**	3,506	**650,279**	105,018	82,162	**187,180**	11,421	**175,759**
Credit Card	68,220	3,407	**71,627**	515	**71,112**	13,849	8,460	**22,309**	1,995	**20,314**
Other (Incl. SBL)	7,638	-	**7,638**	126	**7,512**	-	-	**-**	-	**-**
Corporate Lending	**3,880,411**	**62,730**	**3,943,141**	**23,618**	**3,919,523**	**1,363,183**	**13,499**	**1,376,682**	**38,994**	**1,337,688**
Large	3,407,489	45,860	**3,453,349**	20,655	**3,432,694**	1,257,567	0	**1,257,567**	34,507	**1,223,060**
SMEs	472,922	16,870	**489,792**	2,963	**486,829**	105,616	13,499	**119,115**	4,487	**114,628**
Public Sector	**6,505**	**-**	**6,505**	**62**	**6,443**	**1,157**	**943**	**2,100**	**114**	**1,986**
Total	**8,957,495**	**319,661**	**9,277,156**	**28,634**	**9,248,522**	**2,002,416**	**405,824**	**2,408,240**	**59,515**	**2,348,725**

4. RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

iii) Exposure to credit risk (continued)

II. Loans and advances to customers by asset quality (continued)

	31.12.2019											
	AT AMORTISED COST											
	Stage 3					POCI					Total net amount at amortized cost	Value of collateral*
	Non past due	Past due	Total	Allowance	Total carrying amount	Non past due	Past due	Total	Allowance	Total carrying amount		
Retail Lending	**36,969**	**354,655**	**391,624**	**220,892**	**170,732**	**3,200**	**2,405**	**5,605**	**2,136**	**3,469**	**6,505,808**	**5,824,256**
Mortgage	25,220	168,497	**193,717**	93,287	**100,430**	1,374	708	**2,082**	814	**1,268**	**5,508,329**	5,435,670
Consumer	11,556	179,630	**191,186**	122,633	**68,553**	1,826	1,697	**3,523**	1,322	**2,201**	**896,792**	381,703
Credit Card	193	6,528	**6,721**	4,972	**1,749**	-	-	-	-	-	**93,175**	-
Other(Incl. SBL)	-	-	-	-	-	-	-	-	-	-	**7,512**	6,883
Corporate Lending	**97,587**	**269,354**	**366,941**	**177,583**	**189,358**	**-**	**2,653**	**2,653**	**-**	**2,653**	**5,449,222**	**4,778,984**
Large	95,361	249,563	**344,924**	169,419	**175,505**	-	2,653	**2,653**	-	**2,653**	**4,833,912**	4,307,438
SMEs	2,226	19,791	**22,017**	8,164	**13,853**	-	-	-	-	-	**615,310**	471,546
Public Sector	-	-	-	-	-	-	-	-	-	-	**8,429**	**8,238**
Total	**134,556**	**624,009**	**758,565**	**398,475**	**360,090**	**3,200**	**5,058**	**8,258**	**2,136**	**6,122**	**11,963,459**	**10,611,478**

*For collateral breakdown please see note 4.b).iii) VII

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

II. Loans and advances to customers by asset quality (continued)

	31.12.2018									
	AT AMORTISED COST									
	Stage 1					Stage 2				
	Non past due	Past due	Total	Allowance	Total carrying amount	Non past due	Past due	Total	Allowance	Total carrying amount
Retail Lending	**4,724,472**	**280,920**	**5,005,392**	**8,037**	**4,997,355**	**503,986**	**415,494**	**919,480**	**25,719**	**893,761**
Mortgage	4,020,722	226,998	**4,247,720**	1,446	**4,246,274**	394,504	306,481	**700,985**	9,939	**691,046**
Consumer	634,265	49,730	**683,995**	6,348	**677,647**	98,863	100,546	**199,409**	14,139	**185,270**
Credit Card	66,196	4,192	**70,388**	196	**70,192**	9,709	8,194	**17,903**	1,636	**16,267**
Other (Incl. SBL)	3,289	-	**3,289**	47	**3,242**	910	273	**1,183**	5	**1,178**
Corporate Lending	**3,561,466**	**18,908**	**3,580,374**	**21,983**	**3,558,391**	**1,401,666**	**15,104**	**1,416,770**	**63,820**	**1,352,950**
Large	3,119,415	8,239	**3,127,654**	19,004	**3,108,650**	1,323,808	7,206	**1,331,014**	60,337	**1,270,677**
SMEs	442,051	10,669	**452,720**	2,979	**449,741**	77,858	7,898	**85,756**	3,483	**82,273**
Public Sector	**8,986**	**-**	**8,986**	**87**	**8,899**	**1,333**	**1,235**	**2,568**	**158**	**2,410**
Total	**8,294,924**	**299,828**	**8,594,752**	**30,107**	**8,564,645**	**1,906,985**	**431,833**	**2,338,818**	**89,697**	**2,249,121**

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

II. Loans and advances to customers by asset quality (continued)

	31.12.2018											
	AT AMORTISED COST											
	Stage 3					POCI					Total net amount at amortized cost	Value of collateral*
	Non past due	Past due	Total	Allowance	Total carrying amount	Non past due	Past due	Total	Allowance	Total carrying amount		
Retail Lending	**32,378**	**355,407**	**387,785**	**216,336**	**171,449**	**2,361**	**555**	**2,916**	**1,096**	**1,820**	**6,064,385**	**5,357,978**
Mortgage	21,115	186,091	**207,206**	106,131	**101,075**	1,162	345	**1,507**	634	**873**	**5,039,268**	4,940,620
Consumer	11,149	164,018	**175,167**	106,774	**68,393**	1,199	210	**1,409**	462	**947**	**932,257**	413,798
Credit Card	114	5,205	**5,319**	3,404	**1,915**	-	-	-	-	-	**88,374**	-
Other (Incl. SBL)	-	93	**93**	27	**66**	-	-	-	-	-	**4,486**	3,560
Corporate Lending	**83,563**	**236,097**	**319,660**	**156,638**	**163,022**	-	**3,381**	**3,381**	-	**3,381**	**5,077,744**	**4,535,629**
Large	81,315	215,073	**296,388**	147,562	**148,826**	-	3,381	**3,381**	-	**3,381**	**4,531,534**	4,118,572
SMEs	2,248	21,024	**23,272**	9,076	**14,196**	-	-	-	-	-	**546,210**	417,057
Public Sector	-	-	-	-	-	-	-	-	-	-	**11,309**	**11,303**
Total	**115,941**	**591,504**	**707,445**	**372,974**	**334,471**	**2,361**	**3,936**	**6,297**	**1,096**	**5,201**	**11,153,438**	**9,904,910**

*For collateral breakdown please see note 4.b).iii) VI

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

III. Analysis of loans and advances to customers by credit risk rating

	2019				
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**Total**
Mortgage					
Strong	4,569,197	-	-	-	**4,569,197**
Satisfactory	24,914	766,800	-	-	**791,714**
Watch list (higher risk)	349	53,169	-	-	**53,518**
Default	-	-	193,717	2,082	**195,799**
Total gross amount	**4,594,460**	**819,969**	**193,717**	**2,082**	**5,610,228**
Loss allowance	807	6,991	93,287	814	**101,899**
Carrying amount	**4,593,653**	**812,978**	**100,430**	**1,268**	**5,508,329**
Collateral held for credit impaired assets	-	-	133,941	1,708	**135,649**
Consumer					
Strong	509,592	-	-	-	**509,592**
Satisfactory	142,672	159,673	-	-	**302,345**
Watch list (higher risk)	1,521	27,507	-	-	**29,028**
Default	-	-	191,186	3,523	**194,709**
Total gross amount	**653,785**	**187,180**	**191,186**	**3,523**	**1,035,674**
Loss allowance	3,506	11,421	122,633	1,322	**138,882**
Carrying amount	**650,279**	**175,759**	**68,553**	**2,201**	**896,792**
Collateral held for credit impaired assets	-	-	66,298	2,675	**68,973**
Credit cards					
Strong	67,791	-	-	-	**67,791**
Satisfactory	3,828	19,773	-	-	**23,601**
Watch list (higher risk)	8	2,536	-	-	**2,544**
Default	-	-	6,721	-	**6,721**
Total gross amount	**71,627**	**22,309**	**6,721**	-	**100,657**
Loss allowance	515	1,995	4,972	-	**7,482**
Carrying amount	**71,112**	**20,314**	**1,749**	-	**93,175**
Collateral held for credit impaired assets	-	-	-	-	-

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

III. Analysis of loans and advances to customers by credit risk rating (continued)

	2019				
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**Total**
Other (incl. SBL)					
Strong	49	-	-	-	**49**
Satisfactory	7,589	-	-	-	**7,589**
Watch list (higher risk)	-	-	-	-	-
Default	-	-	-	-	-
Total gross amount	**7,638**	-	-	-	**7,638**
Loss allowance	126	-	-	-	**126**
Carrying amount	**7,512**	-	-	-	**7,512**
Collateral held for credit impaired assets	-	-	-	-	-
Large Corporate					
Strong	1,096,383	621	-	-	**1,097,004**
Satisfactory	2,356,966	1,221,449	-	-	**3,578,415**
Watch list (higher risk)	-	35,497	-	-	**35,497**
Default	-	-	344,924	2,653	**347,577**
Total gross amount	**3,453,349**	**1,257,567**	**344,924**	**2,653**	**5,058,493**
Loss allowance	20,655	34,507	169,419	-	**224,581**
Carrying amount	**3,432,694**	**1,223,060**	**175,505**	**2,653**	**4,833,912**
Collateral held for credit impaired assets	-	-	335,904	2,653	**338,557**
SME's Corporate					
Strong	87,115	1,220	-	-	**88,335**
Satisfactory	402,677	88,651	-	-	**491,328**
Watch list (higher risk)	-	29,244	-	-	**29,244**
Default	-	-	22,017	-	**22,017**
Total gross amount	**489,792**	**119,115**	**22,017**	-	**630,924**
Loss allowance	2,963	4,487	8,164	-	**15,614**
Carrying amount	**486,829**	**114,628**	**13,853**	-	**615,310**
Collateral held for credit impaired assets	-	-	18,119	-	**18,119**

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

III. Analysis of loans and advances to customers by credit risk rating (continued)

	2019				
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**Total**
Public Sector Other					
Strong	599	-	-	-	**599**
Satisfactory	5,906	2,100	-	-	**8,006**
Watch list (higher risk)	-	-	-	-	**-**
Default	-	-	-	-	**-**
Total gross amount	**6,505**	**2,100**	-	-	**8,605**
Loss allowance	62	114	-	-	**176**
Carrying amount	**6,443**	**1,986**	-	-	**8,429**
Collateral held for credit impaired assets	-	-	-	-	**-**
Letters of guarantee, letters of credit and other guarantees					
Strong	265,208	466	-	-	**265,674**
Satisfactory	323,094	13,832	-	-	**336,926**
Watch list	-	452	-	-	**452**
Default	-	-	12,909	-	**12,909**
Exposure to credit risk	**588,302**	**14,750**	**12,909**	-	**615,961**
Loss allowance	1,943	213	1,900	-	**4,056**
Carrying amount	**586,359**	**14,537**	**11,009**	-	**611,905**
Collateral held for credit impaired assets	-	-	10,661	-	**10,661**
Undrawn loan agreements and credit limits					
Strong	961,790	-	-	-	**961,790**
Satisfactory	625,486	113,489	-	-	**738,975**
Watch list	2,337	41,435	-	-	**43,772**
Default	-	-	3,215	-	**3,215**
Exposure to credit risk	**1,589,613**	**154,924**	**3,215**	-	**1,747,752**
Loss allowance	6,284	7,262	247	-	**13,793**
Carrying amount	**1,583,329**	**147,662**	**2,968**	-	**1,733,959**
Collateral held for credit impaired assets	-	-	1,628	-	**1,628**

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

III. Analysis of loans and advances to customers by credit risk rating (continued)

	2018				
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**Total**
Mortgage					
Strong	4,219,099	378,662	-	-	**4,597,761**
Satisfactory	28,426	253,754	-	-	**282,180**
Watch list (higher risk)	195	68,569	-	-	**68,764**
Default	-	-	207,206	1,507	**208,713**
Total gross amount	**4,247,720**	**700,985**	**207,206**	**1,507**	**5,157,418**
Loss allowance	1,446	9,939	106,131	634	**118,150**
Carrying amount	**4,246,274**	**691,046**	**101,075**	**873**	**5,039,268**
Collateral held for credit impaired assets	-	-	134,574	1,258	**135,832**
Consumer					
Strong	531,637	21,236	-	-	**552,873**
Satisfactory	150,757	141,525	-	-	**292,282**
Watch list (higher risk)	1,601	36,648	-	-	**38,249**
Default	-	-	175,167	1,409	**176,576**
Total gross amount	**683,995**	**199,409**	**175,167**	**1,409**	**1,059,980**
Loss allowance	6,348	14,139	106,774	462	**127,723**
Carrying amount	**677,647**	**185,270**	**68,393**	**947**	**932,257**
Collateral held for credit impaired assets	-	-	75,541	947	**76,488**
Credit cards					
Strong	66,045	4,775	-	-	**70,820**
Satisfactory	4,330	10,618	-	-	**14,948**
Watch list (higher risk)	13	2,510	-	-	**2,523**
Default	-	-	5,319	-	**5,319**
Total gross amount	**70,388**	**17,903**	**5,319**	-	**93,610**
Loss allowance	196	1,636	3,404	-	**5,236**
Carrying amount	**70,192**	**16,267**	**1,915**	-	**88,374**
Collateral held for credit impaired assets	-	-	-	-	**-**

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

III. Analysis of loans and advances to customers by credit risk rating (continued)

	2018				
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**Total**
Other (incl. SBL)					
Strong	-	-	-	-	**-**
Satisfactory	3,289	1,183	-	-	**4,472**
Watch list (higher risk)	-	-	-	-	**-**
Default	-	-	93	-	**93**
Total gross amount	**3,289**	**1,183**	**93**	-	**4,565**
Loss allowance	47	5	27	-	**79**
Carrying amount	**3,242**	**1,178**	**66**	-	**4,486**
Collateral held for credit impaired assets	-	-	93	-	**93**
Large Corporate					
Strong	899,681	33	-	-	**899,714**
Satisfactory	2,227,973	1,254,503	-	-	**3,482,476**
Watch list (higher risk)	-	76,478	-	-	**76,478**
Default	-	-	296,388	3,381	**299,769**
Total gross amount	**3,127,654**	**1,331,014**	**296,388**	**3,381**	**4,758,437**
Loss allowance	19,004	60,337	147,562	-	**226,903**
Carrying amount	**3,108,650**	**1,270,677**	**148,826**	**3,381**	**4,531,534**
Collateral held for credit impaired assets	-	-	270,601	3,381	**273,982**
SME's Corporate					
Strong	73,164	10	-	-	**73,174**
Satisfactory	379,556	63,857	-	-	**443,413**
Watch list (higher risk)	-	21,889	-	-	**21,889**
Default	-	-	23,272	-	**23,272**
Total gross amount	**452,720**	**85,756**	**23,272**	-	**561,748**
Loss allowance	2,979	3,483	9,076	-	**15,538**
Carrying amount	**449,741**	**82,273**	**14,196**	-	**546,210**
Collateral held for credit impaired assets	-	-	17,398	-	**17,398**

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

III. Analysis of loans and advances to customers by credit risk rating (continued)

	2018				
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**Total**
Public Sector Other					
Strong	672	-	-	-	**672**
Satisfactory	8,314	2,568	-	-	**10,882**
Watch list (higher risk)	-	-	-	-	-
Default	-	-	-	-	-
Total gross amount	**8,986**	**2,568**	-	-	**11,554**
Loss allowance	87	158	-	-	**245**
Carrying amount	**8,899**	**2,410**	-	-	**11,309**
Collateral held for credit impaired assets	-	-	-	-	**-**
Letters of guarantee, letters of credit and other guarantees					
Strong	228,249	-	-	-	**228,249**
Satisfactory	222,831	8,832	-	-	**231,663**
Watch list	-	1,598	-	-	**1,598**
Default	-	-	31,775	-	**31,775**
Exposure to credit risk	**451,080**	**10,430**	**31,775**	-	**493,285**
Loss allowance	668	172	3,783	-	**4,623**
Carrying amount	**450,412**	**10,258**	**27,992**	-	**488,662**
Collateral held for credit impaired assets	-	-	19,157	-	**19,157**
Undrawn loan agreements and credit limits					-
Strong	720,910	13,827	-	-	**734,737**
Satisfactory	529,204	122,436	-	-	**651,640**
Watch list	1,429	39,386	-	-	**40,815**
Default	-	-	2,660	-	**2,660**
Exposure to credit risk	**1,251,543**	**175,649**	**2,660**	-	**1,429,852**
Loss allowance	5,460	4,123	321	-	**9,904**
Carrying amount	**1,246,083**	**171,526**	**2,339**	-	**1,419,948**
Collateral held for credit impaired assets	-	-	127	-	**127**

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

IV. Ageing analysis of loans and advances to customers

	31.12.2019														
	Retail Lending														
	Mortgage					Consumer					Credit Card				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Current	4,383,853	516,305	16,357	935	**4,917,450**	607,368	101,154	7,708	1,182	**717,412**	67,791	12,824	49	-	**80,664**
1-30 days	209,800	183,560	6,437	-	**399,797**	42,911	44,761	3,411	8	**91,091**	3,321	5,732	32	-	**9,085**
31-60 days	-	70,420	8,290	71	**78,781**	-	18,834	3,279	44	**22,157**	-	1,217	9	-	**1,226**
61-90 days	-	42,693	17,777	152	**60,622**	-	11,010	6,307	960	**18,277**	-	541	18	-	**559**
91-180 days	-	-	13,312	110	**13,422**	-	-	9,099	7	**9,106**	-	-	506	-	**506**
181-360 days	-	-	3,952	-	**3,952**	-	-	7,522	-	**7,522**	-	-	218	-	**218**
>360 days	-	-	34,305	-	**34,305**	-	-	31,227	-	**31,227**	-	-	917	-	**917**
Total net amount	**4,593,653**	**812,978**	**100,430**	**1,268**	**5,508,329**	**650,279**	**175,759**	**68,553**	**2,201**	**896,792**	**71,112**	**20,314**	**1,749**	-	**93,175**
Value of collateral	4,501,112	798,909	133,941	1,708	**5,435,670**	248,664	64,066	66,298	2,675	**381,703**	-	-	-	-	-

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

IV. Ageing analysis of loans and advances to customers (continued)

	31.12.2019														
	Retail Lending					Corporate Lending									
	Other (Incl. SBL)					Large					SMEs				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Current	7,512	-	-	-	**7,512**	3,386,979	1,223,060	72,541	-	**4,682,580**	470,103	101,802	2,155	-	**574,060**
1-30 days	-	-	-	-	-	45,715	-	20,459	-	**66,174**	16,726	10,583	1,439	-	**28,748**
31-60 days	-	-	-	-	-	-	-	142	-	**142**	-	983	234	-	**1,217**
61-90 days	-	-	-	-	-	-	-	1,227	-	**1,227**	-	1,260	500	-	**1,760**
91-180 days	-	-	-	-	-	-	-	56,807	-	**56,807**	-	-	2,742	-	**2,742**
181-360 days	-	-	-	-	-	-	-	610	-	**610**	-	-	914	-	**914**
>360 days	-	-	-	-	-	-	-	23,719	2,653	**26,372**	-	-	5,869	-	**5,869**
Total net amount	**7,512**	-	-	-	**7,512**	**3,432,694**	**1,223,060**	**175,505**	**2,653**	**4,833,912**	**486,829**	**114,628**	**13,853**	-	**615,310**
Value of collateral	6,883	-	-	-	**6,883**	2,783,140	1,185,741	335,904	2,653	**4,307,438**	359,098	94,329	18,119	-	**471,546**

	Public Sector				
	Stage 1	Stage 2	Stage 3	POCI	Total
Current	6,443	1,121	-	-	**7,565**
1-30 days	-	864	-	-	**864**
31-60 days	-	-	-	-	-
61-90 days	-	-	-	-	-
91-180 days	-	-	-	-	-
181-360 days	-	-	-	-	-
>360 days	-	-	-	-	-
Total net amount	**6,443**	**1,986**	-	-	**8,429**
Market value of collateral	6,138	2,100	-	-	**8,238**

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

IV. Ageing analysis of loans and advances to customers (continued)

	31.12.2018														
	Retail Lending														
	Mortgage					Consumer					Credit Card				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Current	4,019,494	391,264	13,336	748	**4,424,842**	628,717	94,371	8,014	808	**731,910**	66,065	8,986	30	-	**75,081**
1-30 days	226,780	165,007	10,274	36	**402,097**	48,930	50,366	4,406	-	**103,702**	4,127	5,247	11	-	**9,385**
31-60 days	-	82,525	8,687	89	**91,301**	-	27,633	5,147	-	**32,780**	-	1,468	2	-	**1,470**
61-90 days	-	52,250	12,023	-	**64,273**	-	12,900	4,698	139	**17,737**	-	566	5	-	**571**
91-180 days	-	-	9,094	-	**9,094**	-	-	10,361	-	**10,361**	-	-	589	-	**589**
181-360 days	-	-	5,252	-	**5,252**	-	-	6,126	-	**6,126**	-	-	571	-	**571**
>360 days	-	-	42,409	-	**42,409**	-	-	29,641	-	**29,641**	-	-	707	-	**707**
Total net amount	**4,246,274**	**691,046**	**101,075**	**873**	**5,039,268**	**677,647**	**185,270**	**68,393**	**947**	**932,257**	**70,192**	**16,267**	**1,915**	-	**88,374**
Value of collateral	4,129,136	675,652	134,574	1,258	**4,940,620**	269,632	67,678	75,541	947	**413,798**	-	-	-	-	-

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

IV. Ageing analysis of loans and advances to customers (continued)

	31.12.2018														
	Retail Lending					Corporate Lending									
	Other (Incl. SBL)					Large					SMEs				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Current	3,242	907	-	-	**4,149**	3,100,467	1,264,500	74,937	-	**4,439,904**	439,140	74,853	2,186	-	**516,179**
1-30 days	-	271	-	-	**271**	8,183	5,937	26,231	-	**40,351**	10,601	5,860	843	-	**17,304**
31-60 days	-	-	-	-	-	-	239	1,536	793	**2,568**	-	811	622	-	**1,433**
61-90 days	-	-	-	-	-	-	1	-	-	**1**	-	749	1,388	-	**2,137**
91-180 days	-	-	-	-	-	-	-	5	2,588	**2,593**	-	-	935	-	**935**
181-360 days	-	-	-	-	-	-	-	1,462	-	**1,462**	-	-	3,101	-	**3,101**
>360 days	-	-	66	-	**66**	-	-	44,655	-	**44,655**	-	-	5,121	-	**5,121**
Total net amount	**3,242**	**1,178**	**66**	-	**4,486**	**3,108,650**	**1,270,677**	**148,826**	**3,381**	**4,531,534**	**449,741**	**82,273**	**14,196**	-	**546,210**
Value of collateral	2,667	800	93	-	**3,560**	2,683,440	1,161,150	270,601	3,381	**4,118,572**	327,495	72,164	17,398	-	**417,057**

	Public Sector				
	Stage 1	Stage 2	Stage 3	POCI	Total
Current	8,899	1,297	-	-	**10,196**
1-30 days	-	1,113	-	-	**1,113**
31-60 days	-	-	-	-	-
61-90 days	-	-	-	-	-
91-180 days	-	-	-	-	-
181-360 days	-	-	-	-	-
>360 days	-	-	-	-	-
Total net amount	**8,899**	**2,410**	-	-	**11,309**
Market value of collateral	8,735	2,568	-	-	**11,303**

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

V. Loan-to value ratio (LTV) of mortgage lending

Mortgages	**31.12.2019**	**31.12.2018**
Less than 50%	732,558	604,447
50%-70%	1,139,173	955,910
71%-80%	1,082,921	859,666
81%-90%	1,169,922	969,570
91%-100%	691,610	816,449
101%-120%	398,681	464,620
121%-150%	215,581	260,410
Greater than 150%	179,782	226,346
Total exposure	**5,610,228**	**5,157,418**
Average LTV	74%	77%

VI. Repossessed collaterals

Details of assets recognized by the Bank during the year by taking possession of collateral held as security against loans and advances at the year-end are shown below:

	31.12.2019				
	Balance Sheet balances		**Disposals during the year**		
	Carrying amount of collaterals repossessed 31.12.2019	**Of which in 2019**	**Disposals**	**Net sale price**	**Net gain/ (loss) on disposal**
Real estate	**7,633**	**252**	**2,059**	**2,502**	**443**
- Residential	518	252	556	528	(28)
- Commercial	7,115	-	1,503	1,974	471
Other	**-**	**-**	**-**	**-**	**-**

	31.12.2018				
	Balance Sheet balances		**Disposals during the year**		
	Carrying amount of collaterals repossessed 31.12.2018	**Of which in 2018**	**Disposals**	**Net sale price**	**Net gain/ (loss) on disposal**
Real estate	**9,440**	**377**	**4,909**	**4,312**	**(597)**
- Residential	822	377	1,243	301	26
- Commercial	8,618	-	3,666	4,011	(623)
Other	**-**	**-**	**-**	**-**	**-**

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

VII. Breakdown of collateral and guarantees

	31.12.2019				
	Value of collateral received				
	Real estate collateral	Financial collateral	Other collateral	Total value of collateral	Guarantees received
Retail Lending	5,279,371	27,565	517,320	**5,824,256**	37,899
Corporate Lending	3,690,330	269,701	818,953	**4,778,984**	4,638,966
Public Sector	219	-	8,019	**8,238**	500
Total	**8,969,920**	**297,266**	**1,344,292**	**10,611,478**	**4,677,365**

	31.12.2018				
	Value of collateral received				
	Real estate collateral	Financial collateral	Other collateral	Total value of collateral	Guarantees received
Retail Lending	4,754,847	29,173	573,958	**5,357,978**	30,603
Corporate Lending	3,096,046	557,697	881,886	**4,535,629**	4,331,795
Public Sector	-	-	11,303	**11,303**	500
Total	**7,850,893**	**586,870**	**1,467,147**	**9,904,910**	**4,362,898**

Guarantees received include corporate and personal guarantees.

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

VIII. Analysis of forborne loans and advances to customers

	31.12.2019		
	Total amount of L&As	**Total amount of forborne L&As**	**Forborne Loans and Advances (%)**
Stage 1	9,277,156	-	0%
Stage 2	2,408,240	113,127	5%
Stage 3	758,565	536,062	71%
POCI	8,258	5,037	61%
Exposure before impairment	**12,452,219**	**654,226**	**5%**
Stage 1 Allowance	28,634	-	0%
Stage 2 Allowance	59,515	6,921	12%
Stage 3 Allowance	398,475	279,081	70%
POCI Allowance /FVA	2,136	2,085	98%
Total Net Amount	**11,963,459**	**366,139**	**3%**
Value of collateral	10,611,478	554,284	5%

	31.12.2018		
	Total amount of L&As	**Total amount of forborne L&As**	**Forborne Loans and Advances (%)**
Stage 1	8,594,752	-	0%
Stage 2	2,338,818	265,111	11%
Stage 3	707,445	427,062	60%
POCI	6,297	2,430	39%
Exposure before impairment	**11,647,312**	**694,603**	**6%**
Stage 1 Allowance	30,107	-	0%
Stage 2 Allowance	89,697	26,992	30%
Stage 3 Allowance	372,974	191,944	51%
POCI Allowance /FVA	1,096	1,027	94%
Total Net Amount	**11,153,438**	**474,640**	**4%**
Value of collateral	9,904,910	516,494	5%

The other assets exposed to credit risk are classified based on counterparty's country risk as following:

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

IX. Credit quality per class of other financial assets

	31.12.2019				
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**Total**
Balances with Central Bank					
AAA	-	-	-	-	-
AA+ to AA-	-	-	-	-	-
A+ to A-	-	-	-	-	-
BBB+ to BBB-	2,197,748	-	-	-	2,197,748
Lower than BBB-	-	-	-	-	-
Unrated	-	-	-	-	-
Exposure before impairment	**2,197,748**	-	-	-	**2,197,748**
Loss allowance	-	-	-	-	-
Carrying amount	**2,197,748**	-	-	-	**2,197,748**
Due from Banks					
AAA	-	-	-	-	-
AA+ to AA-	1,285,045	-	-	-	1,285,045
A+ to A-	6,771	-	-	-	6,771
BBB+ to BBB-	336,204	-	-	-	336,204
Lower than BBB-	-	-	-	-	-
Unrated	72,574	-	-	-	72,574
Exposure before impairment	**1,700,594**	-	-	-	**1,700,594**
Loss allowance	(77)	-	-	-	(77)
Carrying amount	**1,700,517**	-	-	-	**1,700,517**

	31.12.2019				
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**Total**
Debt Investment Securities at FVOCI					
AAA	-	-	-	-	-
AA+ to AA-	113	-	-	-	113
A+ to A-	17,900	-	-	-	17,900
BBB+ to BBB-	1,220,846	-	-	-	1,220,846
Lower than BBB-	9,787	-	-	-	9,787
Unrated	-	-	-	-	-
Exposure before impairment	**1,248,646**	-	-	-	**1,248,646**
Loss allowance	(436)	-	-	-	(436)
Carrying amount	**1,248,210**	-	-	-	**1,248,210**

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

IX. Credit quality per class of other financial assets (continued)

	31.12.2018				
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**Total**
Balances with Central Bank					
AAA	-	-	-	-	-
AA+ to AA-	-	-	-	-	-
A+ to A-	-	-	-	-	-
BBB+ to BBB-	2,395,632	-	-	-	2,395,632
Lower than BBB-	-	-	-	-	-
Unrated	-	-	-	-	-
Exposure before impairment	**2,395,632**	-	-	-	**2,395,632**
Loss allowance	(431)	-	-	-	(431)
Carrying amount	**2,395,201**	-	-	-	**2,395,201**
Due from Banks					
AAA	-	-	-	-	-
AA+ to AA-	328,281	-	-	-	328,281
A+ to A-	48,217	-	-	-	48,217
BBB+ to BBB-	76,330	122,808	-	-	199,138
Lower than BBB-	810,677	-	-	-	810,677
Unrated	-	320,104	-	-	320,104
Exposure before impairment	**1,263,505**	**442,912**	-	-	**1,706,417**
Loss allowance	(288)	(100)	-	-	(388)
Carrying amount	**1,263,217**	**442,812**	-	-	**1,706,029**

	31.12.2018				
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**Total**
Debt Investment Securities at FVOCI					
AAA	-	-	-	-	-
AA+ to AA-	111	-	-	-	111
A+ to A-	12,295	-	-	-	12,295
BBB+ to BBB-	1,206,099	-	-	-	1,206,099
Lower than BBB-	77	-	-	-	77
Unrated	-	-	-	-	-
Exposure before impairment	**1,218,582**	-	-	-	**1,218,582**
Loss allowance	(217)	-	-	-	(217)
Carrying amount	**1,218,365**	-	-	-	**1,218,365**

4. RISK MANAGEMENT (CONTINUED)
b) Credit Risk (continued)
iii) Exposure to credit risk (continued)
X. Risk concentrations of the maximum exposure to credit risk

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

The Bank monitors on a regular basis concentration risk through detail reporting which informs Senior management and the Board of Directors. According to the supervisory framework, the Bank 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 III.

As at 31 December 2019 and 31 December 2018, an industry sector analysis of the Bank's financial assets exposed to credit risk is as follows (before any impairment for credit risk):

	31.12.2019									
	Financial Institutions and other financial services	**Manufacturing**	**Construction and real estate**	**Wholesale and retail trade**	**Public sector/ Government securities**	**Transportation**	**Hotels-Tourism**	**Services and other sectors**	**Retail and small businesses**	**Total**
Credit risk exposure relating to balance sheet items										
Balances with Central Banks	2,197,748	-	-	-	-	-	-	-	-	**2,197,748**
Due from banks	1,700,594	-	-	-	-	-	-	-	-	**1,700,594**
Loans and advances to customers at amortized cost	317,324	548,148	2,534,688	945,240	8,605	419,932	278,251	645,835	6,754,196	**12,452,219**
Debt Investment Securities at FVOCI	18,996	-	-	-	1,219,940	-	-	9,710	-	**1,248,646**
Total amount of balance sheet items exposed to credit risk (a)	**4,234,662**	**548,148**	**2,534,688**	**945,240**	**1,228,545**	**419,932**	**278,251**	**655,545**	**6,754,196**	**17,599,207**
Other assets not subject to credit risk	709,206	-	-	-	-	-	-	-	-	**709,206**
Total assets	**4,943,868**	**548,148**	**2,534,688**	**945,240**	**1,228,545**	**419,932**	**278,251**	**655,545**	**6,754,196**	**18,308,413**
Credit risk exposure relating to off-balance sheet items										
Letters of guarantee and letters of credit	122,993	51,068	156,845	62,663	-	5,575	22,710	193,671	436	**615,961**
Undrawn credit facilities	141,842	237,029	348,865	435,107	10,000	16,919	49,163	221,910	286,917	**1,747,752**
Total amount of off-balance sheet items exposed to credit risk (b)	**264,835**	**288,097**	**505,710**	**497,770**	**10,000**	**22,494**	**71,873**	**415,581**	**287,353**	**2,363,713**
Total credit risk exposure (a + b)	**4,499,497**	**836,245**	**3,040,398**	**1,443,010**	**1,238,545**	**442,426**	**350,124**	**1,071,126**	**7,041,549**	**19,962,920**

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

X. Risk concentrations of the maximum exposure to credit risk (continued)

	31.12.2018									
	Financial Institutions and other financial services	Manufacturing	Construction and real estate	Wholesale and retail trade	Public sector/ Government securities	Transportation	Hotels-Tourism	Services and other sectors	Retail and small businesses	Total
Credit risk exposure relating to balance sheet items										
Balances with Central Banks	2,395,632	-	-	-	-	-	-	-	-	**2,395,632**
Due from banks	1,706,417	-	-	-	-	-	-	-	-	**1,706,417**
Loans and advances to customers at amortized cost	331,221	576,036	2,365,605	765,009	11,554	377,817	237,891	666,607	6,315,572	**11,647,312**
Debt Investment Securities at FVOCI	13,394	-	-	-	1,205,188	-	-	-	-	**1,218,582**
Total amount of balance sheet items exposed to credit risk (a)	**4,446,664**	**576,036**	**2,365,605**	**765,009**	**1,216,742**	**377,817**	**237,891**	**666,607**	**6,315,572**	**16,967,943**
Other assets not subject to credit risk	481,641	-	-	-	-	-	-	-	-	**481,641**
Total assets	**4,928,305**	**576,036**	**2,365,605**	**765,009**	**1,216,742**	**377,817**	**237,891**	**666,607**	**6,315,572**	**17,449,584**
Credit risk exposure relating to off-balance sheet items										
Letters of guarantee and letters of credit	68,394	35,352	131,561	67,163	-	8,485	13,608	168,670	52	**493,285**
Undrawn credit facilities	129,295	151,220	249,094	303,331	500	22,459	56,013	257,061	260,879	**1,429,852**
Total amount of off-balance sheet items exposed to credit risk (b)	**197,689**	**186,572**	**380,655**	**370,494**	**500**	**30,944**	**69,621**	**425,731**	**260,931**	**1,923,137**
Total credit risk exposure (a + b)	**4,644,353**	**762,608**	**2,746,260**	**1,135,503**	**1,217,242**	**408,761**	**307,512**	**1,092,338**	**6,576,503**	**18,891,080**

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

XI. Exposure to higher risk Eurozone countries

For the purpose of this disclosure higher risk Eurozone country was considered Greece, therefore the table below set out the Bank direct exposure to this country:

	31-Dec 2019	31-Dec 2018
Due from other banks	908,220	810,611
Impairment loss	(15)	(182)
Total	**908,205**	**810,429**

As at 31 December 2019, the direct exposure refers to current accounts and deposits placed to Greek banks (mainly placements and a reverse repo transaction with Alpha Bank A.E).

XII. Credit risk disclosure of financial instruments

This disclosure presents information regarding credit risk for the categories of financial instruments for which expected credit losses are recognized, in accordance with IFRS 9.

It is particularly presented the classification of financial instruments and a reconciliation of impairment losses per stage as at 31 December 2019 and 31 December 2018:

a. Due from Banks

	31.12.2019				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Due from banks					
Book value before impairment	1,700,594	-	-	-	**1,700,594**
Expected credit losses	(77)	-	-	-	**(77)**
Net book value	**1,700,517**	-	-	-	**1,700,517**

	31.12.2018				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Due from banks					
Book value before impairment	1,263,505	442,912	-	-	**1,706,417**
Expected credit losses	(288)	(100)	-	-	**(388)**
Net book value	**1,263,217**	**442,812**	**-**	**-**	**1,706,029**

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued*)*

iii) Exposure to credit risk (continued)

XII. Credit risk disclosure of financial instruments (continued)

a. Due from Banks (continued)

	Accumulated allowance for impairment losses				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Opening balance 1.1.2018	**15**	**9**	-	-	**24**
Changes for the period 1.1. – 31.12.2018			-	-	
Transfer to stage 1 (from 2 or 3)	(29)	29	-	-	**-**
Transfer to stage 2 (from 1 or 3)	526	(526)	-	-	**-**
Reassessment of expected credit losses	(1,831)	92	-	-	**(1,739)**
Impairment on initial recognition	2,098	-	-	-	**2,098**
Foreign exchange differences and other movements	(491)	496	-	-	**5**
Balance 31.12.2018	**288**	**100**	-	-	**388**
Changes for the period 1.1. – 31.12.2019					
Transfer to stage 1 (from 2 or 3)	12	(12)	-	-	**-**
Transfer to stage 2 (from 1 or 3)	-	-	-	-	-
Reassessment of expected credit losses	(1,674)	(101)	-	-	**(1,775)**
Impairment on initial recognition	1,457	-	-	-	**1,457**
Foreign exchange differences and other movements	(6)	13	-	-	**7**
Balance 31.12.2019	**77**	**-**	-	-	**77**

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued*)*

iii) Exposure to credit risk (continued)

XII. Credit risk disclosure of financial instruments (continued)

b. Loans to customers measured at amortized cost

The following table presents loans measured at amortized cost per IFRS 9 stage, as at 31.12.2019:

	31.12.2019				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Mortgage					
Book value before impairment	4,594,460	819,969	193,717	2,082	**5,610,228**
Expected credit losses	(807)	(6,991)	(93,287)	(814)	**(101,899)**
Net book value	**4,593,653**	**812,978**	**100,430**	**1,268**	**5,508,329**
Consumer					
Book value before impairment	653,785	187,180	191,186	3,523	**1,035,674**
Expected credit losses	(3,506)	(11,421)	(122,633)	(1,322)	**(138,882)**
Net book value	**650,279**	**175,759**	**68,553**	**2,201**	**896,792**
Credit cards					
Book value before impairment	71,627	22,309	6,721	-	**100,657**
Expected credit losses	(515)	(1,995)	(4,972)	-	**(7,482)**
Net book value	**71,112**	**20,314**	**1,749**	-	**93,175**
Small Business					
Book value before impairment	7,638	-	-	-	**7,638**
Expected credit losses	(126)	-	-	-	**(126)**
Net book value	**7,512**	-	-	-	**7,512**
Total retail loans					
Book value before impairment	5,327,510	1,029,458	391,624	5,605	**6,754,197**
Expected credit losses	(4,954)	(20,407)	(220,892)	(2,136)	**(248,389)**
Net book value	**5,322,556**	**1,009,051**	**170,732**	**3,469**	**6,505,808**
Corporate and public sector					
Book value before impairment	3,949,646	1,378,782	366,941	2,653	**5,698,022**
Expected credit losses	(23,680)	(39,108)	(177,583)	-	**(240,371)**
Net book value	**3,925,966**	**1,339,674**	**189,358**	**2,653**	**5,457,651**
Loans and advances to customers					
Book value before impairment	9,277,156	2,408,240	758,565	8,258	**12,452,219**
Expected credit losses	(28,634)	(59,515)	(398,475)	(2,136)	**(488,760)**
Net book value	**9,248,522**	**2,348,725**	**360,090**	**6,122**	**11,963,459**

"Purchased or originated credit impaired loans" (POCI) include loans amounting to RON 2.38 million, which as of 31.12.2019 are not impaired/non performing.

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued*)*

iii) Exposure to credit risk (continued)

XII. Credit risk disclosure of financial instruments (continued)

b. Loans to customers measured at amortized cost (continued)

The following table presents loans measured at amortized cost per IFRS 9 stage, as at 31.12.2018:

	31.12.2018				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Mortgage					
Book value before impairment	4,247,720	700,985	207,206	1,507	**5,157,418**
Expected credit losses	(1,446)	(9,939)	(106,131)	(634)	**(118,150)**
Net book value	**4,246,274**	**691,046**	**101,075**	**873**	**5,039,268**
Consumer					
Book value before impairment	683,995	199,409	175,167	1,409	**1,059,980**
Expected credit losses	(6,348)	(14,139)	(106,774)	(462)	**(127,723)**
Net book value	**677,647**	**185,270**	**68,393**	**947**	**932,257**
Credit cards					
Book value before impairment	70,388	17,903	5,319	-	**93,610**
Expected credit losses	(196)	(1,636)	(3,404)	-	**(5,236)**
Net book value	**70,192**	**16,267**	**1,915**	**-**	**88,374**
Small Business					
Book value before impairment	3,289	1,183	93	-	**4,565**
Expected credit losses	(47)	(5)	(27)	-	**(79)**
Net book value	**3,242**	**1,178**	**66**	**-**	**4,486**
Total retail loans					
Book value before impairment	5,005,392	919,480	387,785	2,916	**6,315,573**
Expected credit losses	(8,037)	(25,719)	(216,336)	(1,096)	**(251,188)**
Net book value	**4,997,355**	**893,761**	**171,449**	**1,820**	**6,064,385**
Corporate and public sector					
Book value before impairment	3,589,360	1,419,338	319,660	3,381	**5,331,739**
Expected credit losses	(22,070)	(63,978)	(156,638)	-	**(242,686)**
Net book value	**3,567,290**	**1,355,360**	**163,022**	**3,381**	**5,089,053**
Loans and advances to customers					
Book value before impairment	8,594,752	2,338,818	707,445	6,297	**11,647,312**
Expected credit losses	(30,107)	(89,697)	(372,974)	(1,096)	**(493,874)**
Net book value	**8,564,645**	**2,249,121**	**334,471**	**5,201**	**11,153,438**

"Purchased or originated credit impaired loans" (POCI) include loans amounting to RON 2 million, which as of 31.12.2018 were not impaired/non-performing.

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

XII. Credit risk disclosure of financial instruments (continued)

b. Loans to customers measured at amortized cost (continued)

The following table presents the movement of accumulated allowance for impairment losses during the year 2019:

	Retail					Corporate and public sector					Total				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance 1.1.2019	**8,037**	**25,719**	**216,337**	**1,096**	**251,189**	**22,070**	**63,978**	**156,638**	**-**	**242,686**	**30,107**	**89,697**	**372,975**	**1,096**	**493,875**
Transfer to stage 1 (from 2 or 3)	5,217	(4,665)	(552)	-	**-**	10,347	(10,347)	-	-	-	15,564	(15,012)	(552)	-	-
Transfer to stage 2 (from 1 or 3)	(509)	11,929	(11,420)	-	-	(1,269)	1,482	(213)	-	-	(1,778)	13,411	(11,633)	-	-
Transfer to stage 3 (from 1 or 2)	(280)	(5,841)	6,121	-	-	(54)	(16,141)	16,195	-	-	(334)	(21,982)	22,316	-	-
Net remeasurement of loss allowance	(5,507)	(8,273)	18,054	(626)	**3,648**	(19,941)	(13,186)	32,390	-	**(737)**	(25,448)	(21,459)	50,444	(626)	**2,911**
Impairment losses on new assets	9,459	-	-	429	**9,888**	23,151	-	-	-	**23,151**	32,610	-	-	429	**33,039**
Changes in models/risk parameters	(2,036)	(2,788)	9,129	(39)	**4,266**	(2,501)	(7,371)	2,656	-	**(7,216)**	(4,537)	(10,159)	11,785	(39)	**(2,950)**
Initial recognition of financial assets	-	-	-	346	**346**	-	-	-	-	-	-	-	-	346	**346**
Derecognition of loans	(9)	(39)	(449)	-	**(497)**	(8)	(75)	-	-	**(83)**	(17)	(114)	(449)	-	**(580)**
Write-offs	-	-	(20,063)	-	**(20,063)**	-	-	(25,215)	-	**(25,215)**	-	-	(45,278)	-	**(45,278)**
Foreign exchange differences and other movements	(9,418)	4,365	3,823	(19)	**(1,249)**	(8,115)	20,768	(4,747)	-	**7,906**	(17,533)	25,133	(924)	(19)	**6,657**
Change in the present value of the allowance account	-	-	(88)	949	**861**	-	-	(121)	-	**(121)**	-	-	(209)	949	**740**
Balance 31.12.2019	**4,954**	**20,407**	**220,892**	**2,136**	**248,389**	**23,680**	**39,108**	**177,583**	**-**	**240,371**	**28,634**	**59,515**	**398,475**	**2,136**	**488,760**

where:
Net remeasurement of loss allowance present the impairment charge recorded in the reference period regarding the accounts transferred from one stage to another.
Impairment losses on new assets present the impairment charge recorded in the reference period regarding new loans originated or purchased within the reporting period, with their stage as of the moment of origination.
Changes in models/risk parameters present the impairment charge recorded in the reference period regarding the accounts that remained in the same stage within the reference period.

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued*)*

iii) Exposure to credit risk (continued)

XII. Credit risk disclosure of financial instruments (continued)

b. Loans to customers measured at amortized cost (continued)

The following table presents the movement of accumulated allowance for impairment losses during the year 2018:

	Retail					Corporate and public sector					Total				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance 1.1.2018	**4,985**	**18,760**	**210,207**	**905**	**234,857**	**14,774**	**66,726**	**145,702**	**-**	**227,202**	**19,759**	**85,486**	**355,909**	**905**	**462,059**
Transfer to stage 1 (from 2 or 3)	3,692	(3,415)	(277)	-	-	10,724	(10,724)	-	-	-	14,416	(14,139)	(277)	-	-
Transfer to stage 2 (from 1 or 3)	(408)	8,477	(8,069)	-	-	(793)	1,101	(308)	-	-	(1,201)	9,578	(8,377)	-	-
Transfer to stage 3 (from 1 or 2)	(132)	(2,795)	2,927	-	-	(266)	(1,364)	1,630	-	-	(398)	(4,159)	4,557	-	-
Net remeasurement of loss allowance	(3,749)	(1,882)	6,610	168	**1,147**	(15,747)	(2,096)	20,684	-	**2,841**	(19,496)	(3,978)	27,294	168	**3,988**
Impairment losses on new assets	9,328	-	-	-	**9,328**	10,885	-	-	-	**10,885**	20,213	-	-	-	**20,213**
Changes in models/risk parameters	2,842	(750)	(3,641)	(106)	**(1,655)**	3,214	8,658	1,378	-	**13,250**	6,056	7,908	(2,263)	(106)	**11,595**
Derecognition of loans	(2)	(9)	(1,323)	-	**(1,334)**	(8)	(12)	-	-	**(20)**	(10)	(21)	(1,323)	-	**(1,354)**
Write-offs	-	-	(1,118)	-	**(1,118)**	-	-	(22,594)	-	**(22,594)**	-	-	(23,712)	-	**(23,712)**
Foreign exchange differences and other movements	(8,519)	7,333	10,406	36	**9,256**	(713)	1,689	3,569	-	**4,545**	(9,232)	9,022	13,975	36	**13,801**
Change in the present value of the allowance account	-	-	614	93	**707**	-	-	6,577	-	**6,577**	-	-	7,191	93	**7,284**
Balance 31.12.2018	**8,037**	**25,719**	**216,336**	**1,096**	**251,188**	**22,070**	**63,978**	**156,638**	**-**	**242,686**	**30,107**	**89,697**	**372,974**	**1,096**	**493,874**

where:

Net remeasurement of loss allowance present the impairment charge recorded in the reference period regarding the accounts transferred from one stage to another.
Impairment losses on new assets present the impairment charge recorded in the reference period regarding new loans originated or purchased within the reporting period, with their Stage as of the moment of origination.
Changes in models/risk parameters present the impairment charge recorded in the reference period regarding the accounts that remained in the same stage within the reference period.

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

XII. Credit risk disclosure of financial instruments (continued)

b. Loans to customers measured at amortized cost (continued)

The following table presents the movement in the loans measured at amortized cost by IFRS 9 Stage during the year 2019:

	Retail					Corporate and public sector					Total				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross balance 1.1.2019	**5,005,389**	**919,481**	**387,786**	**2,916**	**6,315,572**	**3,589,362**	**1,419,336**	**319,660**	**3,381**	**5,331,739**	**8,594,751**	**2,338,817**	**707,446**	**6,297**	**11,647,311**
Transfer to stage 1 (from 2 or 3)	284,752	(283,055)	(1,697)	-	**-**	172,566	(172,566)	-	-	-	457,318	(455,621)	(1,697)	-	-
Transfer to stage 2 (from 1 or 3)	(292,423)	327,670	(35,247)	-	-	(257,876)	274,670	(16,794)	-	-	(550,299)	602,340	(52,041)	-	-
Transfer to stage 3 (from 1 or 2)	(18,116)	(53,162)	71,278	-	-	(10,141)	(112,190)	122,331	-	-	(28,257)	(165,352)	193,609	-	-
New financial assets originated or purchased	1,068,408	-	-	1,021	**1,069,429**	1,309,993	-	-	-	**1,309,993**	2,378,401	-	-	1,021	**2,379,422**
Derecognition of financial assets	(12,137)	(2,466)	(1,358)	-	**(15,961)**	(373)	(1,645)	-	-	**(2,018)**	(12,510)	(4,111)	(1,358)	-	**(17,979)**
Interest on gross carrying amount	289,358	61,285	11,018	(656)	**361,005**	174,505	46,951	16,220	-	**237,676**	463,863	108,236	27,238	(656)	**598,681**
Changes due to modifications that did not result in derecognition	(452)	(70)	19	-	**(503)**	25	(305)	(8)	-	**(288)**	(427)	(375)	11	-	**(791)**
Write-offs	-	-	(20,063)	-	**(20,063)**	-	-	(25,215)	-	**(25,215)**	-	-	(45,278)	-	**(45,278)**
Repayments, foreign exchange and other changes	(997,269)	59,775	(20,112)	2,324	**(955,282)**	(1,028,415)	(75,469)	(49,253)	(728)	**(1,153,865)**	(2,025,684)	(15,694)	(69,365)	1,596	**(2,109,147)**
Gross balance 31.12.2019	**5,327,510**	**1,029,458**	**391,624**	**5,605**	**6,754,197**	**3,949,646**	**1,378,782**	**366,941**	**2,653**	**5,698,022**	**9,277,156**	**2,408,240**	**758,565**	**8,258**	**12,452,219**
Accumulated allowance for impairment losses	(4,954)	(20,407)	(220,892)	(2,136)	**(248,389)**	(23,680)	(39,108)	(177,583)	-	**(240,371)**	(28,634)	(59,515)	(398,475)	(2,136)	**(488,760)**
Balance 31.12.2019	**5,322,556**	**1,009,051**	**170,732**	**3,469**	**6,505,808**	**3,925,966**	**1,339,674**	**189,358**	**2,653**	**5,457,651**	**9,248,522**	**2,348,725**	**360,090**	**6,122**	**11,963,459**

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

XII. Credit risk disclosure of financial instruments (continued)

b. Loans to customers measured at amortized cost (continued)

The following table presents the movement in the loans measured at amortized cost by IFRS 9 Stage during the year 2018:

	Retail					Corporate and public sector					Total				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross balance 1.1.2018	**4,925,350**	**679,233**	**392,444**	**2,137**	**5,999,164**	**3,501,327**	**1,583,812**	**287,879**	**-**	**5,373,018**	**8,426,677**	**2,263,045**	**680,323**	**2,137**	**11,372,182**
Transfer to stage 1 (from 2 or 3)	193,529	(192,003)	(1,526)	-	-	293,313	(293,313)	-	-	-	486,842	(485,316)	(1,526)	-	-
Transfer to stage 2 (from 1 or 3)	(313,622)	337,461	(23,839)	-	-	(296,938)	297,809	(871)	-	-	(610,560)	635,270	(24,710)	-	-
Transfer to stage 3 (from 1 or 2)	(12,124)	(32,155)	44,279	-	-	(41,311)	(31,452)	72,763	-	-	(53,435)	(63,607)	117,042	-	-
New financial assets originated or purchased	937,180	-	-	641	**937,821**	1,322,194	-	-	3,381	**1,325,575**	2,259,374	-	-	4,022	**2,263,396**
Derecognition of financial assets	(7,294)	(668)	(3,678)	-	**(11,640)**	(48,202)	(23,362)	-	-	**(71,564)**	(55,496)	(24,030)	(3,678)	-	**(83,204)**
Interest on gross carrying amount	259,008	48,385	11,100	37	**318,530**	167,404	43,465	16,574	695	**228,138**	426,412	91,850	27,674	732	**546,668**
Changes due to modifications that did not result in derecognition	(207)	(25)	16	-	**(216)**	(6,172)	(158)	(210)	-	**(6,540)**	(6,379)	(183)	(194)	-	**(6,756)**
Write-offs	-	-	(1,118)	-	**(1,118)**	-	-	(22,594)	-	**(22,594)**	-	-	(23,712)	-	**(23,712)**
Repayments, foreign exchange and other changes	(976,428)	79,252	(29,893)	101	**(926,968)**	(1,302,255)	(157,463)	(33,881)	(695)	**(1,494,294)**	(2,278,683)	(78,211)	(63,774)	(594)	**(2,421,262)**
Gross balance 31.12.2018	**5,005,392**	**919,480**	**387,785**	**2,916**	**6,315,573**	**3,589,360**	**1,419,338**	**319,660**	**3,381**	**5,331,739**	**8,594,752**	**2,338,818**	**707,445**	**6,297**	**11,647,312**
Accumulated allowance for impairment losses	(8,037)	(25,719)	(216,336)	(1,096)	**(251,188)**	(22,070)	(63,978)	(156,638)	-	**(242,686)**	(30,107)	(89,697)	(372,974)	(1,096)	**(493,874)**
Balance 31.12.2018	**4,997,355**	**893,761**	**171,449**	**1,820**	**6,064,385**	**3,567,290**	**1,355,360**	**163,022**	**3,381**	**5,089,053**	**8,564,645**	**2,249,121**	**334,471**	**5,201**	**11,153,438**

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

XII. Credit risk disclosure of financial instruments (continued)

c. Off-Balance Sheet instruments

Off-Balance Sheet instruments include as at 31 December 2019 undrawn loan commitments and letters of credit/letters of guarantee, the movement of which is shown below:

	Loan Commitments and financial guarantee contracts			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross balance 1.1.2019	**1,702,623**	**186,079**	**34,435**	**1,923,137**
Transfer to stage 1 (from 2 or 3)	86,527	(85,836)	(691)	-
Transfer to stage 2 (from 1 or 3)	(39,962)	40,083	(121)	-
Transfer to stage 3 (from 1 or 2)	-	(37)	37	-
New financial instruments originated or purchased	909,830	-	-	**909,830**
Foreign exchange and other changes	(481,103)	29,385	(17,536)	**(469,254)**
Gross balance 31.12.2019	**2,177,915**	**169,674**	**16,124**	**2,363,713**
Accumulated allowance for impairment losses	(8,230)	(7,473)	(2,146)	**(17,849)**
Balance 31.12.2019	**2,169,685**	**162,201**	**13,978**	**2,345,864**

The Bank has recognized expected credit losses for the undrawn credit facilities and letters of credit and letters of guarantee, the movement of which is presented in the following table:

	31.12.2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance 1.1.2019	**6,128**	**4,295**	**4,104**	**14,527**
Transfer to stage 1 (from 2 or 3)	567	(466)	(101)	-
Transfer to stage 2 (from 1 or 3)	(235)	251	(16)	-
Transfer to stage 3 (from 1 or 2)	-	(15)	15	-
Net remeasurement of expected credit losses	(3,693)	2,954	(3,112)	**(3,851)**
Impairment losses on new off balance sheet items	6,368	-	-	**6,368**
Changes in models/risk parameters	(784)	150	1,289	**655**
Foreign exchange differences and other movements	(121)	304	(33)	**150**
Balance 31.12.2019	**8,230**	**7,473**	**2,146**	**17,849**

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued*)*

iii) Exposure to credit risk (continued)

XII. Credit risk disclosure of financial instruments (continued)

c. Off-Balance Sheet instruments (continued)

Off-Balance Sheet instruments include undrawn loan commitments and letters of credit/letters of guarantee, the movement of which is shown below for 2018:

	Loan Commitments and financial guarantee contracts			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross balance 1.1.2018	**1,349,503**	**323,202**	**16,116**	**1,688,821**
Transfer to stage 1 (from 2 or 3)	204,116	(204,101)	(15)	**-**
Transfer to stage 2 (from 1 or 3)	(49,981)	50,388	(407)	**-**
Transfer to stage 3 (from 1 or 2)	(40,860)	(1,049)	41,909	**-**
New financial instruments originated or purchased	628,932	-	-	**628,932**
Foreign exchange and other changes	(389,087)	17,639	(23,168)	**(394,616)**
Gross balance 31.12.2018	**1,702,623**	**186,079**	**34,435**	**1,923,137**
Accumulated allowance for impairment losses	(6,127)	(4,295)	(4,105)	**(14,527)**
Balance 31.12.2018	**1,696,496**	**181,784**	**30,330**	**1,908,610**

The Bank has recognized expected credit losses for the undrawn credit facilities and letters of credit and letters of guarantee, the movement of which is presented in the following table:

	31.12.2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance 1.1.2018	**1,945**	**6,451**	**2,963**	**11,359**
Transfer to stage 1 (from 2 or 3)	2,364	(2,364)	-	-
Transfer to stage 2 (from 1 or 3)	(131)	155	(24)	-
Transfer to stage 3 (from 1 or 2)	(203)	(2)	205	-
Net remeasurement of expected credit losses	(1,093)	(1,437)	1,118	**(1,412)**
Impairment losses on new off balance sheet items	3,579	-	-	**3,579**
Changes in models/risk parameters	(365)	1,122	228	**985**
Foreign exchange differences and other movements	31	370	(385)	**16**
Balance 31.12.2018	**6,127**	**4,295**	**4,105**	**14,527**

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

iii) Exposure to credit risk (continued)

XII. Credit risk disclosure of financial instruments (continued)

d. Investment securities measured at fair value through other comprehensive income

The following table presents the classification of investment securities per stage and the reconciliation of accumulated impairment per stage:

	31.12.2019				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Other Government bonds					
Expected credit losses	(220)	-	-	-	**(220)**
Fair value	1,219,720	-	-	-	**1,219,720**
Other securities		-	-	-	
Expected credit losses	(216)	-	-	-	**(216)**
Fair value	28,490	-	-	-	**28,490**
Total of investment securities measured as at fair value through other comprehensive income		-	-	-	
Expected credit losses	**(436)**	-	-	-	**(436)**
Fair value	**1,248,210**	-	-	-	**1,248,210**

	31.12.2018				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Other Government bonds					
Expected credit losses	(217)	-	-	-	**(217)**
Fair value	1,204,971	-	-	-	**1,204,971**
Other securities					
Expected credit losses	-	-	-	-	**-**
Fair value	13,394	-	-	-	**13,394**
Total of investment securities measured as at fair value through other comprehensive income					
Expected credit losses	**(217)**	**-**	**-**	**-**	**(217)**
Fair value	**1,218,365**	**-**	**-**	**-**	**1,218,365**

4. RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued*)*

iii) Exposure to credit risk (continued)

XII. Credit risk disclosure of financial instruments (continued)

d. Investment securities measured at fair value through other comprehensive income (continued)

	Allowance for impairment losses on securities				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Changes for the period 1.1. – 31.12.2018					
Balance 1.1.2018	**-**	**-**	**-**	**-**	**-**
Net remeasurement of loss allowance (a)	-	-	-	-	**-**
New securities originated or purchased (b)	62	-	-	-	**62**
Changes in models/risk parameters (c)	155	-	-	-	**155**
Impairment losses on investment securities measured as at fair value through other comprehensive income (a + b + c)	**217**	-	-	-	**217**
Derecognition of financial assets	-	-	-	-	**-**
Foreign exchange differences and other movements	-	-	-	-	**-**
Balance 31.12.2018	**217**	-	-	-	**217**
Changes for the period 1.1. – 31.12.2019					
Net remeasurement of loss allowance (a)	-	-	-	-	**-**
New securities originated or purchased (b)	319	-	-	-	**319**
Changes in models/risk parameters (c)	(92)	-	-	-	**(92)**
Impairment losses on investment securities measured as at fair value through other comprehensive income (a + b + c)	**227**	-	-	-	**227**
Derecognition of financial assets	(9)	-	-	-	**(9)**
Foreign exchange differences and other movements	1	-	-	-	**1**
Balance 31.12.2019	**436**	-	-	-	**436**

4. RISK MANAGEMENT (CONTINUED)

c) Market risk

Market risk is the risk of reduction in economic value arising from unfavourable changes in the value or volatility of interest rates, foreign exchange rates, stock exchange indices, equity prices and commodities. Losses may also occur either from the trading portfolio or from the Assets-Liabilities management.

The Bank identifies, measures, monitors and controls Market risk through established risk management framework- policies, procedures and working directions. The Market Risk Management Policy provides the framework and principles for the effective management of market risks.

Within the scope of policy-making for financial risk management exposure limits and maximum loss limits (stop loss) have been set. In particular, the following limits have been set for the following risks:

- Foreign currency risk;
- Interest rate risk on bond positions;
- Credit risk regarding interbank transactions.

Positions held are monitored on a daily basis and are examined for the corresponding limit percentage cover and for any limit excess.

d) Currency risk

The Bank is exposed to currency risk (Foreign exchange risk) through transactions in foreign currencies against RON. The Bank manages its exposure to movements in exchange rates by modifying its assets and liabilities mix. The main foreign currency held by the Bank is EUR. On the Romanian market, exchange rates have certain degree of volatility; therefore open foreign exchange positions represent a source of currency risk. In order to limit losses arising from adverse movements in exchange rates, the Bank is currently pursuing the policy of maintaining an overall balanced foreign exchange position.

Foreign currency risk is the risk of reduction in economic value arising from adverse changes in the value or volatility of foreign exchange rates to record losses for on or off balance sheet positions or not to achieve the estimated profits due to the fluctuations on the market of the foreign exchange rate. The object of the identification, assessment, monitoring and management of the foreign currency risk is represented, according to the Bank's policies and procedures, by the elements denominated in foreign currency.

4. RISK MANAGEMENT (CONTINUED)

d) Currency risk (continued)

Concentration of assets and liabilities based on currency risk:

2019	**Local Currency**	**EUR**	**Other Currencies**	**Total**
	RON'000	**RON'000**	**RON'000**	**RON'000**
ASSETS				
Cash and balances with National Bank of Romania	795,918	1,647,846	57,271	**2,501,035**
Due from other banks	146,989	964,994	588,534	**1,700,517**
Securities designated as at FVOCI	927,460	302,850	17,900	**1,248,210**
Investments in associates	169	-	-	**169**
Loans and advances to customers	5,182,449	6,742,988	38,022	**11,963,459**
Deferred tax assets	24	-	-	**24**
Property and equipment	253,499	-	-	**253,499**
Intangible fixed assets	22,358	-	-	**22,358**
Other assets	125,649	3,706	514	**129,869**
TOTAL ASSETS	**7,454,515**	**9,662,384**	**702,241**	**17,819,140**
LIABILITIES				
Due to banks	2,881	1,613,939	1,108	**1,617,927**
Due to customers	5,214,137	6,570,606	682,954	**12,467,697**
Debt securities and other borrowed funds	333,152	1,038,879	-	**1,372,031**
Derivative financial liabilities	-	-	-	**-**
Subordinated debt	-	238,979	-	**238,979**
Other liabilities and provisions	108,069	176,669	313	**285,051**
Deferred tax liabilities	-	-	-	**-**
Total liabilities	**5,658,239**	**9,639,072**	**684,375**	**15,981,685**
Net balance sheet position	**1,796,276**	**23,312**	**17,866**	**1,837,455**
Derivative forward foreign exchange position	-	-	-	**-**
Total foreign exchange position	**1,796,276**	**23,312**	**17,866**	**1,837,455**

4. RISK MANAGEMENT (CONTINUED)

d) Currency risk (continued)

2018	**Local Currency**	**EUR**	**Other Currencies**	**Total**
	RON'000	**RON'000**	**RON'000**	**RON'000**
ASSETS				
Cash and balances with National Bank of Romania	600,125	2,045,713	48,610	**2,694,448**
Due from other banks	320,033	834,417	551,579	**1,706,029**
Securities designated as at FVOCI	921,697	284,373	12,295	**1,218,365**
Investments in associates	409	-	-	**409**
Loans and advances to customers	4,644,713	6,467,298	41,427	**11,153,438**
Derivative financial assets	-	-	-	-
Property and equipment	99,082	-	-	**99,082**
Intangible fixed assets	27,701	-	-	**27,701**
Other assets	46,623	7,048	1,531	**55,202**
TOTAL ASSETS	**6,660,383**	**9,638,849**	**655,442**	**16,954,674**
LIABILITIES				
Due to banks	30,745	2,229,102	570	**2,260,417**
Due to customers	4,975,647	5,959,500	637,479	**11,572,626**
Other borrowed funds	303,200	185,351	-	**488,551**
Derivative financial liabilities	1,420	-	-	**1,420**
Subordinated debt	-	724,574	-	**724,574**
Other liabilities and provisions	140,656	11,621	528	**152,805**
Deferred tax liabilities	406	-	-	**406**
Total liabilities	**5,452,074**	**9,110,148**	**638,577**	**15,200,799**
Net balance sheet position	**1,208,309**	**528,701**	**16,865**	**1,753,875**
Derivative forward foreign exchange position	454,667	(450,936)	(3,729)	2
Total foreign exchange position	**1,662,976**	**77,765**	**13,136**	**1,753,877**

4. RISK MANAGEMENT (CONTINUED)

d) Currency risk (continued)

Sensitivity analysis – Foreign Exchange risk

		Volumes as at 31/12/19	Changes in ER		Impact on net income before tax	
			+	-	+	-
	Assets	9,662,384	5.00%	-5.00%	483,119	(483,119)
EUR	Liabilities	(9,639,071)	5.00%	-5.00%	(481,954)	481,954
	Assets	557,567	5.00%	-5.00%	27,878	(27,878)
USD	Liabilities	(559,635)	5.00%	-5.00%	(27,982)	27,982
	Assets	7,454,516	5.00%	-5.00%	-	-
RON	Liabilities	(5,658,240)	5.00%	-5.00%	-	-
					1,061	**(1,061)**

		Volumes as at 31/12/18	Changes in ER		Impact on net income before tax	
			+	-	+	-
	Assets	9,638,850	5.00%	-5.00%	481,943	(481,943)
EUR	Liabilities	(9,561,085)	5.00%	-5.00%	(478,054)	478,054
	Assets	517,386	5.00%	-5.00%	25,869	(25,869)
USD	Liabilities	(513,143)	5.00%	-5.00%	(25,657)	25,657
	Assets	7,115,048	5.00%	-5.00%	-	-
RON	Liabilities	(5,452,075)	5.00%	-5.00%	-	-
					4,101	**(4,101)**

The Foreign Exchange risk is measured by applying Value at Risk (VaR) methodology, scenario analysis and stress testing. The method applied for calculating Value at Risk (VaR) is historical simulation. The Bank uses a holding period of one and ten days, depending on the time which is required to liquidate the portfolio.

Total Forex VaR, 99% confidence interval (1 year historical data)

Year	2019		2018	
	Daily	10 day	Daily	10 day
	EUR ths.	EUR ths.	EUR ths.	EUR ths.
31 December	59.23	116.66	107.66	136.93
average daily value	42.93		28.8	
maximum daily value	131.68		107.66	
minimum daily value	9.29		8.17	

In order to ensure the reliability of the VaR methodology the Bank is using a continuous process of back-testing

The VaR methodology is complemented with stress testing, in order to estimate the potential size of losses that could arise from the trading portfolio for hypothetical as well as historical extreme movements of market parameters.

4. RISK MANAGEMENT (CONTINUED)

e) Financial risks of the banking portfolio

The financial risks of the banking portfolio derive from the structure of assets and liabilities and primarily from the portfolio of loans and deposits. The financial risks of the banking portfolio concern the interest rate risk and the liquidity risk.

The Bank incurs interest rate risk from its financial intermediation activity, principally in the form of exposure to adverse changes in the market interest rates. In the context of analysis of the banking portfolio, Interest Rate Gap Analysis is performed. Assets and liabilities are allocated on time buckets according to their re-pricing date for variable interest rate instruments, or according to their maturity date for fixed rate instruments. Exceptions are made for assets and liabilities without predefined maturities or other balance sheet items which exhibit strong behavioural characteristics. For these products allocation on residual maturity buckets, conventions are applied according to their transactional behaviour (based on statistical models).

The main sources of interest rate risk arises when mismatches correlation exist between the maturity (for fixed interest rates) or re-pricing date (for floating interest rates) of the interest-bearing assets and liabilities, adverse evolution of the slope and shape of the yield curve (the unparalleled evolution of the interest rate yields of the interest-earning assets and interest-earning liabilities), mismatches correlation in the adjustments of the rates earned and paid on different instruments with otherwise similar re-pricing characteristics and the options embedded in the Bank's products.

Asset-liability risk management activities are conducted in the context of the Bank's sensitivity to interest rate changes. The Bank generally grants loans with floating interest rates, according to the Bank's policy and also with indexed interest rates (which re-price based on reference interest rates like ROBOR, EURIBOR, LIBOR). On the deposit side, the Bank offers mainly products with fixed interest rates.

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Within the Risk Appetite Framework the management sets out level of risk for interest rate risk that the Bank is willing to take in pursuit of its business objectives, which is monitored quarterly (emergency review mechanism).

4. RISK MANAGEMENT (CONTINUED)

e) Financial risks of the banking portfolio (continued)

The tables below analyse assets and liabilities of the Bank into relevant re-pricing groupings as at 31 December 2019:

	Up to 1 month	1 to 3 months	3 to 12 months	Over 1 Year	Non-interest bearing	Total
Assets						
Cash and balances with National Bank of Romania	2,197,748	-	-	-	303,287	**2,501,035**
Due from other banks	1,677,110	-	23,407	-	-	**1,700,517**
Securities designated as at FVOCI	-	456,849	446,886	325,478	18,997	**1,248,210**
Investments in associates	-	-	-	-	169	**169**
Loans and advances to customers	9,752,742	8,268	38,786	2,163,663	-	**11,963,459**
Property and equipment	-	-	-	-	253,499	**253,499**
Intangible fixed assets	-	-	-	-	22,358	**22,358**
Deferred tax assets	-	-	-	-	24	**24**
Other assets	-	-	-	-	129,869	**129,869**
Total assets	**13,627,600**	**465,117**	**509,079**	**2,489,141**	**728,203**	**17,819,140**
Liabilities						
Due to banks	1,058,749	559,178	-	-	-	**1,617,927**
Due to customers	3,724,322	2,480,253	4,014,709	2,248,413	-	**12,467,697**
Debt securities issued and other borrowed funds	-	38,358	1,088,230	245,443	-	**1,372,031**
Subordinated loans	238,979	-	-	-	-	**238,979**
Other liabilities	-	-	-	-	285,051	**285,051**
Derivative financial liabilities	-	-	-	-	-	**-**
Deferred tax liabilities	-	-	-	-	-	**-**
Total liabilities	**5,022,050**	**3,077,789**	**5,102,939**	**2,493,856**	**285,051**	**15,981,685**
Equity	**-**	**-**	**-**	**-**	**1,837,455**	**1,837,455**
Total liabilities and equity	**5,022,050**	**3,077,789**	**5,102,939**	**2,493,856**	**2,122,506**	**17,819,140**
Marginal Gap	**8,605,550**	**(2,612,672)**	**(4,593,860)**	**(4,715)**	**(1,394,303)**	
Cumulative Gap	**8,605,550**	**5,992,878**	**1,399,018**	**1,394,303**		

4. RISK MANAGEMENT (CONTINUED)

e) Financial risks of the banking portfolio (continued)

The tables below analyse assets and liabilities of the Bank into relevant re-pricing groupings as at 31 December 2018:

	Up to 1 month	1 to 3 months	3 to 12 months	Over 1 Year	Non-interest bearing	Total
Assets						
Cash and balances with National Bank of Romania	2,395,201	-	-	-	299,247	**2,694,448**
Due from other banks	1,355,963	163,798	186,268	-	-	**1,706,029**
Securities designated as at FVOCI	216,988	619,919	285,702	82,362	13,394	**1,218,365**
Investments in associates	-	-	-	-	409	**409**
Loans and advances to customers	9,265,689	13,886	118,327	1,755,536	-	**11,153,438**
Property and equipment	-	-	-	-	99,082	**99,082**
Intangible fixed assets	-	-	-	-	27,701	**27,701**
Derivative financial assets	-	-	-	-	-	-
Other assets	-	-	-	-	55,202	**55,202**
Total assets	**13,233,841**	**797,603**	**590,297**	**1,837,898**	**495,035**	**16,954,674**
Liabilities						
Due to banks	228,123	2,032,294	-	-	-	**2,260,417**
Due to customers	3,770,236	2,532,674	3,457,461	1,812,255	-	**11,572,626**
Other borrowed funds	3,467	299,474	187,073	(1,463)	-	**488,551**
Subordinated loans	233,195	491,379	-	-	-	**724,574**
Other liabilities	-	-	-	-	152,805	**152,805**
Derivative financial liabilities	-	-	-	-	1,420	**1,420**
Deferred tax liabilities	-	-	-	-	406	**406**
Total liabilities	**4,235,021**	**5,355,821**	**3,644,534**	**1,810,792**	**154,631**	**15,200,799**
Equity	**-**	**-**	**-**	**-**	**1,753,875**	**1,753,875**
Total liabilities and equity	**4,235,021**	**5,355,821**	**3,644,534**	**1,810,792**	**1,908,506**	**16,954,674**
Marginal Gap	**8,998,820**	**(4,558,218)**	**(3,054,237)**	**27,106**	**(1,413,471)**	
Cumulative Gap	**8,998,820**	**4,440,602**	**1,386,365**	**1,413,471**		

4. RISK MANAGEMENT (CONTINUED)

e) Financial risks of the banking portfolio (continued)

	Average interest bearing assets	
	Average 2019	**Average 2018**
Cash and balances with National Bank of Romania	0.15%	0.13%
Due from other banks	0.83%	1.11%
Financial assets	3.03%	2.58%
Loans and advances to customers:	4.93%	4.64%
- Alpha Housing	4.95%	4.54%
- Investment Loans	3.61%	3.60%
- Alpha Personal	8.18%	7.81%
- Auto Loans	7.66%	7.04%
- Financial Institutions	3.05%	2.71%
- Treasury Loans	5.77%	5.30%
- Loans for equipment and stocks finance	4.50%	4.17%
- Other Loans	4.16%	4.01%

Sensitivity analysis – Interest rate risk

The sensitivity of the income statement is the effect of the reasonably possible changes in interest rates on the net interest income (NII) for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2019.

In assessing the interest rate sensitivity analysis the assets without predefined maturities which exhibit strong behavioural characteristics are allocated on residual maturity buckets considering conventions according to their transactional behaviour (based on statistical models).

			Balances as at	Changes in I/Y		NII Sensitivity	
			31/12/19	**+**	**-**	**+**	**-**
EUR	Assets	Fixed	3,573,462	2.00	-2.00	99,131	(21,388)
		Floating	6,013,066	2.00	-2.00		
	Liabilities	Fixed	(6,570,606)	2.00	-2.00	116,219	(27,178)
		Floating	(2,891,797)	2.00	-2.00		
USD	Assets	Fixed	512,382	2.00	-2.00	2,065	(2,177)
		Floating	22,009	2.00	-2.00		
	Liabilities	Fixed	(558,603)	2.00	-2.00	8,947	(2,297)
		Floating	(755)	2.00	-2.00		
RON	Assets	Fixed	2,227,764	2.00	-2.00	111,064	(106,711)
		Floating	4,678,851	2.00	-2.00		
	Liabilities	Fixed	(5,245,720)	2.00	-2.00	57,002	(45,436)
		Floating	(333,152)	2.00	-2.00		
Other ccy.	Assets	Fixed	93,322	2.00	-2.00	772	(772)
		Floating	4,435	2.00	-2.00		
	Liabilities	Fixed	(130,313)	2.00	-2.00	1,939	(523)
		Floating	-	2.00	-2.00		
TOTAL NII						**28,925**	**(55,614)**

4. RISK MANAGEMENT (CONTINUED)

e) Financial risks of the banking portfolio (continued)

			Balances as at 31/12/18	Changes in I/Y +	Changes in I/Y -	NII Sensitivity +	NII Sensitivity -
		Fixed	2,682,732	2.00	(2.00)	150,295	(27,540)
	Assets	Floating	6,852,018	2.00	(2.00)		
		Fixed	(6,452,403)	2.00	(2.00)	133,251	(30,060)
EUR	Liabilities	Floating	(3,105,455)	2.00	(2.00)		
		Fixed	456,967	2.00	(2.00)	9,788	(598)
	Assets	Floating	33,002	2.00	(2.00)		
		Fixed	(513,088)	2.00	(2.00)	8,417	(2,225)
USD	Liabilities	Floating	-	2.00	(2.00)		
		Fixed	2,244,540	2.00	(2.00)	122,626	(117,079)
	Assets	Floating	4,554,395	2.00	(2.00)		
		Fixed	(5,009,647)	2.00	(2.00)	66,262	(51,226)
RON	Liabilities	Floating	(303,938)	2.00	(2.00)		
		Fixed	102,506	2.00	(2.00)	2,049	(928)
	Assets	Floating	531	2.00	(2.00)		
Other		Fixed	(128,689)	2.00	(2.00)	2,054	(903)
ccy.	Liabilities	Floating	-	2.00	(2.00)		
TOTAL NII						**74,774**	**(61,731)**

f) Liquidity risk

i) Management of liquidity risk

Liquidity risk is the risk that the Bank will encounter from the potential inability to meet all payments obligations associated with its financial liabilities that are settled by delivering cash or another financial asset when they come due.

Liquidity risk arises in the general funding of the Bank's activities and in the management of the asset positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, borrowings and share capital. This enhances funding flexibility, limits dependence on one source of funds and generally lowers the cost of funds. The Bank concentrates its efforts to maintain an adequate liquidity such as ensuring the necessary funds to cover at all times its financial commitments on all time bands. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding on short and long term, and diversifying the funding base.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO or Executive Committee.

4. RISK MANAGEMENT (CONTINUED)

f) Liquidity risk *(continued)*

In the context of the Contingency Funding Plan, the Bank monitors on a daily basis Early Warning Indicators/Triggers while any liquidity risk trigger event or limit breach of any liquidity indicator is reported to the competent Committee, including proposed contingency measures in order to be implemented.

Since April 2009, the Bank signed a stand-by agreement with Alpha Bank AE of EUR 130,000,000, which was extended successively in following years. In 2019 the agreement was extended, also to cover the possible temporary liquidity requirements of the Bank.

ii) Exposure to liquidity risk

Liquidity indicators are calculated on a regular basis while ALCO and Risk Management Committee are informed accordingly.

Another indicator used by the Bank to monitor the short-term liquidity is the Liquidity Coverage Ratio (LCR). For this purpose, there are considered the followings:

- the net inflow of liquidity for the next 30 days, determined on the basis of predefined scenarios related to a liquidity crisis, named as short-term financial needs;
- the necessary liquidity buffer to cover the short-term financing needs.

The Liquidity Coverage Ratio calculated regularly, according to the Basel III Directives and local regulatory requirements, was as follows:

31 December 2019	31 December 2018
320.5%	494.5%

The difference between the levels recorded in 2019 and 2018 results from the diversification of portfolio, mainly from an increase in deposits to financial institutions and to customers with residual maturity higher than 1 month

The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank also has committed lines of credit that it could access to meet liquidity needs.

4. RISK MANAGEMENT (CONTINUED)

f) Liquidity risk (continued)

ii) Exposure to liquidity risk (continued)

The Bank's financial liabilities are measured based on undiscounted contractual cash flows, grouping up the principal amounts with the future interest payments.

2019	Up to 1 month	1 to 3 months	3 to 12 months	Over 1 Year	Total
Liabilities					
Due to banks	41,953	15,055	167,276	1,393,644	**1,617,928**
Due to customers	6,283,218	2,351,142	3,760,732	112,880	**12,507,972**
Debt securities issued and other borrowed funds	363	41,878	181,197	1,247,925	**1,471,363**
Derivative financial liabilities	-	-	-	-	**-**
Subordinated debt	-	-	846	264,773	**265,619**
Other liabilities	11,531	8,587	36,425	116,850	**173,393**
Total undiscounted liabilities	**6,337,065**	**2,416,662**	**4,146,476**	**3,136,072**	**16,036,275**

2018	Up to 1 month	1 to 3 months	3 to 12 months	Over 1 Year	Total
Liabilities					
Due to banks	64,891	163,237	674,167	1,358,128	**2,260,423**
Due to customers	5,749,950	2,491,230	3,274,977	92,715	**11,608,872**
Other borrowed funds	380	3,666	239,782	300,067	**543,895**
Derivative financial liabilities	1,420	-	-	-	**1,420**
Subordinated debt	-	23,392	479,416	258,930	**761,738**
Other liabilities	7,220	1,461	916	84	**9,681**
Total undiscounted liabilities	**5,823,861**	**2,682,986**	**4,669,258**	**2,009,924**	**15,186,029**

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
2019						
Contingent liabilities	4,683	184,170	210,691	211,093	5,324	**615,961**
Commitments	4,750	224,749	840,197	245,434	432,622	**1,747,752**
Total	**9,433**	**408,919**	**1,050,888**	**456,527**	**437,946**	**2,363,713**
2018						
Contingent liabilities	3,908	164,971	204,655	107,696	12,055	**493,285**
Commitments	1,948	255,033	735,885	103,607	333,379	**1,429,852**
Total	**5,856**	**420,004**	**940,540**	**211,303**	**345,434**	**1,923,137**

4. RISK MANAGEMENT (CONTINUED)

f) Liquidity risk (continued)

ii) Exposure to liquidity risk (continued)

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

The table below analyses the liquidity gap of the Bank into relevant maturity bands mainly based on the remaining period at balance sheet date to the contractual maturity as at 31 December 2019. Exceptions are made for assets and liabilities without predefined maturities or other balance sheet items which exhibit strong behavioural characteristics. For these products allocation on residual maturity buckets, conventions are applied according to their transactional behaviour (based on statistical models).

4. RISK MANAGEMENT (CONTINUED)

f) Liquidity risk (continued)

ii) Exposure to liquidity risk (continued)

The table below analyses the liquidity gap of the Bank as at 31 December 2019:

	Up to 1 month	*1 to 3 months*	*3 to 12 months*	*Over 1 year*	*Without contractual maturity*	*Total*
ASSETS						
Cash and balances with National Bank of Romania	2,501,035	-	-	-	-	**2,501,035**
Due from other banks	1,677,110	-	23,407	-	-	**1,700,517**
Securities designated as at FVOCI	-	456,849	446,886	344,475	-	**1,248,210**
Investments in associates	-	-	-	169	-	**169**
Loans and advances to customers	146,820	280,988	1,242,140	10,293,511	-	**11,963,459**
Deferred tax assets	-	-	-	-	24	**24**
Property and equipment	-	-	-	-	253,499	**253,499**
Intangible assets	-	-	-	-	22,358	**22,358**
Other assets	-	-	-	-	122,309	**122,309**
Assets held for sale	-	-	-	-	7,560	**7,560**
TOTAL ASSETS	**4,324,965**	**737,837**	**1,712,433**	**10,638,155**	**405,750**	**17,819,140**
Commitments Lines from Group	*764,688*	-	-	-	-	***764,688***
LIABILITIES						
Due to banks	41,926	15,081	167,276	1,393,644	-	**1,617,927**
Debt securities and other borrowed funds	-	38,358	144,404	1,189,269	-	**1,372,031**
Due to customers	3,481,376	2,424,153	4,079,788	2,482,380	-	**12,467,697**
Derivative financial liabilities	-	-	-	-	-	-
Subordinated debt	-	-	-	238,979	-	**238,979**
Other Liabilities	11,530	8,574	36,177	112,593	116,177	**285,051**
Deferred tax liabilities	-	-	-	-	-	-
Equity	-	-	-	-	**1,837,455**	**1,837,455**
TOTAL LIABILITIES&EQUITY	**3,534,832**	**2,486,166**	**4,427,645**	**5,416,865**	**1,953,632**	**17,819,140**
Commitments Lines to Group	*13,018*	-	-	*13,018*	-	***26,036***
LIQUIDITY GAP						
GAP	**1,541,803**	**(1,748,329)**	**(2,715,212)**	**5,208,272**	**(1,547,882)**	**738,652**
Cumulated GAP	**1,541,803**	**(206,526)**	**(2,921,738)**	**2,286,534**	**738,652**	

4. RISK MANAGEMENT (CONTINUED)

f) Liquidity risk (continued)

ii) Exposure to liquidity risk (continued)

The table below analyses the liquidity gap of the Bank as at 31 December 2018:

	Up to 1 month	*1 to 3 months*	*3 to 12 months*	*Over 1 year*	*Without contractual maturity*	*Total*
ASSETS						
Cash and balances with National Bank of Romania	2,694,448	-	-	-	-	**2,694,448**
Due from other banks	1,355,963	163,798	186,268	-	-	**1,706,029**
Securities designated as at FVOCI	216,987	619,919	285,702	95,757	-	**1,218,365**
Investments in associates	-	-	-	*409*	-	**409**
Loans and advances to customers	174,404	584,976	1,172,788	9,221,270	-	**11,153,438**
Derivative financial assets	-	-	-	-	**-**	**-**
Property and equipment	-	-	-	-	99,082	**99,082**
Intangible assets	-	-	-	-	27,701	**27,701**
Other assets	-	-	-	-	46,139	**46,139**
Assets held for sale	-	-	-	-	9,063	**9,063**
TOTAL ASSETS	**4,441,802**	**1,368,693**	**1,644,758**	**9,317,436**	**181,985**	**16,954,674**
Commitments Lines from Group	*746,224*	-	-	-	-	*746,224*
LIABILITIES						
Due to banks	64,887	163,237	674,167	1,358,126	-	2,260,417
Other borrowed funds	-	-	225,449	263,102	-	488,551
Due to customers	3,538,075	2,542,262	3,503,245	1,989,044	-	11,572,626
Derivative financial liabilities	1,420	-	-	-	-	1,420
Subordinated debt	-	20,066	471,313	233,195	-	724,574
Other Liabilities	7,220	1,461	916	84	143,124	152,805
Deferred tax liabilities	-	-	-	-	406	406
Equity	-	-	-	-	**1,753,875**	**1,753,875**
TOTAL LIABILITIES&EQUITY	**3,611,602**	**2,727,026**	**4,875,090**	**3,843,551**	**1,897,405**	**16,954,674**
Commitments Lines to Group	*14,403*	-	-	*14,403*	-	*28,806*
LIQUIDITY GAP						
GAP	**1,562,021**	**(1,358,333)**	**(3,230,332)**	**5,459,482**	**(1,715,420)**	**717,418**
Cumulated GAP	**1,562,021**	**203,688**	**(3,026,644)**	**2,432,838**	**717,418**	

4. RISK MANAGEMENT (CONTINUED)

f) Liquidity risk (continued)

ii) Exposure to liquidity risk (continued)

Management believes that in spite of a substantial portion of deposits having contractual maturity dates within three months, diversification of these deposits by number and type of deposits, and the past experience of the Bank would indicate that these deposits provide a long - term and stable source of funding.

To manage liquidity risk, the Bank holds liquid assets comprising cash and cash equivalents and investment securities for which there is an active liquid market. These assets can be readily sold to meet liquidity requirements.

g) Operating environment

In order to make projections for future economic conditions of the environment in which it operates, the Bank takes into consideration current economic developments in Romanian financial and banking market. The activities of the Bank are also affected by the economic developments in Greece where the shareholder operates.

I. Romania macroeconomic trends and banking market

For Romania, 2019 was the ninth consecutive year with positive growth after the recession from 2009-2010. The annual growth rate of GDP in 2019 at 4.1% was the second highest rate in EU. Although the growth slowed down, the internal and external equilibriums remained strained. The deficit of the general consolidated budget was 4.6% of GDP, the current account deficit was 4.8% of GDP, the annual inflation was above the superior limit of the targeted interval 2.5%±1% (end year annual inflation was 4.04%, while the average annual inflation was 3.8% in December 2019 down from 4.6% in December 2018). The domestic currency depreciated against euro (the average RON/Euro exchange rate was 4.75 compared to 4.65 in 2018) and USD (the average RON/USD exchange rate was 4.2 compared to 3.9 in 2018).

In 2019 the Central Bank kept the monetary policy rate unchanged since May 2018 at a level of 2,5%. The Central Bank actively managed the liquidity on the money market through deposits gathering driving 1M-12M ROBOR rates above the monetary policy interest rate. The strict control of the liquidity on the money market will be the main monetary policy instrument during 2020. In February 2020 the Central Bank reduced the minimum reserve requirement from 8% to 6% for foreign currency liabilities signaling that more foreign currency loans granted to companies are welcome. In March 2020 the Central Bank adopted a package of measures to mitigate the impact of coronavirus outbreak on households and Romanian companies including a 0.5 percentage points cut in the monetary policy rate, the narrowing of the symmetrical corridor defined by interest rates on standing facilities around the monetary policy rate to ±0.5 from ±1.0 percentage points, provisions of liquidity to credit institutions via repo transactions, as well as purchases of leu-denominated government securities on the secondary market.

In 2020 the economic growth will slow down further. The impact of COVID-19 outbreak is the major threat. The current estimations for the GDP annual growth rate are 3.8% expected by EC, 3.5% expected by IMF and 3.4% expected by World Bank. The growth rate estimation of the National Commission of Prognosis is more optimistic 4.1%. These estimations were done before the COVID-19 became pandemic and do not internalize the negative impact of COVID-19. These estimations considered the slower increase in minimum wage (up by 7.2% y-o-y compared to 9.5% y-o-y in 2019), a more moderated increase of wages in the public administration, health, education than in 2019 and weakening external demand.

4. RISK MANAGEMENT (CONTINUED)

g) Operating environment (continued)

The annual inflation will be around the superior limit of the targeted interval during the most part of the year. There will be both appreciation and depreciation pressure on the domestic currency. The capital flows in search for yields will continue to exert an appreciation pressure on the domestic currency. Nevertheless, the recovery of inflation to positive levels above the levels from euro zone and therefore negatively affecting the competitiveness of Romanian products, will be a factor pushing for depreciation.

The growth sustainability will depend on the acceleration of the public investments and the continuation of the absorption of EU funds in a high-speed. Additionally, the extraordinary expenses required by the measures taken to fight the negative economic impact of COVID-19 and to finance the increased health expenses might completely change the fiscal path in the coming years. On March 16, 2020, the state of emergency was declared due to the fast spread of infections with COVID-19 and several fiscal and budgetary measures were taken to counterbalance the negative economic impact of imposed isolation and social distancing.

II. Greece macroeconomic trend and banking market

An environment of high confidence regarding the country's potential was formed in 2019, which is reflected, on the one hand, in the remarkable improvement of the domestic business and consumer expectations' indices and on the other hand, in the substantial reduction of the risk premium, imposed on the debt securities issued by the Hellenic Republic. In parallel, the country's growth dynamics have been strengthened further, amid the slowdown of the European economy and the maintenance of fiscal discipline.

The recovery of the domestic economic activity maintained its pace in 2019, with real GDP growing by 1.9%, the same as in 2018. The output expansion in 2019 was primarily supported by net exports, as in 2018, making the largest contribution to growth (0.8 percentual points), albeit it has taken place amid an increasingly deteriorating international environment, dominated by trade tensions, Brexit uncertainty, geopolitical risks and a slowdown in European economy, Greece's main trading partner.

Following the positive evaluation of the European Commission (EC), included in the fourth updated Enhanced Surveillance Report, which was published in November 2019, the Eurogroup concluded in early December 2019, that Greece has implemented all necessary actions, in order to comply with the specific reform commitments until mid-2019. Therefore, the second tranche of policy contingent debt measures, amounting to EUR 767 million, was released at the end of December 2019.

Inflation reached 1.1% in December 2019. According to the 2019 EC Autumn Economic Forecasts, inflation is expected to be at to 0.6% in 2020 and further to 0.9% in 2021, in line with the ongoing recovery of the Greek economy and the inflationary pressures that are expected to prevail on the back of the tax reforms.

The profits of the Greek banks (before taxes), in the first nine months of 2019 exceeded the respective profits registered in the same period of the previous year. According to the Interim Monetary Policy Report of the Bank of Greece (November 2019), the profits' increase compared to last year, can be attributed to the cost containment, as well as to the increase in revenues from financial transactions, which however, are considered non-recurring revenues. The Capital Adequacy ratio for the Greek banking groups, on a consolidated basis, stood at 16.9% in September 2019, whereas the Common Equity Tier 1 (CET1) ratio reached 15.9%.

4. RISK MANAGEMENT (CONTINUED)

g) Operating environment (continued)

The liquidity conditions in the banking system continued to improve, due to the positive deposit flows from the private sector of the economy, as well as the funding received from the Eurosystem and the interbank market. The dependency of the Greek Banks on the Emergency Liquidity Assistance (ELA) mechanism has been eliminated since March 2019. Funding received by the Greek Banks from the Eurosystem (excluding ELA) was equal to EUR 7.8 billion in November 2019, against EUR 10.1 billion in December 2018.

Based on the above and taking into account:

- the Group's high capital adequacy (17.9% as of 31.12.2019),
- the fact that there is an increase in deposits and financing from non-Eurosystem sources (indicatively it is noted that the Group has fully repaid its borrowing from the Emergency Liquidity Facility (ELA) while on 6.2.2020 it successfully completed the issuance of a ten-year Tier 2 bond, of an amount of € 500 million, at a yield of 4.25%, receiving exceptionally strong demand),
- the actions taken by the Group to address the issue of non-performing loans
- the amount of available eligible collaterals through which liquidity is ensured, to the extent required, through the mechanisms of the Eurosystem or/and third sources,
- the measures taken by the Group to protect its employees from coronavirus, the implementation of actions under the Business Continuity Plan and the activation of the ability for teleworking at a large scale whilst ensuring that critical operations are performed,
- the decisions of the Eurozone countries to adopt a series of fiscal and other measures to stimulate the economy, as well as the decisions of Group's supervisory authorities to provide liquidity and capital adequacy support to the extent that this is affected by the spread of the coronavirus,

the Group estimates that, at least for the next 12 months, the conditions for the application of the going concern principle for the preparation of its financial statements are met.

h) Taxation risk

The Romanian tax legislation provides detailed and complex rules and has suffered various changes in the recent years. Moreover, local taxpayers carrying out transactions with related parties must prepare and make available to Romanian Tax Authorities, at their written request, the transfer pricing file, within the period granted by the authorities. Failure to submit transfer pricing file or presentation of an incomplete file may give rise to application of penalties for non-compliance.

Although the Bank is taking all measures to fully comply with tax laws, interpretation of the text and practical implementation procedures of tax legislation could vary, and there is a risk that certain transactions, could be viewed differently by the tax authorities as compared to the Bank's treatment. Furthermore, the conversion to IFRS of the Romanian banks raised additional tax implications which might generate potential tax risks as there are still interpretable areas in the tax law.

The Romanian Government has a number of agencies that are authorized to conduct audits of companies operating in Romania. These audits are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested in. It is likely that the Bank will continue to be subject to regular controls as new laws and regulations are enforced.

4. RISK MANAGEMENT (CONTINUED)

h) Taxation risk (continued)

Bank management believes that it will not suffer material losses in case of a tax audit. However, the impact of different interpretations of the tax authorities cannot be estimated reliably.

i) Operational risk

Definition of operational risk

Operational risk is the risk of the occurrence of an event, with or without financial impact, resulting from inadequate or failed internal processes, IT systems, people (intentionally or unintentionally) and from external events.

Operational risk also includes legal risk which is associated with legally flawed actions, uncertainty regarding the definition of the law that may lead to inadequate interpretation and potential inefficiencies in the legal framework.

Operational Risk Framework

Operational Risk framework is aligned with the operational risk strategy of the Group and regulatory framework and is applied to all levels.

Identification and management of operational risk are performed so as to maintain a constant flow of information and enhance the decision-making process.

The Bank primary defences against operational risk are its policies, procedures and internal controls.

Management and mitigation of operational risk

The Bank has developed an appropriate organizational structure, with clearly defined roles and responsibilities for its Personnel and Units, in order to manage operational risk issues.

The main bodies are:

- *Risk Management Committee* mandated by the Board of Directors to have the oversight of the risk management framework,
- *Operational Risk Committee* is delegated by the Risk Management Committee to supervise operational risk management activities.

The Risk Management Unit develops the appropriate tools, processes, procedures and techniques relevant to operational risk management, monitors the implementation of appropriate action plans for its mitigation.

All Units have appointed an Operational Risk Coordinator and Operational Risk Initiator.

Operational Risk Management is performed through risk identification, assessment, monitoring, reporting and mitigation.

Authority limits are established for managing operational risk events.

5. FAIR VALUE DISCLOSURES

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is based on quoted market prices, those involving valuation where the model inputs are observable in the market and those where the valuation techniques involves the use of market unobservable inputs.

Financial assets and liabilities measured at fair value:

	31-Dec-19			31-Dec-18		
	1.1) Securities measured as at FVOCI: Shares	1.2) Securities measured as at FVOCI: Bonds and treasury bills	2) Derivative Financial Liabilities	1.1) Securities measured as at FVOCI: Shares	1.2) Securities measured as at FVOCI: Bonds and treasury bills	2) Derivative Financial Liabilities
Level 1	-	1,219,721	-	-	1,204,971	-
Level 2	17,900	9,493	-	12,295	-	1,420
Level 3	1,096	-	-	1,099	-	-
Total	**18,996**	**1,229,214**	**-**	**13,394**	**1,204,971**	**1,420**

Fair value through other comprehensive income: The Bank measures fair value using a model based on bid quotations extracted from market.

At the year ended 31 December 2019, the Bank disclosed the following assets and liabilities into fair value levels:

- Level 1 - The government bonds amounting to RON 1,220 million (31 December 2018: RON 1,205 million)
- Level 2 – Corporate bonds amounting to RON 9.5 million as of 31 December 2019, equity instruments amounting to RON 17.9 million (31 December 2018: RON 12.3 million) and derivatives liabilities amounting to RON 1.4 million as of 31 December 2018
- Level 3 - Equities classified as measured at fair value through other comprehensive income.

The reconciliation for the movement of financial instruments measured at fair value in Level 3 is depicted below:

	Securities designated as at FVOCI: Shares
Opening balance 1.1.2019	**1,099**
Total gain or loss recognized in Income Statement	-
Total gain or loss recognized in Equity	2
Purchase/Issue	-
Sales/Repayments/Settlements	(5)
Transfers in Level 3 from Level 2	-
Balance at 31.12.2019	**1,096**

Derivative financial instruments: The Bank measures fair value for derivative financial instruments using observable prices or model inputs available in the market.

The table below sets out the carrying amounts and fair values of the Bank's financial assets and financial liabilities not measured at fair value:

5. FAIR VALUE DISCLOSURES (CONTINUED)

		31-Dec-2019			
		Loans and Advances to customers	**Other Amortised cost**	**Total carrying amount**	**Fair value**
Financial Assets					
Loans and advances to customers	Level 3	11,963,459	-	**11,963,459**	14,058,480
Total financial assets		**11,963,459**	**-**	**11,963,459**	**14,058,480**
Financial Liabilities					
Due to banks	Level 3	-	1,617,927	**1,617,927**	1,618,441
Due to customers	Level 3	-	12,467,697	**12,467,697**	12,177,997
Debt securities issued	Level 1	-	943,826	**943,826**	941,540
Other borrowed funds	Level 3	-	428,205	**428,205**	423,801
Subordinated loan	Level 3	-	238,979	**238,979**	229,077
Total financial liabilities		**-**	**15,696,634**	**15,696,634**	**15,390,856**

		31-Dec-2018			
		Loans and Advances to customers	**Other Amortised cost**	**Total carrying amount**	**Fair value**
Financial Assets					
Loans and advances to customers	Level 3	11,153,438	-	**11,153,438**	12,313,533
Total financial assets		**11,153,438**	**-**	**11,153,438**	**12,313,533**
Financial Liabilities					
Due to banks	Level 3	-	2,260,417	**2,260,417**	2,251,791
Due to customers	Level 3	-	11,572,626	**11,572,626**	11,107,517
Other borrowed funds	Level 3	-	488,551	**488,551**	481,088
Subordinated loan	Level 3	-	724,574	**724,574**	725,017
Total financial liabilities		**-**	**15,046,168**	**15,046,168**	**14,565,413**

Assets and liabilities which are measured at fair value or for which fair value is disclosed are categorized according to the inputs used to measure their fair value as follows:

- Level 1 inputs: quoted market prices (unadjusted) in active markets
  Level 2 inputs: directly or indirectly observable inputs
- Level 3 inputs: unobservable inputs used by the Bank, to the extent that relevant observable inputs are not available

5. FAIR VALUE DISCLOSURES (CONTINUED)

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table above that are not carried at fair value and which belong to level 2 and level 3 within fair value hierarchy.

Loans and advances to customers: The estimated fair value of loans and advances, with fixed and variable interest rate and with changes in credit status since inception, is based on discounted cash flows method.

Deposits from banks and customers: The estimated fair value is based on discounted cash flows method for term deposits. The fair value of saving and demand deposits was considered the same as the accounting value.

Customer loans and deposits are categorized as financial instruments level 3 since there are instruments that are not based on observable market data and the Discounted Cash Flows (DCF) method is used in order to determine their fair value.

The discounted cash flow (DCF) analysis is a method of valuing an asset or a liability using the concepts of the time value of money. All future cash flows are estimated and discounted to give their present values (PVs) - the sum of all future cash flows, both incoming and outgoing, is the net present value (NPV), which is taken as the value or price of the cash flows.

The components of the present value measurement include the following:

- An estimate of future cash flows up to the maturity for the customer loans and deposits, using the respective implied forward yield curve, for floating rate products;
- Estimations of the amount and timing of the cash flows of the products without contractual maturity and reprising profile (i.e. revolving loans, sight deposits, current accounts) based on conventions;
- The discount rate contains three risk factors:
    - Market specific component related to the forward yield curve at the reference date;
    - Bank specific component related to Banks Funding Cost Premium (liquidity premium):

Liquidity premium	2019	2018
RON	0.00%	1.88%
EUR	1.03%	0.80%

    - Customer specific component linked to the loss rate (PD*LGD) of the customer.

For Stage 3 (NPE perimeter) the undiscounted cash flows, considered as non-interest bearing, are discounted using market specific rate and liquidity premium for individually assessed loans. For collectively assessed perimeter, the net of impairment estimated cash flows are discounted at market specific rate and liquidity premium.

In case of customer deposits, the discount rate components are market specific rate and liquidity premium.

The resulting average discount rates used for loans are summarised below:

	Average Discount Rate	
Portofolio type	**EUR**	**RON**
Companies	1.57%	4.01%
Individual	1.18%	3.64%
Total	1.37%	3.71%

5. FAIR VALUE DISCLOSURES (CONTINUED)

Loans from banks and financial institutions: The fair value of loans from banks is based on the present value of future cash flows, discounted at interest rates available at the balance sheet date to the Bank for new debt with similar remaining maturity as no quoted market price is available.

The fair value of other financial assets and liabilities which are valued at amortised cost does not differ materially from the respective carrying amount.

6. NET INTEREST INCOME

	Year ended 31 December 2019	Year ended 31 December 2018
Interest income		
Current account and sight deposits with National Bank of Romania	4,046	3,181
Loans and placements to banks	16,408	18,174
Loans and advances to customers measured at amortised cost	598,681	546,670
Investment securities measured at fair value through other comprehensive income	24,327	20,307
Other interest receivable	34	81
Total interest income	**643,496**	**588,413**

	Year ended 31 December 2019	Year ended 31 December 2018
Interest expense		
Deposits from banks	(7,359)	(5,913)
Debt securities issued and other borrowed funds	(32,169)	(13,417)
Deposits from customers	(110,839)	(98,505)
Subordinated debt	(11,448)	(13,349)
Lease liabilities	(2,485)	-
Total interest expense	**(164,300)**	**(131,184)**
Interest income from derivative transactions	4,128	6,892
Interest expense from derivative transactions	688	1,290
Total interest from derivative transactions	**4,816**	**8,182**
Total interest income	***647,624***	***595,305***
Total interest expense	***(163,612)***	***(129,894)***
Net Interest Income	**484,012**	**465,411**

7. NET FEE AND COMMISSION INCOME

	Year ended 31 December 2019	Year ended 31 December 2018
Lending commissions	1,926	2,211
Letters of guarantee commissions	5,399	5,167
Trade finance fees	532	542
Commissions from transactions with cash	30,225	24,752
Transfers of funds fees	49,740	44,600
Other fees and commissions	34,808	31,310
Fee and commission income	**122,630**	**108,582**
Inter-bank transactions fees and commissions	(31,689)	(23,715)
Other	(102)	(38)
Fee and commission expense	**(31,791)**	**(23,753)**
Net fee and commission income	**90,839**	**84,829**

Position "other fees and commissions" from the table above includes fees and commissions from bancassurance activity.

The table below presents income from contracts per operating segment, that fall within the scope of IFRS 15:

	31 December 2019				
	Wholesale	**Retail**	**Treasury**	**Others**	**Total**
Fee and commission income	17,158	104,937	535	-	**122,630**

	31 December 2018*				
	Wholesale	**Retail**	**Treasury**	**Others**	**Total**
Fee and commission income	17,601	90,363	618	-	**108,582**

* Figures of the previous year have been restated for comparability purposes (please see note 34)

8. GAINS LESS LOSSES ON FINANCIAL TRANSACTIONS

	Year ended 31 December 2019	Year ended 31 December 2018
Gain from dealing in foreign exchange, net	39,207	35,281
Loss from foreign exchange derivatives, net	(5,786)	(8,043)
Gain from the revaluation of foreign currency assets and liabilities, net	9,136	8,120
Gain on transactions with financial assets measured at fair value through other comprehensive income directly recognized in equity	143	-
Other Gain/ (loss) on financial assets	-	3,670
Net gain on transactions	**42,700**	**39,028**

9. GAINS LESS LOSSES FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

	Year ended 31 December 2019	Year ended 31 December 2018
Gains/(losses) from sales of loans at amortized cost (i)	(110)	(13,291)
Gains/(losses) from significant modifications of loans at amortized cost	235	1,288
Total	**125**	**(12,003)**

(i) The results relate to a sale of non-performing loan portfolio started in 2017 and finalized during 2018.

10. IMPAIRMENT LOSSES AND PROVISIONS TO COVER CREDIT RISK

Impairment losses on financial assets	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Net impairment gains/ (losses) from loans to customers *(please see note 16 b.)*	(33,000)	(35,796)
Losses on modifications of contractual terms of loans and advances to customers	(792)	(6,756)
Recoveries from written-off loans	11,802	2,107
Impairment losses on loans and advances to customers	**(21,990)**	**(40,445)**
Provisions to cover credit risk relating to off balance sheet items *(please see note 24)*	(3,172)	(3,152)
Total impairment losses and provisions to cover credit risk on loans and advances to customers	**(25,162)**	**(43,597)**
Impairment losses on debt securities measured at fair value through other comprehensive income *(please see note 4.b.iii.XII)*	(227)	(217)
Impairment losses on due from banks	757	(790)
Total impairment losses on other financial instruments	**530**	**(1,007)**
Total impairment losses and provisions to cover credit risk	**(24,632)**	**(44,604)**

11. STAFF COSTS

	Year ended 31 December 2019	Year ended 31 December 2018
Salaries	(175,531)	(159,524)
Social security contributions	(5,525)	(4,957)
Other staff costs	(10,064)	(9,540)
Total	**(191,120)**	**(174,021)**

The Bank does not have any further obligations to its employees regarding post-employment benefits or termination benefits.

12. GENERAL ADMINISTRATIVE EXPENSES

	Year ended 31 December 2019	Year ended 31 December 2018
Rent expenses *)	(956)	(41,473)
Insurance expenses	(4,893)	(2,418)
Other taxes **)	(53,449)	(28,505)
Stationery	(3,818)	(3,877)
Advertising	(16,654)	(24,752)
Telecommunications	(9,592)	(8,699)
Information Technology	(19,744)	(12,953)
Electricity supplies costs	(6,602)	(5,589)
Professional fees	(41,386)	(31,439)
Contributions to deposit guarantee and national resolution schemes ***)	(17,196)	(7,505)
Impairment losses and write offs of fixed assets (*please see note 17)*	(803)	(368)
Reversal of provisions for litigations, commitments, contingencies (*please see note 24*)	2,115	1,875
Other expenses	(68,007)	(63,351)
Total	**(240,985)**	**(229,054)**

*) For 2019 rent expenses significantly decreased as a result of application of IFRS 16 "Leases" starting 01.01.2019, so that the rent expenses line in the table above includes among others, expenses related to leases, such as short-term leases (RON 181 thousands) and leases of low value assets (RON 575 thousands).

**) For 2019 this position includes financial assets tax amounting to RON 22.9 million, please also see note 35.

***) The increase for 2019 is due both to increase in deposits from customers and increase in target amount established by National Guarantee Scheme.

13. CASH AND BALANCES WITH NATIONAL BANK OF ROMANIA

	31 December 2019	31 December 2018
Cash in hand	228,743	242,580
Cash in ATMs	74,544	56,667
Current account at National Bank of Romania (NBR)	2,197,748	2,395,632
Allowance for impairment losses	-	(431)
Total	**2,501,035**	**2,694,448**

The balances per currency of the current accounts held with NBR as at 31 December 2019 were: RON 650,642 thousand (31 December 2018: RON 457,164 thousand) and EUR 323,710 thousand (31 December 2018: EUR 415,632 thousand).

The Bank is required to maintain a current account in EUR with NBR in order to facilitate interbank transactions with the Central Bank and other financial institutions through the Trans European – Automated Real Time Gross Settlement Express Transfer System (TARGET).

NBR also requires that all financial institutions established in Romania to maintain a minimum required reserve with Central Bank. The mandatory reserve can be used by the Bank for day to day activities providing the average balance for the month is maintained within required formula. At 31 December 2019 the minimum mandatory reserves rates established by the National Bank of Romania for raised funds with maturity lower than 2 years and for raised funds with residual maturity greater than 2 years which foresee contractual clauses regarding reimbursements, withdrawals and anticipated transfers, are 8% for both funds denominated in RON and funds denominated in foreign currency (31 December 2018: 8% for raised funds denominated in RON and 8% for raised funds denominated in foreign currency).

The mandatory reserve is denominated in EUR for foreign currency deposits and loans and in RON for domestic currency deposits. The interest rate paid by National Bank of Romania in year ended 31 December 2019 for reserves held in RON was maintained at 0.20%, while for reserves held in EUR decreased from 0.02% to 0.01%.

14. DUE FROM OTHER BANKS

	31 December 2019	31 December 2018
Current accounts with other banks	615,108	587,142
Term deposits with other banks	717,594	1,090,577
Collateral deposits with banks	29,670	28,698
Reverse repos with banks	338,222	-
Allowance for impairment losses (*please see note 4.b.iii.XII)*	(77)	(388)
Total due from banks	**1,700,517**	**1,706,029**

Current accounts and term deposits with banks are unencumbered and at the immediate disposal of the Bank as at 31 December 2019 and 31 December 2018.

15. FINANCIAL INVESTMENTS

Investment securities and Investments in associates

1. Investment securities

	31 December 2019	31 December 2018
Securities designated as at FVOCI		
Government bonds and treasury bills *(i)*	1,219,720	1,204,971
Corporate bonds *(ii)*	9,493	-
Investment in equity securities (*iii*)	18,997	13,394
Total	**1,248,210**	**1,218,365**

i. As at 31 December 2019, the Bank held government bonds with coupon and treasury bills with discount, in RON and EUR, issued by the Romanian Ministry of Public Finance. Government portfolio in RON carries coupon rates ranging from 2.25% to 5.95% and in EUR with 1.25% as at 31 December 2019 (31 December 2018: RON 1.35% to 4.75% and in EUR 1.25% to 3.40%).

ii. As at 31 December 2019, the Bank held corporate bonds in EUR issued by a Romanian non-financial corporation, in amount of RON 9.5 million with a fixed interest rate of 4.45%.

The weighted average yield for government bonds at the end of 31 December 2019 was 3.06% (31 December 2018: 2.39%).

As at 31 December 2019 and 31 December 2018 all the financial assets of the Bank are unencumbered and at the immediate disposal of the Bank.

iii. Also included in financial assets investment securities are equity investments in shares of Alpha Bank Group companies and other companies.

The movement and the breakdown of the investment equity securities were as follows:

Investment in equity securities	31 December 2019	31 December 2018
Balance as at 1 January	**13,394**	**11,836**
Disposals	(5)	-
Fair value adjustments	5,608	1,558
Balance as at 31 December	**18,997**	**13,394**

		31-Dec-19		31-Dec-18	
Investment	**Country of incorporation**	**Ownership interest %**	**Value of owner ship**	**Ownership interest %**	**Value of ownership**
Biroul de Credite S.A.	Romania	3.85%	206	3.85%	206
Societatea de Transfer de Fonduri si Decontari TransFonD S.A.	Romania	2.98%	700	2.98%	700
Alpha Leasing Romania IFN S.A.	Romania	1.00%	77	1.00%	77
Casa de Compensare Bucuresti S.A.	Romania	-	-	1.71%	5
VISA Inc	USA	less than 1%	17,900	less than 1%	12,295
SWIFT SCRL	Belgium	less than 1%	114	less than 1%	111

15. FINANCIAL INVESTMENTS (CONTINUED)

II. Investments in associates

	31 December 2019	31 December 2018
Investments in associates	169	409
Total	**169**	**409**

The movement and the breakdown of the investment in associates were as follows:

		31-Dec-19		31-Dec-18	
Investment	**Country of incorporation**	**Ownership interest %**	**Value of owner ship**	**Ownership interest %**	**Value of ownership**
SSIF Alpha Finance Romania S.A.	Romania	26.68%	169	26.68%	409

	31 December 2019	31 December 2018
As at 1 January	**409**	**804**
Additions	-	-
Changes related to application of the equity method	(240)	(395)
At the end of year	**169**	**409**

16. LOANS AND ADVANCES TO CUSTOMERS

As of 31 December 2019, all loans and advances to customers are measured at amortised cost**.**

	31 December 2019	31 December 2018
Corporate	5,067,098	4,769,991
Small and medium enterprises (SMEs)	630,924	561,748
Small business loans (SBL)	7,638	4,565
Individuals	6,746,559	6,311,008
- Consumer loans	1,035,674	1,059,980
- Housing loans	5,610,228	5,157,418
- Credit Cards	100,657	93,610
Total loans, gross	**12,452,219**	**11,647,312**
Allowance for impairment losses	(488,760)	(493,874)
Total loans, net	**11,963,459**	**11,153,438**

16. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Loans can be repaid before their scheduled maturity.

(a) Analysis by type of customer

	31 December 2019	31 December 2018
Individuals		
- in RON	3,746,269	3,215,515
- in foreign currencies	3,000,290	3,095,493
Legal entities		
- in RON	1,682,548	1,639,356
- in foreign currencies	4,023,112	3,696,948
Total loans, gross	**12,452,219**	**11,647,312**
Allowance for impairment losses	(488,760)	(493,874)
Total loans, net	**11,963,459**	**11,153,438**

In the context of the reassessment of the hold to collect business model of loans and advances to customers, past sales are taken into account. During 2019, no sale of loans was performed by the Bank, approach which is consistent with the Bank's business model for loans and advances to customers.

As at 31 December 2019 mortgage loans amounting to RON 1,097 million have been designated as collateral in the Direct Issuance Covered Bond Program (*please see note 22*).

16. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Allowances for impairment losses – loans and advances to customers

During the year ended 31 December 2019 the Bank has written off loans and advances to customers with gross exposure RON 45 million (31 December 2018: RON 24 million), with related decrease in allowance for impairment losses.

The movement in allowance for impairment losses is analysed as follows:

	Mortgages	Consumer	Credit cards	Corporate loans	Total loans
Balance at 1.1.2018	**129,871**	**102,422**	**2,512**	**227,254**	**462,059**
Net impairment (gain)/loss for the period (*note 10*)	(11,292)	24,926	3,135	19,027	**35,796**
Effect of correction of interest revenue on impaired loans	56	651	-	6,577	**7,284**
Translation differences	436	1,255	(411)	12,523	**13,803**
Derecognition of financial assets	(537)	(797)	-	(21)	**(1,355)**
Bad debts written-off	(384)	(734)	-	(22,595)	**(23,713)**
Balance at 31.12.2018	**118,150**	**127,723**	**5,236**	**242,765**	**493,874**
Balance at 1.1.2019	**118,150**	**127,723**	**5,236**	**242,765**	**493,874**
Net impairment (gain)/loss for the period (*note 10*)	(7,642)	18,073	2,189	20,380	**33,000**
Effect of correction of interest revenue on impaired loans	223	630	8	(121)	**740**
Initial recognition of financial assets	129	217	-	-	**346**
Translation differences	2,748	1,086	53	2,771	**6,658**
Derecognition of financial assets	(142)	(355)	-	(83)	**(580)**
Bad debts written-off	(11,567)	(8,492)	(4)	(25,215)	**(45,278)**
Balance at 31.12.2019	**101,899**	**138,882**	**7,482**	**240,497**	**488,760**

17. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

	Land and Buildings	Right of use on PPE buildings	Other	Right of use on passenger cars	Right of use on other tangible assets	Tangible fixed assets	Intangible fixed assets
COST							
31 December 2018	**123,979**	**-**	**125,125**	**-**	**-**	**249,104**	**75,382**
Impact from the implementation of IFRS16	-	167,604	-	7,223	1,367	**176,194**	-
1 January 2019	**123,979**	**167,604**	**125,125**	**7,223**	1,367	**425,298**	**75,382**
Additions	3,291	22,040	11,453	1,026	-	37,810	4,460
Disposals / Terminations / decreases in scope	-	-	-	(194)	-	(194)	-
Write-off	(2,704)	-	(821)	-	-	(3,525)	-
Reclassification	-	-	(149)	149	-	-	-
31 December 2019	**124,566**	**189,644**	**135,608**	**8,204**	**1,367**	**459,389**	**79,842**
DEPRECIATION							
1 January 2019	**69,932**	**-**	**80,090**	**-**	**-**	**150,022**	**47,681**
Depreciation charge	5,005	40,656	9,759	3,061	264	58,745	9,803
Impairment charge	-	-	-	-	-	-	-
Disposals / Terminations / decreases in scope	-	-	-	(155)	-	(155)	-
Write-off	(2,005)	-	(717)	-	-	(2,722)	-
Reclassification	-	-	(100)	100	-	-	-
31 December 2019	**72,932**	**40,656**	**89,032**	**3,006**	**264**	**205,890**	**57,484**
NET BOOK VALUE							
31 December 2019	**51,634**	**148,988**	**46,576**	**5,198**	**1,103**	**253,499**	**22,358**
1 January 2019	**54,047**	**167,604**	**45,035**	**7,223**	**1,367**	**275,276**	**27,701**
COST							
1 January 2018	**122,105**	**-**	**132,931**	**-**	**-**	**255,036**	**59,997**
Additions	1,968	-	20,383	-	-	22,351	15,592
Disposals	-	-	(8)	-	-	(8)	-
Write-off	(94)	-	(28,181)	-	-	(28,275)	(207)
Reclassification	-	-	-	-	-	-	-
31 December 2018	**123,979**	**-**	**125,125**	**-**	**-**	**249,104**	**75,382**
DEPRECIATION							
1 January 2018	**64,924**	**-**	**98,309**	**-**	**-**	**163,233**	**42,197**
Depreciation charge	5,066	-	9,844	-	-	14,910	5,485
Impairment charge	-	-	-	-	-	-	-
Disposals	-	-	(8)	-	-	(8)	-
Write-off	(58)	-	(28,055)	-	-	(28,113)	(1)
Reclassification	-	-	-	-	-	-	-
31 December 2018	**69,932**	**-**	**80,090**	**-**	**-**	**150,022**	**47,681**
NET BOOK VALUE							
31 December 2018	**54,047**	**-**	**45,035**	**-**	**-**	**99,082**	**27,701**
1 January 2018	**57,181**	**-**	**34,622**	**-**	**-**	**91,803**	**17,800**

17. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

Fixed assets written-off during the year ended 31 December 2019 were related mainly to refurbishment and relocation of some units and as a result of year end stock count, compared with 31 December 2018 when fixed assets written-off amounting to RON 0.2 million were mainly related to replacement of IT equipment and as a result of year end stock count. Intangible assets consist mainly of packaged software. Included within other fixed assets are motor vehicles, furniture and fittings, household equipment, air conditioning equipment, etc.

Following the implementation of IFRS 16, effective from 1.1.2019, the Bank recognised a right-of-use on land and buildings amounting to RON 167.6 million related to real estate leases and RON 8.6 million related to passenger cars and other tangible fixed assets.

18. DERIVATIVE FINANCIAL INSTRUMENTS

For derivative assets and liabilities held, no hedge accounting is applied, however they are held for risk management purposes.

As at 31 December 2019 the Bank had no derivative financial instruments while as at 31 December 2018, the Bank had in balance FX swaps; all transactions were concluded with Alpha Bank AE (amounts in RON):

	31 December 2018			
	Contractual nominal amount		Fair value	
	Amount sold	Amount bought	Assets	Liabilities
Foreign exchange swaps	454,667,468	454,000,000	-	1,419,963
Total	**454,667,468**	**454,000,000**	**-**	**1,419,963**

19. OTHER ASSETS AND ASSETS HELD FOR SALE

	31 December 2019	31 December 2018
Sundry debtors	8,907	9,075
Other cash receivable	-	2,232
Total financial assets	**8,907**	**11,307**
Prepaid Expenses	4,197	3,454
Income taxes to be received from state authorities	76,226	-
Assets recovered by the Bank from customers in case of terminated agreements	73	377
Other assets	32,906	31,001
Total non-financial assets	**113,402**	**34,832**
Total Other Assets	**122,309**	**46,139**
Assets held for sale*)	7,560	9,063
Total Other Assets and Assets Held for Sale	**129,869**	**55,202**

*) Assets held for sale mainly consist in recovered tangible assets to be sold.

20. DUE TO BANKS

	31 December 2019	31 December 2018
Current account	41,953	34,879
Term deposits	239,391	594,756
Collateral deposits	1,336,583	1,630,782
Total due to banks	**1,617,927**	**2,260,417**

Funds attracted from other banks represent mainly deposits from Alpha Bank AE (Greece).

Deposits from Alpha Bank AE		**31 December 2019**		**31 December 2018**	
		Shortest period/ Lowest rate	**Longest period/ Highest rate**	**Shortest period/ Lowest rate**	**Longest period/ Highest rate**
	Contractual maturity	758 Days	4,018 Days	166 Days	4,018 Days
EUR	Interest rate	0.00%	0.00%	0.00%	0.00%

21. DUE TO CUSTOMERS

	31 December 2019	31 December 2018
Current accounts and sight deposits	3,752,884	2,984,312
Term deposits	8,497,057	8,354,829
Collateral deposits	217,756	233,485
Due to customers	**12,467,697**	**11,572,626**

	31 December 2019	31 December 2018
Individuals		
- in RON	2,426,140	2,483,703
- in foreign currencies	4,273,735	3,763,217
Legal entities		
- in RON	2,769,927	2,473,062
- in foreign currencies	2,967,719	2,816,928
Total deposits	**12,437,521**	**11,536,910**
Accrued interest	30,176	35,716
Total	**12,467,697**	**11,572,626**

Deposits can be withdrawn before their maturity, in which case the interest income is computed based on current account interest rate prevailing at the date of withdrawal.

21. DUE TO CUSTOMERS (CONTINUED)

The below tables present the weighted average interest rate for term deposits offered by the Bank:

31 December 2019

Customers	CCY.	1 Month	3 Months	6 Months	9 Months	12 Months	24 Months
	EUR	0.10%	0.20%	0.26%	0.33%	0.51%	0.43%
Individuals	**RON**	0.74%	1.40%	1.99%	2.02%	2.75%	2.27%
	USD	0.40%	0.65%	1.08%	1.20%	1.24%	0.60%
	EUR	0.12%	0.24%	0.27%	0.24%	1.02%	1.11%
Legal entities	**RON**	1.86%	2.10%	3.05%	2.82%	3.37%	3.25%
	USD	0.20%	0.39%	0.73%	0.75%	1.21%	-

31 December 2018

Customers	CCY.	1 Month	Months	6 Months	9 Months	12 Months	24 Months
	EUR	0.21%	0.38%	0.77%	0.98%	1.02%	0.88%
Individuals	**RON**	0.92%	1.58%	2.04%	2.01%	2.21%	1.61%
	USD	0.65%	0.92%	1.30%	1.33%	1.29%	0.60%
	EUR	0.29%	0.81%	0.74%	0.86%	1.19%	1.41%
Legal entities	**RON**	1.06%	1.82%	3.19%	3.40%	3.16%	-
	USD	0.56%	0.75%	0.93%	0.99%	1.30%	-

22. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS

Other borrowed funds represent credit facilities from the European Bank for Reconstruction and Development ("EBRD"), International Finance Corporation ("IFC"), Black Sea Trade and Development Bank ("BSTDB") and European Fund for Southeast Europe ("EFSE").

On 24 November 2005 the Bank signed a loan agreement with EBRD for financing small and medium-size municipalities and/or municipally owned or controlled companies, in total amount of EUR 20 million, maturing in April 2021. The Bank has only drawn EUR 0.3 million and RON 13.75 million from the initial contractual amount of EUR 20 million in 2009. The remaining available amount has been cancelled under the Agreement's provisions during 2010. As at 31 December 2019, the Bank has a remaining balance of EUR 0.04 million and RON 1.83 million from the above drawn amounts.

On 18 May 2017, the Bank signed a loan agreement with IFC, in amount of EUR 50 million, maturing in March 2022, which has been fully drawn by the end of 2017.

The Bank signed a loan agreement with BSTDB on 29 August 2018, in amount of EUR 40 million, maturing in 2020, out of which half was reimbursed by the Bank until the end of the year.

The loan agreement with EFSE was signed on 19 December 2018 for financing private micro and small enterprises, in amount of RON 139.5 million and maturity in November 2023, which has been fully drawn by the end of the year.

22. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

On 16.05.2019 the Bank issued covered bonds with a nominal value of EUR 200 million under the Euro 1 billion International Direct Covered Bond issuance Program. The maturity of issued covered bonds is 16.05.2024 and they bear a six-month Euribor interest rate plus a 1.5% margin.

	31 December 2019	31 December 2018
Debt securities issued	943,826	-
	943,826	-
EBRD loans	2,044	3,400
IFC loans	190,741	228,590
BSTDB loans	96,065	186,710
EFSE loans	139,355	69,851
Other borrowed funds	**428,205**	**488,551**
Debt securities issued and other borrowed funds	**1,372,031**	**488,551**

The changes in liabilities arise from financing activities, including the cash flow and non-cash flow changes are presented in the tables below:

			Non cash flows				Non cash flows		
Cash flow from financing activities	**1 January 2018**	**Cash flows**	**Accrued interest**	**Foreign exchange differences**	**31 December 2018**	**Cash flows**	**Accrued interest**	**Foreign exchange differences**	**31 December 2019**
Other borrowed funds - EBRD	**4,749**	(1,347)	(2)	-	**3,400**	(1,350)	(14)	8	**2,044**
Other borrowed funds - IFC	**228,042**	-	548	-	**228,590**	(38,287)	438	-	**190,741**
Other borrowed funds - BSTDB	**-**	186,555	155	-	**186,710**	(95,586)	325	4,616	**96,065**
Other borrowed funds - EFSE	**-**	69,750	101	-	**69,851**	69,750	(246)	-	**139,355**
Debt securities issued	**-**	-	-	-	**-**	955,860	(12,034)	-	**943,826**

23. SUBORDINATED DEBT

In November 2004, the Bank signed a loan agreement with Alpha Bank AE for a subordinated loan of EUR 16,000,000 with a seven-year maturity. The subordinated loan was extended and was fully repaid in one instalment in November 2019. The interest rate was equal to EURIBOR 3 months plus 2.0%.

In September 2005, the Bank signed a second loan agreement with Alpha Bank AE for a subordinated loan of EUR 60,000,000 with a seven-year maturity. The subordinated loan was extended and was fully repaid in one instalment in September 2019. The interest rate was equal to EURIBOR 3 months plus 2.0%.

23. SUBORDINATED DEBT (CONTINUED)

In February 2006, the Bank signed a third loan agreement with Alpha Bank AE for a subordinated loan of EUR 4,300,000 with a seven-year maturity. The subordinated loan was extended and was fully repaid in one instalment in February 2019. The interest rate was equal to EURIBOR 3 months plus 2.0%.
In November 2006, the Bank signed a fourth loan agreement with Alpha Bank AE for a subordinated loan of EUR 13,000,000 with a seven-year maturity. The subordinated loan was extended and was fully repaid in one instalment in October 2019. The interest rate was equal to EURIBOR 3 months plus 2.0%.

In September 2009, the Bank signed a fifth loan agreement with Alpha Bank AE for a subordinated loan of EUR 12,000,000 with a seven-year maturity. The subordinated loan was extended and was fully repaid in one instalment in September 2019. The interest rate was equal to EURIBOR 3 months plus 2.0%.

In May 2011, the Bank signed a sixth subordinated loan agreement with Alpha Bank AE of EUR 80,000,000. The Bank has drawn only EUR 50,000,000 by 31 December 2019, under the contractual provisions. The maturity schedule is based on monthly payments of interest and does not comprise a final maturity date for the principal. The interest rate set for each monthly payments of interest is based on EURIBOR 1 month plus 2.5%.

As at 31 December 2019 and 31 December 2018, subordinated debt balance was:

	31 December 2019	31 December 2018
Subordinated debt	238,979	724,574
Total	**238,979**	**724,574**

The changes in liabilities arise from financing activities, including the cash flow and non-cash flow changes are presented in the table below:

		Non-cash flows				Non-cash flows		
Cash flow from financing activities	**1 January 2018**	**Accrued interest**	**Foreign exchange differences**	**31 December 2018**	**Cash Flow**	**Accrued interest**	**Foreign exchange differences**	**31 December 2019**
Subordinated debt	**723,978**	(56)	652	**724,574**	(503,260)	(257)	17,922	**238,979**

24. PROVISIONS

Provisions includes: provisions for litigations, fraud cases and other contingencies amounting to RON 6.5 million (31 December 2018: RON 8.6 million) and provisions for guarantees, letter of credit and credit related commitments amounting to RON 17.8 million (31 December 2018: RON 14.5 million) *(please see note 29)*.

24. PROVISIONS (CONTINUED)

The movement in the provisions was as follows:

Balance 1.1.2018	**21,869**
Changes for the period 1.1. – 31.12.2018	
Provisions to cover credit risk relating to off-balance sheet items	3,152
Provisions for other contingent liabilities	(1,846)
Provisions for pending legal cases or issues in progress	(29)
Foreign exchange differences	16
Balance 31.12.2018	**23,162**
Changes for the period 1.1. – 31.12.2019	
Provisions to cover credit risk relating to off-balance sheet items (*see note 10*)	3,172
Provisions for other contingent liabilities	124
Provisions for pending legal cases or issues in progress	(2,239)
Foreign exchange differences	157
Balance 31.12.2019	**24,376**

25. LIABILITIES FOR CURRENT INCOME TAX AND OTHER LIABILITIES

	31 December 2019	31 December 2018
Lease liabilities (i)	158,399	55
Other various creditors	10,475	9,626
Total financial liabilities	**168,874**	**9,681**
Social security liabilities	6,293	6,168
Accrual employee incentive scheme	7,191	6,330
Amounts in transit	22,040	8,869
Income taxes to be paid to state authorities	-	50,034
Other liabilities	56,277	48,561
Total non-financial liabilities	**91,801**	**119,962**
Liabilities for current income tax and other liabilities	**260,675**	**129,643**

25. LIABILITIES FOR CURRENT INCOME TAX AND OTHER LIABILITIES (CONTINUED)

(i) Lease liabilities

Bank's obligations with respect to leases consist mainly of buildings which are used either as branches or as other operating units, offsite ATMs and cars for senior management.

Following the implementation of IFRS 16, effective from 1.1.2019, the Bank recognized right-of-use assets and lease liabilities for all the leases fallen to IFRS 16. Lease liabilities were discounted at the incremental borrowing rate (IBR) of 1.1.2019. The weighted average rate was 1.53%. More specifically, the Bank recognized as at 1.1.2019 right-of-use assets of RON 176.2 million which has been classified in Property, plant and equipment and lease liabilities of RON 173.8 million, the difference representing payments made in advance as at 1.1.2019 (classified as other assets). It is noted that there are no leases of fixed assets which include term of variable lease. The impact from the implementation of the standard and the Bank's policy related to leases are presented in detail in note 2.f.

The following table present the reconciliation of minimum future lease payments as disclosed in IAS 17 at the financial statements for the year ended 31 December 2018, with the lease liabilities recognized on 1.1.2019 according to IFRS 16:

Operating lease obligations at 31 December 2018	**169,373***
Leasing adjustments not included in minimum future leasing payments	11,806
Gross lease liabilities as at 1 January 2019	**181,179**
Discounted using the incremental borrowing rate at 1 January 2019	(7,362)
Lease liabilities as at 1 January 2019	**173,817**

**The amount presented as Future lease payments as at 31 December 2018 (RON 211,471 thousand) was restated as it contained also VAT.*

The main differences between the minimum future lease payments as at 31.12.2018 and the lease liabilities recognized as at 1.1.2019 in accordance with the new IFRS 16 "Leases" are attributed to the following reasons:

- Future rentals are discounted
- Assumptions and practical expedients were used, according to IFRS 16:
  - exclusion of leased properties for which the lease contract expires in the next 12 months and will not be renewed (short-term exemption),
  - extension of the duration of leases for which although the lease contract expires within 12 months, the Bank will renew the contract,
  - where there is a clause in the lease contract regarding increases in lease, future leases are adjusted on the date the respective increase becomes effective.

Maturity analysis of discounted lease liabilities as at 31 December 2019:

	Nominal inflows/(outflows)					
	<1 month	**1 to 3months**	**3 to 6 months**	**6 to 12 months**	**>1 year**	**Balance 31.12.2019**
Lease liabilities	6,920	5,579	11,129	22,241	112,530	**158,399**

Changes arising from financing cash flows:

		Cash flows	Non cash changes		
	1.1.2019	**Payments**	**New leases**	**Other changes**	**31.12.2019**
Lease liabilities	173,817	(45,378)	2,676	27,284	**158,399**

26. INCOME TAX

Tax charge

The movements in net tax charge for the period were as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Current tax charge	18,639	92,062
Deferred tax charge/(release)	(1,255)	(726)
Total tax charge for the period	**17,384**	**91,336**

Deferred tax, net

	31 December 2019	31 December 2018
Balance as at 1 January (asset)/liability	**406**	**27**
Net charge for the period in income statement	(1,255)	(726)
Charged directly in equity (*i*)	825	1,105
Balance as at 31 December (asset)/liability, out of which:	**(24)**	**406**
Deferred tax liability	4,999	4,514
Deferred tax asset	5,023	4,108

(i) The amount charged in equity is mainly the movement in the outstanding balance of deferred tax related to unrealized gain/loss from investment securities (31 December 2019: RON 0.8 million and 31 December 2018: RON 1.1 million).

The reconciliation between the effective and nominal tax rate is provided below:

	Year ended 31 December 2019	Year ended 31 December 2018
Profit before tax	96,417	112,379
Tax calculated at a tax rate of 16%	15,427	17,981
Increase/(decrease) due to:		
- income not subject to tax	(7,736)	(10,399)
- expenses not deductible for tax purposes	21,825	14,137
- other differences	(12,132)	69,617
Total income tax charge	**17,384**	**91,336**

26. INCOME TAX (CONTINUED)

Movements in Deferred tax	1 January 2019	Recognized in profit or loss	Recognized in Equity	31 December 2019
Deferred tax (assets)/liabilities				
Loans and advances to customers	(2,324)	(532)	-	**(2,856)**
Property, plant and equipment	3,720	(411)	-	**3,309**
Unrealised gain/(loss) from bonds	(137)	-	(72)	**(209)**
Unrealised gain/(loss) from other securities	794	-	897	**1,691**
Other temporary differences	(1,647)	(312)	-	**(1,959)**
	406	**(1,255)**	**825**	**(24)**

Movements in Deferred tax	1 January 2018	Recognized in profit or loss	Recognized in Equity	31 December 2018
Deferred tax (assets)/liabilities				
Loans and advances to customers	(1,818)	(506)	-	**(2,324)**
Property, plant and equipment	3,887	(167)	-	**3,720**
Unrealised gain/(loss) from bonds	(995)	-	858	**(137)**
Unrealised gain/(loss) from other securities	547	-	247	**794**
Other temporary differences	(1,594)	(53)	-	**(1,647)**
	27	**(726)**	**1,105**	**406**

The Bank has not recognized deferred tax on the statutory reserves of RON 165,004 thousand (31 December 2018: RON 160,183 thousand), which were set-up under the Romanian Laws and Banking Regulations and are non-distributable.

These reserves under the Romanian Fiscal legislation will remain untaxed until they are used (e.g. transferred to distributable profits, covering losses, etc.). The Bank has no intention in the direction of decrease or dissolving its activities and based on its current business plan it is unlikely that the reserves will decrease.

As at 31 December 2019 the Bank recorded a deferred tax asset amounting to RON 5 million (31 December 2018: RON 4.1 million) out of which RON 4.8 million relates to loans and other temporary differences (31 December 2018: RON 4 million) and RON 0.2 million relates to unrealised loss from bonds (31 December 2018: RON 0.1 million).

The deferred tax liability recorded as at 31 December 2019 was RON 5 million (31 December 2018: RON 4.5 million) out of which RON 3.3 million relates to depreciation of fixed assets (31 December 2018: RON 3.7 million) and RON 1.7 million relates to unrealised gain from other securities (31 December 2018: RON 0.8 million).

The Bank envisages using the above amounts versus future taxable profit.

27. SHARE CAPITAL

	31 December 2019	31 December 2018
Statutory value as per Constitutive Acts	958,811	958,811
Restatement of share capital in accordance with IAS 29	24,334	24,334
Total	**983,145**	**983,145**

The authorized, issued and fully paid share capital (as per Constitutive Acts) of the Bank as at 31 December 2019 is 8,323,016 shares with a par value of RON 115.2 (31 December 2018: 8,323,016 shares with a par value of RON 115.2).

All issued shares are fully paid.

The Bank's ownership structure as per statutory accounts as of 31 December 2019 and 31 December 2018 is as follows:

	31 December 2019		
Shareholder	**Number of shares**	**%**	**Nominal Amount**
Alpha Bank A.E	8,316,223	99.91838%	958,029
Alpha Bank (Greece)	***8,316,223***	***99.91838%***	***958,029***
Other shareholders (Greek citizens)	6,793	0.08162%	782
Total	**8,323,016**	**100%**	**958,811**

	31 December 2018		
Shareholder	**Number of shares**	**%**	**Nominal Amount**
Alpha Bank A.E	8,316,223	99.91838%	958,029
Alpha Bank (Greece)	***8,316,223***	***99.91838%***	***958,029***
Other shareholders (Greek citizens)	6,793	0.08162%	782
Total	**8,323,016**	**100%**	**958,811**

Alpha Bank A.E. has been listed on the Athens Exchange since 1925. In addition to the Greek stock exchange, the share is traded over the counter on the New York exchange in the form of American Depository Receipts (ADRs). The share is also included in international indexes such as the MSCI Emerging Markets, MSCI Greece, FTSE All World and FTSE4Good Emerging Index.

28. RESERVES

	31 December 2019	31 December 2018
Statutory reserves	165,004	160,183
Revaluation reserve on investment securities	(669)	(509)
Total	**164,335**	**159,674**

29. COMMITMENTS AND CONTINGENCIES

Off balance sheet liabilities

The Bank pursuant to its normal operations is bound by contractual commitments that in the future may result to changes in its asset structure. These commitments are monitored in off balance sheet accounts and relate to letters of credit, letters of guarantee, undrawn credit facilities and credit limits.

In addition, contingent liabilities for the Bank arise from undrawn loan commitments and credit limits that may not be fulfilled immediately or may be partly fulfilled as long as the agreed upon requirements are fulfilled by counterparties.

Letters of credit are used to facilitate trading activities and relate to the financing of contractual agreements for the transfer of goods domestically or abroad, by undertaking the direct payment on behalf of the third party bound by the agreement on behalf of the Bank's client. Letters of credit, as well as letters of guarantee, are commitments under specific terms and are issued by the Bank for the purpose of ensuring that its clients will fulfil the terms of their contractual obligations.

The balance of the expected credit losses for undrawn loan commitments and letters of credit/of guarantee amounts to RON 17.8 million as of 31 December 2019 (31 December 2018: RON 14.5 million) (*please see note 24*).

The aggregate amount of outstanding guarantees, letters of credit and commitments to extend credit at the end of the period were:

	31 December 2019	31 December 2018
Letters of guarantee issued in RON	286,862	233,512
Letters of guarantee issued in foreign currency	273,764	207,182
Total letters of guarantee issued	**560,626**	**440,694**
Letters of credit issued	**55,335**	**52,591**
Un-drawn credit facilities in RON	856,452	625,332
Un-drawn credit facilities in foreign currency	891,300	804,520
Total un-drawn credit facilities	**1,747,752**	**1,429,852**
Of which:		
- committed	648,675	560,812
- uncommitted	1,099,077	869,040

29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigations

The litigations in which the Bank is defendant as at 31 December 2019 and 31 December 2018 should not involve material claims on the Bank. The litigations provisions booked in this respect amounts to RON 852 thousands (31 December 2018: RON 3,084 thousands). For those cases, that according to their progress and the assessment of the legal department, a negative outcome is not probable or the potential outflow cannot be estimated reliably, the Bank has not recognized a provision.

Other contingencies

The Romanian Government has a number of agencies authorized to audit (control) companies that operate in Romania. These controls are similar to tax audits in other countries and can cover only the tax issues and other legal and regulatory issues of interest to these agencies. It is possible that the Bank continue to be subject to fiscal controls due to issuance of new tax rules. Last tax audit covered the period up to 31 December 2006.

Assets pledged

Mortgage loans with a nominal value of RON 1,097 million has been used as collateral in the Direct Issuance Covered Bond Program (please see note 16). As at 31 December 2019 the nominal value of the above bonds amounted to RON 956 million.

30. CAPITAL

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the European Banking Authority ("EBA") and adopted by the National Bank of Romania ("NBR") in supervising the Bank.

The regulations require for capital adequacy ratios to be calculated on financial information prepared in accordance with EU and NBR prudential requirements. To be "sufficiently capitalized" under NBR regulations a banking institution must have a Common Equity Tier I ratio of at least 4.5% and 6% for Total Tier I, while the total capital adequacy limit was maintained at 8%.

As at 31 December 2019, capital adequacy ratio based upon the NBR's regulation is 21.65% (31 December 2018: 24.45%).

During the past period, the Bank had complied in full with all its externally imposed capital requirements.

Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirement and that the bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristic of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

30. CAPITAL (CONTINUED)

Regulatory capital

	31 December 2019		31 December 2018	
	Actual	**Required**	**Actual**	**Required**
Common Equity Tier 1	1,745,983	412,640	1,666,032	363,537
Tier 1 capital	1,745,983	550,186	1,666,032	484,716
Tier 2 capital	238,965	N/A	309,307	N/A
Total capital	**1,984,948**	**733,582**	**1,975,339**	**646,288**
Risk weighted assets	**9,169,772**	**9,169,772**	**8,078,602**	**8,078,602**
Common Equity Tier 1	19.04%	4.50%	20.62%	4.50%
Tier 1 capital	19.04%	6.00%	20.62%	6.00%
Total capital ratio	21.65%	8.00%	24.45%	8.00%

Regulatory capital consists of Tier 1 capital, share capital, retained earnings including current profit for the period, reserves and accumulated other comprehensive income. The other component of regulatory capital is Tier 2 capital, which includes only subordinated debt.

31. RELATED PARTY TRANSACTIONS

The Bank considers as key management personnel all the members of the Bank's and the Parent Company's Board of Directors and Executive Committee, including close family members of the above mentioned persons.

During the year ended 31 December 2019 the Bank entered into a number of banking transactions with Alpha Bank A.E. that controls 99.92% of the Bank's ordinary shares, and group companies (Alpha Bank London Ltd, Alpha Finance A.E.P.E.Y., Alpha Asset Management A.E.D.A.K, Alpha Astika Akinita A.E., SSIF Alpha Finance Romania S.A., Alpha Supporting Services A.E, Alpha Bank Cyprus Ltd , Alpha Insurance Brokers SRL(Romania), Alpha Leasing Romania IFN S.A., AGI - RRE Participations 1 L.T.D., Alpha Real Estate Services SRL, AGI - RRE Participations 1 SRL, AGI - RRE Poseidon Ltd, S.C. Romfelt Real Estate S.A., AGI - RRE Zeus SRL, AGI - RRE Poseidon SRL, AGI - RRE Hera SRL, AGI - RRE Artemis Ltd, SC Cordia Residence SRL, SC Carmel Residential SRL, AGI - RRE Cleopatra SRL, AGI - RRE Hermes SRL, Asmita Gardens SRL, Ashtrom Residents SRL, Cubic Center Development S.A., TH Top Hotels SRL) in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rate.

31. RELATED PARTY TRANSACTIONS (CONTINUED)

These include loans, deposits and foreign currency transactions. The volumes of related party transactions, outstanding balances at the period/year-end, and relating expense and income for the period are as follows:

	Key management personnel		Parent		Associates		Other	
	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018
Assets								
Due from other banks	-	-	908,220	810,611	-	-	71	65
Loans and advances to customers, net	824	871	-	-	-	-	180,755	197,463
Derivative held for trading	-	-	-	-	-	-	-	-
Other assets	-	-	11	29	45	15	3,915	20
Total assets	**824**	**871**	**908,231**	**810,640**	**45**	**15**	**184,741**	**197,548**
Liabilities								
Due to banks	-	-	1,615,419	2,229,927	-	-	152	69
Due to customers	7,917	8,051	-	-	4,414	8,586	192,912	144,625
Subordinated loans	-	-	238,979	724,574	-	-	-	-
Derivative held for trading	-	-	-	1,420	-	-	-	-
Other liabilities	-	-	-	-	-	-	13,964	10,184
Total liabilities	**7,917**	**8,051**	**1,854,398**	**2,955,921**	**4,414**	**8,586**	**207,028**	**154,878**
Guarantees in favour of third parties	**-**	**-**	**71,125**	**43,264**	-	-	**24,044**	-
Guarantees received	**-**	**-**	**79,823**	**68,988**	-	-	-	-
Undrawn credit facilities	**276**	**264**	**764,688**	**746,224**	**2,390**	**933**	**81,900**	**90,316**

The "due to banks" position above includes collateral deposits received from Alpha Bank A.E. in amount of RON 1,336,583 thousand (31 December 2018: RON 1,630,783 thousand).

31. RELATED PARTY TRANSACTIONS (CONTINUED)

	Key management personnel		Parent		Associates		Other	
	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018
Interest income	21	22	8,892	17,904	-	-	6,105	5,652
Interest expense	59	68	11,478	12,079	3	14	1,381	498
Net commission income	12	12	369	455	(13)	10	198	155
Other operating income	3	3	-	-	38	37	533	557
Other operating expenses	24	9	-	-	1,167	-	21,048	19,393

Transactions with key management personnel

The remunerations for the year ended 31 December 2019 amounted to RON 7,662 thousand (31 December 2018: RON 7,226 thousand).

Transferred loans receivables

During the year ended 31 December 2019 there have been no transfer transactions with related parties, involving loans receivables.

In 2018 the Bank received a portfolio of non-performing loans from Alpha Bank A.E., recognized as POCI, with a fair value of RON 4.4 million.

32. AUDITORS' FEES

The total fees of legal auditors of the Bank are analyzed below:

	31 December 2019	31 December 2018
Statutory accounts audit services	419	364
Non-audit services	741	349
Total	**1,160**	**713**

33. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Due from banks	1,390,022	1,356,155
Cash and balances with the National Bank of Romania	2,501,035	2,694,879
Total	**3,891,057**	**4,051,034**

34. OPERATING SEGMENTS

Operating segments are components of the Bank that are profit centres, that has discrete financial information available, and whose results are reviewed regularly by the Bank's chief operating decision maker for purposes of performance assessment and resource allocation.

As presented in note 3.b), the following operating segments have been determined:

- Retail Banking
- Wholesale Banking
- Treasury
- Other

The segments are detailed below:

Retail

This segment includes individuals, professionals, small and very small companies operating in Romania and abroad. The Bank offers all types of deposit products (term/sight deposits, savings accounts, current accounts), loan facilities (mortgages, consumer) and debit and credit cards to the above customers.

Wholesale

This segment includes all medium-sized and large companies, corporations with international business activities. The Bank offers working capital facilities, corporate loans, and letters of guarantee for the above-mentioned corporations. This sector also includes factoring services.

Treasury

It includes the activities of the Dealing Room in the interbank market (FX Swaps, Bonds, Interbank placements – Loans etc.). It includes also stock exchange, advisory and brokerage services relating to capital markets offered by the Bank.

Others

This segment consists of income and expenses that are not related to its operating activities or are non-recurring and are due to external factors.

	31 December 2019				
	Wholesale	**Retail**	**Treasury**	**Others**	**Total**
Net Interest Income	166,457	299,376	18,179	-	**484,012**
Net fee and commission income	14,269	76,038	532	-	**90,839**
Other income	6,664	37,487	2,700	-	**46,851**
TOTAL INCOME	**187,390**	**412,901**	**21,411**	**-**	**621,702**
Depreciation and amortization	(8,205)	(59,945)	(398)	-	**(68,548)**
Other Expenses	(52,133)	(350,269)	(6,827)	(22,876)	**(432,105)**
Impairment losses and provisions to cover credit risk	(9,024)	(16,222)	614	-	**(24,632)**
TOTAL EXPENSES	**(69,362)**	**(426,436)**	**(6,611)**	**(22,876)**	**(525,285)**
Profit/(loss) before tax	**118,028**	**(13,535)**	**14,800**	**(22,876)**	**96,417**
Income tax expense	-	-	-	(17,384)	**(17,384)**
NET PROFIT/(LOSS)	**118,028**	**(13,535)**	**14,800**	**(40,260)**	**79,033**

34. OPERATING SEGMENTS (continued)

	Wholesale	Retail	Treasury	Others	Total
Total Assets*	**4,916,356**	**7,478,933**	**5,423,851**	**-**	**17,819,140**
Total Liabilities*	**2,796,790**	**10,382,428**	**2,802,467**	**-**	**15,981,685**
Capital expenditure	**6,348**	**35,667**	**256**	**-**	**42,271**

*The Bank initially applied IFRS 16 at 1 January 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts. As a result, the Bank recognized as at 1.1.2019 right-of-use assets of RON 176.2 million which has been classified in property, plant and equipment and lease liabilities of RON 173.8 million. The assets and liabilities are included on Wholesale, Retail and Treasury segment as at 31 December 2019. The bank has applied IFRS 16 using the modified retrospective approach, under which the comparative information is not restated (please see note 2.f).

	31 December 2018*				
	Wholesale	**Retail**	**Treasury**	**Others**	**Total**
Net Interest Income	169,294	266,762	29,355	-	**465,411**
Net fee and commission income	15,069	71,115	(1,355)	-	**84,829**
Other income	(6,021)	22,968	13,266	-	**30,213**
TOTAL INCOME	**178,342**	**360,845**	**41,266**	**-**	**580,453**
Depreciation and amortization	(2,461)	(17,802)	(132)	-	**(20,395)**
Other Expenses	(53,463)	(342,449)	(7,163)	-	**(403,075)**
Impairment losses and provisions to cover credit risk	(22,357)	(21,616)	(631)	-	**(44,604)**
TOTAL EXPENSES	**(78,281)**	**(381,867)**	**(7,926)**	**-**	**(468,074)**
Profit/(loss) before tax	**100,061**	**(21,022)**	**33,340**	**-**	**112,379**
Income tax expense	-	-	-	(91,336)	**(91,336)**
NET PROFIT/(LOSS)	**100,061**	**(21,022)**	**33,340**	**(91,336)**	**21,043**
Total Assets	**4,586,981**	**6,835,616**	**5,532,077**	**-**	**16,954,674**
Total Liabilities	**2,706,031**	**9,508,841**	**2,985,927**	**-**	**15,200,799**
Capital expenditure	**5,698**	**32,016**	**229**	**-**	**37,943**

* Figures of the previous year have been restated for comparability purposes. A more complex methodology was used for both years, resulting in a more granular allocation of costs on operating segments.

35. FINANCIAL ASSETS TAX

During the financial year 2019 according to the Government Emergency Ordinance no. 114/2018, hereinafter "the Ordinance", credit institutions were obliged to pay the tax on net financial assets, called hereinafter "financial assets tax". The financial assets tax is subject to repeal in the financial year 2020.

35. FINANCIAL ASSETS TAX (CONTINUED)

The Bank computed financial assets tax at the end of the first semester, respectively at the end of the financial year, by applying a tax rate of 0.4% per year, as the Bank has a market share greater than 1%.

The taxable base of the financial assets tax consists in the net financial assets of the bank existing at the end of the semester, respectively at the end of the year for which the financial asset tax was due. As established by the Ordinance the following elements are excluded from the taxable base:

- Cash and cash balances at central banks, net;
- Non-performing exposures, net;
- Debt securities issued by public administrations, net (only performing exposures);
- Loans and advances granted to public administrations, net (only performing exposures);
- Loans granted to the non-governmental sector bearing guarantees received from the central public administration, net (only performing exposures);
- Loans granted to credit institutions, net, correspondent accounts and deposits at credit institutions, net, reverse repo operations with credit institutions, net (only performing exposures).

As per Ordinance provisions, the Bank would be able to reduce the financial assets tax due, as follows:

1. For annual decrease in interest margin:
- by 50% if the target for decrease in interest margin (i.e. 8%) is reached, or if the interest margin is below the reference margin (i.e. 4%);
- less than 50%, depending on the proportion with which the interest margin decreased.

2. For annual increase in financial intermediation (lending for household and non-financial institutions):
- by 50% if the annual target of increase in lending (i.e. 8%) was reached;
- less than 50%, depending on the proportion with which the lending increased.

For the year ended December 31, 2019, the Bank partially met the conditions to obtain reductions for the financial assets tax, respectively a reduction of 42.94% for increase in lending compared to 31 December 2018. The level of the financial assets tax computed based on the results as of 31 December 2019 is 22.9 million RON, as shown in the below table (amounts in million RON):

		31 December 2019		**30 June 2019**	
		%	**amount**	**%**	**amount**
Financial assets tax base	***(1)***		**10,023**		**9,659**
Financial assets tax before deductions	***(2) = %*(1)***	**0.40%**	**40.1**	**0.40%**	**38.6**
Deduction due to increase in lending	*(3) = %*(2)*	42.94%	17.2	100.00%	38.6
Deduction from decrease in margin	*(4) = %*(2)*	0.00%	-	0.00%	-
Financial assets tax after deductions	***(5) = (2)-(3)-(4)***		**22.9**		**0.00**

The financial assets tax for the year 2019 will be declared and paid until 25 August 2020. The expense with the financial assets tax is deductible expense for corporate income tax purposes

36. SUBSEQUENT EVENTS

Minimum mandatory reserve

Starting from 24 February 2020 the minimum mandatory reserves rates established by the National Bank of Romania for raised funds with maturity lower than 2 years and for raised funds with residual maturity greater than 2 years which foresee contractual clauses regarding reimbursements, withdrawals and anticipated transfers, decreased from 8% to 6% for raised funds denominated in foreign currency while for funds denominated in RON the rate was maintained at 8%.

Financial Assets Tax

On January 2020 the Romanian Government modified the legislation on financial assets tax (please see note 35) through the Government Emergency Ordinance no 1/2020, which specifies that the financial assets tax is due only for the year 2019 and it is canceled started with the year 2020.

Coronavirus pandemic

On March 11, 2020 World Health Organization declared coronavirus outbreak (COVID-19) a pandemic. Alpha Bank Romania monitors the current situation regarding the rapid transmission of COVID-19 and assesses the impact on the asset quality, the risk model sensitivity in macroeconomic perimeters, as well as the implementation of the Business Plan. It is expected that global and Romanian economy will be negatively impacted in 2020 from the pandemic outbreak, with the effect depending on how the situation and its duration evolves. As a preliminary analysis of the pandemic impact, some industries have been identified having direct and immediate impact from the pandemic. These include accommodation and food services activities, transportation, part of the wholesale and retail trade activities and of the administrative and support service activities.

The Bank is in close relation with its clients and monitors continuously the development of the pandemic, as well as of its impact. In line with the public measures already taken, the Bank implements the provisions of the Government Ordinance 37/2020 regarding the loan facilities for some categories of debtors and of the Government Ordinance 42/2020 regarding state support for SMEs in the context of COVID 19 pandemic. Although it is expected that this will adversely affect ECL and possibly revenue and impairment of assets, the exact impact cannot be quantified for the time being. We also reassessed the Business Continuity Plan as well as the ability to retain our business operations, in order to support our customers in these harsh times. In addition, we have taken the necessary steps to ensure the security and the well-being of our employees.

The above efforts are being carried out concurrently with the actions of the Romanian Government to address the economic impact of the coronavirus (COVID-19) and to support the economy and entrepreneurship. The Romanian Government announced the following emergency measures:

(i) Suspension of payment of tax obligations and contributions to the social insurance fund for up to 30 days after the State of National Emergency ceases, without penalties and / or surcharges;

(ii) Suspensions of loan reimbursement for a 9 months period for retail loans, with capitalization of interest, except for mortgage loans where the interest will be not capitalized, but will be paid in a period of maximum 5 years after the suspension ceases;

36. SUBSEQUENT EVENTS (CONTINUED)

(iii) Providing financing in the form of guarantees for the accrued interest during suspension period for retail mortgage loans, where such interest is not capitalized;

(iv) VAT exemption for medical materials and drugs related to fight against COVID-9.

In this context, the Bank has already approved appropriate measures to address the current situation of individuals and businesses.

Meanwhile, the National Bank of Romania's Supervisory Committee convened, in line with the measures announced by the related European structures, that it will use the flexibilities in the legislative framework so that individuals and companies with outstanding loans could be helped by banks in the period ahead, as follows:

(i) Payment delays (as a result of a general measure or based on direct negotiations with clients) generated by the current state of affairs should not be associated with the notion of borrower's financial distress. Therefore, the loan should not be reclassified and credit institutions should not set up provisions for these loans, as a result of restructuring.

(ii) With regard to credit institutions capital, the National Bank of Romania decided to allow banks to temporarily use the previously built capital buffers (up to a date that will be subsequently communicated), while also keeping in place the legal requirements for such flexibilities. Adapting capital buffers to the new conditions helps banks preserve their support role for the real economy.

(iii) Furthermore, regarding liquidity, the Central Bank allows banks not to comply with the minimum liquidity ratio, for the purpose of using these reserves to contribute to the smooth functioning of the banking sector and to help banks ensure sufficient liquidity to firms and households.

At the same time, concerted action is being taken at a European level, with the most important being the decisions taken at the Council of Ministers of the European Union (EU) on 23.03.2020, to activate the general escape clause, according to which the Member States of the European Union can take any measures necessary to support public health, business liquidity, employment and social cohesion, departing from the medium-term budgetary requirements of the Stability and Growth Pact, as long as the coronavirus crisis lasts.

Also, during March 2020, the ECB announced that it will allow banks to operate temporarily below the level of capital defined by the Pillar 2 Guidance (P2G), the capital conservation buffer (CCB) and the liquidity coverage ratio (LCR). In addition, The Governing Council of the European Central Bank on 12.3.2020, decided the implementation of a package of monetary policy measures in order to secure favourable conditions of financing for the economy.