

**Alpha Bank Romania
Pillar III Disclosures of the year 2016**

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

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1 General Information

1.1 Introduction

Alpha Bank Romania SA was incorporated in Romania in 1994 and is one of the Top 10 banks of the financial sector in Romania. The registered office of the Bank is in Calea Dorobantilor no. 237B, Bucharest.

The Bank offers a wide range of high quality financial products and services, including retail banking, SMEs and corporate banking. 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 Bank operates under the approval of the National Bank of Romania and is subject to the Romanian banking and accounting law and the specific European regulatory Framework. The Bank with strong position in the local banking system has a high capital ratio. The branch network consisted of 130 Branches as of 31.12.2016.

With consistency and credibility, Alpha Bank Romania supports individual and business clients contributing to the country's economic development.

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 2016, available on the following web site www.alpha.gr.

As at 31 December 2016 and 31 December 2015, the Bank had no subsidiaries.

1.2 Regulatory Framework and developments

Alpha Bank Romania is supervised by the National Bank of Romania according to the new "Capital Adequacy of investment firms and credit institutions" framework, widely known as Basel III, as formalized through the EU Regulation 575/2013 dated 26 June 2013, along with the EU directive 2013/36 dated 26 June 2013. The fundamental principles of the above directive have been incorporated in NBR Regulation 5/2013.

The aforementioned framework sets the minimum own funds requirements as follows:

- 4.5% for the Common Equity Tier I ratio (CET 1)
- 6% for the Tier I ratio
- 8% for the Total Capital Adequacy ratio

On top of the minimum own funds requirements, capital buffers will be gradually implemented from 1.1.2016 until 31.12.2019.

In particular:

- Capital Conservation buffer from 0.625% to 2.5%,
- O-SII buffer from 1% to 3%,
- Countercyclical buffer from 0% to 2.5%,

For 2016, the National Bank of Romania, set the Capital Conservation Buffer at 0.625%, O-SII buffer at one per cent (1%) and the Countercyclical buffer at zero per cent (0%).

On 24.7.2014, the International Accounting Standards Board completed the issuance of the final text of IFRS 9 which is effective from 1.1.2018, and replaces the existing IAS 39. The new standard provides for significant differentiations in the classification and measurement of financial instruments as well as in hedge accounting. Further details of the IFRS9 and implementation are provided in the note 3q) of the Annual Financial Statements of 2016.

1.3 Compliance with the disclosure requirements of CRR / CRD IV

The Bank considers that good governance structures, transparency and disclosure are essential for the purposes of strengthening market discipline and enhancing financial stability. In this context, the Bank has set a robust internal governance framework, including adequate, efficient and strong internal control and risk management systems.

1.4 Bank's Governance

The Bank's management body is comprised of:

- The Board of Directors (the oversight function, establishing the strategy, objectives and the general orientation of the Bank, ensuring oversight and coordination of the Executive Committee)
- The Executive Committee (the management function, ensuring the operational management of the Bank and being responsible for it in front of the Board of Directors)

The Members of the Board of Directors (BoD) have the appropriate qualifications to cover the "fit and proper criteria" i.e. good reputation, character and integrity, financial and/or other professional or business experience adequate to the nature and complexity of the credit institution's activity and/or the entrusted responsibilities. They must exercise their duties aiming at the proper and effective functioning of the BoD and of the Bank in the context of the applicable legal and regulatory framework specific to their position.

As at 31.12.2016, the Board of Directors was comprised of the following:

1. Mr. Christos Giampanas, Chairman (non-executive)
2. Mr. Sergiu-Bogdan Oprescu, Member and Executive President (Alternate Chairman, as per the provisions of the Bank's Incorporation Act)

3. Mr. Evangelos Kalamakis, Member (non-executive)
4. Mr. Lazaros Papagaryfallou , Member (non-executive)
5. Mr. Nikolaos Zagorisios, Member (non-executive)
6. Mr. Georgios Michalopoulos, Member (non-executive)
7. Mr. Stelios Louisides, Member (non-executive)
8. Mrs. Irene Rouvitha Panou, independent Member
9. Mr. Radu-Gheorghe Deac, independent Member

The consultative committees constituted at the level of the Board of Directors are the following:

- Audit Committee.
- Risk Management Committee
- Remuneration Committee
- Nomination Committee

The **Audit Committee** is created as a consultative body to the Board of Directors with the objective to co-ordinate the implementation of the internal audit system to improve the functioning of the Bank entities and to make the Bank's functioning more effective and rational, as well as within the framework of its competence to provide recommendations and advice to the Management in the field of internal auditing.

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the Bank's process for monitoring compliance with laws and regulations and the code of conduct.

The Committee is comprised of non-executive members of the Board of Directors. The Chairman of the Audit Committee is an independent member of the Board, and has specialist knowledge and experience in the application of accounting principles and internal control processes. Members of the Audit Committee as a whole have recent and relevant practical experience in the area of financial markets or should have obtained, from their background business activities, sufficient professional experience directly linked to financial markets activity. The adequacy of the experience and expertise of the Members of the Committee is evaluated by the Nomination Committee.

As at 31.12.2016, the composition of the Audit Committee was the following:

- Mrs. Irene Rouvitha Panou, Chairman
- Mr. Nikolaos Zagorisios, Member
- Mr. Georgios Michalopoulos, Member

The **Risk Management Committee** of the Bank was created in 2014 as a consultative body of the Board of Directors with the objective to advise the Board with regard to the present and future Bank risk profile and risk management global strategy and assist the Board in monitoring the implementation of this strategy by the Bank management

The Risk Management Committee is appointed by the Board of Directors and selected from among its Non-Executive Members, and consists of the Chairman and of two Members. All the Members of the Committee have knowledge of the financial sector and possess experience in the banking sector, especially in risk undertaking and capital management. The adequacy of the experience and expertise of the Members of the Committee is evaluated by the Nomination Committee.

The Risk Management Committee recommends to the Board of Directors the risk undertaking and capital management strategy which corresponds to the business objectives of the Bank.

The Risk Management Committee evaluates on an annual basis or more frequently, if necessary:

- the adequacy and effectiveness of the risk management policies of the Bank and in particular the compliance with the specified risk tolerance level,
- the appropriateness of limits, the adequacy of provisions and the overall capital adequacy in relation to the amount and type of risks undertaken based

As at 31.12.2016, the composition of the Risk Management Committee was the following:

- Mr. Georgios Michalopoulos, Chairman
- Mr. Nikolaos Zagorisios, Member
- Mr. Stelios Louisides, Member

The Bank has established the Remuneration Committee, under the Board of Directors' decision no.408/07.09.2011

The **Remuneration Committee** operates within a regulatory framework, and expresses specialized and independent opinion by making recommendations to the Board of Directors related to remuneration policy, parameters taken into consideration when determining the remuneration of the personnel category whose activities have a significant impact on the Banks's risk profile, etc.

The Committee consists of the Chairman and of two Members, appointed by the Board of Directors and selected from among its Non-Executive Members, having adequate expertise and experience. The adequacy of the experience and expertise of the Members of the Committee is evaluated by the Nomination Committee.

At least one Member has sufficient training and professional experience in risk management and audit processes and, in particular, concerning the alignment of the remuneration policy to the risk framework and the capital requirements of the Bank and the Group.

The Members of the Committee may not hold other positions or titles or enter into transactions that could be considered incompatible with their mission. Participation in the Remuneration Committee does not preclude participation in other Committees of the Board of Directors.

The Remuneration Committee convenes at least by-annually or ad-hoc and invites any member of the Management or Executive to attend the meeting, if deemed necessary.

The Committee keeps minutes and inform in writing the Board of Directors on the results of its work. The Chairman of the Committee also informs the Board of Directors on the operations of the Committee, in the context of the Board of Directors meetings.

As at 31.12.2016, the remuneration Committee consisted of:

- Mr. Evangelos Kalamakis, Chairman
- Mr. Lazaros Papagarayfallou, Member
- Mr. Georgios Michalopoulos, Member

The **Nomination Committee** was created in 2014 as a consultative body to the Board of Directors with the objective to assist the Board in what regards its structure and composition

The Nomination Committee consists of the Chairman and of two Members, appointed by the Board of Directors and selected from among its Non-Executive Members. The Members of the Committee have the required expertise and experience.

The Nomination Committee:

- identifies and recommends, for the approval of the management body or for approval of the general meeting, candidates to fill management body vacancies, evaluates the balance of knowledge, skills, diversity and experience of the management body and prepares a description of the roles and capabilities for a particular appointment, assesses the time commitment expected.
- periodically, and at least annually, assesses the structure, size, composition and performance of the management body and makes recommendations with regard to any changes. To this end, reviews the appropriateness of the size of the management body relative to its various responsibilities, the overall composition of the management body, taking into considerations such factors as business experience and specific areas of expertise of each management body member; assesses the effectiveness of the management body in meeting its responsibilities.
- recommends to the Board the number, structure and responsibilities of Board committees, advising as well the Board on the Chair and members of each committee, removal from committees, if the case, rotation of committee members.
- reviews the adequacy of the charters adopted by each committee of the Board and recommends changes as necessary.
- assists the Board in developing criteria regarding the independence of members, for identifying and selecting qualified individuals who may be nominated for election to the management body, including replacement in case of vacancies.
- actively contributes to meeting by the Bank of its responsibility on adopting relevant internal policy on the assessment of adequacy of the members of the management body and key employees.
- periodically, and at least annually, assesses the knowledge, skills and experience of individual members of the management body and of the management body collectively, and report to the management body accordingly
- periodically reviews the policy of the management body for selection and appointment of senior management and make recommendations to the management body.
- actively contributes to meeting by the Bank of its responsibility on adopting relevant internal policy on the assessment of adequacy of the members of the management body and key employees.

As at 31.12.2016, the Nomination Committee consisted of:

- Mr. Nikolaos Zagorisios, Chairman
- Mr. Evangelos Kalamakis, Member
- Mr. Stelios Louisides, Member

The Executive Committee was comprised, as at 31.12.2016, of the following:

1. Mr. Sergiu-Bogdan Oprescu, Executive President
2. Mr. Ion Stan, Executive Vice President Operations
3. Mr. Cristian Daniel Dragoş, Executive Vice President Retail
4. Mr. Gabriel Mateescu, Executive Vice President Financial
5. Mr. Periklis Voulgaris, Executive Vice President Wholesale
6. Mrs. Cornelia Dumitrescu, Executive Vice President Risk

The following permanent operational committees were established as at 31.12.2016, at the level of the Executive Committee:

- The Assets and Liabilities Committee
- The Credit Risk Committee
- The Troubled Assets Committee
- The Arrears Committees
- The Operational Risk Committees
- The Credit Committees
- The Change Control Committee
- The Personnel Committee
- The Purchase Committee
- The Work, Safety and Health Committee

2 Capital Adequacy Framework

Alpha Bank Romania implemented the Basel III framework, enhancing the former European Directives on capital adequacy, which consists of the three fundamental pillars of supervision:

- Pillar I specifying the calculation of minimum capital requirements (8% for Total Capital Adequacy ratio, 4.5% for CET 1 ratio). Alpha Bank reports to the National Bank of Romania its capital requirements on a solo basis according to the adopted by the Commission of the Implementing Technical Standards developed by EBA.
- Pillar II that sets the principles, criteria and processes required for assessing capital adequacy and risk management systems of the credit institutions.
- Pillar III, aiming at increasing transparency and market discipline, sets the disclosure requirements of key information regarding the exposure of financial institutions to key risks as well as the processes applied for managing them.

The Capital Adequacy framework, apart from the above, defines the regulatory own funds of credit institutions and addresses other regulatory issues such as monitoring and control of large exposures, open foreign exchange position, concentration risk and the liquidity ratios, the internal audit system, including risk management and regulatory reporting and disclosures.

The methodologies that are adopted for the calculation of the capital requirements are determined by the nature and type of risks the Bank undertake, the level and the complexity of the Bank's business and other factors, such as the degree of readiness of the information and software systems.

2.1 Alpha Bank's approach to Pillar I

Alpha Bank calculates Capital Requirements using the following approaches:

- Credit Risk: The Bank follows the Standardized Approach (STA). The calculations are performed using the Ambit Capital Management (ACM) system;
- Operational Risk: The Bank follows the Basic Indicator Approach;
- Market Risk: The Bank uses the Standardized Approach.

2.2 Pillar II

The Pillar II assessment consists of two internal processes, the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP), which are conducted by the credit institution.

The ICAAP/ILAAP processes are aligned with the general principles and requirements set by CRD IV and National Bank of Romania Regulation 5/2013. In particular, its main aims are:

- The identification, analysis, monitoring and the overall assessment of risks,
- The improvement of various systems/ procedures/ policies related to the assessment and management of risks and
- The estimation of the necessary level of Internal Capital required for the coverage of all risks and for Capital planning purposes as well.

The level of the internal capital required according to the business plan to cover the risks which the Bank is willing to undertake in three years horizon (base case scenario). Additionally the bank is applying severe but plausible shocks in order to estimate its resilience to extreme systemic or market stress scenarios, should these occur.

The Key principles on which the ICAAP framework is based are responsibility, proportionality, risks' materiality and forward looking stance.

The main risks addressed in the ICAAP / ILAAP are the following:

- Business/ Strategic risk
- Credit Risk including concentration risk, residual risk and FX lending credit risk
- Market risk
- Operational risk (including legal risk, conduct risk, reputational risk, compliance risk and outsourcing risk)
- Interest rate risk in banking book
- Liquidity risk, funding risk (including cost of funding), funding sustainability
- Other risk (such as estate own risk, counterparty risk, issuer risk in AFS portfolio, leverage risk, CVA risk)

The Bank's ICAAP /ILAAP are used in order to assess the adequacy of its capital and Liquidity in a three years looking horizon considering the following elements:

- The macro overview and recent market developments.
- The business plan/ model.
- The funding plan.
- The ICAAP and ILAAP framework and procedures.
- The analysis of the significant risks and respective controls (including definition, identification, assessment, measurement, monitoring, reviewing, reporting, capital and/or liquidity impact).
- The internal capital overview.
- The assessment of liquidity buffers to cover the required funding sustainability.
- The capital planning and allocation.
- Stress testing assumptions and approaches for various balance sheet and profitability components.

The Board following its Risk Management Committee / Executive Committee endorsement, regarding the forward looking assessment on risk undertaking and capital planning, approves the results of the Internal Capital and Liquidity Adequacy Assessment process.

2.3 Main developments and changes impacting capital adequacy ratios

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.

During 2016 the bank proceeded to further automation of its credit risk management systems specifically regarding loan modifications and concessions through the use of its EBA Engine application linked as well with the IFRS provisioning workflow. Changes to the IT systems were also mirrored by changes of workflows and internal procedures.

With regard to liquidity management, a liquidity risk indicator, LCR (liquidity coverage ratio), is monthly monitored by the Bank versus the minimum supervisory limit (70% in 2016 and 80% in 2017). Also, starting with June 2016, additional liquidity monitoring metrics are reported monthly, following Regulation (EU) 2016/313. Additional liquidity monitoring metrics reports are used by competent authorities as part of their supervisory review and evaluation process, as well as within colleges of supervisors and as an early warning tool for day-to-day supervision.

Besides the above developments, several actions already completed or underway, which contributed to the strengthening of the balance sheet and the financial performance of the Bank, are summarized below:

- For 2016 the Bank recorded a net profit of RON 114.6 million, an improved result compared to previous year (net loss of RON 26.7 million). The profit for 2016 mainly resulted from the increase in net trading income and the lower cost of risk related to the loan portfolio.
- At the end of 2016, operating results increased by 154.7% compared to the previous year, from RON 84.1 million to EUR RON 214.2 million. Net trading income and net fee and commission income were the main drivers, while net interest income slightly decreased. Gains from trading operations are mainly related to equity instruments and available for sale securities, while the decrease in net interest income is due to downtrend in interest rate (a significant part of the loans portfolio have variable interest rate indexed by ROBOR and EURIBOR). Operating costs decreased by 5.8% compared to 2015.
- The bank's assets registered a decrease by 1.9% at the end of 2016, reaching the level of RON 14,735.6 million, mainly due to the decrease of placements with banks (by RON 154.6million) and the decrease of net loans to customers (by RON 57.6 million).
- Regarding the evolution of liabilities, a significant increase in deposits from customers of RON 1,623.5 million was registered, while deposits from banks decreased by RON 2,027.5million, reducing the dependence on group financing and showing that the negative impact of Greece's economic crisis from 2015 was overpassed.

2.4 Own Funds

2.4.1 Own Funds structure

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

The overall Bank Risk and Capital Strategy sets specific risk limits, based on management's risk profile and risk appetite, as well as thresholds to monitor whether actual risk exposure deviates from the desired optimum.

The Bank's capital is totally owned by the Group ALPHA Bank. The 75% of the total capital as of 31.12.2016 represents **Common Equity Tier 1** (CET1) while the rest represents a headquarters' subordinated debt.

The above capital level will be positively affected by the full implementation of Basel III.

More specifically the respective transitional provisions applicable for the Bank, regarding regulatory adjustments is the implementation of the Prudential filter as follows:

According to transitional provisions of CRR 575/2013, as well as NBR Regulation no.5/2013, prudential filter represents 40% from the difference between former RAS provision determined according to NBR regulations and IFRS provision. Prudential filter is deducted from own funds as follows: ½ of prudential filter amount is deducted from Tier 1, while the other ½ of the amount is deducted from Tier 2. The reversal of the regulatory provisions is quite high, impacting positively Own Funds.

The impact of the full implementation of the Basel III framework is considered as positive regarding Common Equity Tier I

The following table presents the analysis of own funds capital structure, as defined in CRR 575/2013:

Own funds synthesis		000 RON	
Type	31.12.2016	31.12.2015	
Share capital	978,710	978,710	
Retained earnings	122,882	41,167	
Accumulated other comprehensive income (AFS reserves)	-933	5,295	
Other reserves	369,031	350,083	
Common equity Tier I capital before regulatory adjustments	1,469,690	1,375,254	
Current loss	0	-26,750	
Intangible assets (60% in 2016, 40% in 2015)	-4,402	-1,739	
Other deductible items	-7,110	-4,452	
Regulatory adjustments applied to Common Equity Tier I due to insufficient Additional Tier I to cover deductions	-30,228	-17,398	
Total regulatory adjustments to Common Equity Tier I	-41,740	-50,339	
Common Equity Tier I capital (CET1)	1,427,950	1,324,915	
Additional Tier I before regulatory adjustments	0	0	
Intangible assets (40% in 2016, 60% in 2015)-deductible from CET1	-2,935	-2,609	
Prudential filter (50% from AT1) - deductible from CET1	-25,423	-14,406	
Other deductions - deductible from CET1	-1,871	-383	
Total regulatory adjustments to Additional Tier I	-30,228	-17,398	
Additional Tier I	0	0	
Tier I capital (CET1+AT1)	1,427,950	1,324,915	
Subordinated loan	490,602	584,303	
Tier II before regulatory adjustments	490,602	584,303	
Prudential filter (50% from T2)	-25,423	-14,406	
Other items	790	2,722	
Total regulatory adjustments to Tier II	-24,633	-11,685	
Tier II capital	465,970	572,619	
Total capital (TC= Tier I + Tier II)	1,893,919	1,897,534	

Further details of the characteristics of the aforementioned instruments are provided in notes 23 and 27 of the Financial Statements as of 31 December 2016.

2.5 Capital Adequacy

2.5.1 Capital calculation process

Capital management is referring to two centralized processes:

- The calculation of regulatory requirements and capital adequacy ratios (COREP).
- The internal capital estimation, the capital planning and the capital allocation (ICAAP report).

The reporting requirements include the introduction of the leverage ratio, liquidity coverage ratio and net stable funding ratio as well as FINREP regulatory returns.

The calculation of the Risk Weighted Assets of the Bank is performed in accordance with the current regulatory framework, and is supported at Group level by a specialized centralized IT system (ACM). The system incorporates and analyzes data of the Bank.

With respect to potential infrastructure required for the new Basel III environment the bank implemented a more efficient capital calculation process and upgraded its system for Credit RWA calculation to a more advanced version.

2.5.2 Capital requirements

As mentioned above, Alpha Bank has undertaken several actions in order to enhance its balance-sheet and financial performance as well. These actions have also contributed to the reduction of the RWAs and the strengthening of the capital adequacy ratios.

The corresponding capital requirements for Credit (per portfolio based on the standardized approach), Market (standardized approach) and Operational (BIA) Risks are presented in the following table.

Capital requirements for Credit, Market and Operational Risk (in RON '000)		
Exposure Type	16-Dec	15-Dec
Central governments and Central Banks/Regional governments and local authorities	2,354	2,542
Financial Institutions	14,128	32,763
Corporate	85,143	158,326
Retail	50,612	127,658
Secured by Immovable Property	341,151	150,169
Default/Past due items	45,220	61,390
Equity and Other Items	13,923	15,651
Total Capital Requirement for Credit Risk	552,531	548,499
Total Capital Requirement for Market Risk	1,973	0
Total Capital Requirement for Operational Risk	91,642	97,628

At December 2015 the unsecured part of mortgage loans was presented into Corporate or Retail asset class and at December 2016 it is included into Secured by Immovable Property asset class. Moreover, at December 2016 the Bank allocated capital for the loans under the Non-Recourse law perimeter.

The decrease of capital requirements for Default asset class is due to Alpha Bank Romania efforts to reduce the non-performing portfolio.

2.5.3 Capital ratios

The following table presents the analysis of capital ratios, at the end of 2016 in comparison with 2015:

Own funds synthesis (in RON '000)		
Type	16-Dec	15-Dec
CET I	1,427,950	1,329,776
Tier I Capital	1,427,950	1,329,776
Tier II Capital	465,970	574,719
Total Regulatory Capital for C.A.R calculation	1,893,919	1,904,496
Risk Weighted Assets	8,072,637	8,076,587
CET I Ratio	17.69%	16.46%
Tier I Ratio	17.69%	16.46%
Total Capital Adequacy Ratio (Tier I + Tier II)	23.46%	23.58%

2.5.4 Leverage

The leverage ratio, a supplementary prudential indicator which will be binding in 2018, addresses the risk of excessive leverage. The level of the leverage ratio stands at 9.57% as of 31.12.2016 well above the benchmark indicator of 3% (under calibration), implying that the Bank is not taking on excessive and unsustainable leverage risk. It is noted that 'risk of excessive leverage' means the risk resulting from an institution's vulnerability due to leverage or contingent leverage that may require unintended corrective measures to its business plan, including distressed selling of assets which might result in losses or in valuation adjustments to its remaining assets.

Leverage synthesis (in RON '000)		
Type	16-Dec	15-Dec
Leverage Exposure	15,173,096	15,807,242
ow Derivatives	16,200	4,771
ow Off balance items	508,501	716,229
ow On balance items	14,648,396	15,033,512
Leverage Ratio	9.57%	8.41%

Summary reconciliation of accounting assets and leverage ratio exposures is presented into table below:

	Applicable Amounts (‘000 RON)
Total assets as per published financial statements	14,732,460
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	-
Adjustments for derivative financial instruments	13,094
Adjustments for securities financing transactions "SFTs"	-
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	508,501
(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-
(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	-
Other adjustments	(80,958)
Total leverage ratio exposure	15,173,096

The next table contains the break down of leverage ratio exposure.

	CRR leverage ratio exposures (‘000 RON)
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	14,665,087
(Asset amounts deducted in determining Tier 1 capital)	(16,690)
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	14,648,396
Derivative exposures	
Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	3,107
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	13,092
Exposure determined under Original Exposure Method	-
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
(Exempted CCP leg of client-cleared trade exposures)	-
Adjusted effective notional amount of written credit derivatives	-
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
Total derivative exposures	16,200
Securities financing transaction exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
Counterparty credit risk exposure for SFT assets	-
Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-
Agent transaction exposures	-
(Exempted CCP leg of client-cleared SFT exposure)	-
Total securities financing transaction exposures	-
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	1,754,607
(Adjustments for conversion to credit equivalent amounts)	(1,246,107)
Other off-balance sheet exposures	508,501
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)	
(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
Capital and total exposures	
Tier 1 capital	1,427,950
Total leverage ratio exposures	15,173,096
Leverage ratio	
Leverage ratio	9.57%
Choice on transitional arrangements and amount of derecognised fiduciary items	
Choice on transitional arrangements for the definition of the capital measure	Transitional
Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	-

The split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) is presented below:

	CRR leverage ratio exposures ('000 RON)
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	14,648,396
Trading book exposures	-
Banking book exposures, of which:	14,648,396
Covered bonds	-
Exposures treated as sovereigns	3,476,694
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	49,981
Institutions	713,259
Secured by mortgages of immovable properties	7,243,196
Retail exposures	840,444
Corporate	1,427,654
Exposures in default	547,763
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	349,406

3 Risk Management

3.1 Risk Management Framework and Principles

Alpha Bank thorough and prudent risk management framework is evolved over time and implemented in a coherent and effective manner in the conduct of the day-to-day business so as to strengthen its sound corporate governance under the current challenging macroeconomic and financial environment, taking into account the common European legislation and banking system rules, the regulatory principles and supervisory guidance and the best international practices.

The Bank's focus throughout 2016 was to maintain the highest operating standards, ensure compliance with regulatory risk rules and retain confidence in the conduct of its business activities through sound and robust provision of financial services.

Taking also into consideration the new regulatory (Basel III implementation) Alpha Bank risk governance framework, including risk management strategy and business model, is further enhanced with a view to comply with the heightened standards and extensive guidelines covering risk data governance, aggregation, and reporting and is evolved around the following three lines of defense, operating independently and structured accordingly with the Bank's nature, size and complexity as well as the risk profile of its activities:

- The business line; the first line of defense with "ownership" of risk whereby it acknowledges and manages the risk that it incurs in conducting its activities.
- The risk management function and the compliance function, independent from each other as well as from the first line of defense; the second line of defense and their function is complementary in conducting banking business of the first line of defense in order to ensure objectivity in decision making, measuring the effectiveness of these decisions in terms of risk conditions and compliance with the existing legislative and regulatory framework involving internal regulations and ethical standards and the total view and evaluation of the total risk exposure of the Bank.
- The internal audit function independent from the first and second lines of defense; the third line of defense that conducts risk-based and general audits and reviews to provide assurance to the board that the overall governance framework, including the risk governance framework, is effective and that policies and processes are in place and consistently applied.

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

- Development of a sound risk culture that incorporates risk awareness, risk taking and risk management and control in the decisions of management and employees during the day-to-day activities taking into account their impact on the risks they assume.
- Definition of the risk appetite framework (RAF), which is articulated via the risk appetite statement (RAS) and establishes the individual and aggregate levels and types of risk that the Bank is willing to assume in advance of and in order to achieve its strategic business activities within its risk capacity.
- Definition of the risk policy that is adherent to the RAS and is supported by appropriate control procedures and processes.
- Development of the processes to ensure that all material risks and associated risk concentrations are identified, measured, limited, controlled, mitigated and reported on a timely and comprehensive basis.
- Monitoring of risk limits with alignment to the business goals.
- Transparency promoted through clear communication lines.
- Contributing staff has an active role in Risk Management, is equipped with all the necessary skills and means which are necessary for effective Risk Management and understands its roles and responsibilities related to the Risk Management Framework.
- Full documentation of all processes related to risk identification, measurement, monitoring, reporting and control/mitigation.
- Providing adequate information to Bank and Business Unit Management.

3.2 Risk Governance Structure

The Board of Directors (BoD) of the Bank as well as the Executive Management and the Committees of the Bank have separate and distinct roles in providing the final and ultimate levels of defense ensuring the effective implementation of the risk management framework and policies within the Bank.

The BoD has the overall responsibility for the Bank's business strategy and financial soundness, internal organization and overall corporate governance structure and practices as well as the oversight of the Risk Management framework and the compliance with the regulatory requirements.

To this end, it ensures that the executive management carries out appropriately and effectively the Bank's activities in a manner consistent with the business strategy, the risk profile and the risk appetite, while at the same time it oversees that the management is escalating risk issues and involves the appropriate board committees in a timely manner.

The Risk Management Committee recommends to the Board of Directors the risk undertaking and capital management strategy which corresponds to the business objectives of the Bank; monitors and checks its implementation.

The main responsibilities of the committee are the following:

- Define the principles for managing risk with regard to identifying, forecasting, measuring, monitoring and controlling risk while focusing on forward-looking, emerging risks.
- Evaluate and periodically review the adequacy and effectiveness of the risk management policy and procedures of the Bank, in terms of the undertaking, monitoring, and management of risks on both an aggregated basis and by type of risk
- Determine the maximum risk profile on an aggregate basis for each type of risk and further allocation of each of these limits per country, sector, currency, business unit, etc.
- Establish stop-loss limits or of other corrective actions.
- The Risk Management Committee drafts minutes which are submitted to the Board of Directors.

Furthermore, the risk management functions that provide an overarching risk control framework for a more comprehensive and effective identification and handling of all risk types linked to the Bank's risk appetite are supported by the following Committees: the Assets-Liabilities Management Committee and the Risk Management Committee.

The Chief Risk Officer (CRO) is an Executive Vice President and member of the ExCo who reports to the Risk Management Committee and through it, to the BoD. CRO has the overall responsibility for all the risk issues outlined in the relevant risk policies. Additionally the CRO monitors and coordinates the bank respective activities.

The Risk Management Division operates under the supervision of the Executive Vice President Risk. The RMD has been assigned with the responsibility of implementing the risk management framework, according to the directions of the Risk Management Committee and operates independently from any executing processes.

3.3 Risk Profile

Alpha Bank, based on its strong reputation, its excellent organization, its well trained staff, its longstanding relationships with its customer base and its conservative Risk Policy, is successfully operating up to date adjusting itself to the prevailing circumstances.

The Bank's focus throughout 2016 was to maintain its risk profile in line with its risk strategy within the risk appetite limits, ensuring the safe and sound functioning of the daily business operations and supporting the strategic management initiatives with a view on a balanced risk-return approach.

During 2016 the "Environmental and Social Risk Management Policy on Legal Entities Lending" has been incorporated in the credit approval process, supplementary to the credit risk assessment. The main purpose is the management of potentially 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 a damage having as a result a negative impact on the business operations and financial results of the Bank.

3.4 Risk Management Strategy and Policy

The risk management strategy and policy is approved by the Board of Directors and constitutes the main pillar supporting the bank in the implementation of its overall business strategy and continuous operation under normal and adverse economic conditions.

The risk management framework is dynamic and evolves constantly in response to changes in strategic goals, and internal (organizational and business) and external (market) conditions.

The significant risk management strategy and policy is reviewed annually. Risk analysis is integrated into the bank's annual strategic planning process and strategic plan goals are reviewed against the risk policy.

Internal Audit is responsible for providing an independent review of the integrity of the overall risk management processes and ensuring the appropriateness and effectiveness of the controls applied.

4 Credit Risk

4.1 General information

Credit risk is the risk that a borrower or counterparty fails to meet their contractual obligations in a timely manner, thus resulting to a financial loss for the Bank.

The definition of assets and other exposures a) past due and b) non-performing are described in note 3 item i) and in note 4 of Financial Statements as of 31.12.2016.

According to the CRR 575/2013 definition, any of the following events triggers a default status:

- The institution considers that the obligor is unlikely to pay its credit obligations to the institution.
- The obligor is past due more than 90 days on any material credit obligation to the institution.

The Bank constantly assesses whether there is evidence of impairment in accordance with the general principles and methodology set out in IAS 39 and the relevant implementation guidance.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The Bank considers evidence of impairment for loans and advances to customers at both a specific asset and collective level.

Legal Entities Portfolios

For the legal entities portfolios, an impairment test may be performed for obligors with one of the following trigger events:

- Clients with credit risk rating D, D0, D1, D2 and E (default zone);
- Clients with credit risk rating CC- and C (high risk zone);
- Exposures with restructuring measures due to financial difficulties;
- Clients with financial difficulty: A client that is experiencing or about to experience difficulties in meeting its financial commitments and credit obligations
- Significant deterioration in the industry outlook in which the borrower operates;
- Insolvency;
- Difficulties in paying other obligations (e.g. payment orders, bounced cheques, auctions, bankruptcies, overdue payments to the State, to Social Security Funds, or to employees);
- Occurrence of unexpected, extreme events such as natural disasters, fraud, etc;
- Interventions and actions by regulatory bodies/local authorities against the borrower (e.g. AFS, fiscal authorities etc.);
- Breach of contractual terms and conditions;
- Adverse changes in the shareholders' structure or the management of the company or serious management issues/ problems;
- Significant adverse changes in cash flows potentially due to ceased cooperation with a key/major customer, significant reduction in demand of a main product or service, ceased cooperation with a key/major supplier or suppliers cut credit, etc.
- Significant deterioration of financial ratios of the obligor (Reduction of equity due to losses, debt ratio etc.) and of estimated future cash flows of the obligor.

The Bank includes in the individual assessment exposures that exceed the established threshold, which as of 31 December 2016 amounted to EUR 450,000 or equivalent and for which evidence of impairment exists (e.g. past due amounts, restructured facilities, significant deterioration of client's financial standing etc.). Also under individual assessment fall clients whose exposures have been restructured at least twice or for which legal actions have been initiated. The materiality threshold for such customers is of EUR 200,000. If no objective evidence of impairment existed for the individually assessed assets, these assets have been included in the collective impairment assessment for any impairment that has been incurred but not yet identified.

Furthermore, the Bank assesses whether objective evidence for individual assessment for impairment exists. Customers who have been assessed individually but the impairment allowance estimated was zero, are consequently assessed for impairment on a collective basis, once grouped in pools based on common credit risk characteristics. Customers with no trigger events and hence, who are not individually assessed, are assessed collectively in pools formed based on similar credit risk characteristics. Indicatively, some categories in terms of credit risk characteristics are the estimated default probabilities or credit ratings, the collateral coverage and type of coverage, days in arrears, etc.

The Bank assesses for collective impairment the restructured loans in separate categories for companies and retail loans. Each category presented above is further detailed in buckets of overdue days.

For impairment computation the collective assessment factors (PD and LGD) are estimated on the basis of historical loss experience for loans with credit risk characteristics. The loan impairment assessment considers the visible effects on current market conditions on the individual / collective assessment of loans and advances to customers' impairment.

The need for objective evidence in order for the loss to be recognized and effectively the impairment loss to be identified on individual loans, may lead to a delay in the recognition of a loan's impairment, which has already occurred.. Within this context and in accordance with IAS39, it would be appropriate to recognize impairment losses for those losses "which have been incurred but have not yet been reported» (Incurred But Not Reported - IBNR).

Provisions for loss events that have occurred but have not yet been reported ("IBNR provisions") are calculated on a collective basis for the wholesale portfolio. For IBNR provisioning purposes, loans are grouped based on similar credit risk characteristics. The characteristics selected are based on the estimation of future cash flows for groups of such loans showing the debtors' ability to pay all amounts due, according to the contractual terms and conditions.

Individuals Portfolio

For individuals portfolio, an impairment test may be performed for obligors with one of the following trigger events:

- Customers with nonperforming exposures;
- Customers with loans past due more than 90 days;
- Customers with loans past due more than 30 days and less than 90 days;
- Customers with restructured (forborne) loans;
- Deceased or fraudulent Customers;
- Occurrence of unexpected, extreme events such as fraud, natural disasters, etc.;
- Stakeholders of Companies classified as nonperforming, in insolvency or in financial difficulty with restructuring measures or with interventions and actions of regulatory bodies/local authorities against their companies.
- Customers who are representatives of the company and their companies operate in industries where there is observed significant deterioration in the prospects of the industry
- Customers who are representatives of the company and their business are over 90 in arrears (rating D, D0 or D1 or D2 or E) or CC- or C rating
- Customers who are representatives of the company and their business have detrimental (e.g. payment orders, denounced checks, auctions, bankruptcies, overdue amounts to the State, overdue amounts to Social Security or employees)
- Customers who are freelancers or personal company holders and stop their business activity due to retirement
- Customers with detrimental (e.g. payment orders, denounced checks, auctions, bankruptcies, overdue amounts to the State, overdue amounts to Social Security or employees)
- Customers who are Freelancers, Professionals and similar categories without activity or in bankruptcy procedure;
- Customers Freelancers, Professionals and similar categories for whom there is significant deterioration of their financial capabilities either due to serious management issues, or bad reputation, or cease of important co-operations, or significant deterioration in the outlook of the industry in which the obligor operates.

The Bank includes in the individual assessment exposures that exceed the established threshold, which as of 31 December 2016 amounted to EUR 450,000 or equivalent and for which evidence of impairment exists (e.g. past due amounts, restructured facilities, significant deterioration of client's financial standing etc.). Also under individual assessment fall clients whose exposures have been restructured at least twice or for which legal actions have been initiated. The materiality threshold for such customers is of EUR 200,000. If no objective evidence of impairment existed for the individually assessed assets, these assets have been included in the collective impairment assessment for any impairment that has been incurred but not yet identified. Further details on impairment calculations are described in note 3 item n) of Financial Statements as of 31.12.2016.

Collective Impairment Assessment is applied to loans which do not meet the conditions for individual assessment once they are classified based on similar credit risk characteristics. In addition, exposures for which there has not been calculated any loss during the individual assessment, are assessed on a collective basis, once they are incorporated into groups based on similar credit risk characteristics.

In order to effectively manage credit risk, the Bank has developed specific methodologies and credit risk measurement systems in accordance with regulatory and Basel III requirements while incorporating banking industry best practices. These methodologies and systems are continuously evolving to provide the Business Units with timely and effective support in the decision making process and to avoid possible adverse consequences for the Bank.

The need for objective evidence in order for the loss to be recognized and effectively the impairment loss to be identified on individual loans, may lead to a delay in the recognition of a loan's impairment, which has already occurred. Within this context and in accordance with IAS 39, it is appropriate to recognize impairment losses for those losses "which have been incurred but have not yet been reported» (Incurred But Not Reported - IBNR).

The Credit Risk Committee has an oversight of the credit risk activities and the implementation of relevant strategy. The Committee is responsible for the evaluation of the adequacy and the efficiency of the credit risk management policy and procedures regarding credit risk taking, monitoring and management of credit risk per business line, geographic area, product, activity, sector, etc., as well as approving recommendation on necessary structural mitigating actions.

4.2 Disclosures with respect to Credit Risk and Asset Quality of Bank's exposures

The tables below show the Bank's credit exposures (including sector analysis), impairment losses and non-performing exposures, as disclosed for IFRS purposes as well as the average balances.

Table 4: Total exposure by industry (000 RON)	Gross exposure	
	31.12.2016	31.12.2015
Financial Institutions	3,041,676	3,364,129
Manufacturing	496,512	478,526
Real Estate & Construction	2,935,205	2,955,098
Wholesale and Retail Trade	922,389	935,225
Public Sector	1,264,762	1,168,418
Hotels & Tourism	172,296	174,247
Other Industries	1,012,254	1,264,389
Individuals	5,615,085	5,544,040
TOTAL	15,460,179	15,884,072

Table 5a: Impaired and Past-due Loans and Advances to Customers by Business Line (in RON '000) 31.12.2016					
ALPHA BANK ROMANIA	Non impaired L&As		Impaired L&As		Total Gross amount
	Neither past due nor impaired	Past due but not impaired	Individually assessed	Collectively assessed	
Retail Lending	4,551,807	599,913	195,017	270,756	5,617,493
Corporate Lending	4,601,150	30,287	1,039,107	62,270	5,732,814
Public Sector	50,032	1,768	-	-	51,800
Other	50,032	1,768	-	-	51,800
Total	9,202,988	631,968	1,234,125	333,026	11,402,107

Table 5b: Impaired and Past-due Loans and Advances to Customers by Business Line (in RON '000) 31.12.2015					
ALPHA BANK ROMANIA	Non impaired L&As		Impaired L&As		Total Gross amount
	Neither past due nor impaired	Past due but not impaired	Individually assessed	Collectively assessed	
Retail Lending	4,449,496	537,598	227,505	332,424	5,547,022
Corporate Lending	4,631,922	14,190	1,302,622	60,403	6,009,137
Public Sector	60,869	-	-	-	60,869
Other	60,869	-	-	-	60,869
Total	9,142,287	551,788	1,530,127	392,827	11,617,029

Table 6: Credit Exposure, non-performing exposures , impairment losses (in RON '000)		
ALPHA BANK ROMANIA	31.12.2016	31.12.2015
LOANS AND ADVANCES	11,402,107	11,617,029
General governments	51,800	60,869
Other financial corporations	196,567	204,634
Non-financial corporations	5,538,656	5,807,485
Households	5,615,085	5,544,040
Non-performing exposure	1,567,151	1,930,333
Impairment Losses	1,066,338	1,221,574

The following table presents the allowance for impairment losses (in thou RON):

Balance at 1 January 2015	1,386,250
Changes for the period 01.01-31.12.2015	
Net impairment loss for the period	112,942
Change in present value of allowance account	24,220
Loans written-off during the year	-201,330
Disposal of impaired loans	-111,351
Translation differences	10,843
Balance at 31 December 2015	1,221,574

Changes for the period 1.1-31.12.2016	
Impairment losses for the year	91,504
Changes in present value of the allowance account	25,218
Loans written-off during the year	-224,444
Disposal of impaired loans	-49,722
Translation differences	2,208
Balance at 31 December 2016	1,066,338

4.3 Disclosures for portfolios subject to Standardized Approach

Alpha Bank Romania uses the available credit ratings from Moody's Investors Service, Standard & Poor's Ratings Services and Fitch Ratings, which have been approved by National Bank of Romania as eligible External Credit Assessment Institutions (ECAIs) for the use of their credit ratings in regulatory capital calculation.

Credit ratings are assigned to credit quality bands. Then, credit quality bands are assigned to the corresponding risk weights per portfolio type.

Assignment of the credit ratings of the eligible ECAI's to credit quality steps			
Credit Quality Band	Standard & Poor's Ratings Service	Moody's Investor Services	Fitch Ratings
1	AAA to AA-	Aaa to Aa3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below

The asset classes for which ECAIs ratings are used are the following:

- Exposures to Central Governments and Central Banks;
- Exposures from securities to Financial Institutions and companies;

For all other asset classes there are not available credit ratings and credit quality bands are assigned to the corresponding risk weights per portfolio type.

The table below shows the Bank's credit exposures after subtracting provisions and before any credit risk mitigation.

Exposures after subtracting provisions and before any credit risk mitigation (in RON '000)		
Exposure Type	16-Dec	15-Dec
Central governments and Central Banks/Regional governments and local authorities	3,526,674	2,853,157
Financial Institutions	929,789	1,845,081
Corporate	2,409,004	3,826,338
Retail	1,280,209	3,501,386
Secured by mortgages on immovable property	7,376,357	3,354,844
Default/Past due items	547,763	768,677
Equity and Other Items	349,406	386,304
Total	16,419,203	16,535,786

Credit exposures for regulatory purposes before any credit risk mitigation are differentiated from equivalent balances presented in IFRS balance sheet, due to integration of the off-balance sheet exposures (e.g. non-utilized, uncommitted undrawn facilities) and potential future exposures for derivative financial instruments.

The table below presents the credit exposures, after credit risk mitigation broken down by supervisory risk weights.

Exposures broken down by supervisory risk weights according to credit quality steps (in RON '000) Dec 2016									
Exposure Type	0%	20%	35%	50%	75%	100%	150%	250%	Total
Central governments and Central Banks	4,441,012	0	0	0	0	0	0	0	4,441,012
Regional gov. and local authorities	0	25,695	0	0	0	24,286	0	0	49,981
Financial Institutions	187,637	613,969	0	6,688	0	74,565	55,824	0	938,683
Corporate	1,050,537	42,681	0	2,678	0	1,784,394	0	0	2,880,289
Retail	55,872	4,379	0	0	1,189,923	2,597	50,537	0	1,303,308
Secured by Immovable Property	0	0	2,411,243	0	477,048	2,705,972	317,525	0	5,911,788
Default	390	408	0	0	0	501,482	42,456	0	544,737
Equity	0	0	0	0	0	30,240	0	1,182	31,422
Other Items	181,885	0	0	0	0	132,936	0	3,163	317,984
Total	5,917,332	687,132	2,411,243	9,365	1,666,970	5,256,474	466,342	4,345	16,419,203

Exposures broken down by supervisory risk weights according to credit quality steps (in RON '000) Dec 2015									
Exposure Type	0%	20%	35%	50%	75%	100%	150%	250%	Total
Central governments and Central Banks	3,752,938	0	0	0	0	0	0	0	3,752,938
Regional gov. and local authorities	0	34,503	0	0	0	24,758	0	0	59,261
Financial Institutions	205,758	1,332,188	0	185,256	0	81,217	49,284	0	1,853,702
Corporate	1,043,870	23,994	0	2,412	0	2,748,980	0	0	3,819,256
Retail	53,201	4,618	0	0	2,484,285	0	0	0	2,542,105
Secured by Immovable Property	0	0	2,240,981	0	0	1,113,863	0	0	3,354,844
Default	46,218	187	0	0	0	572,123	148,849	0	767,378
Equity	0	0	0	0	0	32,569	0	3,932	36,502
Other Items	200,099	0	0	0	0	147,820	0	1,883	349,802
Total	5,302,084	1,395,489	2,240,981	187,669	2,484,285	4,721,330	0	5,815	16,535,787

5 Credit risk mitigation

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

5.1 Collateral valuation and management policies and procedures

Collateral can be used in order to mitigate the Credit Risk created in case a customer or counterparty to a financial instrument fails to meet their contractual obligations. Collaterals are holdings or rights of every type provided to the Bank by its debtors or third parties to be used as additional funding sources in case of claim liquidation.

The main collateral types held for retail customers are mortgages, cash, mutual funds and sovereign securities. Additionally, in case of real estate loans maximum Loan to Value (LTV: loan amount to property commercial value) limits have been set, depending upon loan purpose and collateral. The amount the customer contributes to the asset being financed is a very important factor during the loan approval process since it directly affects customer's repayment ability.

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

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
- 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 parameters are taken into consideration while estimating collateral value factors, expressed as a percentage of the market, nominal or weighted collateral value, depending upon collateral type.

Real estate property and equipment valuations are carried out in most cases through external evaluators agreed by the Bank or by the Bank's Internal Evaluation department. All external valuation reports are internally checked.

The collaterals re-valuations should be performed each year for legal entities exposures and at least at every three years for residential real estate properties. In case of significant negative changes at collateral values, the Bank seeks to restore the loan to collateral value ratio to the desired levels.

5.2 Description of the main collateral types eligible for Pillar I calculations

There are two broad categories of collateral: guarantees / credit derivatives and financial collateral.

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

The most common types of guarantors are: private individuals, companies, financial institutions, State and SME Guarantee Fund.

The following table presents the exposure value covered through eligible financial collateral and guarantees / credit derivatives for each asset class, based on regulatory standards:

Total exposure value covered through eligible financial collateral and guarantees / credit derivatives (in RON '000) Dec 2016			
Exposure type	Exposure amount	Covered through financial collateral	Covered through guarantees
Central governments and central banks	3,476,694	0	0
Regional governments and local authorities	49,981	0	0
Financial Institutions	929,789	229,375	0
Corporate	2,409,004	621,480	453
Retail	1,280,209	31,864	5,289
Secured by immovable property	7,376,357	500,125	964,444
Default	547,763	798	3,027
Equity	31,422	0	0
Other Items	317,984	0	0
Total	16,419,203	1,383,641	973,212

Total exposure value covered through eligible financial collateral and guarantees / credit derivatives (in RON '000) Dec 2015

Exposure type	Exposure amount	Covered through financial collateral	Covered through guarantees
Central governments and central banks	2,793,896	0	0
Regional governments and local authorities	59,261	0	0
Financial Institutions	1,845,081	220,278	0
Corporate	3,826,338	1,067,863	7,088
Retail	3,501,386	57,819	959,323
Secured by immovable property	3,354,844	0	0
Default	768,677	46,405	1,299
Equity	36,502	0	0
Other Items	349,802	0	0
Total	16,535,786	1,392,366	967,710

6. Counterparty credit risk (CCR)

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

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

In principle, Alpha Bank only has the first two types of transactions.

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

In order to mitigate counterparty risk the Bank use ISDA and CSA and GMRA contracts. Under these contracts the contracting parties are obliged to exchange collateral on a regular basis in order to mitigate the counterparty risk arising from "in the money" derivative or repo positions.

As far as repos and reverse repos are concerned, where Alpha Bank exchanges securities for cash for a specific period of time, they are included in counterparty limits as they involve counterparty credit risk. The maximum potential loss of the Bank is capped by the difference between the market value of securities held (or assigned) and the respective interbank transaction.

As far as the derivative transactions with other (non-financial institution) counterparties are concerned, the resulting risk exposure is taken into account as part of the Credit exposure against the customer according to the Credit Policy in force.

As of December 31, 2016 Alpha Bank had limited OTC derivative exposure only with the parent company and no outstanding repo or securities lending/ borrowing transactions.

Alpha Bank has adopted the Mark to Market Method, according to which, as described in article 274, section 3 of CRR 575/2013, the exposure value of each contract is calculated as the sum of the current replacement cost of the contract, given it is positive, and the potential future exposure. The potential future exposure is estimated after multiplying the nominal value with a weight, the size of which depends upon the contractual remaining maturity and the underlying asset.

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

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

Bank has implemented a Counterparty Credit Manual for Treasury Position and Country Risk Exposure Manual to monitor the activities related to counterparty credit risk, as well as the country risk. According this manual, country risk is a collection of risks associated with investing in a country, thus it refers to the collection of exposures associated with the country. Country risk is associated to sovereign risk that represents the risk that a government could default on its debt (sovereign debt) or other obligations.

The Bank assesses the Country Risk via regular monitoring of the countries exposure and trigger events which may signal a market disruption, a large scale natural disasters or material political changes. Exposure per country is monitored by Business Units that conduct, support and/or monitor operations in the country on a regular basis on a consolidated level. Trigger events are monitored on a constant basis by the local Risk Management Division with Group Market and Operational review in order to be in line with the Group approach.

7. Market Risk

The market risk is the risk of reduction in economic value arising from unfavorable changes in the value or volatility of interest rates, foreign exchange rates, stock exchange indices, equities and commodities. Therefore, market risk includes the following types of risk: interest rate risk, foreign exchange risk, equity index risk, equity risk and commodity risk, which are defined as follows:

- Interest rate risk results from the Bank's exposure to adverse changes in the value or volatility of interest rates.
- Foreign exchange risk is the risk arising from adverse changes in the value or volatility of foreign exchange rates.
- Equity index risk is the risk arising from adverse changes in the value or volatility of equity indices.
- Equity risk is the risk arising from adverse changes in the value or volatility of equities.
- Commodity risk is the risk arising from adverse changes in the value or volatility of commodities.

Alpha Bank Romania recognizes the necessity to identify, measure, monitor and control the market risk resulting from its main activities but also to determine the adequate capital level for the market risk. In this sense Alpha Bank clearly defines the roles and responsibilities of identifying, measuring and controlling market risk.

Market risk management is conducted in accordance with policies and procedures that have been developed and are implemented by the Bank.

Risk Management Committee recommends the market risk management strategy to the Executive Committee.

Risk Management Committee is responsible for supporting and supervising the Market Risk management framework and ensuring the application of all the necessary measures to identify, assess, monitor and control this type of risk. The Board of Directors is responsible for approving the guidelines, the strategy and the organizational structure as far as Market Risk is concerned.

Market Risk is controlled through the establishment and implementation of a well-structured set of transaction limits, according to the risk tolerance while satisfying the relevant customer needs.

The Standardized approach is used for the calculation of market risk regulatory capital. The Trading portfolio consists only of the open FX position.

In order to investigate any extreme market situations, market risk stress tests are performed on the issuer risk in the AFS portfolio (interest rate risk in the AFS portfolio was stressed in the scope of stress testing of interest rate risk of the banking book). Stress Tests are performed by creating scenarios ('*what if*' hypothesis) to estimate the losses that may occur on the positions from potential unfavorable substantial movements/shocks in the market and in order to identify potential concentration risk within the portfolios.

Stress Tests may be carried out at any time on any position, however they are carried out on a regular basis at the end of every month and the results are reported to the ALCO and Risk Management Committee.

Typical stress scenarios consider the following changes in risk factors:

Yield curves:

For sensitivity – market risk

Parallel shift by +100bp for all AFS financial securities portfolio.

For sensitivity – specific risk (issuer risk)

The stress is applied depending on the counterparty external rating as follows:

- For Bonds with ratings AAA+ to AAA- no scenario to be considered.
- For Bonds with ratings AA+ to A- a 10 basis points increase in credit spreads to be considered.
- For Bonds with ratings BBB+ to BBB- a 60 basis points increase in credit spreads to be considered.

For Bonds with ratings below BBB- and unrated Bonds a 100 basis points increase in the credit spreads to be considered.

FX rates:

Appreciation/Depreciation of local currency versus each other currency by 10% (unfavorable direction depending on current position).

8. Operational Risk

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

Operational risk is the risk of occurrence of an event, with or without financial impact due to failure or inadequacy (intentionally or unintentionally) of internal processes, people and systems or external events, also including legal risk.

Operational risk management is conducted in accordance to Policies and procedures designed and implemented within the Bank and compliant with the Group's methodologies and guidelines.

Within this context and in order to achieve effective operational risk management, the Bank has adopted and implemented an Operational Risk Framework which focuses on the following areas:

- Operational risk events management and collection, including management of Lawsuits against the Bank.
- Operational risk identification and assessment through Risk and Control Self-Assessment exercises (RCSA).
- Definition and monitoring of Key Risk Indicators.
- Operational Risk Reporting.
- Operational risk mitigation approaches, including the implementation of Action Plans that improve the existing internal control environment.
- Fraud risk management

The Operational Risk Committee is responsible of supporting and supervising this Operational Risk Management Framework and ensuring the application of all the necessary processes as to identify, assess, monitor and control this type of risk.

The Framework is also supported by an appropriate organizational structure, with clear roles and responsibilities, under the core assumption that the prime responsibility for Operational Risk management and mitigation plans application remains with the Business Units throughout the Bank.

The Risk Management Division is responsible among others, for the collection, the control and the assessment of Key Risk Indicators, the Risk and Control Self-Assessment exercises (RCSAs), Loss Data collection, as well as Reporting.

This Framework is continuously reviewed.

The calculation of capital requirements for operational risk is performed in accordance with the Basic Indicator Approach. BIA requires capital of 15% of the average over the previous three year of positive annual gross income. The bank is planning to switch to the Standardized Approach.

9. Interest Rate Risk in the Banking Book (IRRBB)

9.1 Interest Rate Risk Definition

There are four main sources of interest rate risk which can have an impact on Alpha Bank's earnings and economic value:

- Re-pricing risk that arises from timing differences in the maturity and re-pricing of Alpha Bank's assets, liabilities and off balance sheet positions.
- Yield curve risk that arises when unexpected shifts of the yield curve have adverse effects on Alpha Bank's earnings and underlying economic value.
- Basis risk that arises from imperfect correlation in the adjustment of the interest rates paid for and received from different instruments with otherwise similar re-pricing characteristics.
- Optionality that arises from embedded options in Alpha Bank's assets and liabilities or off balance sheet positions.

9.2 Interest Rate Risk Framework

The Bank aims to maximize its profitability in line with its risk appetite and business objectives. Therefore, it recognizes the need to provide a sound framework for the identification, estimation, monitoring, controlling and reporting of interest rate and foreign exchange risks in the Banking Book, in a consistent manner across the Bank.

Interest rate risk management for the Banking Book is performed on a monthly basis and according to the Bank Risk Management Strategy and Policy that have been developed and adopted.

Interest rate and Foreign Exchange risk management for the Banking Book is performed through effective and timely identification and the estimation of their effects on Bank's earnings and economic value.

9.3 Interest Rate Risk Identification and Assessment

For interest rate risk assessment the following estimation techniques are used:

- Gap analysis for each currency.
- Scenario analysis for each currency.

When performing Interest Rate Gap Analysis, bank assets and liabilities are allocated into time bands according to their re-pricing date for variable interest rate instruments, or according to their maturity date for fixed rate instruments.

Bank Interest Rate Gap Analysis results at 31.12.2016 and 31.12.2015 are presented below and these are according to Financial Statements:

Interest Rate Gap as of December 31, 2016 (in RON eq. thousand)

31.12.2016	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	2,263,731				181,885	2,445,616
Due from other banks	537,294		201			537,495
Financial assets available-for-sale	198,992	340,226	589,811	114,173	10,536	1,253,738
Loans and advances to customers	8,795,139	93,729	1,231,909	214,993		10,335,770
Property and equipment					96,552	96,552
Intangible fixed assets					7,336	7,336
Derivative financial assets					3,106	3,106
Other assets					52,847	52,847
Total assets	11,795,156	433,955	1,821,921	329,166	352,262	14,732,460
Liabilities						
Due to banks	1,673,755	2,798,287				4,472,042
Due to customers	3,957,894	2,121,506	1,834,055	5,031		7,918,486
Other borrowed funds	6,076					6,076
Subordinated loan	227,055	478,485				705,540
Other liabilities		253			73,982	74,235
Derivative financial liabilities					4,248	4,248
Deferred tax liabilities					743	743
Total liabilities	5,864,780	5,398,531	1,834,055	5,031	78,973	13,181,370
Equity					1,551,090	1,551,090
Total Liabilities and Equity	5,864,780	5,398,531	1,834,055	5,031	1,630,063	14,732,460
Marginal Gap	5,930,376	(4,964,576)	(12,134)	324,135	(1,277,801)	
Cumulative Gap	5,930,376	965,800	953,666	1,277,801		

Interest Rate Gap as of December 31, 2015 (in RON eq. thousand)

31.12.2015	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	1,686,347				192,973	1,879,320
Due from other banks	1,257,068		1,137	200		1,258,405
Financial assets available-for-sale	296,356	411,616	430,870	178,240	5,209	1,322,291
Loans and advances to customers	8,483,701	38,693	261,678	1,611,383		10,395,455
Property and equipment					106,011	106,011
Intangible fixed assets					4,348	4,348
Deferred tax assets					4,519	4,519
Other assets					41,458	41,458
Total assets	11,723,472	450,309	693,685	1,789,823	354,518	15,011,807
Liabilities						
Due to banks	78,651	6,385,934		34,877		6,499,462
Due to customers	3,281,008	1,945,286	1,060,833	7,832		6,294,959
Other borrowed funds	7,429					7,429
Subordinated loan	226,239	476,737				702,976
Other liabilities		402			60,051	60,453
Derivative financial liabilities					3,769	3,769
Total liabilities	3,593,327	8,808,359	1,060,833	42,709	63,820	13,569,048
Equity					1,442,759	1,442,759
Total Liabilities and Equity	3,593,327	8,808,359	1,060,833	42,709	1,506,579	15,011,807
Marginal Gap	8,130,145	(8,358,050)	(367,148)	1,747,114	(1,152,061)	
Cumulative Gap	8,130,145	(227,905)	(595,053)	1,152,061		

Moreover, a sensitivity analysis with regards to the Net Interest Income (NII) is examined on a monthly basis under stress test conditions. In particular, the typical stress scenario assumes a 100 bps parallel shift on interest rates for exposures not included in the trading book. For the 100 bps reduction scenarios, the change applied is up to -100 bps, wherever the relevant interest rate permits (interest rate equal to zero). The corresponding results are the following:

Sensitivity Analysis - December 31, 2016	
(in RON '000)	
Interest rate changes scenarios (yield curve parallel shift)	Net interest income sensitivity (1 year period)
-100	-13,982
+100	-1,517

9.4 Interest Rate Risk Monitoring

Alpha Bank has adopted an adequate, timely and accurate information system in order to monitor and report risk in line with its policies and regulatory requirements.

Treasury Division is responsible for managing Alpha Bank position in compliance with any established limits and escalating any significant issues with respect to the interest rate and foreign exchange positions to ALCO.

The Risk Management Division assures the monitoring and reporting of IRRBB and to ALCO and Risk Management Committee.

10. Liquidity and Funding Risks

Definitions

Liquidity risk is the current or future risk of negative effects on profits and capital, determined by the Bank's incapacity to perform its obligations on their due date. Also, liquidity risk arises from the Bank's failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value. In this light, the financing risk is associated with the impact on the Bank's cash flows derived from the high cost of financing or lack of availability of funds.

Liquidity risk is also a Balance Sheet risk, since it may arise from banking book activities. The fundamental role of Banks in the maturity transformation of short-term deposits into long-term loans makes Banks inherently vulnerable to liquidity risk, both of an institution-specific nature and that which affects markets as a whole. Virtually every financial transaction or commitment has implications for a Bank's liquidity" (Basel Committee on Banking Supervision, 2008). Liquidity risk includes both funding liquidity and asset-liquidity risks:

- Funding liquidity risk (cash-flow risk) refers to the risk that a financial institution will be unable: to raise the cash necessary to roll over its debt; to fulfill the cash, margin, or collateral requirements of counterparties; or to meet capital withdrawals.
- Asset-liquidity risk (market/ trading liquidity risk) results from a large position size forcing transactions to influence the price of securities.

Structure

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

Alpha Bank has set a well-defined organizational structure, with clear roles and responsibilities for the relevant staff and Business Units, concerning all types of ALM activities, including liquidity and funding risks management. The Risk Management Committee has assigned the overall responsibility for liquidity risk management to the ALCO, which oversees the operations of the relevant business units.

Risk Management Division, Treasury Division, Strategic Planning Division and also the relevant business units are responsible for implementing the main principles of the liquidity and funding risks management and compliance with the local regulatory requirements and Group ALM Risk Framework.

Liquidity Risk Management

Bank conducts its management of liquidity risk under the following main pillars:

- **Liquidity** is actively managed in order to ascertain that the Bank has the funds required to cover its short and long- term needs;

Bank Liquidity and Funding Policy, which are designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events or issues specific to the Bank.. The most important areas under constant monitoring are funding structure, evolution and relevant cost, loan-to-deposits ratio, loan disbursements, collateral status, evolution of maturity mismatches and funding needs under stress test conditions. Alpha Bank performs Liquidity Gap analysis for each currency that is exposed at a solo and consolidated level on a monthly basis. According to Liquidity Gap analysis, cash flows arising from all assets and liabilities are estimated and allocated into time bands based on the remaining period up to their contractual maturities. Exceptions are made for assets without predefined maturities or other balance sheet items which exhibit strong behavioral characteristics. For these products allocation on residual maturity buckets, conventions are applied according to their transactional behavior (based on statistical models). Additionally, securities are distributed taking into account relevant factors (haircuts). The Bank splits the Treasury securities issued by the Romanian Ministry of Finance 90% on the first maturity band and 10% over 1 year. The liquid corporate bonds rated investment grade are included 80% in the first maturity band and 20% over 1 year.

Moreover, the Bank addresses its liquidity and funding gaps daily, on a currency-by-currency basis.

Liquidity Gap Analysis results at the end of 2016 and 2015 according to Financial Statements are presented below:

Liquidity Gap as of 31.12.2016 (in RON eq. thousand)

31.12.2016	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	2,445,616	-	-	-	-	2,445,616
Due from other banks	521,400	-	16,095	-	-	537,495
Financial assets available-for-sale	1,115,858	-	-	137,880	-	1,253,738
Loans and advances to customers, net	269,655	491,806	2,768,384	6,807,940	-	10,337,785
Derivative financial assets	3,106	-	-	-	-	3,106
Property and equipment	-	-	-	-	96,552	96,552
Goodwill and other intangible assets	-	-	-	-	7,336	7,336
Other assets	-	-	-	-	50,831	50,831
TOTAL ASSETS	4,355,635	491,806	2,784,479	6,945,820	154,720	14,732,460
<i>Com. Lines from Group</i>	726,576	-	-	-	-	726,576
LIABILITIES						
Due to other banks	100,077	7,034	2,775,546	1,589,385	-	4,472,042
Other borrowed funds	-	-	-	6,076	-	6,076
Due to customers	3,950,073	2,122,924	1,840,458	5,031	-	7,918,486
Derivative financial liabilities	4,248	-	-	-	-	4,248
Subordinated debt	-	-	-	705,540	-	705,540
Other Liabilities	12	24	97	120	73,982	74,235
Deferred tax liability	-	-	-	-	743	743
Equity	-	-	-	-	1,551,090	1,551,090
TOTAL LIABILITIES	4,054,410	2,129,983	4,616,102	2,306,152	1,625,815	14,732,460
<i>Com. Lines to Group</i>	65,413	-	-	65,413	-	130,826
LIQUIDITY GAP						
Marginal GAP	962,388	(1,638,176)	(1,831,622)	4,572,240	(1,469,080)	595,750
Cumulative GAP	962,388	(675,788)	(2,507,410)	2,064,830	595,750	

Liquidity Gap as of 31.12.2015 (in RON eq. thousand)

31.12.2015	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	1,879,320	-	-	-	-	1,879,320
Due from other banks	1,241,232	-	16,973	200	-	1,258,405
Financial assets available-for-sale	1,164,420	-	-	157,871	-	1,322,291
Financial assets held-to-maturity	-	-	-	-	-	-
Loans and advances to customers, net	242,427	305,527	1,286,072	8,561,430	-	10,395,455
Derivative financial assets	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	4,519	4,519
Property and equipment	-	-	-	-	106,011	106,011
Goodwill and other intangible assets	-	-	-	-	4,348	4,348
Other assets	-	-	-	-	41,459	41,459
TOTAL ASSETS	4,527,399	305,527	1,303,044	8,719,501	156,337	15,011,807
<i>Com. Lines from Group</i>	633,360	-	-	-	-	633,360
LIABILITIES						
Due to other banks	78,651	-	2,940,925	3,479,886	-	6,499,462
Other borrowed funds	-	-	-	7,429	-	7,429
Due to customers	3,281,008	1,945,285	1,060,833	7,832	-	6,294,959
Derivative financial liabilities	3,769	-	-	-	-	3,769
Subordinated debt	-	-	-	702,976	-	702,976
Other Liabilities	12	23	95	272	60,051	60,453
Equity	-	-	-	-	1,442,759	1,442,759
TOTAL LIABILITIES	3,363,440	1,945,308	4,001,853	4,198,396	1,502,810	15,011,807
<i>Com. Lines to Group</i>	62,286	-	-	62,286	-	124,572
LIQUIDITY GAP	Up to 1 month	1 to 3 months	3 to 12 months	Over 1 year	Without contractual maturity	Total
Marginal GAP	1,735,033	(1,639,782)	(2,698,808)	4,458,818	(1,346,474)	508,788
Cumulative GAP	1,735,033	95,252	(2,603,556)	1,855,262	508,788	

For the monitoring of liquidity risk, stress tests are performed on a monthly basis, in order to evaluate the impact of potential adverse market conditions on Bank's Liquidity. These stress tests are performed according to the approved, Group's policy and local regulatory framework.

The reporting requirements under Basel III include two liquidity related indicators, the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR), which are closely monitored by the management and relevant business units.

Below there is presented the Bank's LCR as of December 2016:

	Scope of consolidation (solo/consolidated)	Total unweighted value (average)	Total weighted value (average)
	Currency and units (XXX million)	"000 RON	
	Quarter ending on (DD Month YYYY)	31.12.2016	
	HIGH-QUALITY LIQUID ASSETS		
1	Total high-quality liquid assets (HQLA)	x	2,401,902
	CASH – OUTFLOWS		
2	Retail deposits and deposits from small business customers, of which:	2,096,378	174,281
3	Stable deposits	788,298	39,415
4	Less stable deposits	1,308,080	134,866
5	Unsecured wholesale funding		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Non-operational deposits (all counterparties)	1,427,276	646,259
8	Unsecured debt		
9	Secured wholesale funding	730,335	146,067
10	Additional requirements	362,804	10,292
11	Outflows related to derivative exposures and other collateral requirements	4,248	4,248
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities	78	4
14	Other contractual funding obligations		
15	Other contingent funding obligations		
16	TOTAL CASH OUTFLOWS	4,621,120	981,152
	CASH – INFLOWS		
17	Secured lending (e.g. reverse repos)		
18	Inflows from fully performing exposures	482,777	425,379
19	Other cash inflows	526,751	526,751
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	X	
EU-19b	(Excess inflows from a related specialised credit institution)	X	
20	TOTAL CASH INFLOWS	1,009,528	952,130
EU-20a	Fully exempt inflows	X	
EU-20b	Inflows subject to 90% cap	X	
EU-20c	Inflows subject to 75% cap	X	952,130
	TOTAL ADJUSTED VALUE		
21	LIQUIDITY BUFFER	X	2,401,902
22	TOTAL NET CASH OUTFLOWS	X	245,288
23	LIQUIDITY COVERAGE RATIO (%)	X	979.22%

Also, following the Regulation (EU) 2016/313 publication, additional liquidity monitoring metrics are reported with a monthly frequency (starting with June 2016), both on an individual and a consolidated basis, including:

- metrics based on the concentration of funding by counterparty and product type, as those metrics identify counterparties and instruments that are of such relevance that withdrawal of funds or declining market liquidity could trigger liquidity problems;
- metrics based on the concentration of the counterbalancing capacity by issuer or counterparty, as those metrics provide information about the reporting institutions' concentration by the 10 largest holdings of assets or liquidity lines granted to the institution;
- metrics based on the prices for various lengths of funding and the rollover of funding, which represents information valuable over time as supervisors are made aware of changes in funding spreads, volumes and tenors.

10.1 Encumbered and unencumbered assets

In accordance with Article 443 of EU Regulation No 575/2013 (CRR), taking into account Recommendation ESRB/2012/2 of the European Systemic Risk Board from 20 December 2012 on funding credit institutions (7), in particular Recommendation D on market transparency on asset encumbrance, the report specifies the disclosure of encumbered and unencumbered assets in accordance with the instructions mentioned in the European Banking Authority's Guide issued on 27 June 2014.

An asset should be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralize or credit-enhance any on-balance-sheet or off-balance-sheet transaction from which it cannot be freely withdrawn (for instance, to be pledged for funding purposes).

The information published in Annex 1 represents information based on median values corresponding to the quarterly data for the previous twelve-month period, respectively for 2016.

The amount of encumbered and unencumbered assets under the applicable accounting framework by asset type is presented in Template A of Annex1 to this report.

The information on collaterals received by asset type is presented in Template B of Annex 1 to this report.

The liabilities associated with encumbered assets and collaterals received are disclosed according to Template C of Annex1 to this report.

Narrative information relating to the impact of the business model on the level of encumbrance and the importance of encumbrance are presented in Template D of Annex 1 to this report and include the following aspects: main sources and types of encumbrance, evolution of encumbrance over time and in particular after the last disclosure period, general description of the proportion of items included in column 060 'Carrying amount of unencumbered assets' in row 120 'other assets' in Template A of the annex to this report, that the institution would not deem available for encumbrance in the normal course of its business.

11. Remuneration Policy

Alpha Bank has established a remuneration policy in accordance with the Corporate Governance principles. The policy complies with the regulatory framework and is designed taking into account each unit's size, internal structure, nature and complexity of activities.

The remuneration policy:

- Complies with the values, the business strategy and targets and with the long-term best interest of the Bank.
- Motivates personnel for exceptional results within the framework of the performance management system, and at the same time discourages excessive assumption of risk and minimizes situations that do not comply with the sound and consistent risk management.
- Correlates Human Resources compensation with the risks that they undertake and manage.

11.1 Principles of Remuneration Structuring

The remuneration system fully complies with the labor legislation as well as with the Supervisory and Regulatory Authorities, and consists of the following components:

- Fixed remuneration.
- Variable remuneration. The variable part of the total compensation is optional and provided through bonuses or other financial incentives formats that may differ on a year to year basis. Personal efficiency, according to specific assessment criteria and achievement of goals of the Unit and of the Bank as a whole, is taken into account in order to proceed to the aforementioned reward payment.

The balance between fixed and variable remuneration is a major priority in order to assure not only market competitiveness but also the minimization of risk assumption.

The ratio between the fixed and variable remuneration components is aimed to be:

- Motivating, towards goals' achievement.
- Flexible, adjusting to market's trends.
- Insightful, reckoning present and future risks. The principle of non-excessive assumption of risk in particular, is assured through the existing Committees / Approval Echelons which are legislated bodies that operate on the basis of specific procedures.
- Proactive, having the options of deferring a substantial portion of the variable remuneration component over an appropriate period of time, readjusting and future non-payment or/and claw back.

11.2 Other relevant Stakeholders/Parties

The Human Resources Division, the Risk Management Division, the Compliance Division and the Internal Audit Division are also involved in the development, implementation, review and control of the Remuneration Policy, depending on their responsibilities. Certain issues related to the Remuneration Policy may be outsourced to Consultants, specialized in the HR compensation field.

Having regard the provisions of National Bank of Romania regulation no.5/2013 corroborated with the provisions of Commission Delegated Regulation (EU) No 604/2014, the ABR staff whose professional activities have a material impact on the institution's risk profile has been identified.

On yearly basis the remuneration data of the Personnel in total, as well as according to its risk profile categorization, are submitted to National Bank of Romania and Alpha Bank Greece.

Disclosure on asset encumbrance

Template A-Assets


		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
		010	040	060	090
010	Assets of the reporting institution	1,541,029	-	14,686,454,968	-
030	Equity instruments	-	-	7,794,869	7,794,869
040	Debt securities	1,541,029	1,541,029	1,256,090,658	1,256,090,658
120	Other assets	-	-	306,481,407	-

Template B-Collateral received

		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
		010	040
130	Collateral received by the reporting institution	-	1,799,202,238
150	Equity instruments	-	-
160	Debt securities	-	137,477,281
230	Other collateral received	-	-
240	Own debt securities issued other than own covered bonds or ABSs	-	-

Template C-Encumbered assets/collateral received and associated liabilities

		Matching liabilities contingent liabilities or securities lent	Assets collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030
010	Carrying amount of selected financial liabilities	-	-

 Not to be filled in any case

D - Information on importance of encumbrance

As of 31 December 2016 the Bank held government bonds issued by Romanian Ministry of Finance amounting to RON 1.5 million (nominal value) as pledge for undrawn guarantee letters issued to another Romanian Bank

The rest of financial assets are unencumbered and at the immediate disposal of the Bank

The evolution of encumbrance over time and in particular after the last disclosure period is given only by government bonds issued by Romanian Ministry of Finance as pledge for undrawn guarantee letters issued to another Romanian Bank.

As of December 2016, 44% of the amount recorded in Template A, column 60 "Carrying amount of unencumbered assets", in row 120 "Other Assets" represents assets that the institution would not deem available for encumbrance in the normal course of its business (eg tangible and intangible assets, deferred tax assets, property, plant and other fixed assets, derivative assets, other assets)