ALPHA BANK

# Press Release

**Full Year 2015 Results**

## Main Highlights

- Strengthened capital base following the successful completion of Euro 2.56 billion Share Capital Increase fully addressing the adverse case of ECB's Comprehensive Assessment results.
- Clean capital structure with no CoCos or preference shares and Private sector holding at 89% of share capital. HFSF ownership reduced to 11%.
- Common Equity Tier I ratio (CET 1) at 16.7% as of the end of December 2015. Tangible Book Value stood at Euro 8.7 billion, implying Tangible Book Value per Share of Euro 5.64.
- Core Pre-Provision Income increased by 8.4% y-o-y to Euro 1,149.3 million mainly driven by resilient core revenue performance and further efficiency improvements. Net Interest Margin at 2.8% despite balance sheet deleveraging.
- Operating Expenses in 2015 stood at Euro 1,153.8 million outperforming initial target of Euro 1.2 billion mainly driven by further reduction of staff costs. Cost to income ratio reduced to 50.1% from 54.1% a year ago. Cost containment initiatives set to further improve our operational efficiencies in 2016.
- Eurosystem funding down by Euro 2.7 billion in Q4 2015 to Euro 24.4 billion, benefiting mainly from the capital increase and recent deposit inflows. Reliance on ELA decreased to Euro 19.6 billion.
- NPL formation in Q4 2015 stood at Euro 214 million versus Euro 520 million in Q3 2015, on the back of increased restructuring and collections activity.
- Cash coverage on Non Performing Loans increased to 69% at the end of December 2015, following Loan Loss Provisions of Euro 3 billion for 2015, fully reflecting the AQR adjustment of Euro 1.7 billion.

## Financial Performance

- **Net Interest Income at Euro 1,931.7 million stable y-o-y (+0.6%) on lower cost of time deposits which offsets the increased wholesale funding cost, driven by the high ELA usage and lower income contribution from loans.**
- **Net Interest Margin improves at 2.8% in Q4 2015, despite further asset deleveraging (-5% y-o-y).**
- **Fees and commission income, down by 5.8% y-o-y affected by subdued volumes and disruption of activity, especially in Q3 2015. In Q4 2015, fees returned to more sustainable levels, posting an increase of 20.1% q-o-q to Euro 83 million, compared to a subdued Q3 performance, supported by higher loan restructurings and increased card usage for retail transactions.**
- **Core Operating income flat y-o-y (-0.2%) at Euro 2,303.1, despite 2015 adversity.**
- **Operating Expenses, excluding integration and extraordinary costs, at Euro 1,153.8 million, down by 7.6% y-o-y, mainly driven by staff cost reduction, phasing-in of synergies and cost control initiatives. Cost to Income ratio at 50.1%, in FY 2015.**

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- **Core Pre-Provision income[1] at Euro 1,149.3 million, up by 8.4% y-o-y.**
- **Loan loss provisions at Euro 3 billion for FY 2015, including AQR adjustment of Euro 1.65 billion. Q4 2015 loan loss provisions at Euro 664.3 million, including a charge of Euro 443 million associated with loans of the AQR perimeter.**
- **Profit / (Loss) After Tax at Euro -1,371.5 million for FY 2015.**

## Key Balance Sheet Trends

- **Net Loans down Euro 3.4 billion or by 6.8% y-o-y to Euro 46.2 billion, on the back of significant loan loss provisions.**
- **Deposits down by 26.7% y-o-y to Euro 31.4 billion, as a result of the deposit outflows mainly in H1 2015 due to increased uncertainty at the sovereign level. Deposit inflows during Q4 2015 at Euro 1.0 billion, stemming from business accounts.**
- **Net Loans to Deposits ratio at 147% at the end of December 2015 compared to 116% a year ago, negatively affected by deposits attrition.**
- **Eurosystem funding decreased by Euro 2.7 billion in Q4 2015 benefiting from the capital increase and recent deposit inflows to Euro 24.4, billion at the end of December 2015. Funding through ELA stood at Euro 19.6 billion. In February 2016, funding by Central Banks further down to Euro 24.2 billion.**
- **Accumulated on-balance sheet provisions at Euro 15.8 billion, corresponding to 26% of gross loans. Cash coverage stood at 69% in Q4 2015. NPL ratio stood at 36.8% at the end of December 2015.**

**Alpha Bank's CEO, Demetrios P. Mantzounis** stated:

"We are leaving behind us a difficult year, marked by severe deposit outflows, the imposition of capital controls and a requirement to raise additional capital. Against this volatile environment and despite the delivery disruption to our business plan targets for 2015, our operating performance stood resilient. Following the ECB stress test, we raised successfully all the capital required to cover the adverse scenario from private investors. Our stronger capital position, a more supportive legal and institutional framework together with our increased platform capacity to address non performing loans, will allow us to provide long-term solutions for our customers and enhance long term recoveries. In 2016, we target to improve our operating profitability through cost containment initiatives and further reduction of our funding costs. A successful and timely completion of the first review is essential for economic recovery in 2016, as we expect growth to resume in the second half of the year, towards a sustainable path".

1 Core Revenues are defined as total income excluding income from financial operations and Core Pre-Provision Income (PPI) is defined as the Core Revenues minus Operating Expenses adjusted for integration and extraordinary costs.

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## KEY FINANCIAL DATA

| (in Euro million) | Twelve months ending | | | Quarter ending | | |
|---|---|---|---|---|---|---|
| | 31.12.2015 | 31.12.2014 | *YoY (%)* | 31.12.2015 | 30.9.2015 | *QoQ (%)* |
| Net Interest Income | 1,931.7 | 1,919.4 | *0.6%* | 486.5 | 488.3 | *-0.4%* |
| Net fee & commission income[1] | 314.7 | 334.2 | *-5.8%* | 83.0 | 69.1 | *20.1%* |
| Income from fin. operations | (45.0) | 40.4 | … | (90.1) | 9.1 | … |
| Other income | 56.7 | 55.2 | *2.6%* | 18.1 | 10.6 | *70.4%* |
| Operating Income | 2,258.1 | 2,349.2 | *-3.9%* | 497.5 | 577.1 | *-13.8%* |
| **Core Revenues[2]** | **2,303.1** | **2,308.9** | ***-0.2%*** | **587.6** | **568.0** | ***3.4%*** |
| Staff Costs | (533.2) | (642.4) | *-17.0%* | (135.8) | (132.5) | *2.5%* |
| General Expenses[1] | (515.6) | (512.4) | *0.6%* | (150.4) | (126.5) | *18.9%* |
| Depreciation & Amortisation expenses | (105.0) | (94.3) | *11.3%* | (27.1) | (26.4) | *2.8%* |
| **Operating Expenses Before Integration & Extraordinary Costs** | **(1,153.8)** | **(1,249.1)** | ***-7.6%*** | **(313.3)** | **(285.3)** | ***9.8%*** |
| Integration costs | (9.1) | (13.5) | … | (2.7) | (3.3) | … |
| Extraordinary costs[3] | (141.8) | (291.3) | … | (114.4) | (28.9) | … |
| **Operating Expenses** | **(1,304.7)** | **(1,553.8)** | ***-16.0%*** | **(430.4)** | **(317.5)** | ***35.6%*** |
| **Core PPI** | **1,149.3** | **1,059.8** | ***8.4%*** | **274.3** | **282.7** | ***-3.0%*** |
| Impairment Losses | (3,019.8) | (1,847.0) | *63.5%* | (664.3) | (258.5) | *157.0%* |
| **Profit Before Tax** | **(2,066.4)** | **(1,051.6)** | **…** | **(597.2)** | **1.1** | **…** |
| Income Tax | 806.8 | 696.4 | … | 83.6 | 413.8 | … |
| **Profit After Tax[4]** | **(1,371.5)** | **(329.7)** | **…** | **(533.1)** | **413.7** | **…** |
| | **31.12.2015** | **31.12.2014** | | **31.12.2015** | **30.9.2015** | |
| **Net Interest Margin** | 2.7% | 2.6% | | 2.8% | 2.8% | |
| **Cost to Income Ratio** (excl. trading, integration and extraordinary costs) | 50.1% | 54.1% | | 53.3% | 50.2% | |
| **CET1[5]** | 16.7% | 14.3% | | 16.7% | 12.5% | |
| **L/D ratio** | 147% | 116% | | 147% | 154% | |
| | **31.12.2015** | **30.9.2015** | **30.6.2015** | **31.3.2015** | **31.12.2014** | ***YoY (%)*** |
| **Total Assets** | 69,296 | 69,782 | 70,555 | 73,013 | 72,935 | *-5.0%* |
| **Loans (net)** | 46,186 | 46,961 | 47,723 | 49,717 | 49,557 | *-6.8%* |
| **Securities** | 10,164 | 10,140 | 10,020 | 10,196 | 10,298 | *-1.3%* |
| **Deposits** | 31,434 | 30,470 | 31,091 | 36,008 | 42,901 | *-26.7%* |
| **Shareholders' Equity** | 9,015 | 6,902 | 6,200 | 7,326 | 7,652 | *17.8%* |
| **Tangible Book Value** | 8,673 | 6,571 | 5,870 | 6,994 | 7,320 | *18.5%* |

[1] 2014 figures include the reclassification of Legal Expenses related to collection activities, from G&A expenses to Commission Expenses, in order to offset costs attributed to the customer with the relevant commission income.
[2] Defined as total income excluding income from financial operations.
[3] Extraordinary costs primarily include Euro 64 million provision for a new VSS in 2016, Euro 37 million impairment of investments and repossessed assets and Euro 34 million contribution.to Resolution Funds.
[4] Includes Euro 111.8 million for FY 2015 in relation to the discontinued operations of Bulgaria and FYROM.
[5] Ratios after January 1, 2015 take into account the application of Law 4303/2014 related to the conversion of DTAs to tax credits.

## Key Developments and Performance Overview

**H2 2015: Resilient in face of capital controls but vulnerable to fresh tax increase**

**2016: Review completion could pave the way for confidence restoration albeit concerns about international financial landscape and refugee inflows**

The Greek economy re-entered into recession in H2 2015, albeit milder than originally envisaged, supported by net exports and solid tourism performance. In particular, economic activity posted a 1.2% y-o-y contraction in H2 2015 against a 0.6% y-o-y expansion in H1 2015. Private consumption exhibited moderate decline by 0.6% y-o-y in H2 2015, mainly due to the tax hikes on the consumption of a wide range of products and services. Moreover, unemployment rate fell to 25.1%, in the 11-month period 2015, against 26.6%, in the corresponding period in 2014. Economic activity is expected to register negative GDP figures in 2016 as well, while economic growth is projected to creep into positive territory in H2 2016 and climb above 2% in 2017 and onwards. With economic sentiment slightly improving and a balanced current account in 2015 for the first time since 2003, the completion of the first programme review remains pivotal for providing critical validation for the entrenchment of confidence on the recovery prospects. Moreover, the swift conclusion of the review is expected to set the conditions for the clearance of government arrears to the private sector which will improve liquidity conditions. Although risks have diminished substantially when Greece and European partners agreed on the new MoU, recovery prospects are at stake, if the following risks materialise; timid pace of reforms and delays in the privatisation programme. In addition, a further escalation of the refugee flows and rising geopolitical tensions, as well as a fresh international financial turbulence may derail expected recovery. The aforementioned risks would be partially offset by low energy prices which may further support consumption, once the one-off VAT effect fades away, along with the further relaxation and swifter removal of capital controls which would trigger investment spending.

**Strong Comprehensive Assessment performance among Greek Banks**

On October 31, 2015, the European Central Bank (ECB) released the results of the **2015 Comprehensive Assessment ("CA")** conducted on behalf of the European Stability Mechanism ("ESM"). In particular, Alpha Bank registered the lowest adjustment after tax among Greek peers in the **Asset Quality Review ("AQR")**, with only a 3.1% CET ratio impact or Euro 1.7 billion. In addition, in the Stress Test, the Bank registered a negligible capital shortfall of Euro 263 million under the baseline scenario and Euro 2,743 million under the adverse scenario, while achieved the highest CET1 in the sector post adjustments in both scenarios. This performance was achieved despite the repayment of preference shares of Euro 940 million, in 2014, and the hurdle rates of 9.5% and 8%, respectively, for the base and adverse scenarios. The capital shortfall, according to the adverse scenario, was reduced at a later stage to Euro 2,563 million by the Single Supervisory Mechanism (SSM), taking into account mitigating actions of Euro 180 million.

**A Comprehensive and straightforward Capital Plan led to strong demand and fast execution**

On November 24, 2015, Alpha Bank successfully completed a Euro 2,563 million Share Capital increase with no use of State aid, fully addressing the adverse case of the CA, materially improving the quality of its capital structure. The Bank's Share Capital increase was conducted through a private placement of Euro 1,552 million to Greek and international institutional investors and a Euro 1,011 million voluntary exchange offering of existing senior, Tier II and Tier I securities by their holders that participated in the Liability Management Exercise (LME) into new common shares. The book was significantly oversubscribed and was covered entirely by the private sector. Following the SCI, Alpha Bank features a strong and clean shareholder structure with private sector shareholding and free float at 89% (increased from 34%) and State ownership through the HFSF down to 11%. At the end of 2015, Alpha Bank's market capitalisation reached Euro 3.8 billion, the highest in the sector, while our Tangible Equity stood at Euro 8.7 billion.

**Strong capital level with no Cocos and Preference shares; fully loaded CET1 ratio at 16%**

At the end of December 2015, Alpha Bank's **Common Equity Tier 1 (CET1)** stood at Euro 8.7 billion resulting in a **CET1** ratio of 16.7%. The fully loaded Basel III CET1 ratio stands at 16%. Deferred Tax Assets at the end of December stood at Euro 4.4 billion with the eligible amount to be converted to tax credit claims at Euro 3.4 billion. **RWAs** amounted to Euro 52.2 billion at the end of December 2015, down by Euro 0.5 billion y-o-y, mainly due to lower loan contribution.

**Funding profile improves in Q4 2015**

In Q4 2015, **Central Banks' funding** usage continued its decreasing trajectory, following the capital increase and benefiting from the decrease of our commercial funding gap. At the end of December 2015, Central Banks funding stood at Euro 24.4 billion, down by Euro 2.7 billion since the end of September, with ECB funding at Euro 4.8 billion and ELA usage at 19.6 billion. Going forward the Bank remains focused to gradually disengage from ELA funding as well as replace its expensive state support related part. To this effect, already at the end of November, the Bank did not renew total nominal amount of Euro 1.5 billion government guaranteed bank bonds (Pillar II) placed as collateral for ELA funding and a further Euro 2.7 billion since the beginning of 2016, reducing our current outstanding balance of Pillar II bonds to Euro 6.5 billion (nominal value). As a result, our interest expense in 2016 is expected to benefit by Euro 48 million on an annualised basis. In addition, at the end of October, we dismantled our Liquidity Pillar III Bonds of Euro 1.6 billion releasing Euro 14 million fee cost per annum fully phased in 2016. Our eligible capacity for Central Bank financing stood at Euro 4.9 billion at the end of December 2015.

**Resilient core revenues despite 2015 adversity**

**Net Interest Income** in 2015 stood at Euro 1,931.7 million, stable y-o-y (+0.6%), as the benefit from the ongoing reduction of time deposit cost, throughout 2015, was offset, first by the burden from the higher dependence on ELA following the significant deposit outflows that occurred in H1 2015 and second from the reduction of net loan balances by Euro 3.4 billion y-o-y. Deposit cost benefited from the phasing-in of repricing of new time deposit rates, which accelerated following the imposition of capital controls, reaching circa 1% at the end of December, as well as the change in deposit mix towards core deposits. In Q4 2015, our net interest income stood at Euro 486.5 million, flat q-o-q, as the lower contribution from loans due to increased provisioning counterbalanced the benefit from the lower cost of deposits and the decline in the wholesale funding cost, as a result of the lower reliance in ELA and better collateral management.

**Net fee and commission income** stood at Euro 314.7 million, down by 5.8% y-o-y as fragile economic environment and imposition of capital controls, adversely affected business economic activities, customer loans restructuring efforts as well as contribution from brokerage. On the other hand, switch of customers' payment behaviour enhanced the fee generation income, from increased cards usage. In addition another record tourist season positively affected commissions from foreign exchange transactions. In Q4 2015, net fee and commission income restored to more sustainable levels following a disruption in activity, especially in Q3 and amounted to Euro 83 million, up by 20.1% q-o-q benefiting from the Bank's intensified restructuring efforts as well as the resumption of brokerage and asset management activity, following Greek Banks recapitalisations. **Income from financial operations** amounted to Euro -45 million, adversely affected by a one-off loss stemming from the Liability Management Exercise. **Other income** stood at Euro 56.7 million, supported by increased revenues of the hotel operation, on the back of another record year of arrivals in tourism.

**Operating expenses decrease by 7.6% y-o-y mainly driven by staff cost reduction**

**Operating expenses** (excluding extraordinary items and integration costs) were down by 7.6% y-o-y to Euro 1,153.8 million, beating target of Euro 1.2 billion annual cost base for 2015. Cost to income ratio stood at 50.1% in 2015, down from 54.1%, in 2014. At the end of December 2015, **personnel expenses** amounted to Euro 533.2 million, down by 21%, adjusted for the acquisition of Citibank's retail operations in Greece, mainly as a result of the reduced headcount following the successful Voluntary Separation Scheme (VSS), at the end of 2014, leading to the departure of 2,208 people and the benefits of the salary realignments phasing-in. Group headcount, at the end of Q4 2015, stood at 13,847 Employees, excluding staff of the discontinued operations of Bulgaria and F.Y.R.O.M. **General expenses** stood at Euro 515.6 million, down by 3.4% y-o-y on a comparable basis, on the back of the ongoing realisation of synergies from Emporiki Bank and Citibank acquisition. Group Network at the end of December 2015, reached a total number of 897 Branches, excluding the branches of Bulgaria and F.Y.R.O.M.

**Slowdown of NPL formation in Q4 with coverage further raised to 69%**

In Q4 2015, new NPLs stood at Euro 214 million, less than half of Q3 2015 Euro 520 million, as customer behavior improved, allowing the resumption of our collection and restructuring efforts, following the recent amendments on the legal and judicial framework. Our **NPL ratio** stood at 36.8% at the end of December 2015. In Greece, the NPL ratio reached 37.6%, while in SEE, our NPL ratio stood at 33.7%. From a segmental perspective, business, mortgages and consumer NPL ratio for the Group stood at 36.7%, 33.9% and 46.1%, while their provisions cash coverage stood at 79%, 47% and 80%, respectively.

In Q4 2015, our provisions declined quarter on quarter to Euro 221.3 million of impairments or 143bps, without taking into account additional provisions of Euro 443 million booked in Q4 in order to accommodate the remaining AQR adjustment. For the full-year period, impairments stood at Euro 3,019.8 million, further raising our NPL cash coverage ratio to 69%. Total coverage including collateral stood at 126%.

**Accumulated balance sheet provisions** for the Group stood at Euro 15.8 billion, at the end of Q4 2015. As a result, our ratio of loan loss reserves over loans stood at 26%, at the end of December 2015.

**Gross loans of the Group** amounted to Euro 62 billion, down by 0.5% y-o-y. Loan balances in Greece stood at Euro 52.5 billion, while, in SEE loans amounted to Euro 9.2 billion excluding Bulgarian and F.Y.R.O.M operations.

In 2015, **Group deposits** recorded severe outflows, mainly in Greece during H1 of Euro 10.6 billion, affected by the increased uncertainty at the sovereign level, while deposit mix has shifted towards core deposits. However, following the imposition of capital controls, balances are on a steady normalisation path, while, in Q4 2015, the Group recorded inflows of Euro 1 billion stemming from corporates increasing our deposits base to Euro 31.4 billion. In Greece, deposits stood at Euro 26.7 billion at the end of December 2015, up by Euro 0.7 billion in Q4 2015 with core deposits mainly from businesses accounting for the majority of inflows.

**The Loan to Deposit Ratio,** at the end of December 2015 for the Group, stood at 147% and in Greece, at 146%.

**Consistent delivery on Restructuring Plan targets**

On November 26, 2015, the European Commission approved Alpha Bank's amended three-year restructuring plan consisting of a deepening of the Bank's operational restructuring as well as allowing certain flexibilities, including the resumption of dividend payments going forward. Alpha Bank is well on track to deliver on its restructuring plan commitments, focusing on non-core asset deleveraging with the completion of sale of its Bulgarian operations and the launch of the sale process for the Hilton Athens hotel. In addition, sale of our F.Y.R.O.M. operations is expected to be completed, by the end H1 2016.

**Operations in SEE**

In **SEE**, our core operating income for 2015 stood at Euro 352.2 million down by 5.4% y-o-y, while our operating costs stood at Euro 202.8 million, improving by 4.3% y-o-y. As a result, Core Pre-Provision Income stood at Euro 155.7 million. Total Branches in SEE, excluding Bulgarian and F.Y.R.O.M operations, stood at 270 at the end of December 2015 vs. 299 a year ago, as we continue to right-size the operating platform. Deposits of our international operations decreased by Euro 1.0 billion y-o-y, negatively affected by developments in Greece and, as a result, our Net Loans to Deposits ratio stood at 176%, at the end of December 2015

In **Cyprus**, our loan portfolio in Q4 2015 amounted to Euro 5.3 billion (up 4.4% y-o-y), affected by currency fluctuations, while deposit balances stood at Euro 1.7 billion (down 25.6% y-o-y). In **Romania**, loans balances decreased to Euro 2.8 billion (-4.6% y-o-y), while deposits decreased to Euro 1.4 billion (-18.6% y-o-y). In **Albania**, loans amounted to Euro 367 million (-1.2% y-o-y) and deposits decreased by 13.8% y-o-y to Euro 405 million. In **Serbia**, loan balances stood at Euro 718 million effectively flat yoy (-0.3% y-o-y), while deposits decreased to Euro 394 million (-8.2% y-o-y).

The release of the audited Annual Financial Statements 2015 will take place in the following days.

Athens, March 3, 2016

## The Bank

The Alpha Bank Group is one of the leading Groups of the financial sector in Greece, with a strong presence in the Greek and international banking market. The Group offers a wide range of high-quality financial products and services, including retail banking, SMEs and corporate banking, asset management and private banking, the distribution of insurance products, investment banking, brokerage and real estate management. The Parent Company and main Bank of the Group is Alpha Bank, which was founded in 1879 by J.F. Costopoulos. Alpha Bank, the Bank that inspires confidence and constitutes a consistent point of reference in the Greek banking system, is one of the largest banks of the private sector, with a wide Network of over 1,000 service points in Greece and one of the highest capital adequacy ratios in Europe.

Significant recent milestones in the long and successful course of the Group are:

- The acquisition of the entire share capital of Emporiki Bank on 1.2.2013.
- The recapitalisation of the Bank by Euro 4,571 million, on 31.5.2013, with oversubscription of the required private sector participation in the Rights Issue, which resulted in the preservation of Alpha Bank's private character.
- The completion of the legal merger by absorption of Emporiki Bank on 28.6.2013 and the creation of the integrated Alpha Bank
- The successful capital increase of Euro 1.2 billion through a private placement with international institutional investors in March 2014 and the subsequent full redemption of the Hellenic Republic’s preference shares of Euro 940 million in April 2014.
- The acquisition of the Greek retail banking business of Citibank (“Citi”), including Diners Club of Greece, on 30.9.2014.
- The successful recapitalisation of the Bank by Euro 2,563 million on 24.11.2015, with significant oversubscription of the required private sector participation and with the result that the vast majority of Alpha Bank’s shareholder base is composed now of private shareholders.

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