ALPHA BANK

Press Release

First Half 2014 Results: Profit after Tax at Euro 267.4 million

Results' Highlights

- Strong capital position with Basel III CET1 of 16.3% provides significant cushion ahead of ECB's comprehensive assessment. Tangible equity at Euro 8.6 billion, up by Euro 1.8 billion y-o-y.
- Restoration of operating profitability continues to build-up momentum.Core PPI up by 101.6% y-o-y to Euro 516.8 million.
- Continued stabilisation of Asset Quality and decelerating NPL formation; NPL's at 33.6%. Coverage further strengthened to 58%, up by 200bps q-o-q.
- Liquidity position improved, driven by increased deposits and successful tapping of the senior bond market. Further reduction of Eurosystem Funding by 36% y-o-y and elimination of ELA funding.
- State Aid repayment of Euro 940 million through redemption of preference shares issued in 2009.
- Announced acquisition of Citi's retail operations to further enhance Alpha Bank's asset gathering franchise, capitalising on Citi's expertise in the mass affluent segment.
- Approval of the Restructuring Plan by the European Commission on July 9, 2014, setting an important milestone towards full restoration of Alpha Bank's privately owned status.

Improving Balance Sheet Fundamentals

- **Basel III Common Equity Tier I ratio (CET1) at 16.3% following the repayment of preference shares. Tangible equity increased by Euro 1.8 billion y-o-y to Euro 8.6 billion.**
- **Stronger liquidity profile with European Central Bank (ECB) funding further down by Euro 2.6 billion in Q2 2014 to Euro 9.4 billion[1]. ECB reliance to Total Assets down to 14%.**
- **Further increase in deposits with private sector inflows in Greece of Euro 0.8 billion in Q2 2014. Deposits at Euro 42.2 billion, with Loan to Deposit Ratio at 119% and 114% in Greece.**
- **NPLs at 33.6% with a decelerating formation of Euro 158 million in Q2 2014, compared to Euro 228 million in the previous quarter. Coverage strengthened by 200bps in Q2 to 58% or 19% of gross loans.**

Operating performance builds up momentum

- **Core revenues[2] at Euro 1,175.9 million in H1 2014, up by 23.5% y-o-y.**
- **Core Pre-provision income[3] at Euro 516.8 million in H1 2013, up by 101.6% y-o-y.**
- **Net Interest Income at Euro 951.7 million in H1 2014 up by 27.8% y-o-y on lower cost of time deposits and wholesale funding costs. Continuing positive momentum in Net Interest Margin, up to 2.7% in Q2.**
- **Operating Expenses, adjusted for integration and extraordinary costs, at Euro 659.1 million in H1 2014 down by 5.3% y-o-y.**
- **Cost to Income ratio (adjusted for trading income, integration and extraordinary costs) down to 56% in H1 2014 from 73% in H1 2013.**

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[1] Excluding EFSF bonds.
[2] Defined as total income excluding income from financial operations.
[3] Adjusted for trading income, integration and extraordinary costs.

- **Loan loss provisions at Euro 349 million in Q2 vs. Euro 395 million in the previous quarter. Cost of risk at 224bps, down by 29bps q-o-q.**
- **Deferred Tax Asset recognition of Euro 422 million in Q2 2014 on the back of the approved Restructuring Plan.**
- **Profit After Tax at Euro 267.4 million in H1 2014 and Euro 361.6 million for Q2 2014.**

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

"On the backdrop of a visible improvement of Greece's economic outlook we have implemented a series of actions to enhance further our financial and competitive position. The successfull capital raising followed by our return to the senior debt markets demonstrates investors' confidence in our improving prospects. The Bank has been recapitalised to weather significant stress while its operating performance will be further supported by the realisation of synergies from value adding acquisitions. Our agreement with Citibank to acquire its retail operations in Greece is an excellent opportunity to strengthen our position by upgrading our offering to our affluent customer base. Following the repayment of preference shares held the Hellenic Republic and the approval of our Restructuring Plan by the European Commission we remain committed to the full restoration of Alpha Bank's privately owned status".

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KEY FINANCIAL DATA

(in Euro million)	Six months ended				Quarter ended		
	30.6.2014	30.6.2013	30.6.2013 PF[1]	YoY PF (%)	30.6.2014	31.3.2014	QoQ (%)
Net Interest Income	951.7	734.4	744.5	27.8%	480.4	471.3	1.9%
Net fee & commission income	194.9	168.3	175.5	11.0%	99.7	95.2	4.7%
Income from fin. operations	69.3	249.7	251.7	…	26.8	42.5	…
Other income	29.3	31.4	31.9	-8.2%	16.3	13.0	25.8%
Operating Income	1,245.2	1,183.8	1,203.7	3.4%	623.2	622.0	0.2%
Core Revenues[2]	**1,175.9**	**934.1**	**952.0**	**23.5%**	**596.4**	**579.5**	**2.9%**
Staff Costs	(332.7)	(343.6)	(364.8)	-8.8%	(165.6)	(167.1)	-0.9%
General Expenses	(278.7)	(272.5)	(283.7)	-1.8%	(140.1)	(138.6)	1.1%
Depreciation & Amortisation expenses	(47.6)	(45.2)	(47.2)	0.9%	(23.8)	(23.8)	-0.3%
Operating Expenses Before Integration & Extraordinary Costs	**(659.1)**	**(661.3)**	**(695.7)**	**-5.3%**	**(329.5)**	**(329.6)**	**0.0%**
Integration costs	**(7.4)**	**(6.2)**	**(6.2)**	**…**	**(2.1)**	**(5.3)**	**…**
Extraordinary costs	**(0.6)**	**20.2**	**20.2**	**…**	**(1.0)**	**0.4**	**…**
Operating Expenses	**(667.1)**	(647.3)	(681.7)	-2.1%	**(332.5)**	(334.5)	-0.6%
Pre-Provision Income Before Integration & Extraordinary Costs	**516.8**	**272.8**	**256.3**	**101.6%**	**266.9**	**249.9**	**6.8%**
Impairment Losses	(743.6)	(984.1)	(984.1)	-24.4%	(348.5)	(395.1)	-11.8%
Profit Before Tax	**(165.5)**	**(447.6)**	**(462.1)**	**-64.2%**	**(57.9)**	**(107.6)**	**-46.2%**
Income Tax[3]	432.9	578.0	578.0	…	419.4	13.5	…
Profit After Tax	**267.4**	**130.4**	**115.9**	**…**	**361.6**	**(94.1)**	**…**

	30.6.2014	30.6.2013	30.6.2013 PF		30.6.2014	31.3.2014	
Net Interest Margin	2.6%	2.0%	2.0%		2.7%	2.6%	
Cost to Income Ratio (excl. trading, integration and extraordinary costs)	56.0%	70.8%	73.1%		55.2%	56.9%	
CET1[4]	16.3%	13.8%	13.8%		16.3%	15.6%	
L/D ratio	119%	127%	127%		119%	121%	

	30.6.2014	31.3.2014	31.12.2013	30.9.2013	30.6.2013	(%) y-o-y
Total Assets	71,687	72,825	73,697	74,033	74,880	-4.3%
Loans (net)	50,133	50,710	51,678	52,596	53,530	-6.3%
Securities	9,659	10,698	10,645	10,022	9,889	-2.3%
Deposits	42,206	41,842	42,485	41,967	42,002	0.5%
Shareholders' Equity	8,844	9,476	8,312	8,460	8,591	2.9%

[1] Accounting for a full Q1 contribution from the former Emporiki Bank.

[2] Defined as total income excluding income from financial operations.

[3] The Group has recognised deferred tax assets amounting Euro 422 million on the back of the appoved Restructuring Plan.

[4] Ratios for 30.6.2013 are based on Basel II CT1. For 31.03.2014 the numbers are pro - forma for the repayment of the Hellenic Republic's preference shares.

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Key Developments and Performance Overview

Stronger economic recovery a catalyst for reinforcing economic sentiment and easing liquidity conditions, propelling the Greek economy to a more sustainable and broadly-balanced growth path

GDP growth on a yearly basis is expected to turn positive between 1.5% to 2% in the second half of 2014, following a reading of -0.2% in the second quarter from -1.1% in the first quarter of this year. Recoveries in employment, manufacturing output, retail sales, non-residential investment, car registrations and building permits, all propel economic sentiment and consumer confidence indicators to new highs, amidst record-breaking tourism activity and strong performance in non-oil exports of goods. This, also, reflects the substantial easing of liquidity conditions, with deposits reflowing back into the banking system and revenues from shipping coming back to Greece. Moreover, as confidence returns, the Greek sovereign, banks and large corporates are able to establish early access to bond markets. Finally, the stronger economic recovery in the months ahead is expected to prop up NPL decompression and, as the releveraging of the economy picks up, to gradually bring Greek systemic banks back to profitability.
The overall improvement in economic conditions continues to be supported by better than expected primary budget surpluses, a sine qua non condition for the confidence-driven recovery of the Greek economy and its sustainability.

CET1 ratio stands at 16.3%

At the end of June 2014, Alpha Bank's **Common Equity Tier I (CET1)** stood at Euro 8.8 billion, up by 4.2% quarter-on-quarter or Euro 355 million mainly due to the recognition of additional Deferred Tax Asset of Euro 422 million in Q2 2014 as per an improved recoverability outlook reflected in the Bank's approved Restructuring Plan. As a result, our phased-in **CET1 ratio** stood at 16.3%. Our **RWA**s amounted to Euro 54.1 billion at the end of June, down by 0.1% q-o-q or Euro 0.1 billion.

Results of ECB's stress tests to be released in October

With regards to **ECB's comprehensive assessment,** Phase II of the study, which is the Asset Quality Review, was completed in August 2014. Additionally, with regards to the stress test (Phase III), ECB published on August 8, 2014 a Comprehensive Assessment Stress Test Manual. The manual details how it will incorporate findings from the AQR into stress test projections ("join-up methodology") and outlines the stress test quality assurance process to ensure consistency of results across banks. According to the timeframe, the results of the comprehensive assessment are expected to be released at the end of October. Banks will be informed of the full and final results only shortly before they are communicated by the ECB to the markets.

Alpha Bank with a CET1 capital of Euro 8.8 billion at the end of June 2014, and NPL coverage of 58% has a capital buffer in excess of Euro 4 billion, on the 8% threshold of the baseline scenario and above Euro 5.5 billion according to the 5.5% threshold of the adverse scenario ahead of the results of ECB's AQR and stress tests.

Core revenues continue to strengthen

In H1 2014, our **Net Interest Income** stood at Euro 951.7 million, up by 27.8% vs. H1 2013 (on a comparable basis), as a result of the continuous repricing of time deposits interest rates at lower levels and reduced costs of Central Banks' funding. Net interest income was, however, negatively affected by the ongoing (albeit slowing) loans deleveraging and the lower contribution from the securities portfolio due to the drop in yields on greek government bonds (including T-bills). The ongoing rerpicing of new time deposits rates converging to the European average levels and the anticipated releveraging of the Balance Sheet towards the end of the year will further benefit our Net Interest Income and our NIM which stands currently at 2.7%.

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Net fee and commission income stood at Euro 194.9 million, up by 11% y-o-y (on a comparable basis) mainly due to an increase in transactions as well as a pick-up of fees from asset management. In Q2 2014, fees were up by 4.7% q-o-q to Euro 99.7 million primarily due to a rise in fees from credit cards as well as higher fees from restructured syndicated loans. **Income from financial operations** amounted to Euro 69.3 million and **other income** stood at Euro 29.3 million.

Operating expenses decrease by more than 5% y-o-y driven by Staff Costs

Operating expenses were down by 5.3% y-o-y (excluding extraordinary items and integration costs) to Euro 659.1 million. In H1 2014, **personnel expenses** amounted to Euro 332.7 million down by 8.8% y-o-y attributed to the phasing-in of the new Collective Labour Agreement as well as the continued Employee attrition. **General expenses** were down by 1.8% yoy to Euro 278.7 million stemming from ongoing synergies realisation from Emporiki acquisition and further rationalisation of expenses.The platform downsising continues, both in Greece and SEE, with the total number of Branches reaching 1,042, down by 14.1% or 171 Branches y-o-y.

NPL coverage further strenghtened to 58% while NPL formation continued to decelerate

In Q2 2014, our **NPL ratio** stood at 33.6% compared with 33.3% in the previous quarter. Net NPL flows stood at Euro 158 million in Q1 2014, in line with the decelerating pattern observed in previous quarters. In Greece, NPLs stood at 35.1% at the end of June 2014, up by 40bps quarter-on-quarter vs. 60bps in the previous quarter, while in SEE our NPL ratio was stable with previous quarter at 26.1%. From a segmental perspective, our mortgage NPLs for the Group declined by Euro 63 million, while businesses and consumer NPLs increased by Euro 178 million and by Euro 43 million respectively. As a result, business, mortgages and consumer NPL ratio for the Group stood at 33.9%, 29.7% and 43.9% respectively.

In Q2 2014, despite the declining trend in NPL formation, we remained focused on further strengthening our provisions. As a result, we added another Euro 349 million of impairments in Q2 2014. **Accumulated balance sheet provisions** for the Group totalled Euro 12.1 billion at the end of Q2 2014, further raising our cash coverage ratio to 58% or by 200bps vs. Q1. The ratio of loan loss reserves over loans stood at 19.5%, at the end of Q2 2014.

Strengthened funding profile

In Q2 2014, our **Central Banks funding** usage decreased by Euro 2.6 billion q-o-q, driven primarily by the decrease of our commercial funding gap, the recent return to the capital and debt markets. At the end of June 2014, Central Banks funding stood at Euro 9.4 billion excluding the EFSF notes acounting for 14% of Total Assets.

Gross Loans of the Group amounted to Euro 62.2 billion at the end of June 2014. Loans balances in Greece stood at Euro 51.9 billion, while SEE loans amounted to Euro 9.9 billion.

The Group's total deposit base increased by Euro 0.4 billion to Euro 42.2 billion at the end of June 2014. Deposits in Greece stood at Euro 36.4 billion up by Euro 0.2 billion quarter-on-quarter. **Deposits in SEE** increased by Euro 134 million q-o-q to Euro 5.2 billion.

The Loan to Deposit Ratio in Greece continued to decline for an eighth consecutive quarter and it stood at 114% in the end of June 2014.

Acquisition of Citibank's Greek retail operations

On June 13, 2014, Alpha Bank entered into an agreement with Citibank International Plc and Citibank Overseas Investment Corporation ("Citi") for the acquisition of Citi's Greek retail banking business, including Diners Club of Greece. Under the agreement, the acquired operations comprise Citi's wealth management unit with customers' AUM of c. Euro 2.1 billion (of which deposits of c. Euro 1.0 billion), net loans of Euro 0.4 billion (mainly credit card balances), as well as a retail network of 20 branches, servicing 480,000 customers.

This acquisition further enhances Alpha Bank's status as a leading financial institution in Greece and a "bank of choice" for Greek affluent and mass affluent customers. The transaction, with a consideration of Euro 2 million, is expected to enhance the Bank's profitability from the first year of the acquisition and improve the Bank's liquidity position. Integration of Citi's retail operations with Alpha Bank is expected to have a positive contribution to our annual net income of Euro 50 million in 2016 (post synergies). Consummation of the transaction is expected within Q3 2014 following receipt of the revelant approvals.

Approval of Alpha Bank's Restructuring Plan sets clear viability restoration path

On July 9, 2014 the European Commission approved under State Aid rules Alpha Bank's restructuring plan and concluded that the measures already implemented and those included in the restructuring plan will enable the Bank to return to viability.

The restructuring plan provides for a continuation of restructuring and rationalisation measures that the Bank has already undertaken. These measures include rationalisation of operating expenses and cost of deposits in Greece, further strengthening of the balance sheet, deleveraging of foreign activities and application of enhanced risk monitoring. The Commission concluded that the Restructuring Plan sets out the path to restoring long term viability.

Operations in SEE

In **SEE**, our operating income for H1 2014 totalled Euro 222.8 million up by 11.8% y-o-y mainly due to increasing Net Interest Income from our continued deposits repricing efforts.

In **Cyprus**, our loan portfolio in Q2 2014 amounted to Euro 5.1 billion flat y-o-y, while deposit balances increased for the first time following a decline the last five quarters and stood at Euro 2.3 billion at the end of June (-6.4% y-o-y). In **Romania**, loans amounted to Euro 2.9 billion (-3.7% y-o-y), while deposits increased to Euro 1.5 billion (+14.8% y-o-y). In **Albania**, loans amounted to Euro 362 million (down 2% y-o-y) and deposits to Euro 487 million (up 7.7% y-o-y). In **Serbia**, loan balances remain almost stable at Euro 751 million (up 2.4% y-o-y) while deposits decreased to Euro 450 million (-19.1% y-o-y).In **Bulgaria**, loans decreased to Euro 630 million while deposit balances increased to Euro 455 million (+23.5% y-o-y). In **F.Y.R.O.M.**, loans stood at Euro 68 million (down 2.9% y-o-y) and deposits increased to Euro 90 million (up 14.5% y-o-y).

Athens, August 28, 2014

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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.

ENQUIRIES

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