ALPHA BANK

Press Release

Nine Month 2015 Results after Tax at Euro -838.4 million

Main Highlights

- Marginal capital shortfall, of only Euro 263 million, under the Asset Quality Review (AQR) and the base case scenario of the Comprehensive Assessment. Such performance achieved despite repayment of state preference shares in 2014 and a higher hurdle rate at 9.5%. The adverse scenario identified a capital shortfall of Euro 2,743 million, on the basis of a CET1 threshold of 8.0%.
- AQR impact of Euro 1,746 million, affordable for Alpha Bank's capital position. Results driven by Collective Provisioning in the first place, followed by the Credit File Review outcome.
- Sound capital position with Common Equity Tier 1 ratio (CET1) of 12.5% on 30.9.2015, further supported by improving prices of the AFS securities in the third quarter. Tangible equity at Euro 6.6 billion, implying Book Value per Share of Euro 0.51.
- Capital base to be further strengthened, following the announced Liability Management Exercise, for a total outstanding perimeter of Euro 1.1 billion of securities.
- Core Pre-Provision Income[1] improvement continued in the first nine months of 2015, up by 9% y-o-y at Euro 871.6 million mainly driven by operating efficiencies and solid core revenue performance. Third quarter Pre-Provision Income run rate more than 3 times higher than the assumptions embedded in the adverse scenario. Cost to income ratio at 49.2% compared to 53.4% a year ago.
- Eurosystem funding currently at Euro 26.7 billion, improved by Euro 1.1 billion since Q2 2015, following the imposition of Capital Controls at the end of June 2015.

  Cash coverage on Non Performing Loans increased to 67% at the end of September 2015, following Loan Loss Provisions of Euro 2.4 billion for the nine month period, which are attributed to the special economic conditions prevailing from 30 June 2015. The deteriorating economic environment, as a result of the above special conditions, was also reflected on the AQR outcome, which was conducted for regulatory purposes.

Solid Financial Performance

- **Net Interest Income at Euro 1,445.5 million up by 1.2% y-o-y on lower cost of time deposits which offset the increased wholesale funding cost driven by the high ELA usage.**
- **Net Interest Margin at 2.8% in Q3 2015.**
- **Operating Expenses, excluding integration and extraordinary costs, at Euro 844.7 million, down by 14.4% y-o-y adjusted for the acquisition of Citibank's retail operations in Greece, mainly driven by staff cost reduction, phasing-in of synergies and cost control initiatives. Cost to Income ratio at 49.2% in 9M 2015.**
- **Core Pre-Provision income[1] at Euro 871.6 million, up by 8.7% y-o-y.**
- **Loan loss provisions at Euro 2,355.9 million for the nine months of 2015. In Q3 2015 loan loss provisions at Euro 258.7 million corresponding at a cost of risk of 166 bps.**
- **Profit / (Loss) After Tax at Euro -838.4 million for the nine months of 2015.**

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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.

Key Balance Sheet Trends

- **Net Loans down by 6.3% y-o-y to Euro 47.0 billion.**
- **Deposits down by 30.0% y-o-y to Euro 30.5 billion, in line with the system wide outflows as a result of increased uncertainty at the sovereign level. Deposit attrition in Greece frontloaded in the first months of 2015 and stabilised in Q3 with outflows of Euro 248 million.**
- **Net Loans to Deposits ratio at 154% at the end of September 2015 compared to 115% a year ago, negatively affected by deposits attrition.**
- **Eurosystem funding stood at Euro 27.1 billion at the end of September 2015, gradually improving following the imposition of Capital Controls at the end of June 2015. Funding through ELA stood at Euro 22.2 billion.**
- **Accumulated on-balance sheet provisions at Euro 15.2 billion, corresponding to 24% of gross loans. Cash coverage stood at 67.0% in Q3 2015. NPL ratio stood at 36.5% at the end of September 2015.**

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

"On the backdrop of a very volatile environment we have maintained our operational capacity intact. Our Pre Provision Income stood at Euro 872 million, up by 9% on last year, driven by lower deposit costs and the reduction of our operating expenses by 8% y-o-y. As the NPLs cash coverage is the sector highest and with on-balance sheet provisions of Euro 15.2 billion, we are placed to pursue our strategy for remedial NPL management, both on the wholesale and the retail portfolios, in order to maximize their recovery potential. We remain fully committed to complete successfully our recapitalisation by year end 2015 and to further pursue the delivery of our restructuring plan targets. The implementation of structural reforms and improved economic indicators place Alpha Bank in a position to take advantage of the renewed confidence and stability in the sector".

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KEY FINANCIAL DATA

(in Euro million)	Nine months ending			Quarter ending				
	30.9.2015	**30.9.2014**	***YoY (%)***	**30.9.2015**	**30.6.2015**	***QoQ (%)***	**31.3.2015**	***QoQ (%)***
Net Interest Income	1,445.5	1,429.0	*1.2%*	488.4	481.9	*1.3%*	475.2	*1.4%*
Net fee & commission income[1]	232.1	248.7	*-6.6%*	69.3	78.1	*-11.3%*	84.8	*-7.8%*
Income from fin. operations	45.4	85.7	…	9.1	10.2	…	26.1	…
Other income	38.7	44.1	*-12.2%*	10.6	15.9	*-33.2%*	12.1	*31.1%*
Operating Income	1,761.7	1,807.5	*-2.5%*	577.4	586.1	*-1.5%*	598.2	*-2.0%*
Core Revenues[2]	**1,716.3**	**1,721.8**	***-0.3%***	**568.3**	**575.9**	***-1.3%***	**572.1**	***0.7%***
Staff Costs	(399.5)	(485.4)	*-17.7%*	(133.2)	(132.1)	*0.8%*	(134.3)	*-1.6%*
General Expenses[1]	(367.0)	(366.2)	*0.2%*	(127.0)	(123.9)	*2.5%*	(116.1)	*6.7%*
Depreciation & Amortisation expenses	(78.2)	(68.6)	*14.0%*	(26.5)	(26.0)	*1.7%*	(25.7)	*1.2%*
Operating Expenses Before Integration & Extraordinary Costs	**(844.7)**	**(920.2)**	***-8.2%***	**(286.6)**	**(282.0)**	***1.6%***	**(276.1)**	***2.1%***
Integration costs	(6.4)	(10.3)	…	(3.3)	(2.0)	…	(1.1)	…
Extraordinary costs	(27.4)	(198.4)	…	(28.9)	4.0	…	(2.5)	…
Operating Expenses	**(878.5)**	**(1,128.9)**	***-22.2%***	**(318.7)**	**(280.0)**	***13.8%***	**(279.7)**	***0.1%***
Core PPI	**871.6**	**801.5**	***8.7%***	**281.7**	**293.9**	***-4.2%***	**296.0**	***-0.7%***
Impairment Losses	(2,355.9)	(1,075.1)	…	(258.7)	(1,672.3)	…	(424.9)	…
Profit Before Tax	**(1,472.7)**	**(396.6)**	**…**	**(0.1)**	**(1,366.2)**	**…**	**(106.5)**	**…**
Income Tax	723.3	492.9	…	413.9	318.6	…	(9.2)	…
Profit After Tax	**(838.4)**	**129.3**	**…**	**413.7**	**(1,136.2)**	**…**	**(115.8)**	**…**
	30.9.2015	**30.9.2014**		**30.9.2015**	**30.6.2015**		**31.3.2015**	
Net Interest Margin	2.7%	2.6%		2.8%	2.7%		2.6%	
Cost to Income Ratio (excl. trading, integration and extraordinary costs)	49.2%	53.4%		50.4%	49.0%		48.3%	
CET1[3]	12.5%	15.8%		12.5%	11.2%		13.1%	
L/D ratio	154%	115%		154%	153%		138%	
	30.9.2015	**30.6.2015**	**31.3.2015**	**31.12.2014**	**30.9.2014**	**30.6.2014**		***YoY (%)***
Total Assets	69,782	70,555	73,013	72,935	72,445	71,687		*-3.7%*
Loans (net)	46,961	47,723	49,717	49,557	50,120	50,133		*-6.3%*
Securities	10,140	10,020	10,196	10,298	9,653	9,659		*5.0%*
Deposits	30,470	31,091	36,008	42,901	43,533	42,206		*-30.0%*
Shareholders' Equity	6,902	6,200	7,326	7,652	8,544	8,844		*-19.2%*

[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] Ratios after January 1, 2015 take into account the application of Law 4303/2014 related to the conversion of DTAs to tax credits.

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Key Developments and Performance Overview

H1 performance and the end of extreme uncertainty support a more benign impact of the fresh recessionary shock. New bailout programme to restore confidence, ease liquidity constraints and enhance long-term growth prospects

Economic activity retained its recovery dynamics in the first half of 2015, despite the prevailing political uncertainty, growing by 1.1% y-o-y, on the back of increasing private consumption and a new record year in tourism. However, the bank holiday and the capital controls imposed in July 2015, as well as the implementation of new fiscal austerity measures are expected to wipe out the recovery dynamics recorded in the last 12 months. More specifically, Greek economic activity is expected to drive back into a negative territory in 2015 and 2016 as well. However, a series of factors such as (i) the agreed relaxation of fiscal targets and renewed focus on fiscal discipline (ii) the already evident relaxation of capital controls for the business sector (iii) the frontloaded mobilisation of the EU funding to support domestic investment and job creation and (iv) a new programme lending for Government's arrears clearance, will make a dent in recessionary pressures in 2015. Given the higher than expected GDP growth in H1 2015 and milder than initially estimated impact of capital controls imposition, GDP is expected to decline by only 1.2% in 2015. Growth is expected to resume from the second half of 2016 and onwards on the back of the implementation of structural reforms combined with the EU funding spanning over the 2014-2020 period which will trigger investment. Since Monday, 21st of September, Greece has a new government with a fresh mandate to implement the economic adjustment programme. The election outcome ended a long period of political uncertainty setting the conditions for a full and efficient implementation of the recently agreed reform package. Additionally, the frontloaded fiscal adjustment programme marks a policy regime switch, which may lead to milder fiscal multipliers. Therefore, the implementation of the new measures in the context of the new loan agreement remains pivotal for the entrenchment of confidence in the economy and support of financial markets. Swift restoration of domestic political stability is already depicted in the return of economic sentiment indicators in September back to pre-crisis levels, a good omen for investors' confidence comeback.

Comprehensive Assessment results

Alpha Bank demonstrates resilience in the Comprehensive Assessment conducted by ECB, despite higher hurdle rates and the repayment of Euro 940 million of state preference shares in 2014. CET1 ratio as of 30.06.2015, following an AQR impact of Euro 1.746 million or 305 basis points, stands at 9.64%, above the baseline threshold. The capital shortfall under the baseline scenario and the AQR amounts to only Euro 263 million. Under the adverse scenario capital shortfall amounts to Euro 2,743 million, on the basis of a CET1 threshold of 8.0%.

Strong capital level with fully loaded CET1 ratio at 11.8%

At the end of September 2015, Alpha Bank's **Common Equity Tier 1 (CET1)** stood at Euro 6.6 billion resulting in a **CET1 ratio** of 12.5%, further supported by improving valuations of AFS securities in the third quarter. Our fully loaded Basel III CET1 ratio stood at 11.8%. Deferred Tax Assets at the end of September stood at Euro 4.4 billion, incorporating a positive impact of Euro 0.5 billion due to the increase in the corporate tax rate from 26% to 29%. The eligible amount to be converted to tax credit claims stands at Euro 3.4 billion. **Tangible Book Value** stood at Euro 6.6 billion. Our **RWAs** amounted to Euro 52.6 billion at the end of September 2015, down by Euro 0.7 billion y-o-y mainly due to lower loan contribution.

Eurosystem financing increased due to continued deposits outflows in Q2, improved in Q3 following the imposition of Capital Controls

At the end of September 2015, our **Central Banks funding** stood at Euro 27.1 billion increased by Euro 3.5 billion since the end of March as a result of continued deposits outflows in Q2 2015. Eurosystem financing expansion stopped following the imposition of capital controls at the end of June 2015. ECB funding stood at Euro 4.9 billion while ELA usage stood at 22.2 billion at the end of Q3 2015. The capacity for additional Eurosystem financing was adversely affected in early July by the decision of ECB to increase haircuts on Greek government bonds and government guaranteed bank bonds (Pillar II), placed as collateral for ELA funding. Eligible collateral buffer stood at Euro 2.8 billion at the end of Q3 2015.

Core revenues prove resilience despite challenging environment

Net Interest Income for the nine months period stood at Euro 1,445.5 million, up by 1.2% y-o-y mainly as a result of the ongoing reduction in deposits cost which more than counterbalanced the increase in wholesale funding cost. Deposit cost benefited firstly by the time deposit ongoing repricing and secondly by the change in deposit mix towards core deposits, as customers focus into increasing their demand account balances. On a quarterly basis, our net interest income stood at Euro 488.4 million increased by 1.3% q-o-q, supported by acceleration of time deposits cost reduction after the imposition of capital controls, whereas on the asset side, higher net interest income from bonds counterbalanced the lower contribution from our loans portfolio.

Net fee and commission income stood at Euro 232.1 million, down by 6.6% y-o-y as fragile economic environment coupled with the impact of the capital controls, adversely affected business economic activities, customer loans restructuring efforts as well as contribution from brokerage and wealth management. **Income from financial operations** amounted to Euro 45.4 million attributed to moderate trading income and stabilisation in CHF currency movement which adversely impacted Q1 2015. **Other income** stood at Euro 38.7 million, supported by the increased revenues of the hotel operation on the back of another record year of arrivals in tourism.

Operating expenses decrease by 14% y-o-y adjusted for the Citi acquisition driven by Staff Costs, on track to outperform Target cost base of Euro 1.2 billion for 2015.

Operating expenses were down by 14.4% y-o-y adjusted for the acquisition of Citibank's retail operations in Greece (excluding extraordinary items and integration costs) to Euro 844.7 million, well on track to outperform our target of Euro 1.2 billion annual cost base for 2015. Cost to income ratio at 49.2% for the nine months of 2015. At the end of September 2015, **personnel expenses** amounted to Euro 399.5 million, down by 22.0% y-o-y on a comparable basis, 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 in Q3 2015 stood at 14,201 Employees excluding staff of the Bulgarian operations. **General expenses** stood at Euro 367.0 million, down by 9.7% y-o-y on a comparable basis, firstly due to ongoing phase-in of synergies from Emporiki acquisition and secondly due to lower marketing expenses and promotion expenses as the economic environment remained subdued. Group Network at the end of September 2015 reached a total number of 929 Branches excluding the branches of the Bulgarian operations.

NPL coverage increased to 67% level

At the end of September 2015, our **NPL ratio** stood at 36.5%. In Q2 2015 NPL formation stood at Euro 485 million, whereas our targeted Asset Management initiatives - initiation of foreclosure procedure, focusing on selected customers - resulted to excess formation by Euro 502 million for the quarter. NPL formation in the third quarter of 2015 stood at Euro 520 million affected by the July three-week bank holiday and the imposition of capital controls. In Greece, the NPL ratio stood at 37.2% while in SEE our NPL ratio stood at 32.3% for same period. From a segmental perspective, business, mortgages and consumer NPL ratio for the Group stood at 36.2%, 33.6% and 46.1%, while their provisions cash coverage stood at 75%, 46% and 80%, respectively.

In Q3 2015, cost of risk amounted to Euro 258.7 million or 166 bps. For the nine-month period impairments stood at Euro 2,355.9 million, further raising our NPL cash coverage ratio to 67%. **Accumulated balance sheet provisions** for the Group stood at Euro 15.2 billion at the end of Q3 2015. As a result, our ratio of loan loss reserves over loans stood at 24% at the end of September 2015. The significant increase in impairments is attributed to the special economic conditions prevailing from 30 June 2015 which resulted in the significant deterioration of the economic environment in Greece. This deterioration was also reflected on the AQR outcome which was conducted for regulatory purposes. Out of the total result of the AQR an amount of Euro 1,206 million is estimated that it has been included in the cost of risk for the nine month period that has been recognised according to the applicable credit risk policy.

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Gross loans of the Group amounted to Euro 62.1 billion, down by 1.1% y-o-y. Loan balances in Greece stood at Euro 52.5 billion while in SEE loans amounted to Euro 9.4 billion excluding Bulgarian operations.

Group deposits contracted to Euro 30.5 billion, at the end of September 2015, recording further outflows in Q2 2015 due to the rising political uncertainty but stabilising in Q3 2015 following the implementation of capital controls. In Greece deposits stood at Euro 26.0 billion at the end of September 2015, down by Euro 4.3 billion since the end of March 2015 with the majority corresponding to time deposits. As a result of the high time deposits outflows and customers' preference to maintain liquidity, deposit mix in Greece has shifted to first demand deposits with the ratio of core deposits to total to have increased to 59% at the end of September compared to 38% a year ago.

The Loan to Deposit Ratio at the end of September 2015 for the Group stood at 154% and in Greece at 152%.

Acquisition of Alpha Bank's Branch in Bulgaria by Eurobank's subsidiary in Bulgaria

In July 2015, Alpha Bank and Eurobank reached a preliminary agreement regarding the acquisition of Alpha Bank's Branch in Bulgaria by Eurobank's subsidiary in Bulgaria, Eurobank Bulgaria AD (Postbank). The transaction is fully aligned with Alpha Bank's restructuring plan as approved by the European Commission in 2014, with view to focus on core markets. The acquisition covers the entire banking operations of Alpha Bank's Branch in Bulgaria, which consist of deposits worth Euro 254 million and gross loans worth Euro 410 million. The transaction is capital neutral for Alpha Bank and is expected to be completed by the end of 2015.

Operations in SEE

In **SEE**, our core operating income for the nine months of 2015 stood at Euro 267.5 million down, by 5.6% y-o-y, while our operating costs for the same period stood at Euro 164.7 million, down by 5.3% y-o-y. As a result, Core Pre-Provision Income decreased by 6.2% to Euro 102.8 million. Total Branches in SEE stood at 301 at the end of September 2015 vs. 404 a year ago as we continue to rightsize the operating platform. Deposits of our international operations decreased by Euro 1.6 billion y-o-y, negatively affected by developments in Greece and as a result our Net Loans to Deposits ratio stood at 196% at the end of September 2015.

In **Cyprus**, our loan portfolio in Q3 2015 amounted to Euro 5.3 billion (up 2.2% y-o-y), while deposit balances contracted to Euro 1.6 billion (down 28.5% y-o-y). In **Romania**, loans remained stable to Euro 2.9 billion (-0.2% y-o-y), while deposits decreased to Euro 1.2 billion (-23.1% y-o-y). In **Albania**, loans amounted to Euro 368 million (-1.4% y-o-y) and deposits decreased by 16.6% y-o-y to Euro 395 million. In **Serbia**, loan balances stood at Euro 737 million (-3.8% y-o-y), while deposits decreased to Euro 396 million (-10.2% y-o-y). In **F.Y.R.O.M.**, loans decreased slightly at Euro 68 million (down 0.1% y-o-y) and deposits decreased to Euro 64 million (-29.0% y-o-y).

Athens, October 31, 2015

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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.
- The acquisition of the Greek retail banking business of Citibank ("Citi"), including Diners Club of Greece, on 30.9.2014.

ENQUIRIES

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