

Press Release

Nine Month 2014 Results: Profit after Tax at Euro 110.5 million

Main Highlights

- Superior Comprehensive Assessment Outcome in Greek and European context under the Static assumptions in both Baseline and Adverse scenarios with strong capital buffers of Euro 3 billion and Euro 1.3 billion, respectively.
- Strong capital position with fully loaded Basel III CET1 at 14.9%¹. Tangible equity at Euro 8.2 billion, implying Book Value Per Share of Euro 0.64.
- Continued improvement in operating performance supported by funding cost normalisation and consistent delivery in our cost cutting program. Core PPI at Euro 799 million up by 69.3% y-o-y.
- Stabilisation of Asset Quality with marginal NPL formation; NPL's at 33.6%. Coverage further strengthened to 60%, up by 200bps q-o-q. Increased cash coverage level places the Bank in a comfortable position to meet new regulatory standards.
- Loan to deposit ratio for Greece improves to 110% and Eurosystem funding reliance drops further to Euro 7.9 billion² benefiting also by the acquisition of Citi retail operations in Greece.
- Voluntary Separation Scheme program completion secures an annualised benefit of Euro 120 million with a payback period of just 19 months.

Improving Balance Sheet Fundamentals

- Basel III Common Equity Tier 1 ratio (CET1) at 15.9% and fully loaded Basel III CET1 at 14.9%¹.
- Liquidity position improved with further reduction of European Central Bank (ECB) funding down by Euro 1.5 billion in Q3 2014 to Euro 7.9 billion². ECB reliance to Total Assets down to 12%.
- Deposits up by 3.1% q-o-q to Euro 43.5 billion. Private sector deposits in Greece up by Euro 1.4 billion q-o-q, as a result of customer inflows of Euro 0.5 billion and acquired balances of Euro 0.9 billion from the Citi consolidation. Loan to Deposit Ratio further declined to 115% for the Group and 110% in Greece.
- NPLs at 33.6% with a decelerating formation of Euro 116 million in Q3 2014, compared to Euro 158 million in the previous quarter. Coverage strengthened by 200bps in Q3 to 60% or 20% of gross loans.

Continued improvement in financial performance

- Net Interest Income at Euro 1,443.2 million up by 21.1% y-o-y on lower cost of time deposits and lower wholesale funding costs. Net Interest Margin at 2.7% in Q3.
- Core revenues³ at Euro 1,783.4 million, up by 18.3% y-o-y.
- Core Pre-provision income³ at Euro 799 million, up by 69.3% y-o-y.
- Operating Expenses, adjusted for integration and extraordinary costs, at Euro 984.4 million, down by 5% y-o-y.

¹ Taking into account the positive impact from the implementation of Law 4303/2014 related to the conversion of DTAs to tax credits.

² Excluding EFSF bonds.

³ 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.

- **Cost to Income ratio down to 55.2% in 9M 2014 from 67.2% in 9M 2013.**
 - **Loan loss provisions at Euro 337 million in Q3 vs. Euro 348.5 million in the previous quarter. Cost of risk at 216bps, down by 8bps q-o-q.**
 - **Profit /(Loss) After Tax at Euro 110.5 million for the nine months and Euro -156.9 million for Q3 2014.**
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Alpha Bank's CEO, Mr. Demetrios P. Mantzounis stated:

"Within an improving economic environment and macro indicators pointing to positive growth this year, we have delivered another solid performance of enhanced core revenue generation and reduction of our cost platform. Our successful pass of the ECB's Comprehensive Assessment, clearly positions Alpha Bank as the stand out Greek bank for our best in class capital position and demonstrates our ability to support the funding needs of Greek businesses and households. In the coming quarters, backed by the success of our Voluntary Separation Scheme programme and the acquisition of Citi operations we will continue to work towards successfully delivering our Restructuring Plan targets and the full restoration of the Group's profitability, developments which are conducive to the full privatisation of the Bank".

KEY FINANCIAL DATA

(in Euro million)	Nine months ended				Quarter ended		
	30.09.2014	30.09.2013	30.09.2013 PF ¹	YoY PF (%)	30.09.2014	30.06.2014	QoQ (%)
Net Interest Income	1,443.2	1,181.7	1,191.9	21.1%	491.5	480.4	2.3%
Net fee & commission income	295.8	263.6	270.9	9.2%	100.9	99.7	1.3%
Income from fin. operations	86.4	254.9	256.9	...	17.1	26.8	...
Other income	44.4	44.9	45.4	-2.0%	15.1	16.3	-7.4%
Operating Income	1,869.8	1,745.1	1,765.0	5.9%	624.6	623.2	0.2%
Core Revenues²	1,783.4	1,490.2	1,508.1	18.3%	607.5	596.4	1.9%
Staff Costs	(493.1)	(516.8)	(538.0)	-8.3%	(160.4)	(165.6)	-3.2%
General Expenses	(420.3)	(416.8)	(428.0)	-1.8%	(141.5)	(140.1)	1.0%
Depreciation & Amortisation expenses	(71.0)	(68.0)	(69.9)	1.5%	(23.4)	(23.8)	-1.6%
Operating Expenses Before Integration & Extraordinary Costs	(984.4)	(1,001.7)	(1,036.0)	-5.0%	(325.3)	(329.5)	-1.3%
Integration costs	(10.3)	(17.1)	(17.1)	...	(2.9)	(2.1)	...
Extraordinary costs	(198.4)	34.7	34.7	...	(197.8)	(1.0)	...
Operating Expenses	(1,193.1)	(984.0)	(1,018.3)	17.2%	(526.0)	(332.5)	58.2%
Core PPI	799.0	488.6	472.1	69.3%	282.2	266.9	5.7%
Impairment Losses	(1,080.6)	(1,474.1)	(1,474.1)	-26.7%	(337.0)	(348.5)	-3.3%
Profit Before Tax	(403.9)	(712.9)	(727.4)	-44.5%	(238.4)	(57.9)	312.0%
Income Tax ³	492.9	619.6	619.6	...	60.0	419.4	...
Profit After Tax⁴	110.5	3,132.6	3,118.1	...	(156.9)	361.4	...
	30.09.2014	30.09.2013	30.09.2013 PF		30.09.2014	30.06.2014	
Net Interest Margin	2.6%	2.1%	2.2%		2.7%	2.7%	
Cost to Income Ratio (excl. trading, integration and extraordinary costs)	55.2%	67.2%	67.2%		53.6%	55.2%	
CET1 ⁵	15.9%	13.5%	13.5%		15.9%	16.3%	
L/D ratio	115%	125%	125%		115%	119%	
	30.09.2014	30.06.2014	31.03.2014	31.12.2013	30.09.2013		YoY (%)
Total Assets	72,420	71,687	72,825	73,697	74,033		-2.2%
Loans (net)	50,120	50,133	50,710	51,678	52,596		-4.7%
Securities	9,653	9,659	10,698	10,645	10,022		-3.7%
Deposits	43,533	42,206	41,842	42,485	41,967		3.7%
Shareholders' Equity	8,526	8,844	9,476	8,312	8,460		0.8%

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

² Defined as total income excluding income from financial operations.

³ The Group has recognised deferred tax assets amounting to Euro 422 million on the back of the approved Restructuring Plan.

⁴ Profit after Tax for 9M 2014 includes the negative goodwill impact of Diners Club acquisition of Euro 21.5 million and for 9M 2013 the negative goodwill impact of Emporiki acquisition of Euro 3,283.1 million.

⁵ Ratios for 30.9.2013 are based on Basel II CT1.

Key Developments and Performance Overview

Recovery prospects are strengthened as ECB CA 2014 reveals the fundamental soundness of Greek banks, propping economic sentiment and easing liquidity conditions

Growth is set to turn positive this year at 0.7% and strengthen to 2.9% in 2015 as private consumption stabilises, and non-construction business investment, as well as non-residential investment, already exhibit positive trends, while exports of goods and services continue to support the recovery. The aforementioned favorable environment, supported by higher than expected, twin surpluses in both fiscal and external balances for a second consecutive year, sets the ground for a successful Troika review and disbursement of funds.

In this framework, better-than-expected results of the stress tests for Greek banks in the context of the pan-European Comprehensive Assessment, pave the way for Greece's smooth exit from its current bailout program. The adequately capitalised banking system is set to accelerate the workout of the large stock of non-performing loans, which is about to reach its peak, and facilitate the releveraging of the economy as growth resumes and as the upward trend of deposits, evident since early 2014, is maintained.

Alpha Bank comfortably passed ECB's Comprehensive Assessment both under the static and the dynamic balance sheet assumptions

On October 26, 2014, the European Central Bank (ECB) released the results of the **2014 Comprehensive Assessment ("CA")** conducted in collaboration with the European Banking Authority ("EBA"). In particular, Alpha Bank was the only Greek systemic bank that registered no capital shortfall for the baseline and adverse scenarios under both the static and the dynamic assumptions, producing excess capital ranging between Euro 1.3 billion and Euro 3.1 billion. Further management actions, in the nine months of 2014, amounting to Euro 1.8 billion not incorporated in the static adverse scenario provide further cushions to Alpha Bank's capital position. In addition, with regards to the **Asset Quality Review**, Alpha Bank registered the lowest adjustment after tax among Greek peers with only 1.8% impact or Euro 942 million on CET1 ratio. Furthermore, the estimated AQR adjustments to Alpha Bank's Non Performing Exposure ("NPE") base were limited representing c.10% of the pro forma NPE post AQR balances. The outcome of the Comprehensive Assessment positions Alpha Bank among the top tier of the largest listed European Banks with CET1 ratio as of 2016 based on the baseline scenario at 13.8% or at 14.3% pro-forma for March 2014 capital increase and the subsequent repayment of the Hellenic Republic's preference shares.

Strong capital position with fully loaded CET1 ratio at 14.9%

At the end of September 2014, Alpha Bank's **Common Equity Tier 1 (CET1)** stood at Euro 8.5 billion. As a result, our phased-in **CET1 ratio** stood at 15.9%, while the fully loaded Basel III CET1 stands at 14.9% strengthened by the impact of Deferred Tax Credit ("DTC") legislation. Our **RWAs** amounted to Euro 53.6 billion at the end of September, down by 1% q-o-q or Euro 0.5 billion.

Core revenues continue to strengthen

Net Interest Income for the nine-months period stood at Euro 1,443.2 million, up by 21.1% y-o-y (on a comparable basis), benefiting mostly from the ongoing repricing of new time deposits and reduced wholesale funding costs. In Q3 2014, our net interest income stood at Euro 491.5 million up by 2.3% q-o-q, due to the consistent repricing of new time deposits. Central Banks' funding positively contributed q-o-q to net interest income due to lower dependence and the phasing-in effect from the two ECB interest rate cuts of 10bps, in June and September. Lower net interest income contribution from loans continued, however, at a declining pace, as deleveraging has decelerated.

Net fee and commission income stood at Euro 295.8 million, up by 9.2% y-o-y mainly due to an increase in foreign exchange trades, pickup of brokerage, asset management and bancassurance products. In Q3 2014, fees were up by 1% q-o-q to Euro 100.9 million primarily due to a rise in fees from credit cards, letters of guarantees as well as pickup of advisory and securities transaction fees.

Income from financial operations amounted to Euro 86.4 million and **other income** stood at Euro 44.4 million.

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

Operating expenses amounted to Euro 984.4 million for the nine months, down by 5% y-o-y on a comparable basis against 9M 2013 (excluding extraordinary items and integration costs). In 9M 2014, **personnel expenses** amounted to Euro 493.1 million, down by 8.3% y-o-y, attributed to the phasing-in of salary realignments as well as the continued Employee attrition. **General expenses** were down by 1.8% y-o-y to Euro 420.3 million or by 6.7% y-o-y excluding remedial management expenses, due to realisation of synergies mainly in IT and telecoms, product and property related expenses. Network rationalisation continues with the total number of Branches reaching 1,024, down by 10.6% or 121 Branches y-o-y without taking into account the additional 20 Branches from Citi. On October 6, 2014, Alpha successfully concluded its Voluntary Separation Scheme (VSS) with accepted participation reaching 2,208 employees or 20% of the total headcount in Greece. As a result, the Bank will benefit circa Euro 120 million per year while an extraordinary cost of Euro 194.5 million for the program's remuneration cost is provisionally expensed in Q3 2014.

NPL effectively flat q-o-q with coverage further raised to 60%

In Q3 2014, new NPLs increased marginally by Euro 116 million, vs. Euro 158 million in Q2, confirming the declining trajectory of the previous quarters. Our **NPL ratio** stood at 33.6%, flat q-o-q including the impact from the acquisition of Citi's retail operations in Greece. In Greece, NPLs stood at 35.1% at the end of September 2014, same as in Q2 2014, while in SEE our NPL ratio was up by 10 bps at 26.2%. From a segmental perspective, our business NPLs increased by Euro 162 million versus vs. Euro 178 million in Q2, while mortgage NPLs and consumer NPLs for the Group declined by Euro 4 million and by Euro 41 million respectively. As a result, business, mortgages and consumer NPL ratio for the Group stood at 34.3%, 29.7% and 41.3% while their provisions coverage stood at 69%, 34% and 81%, respectively.

In Q3 2014, despite the declining trend in NPL formation, we remained focused on further strengthening our provisions adding another Euro 337 million of impairments. As a result, we raised our **accumulated balance sheet provisions** for the Group to Euro 12.7 billion at the end of Q3 2014. Consequently, our NPL cash coverage ratio increased to 60% or by 200bps in Q3. The ratio of loan loss reserves over loans stood at 20% at the end of Q3 2014.

Funding continues to improve supported by the Citi acquisition

In Q3 2014, our **Central Banks funding** usage decreased by Euro 1.3 billion q-o-q, driven primarily by the decrease of our commercial funding gap by Euro 0.8 billion as well as the net contribution from the acquisition of Citi's retail operations of Euro 0.6 billion. At the end of September 2014, Central Banks funding stood at Euro 7.9 billion excluding the EFSF notes accounting for 12% of Total Assets.

Gross Loans of the Group amounted to Euro 62.8 billion at the end of September 2014, marginally flat q-o-q, excluding the contribution of Citi acquisition of Euro 0.4 billion, signalling deleveraging deceleration for the first quarter since Emporiki's acquisition. Loans balances in Greece stood at Euro 52.3 billion, up by Euro 0.5 billion mainly due to the acquisition of Citibank's retail portfolio (mainly credit cards) of Euro 0.4 billion, while SEE loans amounted to Euro 10 billion, up by Euro 104 million q-o-q.

The Group's total deposit base increased by Euro 1.3 billion to Euro 43.5 billion at the end of September 2014. Private sector deposits in Greece amounted to Euro 37.7 billion up by Euro 1.4 billion q-o-q following customer inflows of Euro 0.5 billion and the consolidation of Citibank's retail operations, including deposits of Euro 0.9 billion. Deposits in SEE increased by Euro 41 million q-o-q to Euro 5.3 billion.

Completion of Citibank's Greek Retail Operations Acquisition – Integration progress update

The Loan to Deposit Ratio in Greece continued to decline for a ninth consecutive quarter and it stood at 110% in the end of September 2014.

On September 30, 2014, Alpha Bank completed the acquisition of Citibank's Greek retail operations including Diners Club of Greece. The acquired operations include Citi's wealth management unit with Customers' assets under management of c.Euro 2 billion, including deposits of c. Euro 0.9 billion, net loans, mainly credit card balances of Euro 0.4 billion, as well as a retail network of 20 Branches servicing 480,000 Clients. This acquisition further strengthens Alpha Bank's position in the Greek banking system and enhances its offering to its affluent Customer base.

The operational support for the transaction completion focused on ensuring business continuity and transparent customer experience, while at the same time extra emphasis was placed on designing an integrated operating model, taking into consideration Citi's best practices especially in terms of support processes and services for the affluent customer segment.

Following the successful completion of the transaction, Alpha Bank is focusing on systems integration, which is critical for driving common operating processes, while reducing operating costs and ensuring consolidation of the customer base. The above is expected, within the next two years to have a positive contribution to the Bank's annual net income of Euro 50 million (including synergies). Completion of the integration is expected within H1 2015.

Operations in SEE

In **SEE**, our operating income totalled Euro 335.5 million up by 8.4% y-o-y mainly due to increasing Net Interest Income from our continued deposits repricing efforts.

In **Cyprus**, our loan portfolio in Q3 2014 amounted to Euro 5.2 billion (up 0.3% y-o-y) while deposit balances remained effectively flat q-o-q at Euro 2.3 billion at the end of September (-1.9% y-o-y). In **Romania**, loans amounted to Euro 2.9 billion (-1.9% y-o-y), while deposits increased to Euro 1.5 billion (+14.8% y-o-y). In **Albania**, loans amounted to Euro 373 million (up 2% y-o-y) and deposits almost stable y-o-y to Euro 473 million. In **Serbia**, loan balances increased to Euro 767 million (up 4.2% y-o-y), while deposits decreased to Euro 441 million (-19% y-o-y). In **Bulgaria**, loans increased to Euro 668 million (up 1.6% y-o-y), while deposit balances increased to Euro 471 million (+23.5% y-o-y). In **F.Y.R.O.M.**, loans remained flat at Euro 68 million (down 1% y-o-y) and deposits increased to Euro 89 million (up 11.9% y-o-y).

Athens, November 4, 2014

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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