

# Press Release

## First Quarter 2016 Profit before Tax at Euro 12.8 million

### Main Highlights

- Profitable Q1 2016 driven by de-escalation of Cost of Risk and improvement in Pre-Provision Income.
- Core Pre-Provision Income increased by 10.6% q-o-q and by 2.3% y-o-y to Euro 298.9 million. Net Interest Margin at 2.8%.
- Continued progress reducing Operating Expenses down by 1.5% y-o-y to Euro 274.1 million. Best-in-class Cost to income ratio at 47.8%.
- Common Equity Tier I ratio (CET 1) at 16.3% as of the end of March 2016. Tangible Book Value, the highest among Greek Banks, at Euro 8.5 billion, implying Tangible Book Value per Share of Euro 5.53. Fully loaded Basel III CET1 at 15.9%.
- Further reduction in Eurosystem funding down in Q1 2016, to Euro 24.1 billion. In May 2016, our reliance on ELA stood at Euro 19.2 billion, down by Euro 0.5 billion since March 2016, with usage of Pillar II bonds reduced to Euro 2.7 billion.
- NPLs at 37.4% at the end of March 2016. High cash coverage of 70%, allows for more active management of our Non Performing portfolio.
- Loan Loss Provisions at Euro 255.1 million in Q1 implying Cost of Risk (CoR) at 165bps, vs. average CoR for 2015 at 220bps (excluding AQR).
- On May 2015, Alpha Bank signed a strategic agreement with Eurobank, KKR and EBRD on the management of selected Wholesale Non Performing Exposures, positioning the Bank to benefit from long term viable restructurings. Alpha Bank has embarked on NPL servicing platforms in both Retail (Aktua) and Wholesale (KKR) business segments.

### Financial Performance

- **Net Interest Income at Euro 482.9 million down by 0.7% q-o-q, negatively affected by the lower contribution from loans which offset the benefit from the decreasing wholesale funding cost, as well as the calendar effect. Net Interest Margin at 2.8% in Q1 2016.**
- **In Q1 2016, Fees and commission income stood at Euro 78.6 million, decreased by 5.9% q-o-q, compared to a seasonal Q4 performance adversely affected mainly by lower fee generation from brokerage and wealth management operations.**
- **Operating Expenses, excluding integration and extraordinary costs, at Euro 274.1 million, down by 1.5% y-o-y. Cost to Income ratio at 47.8%, in Q1 2016.**
- **Core Pre-Provision income<sup>1</sup> at Euro 298.9 million, up by 2.3% y-o-y.**
- **Loan loss provisions at Euro 255.1 million, implying Cost of Risk at 165bps.**

<sup>1</sup> 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.

- Profit / (Loss) After Tax at Euro -2.2 million for Q1 2016, including Cyprus VSS cost of Euro 31 million.

### **Key Balance Sheet Trends**

- Assets down by Euro 1.1 billion q-o-q at Euro 68.2 billion, mainly driven by net loans reduction.
  - Net Loans down by Euro 0.4 billion q-o-q to Euro 45.8 billion.
  - Deposits balances decreased by Euro 0.5 billion q-o-q to Euro 31 billion in line with system outflows.
  - Eurosystem funding decreased by Euro 0.3 billion in Q1 2015 to Euro 24.1 billion. In May 2016, funding by Central Banks further down by Euro 0.6 billion to Euro 23.5 billion.
  - NPLs at 37.4% at the end of March 2016. NPEs at 52.1%.
  - Accumulated on-balance sheet provisions at Euro 16.1 billion, corresponding to 26% of gross loans. NPLs Cash coverage strengthened by 100bps to 70% in Q1 2016.
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### **Alpha Bank's CEO, Demetrios P. Mantzounis** stated:

"In the 1st quarter of 2016, after a remarkably challenging previous year, Alpha Bank has returned to a profitable trajectory mainly attributed to a decline in impairment costs to 165 bps from an average of 220 bps in 2015. Our operational performance stood resilient, supported by reduction of wholesale funding costs and further decrease of our operating expenses. We continue to implement our business plan, maintaining our strong capital base, improving our liquidity profile along with expanding our platform to restructure non-performing loans. Further ahead, we are looking into the reinstatement of waiver, to allow us to further tap ECB's financing lines and the participation of Greek government bonds to the QE programme, in order to facilitate our access to international capital markets. At this juncture, it is important that the country continues with the implementation of structural reforms much needed for the restoration of confidence in the Greek economy, in order to attract investments, repatriate deposits and restore our path to economic recovery".

**KEY FINANCIAL DATA**

(in Euro million)	Quarter ending (YoY)			Quarter ending (QoQ)		
	31.3.2016	31.3.2015	YoY (%)	31.3.2016	31.12.2015	QoQ (%)
Net Interest Income	482.9	475.0	1.7%	482.9	486.5	-0.7%
Net fee & commission income <sup>1</sup>	78.6	83.8	-6.2%	78.6	83.5	-5.9%
Income from fin. operations	3.0	26.0	...	3.0	(90.1)	...
Other income <sup>1</sup>	11.5	11.6	-1.3%	11.5	16.4	-29.9%
Operating Income	576.0	596.3	-3.4%	576.0	496.4	16.1%
<b>Core Revenues<sup>2</sup></b>	<b>573.0</b>	<b>570.4</b>	<b>0.5%</b>	<b>573.0</b>	<b>586.4</b>	<b>-2.3%</b>
Staff Costs	(129.5)	(133.6)	-3.1%	(129.5)	(135.1)	-4.2%
General Expenses <sup>1</sup>	(118.8)	(118.9)	-0.1%	(118.8)	(154.0)	-22.9%
Depreciation & Amortisation expenses	(25.9)	(25.6)	1.0%	(25.9)	(27.1)	-4.6%
<b>Operating Expenses Before Integration &amp; Extraordinary Costs</b>	<b>(274.1)</b>	<b>(278.1)</b>	<b>-1.5%</b>	<b>(274.1)</b>	<b>(316.2)</b>	<b>-13.3%</b>
Integration costs	(0.5)	(1.1)	...	(0.5)	(2.7)	...
Extraordinary costs <sup>3</sup>	(33.6)	2.3	...	(33.6)	(110.3)	...
<b>Operating Expenses</b>	<b>(308.1)</b>	<b>(276.9)</b>	<b>11.3%</b>	<b>(308.1)</b>	<b>(429.2)</b>	<b>-28.2%</b>
<b>Core PPI</b>	<b>298.9</b>	<b>292.3</b>	<b>2.3%</b>	<b>298.9</b>	<b>270.2</b>	<b>10.6%</b>
Impairment Losses	(255.1)	(426.1)	-40.1%	(255.1)	(662.5)	-61.5%
<b>Profit Before Tax</b>	<b>12.8</b>	<b>(106.8)</b>	<b>...</b>	<b>12.8</b>	<b>(595.3)</b>	<b>...</b>
Income Tax	(14.9)	(9.2)	...	(14.9)	83.6	...
<b>Profit After Tax<sup>4</sup></b>	<b>(2.2)</b>	<b>(115.8)</b>	<b>...</b>	<b>(2.2)</b>	<b>(533.1)</b>	<b>...</b>
	<b>31.3.2016</b>	<b>31.3.2015</b>		<b>31.3.2016</b>	<b>31.12.2015</b>	
<b>Net Interest Margin</b>	2.8%	2.6%		2.8%	2.8%	
<b>Cost to Income Ratio</b> (excl. trading, integration and extraordinary costs)	47.8%	48.8%		47.8%	53.9%	
<b>CET1<sup>5</sup></b>	16.3%	13.1%		16.3%	16.6%	
<b>L/D ratio</b>	148%	138%		148%	147%	
	<b>31.03.2016</b>	<b>31.12.2015</b>	<b>30.9.2015</b>	<b>30.6.2015</b>	<b>31.3.2015</b>	<b>YoY (%)</b>
<b>Total Assets</b>	68,207	69,296	69,782	70,555	73,013	-6.6%
<b>Loans (net)</b>	45,826	46,186	46,961	47,723	49,717	-7.8%
<b>Securities</b>	9,983	10,164	10,140	10,020	10,196	-2.1%
<b>Deposits</b>	30,963	31,434	30,470	31,091	36,008	-14.0%
<b>Shareholders' Equity</b>	8,870	9,015	6,902	6,200	7,326	21.1%
<b>Tangible Book Value</b>	8,506	8,673	6,571	5,870	6,994	21.6%

<sup>1</sup> The figures for the comparative year of 2015 have been restated due to modification of the presentation related to the loyalty Bonus card program (Net fee and commission income, Other Income, General expenses)

<sup>2</sup> Defined as total income excluding income from financial operations.

<sup>3</sup> Extraordinary costs primarily include Euro 64 million provision for a new VSS in 2016, Euro 37 million impairment of investments.

<sup>4</sup> Includes Euro 21.3 million for Q4 2015 in relation to the discontinued operations of FYROM.

<sup>5</sup> 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

### Growth recovery to surface in H2 2016, as Greece reaps the benefits of the adjustment program, boosted by the restoration of confidence and investment pick-up

The Greek economy showed signs of resilience, as capital control imposition in the summer of 2015 had a milder negative effect than initially envisaged. GDP contracted by 0.3% in 2015 and further contracted by 1.4% y-o-y in Q1 2016. With the completion of the first review, economic prospects are improving, as creditors approved the disbursement of the second tranche of the ESM programme amounting to Euro 10.3 billion. This disbursement aims to cover debt financing needs and allow the partial clearance of government arrears to the private sector, which will ease further liquidity conditions.

This new phase of the economy is defined by two opposing forces. On the one hand the drag exerted by consumption, heavily affected by new fiscal austerity measures such as the additional VAT tax increases, reforms in personal income taxation and the pension system. As a result, household disposable income and private consumption is expected to shrink further in 2016, but it will turn positive in 2017. On the other hand, the completion of the review will set the ground for the restoration of confidence in the economy. As private consumption is not expected to gain momentum in the near future, the recovery is anticipated to be investment-driven, so as to contain the contractionary effect of the new austerity policy mix. The main drivers of investment spending will be the speeding up of state property privatisation and the switch in confidence. The latter will be strengthened by (i) the reinstatement of waiver allowing Greek banks to access ECB's normal financing lines, (ii) the participation of Greek government bonds to the QE programme and (iii) the agreement reached at the Eurogroup for debt relief measures, in order to manage debt sustainability in the long run. Additionally, Greece is expected to receive approximately Euro 36 billion from the EU structural and investment funds over the programming period 2014-2020, which will be directed to the agricultural sector as well as energy, innovation, environment, maritime and fisheries.

Real GDP growth is expected to remain negative in H1 2016, with a recovery setting in from H2 2016. In 2016 as a whole, the contraction of economic activity is estimated to range from -0.3 to -0.5%. From 2017, expectations on the future growth path depend on the swift implementation of structural reforms and the restoration of confidence. However, assurance can be found in the additional measures already passed through parliament along with the newly adopted contingency mechanism to be activated automatically in the event of failure to meet the annual primary surplus targets. The economy is projected to resume growth in 2017, when economic activity is set to increase by over 2%.

### Best-in-Class capital base with no prefs and CoCos and CET1 ratio at 16.3%

At the end of March 2016, Alpha Bank's **Common Equity Tier 1 (CET1)** stood at Euro 8.5 billion resulting in a CET1 ratio of 16.3%, negatively affected by the annual DTA amortisation and lower prices of our AFS portfolio. Post Q1 2016, this negative trend in AFS has reversed following the appreciation of GGB prices. Our fully loaded Basel III CET1 ratio stands at 15.9%. Deferred Tax Assets at the end of March 2016 stood at Euro 4.4 billion with the eligible amount to be converted to tax credit claims at Euro 3.4 billion. Tangible Book Value at the end of March 2016 was the highest among Greek Banks at Euro 8.5 billion, implying Tangible Book Value per Share of Euro 5.53. Our **RWAs** at the end of March 2016, amounted to Euro 52 billion, down by Euro 0.3 billion q-o-q, on the back of lower market risk and lower loan contribution.

### Continued reduction of Eurosystem reliance

In Q1 2016, our **Central Banks reliance** decreased further by Euro 0.3 billion q-o-q to Euro 24.1 billion, despite deposit outflows in Greece of Euro 0.5 billion benefiting from balance sheet deleveraging and liquidity inflows from SEE subsidiaries. With a view to gradually replace its expensive state support related part of its funding, the Bank did not renew in Q1 2016 total nominal amount of Euro 2.8 billion government guaranteed bank bonds (Pillar II) placed as collateral for ELA funding and a further reduction was recorded in Q2, reducing the current balance to Euro 5.2 billion.

## Resilient operating performance

In Q1 2016, **Net Interest Income** down by 0.7% q-o-q at Euro 482.9 million, as the lower contribution from loans counterbalanced the benefit from the lower wholesale funding costs, as well as due to the calendar effect. Lower loan balances and spread reduction had a negative contribution of Euro 14 million, whereas the reduction of Pillar II bonds and the absence of senior and subordinated bonds following the Liability Management Exercise contributed positively Euro 17 million to our NII. Ongoing time deposits repricing continued with new time deposit rates currently offered at the area of 80 bps and back book still to be priced in at 16bps higher. However, our Net Interest Income was adversely affected by the deterioration of our sight and savings deposits spreads due to the lower underlying Euribor rates q-o-q evolution, which are currently at historically low levels.

Going forward, the reinstatement of the waiver to Greek Government bonds and Treasury Bills is expected to positively affect our NII, by the substitution of circa Euro 2 billion of funding from costly ELA to ECB currently at zero cost.

**Net fee and commission income** stood at Euro 78.6 million, down by 5.9% q-o-q compared to a seasonal Q4 performance due to the holidays period, which positively affected credit card usage and the increased brokerage and wealth management transactions as a result of the Greek banks' recapitalisations. **Income from financial operations** amounted to Euro 3 million. **Other income** stood at Euro 11.5 million.

## Operating expenses decrease by 1.5% y-o-y

**Operating expenses'** (excluding extraordinary items and integration costs) reduction continues down by 1.5% y-o-y to Euro 274.1 million mainly as a result of lower staff cost, with the corresponding Cost to Income ratio at 48% for Q1 2016. In Q1 2016, **personnel expenses** amounted to Euro 129.5 million, down by 4.2% q-o-q, mainly as a result of the reduced headcount and salary realignments phasing-in. Group headcount, at the end of Q1 2016, reduced to 13,686 Employees, mainly due to the successful Voluntary Separation Scheme (VSS) in Cyprus, leading to the departure of 249 people, which will have a fully phased-in benefit of Euro 12.9 million per annum. **General expenses** stood at Euro 118.8 million, down by 22.9% q-o-q, back to normalised levels compared to a seasonal higher Q4 2015, mainly consisting of increased tax, marketing and consultancy costs. This quarterly improvement is also attributed to property related expenses as a result of network rationalisation, realisation of synergies from the Citi acquisition and less loans restructuring related cost. Group Network at the end of March 2016, reached a total number of 882 Branches as a result of 24 branches reduction in Greece.

## NPL coverage further raised to 70% level

In Q1 2016, our **Cost of risk** amounted to Euro 255.1 million or 165 bps over gross loans vs. an average cost of risk of 220 bps for 2015 excluding AQR impact. As a result, our coverage ratio increased to the 70% mark, while total coverage including collateral stood at 126%. This high level of coverage allows for more active management of our Non Performing portfolio.

At the end of March 2016, our **accumulated balance sheet provisions** for the Group amounted to Euro 16.1 billion, while the ratio of loan loss reserves over loans stood at 26%.

At the end of March 2016, our **NPL ratio** stood at 37.4%. In Q1 2016, NPL formation stood at Euro 275 million. In Greece, the NPL ratio reached 38.1%, while in SEE, our NPL ratio stood at 34.3%. From a segmental perspective, negative NPL formation on retail loans in Q1 2016 confirmed the declining pace of the previous quarter, as the Bank continued its intensified collection and restructuring efforts following an improved customer behavior and the recent amendments on the legal and judicial framework, while our business NPLs recorded positive formation. As a result, at the end of March 2016 business, mortgages and consumer NPL ratio post write-offs for the Group stood at 37.6%, 34% and 45.6%, while their provisions cash coverage stood at 79%, 47% and 80%, respectively.

**Gross loans** of the Group amounted to Euro 61.9 billion, down by 1.9% y-o-y. Loan balances in Greece stood at Euro 52.3 billion, while, in SEE loans amounted to Euro 9.2 billion excluding Bulgarian and F.Y.R.O.M operations.

**Seasonal deposit inflows in Q4 2015 partially offset in Q1 2016**

In Q1 2016, **Group deposits** recorded outflows of Euro 471 million. In Greece, deposits declined in Q1 2016 by Euro 540 million in line with system wide outflows reaching Euro 26.2 billion at the end of March 2016, mainly from businesses.

The **Loan to Deposit Ratio**, at the end of March 2016 for the Group, stood at 148% and in Greece, at 147%.

**Partnership with KKR and EBRD on management of Large Corporate Non Performing Exposures**

On May 17, 2016 Alpha Bank, together with Eurobank, signed an agreement with the international investors KKR Credit and EBRD under which the parties will collaborate for the management of selected Large Corporate non performing exposures. This pioneering platform will benefit from fresh capital and additional operational support to facilitate restructurings of viable corporates. The platform is expected to become operational in 2016 subject to the completion of certain conditions.

**Conclusion of sale of Alpha Bank A.D. Skopje**

On May 10, 2016 Alpha Bank successfully concluded the sale of 100% of its subsidiary Alpha Bank A.D. Skopje following receipt of all applicable regulatory approvals. The transaction is capital neutral for the Bank and contributes towards the execution of its Restructuring Plan.

**SEE reduced presence results to breakeven performance**

In **SEE**, our operating income for Q1 2016 was effectively flat q-o-q at Euro 86.4 million, while our operating costs stood at Euro 48.1 million, without accounting for the VSS of Cyprus. Following the recent disposals in our SEE operations, we managed to turnaround our profitability already in Q1 2016, with Profit Before Tax at Euro 6.4 million. Total Branches in SEE, excluding Bulgarian and F.Y.R.O.M operations, stood at 269 at the end of March 2016 vs. 295 a year ago, as we continue to right-size the operating platform.

In **Cyprus**, our loan portfolio in Q1 2016 amounted to Euro 5.3 billion (up 1% q-o-q), while deposit balances stood at Euro 1.7 billion (up 1.8% q-o-q). In **Romania**, loans balances amounted to Euro 2.8 billion (+1.7% q-o-q), while deposits rose to Euro 1.5 billion (+6.4% q-o-q). In **Albania**, loans amounted to Euro 365 million (-0.6% q-o-q) and deposits decreased by 0.5% q-o-q to Euro 403 million. In **Serbia**, loan balances stood at Euro 701 million (-2.4% q-o-q), while deposits decreased to Euro 367 million (-6.7% q-o-q).

Athens, May 31, 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 capital increase 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.

### **ENQUIRIES**

#### **Alpha Bank**

Dimitrios Kostopoulos  
Manager  
Investor Relations  
Division

Elena Katopodi  
Assistant Manager  
Investor Relations  
Division

#### **Finsbury**

Edward Simpkins/Andrew Hughes  
Tel. +44 207 251 3801

E-mail: [ir@alpha.gr](mailto:ir@alpha.gr)

Tel: +30 210 326 4082	+30 210 326 4184
+30 210 326 4182	+30 210 326 4199
+30 210 326 4010	+30 210 326 4185