



ALPHA BANK

Press Release

ORDINARY GENERAL MEETING OF THE SHAREHOLDERS OF ALPHA BANK OF JUNE 30, 2016

At the Ordinary General Meeting of the Shareholders of Alpha Bank, which took place on Thursday, June 30, 2016, the Chairman of the Board of Directors Mr. Vasileios T. Rapanos and the Managing Director - CEO Mr. Demetrios P. Mantzounis addressed the investors.

The Chairman of the Board of Directors Mr. Vasileios T. Rapanos, opening his speech, pointed out that the year 2015 was a year during which the Greek Economy and our banking system came under severe strain. The uncertainty about the outcome of the Greek Government's negotiations with the European partners, which dominated the entire first half of the year, resulted in significant deposit outflows and in the imposition of capital controls. In addition, it aggravated the problem of Non-Performing Loans and set back the Greek Economy's anticipated recovery.

Despite these developments, Mr. Rapanos underlined, the Greek Economy proved remarkably resilient. At just -0.2%, recession was milder than the one predicted by the international organisations following the imposition of capital controls. This development, he added, can be attributed to the low elasticity of the – already significantly reduced – private consumption, as well as to the positive contribution of net exports to the GDP.

The Chairman of the Board of Directors predicted that the Greek Economy will remain in recession during 2016, while the GDP growth rate is expected to return to positive ground as of the second half of the year, as confidence will be restored and structural reforms will be further promoted, following the completion of the first review of the new Economic Adjustment Programme. The elimination of the uncertainty surrounding our country's future in the Eurozone and the successful outcome of the negotiations with the European partners create a new framework that favours the recovery of economic activity and the return of economic life to normality. Mr. Rapanos also mentioned that the recent developments, i.e. the result of the United Kingdom European Union membership referendum, have generated adverse conditions which will have a negative impact on the economic perspectives of the European Economy and a potential negative effect on the Greek Economy. However, as he said, we hope that a smooth exit process will be found soon in order for the negative impact on the financial activity to be contained.

The lifting of political uncertainty could have a substantial effect on our country's international competitive position. The great improvement in competitiveness in terms of labour cost, which was registered in our country over the past years, was not enough to boost investment and exports. A major component of competitiveness is the cost of capital. The latter is determined by the high cost of raising liquidity due to the high-risk premiums, whose pricing also reflects political uncertainty to a large extent.

Thus, the reduction of political uncertainty bolsters the country's credibility, which in turn leads to a reduction in the cost of capital, has a positive effect on attracting investment capital and strengthens the country's productive potential, as Mr. Rapanos estimated. The recovery of the economic activity must be the cornerstone of our policy, not only because it will help improve incomes and reduce unemployment, but also because it will be pivotal to the national effort to improve public debt sustainability.

Further to the above, he mentioned that the commitment made by the Greek Government in the context of the first review of the Economic Adjustment Programme, regarding the adoption of a contingency plan providing for additional cuts on public spending in the event that the fiscal targets are not achieved, enhances the country's credibility in the international markets. This contingency plan serves as additional assurance to our European partners of the Greek authorities' resolve to honour their commitments, as well as a factor that alleviates concerns in the capital markets and establishes a climate of stability in the business environment.



The Chairman of the Board of Directors also stressed that disinvestment is largely responsible for the most significant socio-economic problem caused by the prolonged recession: the explosive rise of long-term unemployment and especially youth unemployment. Beyond its social dimension, this problem also has a negative impact on the development process, as it erodes skills and causes an outflow of high-quality human resources – a phenomenon widely known by the English term “brain drain”. As a result, Greece is deprived of high-quality workforce and of innovative business ideas and, consequently, of a key driver of economic growth.

Further, the Chairman said that, in addition to restructuring the productive base of the Greek Economy, the achievement of the fiscal targets, to which the Government has committed itself, remains a key element of the economic policy. It is worth mentioning that the package of fiscal adjustment measures relies primarily on increases in the rates for almost all direct and indirect taxes. The international as well as the Greek experience show that this policy reduces the international competitiveness of goods and services and gives rise to disincentives to employment and investment, as well as to incentives for tax avoidance and tax evasion.

It could be argued, Mr. Rapanos noted, that curtailing public spending would result in the deterioration of the services provided by the State. Yet, the generalised increase in tax rates ultimately leads to a further reduction in incomes, while the burden of indirect taxes falls proportionately more on the financially weak. For this reason, limiting tax evasion and improving the efficiency of public spending are imperative. This will allow for reducing the excessively high tax burden and, at the same time, will improve the social services provided.

The Chairman of the Board of Directors estimated that despite the weaknesses of the fiscal adjustment policy, the completion of the review, the commitment to promoting swiftly the structural reforms and the adherence to the schedule of privatisations can restore confidence in the Greek Economy. In addition to that, he said that the acceptance, once again, of Greek Government securities as collateral by the Eurosystem can lead to a significant reduction in the cost of financing for the Greek banks and, consequently, for the real economy. The role of the banking system in this national effort is of crucial importance, he stressed. In order to respond to this role, credit institutions should rise to the great challenge of recovering the highest possible percentage of Non-Performing Loans. The institutional and legal environment that has been put in place by legislating the country's obligations under the new agreement with the European partners can assist this Herculean task.

Referring to the Bank, Mr. Rapanos underlined that, faced with the volatile economic environment of 2015, Alpha Bank coped successfully with the test of its new recapitalisation, without making any use of State aid and, thus, without burdening the public debt at all. Additionally, the full coverage of the Bank's capital requirements by Greek and foreign private investors affirms once again their trust in the Bank and in its Management. We should also not forget, as he said, that Alpha Bank is the bank receiving the least capital support from the Greek State.

The great challenge now is the management of Non-Performing Loans, as the Chairman of the Board of Directors stressed. The new institutional and legal framework provides the possibilities for addressing this problem in a more active way.

Having a particularly high Cash Coverage Ratio, we are ready to implement proactive management strategies to address Non-Performing Loans, in the corporate as well as in the retail lending portfolio, with the aim of increasing the recoverable value of these loans. The Chairman also said that Alpha Bank was the first among all Greek banks to set up, in association with a leading specialist firm, a unit specialising in managing housing and consumer loans in an effective and socially responsible manner. In addition, acting jointly with Eurobank and in association with a leading global specialist investment firm, Alpha Bank will be providing management services for high-value corporate loans on a trial basis. Through these initiatives, combined with the expected recovery of the Greek Economy, as Mr. Rapanos mentioned, we seek to create a new framework that will ensure the viability of the solutions that we plan, in order to return to normal conditions of operation and to contribute in a creative way to our country's development.

Concluding his speech, the Chairman of the Board of Directors stressed that Alpha Bank's successful course during a particularly difficult period was made possible thanks to the trust that the Shareholders and the Customers placed in the Bank and, of course, thanks to the tireless efforts of the Bank's Management Executives and all its Personnel. Once again, Alpha Bank's Employees worked with unparalleled zeal and dedication to their duties, Mr. Rapanos said and extended his sincere gratitude to all Personnel inviting them to support the Bank's way forward to the future “with wisdom and vision” – quoting the favourite phrase of the Honorary Chairman of the Board of Directors Mr. Yannis S. Costopoulos.



Then, the **Managing Director - CEO Mr. Demetrios P. Mantzounis** took the floor and stated that the year 2015 was yet another difficult year for Greece, with the banking system operating under adverse conditions. In a volatile environment, the prolonged negotiations with the European partners reignited uncertainty and caused deposit outflows acceleration. This situation led to the imposition of capital controls and a Bank Holiday on June 28, 2015. Mr. Mantzounis noted that, ultimately, the recession was milder than the one initially estimated by the European Commission, mainly thanks to the sustained outperformance of Greek tourism. Under these circumstances, the Greek Economy in 2015 relapsed into recession, driven by uncertainty and also by the weakening in private consumption, following the increase in tax rates in the second half of the year.

The Managing Director - CEO stressed that, once again, the Greek banks proved particularly resilient in the face of the conditions that prevailed. During the second half of the year, the banking system's exemplary handling of the operational difficulties caused for Greek enterprises by the imposition of the capital controls helped mitigate their overall impact on the Greek Economy. During the Bank Holiday, operating under extremely adverse conditions, they secured the provision of services to their Customers regarding cash withdrawals from ATMs and the payment of pensions and welfare benefits, as well as other banking business such as the issuance of cards and security codes for electronic banking transactions.

The established conditions intensified the trend against debt repayments, aggravating further the problem of Non-Performing Loans, and necessitated a new recapitalisation of the Greek banks, just one year after their recapitalisation in 2014, which had been universally acclaimed as successful. An indication of the success of the recapitalisation effort, as he said, is the savings achieved in terms of public funds. In effect, the amount used was ultimately much lower than the Euro 25 billion initially predicted by the Eurogroup in August 2015, in the framework of the agreement on the third Fiscal Adjustment Programme.

He also underlined that, apart from the challenging task of supporting the Greek Economy in addressing the side effects of the capital controls, the credit institutions devoted a significant part of their capacity to the production of numerous reports and data, not only for submission to the Regulatory Authorities in the context of audits, but also in response to requests from a multitude of other Authorities.

Further, Mr. Mantzounis pointed out that Greece's new agreement with its European partners may mark the beginning of a new path that could finally lead the country out of the crisis, provided that this agreement is implemented without delay. Late 2015 saw the adoption of the new institutional framework for the management of Non-Performing Loans, which upgrades substantially the procedure for the out-of-court settlement of disputes and, at the same time, specifies the terms for the protection of the borrowers' main residence. In addition, the country's bankruptcy legislation is modernised, acquiring the flexibility required in order to reconfigure effectively the business landscape. The improvement in the judicial framework in terms of infrastructure and specialised know-how, in combination with the recent amendment of the legislation which establishes the conditions for the development of a secondary market for Non-Performing Loans, constitute major interventions in order to address the problems concerning the recoverability of these loans.

Yet the single most important factor as regards the effectiveness of the loan arrangements is the recovery of the Greek Economy itself, as he stressed. Given the contractionary fiscal policy applied, which relies on high tax rates, the elimination of uncertainty is the necessary and sufficient condition for bolstering economic activity. The completion of the first review of the Fiscal Adjustment Programme in June 2016, although achieved with a delay, can act as a catalyst for the gradual discontinuation of the banks' reliance on the Emergency Liquidity Assistance (ELA) facility of the Bank of Greece, for the participation of Greek bonds in the Quantitative Easing Programme of the European Central Bank and for the reinstatement of the banks' long standing relationships of trust with the savers that will ultimately lead to the gradual easing of the restrictions under the capital controls.

The Managing Director - CEO said that, against the adverse environment of the previous year and despite the delivery disruption to our business plan targets, the operating performance of Alpha Bank stood resilient. At the same time, the Bank recorded a significant performance in the completion of the Comprehensive Assessment conducted by the European Central Bank, despite the higher hurdle rates with regard to the Common Equity Tier 1 (CET1) Ratio and the repayment of Euro 940 million of state preference shares in 2014. In particular, Alpha Bank registered the lowest adjustment after tax among its Greek peers in the Asset Quality Review.

He also noted that the private character of the Bank was safeguarded as the book was significantly oversubscribed and was covered entirely by the private sector. Following the Share Capital Increase, Alpha Bank features a strong and clean shareholder structure with private sector shareholding and free



float standing at 89% versus 34% before the Increase. At the same time, State ownership through the HFSF was reduced to 11%.

Despite the return of the Greek Economy to recession, the Non-Performing Loans (NPLs) formation is encouraging, Mr. Mantzounis said. In the fourth quarter of 2015, new NPLs stood at Euro 214 million, less than half of the corresponding amount in the third quarter of 2015, as Customer behaviour improved, leading to the resumption of the collection and restructuring efforts, following the recent amendments on the legal and judicial framework.

Mr. Mantzounis also mentioned that the accumulated balance sheet provisions in combination with high quality collaterals protect the Bank and place it in an advantageous position during the anticipated recovery of the economy. He added that the top priority of the Bank in the current environment is the effective management of NPLs, the timely recognition of the financial difficulties of Customers and the use of all available tools, such as restructuring, rescheduling and obtaining additional collaterals, in order to best secure its interests along with the viability of enterprises.

Furthermore, the Managing Director - CEO mentioned that the extreme uncertainty conditions that prevailed in the first half of 2015 related to sovereign and Grexit risk, in combination with the increase of tax obligations in the second half of the year, led to massive deposit outflows. In 2015, Group deposits recorded severe outflows, mainly in Greece during the first half of 2015 (Euro 10.6 billion), affected by the increased uncertainty at the sovereign level, while the deposit mix has shifted towards core deposits. However, following the imposition of capital controls, the declining trend of deposits was halted.

The core revenues remained resilient despite the adverse operating environment. Net Interest Income in 2015 stood at Euro 1,931.7 million, as the benefit from the ongoing reduction of time deposit cost throughout the year was offset first by the burden deriving from the higher dependence on ELA and second by the reduction of net loan balances by Euro 3.4 billion year-on-year. Deposit cost benefited from the phasing-in of repricing of new time deposit rates, which accelerated following the imposition of capital controls, as well as from the change in the deposit mix towards core deposits.

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 Employees.

Additionally, Mr. Mantzounis underlined that within the second half of the year, the Bank concluded successfully the major projects of the operational integration of the Citibank Branch Network with the Alpha Bank Branch Network and the migration of Diners Club cards into the Bank's systems. In the area of e-banking, he added, the Bank proceeded with a full upgrade of the Alpha Web Banking and Alpha Mobile Banking services, offering its Customers a user friendly and secure electronic transaction environment for which the Bank recently received four important distinctions at the 2016 Lighthouse e-volution awards.

Referring to the Bank's Corporate Social Responsibility Programmes, he said that in 2015 Alpha Bank continued the implementation of a number of initiatives and adopted policies that are fully aligned with European and international standards. In this context and in tandem with its responsible business activity, the Bank has been consistently supporting, for several years now, actions in the fields of healthcare, culture, education and the environment. In addition, it allocates part of its budget to social contribution purposes.

Furthermore, Alpha Bank provides financial assistance to Foundations, Societies and Organisations that support those in need and also offers books and computers to schools and other Foundations across Greece. Under the programme "Together, for better health", designed to donate pharmaceutical supplies and medical equipment to health centres on Greek islands, supplies and equipment have been delivered until today to the health centres on the islands of Tilos, Nisyros, Lipsi, Kassos, Patmos, Symi, Astypalaia, Karpathos, Chalki, Leros, Kalymnos and Kos.

Mr. Mantzounis pointed out that the Bank contributed substantially to the efforts to mitigate the impact of the capital controls and maintain confidence in the Greek Economy. A realistic assessment of the current circumstances, taking also into account the gradual implementation of the obligations that the country has undertaken, gives rise to optimism for a relaunch of the Greek Economy in 2016.

Our objective, he stressed, is to provide our Customers with long-term solutions and to increase the recoverable value of the arrears portfolio, through our strong capital position, the more supportive legal and institutional framework, as well as our increased business capacity to address Non-Performing



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Loans. In 2016, he added, we will seek to improve our operating profitability through initiatives to contain operating costs and further reduce funding costs.

As the economy is expected to return to positive growth rates in the second half of the year and enter a sustainable path thereafter, Alpha Bank will aim to lead the effort to ensure that the country's recovery will take place within the European environment, Mr. Mantzounis underlined, concluding his speech. We owe this to our Customers, to our Shareholders and to our Personnel, who demonstrated once again their diligence and dedication under severely adverse conditions.

Athens, June 30, 2016