

# Press Release

## Nine Month 2016 Profit after Tax at Euro 22.2 million

### Main Highlights

- Profitable 9M 2016 driven by de-escalation of Cost of Risk and improvement in Pre-Provision Income.
- Core Pre-Provision income<sup>1</sup> increased by 4.2% y-o-y in 9M 2016 to Euro 896.4 million mainly on the back of improved core revenue performance and operating efficiencies.
- Operating Expenses in 9M 2016 at Euro 841.1 million, down by 1.3% y-o-y and in line with target set of Euro 1.15 billion for FY 2016.
- Net Interest Margin improved by 20bps y-o-y to 2.9%. Cost to income ratio reduced to 48.4% from 49.7% a year ago.
- Strengthened capital position with Common Equity Tier I ratio (CET 1) up by 20bps q-o-q to 16.8% at the end of September 2016. Tangible Book Value, the highest among Greek Banks, at Euro 8.5 billion, implying Tangible Book Value per Share of Euro 5.6. Fully loaded Basel III CET1 at 16.4%.
- Further reduction in Eurosystem funding to Euro 20.8 billion in Q3 2016 driven by deposits inflows and EFSF bonds disposals. In November 2016, our reliance on ELA stood at Euro 14.2 billion, down by Euro 5.4 billion y-t-d and Euro 8.8 billion since the imposition of Capital Controls at the end of June 2015.
- NPE operational targets submitted to SSM, incorporates a 48% reduction in NPLs and 36% in NPEs by the end of 2019.
- NPE formation in Greece lower by 71% y-o-y in 9M 2016.
- NPLs at 38.3% at the end of September 2016 with declining formation, down by 78% y-o-y. High cash coverage of 68%, supports implementation of NPE Business Plan.
- Loan Loss Provisions at Euro 257 million in Q3 2016, implying Cost of Risk (CoR) at 168bps for Q3 2016. COR for 9M 2016 (excluding AQR) down by 24% y-o-y.

### Financial Performance

- **Net Interest Income at Euro 487.4 million in Q3 2016, up by 0.8% q-o-q on lower wholesale funding cost, which more than counterbalanced the lower contribution from the loan portfolio and assisted by the calendar effect.**
- **In Q3 2016, Fees and commission income rose to Euro 82.6 million, up by 3.1% q-o-q, supported by increased card usage for retail transactions and a pick-up of commissions from foreign exchange transactions.**
- **Operating Expenses, excluding integration and extraordinary costs, at Euro 286.9 million. Cost to Income ratio at 49%, in Q3 2016.**

<sup>1</sup> Core Pre-Provision Income is defined as the Core Revenues minus Operating Expenses adjusted for integration and extraordinary costs.

- Core Pre-Provision Income resilient q-o-q at Euro 299.2 million (+0.1%) Core Pre-Provision Income for 9M 2016 at Euro 896.4 million, increased by 4.2% y-o-y.
- Loan loss provisions for 9M 2016 at Euro 862 million vs. Euro 1.2 billion for 9M 2015 (excluding AQR).
- Profit After Tax at Euro 41.2 million in Q3 2016 and Euro 22.2 million for 9M 2016.

### Key Balance Sheet Trends

- Assets down by Euro 1.2 billion q-o-q at Euro 66.2 billion, mainly driven by net loan reduction and EFSF bond disposals of Euro 0.3 billion.
- Deposits balances increased by Euro 0.3 billion q-o-q to Euro 32 billion. In Greece, deposits increased by 0.8% q-o-q, to Euro 26.9 billion, in line with the system wide inflows. Deposit inflows in Greece continued in Q4 with a further Euro 0.4 billion, mainly from businesses.
- Eurosystem funding decreased by Euro 1.9 billion in Q3 2016 to Euro 20.8 billion on the back of deposit inflows and EFSF bonds disposal. In November 2016, funding by Central Banks further down by Euro 1.4 billion to Euro 19.4 billion.
- Net Loans down by Euro 0.6 billion q-o-q to Euro 44.9 billion.
- NPL formation stood at Euro 77 million in Q3 2016, compared to Euro 110 million in the previous quarter. NPL ratio stood at 38.3% at the end of September 2016 vs. 37.8% in Q2 2016. Respectively, NPEs stood at 53.2% vs. 52.6% in the previous quarter.
- Accumulated on-balance sheet provisions at Euro 16 billion post write-offs, corresponding to 26.2% of gross loans.

---

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

"The nine-month operating performance of Alpha Bank along with the return to profitability are in line with our targets and guidance for 2016. We are fully focused on improving our asset quality and funding profile, while preserving our strong capital base and improving efficiency ratios. As far as Non Performing Exposures are concerned, in the third quarter of the year we made a significant step to articulate our ambition for the reduction of the stock in the medium term, through operational targets agreed with SSM. The timely and successful completion of the second review is expected to enhance confidence indicators and trigger positive developments in the first quarter of next year. The ongoing improvement of the institutional framework and a solid recovery of the Greek Economy are necessary ingredients for the success of our efforts".

**KEY FINANCIAL DATA**

(in Euro million)	Quarter ending (YoY)			Quarter ending (QoQ)		
	30.9.2016	30.9.2015	YoY (%)	30.9.2016	30.6.2016	QoQ (%)
Net Interest Income	1,453.7	1,445.2	0.6%	487.4	483.4	0.8%
Net fee & commission income	241.4	230.7	4.7%	82.6	80.2	3.1%
Income from fin. operations	69.4	45.0	...	9.4	57.0	...
Other income	42.4	36.8	15.4%	16.0	14.9	7.1%
Operating Income	1,807.0	1,757.7	2.8%	595.4	635.5	-6.3%
<b>Core Revenues<sup>1</sup></b>	<b>1,737.6</b>	<b>1,712.6</b>	<b>1.5%</b>	<b>586.1</b>	<b>578.5</b>	<b>1.3%</b>
Staff Costs	(384.7)	(397.5)	-3.2%	(127.1)	(128.4)	-1.1%
General Expenses	(382.2)	(376.6)	1.5%	(135.0)	(127.6)	5.8%
Depreciation & Amortisation expenses	(74.3)	(77.9)	-4.6%	(24.8)	(23.6)	5.0%
<b>Operating Expenses Before Integration &amp; Extraordinary Costs</b>	<b>(841.1)</b>	<b>(852.0)</b>	<b>-1.3%</b>	<b>(286.9)</b>	<b>(279.7)</b>	<b>2.6%</b>
Integration costs	(2.1)	(6.4)	...	(0.4)	(1.2)	...
Extraordinary costs <sup>2</sup>	(48.0)	(13.0)	...	(1.2)	(13.8)	...
<b>Operating Expenses</b>	<b>(891.3)</b>	<b>(871.4)</b>	<b>2.3%</b>	<b>(288.5)</b>	<b>(294.7)</b>	<b>-2.1%</b>
<b>Core PPI</b>	<b>896.4</b>	<b>860.6</b>	<b>4.2%</b>	<b>299.2</b>	<b>298.8</b>	<b>0.1%</b>
<b>Pre-Provision Income<sup>3</sup></b>	<b>915.7</b>	<b>886.2</b>	<b>3.3%</b>	<b>307.0</b>	<b>340.8</b>	<b>-9.9%</b>
Impairment Losses	(862.0)	(2,357.3)	-63.4%	(257.1)	(349.7)	-26.5%
<b>Profit Before Tax</b>	<b>53.7</b>	<b>(1,471.1)</b>	<b>...</b>	<b>49.8</b>	<b>(8.9)</b>	<b>...</b>
Income Tax	(32.6)	723.2	...	(8.1)	(9.5)	...
<b>Profit After Tax</b>	<b>22.2</b>	<b>(838.4)</b>	<b>...</b>	<b>41.2</b>	<b>(16.8)</b>	<b>...</b>
	<b>30.9.2016</b>	<b>30.9.2015</b>		<b>30.9.2016</b>	<b>30.6.2016</b>	
<b>Net Interest Margin</b>	2.9%	2.7%		2.9%	2.9%	
<b>Cost to Income Ratio</b> (excl. trading, integration and extraordinary costs)	48.4%	49.7%		49.0%	48.3%	
<b>CET1</b>	16.8%	12.6%		16.8%	16.6%	
<b>L/D ratio</b>	140%	154%		140%	144%	
	<b>30.9.2016</b>	<b>30.6.2016</b>	<b>31.03.2016</b>	<b>31.12.2015</b>	<b>30.9.2015</b>	<b>YoY (%)</b>
<b>Total Assets</b>	66,161	67,372	68,209	69,298	69,784	-5.2%
<b>Loans (net)</b>	44,870	45,496	45,826	46,186	46,961	-4.5%
<b>Securities</b>	8,882	9,372	9,983	10,164	10,140	-12.4%
<b>Deposits</b>	31,970	31,667	30,963	31,434	30,470	4.9%
<b>Shareholders' Equity</b>	8,907	8,883	8,869	9,014	6,901	29.1%
<b>Tangible Book Value</b>	8,516	8,503	8,669	6,567	5,867	45.2%

<sup>1</sup> Defined as total income excluding income from financial operations.

<sup>2</sup> Extraordinary costs for 9M 2016 primarily include the cost for the VSS in Alpha Bank Cyprus Ltd of Euro 31.5 million.

<sup>3</sup> Pre-Provision Income for 9M 2016 was positively affected by one-off Trading Gains of Euro 71.9 million in Q2 2016 related to the acquisition of Visa Europe from VISA Inc.

## Key Developments and Performance Overview

**The economy is embarking on a recovery road amidst improved confidence, structural reforms and continuing adjustment of fiscal and external imbalances**

Positive GDP growth rate of 1.8% y-o-y in Q3 2016 confirms that the economy is resuming growth in the second half of 2016. In particular, improvement of confidence indicators, employment gains, manufacturing production and good export performance (excluding oil) are all consistent with a further stabilisation in the economy towards the end of the year. Reforms that have contributed to improvements in competitiveness, in terms of unit labour cost, have led to a gradual decrease in unemployment, albeit largely attributed to increasing part-time employment.

Regarding the fiscal sector, an over-performance of 2016 primary surplus, due to higher revenue collection as a result of tax rate hikes and intensified tax collection efforts, is expected to have a positive carry-over effect into the 2017 Budget. Another indication showing that investor sentiment is gradually turning positive is the decline of the 10-year Government Bonds spread in the aftermath of cabinet reshuffling reflecting market expectations that the government is determined to speed up the negotiations for the second review. From 2017 onwards, the recovery is about to shift into a higher gear, recording a more than 2% GDP growth. The projected recovery is contingent on investment pick-up, mainly equipment and construction excluding residential, and also supported by ongoing structural reforms and privatisations. Private consumption and tourism are expected to underpin growth though to a lesser extent than investment.

While the economic data suggest that the recovery is becoming more entrenched, the strengthening of the economy remains conditional on the lift of uncertainty that enables a more favorable investment environment. This development depends on the swift conclusion of the second review, which is expected to unlock Euro 6.1 billion, also allowing further repayment of arrears that will in turn help alleviate liquidity constraints and support further investor confidence.

The prompt conclusion of the second review is a necessary condition for (i) the activation of the short-term debt relief measures along with the specification and quantification of the foreseen medium term measures that will be implemented in 2018, (ii) the inclusion of Greek Government Bonds in ECB's QE programme, (iii) the lift of capital controls, (iv) the access to the markets in 2017 and (v) more fiscal space from 2018 onwards. Downside risks for a durable recovery stem from the timely materialisation of this sequence of the above actions. Any delays or headwinds could undermine investor sentiment therefore casting shadow over growth prospects.

**CET 1 ratio increased for 2<sup>nd</sup> consecutive quarter to 16.8% at the end of Q3 2016 positively affected by the reduction in credit risk; Fully loaded Basel III CET1 at 16.4%**

At the end of September 2016, Alpha Bank's **Common Equity Tier 1 (CET1)** stood at Euro 8.6 billion resulting in a CET1 ratio of 16.8%, positively affected by the reduction in credit risk in the third quarter. The Bank's fully loaded Basel III CET1 ratio stood at 16.4%. Deferred Tax Assets at the end of September 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 September 2016 was the highest among Greek banks at Euro 8.5 billion, implying Tangible Book Value per Share of Euro 5.6. Our **RWAs** at the end of September 2016 amounted to Euro 50.8 billion, down by 0.9% q-o-q or Euro 0.5 billion, on the back of lower loan contribution.

**Eurosystem reliance reduced further; Targeting full disengagement from the use of Pillar II bonds**

In Q3 2016, our **Central Banks reliance** was reduced further by Euro 1.9 billion q-o-q to Euro 20.8 billion, supported mainly by deposit inflows of Euro 0.3 billion and benefiting from the Bank's disposal of Euro 0.3 billion of EFSF bonds. The Bank's reliance on ELA stood at Euro 15.3 billion at the end of September, reduced by Euro 1.6 billion in Q3 2016. In November 2016, our reliance on ELA further reduced by Euro 1.1 billion since the end of September to Euro 14.2 billion, driven mainly by further deposit inflows, a decrease of our securities portfolio and an increase in interbank funding.

With a view to fully disengage from the Government guaranteed bank bonds (Pillar II) placed as collateral for ELA funding, the Bank did not renew in Q3 2016 total nominal amount of Euro 2.4 billion Government guaranteed bank bonds and a further Euro 1 billion in November, reducing the current outstanding balance to Euro 1.8 billion with a contractual maturity in December

#### **Resilient Core PPI performance q-o-q**

**Net Interest Income** in Q3 2016 stood at Euro 487.4 million, up by 0.8% q-o-q, as the decrease in wholesale funding costs supported by a decreased Eurosystem reliance and repayment of Pillar II bonds more than counterbalanced the lower contribution from the loan portfolio, benefiting also from the calendar effect. Lower average loan balances and spread reduction had a negative contribution of Euro 10 million, whereas the reduction of Pillar II bonds and the lower reliance on ELA contributed positively Euro 15 million to our NII. Time deposits repricing, following a period of stabilisation, has recently resumed with new time deposit rates currently at 71bps versus 81bps at the end of Q3, whereas the lower underlying quarterly evolution of the Euribor rate, currently at historically negative low levels, has continued to negatively affect sight and savings deposits spreads.

**Net fee and commission income** stood at Euro 82.6 million, up by 3.1% q-o-q positively affected by higher card usage and a higher contribution from foreign exchange transactions. **Income from financial operations** amounted to Euro 9.4 million in Q3 2016 and **other income** stood at Euro 16 million.

**Operating expenses** (excluding extraordinary items and integration costs) decreased by 1.3% y-o-y to Euro 841.1 million with Cost to Income ratio standing at 48.4% for 9M 2016. In Q3 2016, **personnel expenses** decreased by 1.1% q-o-q to Euro 127.1 million. Group headcount, was reduced from 14,210 in September 2015 to 13,481 Employees at the end of Q3 2016, mainly as a result of the successful Voluntary Separation Scheme (VSS) in Cyprus in Q1 2016 and FYROM's discontinued operations. **General expenses** amounted to Euro 135 million, 5.8% q-o-q affected by seasonality mainly due to property related taxes and remedial management initiatives. Group Network at the end of September 2016, reached a total number of 820 Branches as a result of 36 Branches reduction q-o-q mainly in Greece.

#### **Declining NPE formation in Greece down by 71% y-o-y; CoR, down by 24% y-o-y**

In Q3 2016, new NPLs increased by Euro 77 million vs. Euro 110 million in the previous quarter. At the end of September 2016, the **NPL ratio** stood at 38.3%. In Greece, the NPL ratio stood at 38.3%, while in SEE the NPL ratio was 39.3%.

From a segmental perspective, at the end of September 2016 business, mortgages and consumer NPL ratio for the Group stood at 39.4%, 34.8% and 42.9%, while their provisions cash coverage stood at 78%, 45% and 82%, respectively.

In Q3 2016, the **NPE ratio** for the Group stood at 53.2% at the end of September 2016 versus 52.6% in the previous quarter.

In Q3 2016, **impairments** stood at Euro 257.1 million, while impairments for the 9M 2016 reached Euro 862 million. As a result, our **CoR** amounted to 187bps for 9M 2016 vs. 247bps (excluding AQR) for the respective period of 2015, or down by 24% y-o-y. At the end of September 2016, our NPL coverage ratio stood at 68%, while total coverage including collateral stood at 124%.

At the end of September 2016, our **accumulated balance sheet provisions** for the Group amounted to Euro 16 billion, while the ratio of loan loss reserves over loans stood at 26.2%.

**Steady deposit inflows in Q3 2016 mainly from businesses in Greece allow for further rationalisation of the Group's funding profile**

**Gross loans** of the Group amounted to Euro 60.8 billion as of September 31, 2016. Loan balances in Greece stood at Euro 51.4 billion, while in SEE, loans amounted to Euro 9.1 billion.

In Q3 2016, **Group deposits** recorded inflows of Euro 0.3 billion. In Greece, deposits flow for the quarter stood at Euro 0.2 billion or 0.8% q-o-q, in line with system wide inflows, while the steady inflow of deposits in Greece continued in Q4 as the Bank recorded further inflows of Euro 0.4 billion mainly from businesses. Deposits in SEE stood at Euro 4.3 billion at the end of September 2016, with inflows of Euro 0.1 billion or 1.9% q-o-q, as a result of inflows mainly of time deposits in Cyprus and Romanian operations.

The **Loan to Deposit Ratio**, at the end of September 2016 for the Group, declined to 140% from 144% in Q2 2016 and respectively for Greece it declined to 141% from 144%.

**Continued profitability in SEE for third consecutive quarter**

In **SEE**, operating income for 9M 2016 totalled Euro 277.3 million, up by 7.6% y-o-y supported by trading gains, while operating costs decreased by 3.3% to Euro 140.8 million, without accounting for the one-off VSS of Cyprus booked in Q1 2016. Following the recent disposals in SEE operations, profitability continued to increase for a third consecutive quarter, with Profit Before Tax at Euro 14.5 million in 9M 2016, positively affected by a decrease in provisions, down by 33.5% y-o-y to Euro 121.9 million. Total Branches in SEE stood at 254 at the end of September 2016 vs. 301 a year ago, as we continue to right-size the Network.

In **Cyprus**, the loan portfolio in Q3 2016 amounted to Euro 5.3 billion (up 0.2% y-o-y), while deposit balances stood at Euro 1.9 billion (up 15.5% y-o-y). In **Romania**, loans balances amounted to Euro 2.8 billion (-4.4% y-o-y), while deposits increased by Euro 426 million y-o-y (+35.8% y-o-y) to Euro 1.6 billion. In **Albania**, loans amounted to Euro 363 million (-1.5% y-o-y) and deposits increased by 7.3% y-o-y to Euro 424 million. In **Serbia**, loan balances stood at Euro 645 million (-12.5% y-o-y), while deposits decreased to Euro 386 million (-2.5% y-o-y).

Athens, November 30, 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 successful recapitalisation 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.
- The completion of Citibank's Greek Retail Banking Operations Acquisition, on 30.9.2014.
- The redemption of the total amount of the Hellenic Republic's Preference Shares of Euro 940 million, on 17.4.2014, first among the Greek systemic banks.
- The successful completion of Euro 1.2 Billion Capital Increase of the Bank, on 31.3.2014.
- The completion of the legal merger by absorption of Emporiki Bank, on 28.6.2013.

**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 4182

+30 210 326 4010

+30 210 326 4184

+30 210 326 4199

+30 210 326 4185