# Financial Results of Alpha Bank Cyprus Ltd
# for the period 1 January to 30 June 2016 [26.8.2016]

| **Main Highlights** |
|---|
| - **Profit after tax of Euro7.6 million** |
| - **Strong capital base with common equity tier I ratio at 16.8% on 30.6.2016** |
| - **Improvement of net loans to deposits ratio, from 110.0% on 31.12.2015 to 105.5% on 30.6.2016** |
| - **Increase of customer deposits by 5.1%** |

***Capital Adequacy***

On 30 June 2016 common equity tier I stood at 16.8%, total tier I ratio at 19.7% and total capital adequacy ratio stood at 22.0%. The capital adequacy ratios are in accordance with the transitional provisions for the year.

***Financial Performance***

The financial results of Alpha Bank Cyprus Ltd for the period from January 1 to June 30, 2016, showed a profit after tax of Euro7.6 million compared to losses of Euro15.1 million for the same period in 2015.

| ***Key financial data*** | | **From 1 January to** | |
|---|---|---|---|
| | *Change* | **30.6.2016** | **30.6.2015** |
| ***In €' mil.*** | | | |
| Net interest income | 7.8% | 49.5 | 45.9 |
| Total income | 33.3% | 60.5 | 45.4 |
| Total expenses | 117.9% | 57.1 | 26.2 |
| Profit before impairment | -82.3% | 3.4 | 19.2 |
| Impairment profit/(loss) and provisions to cover credit risk | -113.7% | 4.7 | -34.3 |
| Profit / (loss) after income tax | 150.3% | 7.6 | -15.1 |
| Profit / (loss) per share | | 0.04 cent | -9.03 cent |
| ***In €' mil.*** | | **30.6.2016** | **31.12.2015** |
| Loans and advances to Customers | 0.9% | 2,054.0 | 2,036.5 |
| Due to Customers | 5.1% | 1,946.6 | 1,851.8 |
| Transitional common equity tier I ratio (CET I) | -70 basis points | 16.8% | 17.5% |

Net Interest income for the first six months of 2016 amounted to Euro49.5 million, presenting an increase of 7.8% compared to Euro45.9 million for the same period in 2015. The increase is attributed mainly to changes of interest rates.

Total income of the Bank amounted to Euro60.5 million for the first six months of 2016, presenting an increase of 33.3%, compared to Euro45.4 million for the same period of 2015, mainly due to changes of interest rates and the recognition of a non recurring amount of Euro6.6 million from the sale of Visa Europe shares.

Total expenses of the Bank, for the first six months of 2016, amounted to Euro57.1 million compared to Euro26.2 million for the same period in 2015. The increase is attributed to the compensation cost of Euro31.4 million of a Voluntary Retirement program offered to employees. Excluding the non-recurring compensation cost, total expenses present a decrease of 2.0% compared to the same period in 2015.

Cost to income ratio, excluding non-recurring items, (income from sale of Visa Europe shares and the voluntary retirement compensation expense), stands for the six months of 2016 at 47.7% compared to 57.6% for the same period in 2015.

During the first six months of 2016, the bank recognized a profit from the reversal of impairments and provisions to cover credit risk of Euro4.7 million compared to a loss of Euro34.3 million for the same period in 2015. The decrease of 113.7% reflects the deleveraging efforts of the bank as well as collections from loans previously written off.

**Balance Sheet**

Net Loans on 30 June 2016 amounted to Euro2,054.0 million compared to Euro2,036.5 million on 31 December 2015 presenting an increase of 0.9%.

Accumulated impairment to cover credit risk amount to Euro774.4 million on 30 June 2016 and represent 27.4% of gross loans of amount Euro2,828.4 million, compared to Euro798.2 million on 31 December 2015 representing 28.2% of gross loans of amount Euro2,834.8 million. Accumulated impairments include the fair value adjustment of Emporiki Bank Cyprus Ltd loan portfolio, which was acquired at fair value, amounted to Euro188.0 million on 30 June 2016, and Euro215.0 million on 31 December 2015.

Non-performing loans, according to the definition of the European Banking Authority (EBA), stood on 30 June 2016 at Euro1,753.8 million representing 62.0% of gross loans, compared to Euro1,735.3 million on 31 December 2015 representing 61.2% of gross loans. On 30 June 2016 coverage ratio of EBA non performing loans, stands at 44.2% compared to 46.0% on 31 December 2015.

Loans over 90 days past due stood on 30 June 2016 at Euro1,468.5 million representing 51.9% of gross loans. On 31 December 2015, they stood at Euro1,444.3 million representing 51.0% of gross loans.

Amounts due to customers amounted to Euro1,946.6 million on 30 June 2016, compared to Euro1,851.8 million on 31 December 2015, presenting an increase of 5.1%. The loans to deposits ratio was improved from 110.0% on 31 December 2015 to 105.5% on 30 June 2016.

Developments and Prospects

The main risks and challenges of the Bank relate to the economic environment and concern the high rate of non-performing loans of the banking sector and the economy in Cyprus. The non performing loans and the high level of private sector debt remain an unstable factor in the smooth growth of the economy.

Despite the uncertainties, Cyprus economy presents positive prospects that are supported by:

- the GDP growth for 2016 which is estimated to reach 2.2%,
- the funding of Cyprus Government from markets at favorable interest rates,
- the decrease of unemployment rates,
- the stable outlook of the Cyprus economy announced by the rating agencies,
- the increase of tourism,
- the outlook upgrade of Cypriot banks from international credit agencies and
- the increase of customer deposits of the banking system.

It is currently uncertain how the exit of United Kingdom from the European Union will affect the Cyprus economy.

The support of the Greek economy, where the parent company operates, by the European Stability Mechanism has led to a gradual easing of pressures and has stabilised the deposits' base.

The Bank will continue to follow a conservative business plan with priority to the following actions:

- deleverage and loan portfolio clean up,
- contain non performing exposures,
- improve deposits base,
- contain operating expenses and,
- continue the improvement of the quality of services offered to customers.

For the preparation of the Interim Financial Statements of 30 June 2016, which have not been reviewed by the auditors, the same accounting policies were applied as those used in preparing the Audited Financial Statements of the year 2015 with the exception of the new standards applied as from January 1, 2016 as described in note 1.1 of the interim financial results for the first six months of 2016.

The Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, the requirements of the Cyprus Companies Law, Cap.113 and the Securities and Cyprus Stock Exchange Laws and Regulations.

As per the guidelines of European Securities and Markets Authority (ESMA) on Alternative Performance Measures (APMs) published in October 2015, applicable since July 3, 2016 and adopted by the Cyprus Stock Exchange Commission with the circular E148 dated 15.7.2016 the bank publishes additional information. The bank believes that certain Alternative Performance Measures (APMs) provide additional information that is useful both for assessing performance and for making strategic decisions. Analysis of APMs is provided in the management report included in the Interim Financial Statements as at 30.6.2016

The Interim Financial Statements of the Bank for the period 1 January to 30 June 2016 were approved during the meeting of the Board of Directors held on August 26, 2016.

The Interim Financial Statements for the period 1 January 2016 to 30 June 2016 are available on the website of Alpha Bank Cyprus Ltd at www.alphabank.com.cy and the Cyprus Stock Exchange's website at www.cse.com.cy.