Financial Results of Alpha Bank Cyprus Ltd for the period from January 1 to June 30, 2015

The financial results of Alpha Bank Cyprus Ltd ("the Bank") for the period from January 1 to June 30, 2015, showed an after tax loss of Euro 15.1 million, compared to losses of Euro 31.7 million during the same period of 2014. The second quarter of 2015 showed an after tax profit of Euro 5.2 million

Key Financial Data		From 1 January to		From 1 April to	
In Euro million	Change	30.6.2015	30.6.2014	30.6.2015	30.6.2014
Total net income	-29.2%	45.4	64.1	28.0	34.1
Total expenses	-3.9%	24.6	25.6	12.9	13.3
Profit from operations before provisions	-46.0%	20.8	38.5	15.1	20.8
Provisions for impairment of doubtful debts	-52.4%	34.3	72.1	9.0	33.6
(Loss)/Profit after tax	-52.4%	-15.1	-31.7	5.2	-10.1
(Loss)/Profit per share		-9.03 cent	-19.87 cent	2.98 cent	-6.30 cent
		30.6.2015	**31.12.2014**		
Net Loans and advances to customers	-18.3%	2,163.6	2,646.6		
Deposits from Customers	-8.6%	1,916.2	2,095.5		
Common Equity Tier I	290 basis points	18.0%	15.1%		

Interest income amounted to Euro 69.6 million in the first six months of 2015, presenting a decrease of 19.1% compared to Euro 86.0 million in the first six months of 2014. The decrease was due to the transfer of loans to a company of the Alpha Bank Group and the decrease of interest rates.

Interest expense amounted to Euro 23.7 million in the first six months of 2015, presenting a decrease of 16.8% compared to Euro 28.5 million in the first six months of 2014, mainly due to the reduction in the cost of deposits and the deposits base.

Net income from fees and commissions amounted to Euro 4.4 million in the first six months of 2015, presenting a decrease of 10.2%, compared to Euro4.9 million for the respective period of 2014, due to the transfer of loans and the reduced transactions base.

Total income of the Bank for the first six months of 2015 amounted to Euro 45.4 million, a decrease of 29.2% compared to Euro 64.1 million on the same period of 2014, mainly due to the transfer of loans to a company of the Alpha Bank Group and the decrease of interest rates.

Total expenses of the Bank for the first six months period of 2015 amounted to Euro 24.6 million, a decrease of 3.9% compared to Euro 25.6 million for the same period of 2014. The cost to income ratio was 54.1%, compared to 40.0% for of the first semester of 2014.

Total gross loans and advances to customers on 30.6.2015 were Euro 2,908.8 million reduced by 15,4% compared to Euro 3,438.9 million on 31.12.2014, reflecting the transfer of loans to a company of the Alpha Bank Group.

Total of provisions for doubtful debts amounted to Euro 745[(1)] million as at June 30, 2015, representing 25.6% of total gross loans and advances to customers. The coverage ratio of Non Performing Exposures increased by 370 basis points resulting to 43.7%.
Non Performing exposures on 30.6.2015 were Euro 1,706.3 million, representing 58.7% of total gross loans and advances. This ratio drops to 55.8% when the loan portfolio of Emporiki Bank Cyprus Ltd is incorporated at its fair value.

Net Loans and advances to clients amounted to Euro 2,163.6 million as at June 30, 2015, reduced by 18.3% compared to Euro 2,646.6 million on December 31, 2014, due to the transfer of loans to a company of the Alpha Bank Group.

Deposits from customers amounted to Euro 1,916.2 million, decreased by 8.6% from December 31, 2014. The decrease was due to the withdrawal of deposits driven from the unstable economic environment in Greece. The trend of withdrawals has been stabilised.

On June 30, 2015, Common equity tier I ratio of the bank was 18% (with transitional provisions), total tier I ratio was 20.8% (with transitional provisions) and total capital ratio stood at 24.2% (with transitional provisions).

During the six months of 2015, the amount of available for sale investments was mainly decreased due to the disposal of Greek Government Treasury Bills of Euro 250 million.

Acquisition of Emporiki Bank Cyprus Ltd

On March 1, 2015 the Bank acquired 100% of the issued share capital of Emporiki Bank Cyprus Ltd, thus becoming the sole shareholder.

On March 27, 2015 the merger between Alpha Bank Cyprus Ltd and Emporiki Bank Cyprus Ltd was completed through the absorption of the latter by the former.

On March 30, 2015, the Bank proceeded with a share capital increase of Euro 12.728 thousand, via the issue of 14.974.178 new ordinary shares of nominal value Euro 0.85 which were granted to former shareholders of Emporiki Bank Cyprus Ltd.

The fair valuation of Emporiki Bank Cyprus Ltd net assets resulted in the recognition of negative goodwill of Euro 766 thousand which was recorded directly in equity reserves. The fair valuation process of the assets and liabilities of Emporiki Bank Cyprus Ltd is still in process and the final outcome may have a retrospective impact to the amounts already recognized.

From the acquisition of Emporiki Bank Cyprus Ltd, net loans and advances to clients and deposits from customers have increased by Euro 364 million and Euro 117 million respectively.

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[1]: Provisions include the fair value adjustment for the loans and advances of Emporiki Bank Cyprus Ltd portfolio which was absorbed on its fair value balance

Significant facts

During the first half of 2015, the Bank continued its prudent balance sheet management strategy. The actions below fall under this strategy:

- The smooth absorption of Emporiki Bank Cyprus Ltd by issuing new shares that were exchanged with the existing shareholders of Emporiki Bank Cyprus Ltd. The absorption of Emporiki Bank did not materially affect the results of the Bank.
- The transfer of loans with net value Euro949 million to a company of the Alpha Bank Group that resulted in the improvement of the capital adequacy ratios and liquidity position of the Bank. The proceeds decreased significantly the liquidity dependence from the parent bank Alpha Bank A.E.
- The Bank's participation in the project of lending SMEs with the support of the European Investment Bank, which aims to assist in the growth of the Cyprus economy.
- The continued efforts to contain NPLs by offering restructuring solutions under the provisions of the directives and regulations of the Central Bank of Cyprus.
- The increased of efforts to contain operating costs, by maintaining a small and flexible Branch network, while strengthening the central services to benefit from economies of scale.

Risks and uncertainties

The main risks and challenges of the Bank are the uncertain and unstable economic environment in Cyprus and Greece, and the high rate of Non Performing Exposures. The Non Performing Exposures remain an unstable factor in the smooth growth of the economy despite the first signs of a decrease of Euro0.8 billion in May 2015.

Within the framework of structural reforms of the Cyprus economy, the Government is preparing new legislations that may affect the banking sector both positively and negatively. (Law regulating to the buying and selling of credit facilities, and Amendment of the Transfer and Mortgaging Property Law)

To address these risks and uncertainties, the Bank is shielded with high capital adequacy ratios.

The prolonged uncertainty of the political and economic environment of Greece, has affected the Bank's liquidity levels via customers' deposits withdrawals which continued after the Balance Sheet date. However, the new support of the Greek economy by the European Stability Mechanism has led to a gradual easing of pressures and has stabilised the deposits base of the bank. In order to strengthen its capacity to cope with the present circumstances, the Bank has proceeded with restructuring actions of its loan and bond portfolio, as well to actions with the target to expand its deposit base. Additionally, the Bank monitors the maturity of assets and liabilities and is in constant cooperation with the supervisory authorities to take the necessary preventive measures to manage liquidity risk under current conditions.

Developments and Prospects

The improvement of the economy and the structural reforms that are implemented, on the basis of the program agreed with the European Central Bank, the European Commission and the International Monetary Fund ('the Troika") is expected to limit

the risks to which the Bank is exposed. According to revised estimates of the Troika, Cyprus is expected to have a positive growth rate of 0.5% in 2015.
The continuing credit rating upgrades that Cyprus from independent rating agencies, is estimated to reduce the liquidity risk of the country

Other factors that are expected to further assist in the recovery of both the economy and the banking sector are:

- The abolition of all capital controls
- The positive assessment of the program of the Republic of Cyprus by Troika
- The upgrade of the credit rating of Cyprus by independent international credit agencies
- The successful issue of 1billion Euro Bond by the Republic of Cyprus in the international market.
- The participation of Cyprus Republic in the Quantitative Easing program of European Central Bank (ECB)
- The Government announcement of new developing projects of over Euro500mil.
- The application of new legislation that simplifies and shortens the procedures of divestiture.
- The increase of GDP in European Union and Eurozone on the first quarter of 2015 that positively affects the external environment.
- The lower international oil prices and low inflation in the EU will lead to higher real incomes and will strengthen external demand.
- The fast depreciating rates of Euro against Gbp during the first half of 2015 affected positively the tourism from UK. Also, the slowdown in the rate of devaluation of Russian ruble against euro will create less unfavorable external demand.
- The recent reductions in domestic lending rates in conditions of low demand and high unemployment will assist the economic recovery.

For the preparation of the financial results of 30.6.2015, which have not been reviewed by the auditors, the same accounting policies were applied as those used in preparing the audited financial results of the year 2014 with the exception of the new standards applied as from January 1, 2015 as described in note 2 of the interim financial results for the first six months of 2015.

The interim financial results 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.

The interim financial results of Alpha Bank Cyprus Ltd were approved during the meeting of the Board of Directors held today, August 31, 2015.

The interim financial results of Alpha Bank Cyprus Ltd as at June 30, 2015, 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

Nicosia, August 31, 2015