ALPHA BANK

Audited Financial Results of Alpha Bank Cyprus Ltd for the year 2015 [26.4.2016]

Main Highlights
- **Strong Capital Base with Common Equity Tier I ratio at 17.5% on 31.12.2015**
- **Loss after income tax of Euro 44.7 million presenting a decrease of 46.2% compared to 2014**
- **Improvement of net Loans to Deposits ratio. The ratio decreased to 110.0% in 2015 compared to 126.3 % in 2014**
- **Increase of coverage ratio of non performing exposures from 40.1% in 2014 to 46.0% in 2015.**

Capital Adequacy

The Bank improved its capital adequacy ratios in 2015 as a result of the deleveraging efforts and the increase of share capital to acquire Emporiki Bank Cyprus Ltd. Common Equity Tier I ratio increased by 240 basis points compared to 2014. On 31.12.2015 Common Equity Tier I was 17.5%. Total Tier I ratio was 20.5% and Total Capital Adequacy ratio stood at 23.4%. The ratios are in accordance with the transitional provisions for the year.

Balance Sheet

Net Loans for 2015 amounted to Euro 2,036.5 million compared to Euro 2,646.6 million in 2014. The decrease was the result of the deleveraging efforts of the Bank.

Non performing exposures, according to the European Banking Authority definition, stood at Euro 1,735.2 million representing 61% of gross loans. Loans over 90 days past due stood at Euro 1,444.3 million representing 51% of gross loans.

Accumulated impairments to cover credit risk increased in 2015 to Euro 798.2 million and cover 28.2% of gross total loans compared to 23.0% in 2014. Impairments include the fair value adjustment of Emporiki Bank Cyprus Ltd loan portfolio, which was acquired at fair value.

The coverage ratio of non performing exposures, according to the European Banking Authority definition, increased in 2015 to 46.0% compared to 40.1% in 2014. The coverage ratio of loans over 90 days past due, reached 55.3% in 2015 compared to 56.1% in 2014.

Deposits from customers amounted to Euro 1,851.8 million on 31 December 2015, compared to Euro 2,095.5 million on 31 December 2014 reporting a decrease of 11.6%. The decrease was mainly attributed to the withdrawal of deposits, driven from the

unstable economic environment in Greece. Currently the Bank presents an increase in customer deposits, due to the improvement of the economic environment.

Loans to Deposits Ratio on 31 December 2015 stood at 110.0% compared to 126.3% on 31 December 2014.

Financial Performance

At the end of 2015 loss after income tax amounted to Euro 44.7 million compared to Euro 83.1 million in 2014, presenting a decrease of 46.2%.

Key Financial Data			
	Change	2015	2014
Common Equity Tier I ratio (CET I)	**240 basis points**	**17.5%**	**15.1%**
Tier I ratio	**290 basis points**	**20.5%**	**17.6%**
Total Capital Adequacy ratio	**310 basis points**	**23.4%**	**20.3%**
		in Euro mil.	
Net interest income	-7.1%	106.0	114.1
Total income	-10.2	112.6	125.4
Total expenses	1.6%	57.7	56.8
Impairment losses and provisions to cover credit risk	-35.8%	99.6	155.1
Loss after income tax	**-46.2%**	**-44.7**	**-83.1**
Loans and advances to customers	-23.1%	2,036.5	2,646.6
Deposits from customers	-11.6%	1,851.8	2,095.5

The performance was impacted by:

- The transfer of loans to a company of the Alpha Bank Group,
- the decrease of loans interest rates,
- the level of provisions recognized for the loan portfolio,
- the decrease of the deposit interest rates and the decrease of the deposit base,
- the merger of Emporiki Bank Cyprus Ltd and
- the containment of operational expenses.

Net Interest income amounted to Euro 106.0 million in 2015, presenting a decrease of 7.1% compared to Euro 114.1 million in 2014. The decrease is attributed mainly to the transfer of loans to a company of the Alpha Bank Group and the decrease of loan interest rates.

Total income of the Bank amounted to Euro 112.6 million in 2015, presenting a decrease of 10.2%, compared to Euro 125.4 million in 2014. The decrease is attributed mainly to the decrease of the loan portfolio and the decrease of loan interest rates.

Total expenses of the Bank increased slightly in 2015 by 1.6%, from Euro 56.8 million in 2014 to Euro 57.7 million in 2015. Total expenses were impacted by the absorption of the operations of Emporiki Bank Cyprus Ltd. Cost to income ratio stands at 51.2% compared to 45.3% in 2014, mainly due to the decrease of income.

Impairment losses and provisions to cover credit risk decreased in 2015 by 35.8% to Euro 99.6 million compared to Euro 155.1 million in 2014 mainly attributed to the deleveraging efforts of the Bank.

Significant facts

In the first quarter of 2015 the Bank acquired Emporiki Bank Cyprus Ltd, which was operating in Cyprus as a subsidiary of Alpha Bank A.E.. For the completion of the transaction, the Bank issued common shares that were exchanged with the existing shareholders of Emporiki Bank Cyprus Ltd.

During 2015, the Bank transferred loans with net book value of Euro 949 million to a company of the Alpha Bank Group that resulted in the improvement of the capital adequacy ratios and the liquidity position of the Bank.

The Bank participated in the project of SMEs lending with the support of the European Investment Bank, aiming to assist the growth of the Cyprus economy.

The Bank continued its efforts to, contain non performing loans by offering restructuring solutions under the provisions of the directives and regulations of the Central Bank of Cyprus and also contain operational expenses.

The Bank announced a Voluntary Retirement Scheme in an effort to decrease operational expenses. The period for acceptance was between 29.2.2016 and 24.3.2016. A number of 247 employees applied for the scheme. The total compensation for the leaving employees amount to Euro 31.3 million. The estimated annual saving cost is Euro 12.7 million.

During the third quarter of 2015, according to the provisions of the Financial Assistance agreed with the European Stability Mechanism, the Alpha Bank Group participated in the Comprehensive Assessment (CA) of portfolio of the four systemic banks that was performed by the Single Supervisory Mechanism. It covered the Assets Quality Review and the stress tests.

The results of the CA were published on 31 October 2015. The Group presented zero capital needs on the AQR which come up to Euro 1.7 billion. The capital needs of that assessment under the base scenario were Euro 262.6 million and under the adverse scenario Euro 2.743 million. The capital needs have been successfully covered by individual investors.

Risks

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 loans of the banking sector 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.

The support of the Greek economy by the European Stability Mechanism has led to a gradual easing of pressures and has stabilized the deposits' base of the Bank. In order to strengthen its capacity to cope with the present circumstances, the Bank has proceeded

to restructuring actions of its loan 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 so as to take the necessary preventive measures for managing 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 Troika (European Commission, European Central Bank and International Monetary Fund), which was completed in March 2016, is expected to limit the risks to which the Bank is exposed.

According to the projections of the International Monetary Fund that were issued in April 2016, the Cyprus economy is estimated to present positive growth of 1.6% for 2016. This signals the end of the recession for the Cyprus economy. Despite the positive projections, the unemployment rate is not expected to improve significantly (15.3% for 2015 and 14.2% for 2016).

The internal factors that contributed to the recovery of both the economy and the banking sector are the continuing credit rating upgrades of Cyprus by independent rating agencies, the positive assessment of the adjustment program of the Republic of Cyprus by Troika and the abolition of all capital controls. The stabilization of customer deposits in 2015 is supported by the increased confidence on the Cyprus economy.

The successful issue by the Republic of Cyprus in April 2015 of Euro 1 billion seven year bond loan at 3.875% followed by a second issue of Euro 1 billion 10 year bond loan at 4.25% in October 2015 proves the restoration of confidence to Cyprus. As a result of the above issues, Cyprus Republic maintains a liquidity surplus of Euro 1 billion to meet its short term financial needs.

The external factors which are expected to support the growth of Cyprus economy are, the increase of GDP in the European Union and the Eurozone, the low international oil prices and the low inflation in the EU that will lead to higher real incomes and strengthen external demand. Tourism is expected to further support the recovery of the economy, given the political problems that other competitive countries in the region are facing.

The restoration of confidence in the Cyprus economy by foreign investors is demonstrated by the recent investments in both the banking and retail sectors.

Further supportive actions for the banking sector are the passing of laws that make the divestiture procedures simple and faster. Also, the reduction in domestic lending interest rates is likely to support the growth of the economy.

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

- strengthen capital adequacy,
- effective liquidity management,
- loan portfolio clean up,
- effective management of non performing loans, which will be a decisive factor to generate satisfactory profitability,
- maintain and attract new deposits,
- introduce actions with the aim to decrease operational expenses and increase productivity,
- continue the improvement in the quality of service provided to customers.

The audited Financial Statements of the Bank for the year 2015 were approved during the meeting of the Board of Directors held on April 26, 2016.

The final audited financial results for the year 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