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

The financial results of Alpha Bank Cyprus Ltd ("the Bank") for the nine months period of 2015, showed an after tax loss of Euro 6.8 million, compared to losses of Euro 44.1 million during the same period of 2014. The Bank records profits for second consecutive quarter in 2015, resulting in significant reduced losses for the nine months of 2015. The profit of the second and third quarter of 2015, sustain and strengthen the high capital adequacy ratios of the Bank.

Key Financial Data		**From 1 January to**		**From 1 July to**	
In Euro million	**Change**	**30.9.2015**	**30.9.2014**	**30.9.2015**	**30.9.2014**
Total income	-29.9%	68.2	97.3	22.8	33.2
Total expenses	-1.3%	38.4	38.9	13.9	13.3
Profit from operations before provisions	-49.0%	29.8	58.4	8.9	19.9
Provisions for impairment of doubtful debts	-67.2%	34.0	103.6	-	31.5
(Loss)/Profit after tax	-84.6%	-6.8	-44.1	8.3	-12.4
(Loss)/Profit per share		-4.00 cent	-27.65 cent	4.75 cent	-7.78 cent
		30.9.2015	**31.12.2014**		
Net Loans and advances to customers	-20.8%	2,095.8	2,646.6		
Deposits from Customers	-16.0%	1,760.9	2,095.5		
Common Equity Tier I	350 basis points	18.6%	15.1%		

Interest income amounted to Euro 98.1 million in the nine months of 2015, presenting a decrease of 24.7% compared to Euro 130.3 million in the nine months of 2014. The decrease is attributed mainly to the transfer of loans to a company of the Alpha Bank Group and the decrease of interest rates.

Interest expense amounted to Euro 32.9 million in the nine months of 2015, showing a decrease of 23.3% compared to Euro 42.9 million in the nine 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 6.6 million in the nine months of 2015, presenting a decrease of 13.2%, compared to Euro 7.6 million for the respective period of 2014, due to the decrease of the volume of transactions.

Total income of the Bank for the nine months of 2015 amounted to Euro 68.2 million, showing a decrease of 29.9% compared to Euro 97.3 million for the same period of 2014.

Total expenses of the Bank for the nine months period of 2015 amounted to Euro 38.4 million, presenting a decrease of 1.3% compared to Euro 38.9 million for the same period of 2014. The cost to income ratio was 56.3%, compared to 40.0% for the same period of 2014.

Total gross loans and advances to customers on 30.9.2015 were Euro 2,838.1 million reduced by 17,5% compared to Euro 3,438.9 million on 31.12.2014, reflecting the transfer of loans to a company of the Alpha Bank Group.

Accumulated balance sheet provisions stood at Euro 742.2[(1)] million as on September 30, 2015, representing 26.2% of total gross loans and advances to customers. As a result, the coverage ratio of non performing loans stood at 43.6%, compared to 40,1% on December 2014.

Non performing loans on 30.9.2015 stood at Euro 1,703.8 million, representing 60,0% of total gross loans and advances. This ratio drops to 57.2% when the loan portfolio of Emporiki Bank Cyprus Ltd is incorporated at its fair value.

Net Loans and advances to customers amounted to Euro 2,095.8 million as on September, 2015, reduced by 20.8% compared to Euro 2,646.6 million on December 31, 2014.

Deposits from customers amounted to Euro 1,760.9 million, decreased by 16.0% from December 31, 2014. The decrease was due to the withdrawal of deposits driven from the unstable economic environment in Greece. The Loan to Deposit Ratio at the end of September 2015 stood at 119% compared to 126% on December 2014. The ratio on the same period of 2014 stood at 162%.

During the nine month period of 2015, available for sale investments decreased by Euro 286.2 compared to December 31, 2014, mainly due to the disposal of Greek Government Treasury Bills amounting to Euro 250 million.

On September 30, 2015, Common equity tier I ratio of the bank was 18,6% (with transitional provisions), total tier I ratio was 21.5% (with transitional provisions) and total capital ratio stood at 24.6% (with transitional provisions).

[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 nine months of 2015, the Bank continued its prudent balance sheet management strategy which included the transfer of loans with net book value Euro 949 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 Bank intensified 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 to also contain its operational expenses.

The Bank is participating in the project of lending SMEs with the support of the European Investment Bank, which aims to assist the growth of the Cyprus economy.

Within the nine months period, the Bank absorbed Emporiki Bank Cyprus Ltd, which was operating in Cyprus as subsidiary of Alpha Bank AE. For the completion of the transaction, the Bank issued common shares that were exchanged with the existing shareholders of Emporiki Bank Cyprus Ltd. (See note 22 of the Financial Statements as on 30.9.2015)

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 private sector debt remain an unstable factor in the smooth growth of the economy.

Within the framework of structural reforms of the Cyprus economy to implement a three year economic adjustment program that was agreed with the European Commission, the European Central Bank and the International Monetary Fund (collectively referred, the “Troika”) the Government is proposing new legislations that may affect the banking sector both positively and negatively. (Law regulating the buying and selling of credit facilities, and Amendment of the Transfer and Mortgaging Property Law.) The debate in the House of Representatives of proposed solutions for housing loan borrowers in swiss franc, is likely to impact the banking sector negatively.

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. 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 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, is expected to limit the risks to which the Bank is exposed. According to revised estimates of the Ministry of Finance, Cyprus is expected to record a positive growth rate of more than 1.0% in 2015.

The internal factors that are expected to contribute to the recovery of the economy and the banking sector are the continuing credit rating upgrades of Cyprus from independent rating agencies, the positive assessment of the adjustment program of the Republic of Cyprus by Troika, the abolition of all capital controls and the participation of the Republic of Cyprus in the Quantitative Easing program of the European Central Bank (ECB).

The increase of the customer deposits in the banking system on the third quarter, strengthens the depositors' confidence.

The issuing by the Republic of Cyprus at the end of October, of a ten-year bond of Euro 1 billion with an interest rate of 4,25%, which was oversubscribed by foreign investors 3 times, indicates the restoration of confidence in the Cypriot economy and marks the termination of funding from the Troika.

The structural changes made by the Republic of Cyprus helped to improve the environment for doing business. According to the latest World Bank report, Cyprus moved from position 60 to 47 and is among the top 10 countries in the world that have implemented reforms to contribute to the development of entrepreneurship.

Further supportive actions 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 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 lower international oil prices and low inflation in the EU that will lead to higher real incomes and might strengthen external demand and the fast depreciating rates of Euro against Gbp, which might have a positive effect on tourism.

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

During the third quarter, the Alpha Bank Group was assessed under the Asset Quality Review - "AQR" which was performed by European Central Bank.
Based on the results of the assessment, which were announced on 31.10.2015, the capital needs for the Alpha Bank Group were determined to €262.6 million under the base scenario, and to €2,743 million under the adverse scenario of the stress test.

The achievement of satisfactory profitability of the Bank will remain uncertain mainly due to the level of non performing loans.

The Bank will continue to follow a conservative business plan with priority to:
a. Containment of past due loans and effective Non Performing Loans management,
b. Maintaining and attracting new deposits,
c. Containment of operating expenses and increase in productivity, and
d. Continuous improvement in the quality of service provided to customers.

For the preparation of the financial results of 30.9.2015, 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 nine 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, November 4, 2015.

The interim financial results of Alpha Bank Cyprus Ltd as on September 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, November 4, 2015