Preliminary Financial Results of Alpha Bank Cyprus Ltd for the year 2015 [29.2.2016]

Main Highlights
- **Strong Capital Base with Common Equity Tier 1 ratio at 17.5% on 31.12.2015**
- **After tax losses of Euro44.7 presenting a decrease of 46.2% compared to 2014**
- **Improvement of net Loans to Deposits ratio. The ratio decreased from to 110.0% compared to 126.3 % on 31.12.2014**
- **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 1 ratio increased by 240 basis points compared to 2014. On 31.12.2015 Common Equity Tier 1 was 17.5%. Total Tier 1 ratio was 20.5% and Total Capital 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 Euro2,036.5 million compared to Euro2,646.6 million in 2014. The decrease was the result of the deleveraging efforts of the Bank.

Non performing exposures, according to the definition of the European Banking Authority, stood at Euro1,735.2 million representing 61% of gross loans. Loans of 90 days past due stood at Euro1,444.3 million representing 51% of gross loans.

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

Deposits from customers amounted to Euro1,851.8 million on 31 December 2015, compared to Euro2,095.5 million on 31 December 2014 presenting a decrease of 11.6%. The decrease was mainly attributed to the withdrawal of deposits driven from the unstable economic environment in Greece. The Loan to Deposit Ratio on 31 December 2015 stood at 110.0% compared to 126.3% on 31 December 2014. Currently the Bank presents an increase in customer deposits in 2016 due to the improvement of the economic environment.

Financial Performance

At the end of 2015 losses amounted to Euro44.7 million compared to Euro83.1 million in 2014.

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.

Key Financial Data			
	Change	2015	2014
Common Equity Tier 1 (CET I)	**240 basis points**	**17.5%**	**15.1%**
Total Tier 1	**290 basis points**	**20.5%**	**17.6%**
Total Capital Ratio	**310 basis points**	**23.4%**	**20.3%**
		in Euro mil.	
Net interest income	-7.1%	106.0	114.1
Operational expenses	1.5%	54.6	53.8
Provision for impairment of doubtful loans	-35.8%	99.6	155.1
After tax loss	-46.2%	-44.7	-83.1
Net Loans and advances to customers	-23.1%	2,036.5	2,646.6
Deposits from Customers	-11.6%	1,851.8	2,095.5

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.

Provisions for impairment of doubtful loans decreased in 2015 by 35.8%, to Euro99.6 million compared to Euro155.1 million in 2014, which is mainly due to the deleveraging efforts of the Bank.

Operational expenses of the Bank increased slightly in 2015 by 1.5%, from Euro53.8 million in 2014 to Euro 54.6 million in 2015. Operational expenses were impacted from the absorption of the operations of Emporiki Bank Cyprus Ltd.

Significant facts

During 2015, the Bank transferred 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 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 its operational expenses.

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

In the first quarter of 2015 the Bank absorbed Emporiki Bank Cyprus Ltd, which was operating in Cyprus as a 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.

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 Euro1.7 billion.

The capital needs of that assessment under the base scenario were Euro262.6 million and under the adverse scenario Euro2,743 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 programme agreed with Troika (European Commission, European Central Bank and International Monetary Fund), is expected to limit the risks to which the Bank is exposed.
According to the winter projections of the European Commission that were issued in February 2016, the Cyprus economy is estimated to present positive growth of 1.4% for 2015 and 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 (15.5% for 2015 and 14.5% for 2016).

The internal factors that are expected to contribute 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 programme 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 stabilization of customer deposits in 2015 proves the increased confidence on the Cyprus economy.

The successful issue by the Republic of Cyprus at the end of October 2015, of a ten-year bond of Euro 1 billion with an interest rate of 4.25%, and a seven year bond of Euro 1 billion in April 2015 with interest rate 3.875% proves the restoration of confidence to Cyprus.

The external factors which are expected to support the growth of Cyprus economy, to lead to higher real incomes and to strengthen external demand are the increase of GDP in the European Union and the Eurozone, the lower international oil prices and low inflation in the EU. 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.

The unlikely event of a non positive opinion of the last assessment by Troika, before the completion of the programme (March 2016), due to the non completion of the obligations that the Cyprus Republic has undertaken concerning the privatization of the semi governmental organizations might affect the opinion of credit rating agencies and consequently delay the efforts of the Cyprus Republic to be placed in an investment grade.

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:

a. strengthen capital adequacy,
b. effective liquidity management,
c. loan portfolio clean up,
d. effective management of non performing loans, which will be a decisive factor to generate satisfactory profitability,
e. maintaining and attracting new deposits,
f. introduce actions with the aim to decrease operational expenses and increase productivity,
g. continuous improvement in the quality of service provided to customers.

The final audited financial results will be published after the completion of the audit from the external auditors of the Bank. For the preparation of the preliminary financial results for the year 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, which comply with International Financial Reporting Standards as adopted by the European Union and the requirements of Cyprus Company Law chapter 113 and the rules and regulations of the Cyprus Stock Exchange.

The preliminary 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