Financial Results of Alpha Bank Cyprus Ltd for the year 2016 [15.3.2017]

Main Highlights
- **Profit after tax of Euro 0.9 mil. excluding the cost of voluntary retirement programme offered to employees.**
- **Loss after tax of Euro 30.7 mil. presenting decrease of 31.3% compared to 2015.**
- **Strong capital base with common equity tier I ratio (CET I) of 16.5%.**
- **Improvement of net loans to deposits ratio, from 110.0% to 100.3%.**
- **Increase of customer deposits by 4.8%.**

Capital Adequacy

On 31 December 2016, common equity tier I ratio (CET I) stood at 16.5%, total tier I ratio at 19.7% and total capital adequacy ratio at 21.5%. 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 2016, present losses after tax of Euro 30.7 million compared to losses after tax of Euro 44.7 million in 2015 recording decrease of 31.3%. Excluding the cost of voluntary retirement programme offered to Employees of Euro 31.6 million, the Bank showed a profit after tax of Euro 0.9 million.

Key financial data		**From 1 January to**	
	Change	**31.12.2016**	**31.12.2015**
In Euro mil.			
Net interest income	-16.5%	88.5	106.0
Total income	-3.9%	108.2	112.6
Total expenses	42.4%	82.2	57.7
Profit before impairment	-52.6%	26.0	54.9
Impairment profit/(loss) and provisions to cover credit risk	-41.2%	58.6	99.6
Loss after income tax	-31.3%	-30.7	-44.7
Loss per share		-17.6 cent	-26.2 cent
In Euro mil.		**31.12.2016**	**31.12.2015**
Loans and advances to Customers	-4.4%	1,946.4	2,036.5
Due to Customers	4.8%	1,940.6	1,851.8
Transitional common equity tier I ratio (CET I)	-100 basis points	16.5%	17.5%

The results were impacted by:

- the cost of voluntary retirement programme offered to Employees amounting to Euro 31.6 mil.,
- the profit of Euro 6.6 mil. from the acquisition of Visa Europe from Visa Inc.,
- the decrease of loans interest rates,
- the decrease of provisions' level recognized for the impairment of loan portfolio,
- the increase of the deposit base and
- the containment of operational expenses.

Net Interest income in 2016 amounted to Euro 88.5 million, presenting a decrease of 16.5% compared to Euro 106.0 million in 2015. The decrease is attributed mainly to the transfer of loans to a company of Alpha Bank Group in 2015 and the decrease of loans and deposits interest rates.

Total income of the Bank amounted to Euro 108.2 million in 2016, presenting a decrease of 3.9%, compared to Euro 112.6 million in 2015, mainly attributed to the decrease of loans' portfolio and the decrease of interest rates of loans and deposits. Total income of 2016 was positively impacted from the recognition of a non recurring income of Euro 6.6 million from the sale of Visa Europe shares.

Total expenses of the Bank in 2016, amounted to Euro 82.2 million compared to Euro 57.7 million in 2015. The increase is attributed to the compensation cost of Euro 31.6 million of a voluntary retirement programme offered to Employees. Excluding the non-recurring compensation cost of the program, total expenses present a decrease of 12.3% compared to 2015.

Cost to income ratio, excluding non-recurring items, (income from sale of Visa Europe shares and the voluntary retirement compensation cost), stands for 2016 at 49.8% compared to 51.2% in 2015.

Impairment loss and provisions to cover credit risk amounted to Euro 58.6 million in 2016 compared to Euro 99.6 million in 2015. The decrease of 41.2% reflects the deleveraging efforts of the bank as well as collections from loans previously written off.

Balance Sheet

Net loans on 31 December, 2016 amounted to Euro 1,946.4 million compared to Euro 2,036.5 million on 31 December 2015 presenting a decrease of 4.4%.

Amounts due to customers on 31 December 2016 amounted to Euro 1,940.6 million, compared to Euro 1,851.8 million on 31 December 2015, presenting an increase of 4.8%, reflecting the efforts of the Bank to improve its deposit base. The net loans to deposits ratio was improved from 110.0% on 31 December 2015 to 100.3% on 31 December 2016.

Accumulated impairment to cover credit risk amounted to Euro 856.5 million on 31 December 2016, representing 30.6% of gross loans and an increase of 7.3% compared to 31 December 2015. Accumulated impairments include the fair value adjustment of Emporiki Bank Cyprus Ltd loan portfolio, which was acquired at fair value.

Loans over 90 days past due stood on 31 December 2016 at Euro 1,468.0 million representing 52.4% of gross loans. On 31 December 2015, they stood at Euro 1,444.3 million representing 50.9% of gross loans.

Non-performing exposures, according to the definition of the European Banking Authority (EBA), stood on 31 December 2016 at Euro 1,802.1 million representing 64.3% of gross loans, compared to 61.2% on 31 December 2015. On 31 December 2016, the coverage ratio of non performing exposures, according to the definition of the European Banking Authority (EBA), stands at 47.5% compared to 46.0% on 31 December 2015.

Risks and challenges

The non-performing exposures and the private sector debt remain the main factors of instability for the banking sector and the economy.

The economic reforms are necessary to continue irrespective of the completion of the Adjustment Program of the Cyprus economy, as any complacency conditions would have a negative impact on the ratings of international agencies, undermining the efforts of the Cypriot Republic for further recovery improvements.

The United Kingdom's exit from the European Union, which is the largest trading partner of Cyprus, is expected to affect the Cyprus economy, however the impact cannot be determined with certainty since currently the agreement between the European Union and the United Kingdom remains unknown.

Any developments on political level, will accordingly affect the economic environment.

Developments and Prospects

Despite the negative factors, the prospects of the Cyprus economy are positive and are supported by:

- the GDP growth of 2016 which reached 2.8%,
- the decrease of unemployment rate,
- the predictions for growth up to 2.5% for 2017 and 2018 by international credit 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.

The Bank monitors its capital adequacy ratios, the liquidity of assets and liabilities and is in constant cooperation with the supervisory authorities, to take the necessary preventive measures to manage its capital adequacy and liquidity, under the prevailing circumstances.

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

- ensure capital adequacy
- monitor liquidity
- deleverage and loan portfolio clean up,
- effective monitoring of non performing exposures which is a key factor to generate satisfactory profitability,
- improve deposits base,
- contain operating expenses,
- increase productivity
- introduce new technologies to improve the quality of services offered to customers.

As per the guidelines of European Securities and Markets Authority (ESMA) on Alternative Performance Measures (APMs) published in October 2015, applicable since 3 July, 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 taking strategic decisions. Relevant analysis and table with APMs is included in the management report of the Audited Financial Statements as at 31.12.2016.

The audited Financial Statements of the Bank for the year 2016 have been approved during the meeting of the Board of Directors held on 15 March, 2017.

The final audited financial results for the year 2016 are available on the website of Alpha Bank Cyprus Ltd (www.alphabank.com.cy) and Cyprus Stock Exchange (website www.cse.com.cy)