



# Growth & Risk Management as the Cycle Turns

Morgan Stanley  
European Banks & Financials  
Conference

3 April 2008



### Overview

- Founded in 1879 by the Costopoulos family which today controls 11% of the Bank
- Consistency in management ensuring firm implementation of Alpha Bank's strategy
- A leading franchise in Greece
  - ✓ 3rd largest branch network with 411 branches
  - ✓ €34bn of customer loans, equivalent to 15.1% market share
  - ✓ €28.8bn of customer deposits, equivalent to 12.7% market share
- Rapidly growing presence across SEE
  - ✓ €7.6bn of customer loans, up 88% y-o-y, translating into a 7.3% market share
  - ✓ Out of 403 branches only 237 have reached mature equivalent sales capacity
  - ✓ Significant presence in Romania and Cyprus
- Current market capitalisation of €8.2bn

### Geographical Footprint

	Greece		
	2005	2007	CAGR
Branches	384	411	4%
Loans (€m)	24.8	34.0	17%
Deposits (€m)	23.6	28.8	10%
Total Income (€bn)	1.5	1.9	12%



	SEE			Contribution to Group	
	2005	2007	CAGR	2005	2007
Branches	176	403	51%	31%	50%
Loans (€bn)	2.9	7.6	61%	10%	18%
Deposits (€bn)	2.6	5.3	42%	10%	15%
Total Income (€m)	214	346	27%	13%	15%



## Key Themes

1

### Funding

- European banks have become more reliant on wholesale funding (loan/deposit ratio of 145%<sup>1</sup> in 2007 vs. 139%<sup>1</sup> in 2005)
- Loss of investor's confidence in the markets has led to constrained liquidity in interbank markets (spreads<sup>2</sup> have increased by approximately 70bps since July 2007)
- As a result, wholesale funding costs have significantly increased (115 – 125bps funding for a 5-yr senior unsecured issue of a AA- rated bank vs. pre-volatility level of 8-10bps)

2

### Asset Quality

- Risk provisioning still close to historic lows but expected to deteriorate (42bps in 2006 vs. 46bps in 2008E), coupled with decline in Euro area GDP growth expectations since early 2008 (1.9% today vs. 2.3% a year ago)
- Continued uncertainty about full extent of write-downs, e.g. legacy assets, AFS securities, with significant repercussions on new loan development (estimated write-downs so far of c. US\$200bn<sup>3</sup>, total expected write-downs of US\$400bn<sup>3</sup>)

3

### Capitalisation

- EU banks more highly geared than US commercial banks (equity / assets ratio of 5.5% in Europe vs. 10.1% in the US)
- Average disguising wide range of differences across Europe, with core Tier 1 ratio ranging between 4.5% and 10.2%
- Continued uncertainty with respect to “true” book value (European banks trading close to historic P/BV lows)

Source: Bloomberg, ECB, Merrill Lynch Research

(1) Excluding Germany, based on ML estimates for covered European retail banks

(2) Spread between 3M euro generic government bond yield and 3M interbank interest rate

(3) Source: Meeting of G7 finance ministers in Tokyo in 2008

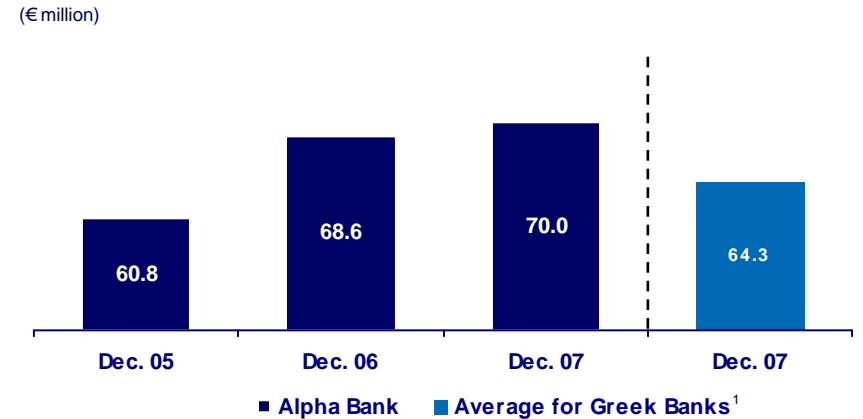
# 1 A Robust Retail Deposit Gathering Franchise...



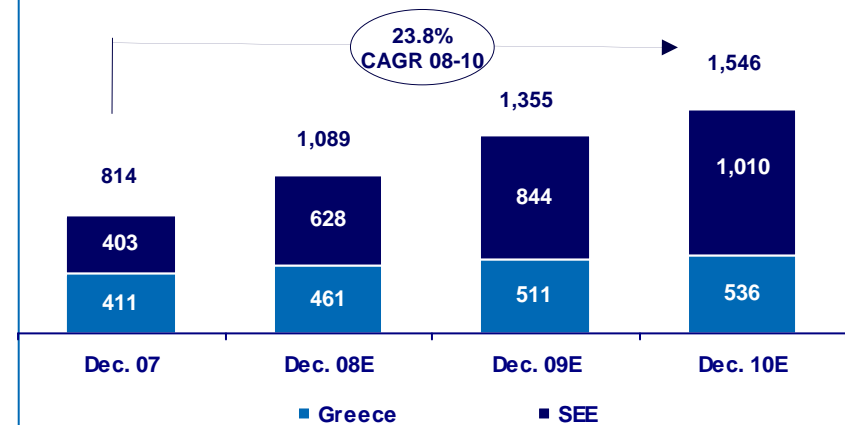
ALPHA BANK

- Proven deposit gathering track record in Greece
  - ✓ Extensive nationwide branch network
  - ✓ Almost 10% higher productivity compared to peers
  - ✓ Amongst the highest sight and savings deposits per branch
  - ✓ 125 new branches by 2010
  
- Expansion into SEE at a very early stage
  - ✓ Deposits penetration will accelerate as branch network matures
  - ✓ 607 new branches by 2010
  - ✓ Relatively low deposit penetration

## Alpha Bank Domestic Deposits / Branch



## Branches Growth



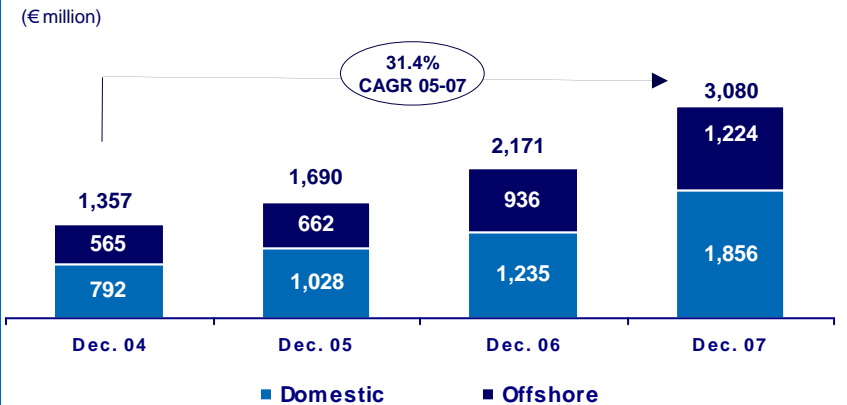
Source: Company data

(1) Average includes NBG, Eurobank, BoP, BoC (Greece), MPB (Greece) and Emporiki

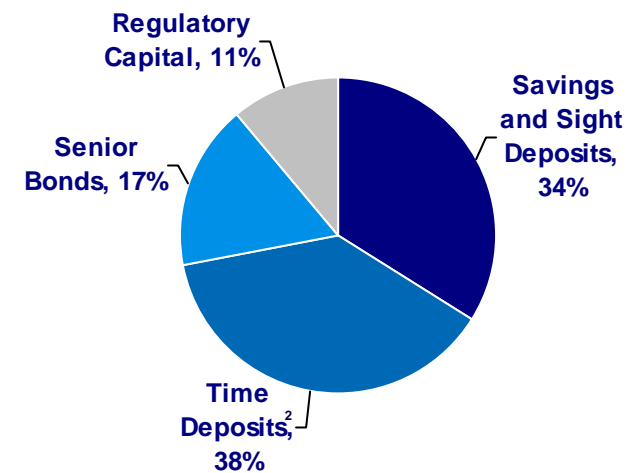
# 1 ... With a Well Diversified Funding Mix

- **Strong Deposit gathering franchise in Cyprus**
  - ✓ 7,000 offshore customers
  - ✓ Intense marketing efforts built on our geographic presence; representative office in Russia; retail network in 6 SEE countries; UK
  
- **Diversified funding mix**
  - ✓ First Greek bank to establish an EMTN in 1999
  - ✓ Raised more than €1bn ytd in wholesale funds
  - ✓ No securitisations so far; totally unleveraged balance sheet
  
- **Additional wholesale sources**
  - ✓ ECP programme
  - ✓ Covered bonds
  - ✓ US MTN programme
  - ✓ Consumer credit securitisation
  - ✓ Redeemable preference shares

## Cyprus Deposits Evolution



## Funding Base<sup>1</sup>



Source: Company data

(1) Excludes interbank and other liabilities

(2) Includes Alpha Bank retail targeted bonds



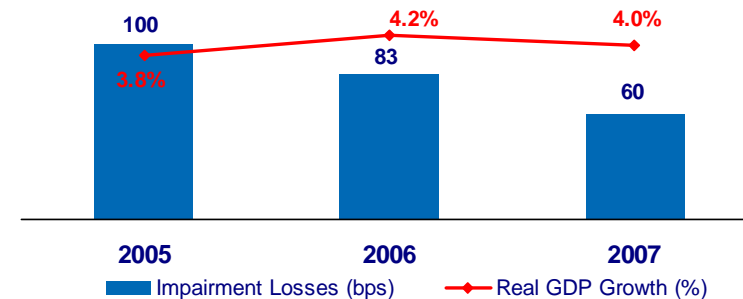
## 2 Credit Risk Firmly under Control...



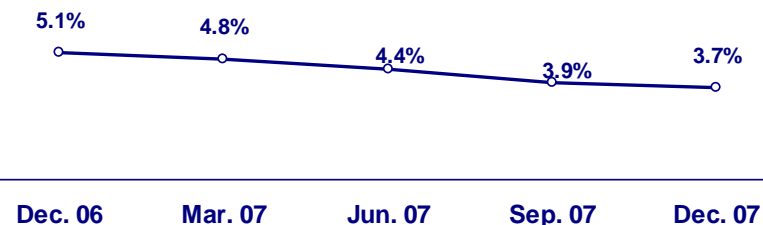
ALPHA BANK

- No subprime or related investments
- Significant improvement in credit quality since 2005 mainly due to
  - Stringent, consistently applied credit risk underwriting criteria
  - Re-engineering efforts across the credit value chain
  - Write-offs of €754mn over past two years
  - Benign environment for business lending
- Loans in arrears at 3.7%, below market average of 5.1%
- Adequate asset quality coverage ratios, i.e. 130% including collateral

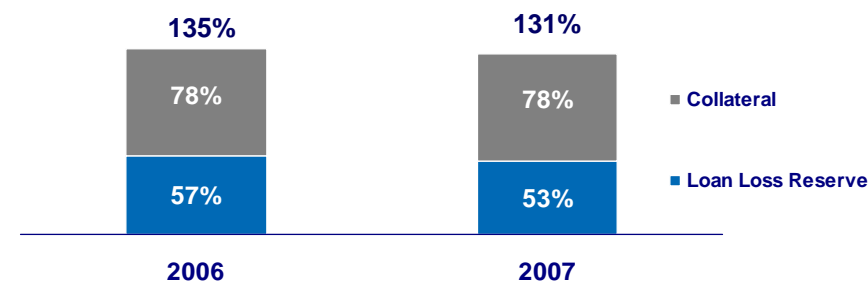
### Group Impairment Losses (% of avg Loans)



### Group Loans in Arrears (IFRS 7: Past Due >90 days)



### Composition of Group Coverage



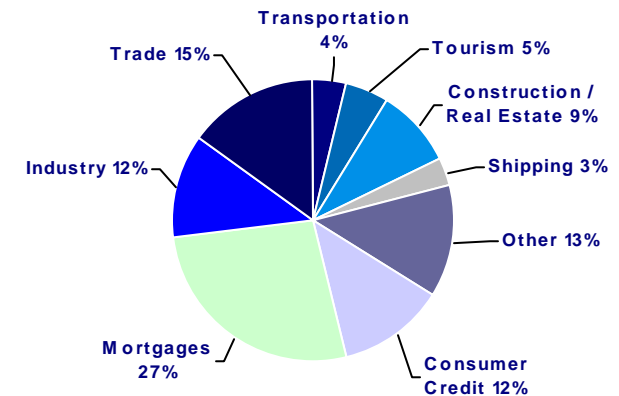
## 2 ... Endorsed by Recent Upgrade by S&P



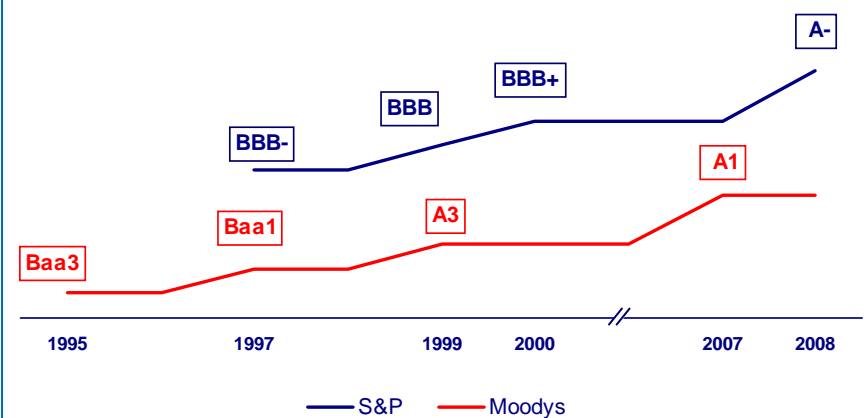
ALPHA BANK

- Well diversified loan book
  - ✓ Leadership in business lending builds on consistently prudent underwriting
  - ✓ Inroad into retail and SEE allows for balanced loan book
  - ✓ No sectoral or single name concentration
- One of very few banks to be upgraded by S&P to A- within an adverse market environment
- Only Greek company to consistently pay dividends post World War II

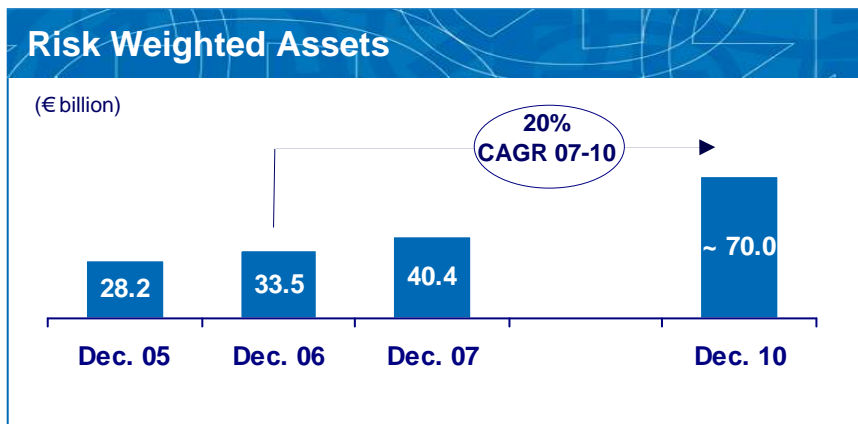
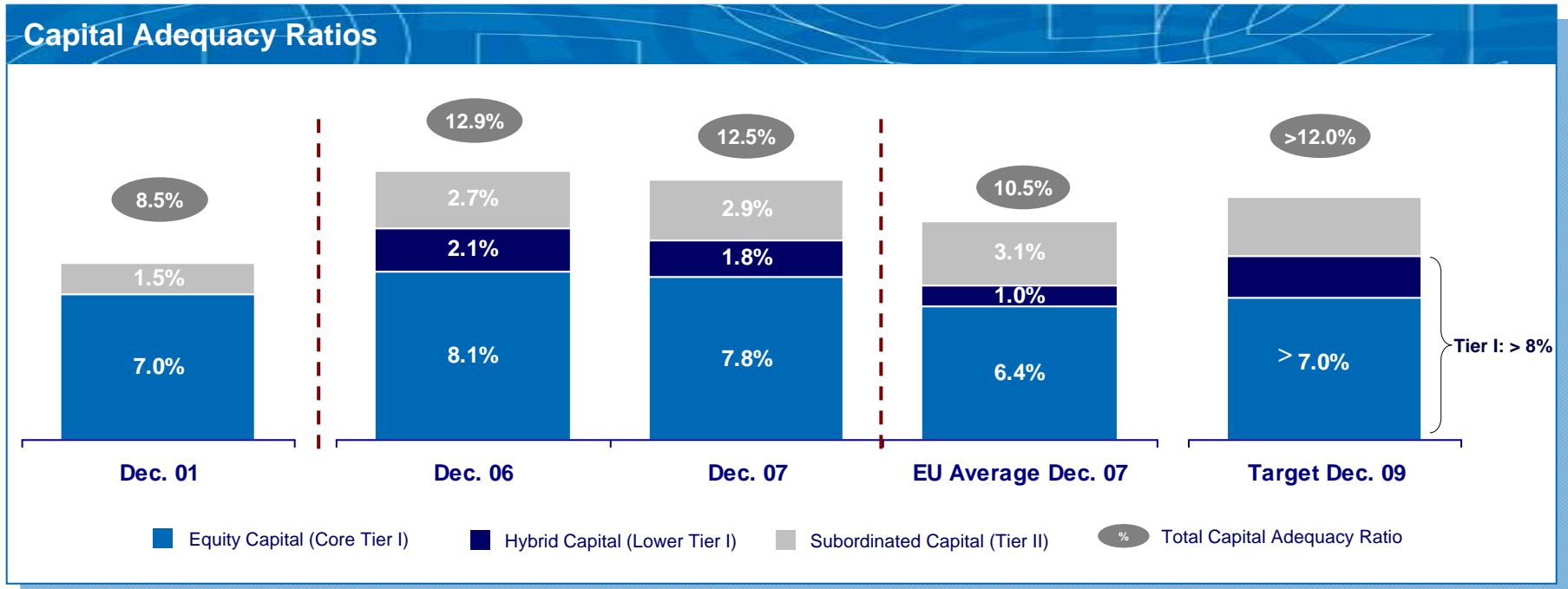
### Portfolio Structure



### Ratings Upgrade History



### 3 Capital: Acting from a Position of Strength



#### Considerations

- Limited Goodwill on books of only €109mn; Equity of €3,371mn
- Alpha Bank better capitalized relative to the EU retail banks
  - ✓ Core Tier I at 7.8% in 2007 well above EU average of 6.4%
  - ✓ Tier I ratio at 9.6% vs. EU average of 7.4%



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