ALPHA BANK

Press Release

Alpha Bank Strategy Update 2020 – 2022

Accelerated balance sheet clean-up

- **Launching one of the largest NPE securitizations in the European market** to accelerate balance sheet clean-up. **Euro 12 billion** transaction to reduce Greek NPL stock by c. 73% and drive NPE and NPL ratio down to 20% and 10% from 44% and 28% respectively.

- **Efficient use of capital to resolve NPE stock.** Capital position post transaction to retain comfortable buffers above regulatory minimum requirements with management targeting a CET1 ratio > 15% and a total CAD ratio > 17% by 2022, as it intends to fully utilise its Tier 2 bucket of 2%. **No dilution to shareholders.**

- **Hellenic Asset Protection Scheme ("HAPS")**, recently introduced by the Greek Government, to act as a catalyst for balance sheet clean up initiatives. Alpha Bank intends to apply for up to **Euro 3.7 billion** guarantees under the scheme.

- **Positive tailwinds supporting the transaction.** The Bank will capitalize on the positive outlook for the Greek economy supported by the declining uncertainty, pro-growth fiscal rebalancing, intensified reform efforts and a recovery in the real estate market. Increasing appetite by international investors for Greek risk, evidenced by successful NPE transactions effected to date in the market.

- **Reorganization of the Bank's NPE management platform** through a partnership with a strong international player. A carve out from the Bank of relevant infrastructure into Cepal Hellas and the creation of a new servicer ("New Cepal") combining the skills of both platforms, to support an accelerated buildup of servicing capacity for remedial actions on non performing portfolios.

Turning page for the Bank to support the economy and restore profitability

- Significant de-risking of the balance sheet leading to a **normalized Cost of Risk of <100bps** going forward and supporting bottom line.

- **Operating model transformation** to drive group Cost/Income below 48% and counterbalance income erosion from balance sheet deleveraging. Cost efficiency efforts accelerated, with tangible results in 2019 through our successful VSS, and the forthcoming transaction-led NPE management outsourcing which is expected to contribute significantly by 2022.

- **New loan disbursements of Euro 14 billion until 2022** to support retail and business segments of focus. Emphasis on infrastructure, energy, real estate, hospitality, manufacturing and shipping. Intensify efforts to further develop business segments that are less capital intensive and have high potential in the Greek market, capitalizing on our competitive strengths. Further penetration of our c.3.1 million customer base.

- Restore profitability of international operations with emphasis on **growth potential of our Romanian operations**.

- **Setting up a dedicated Transformation Office to deliver the Strategy Plan.** Commitment to deliver our targets through appointment of a Chief Transformation Officer (CTO) as an Executive Committee member, and setting up a Transformation Office of 10-15 senior members with the appropriate technical expertise to support the CTO.

Changes in top management and governance

- **New, high-energy, management team.** Following management changes in early 2019, with the election of a new CEO, appointment of new members in the Group Executive Committee. Proven experience and track record to give confidence on strategy delivery.

- **Effective and transparent Governance.** Redefined structure and role of Governance committees to enable faster and more efficient decision making. Clear delegation of authorities across the organization.

- **Rigorous focus on performance and accountability.** Promote a meritocratic culture across the organization and support talent management. Provide proper employee incentives to meet targets through newly introduced variable remuneration framework.

Key financial targets for 2022

- Bank NPE ratio of <10% and NPL ratio of <5% in Greece
- Steady-state Cost of Risk of <70bps in 2022
- Strong capital position with an envisaged 2022 CAD ratio of ~17% and a CET1 ~15%, well above regulatory expectations.
- Cost to Income ratio below 48% and Cost to Assets ratio of below 145bps
- New loan disbursements of approximately Euro 14 billion in Greece for the period 2019-2022
- Targeted Return on Equity of ~ 9.0%

Alpha Bank's CEO, Vassilios Psaltis stated:

"We are embarking today on a comprehensive transformation plan, designed to leave the financial crisis behind us by dealing decisively with legacy asset quality issues and by improving significantly our profitability going forward.

The confidence we have in the prospects of the Greek economy, coupled with the comfortable capital buffers we enjoy, allow us to launch a landmark Euro 12 billion NPE securitization that will fully utilize the Greek Government's initiative to set up an Asset Protection Scheme. In addition, we aim at combining our in-house NPE management platform with that of Cepal Hellas, the largest third-party servicer in the country, with a view to attracting a top-class international partner to upgrade our remedial NPE management efforts. We can assure our Employees involved in that process of fair treatment and full safeguards for their jobs.

This large-scale balance sheet clean-up will not just lead to a much lower cost of risk going forward but will also allow the Bank to transform its operating model, re-focusing on its customers, offering best in class products and services through a more efficient platform. To ensure appropriate execution capacity in the Bank's strategic priority areas, we are reforming our organizational structure, with clear areas of responsibility, and we are strengthening our leadership team with full empowerment to achieve the targets, delivering thus a new era for Alpha Bank."

Strategy overview

Greek economy turnaround and growth

The Greek economy is forecast to grow by c.2% annually over the next three years, bouncing back from an almost 10-year recession, supported by the declining uncertainty, pro-growth fiscal rebalancing and intensified reform efforts. The yield of 10-year GGB has already dropped below 175bps on the back of the post-program debt profile. The decrease in unemployment, which is projected to reach 14.5% in 2022 from 27.8% in its peak in September 2013, as well as an increase in disposable income, are both solid bases for credit growth. In parallel, the real estate market should maintain its positive momentum. Residential asset prices are expected to cumulatively increase by an estimated 12% between 2019 and 2022, driven mainly by an increase in foreign direct investments as well as domestic demand.

NPE ratio of <10% and CoR of <70bps in 2022 within comfortable capital buffer

Alpha Bank's main priority is to accelerate the de-risking of its balance sheet, as a high CoR has been the principle factor undermining profitability in the past years. Alpha Bank will undertake a non-dilutive **large-scale NPE securitization** of a mixed portfolio, with total on-balance sheet gross book value of up to **Euro 12 billion ("Project Galaxy").** Alpha Bank intends to use up to **Euro 3.7 billion** of guarantees under the recently approved Hellenic Asset Protection Scheme (HAPS) upon its enactment through legislation by the Greek Government. This transaction will be accompanied by a **carve-out** of the Bank's NPE management platform to Cepal Hellas and the sale of New Cepal to investors participating in the Project Galaxy process. As a result of these transactions, Alpha Bank's NPE ratio in the Bank's Greek operations is expected to decrease from 44.1% to less than 20% by year-end 2020, with the corresponding NPL ratio at below 10%, and CoR is expected to normalize at <100bps pro-forma for the Galaxy transaction.

Following the completion of Project Galaxy, Alpha Bank will further reduce its "core" NPE book, predominantly through restructuring and reperformance strategies, resulting in an **NPL and NPE ratio** of less than 5% and 10% respectively in the Bank's Greek operations by the end of 2022. Alpha Bank will maintain its comfortable capital buffers throughout the execution of the NPE Plan, in-line with regulatory expectations, and targets a CAD ratio of approximately 17% at the end of 2022.

The acceleration of the NPE Plan will be enabled through the spin-off and hive-down of Alpha Bank's banking operations into a wholly owned banking subsidiary of the listed entity, which will subsequently become a holding company, all shareholders' rights being preserved throughout the process as per applicable legislation.

Alpha Bank will transform its operating model to bring operating expenses down by >10%, C/A to <145bps

Alpha Bank will transform its operating model to achieve a **Cost-to-Income ratio** of lower than 48%, with the **Cost-to-Assets** ratio decreasing to less than 145bps. The Bank will aim to decrease its recurring cost base by more than 10%, bringing operating expenses to approximately Euro 960 million, down from Euro 1.1 billion in 2018.

In Greece, Alpha Bank aims to decrease costs through a set of identified levers, including a new cost governance framework, process and IT efficiencies, demand management, transaction migration to efficient channels and targeted outsourcing. In parallel, NPE management outsourcing is expected to contribute to cost saving after the third year of operation, in lieu of servicer efficiencies and decreased managed volumes.

Customer-centric

Against the backdrop of the recovering Greek economy, **Alpha Bank aims to disburse Euro 14 billion of loans between 2019 and 2022** in its Greek operations, with **Euro 11**

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and Growth driven agenda in Greece

billion being disbursed in the next 3 years, while annual fee and commission revenue is targeted to increase by approximately Euro 110 million overall, driven by new lending and transaction banking activity as well as the accelerated growth in **investment and bancassurance products** penetration.

In **Individuals** Banking, Alpha Bank plans to disburse approximately Euro 2 billion over the next 3 years, leveraging its large, underpenetrated customer base of 3.1 million active customers. This will be achieved by capitalizing on a recovering Real Estate market and increasing disposable income, which are expected to underpin mortgage and consumer finance credit growth; also by delivering best-in-class customer service through physical and digital channels while building on competitive advantages in targeted customer products/ segments.

In **Business Banking**, Alpha Bank intends to **disburse** approximately Euro 9 billion over the next 3 years, acting upon its position as the bank of choice for wholesale customers. Disbursements will primarily be extended to those sectors that are expected to drive economic growth with the majority of disbursements in Energy, Infrastructure, Real Estate, Hospitality, Retail Trade and Manufacturing. In parallel, Alpha Bank will aim to enhance its digital product offering in transaction banking products and increase the cross-selling ratio among wholesale banking clients through a customer profitability management program.

International operations

Alpha Bank plans to develop the Group's presence in markets that benefit from higher net interest margins and have a high growth potential. Romania will be the primary driver of the turnaround, with the Group aiming to achieve a market share of more than 5%, through a focus on organic growth and targets to exceed 10% ROE in the country by 2022, while actively monitoring consolidation opportunities should they arise.

Alpha Bank has a new management team and has strengthened its organizational effectiveness

Following the appointment of a new CEO in January 2019, a new, highly experienced management team has been formed. This effective organizational structure will be a core enabler for delivering on the Group's strategy. The new structure ensures that appropriate senior management capacity is deployed to the Bank's strategic priority areas, with clear delegation of authority and empowerment for delivery to secure the achievement of Group targets. The development of a strong meritocratic culture, bottom-up innovation and the empowerment of employees are core elements of the new plan and are intended to enhance the employee value proposition while also serving to attract and maintain talent. A new performance management scheme is under deployment across all levels of the organization in order to reinforce accountability and promote a performance-based culture.

Dedicated Transformation Office appointed to drive the execution of the Strategic Plan

The Bank is deploying dedicated senior management capacity to ensure the delivery of the Strategic Plan at the right pace and in line with targets. A Chief Transformation Officer (CTO), a member of the Executive Committee, will soon be appointed to oversee the execution of the program. A Transformation Office of 10-15 senior members with the appropriate technical expertise will support the CTO. The Bank's transformation program has already been structured across ~30 workstreams, which will be led by the respective Business heads. Finally, a change management plan will be delivered, to instill the right cultural shift and develop the leadership skills needed across the top 100 managers and the entire organization.

Athens, November 19, 2019

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Glossary

Terms	Definitions	Relevance of the metric	Reference number	Abbreviation
Accumulated Provisions and FV adjustments	The item corresponds to (i) "the total amount of provision for credit risk that the Group has recognized and derive from contracts with customers", as disclosed in the Consolidated Financial Statements of the reported period and (ii) the Fair Value Adjustments.	Standard banking terminology	1	LLR
Impairment losses on loans	The figure equals "Impairment losses and provisions to cover credit risk on loans and advances to customers" as derived from the Consolidated Financial Statements of the reported period	Standard banking terminology	10	LLP
"Income from financial operations" or "Trading Income"	The figure is calculated as "Gains less losses on derecognition of financial assets measured at amortised cost" plus "Gains less losses on financial transactions and impairments on Group companies" as derived from the Consolidated Income Statement of the reported period.	Standard banking terminology	3	
Core Operating Income	Operating Income less Income from financial operations less management adjustments on operating income for the corresponding period. Management adjustments are: Euro -9.7 million related to Goodwill impairment of an associated company in Q1 19 and Euro 13.0 million related to Insurance company compensation in Q4 18.	Profitability metric	5=4-3	
Core Pre-Provision Income	Core Operating Income for the period less Recurring Operating Expenses for the period.	Profitability metric	5-7	Core PPI
Cost of Risk	Impairment losses on loans for the period divided by the average Gross Loans of the relevant period. Average balances is defined as the arithmetic average of balance at the end of the period and at the end of the previous period.	Asset quality metric	10/2 (avg)	CoR
Deposits	The figure equals "Due to customers" as derived from the Consolidated Balance Sheet of the reported period.	Standard banking terminology	8	
Extraordinary costs	The figure equals the management adjustments on operating expenses.	Standard banking terminology		
Fair Value adjustments	The item corresponds to the accumulated Fair Value adjustments for non-performing exposures measured at Fair Value Through P&L (FVTPL).	Standard banking terminology		FV adj.
Fully-Loaded Common Equity Tier 1 ratio	Common Equity Tier 1 regulatory capital as defined by Regulation No 575/2013 (Full implementation of Basel 3), divided by total Risk Weighted Assets (RWAs)	Regulatory metric of capital strength		FL CET 1 ratio
Gross Loans	The item corresponds to "Loans and advances to customers", as reported in the Consolidated Balance Sheet of the reported period, gross of the "Accumulated Provisions and FV adjustments", excluding the accumulated provision for impairment losses on off balance sheet items, as disclosed in the Consolidated Financial Statements of the reported period.	Standard banking terminology	2	
Loan to Deposit ratio	Net Loans divided by Deposits at the end of the reported period.	Liquidity metric	9/8	LDR or L/D ratio
Net Interest Margin	Net Interest Income for the period (annualised) and divided by the average Total Assets of the relevant period. Average balances is defined as the arithmetic average of balance at the end of the period and at the end of the previous period.	Profitability metric		NIM
Net Loans	The figure equals "Loans and advances to customers" as derived from the Consolidated Balance Sheet of the reported period.	Standard banking terminology	9	
Non Performing Exposures Collateral Coverage	Value of the NPE collateral divided by NPEs at the end of the reference period.	Asset quality metric	13	NPE collateral Coverage
Non Performing Exposure Coverage	Accumulated Provisions and FV adjustments divided by NPEs at the end of the reference period.	Asset quality metric	14=1/12	NPE (cash) coverage
Non Performing Exposure ratio	NPEs divided by Gross Loans at the end of the reference period.	Asset quality metric	12/2	NPE ratio
Non Performing Exposure Total Coverage	Accumulated Provisions and FV adjustment plus the value of the NPE collateral divided by NPEs at the end of the reported period. NPE Total coverage equals the sum of NPE coverage and NPE collateral coverage.	Asset quality metric	13+14	NPE Total coverage
Non Performing Exposures	Non-performing exposures are defined according to "EBA ITS on forbearance and Non Performing Exposures" as exposures that satisfy either or both of the following criteria: a) material exposures which are more than 90 days past-due b)The debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due.	Asset quality metric	12	NPEs
Non Performing Loan Collateral Coverage	Value of collateral received for Non Performing Loans divided by NPLs at the end of the reference period.	Asset quality metric	16	NPL collateral Coverage
Non Performing Loan Coverage	Accumulated Provisions and FV adjustments divided by NPLs at the end of the reference period.	Asset quality metric	17=1/15	NPL (cash) Coverage
Non Performing Loan ratio	NPLs divided by Gross Loans at the end of the reference period.	Asset quality metric	15/2	NPL ratio
Non Performing Loan Total Coverage	Accumulated Provisions and FV adjustments plus the value of the NPL collateral divided by NPLs at the end of the reference period. NPL Total coverage equals the sum of NPL coverage and NPL collateral coverage.	Asset quality metric	16+17	NPL Total Coverage
Non Performing Loans	Non Performing Loans are Gross loans that are more than 90 days past-due.	Asset quality metric	15	NPLs
Operating Income	The figure is calculated as "Total Income" plus "Share of profit/(loss) of associates and joint ventures" as derived from the Consolidated Income Statement of the reported period, taking into account the impact from any potential restatement as described in Note 32 of the Consolidated Financial Statements.	Standard banking terminology	4	
Other impairment losses	The figure equals "Impairment losses on other financial instruments" as derived for the Consolidated Financial Statements of the reported period.	Standard banking terminology		
Other Income	This item corresponds to the sum of "Dividend income", "Other income" and "Share of profit/(loss) of associates and joint ventures", as defined in the Consolidated Balance Sheet of the reported period.	Standard banking terminology		
Pre-Provision Income	Operating Income for the period less Total Operating Expenses for the period	Profitability metric	4-6	PPI
Recurring Cost to Income ratio	Recurring Operating Expenses for the period divided by Core Operating Income for the period.	Efficiency metric	7/5	C/I ratio
Recurring Operating Expenses	Total Operating Expenses less management adjustments on operating expenses. Management adjustments on operating expenses include events that do not occur with a certain frequency, and events that are directly affected by the current market conditions and/or present significant variation between the reporting periods, and are quoted in the appendix of the Financial Report.	Efficiency metric	7	Recurring OPEX
Securities	This item corresponds to the sum of "Investment securities" and "Trading securities", as defined in the Consolidated Balance Sheet of the reported period.	Standard banking terminology		
Shareholders' Equity	This item corresponds to "Equity attributable to equity owners of the Bank", as defined in the Consolidated Balance Sheet of the reported period.	Standard banking terminology		
Tangible Book Value (or Tangible Equity)	TBV (or TE) is the sum of "Total Equity" less "Goodwill and other intangible assets", less "Non-controlling interests" and less "hybrid securities", as defined in the Consolidated Balance sheet at the reported period.	Standard banking terminology		TBV or TE
Tangible Book Value (or Tangible Equity) per share	Tangible Book Value (or Tangible Equity) divided by the outstanding number of shares.	Valuation metric		TBV/share
Total Assets	The figure equals "Total Assets" as derived from the Consolidated Balance Sheet of the reported period taking into account the impact from any potential restatement, as described in Note 32 of the Consolidated Financial Statements.	Standard banking terminology	11	TA
Total Operating Expenses	The figure equals "Total expenses before impairment losses and provisions to cover credit risk" as derived from the Consolidated Income Statement of the reported period taking into account the impact from any potential restatement, as described in Note 32 of the Consolidated Financial Statements.	Standard banking terminology	6	Total OPEX

The Bank

The Alpha Bank Group is one of the leading Groups of the financial sector in Greece. The Group offers a wide range of high-quality financial products and services, including retail banking, SMEs and corporate banking, asset management and private banking, the distribution of insurance products, investment banking, brokerage and real estate management.

The Parent Company and main Bank of the Group is Alpha Bank, which was founded in 1879 by J.F. Costopoulos. Alpha Bank constitutes a consistent point of reference in the Greek banking system with one of the highest capital adequacy ratios in Europe.

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