



## Press Release

Athens, February 22, 2021

### Alpha Bank enters into definitive agreement with Davidson Kempner over Euro 10.8 billion Galaxy portfolio and 80% in Cepal Holdings

- Second largest rated NPE securitization in Europe at Euro 10.8 billion GBV
- Landmark transaction significantly de-risks Alpha Bank's balance sheet while maintaining market-leading capital position
- Alpha Bank's NPE ratio and NPL ratio in Greece will fall to 24% and 13% respectively
- Davidson Kempner acquires 80% of Cepal Holdings and 51% of Mezzanine and Junior securitization notes within the Galaxy portfolio

Alpha Bank S.A. ("**Alpha Bank**" or the "**Bank**") announces that it has entered into a definitive agreement with certain entities managed and advised by Davidson Kempner Capital Management LP ("**Davidson Kempner**") in relation to:

(a) the sale of 80% of its loan servicing subsidiary Cepal Holdings Single Member S.A. ("**New CEPAL**"), and

(b) the sale of 51% of the Mezzanine and Junior securitization notes of the Euro 10.8<sup>1</sup> billion NPE portfolio (the "**Galaxy Securitizations**") (together with the sale of New CEPAL, the "**Transaction**" or "**Project Galaxy**").

**Vassilios Psaltis, CEO of Alpha Bank**, said:

"We are excited to enter into a long-term agreement for Project Galaxy with Davidson Kempner, a highly experienced US investor. This is a turning point for our Bank as we are making a decisive step in dealing conclusively with the legacy asset quality issues from the long-lasting recession in Greece.

In spite of the unprecedented conditions we experienced due to Covid, we are proud to have managed to sign such a complex transaction in just eight months from launch, to attract significant international investor interest and to fully meet our targeted capital envelope for this transaction. Alpha Bank now continues with undivided attention to implement the last mile in its de-risking strategy and to drive forward the implementation of its transformation plan so as to capture superior growth opportunities."

<sup>1</sup> The amount of Euro10.8 bn refers to the Gross Book Value as of respective cut-off dates of securitization perimeters.



## Transaction details

### Decisive de-risking of the balance sheet

- Upon completion, the Transaction will fundamentally transform Alpha Bank's balance sheet, bringing the NPE and NPL ratios in Greece down to 24% and 13% respectively, a decrease from 43% and 29% in September 2020.
- The effect of Project Galaxy on Alpha Bank's Capital Adequacy Ratio, falls within the Bank's budgeted capital envelope, at c.280 bps.
- The frontloaded de-risking of the Balance Sheet will allow Alpha Bank to normalize its cost of risk going forward.

### Sale of 80% of New CEPAL

- An entity managed and advised by Davidson Kempner will acquire 80% of New CEPAL's share capital, with Alpha Bank retaining the remaining 20%. Alpha Bank will maintain customary governance rights in New CEPAL in line with its minority shareholding.
- Alpha Bank will enter into an exclusive long-term servicing agreement ("**SLA**") with New CEPAL for the management of its existing Retail and Wholesale Non-Performing Exposures ("NPE") in Greece of Euro 8.9 billion, as well as any future flows of similar assets and early collections. The term of the SLA will be 13 years, with a right to extend. New CEPAL will also manage the Euro 10.8 billion exposures under the Galaxy Securitizations, and Euro 4.6<sup>2</sup> billion portfolios of third-party investors.
- The agreement values 100% of the Enterprise Value of New CEPAL at Euro 267 million (the "**Consideration**"), with the Bank having further upside through an earn-out of up to Euro 68 million linked to the achievement of certain targets. The Consideration includes a contingent element of up to Euro 17 million, if the Transaction is on a levered basis. The Bank, acting as an arranger of a financing syndicate, has agreed with Davidson Kempner the key terms of a long-term funding facility of up to Euro 120 million, which may be drawn at the sole discretion of Davidson Kempner.
- Mr. Artemios Theodoridis and Mr. Theodore Athanassopoulos will continue managing New CEPAL in their positions of Executive Chairman and CEO, respectively.

### Sale of Mezzanine and Junior securitization notes of the Galaxy Securitizations:

- 51% of the Mezzanine and Junior securitization notes will be sold to an entity managed and advised by Davidson Kempner for a consideration payable in cash, at an aggregate valuation for 100% of those notes of Euro 40 million. The total proceeds for Alpha Bank including the Senior notes and the sale price of the Mezzanine and Junior notes correspond to c.35% of the total gross book value of the portfolio sold.
- Alpha Bank will retain 5% of the Mezzanine and Junior securitization notes, to comply with risk retention rules, and intends to distribute 44% of the remaining notes to shareholders, subject to regulatory and corporate approvals.

<sup>2</sup> Gross Book Value



The Transaction is expected to close in Q2 2021, subject to obtaining all applicable corporate, regulatory and governmental approvals and consents.

Deutsche Bank AG (“Deutsche Bank”) acted as Alpha Bank’s Lead Financial Advisor. Alantra Corporate Portfolio Advisors International Limited (“Alantra”), Axia Ventures Group Ltd., Citigroup Global Markets Limited and PricewaterhouseCoopers Business Solutions S.A. acted as Financial Advisers. Deutsche Bank and Alantra also acted as Joint Lead Arrangers of the Galaxy Securitization. Allen & Overy LLP and White & Case advised on international legal matters and Zepos & Yannopoulos and PotamitisVekris on Greek law matters.



## **Notes to editors**

### **About Alpha 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.

### **About Davidson Kempner Capital Management LP**

Davidson Kempner Capital Management LP (“Davidson Kempner”) is a U.S.-registered global institutional investment management firm with more than 35 years of experience and a focus on fundamental investing with a multi-strategy approach. Davidson Kempner has over \$34 billion in assets under management with over 400 professionals in five offices, including New York, Philadelphia, London, Hong Kong and Dublin.

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