



Alpha Services and Holdings S.A. announces the completion of the Galaxy Transaction [22.6.2021]

Alpha Services and Holdings S.A. (the “Alpha Bank Group”), the 100% parent company of Alpha Bank S.A., announces the completion of the Galaxy Transaction, in accordance with the definitive agreement entered on 22.2.2021 with certain entities managed and advised by Davidson Kempner Capital Management LP (“**Davidson Kempner**”), in relation to:

- (a) the sale to Airmed Finance DAC of 80% of its loan servicing Subsidiary, Cepal Services and Holdings Single Member S.A. (“**New CEPAL**”), and
 - (b) the sale to Foxford Capital L5 DAC of 51% of the Mezzanine and Junior securitization notes of the Euro 10.8 billion¹ Non-Performing Exposures (NPEs) portfolio (the “**Galaxy Securitizations**”) (together with the sale of New CEPAL, the “**Transaction**” or “**Project Galaxy**”).
- The Enterprise Value for 100% of New CEPAL has been set at Euro 262 million, including a contingent element of Euro 11 million if the Transaction is on a levered basis.
 - Alpha Bank S.A., acting as arranger and finance party, and the European Bank for Reconstruction and Development (EBRD) have agreed to extend a Euro 105 million long-term syndicated facility to New CEPAL.
 - As a result of the above, the implied equity value of 80% of new CEPAL stands at Euro 120 million approximately, including the contingent element above, and represents the price for the sale of the respective shares. An amount of Euro 48 million will be paid within 18 months.
 - The Alpha Bank Group retains further upside through an earn-out of up to Euro 68 million linked to the achievement of certain targets.

SLA with New CEPAL

Upon the completion of the Transaction, Alpha Bank S.A. entered into an exclusive long-term servicing agreement (the “SLA”) with New CEPAL for the management of its existing Retail and Wholesale NPEs in Greece, as well as of any future flows of similar assets and early arrears. The term of the SLA, which includes market standard terms and conditions (including KPIs, indemnities, etc.), is 13 years with an option to extend.

¹ The amount of Euro 10.8 billion refers to the Gross Book Value as of the respective cut-off dates of the securitization perimeters.

Galaxy Notes

51% of the Mezzanine and Junior securitization notes were sold to an entity managed and advised by Davidson Kempner. As regards the remaining 49%, Alpha Bank S.A. will retain 5% of the Mezzanine and Junior securitization notes, to comply with risk retention rules, while Alpha Services and Holdings S.A. intends to distribute 44% of the remaining Mezzanine and Junior securitization notes to its Shareholders, subject to the pertinent regulatory and corporate approvals.

Transaction Impact

Upon completion of the Galaxy Transaction, the Alpha Bank Group will recognize a Net Loss estimated at Euro 2.1 billion approximately in its Profit and Loss Statement. The Alpha Bank Group's Equity of Euro 8.0 billion as of 31.3.2021 shall be reduced by an equivalent amount and stand at Euro 5.9 billion as of the same date.

The estimated impact is based on 31.3.2021 figures and assumptions for events after the same reference date, including the sale of 51% of the Galaxy Mezzanine and Junior securitization notes through the Transaction, leading to the derecognition of the Galaxy portfolio, the sale of 80% of New CEPAL shares through the Transaction, the valuation of the Senior, Mezzanine, Junior Notes and participating interests to be retained by the Alpha Bank Group and the transaction expenses.

Considering the relief on Risk-Weighted Assets (RWAs) following the completion of the Transaction, the respective reduction in the Alpha Bank Group's Capital Adequacy Ratio as of 31.3.2021 is estimated at 2.8% approximately.

Following a request by the Hellenic Capital Markets Commission, in the context of its regulatory authorities pursuant to the provisions of Law 3556/2007, and for the fullest information of investors, the following announcement is made with regard to Alpha Bank's plan towards a fully normalized asset quality profile

The completion of the Galaxy Transaction marks a significant milestone in our efforts to de-risk the Alpha Bank Group Balance Sheet and normalize asset quality levels.

Our strong capital buffers enable decisive steps towards asset quality normalization, while our forthcoming capital increase of up to Euro 0.8 billion will support Alpha Bank S.A.'s loan growth, maintaining a Total Capital Adequacy Ratio above our Management's target of 16.5%.

Our updated Business Plan announced on May 24, 2021 targets further NPEs deleveraging with a view to achieve a 7% Group NPEs Ratio in 2022 and 2% by the end of 2024. To enable such NPEs deleveraging, we have already engaged in preparatory actions for transactions with a Gross Book Value of more than Euro 8.0 billion, including securitizations supported by the Hellenic Asset Protection Scheme and outright portfolio sales, in Greece and in Cyprus. Our strong track record in NPEs deleveraging over the last few years underlines the credibility of our strategy to deliver on our targets.

Ahead of the new NPEs transactions, the Alpha Bank Group, in its condensed Financial Statements as of 31.3.2021, has accounted for impairment losses of Euro 0.3 billion, reflecting the probability of implementation of a sale scenario for loan portfolios included in the Business Plan, taking into account facts and circumstances that could possibly prevent the completion of a transaction or affect the process until the completion of a definitive agreement with investors. As the relevant projects mature and certain milestones and conditions precedent are met, the Alpha Bank Group may recognize further losses to fully account for the estimated cost of these transactions in 2021 and 2022.

Based on our current estimates, these initiatives, which have been included in the updated Business Plan of the Alpha Bank Group, imply additional expected credit losses on loans of up to Euro 1.0 billion approximately that will impact the Profit and Loss Statement and the Group's Equity and will result to a 1.0% reduction of the Capital Adequacy Ratio, taking into account the significant RWA relief of Euro 3.8 billion approximately as well as the internal capital generating initiatives described below.

With a view to strengthening the Alpha Bank Group Capital Adequacy Ratios, Alpha Bank S.A. has also initiated a series of capital accretive transactions, including the sale of the Subsidiaries in Albania and the UK, a joint venture in the Merchant Acquiring Business, the sale of real estate owned assets and a synthetic securitization of performing loans. The combined effect of such organic capital generation actions is expected to enhance the Total Capital Adequacy Ratio by 1.2% approximately.