

# Alpha Bank

## 2014 ECB Comprehensive Assessment Overview

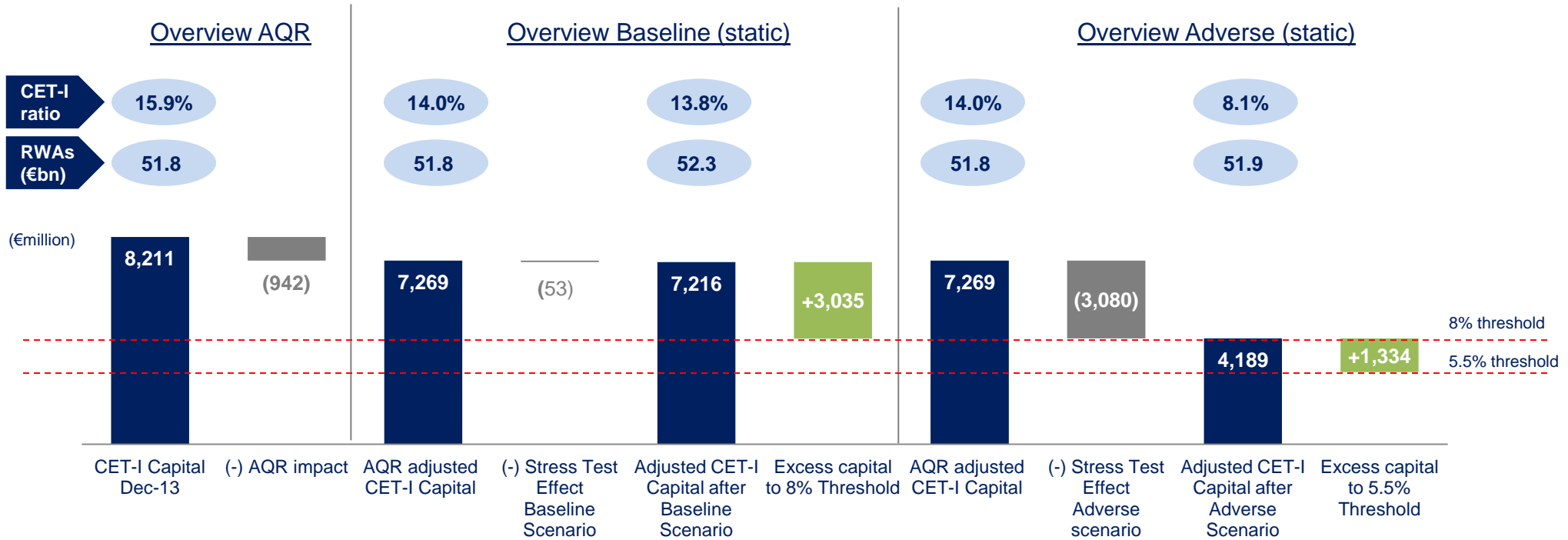
October 26, 2014

# Successful Completion of the Comprehensive Assessment under the Static Assumptions with Strong Capital Buffers

Alpha Bank Comprehensive Assessment results summary (static assumptions)

Scenario	Common Equity Tier I (CET-I) capital		Hurdle rates	Excess capital to threshold	
	%	€mn	%	%	€mn
Baseline	13.8%	7,216	8.0%	+5.8%	+3,035
Adverse	8.1%	4,189	5.5%	+2.6%	+1,334

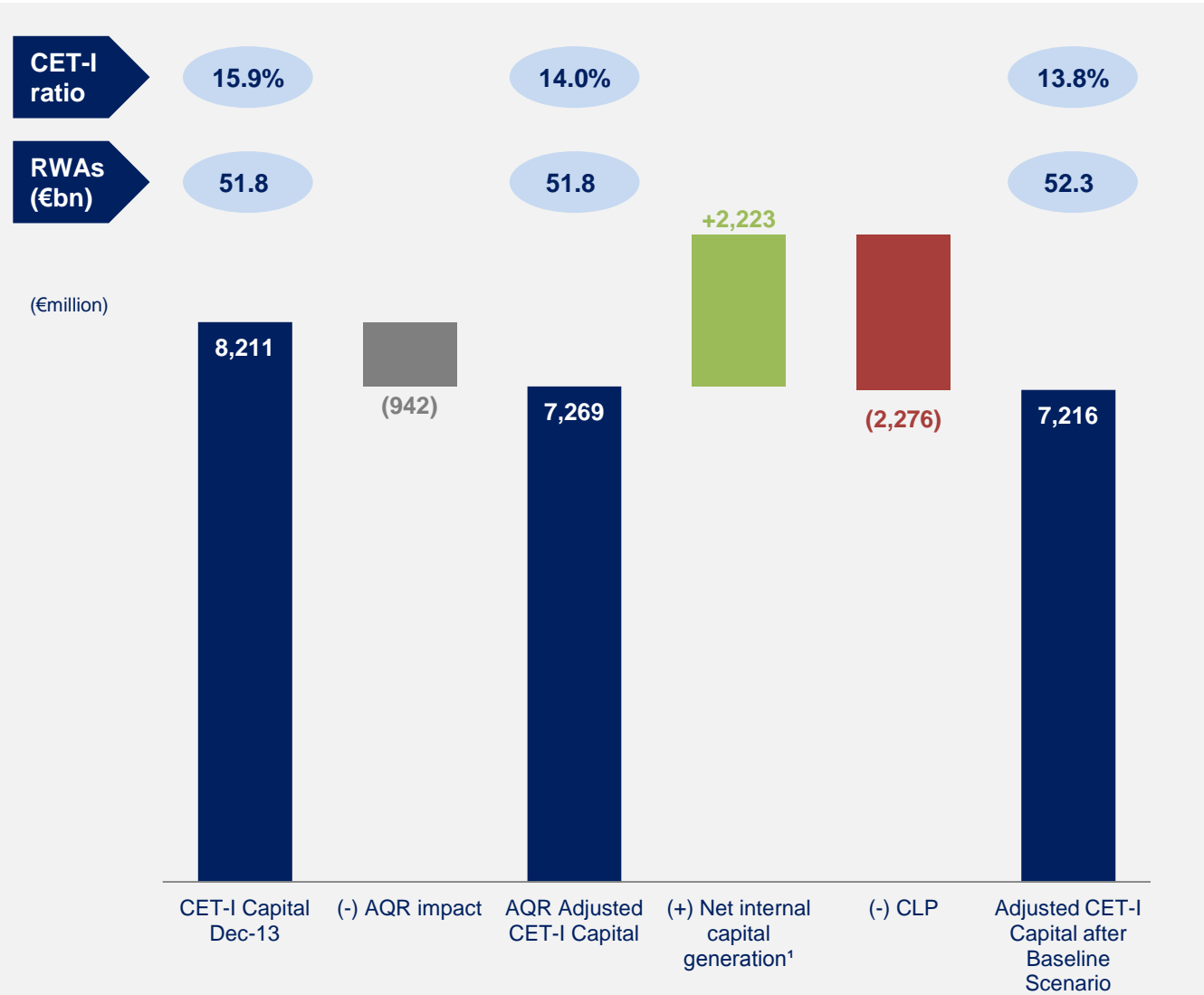
- ECB Comprehensive Assessment producing excess capital of €1.3bn to €3.0bn as of Dec-13, before further €1.4bn actions year-to-date
- The Comprehensive Assessment is composed of the sum of:
  - AQR impact
  - Stress Test (ST) impact (including impact of Join Up with AQR)
- Asset Quality Review has low impact on capital levels with c.180bps impact on CET-I ratio



Note: Reported Dec-13 CET-I and RWA (starting point) based on ECB, Basel 3 adjusted, figures used in the Comprehensive Assessment

# The Static Baseline Analysis leaves Alpha Bank with a resulting 13.8% CET-I ratio

## Baseline scenario analysis (static assumptions)

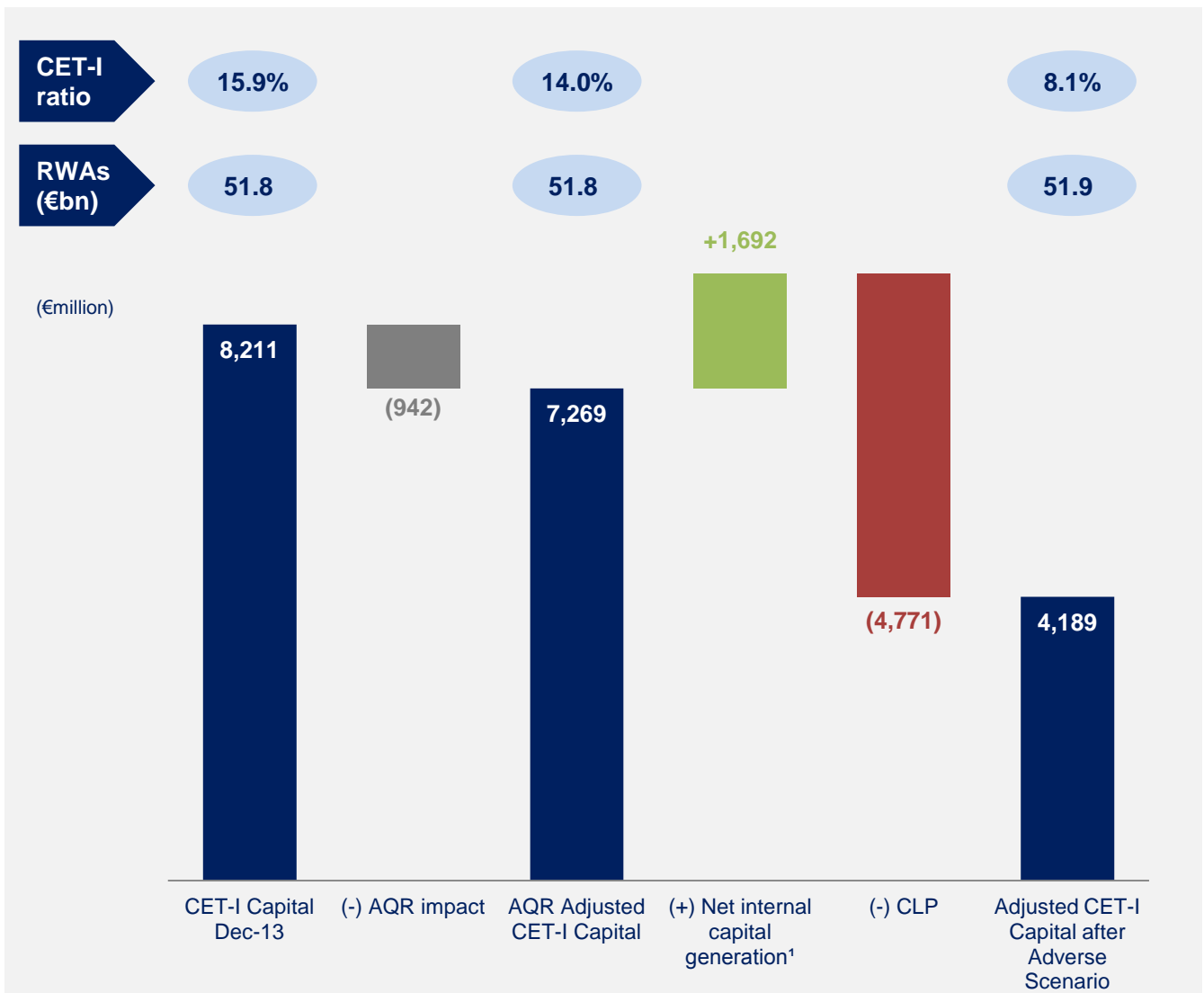


- Strong 13.8% Common Equity Tier I ratio assuming a static baseline analysis
- Overall impact limited to the negative AQR impact with capital generation off-setting the expected credit losses
- Common Equity Tier I capital post AQR, Stress Test (including join-up impact with AQR) still ahead north of €7 billion
- Alpha Bank's capital structure is characterized by:
  - High share of tangible equity as a percentage of total capital base
  - Low leverage
  - Conservative allocation of capital for Credit RWA due to standardized approach
  - Immaterial amount of minority interests and low intangibles
  - Effectively no insurance risk

Note: AQR impact is post tax, ST includes Join Up impact with AQR; <sup>1</sup> Includes PPI 2014-2016 of €3,000mn and other measures (AFS revaluation impact, DTA)  
Note2: Reported Dec-13 CET-I and RWA (starting point) based on ECB, Basel 3 adjusted, figures used in the Comprehensive Assessment

# While the Static Adverse Scenario Analysis results in a pro-forma 8.1% CET-I ratio, still well above the ECB 5.5% Hurdle Rate by a Comfortable Margin

## Adverse scenario analysis (static assumptions)



- Common Equity Tier I ratio in the static adverse scenario at 8.1% against the 5.5% threshold, even before any capital actions apart from internal capital generation after Dec-13 are included
- With conservative assumptions on internal capital generation and credit losses, Alpha Bank still manages to pass the 5.5% hurdle rate for adverse scenario with a comfortable margin
- Ultimate Common Equity Tier I capital exceeds, after conservative adverse scenario assumptions, €4 billion

Note: AQR impact is post tax, ST includes Join Up impact with AQR; <sup>1</sup> Includes PPI 2014-2016 of €2,366mn and other measures (AFS revaluation impact, DTA)  
Note2: Reported Dec-13 CET-I and RWA (starting point) based on ECB, Basel 3 adjusted, figures used in the Comprehensive Assessment

# Overall Alpha Bank Successfully Completes Comprehensive Assessment with Significant Buffers in both Static and Dynamic Assumptions

## Alpha Bank Comprehensive Assessment results summary

€ million	Reported Dec-13	Static		Dynamic	
		Baseline Dec-16	Adverse Dec-16	Baseline Dec-15 <sup>(1)</sup>	Adverse Dec-16
CET-I	8,211	7,216	4,189	7,694	5,013
RWA	51,754	52,261	51,918	57,764	59,316
<b>CET-I ratio</b>	<b>15.9%</b>	<b>13.8%</b>	<b>8.1%</b>	<b>13.3%</b>	<b>8.5%</b>
Hurdle rates		8.0%	5.5%	8.0%	5.5%
<b>Excess capital</b>		<b>+3,035</b>	<b>+1,334</b>	<b>+3,073</b>	<b>+1,750</b>


Note: Reported Dec-13 CET-I and RWA (starting point) based on ECB, Basel 3 adjusted, figures used in the Comprehensive Assessment

<sup>(1)</sup> as final outcome is considered the lowest capital level over the 3-year period i.e. 31/12/2015

- Results include cumulative impact of:
  - Results of the Asset Quality Review (AQR)
  - Stress Test (ST) impact (including impact of Join Up with AQR)
- Under the static assumptions, Alpha Bank has a pro forma CET-I ratio of 13.8% implying excess capital of €3,035mn as per the baseline scenario and pro forma CET-I ratio of 8.1% implying excess capital of €1,334mn as per the adverse scenario

# Static Assumptions do not include Number of Developments with Direct Capital Impact on Alpha Bank incurred during 6M'14

Description of developments with direct capital impact realized post December 31, 2013

	€ million
<b>Additional buffer from actions completed during 6M'14 and not included in the Comprehensive Assessment</b>	<b>+1,443</b>
	
<b>Capital increase and repayment as capital surplus</b>	<b>+260</b>
Capital increase	+1,200
Preference shares repayment	(940)
<b>New DTA recognition and DTA to tax credit conversion as capital buffers</b>	<b>+1,060</b>
New DTA recognition in 6M'14	+420
Transformation of DTA to tax credit <sup>1</sup>	+640
<b>6M'14 PPI over-performance vs. stress test<sup>2</sup></b>	<b>+123</b>

- Static ECB Comprehensive Assessment assumptions do not include number of developments already realised by Alpha Bank during the 6M'14
- These developments include
  - The net capital increase and preference share repayment impact
  - New DTA recognition in H1'14
  - DTA to tax credit conversion
  - Outperformance during 6M'14 vs. Stress test assumptions
- Overall positive impact exceeds €1.4 billion above and beyond any static capital buffer of the Comprehensive Assessment

<sup>1</sup> Based on law 4302/2014

<sup>2</sup> Based on €578mn realized PPI during H1'14 and €910mn FY'14 static assumptions adverse scenario PPI (€455mn assumed in H1'14 for illustrative purposes)

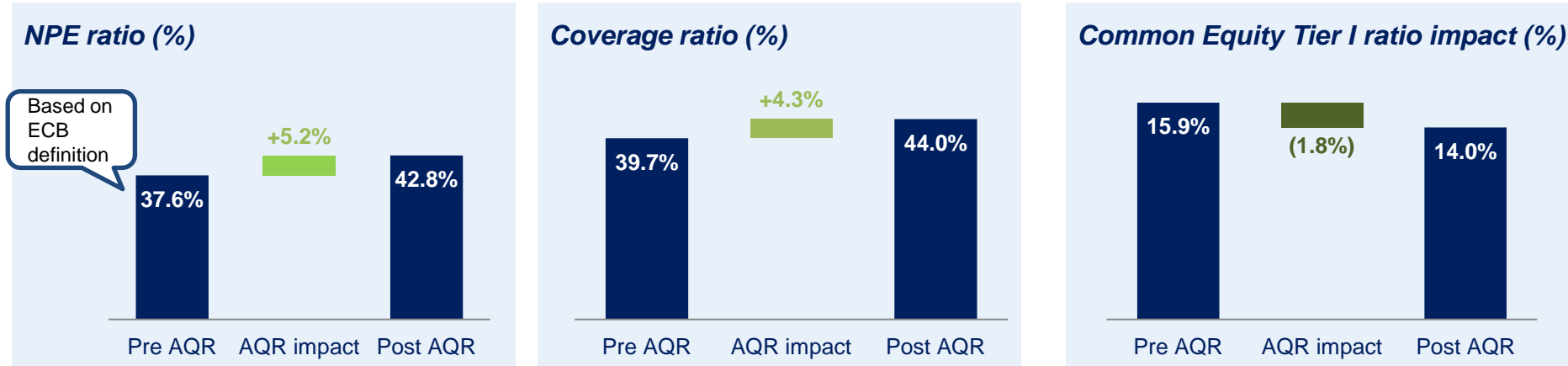
## AQR adjustments summary

	NPE ratio <sup>1</sup>		
	Pre AQR	AQR impact	Post AQR
<b>Corporate exposures</b>	<b>35.0%</b>	<b>+8.5%</b>	<b>43.5%</b>
<b>Retail exposures</b>	<b>40.5%</b>	<b>+1.4%</b>	<b>41.9%</b>
<i>o.w. Residential Real Estate exposures</i>	32.0%	+1.8%	33.9%
<b>Total</b>	<b>37.6%</b>	<b>+5.2%</b>	<b>42.8%</b>
	Coverage ratio		
	Pre AQR	AQR impact	Post AQR
<b>Corporate exposures</b>	<b>46.4%</b>	<b>+4.5%</b>	<b>50.9%</b>
<b>Retail exposures</b>	<b>33.4%</b>	<b>+4.0%</b>	<b>37.4%</b>
<i>o.w. Residential Real Estate exposures</i>	22.4%	+6.6%	29.0%
<b>Total</b>	<b>39.7%</b>	<b>+4.3%</b>	<b>44.0%</b>

<sup>1</sup> Based on the ECB AQR perimeter

## Alpha Bank Asset Quality Review (AQR) impact

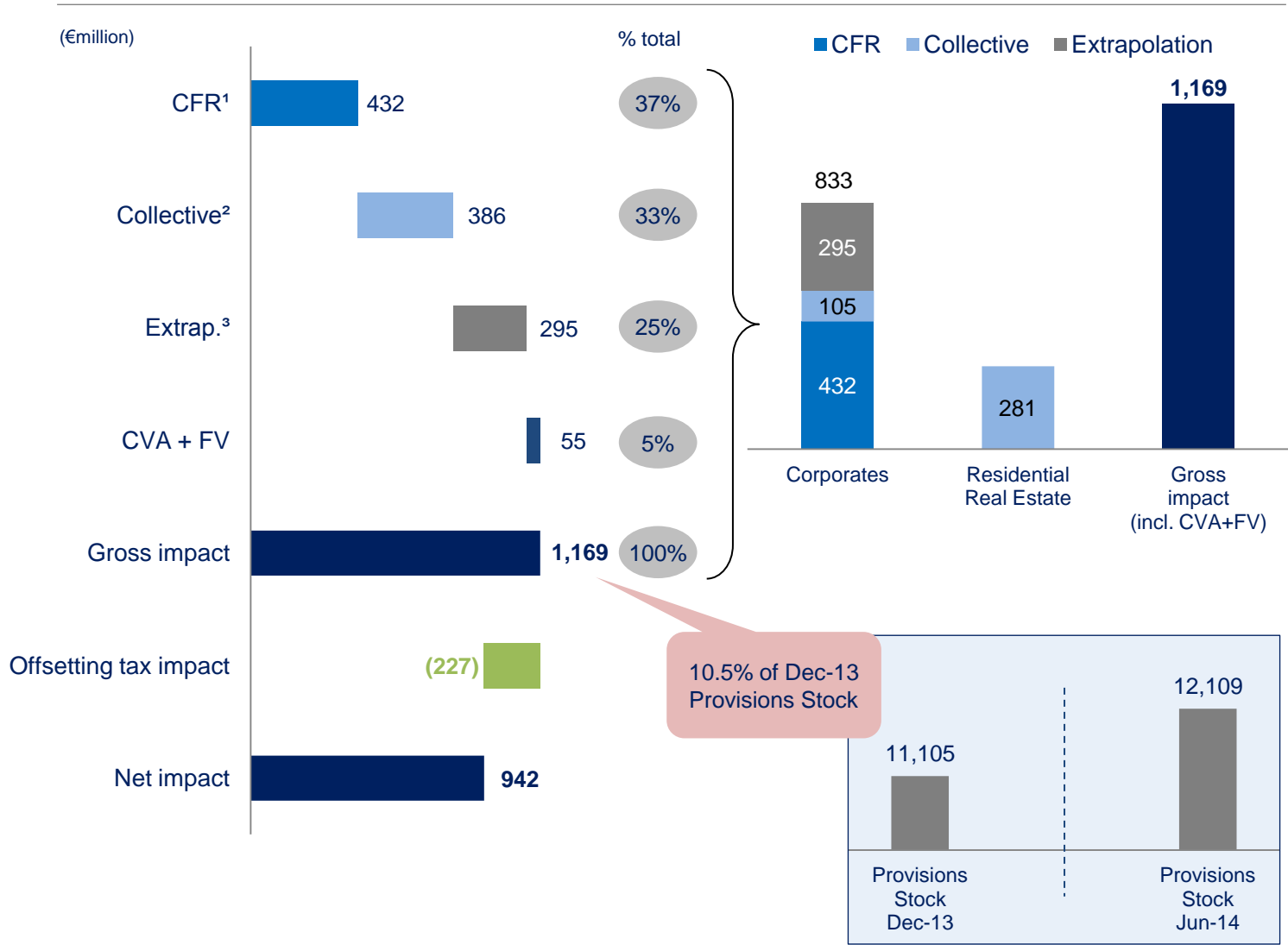
- Asset Quality Review resulted in limited adjustments to the Alpha Bank pre AQR figures
- The NPE ratio, increased from 37.6% to 42.8%, while coverage on the AQR adjusted NPEs increased from 39.7% to 44.0%, based on the ECB AQR perimeter
- Nearly 35% of the total AQR impact from extrapolation method
- Across segments coverage ratio increased c.4.5% on corporate exposures and c.6.6% on residential real estate exposures



Note: Coverage ratios displayed cover only the exposure that was marked as non-performing pre-AQR. Therefore exposures that were newly reclassified to NPE during the AQR are NOT included in the calculation

# Ultimately the AQR adjustments had a 1.8% impact to the pre AQR CET I ratio

AQR adjustments breakdown by source and by type



- Adjustments to NPEs and provisions confirmed consistent asset quality practices of Alpha Bank
- Largest bucket of provisions from credit file reviews (sample reviews) representing 37% of total gross impact
- Credit file reviews and CFR extrapolation on unsampled portfolios mainly stemming from corporate exposures
- Even under the conservative AQR assumptions, the €1.2bn provision adjustments brings limited impact to the static Common Equity Tier I ratio

<sup>1</sup> CFR (Credit File Review); <sup>2</sup> Challenger Model recalibration; <sup>3</sup> CFR extrapolation on unsampled portfolios



## Appendix

EBA macroeconomic assumptions

Macroeconomic Factors in %	Baseline			Adverse		
	2014	2015	2016	2014	2015	2016
Real GDP growth	0.6	2.9	3.7	-1.6	-0.6	1.2
Inflation	-0.6	0.2	1.1	-1.0	-0.9	-0.7
Unemployment ratio	26.0	24.0	19.5	26.5	25.3	21.6
Residential Property Price	-7.7	-3.7	-1.2	-11.1	-9.9	-7.9
Commercial Property Price	-3.7	-0.8	0.6	-5.9	-4.5	-3.5