Greek banks at an inflection point

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The impact of the crisis

BRIEF MACROECONOMIC OVERVIEW

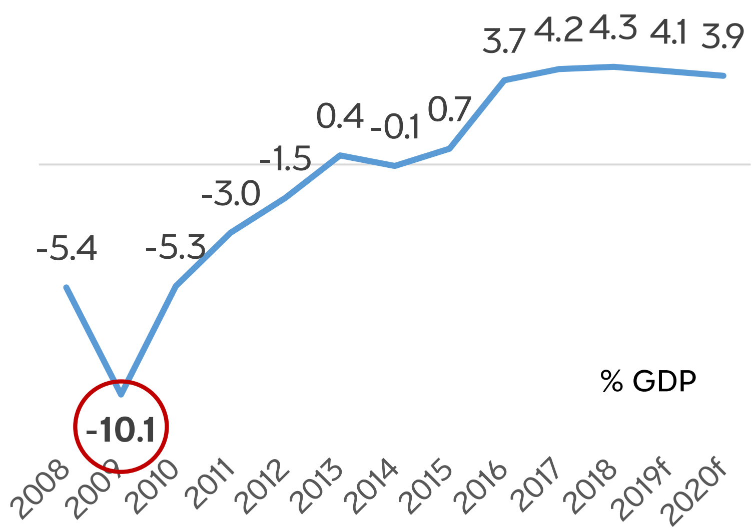
Severe economic repercussions

Real GDP drops by 26.5% (2007-2013) - € bn

Source: AMECO

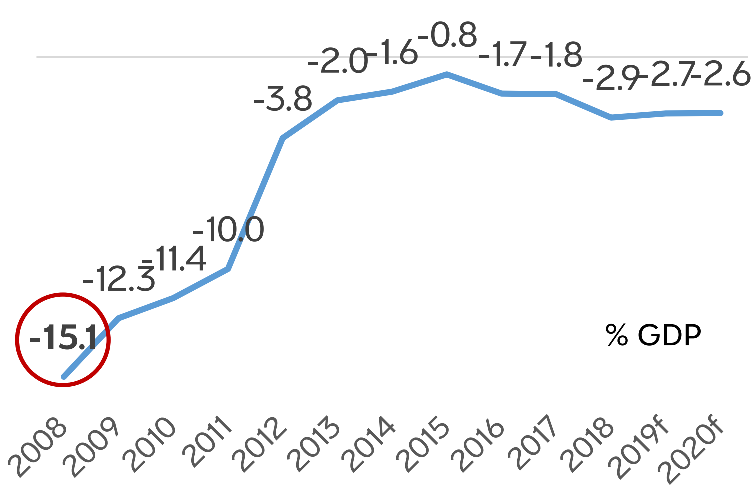
Fiscal and C/A imbalances corrected

Fiscal primary balance turns to surplus



Source: AMECO

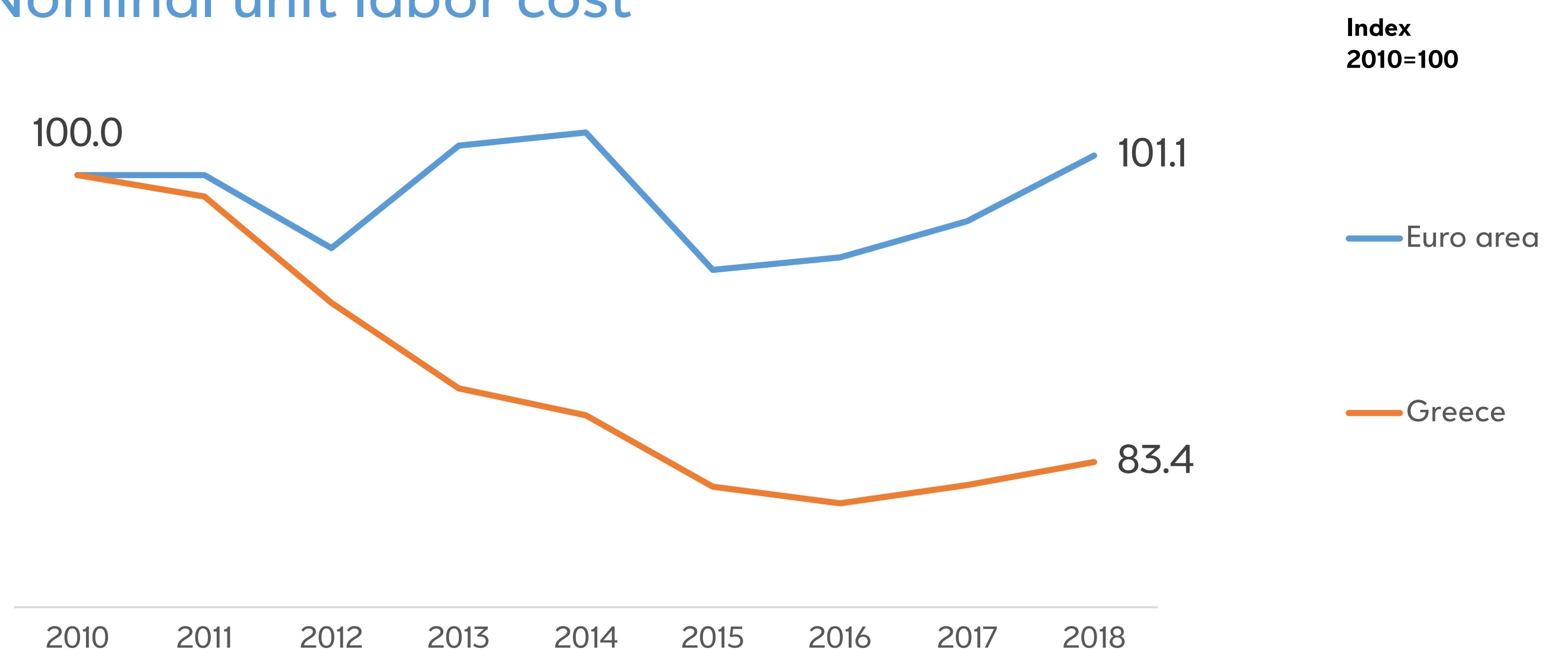
C/A deficit virtually eliminated



Source: AMECO

Competitiveness improving

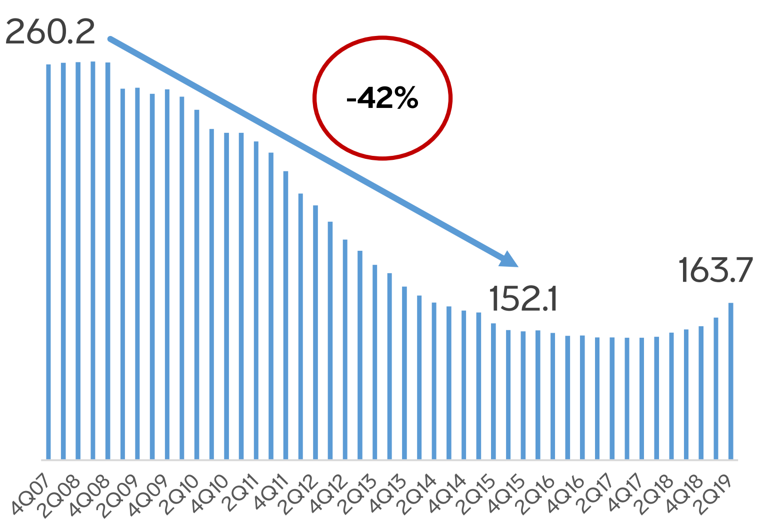
Nominal unit labor cost



Source: AMECO

Asset prices collapsed but now on recovery trend

Residential Real Estate Price Index



Source: BoG

ATHEX Composite Price Index

Source: Bloomberg

Greek benchmark yields narrow significantly

Greek 10yr bond yields jump on fears of Grexit

Source: Bloomberg

Main challenges for ongoing economic growth

- Remain true to fiscal commitments while negotiating lower primary surpluses
- Make Greece a more attractive investment destination, aligning the growth model to rely on exports, FDIs and investment
- Continue with the Privatization commercialization of State assets
- Continue with and accelerate public administrative reforms
- Restore confidence in the banking system
- Improve policy credibility lowering Greek risk premium

Greek Banking: Liquidity

DEPOSIT FLOWS

DELEVERAGING

EUROSYSTEM DEPENDENCY

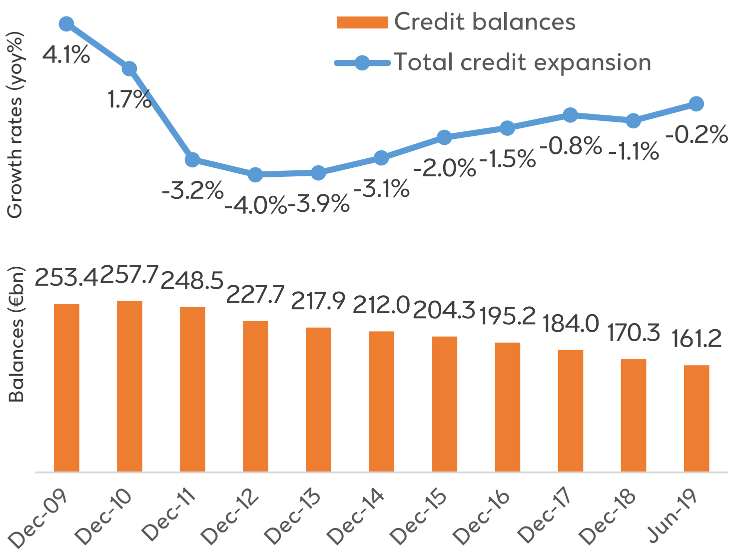
Liquidity squeeze triggered by Grexit concerns

Deposits gradually return after unprecedented flight

Source: BoG

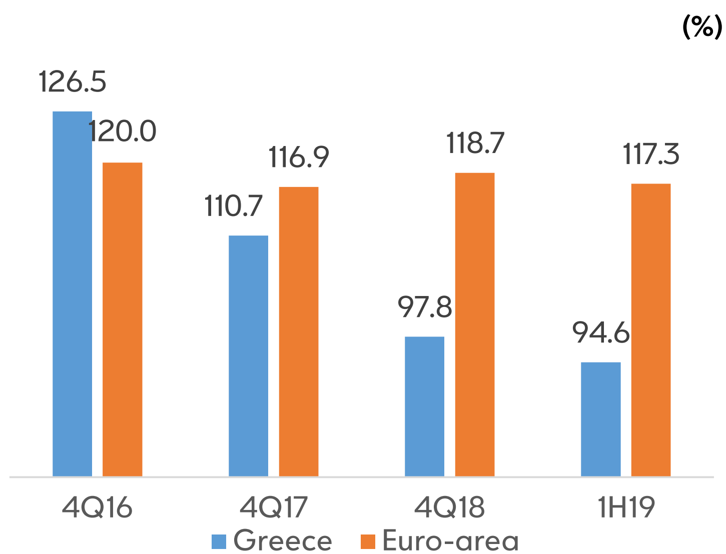
Deleveraging slows and Eurosystem support normalizes

Banks deleverage albeit at declining rate



Source: BoG

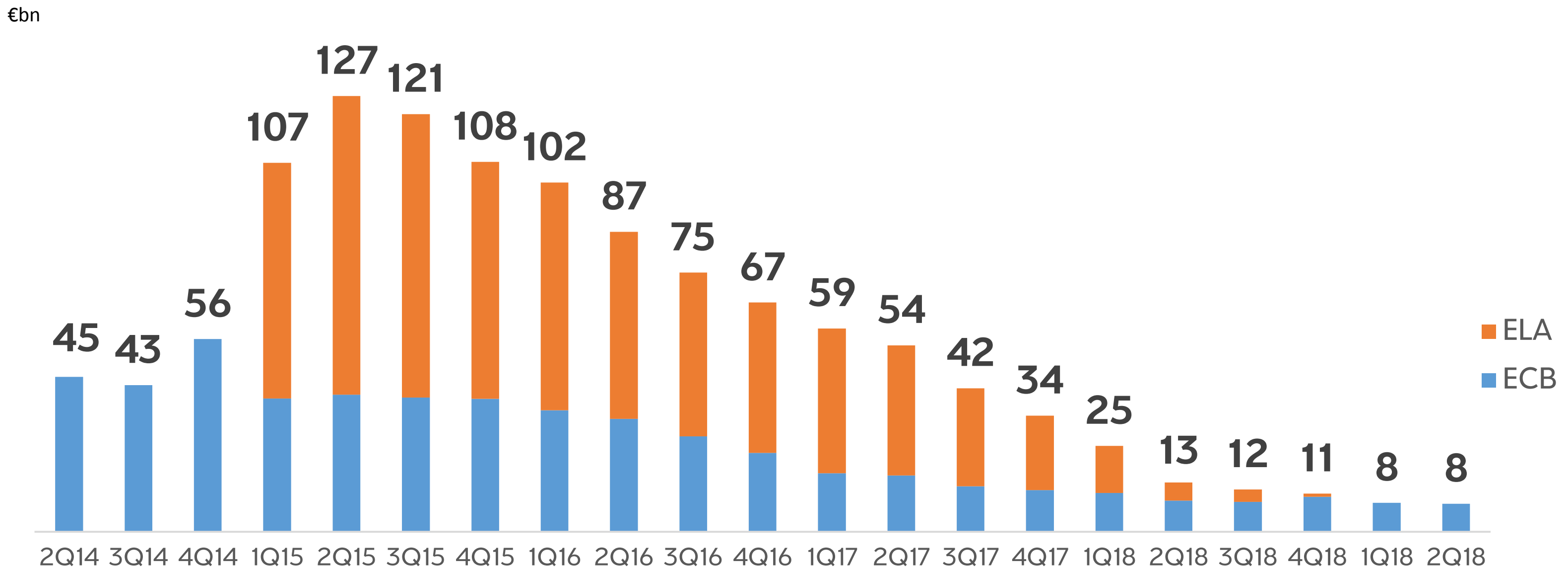
Loans-to-deposits ratio well below 100%



Source: ECB

Eurosystem support diminishes

ELA reached zero for the entire sector



Source: BoG

Liquidity at an improving trend

Main drivers

- Deleveraging
- Return of deposits
- Interbank
- Capital raisings
- Sale of assets
- Covered bond and Tier II issuances

Declining trend still there

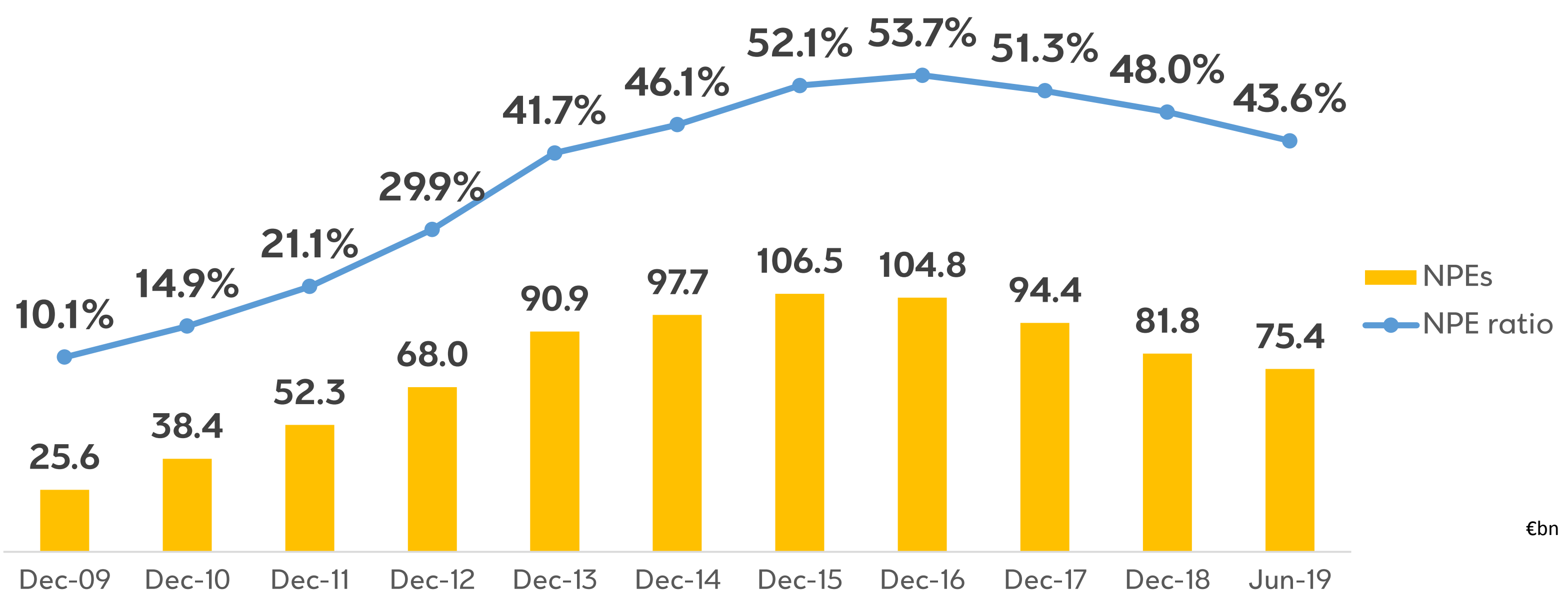
- ELA exposure at zero
- Deposits return still
- Deleveraging continues albeit at slower pace
- Further Tier II issues probable

Greek Banking: Asset Quality

- NPE EVOLUTION
- BANKS' TARGETS TO REDUCE NPE BALANCES
- SECTOR-WIDE INITIATIVES

Asset quality deteriorates…

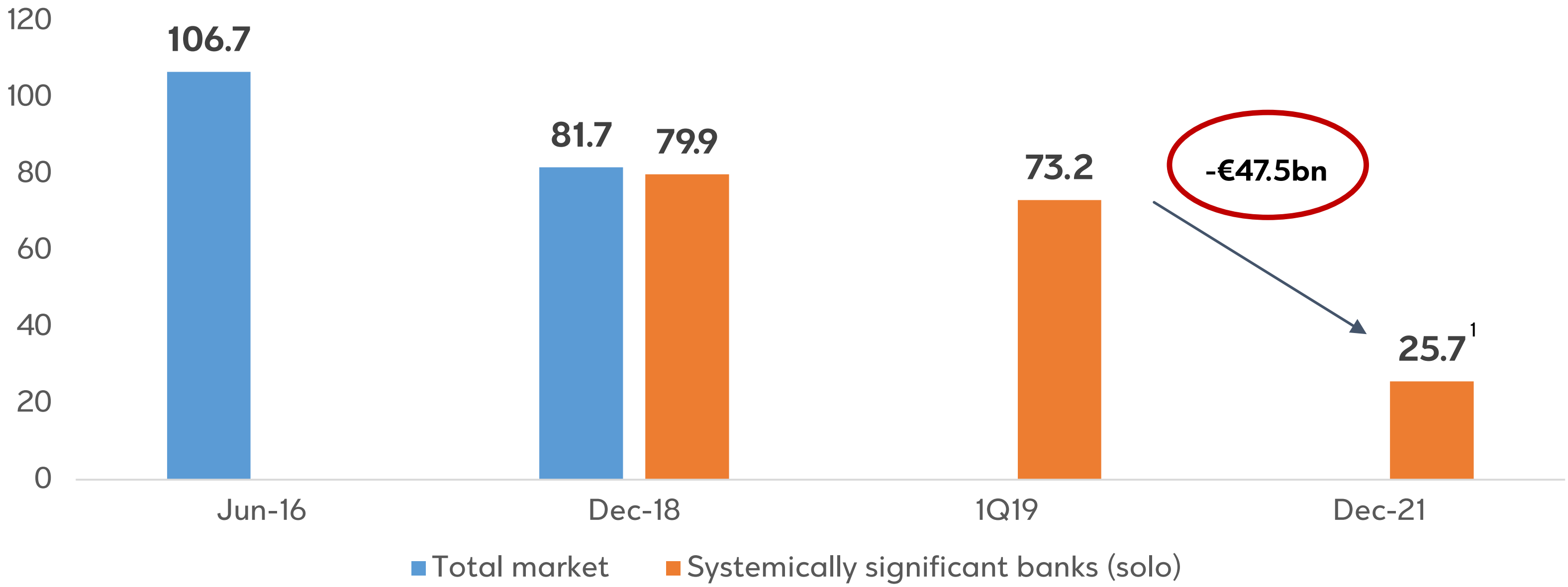
NPEs explode to more than 50% of the loan book



Source: BoG

… but banks vow to reduce NPEs by €47.5bn by 2021

Significant banks to reduce NPEs to c. €25bn by 2021



Source: BoG, Greek significant banks' reports

1. Based on significant banks' FY18 and 1Q19 reporting. Includes Euriobank's accelerated NPE reduction plan

“Hercules”: a plan to relieve banks’ B/S from the NPE burden

Asset Protection Scheme (APS) not considered State Aid

- “Hercules” is designed to assist banks in securitising and moving non-performing loans off their balance sheets.
- Greek State will be remunerated in line with market conditions for the risk it will assume by granting a guarantee on securitised non-performing loans.
- Under the scheme, an individually managed, private securitisation vehicle will buy non-performing loans from the bank and sell notes to investors.
- The State will provide a public guarantee for the senior, less risky notes of the securitisation vehicle. In exchange, the State will receive a remuneration at market terms.
- The objective is to attract a wide range of investors and to support the banks in their ongoing efforts to reduce the amount of non-performing loans on their balance sheets.

Greek Banks: Capital

- BANKS WENT THROUGH THREE CYCLES OF RECAPITALIZATION
- LATEST STRESS TEST (2018) DID NOT LEAD TO FURTHER CAPITAL RAISINGS
- GREEK BANKS APPEAR ADEQUATELY CAPITALIZED CURRENTLY

Banks recapitalize three times…

- **Dec 2012** — **1st stress test** (by BoG)
- **Apr 2013** — **1st recapitalization**
- **Mar 2014** — **2nd stress test** (by BoG)
- **Apr 2014** — **2nd recapitalization**
- **Oct 2014** — **3rd stress test** (by ECB)
- **Oct 2015** — **4th stress test** (by SSM)
- **Nov-Dec 2015** — **3rd recapitalization**

1st Recapitalization

- Piraeus Bank: € 8.4bn
- National Bank: € 9.8bn
- Alpha Bank : € 4.6bn
- Eurobank : € 5.8bn

2nd Recapitalization

- Piraeus Bank: € 1.8bn
- National Bank: € 2.5bn
- Alpha Bank : € 1.2bn
- Eurobank : € 2.8bn

3rd Recapitalization

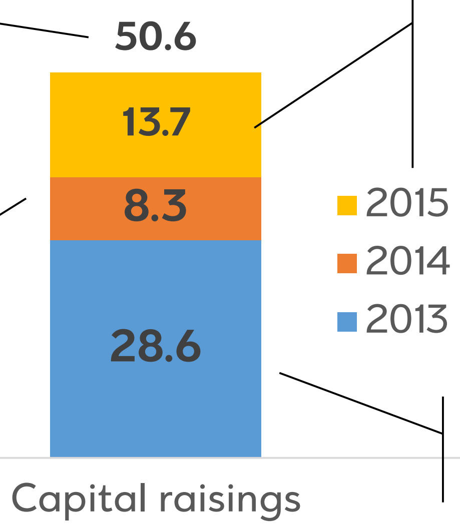
- Piraeus Bank: € 4.6bn
- National Bank: € 4.5bn
- Alpha Bank: € 2.6bn
- Eurobank : € 2.0bn

€ 64bn from private and State sources

Capital raisings of the 4 Greek Significant banks

Incl. non-core banks of the first recap , total capital raised stood at: **€64bn**

HFSF contribution: € 5.4bn
o/w:
Common shares: € 1.4bn
CoCos: € 4.1bn (o/w € 2.0bn repaid)



No HFSF contribution

HFSF contribution: € 22.5bn
(shares with special voting rights)

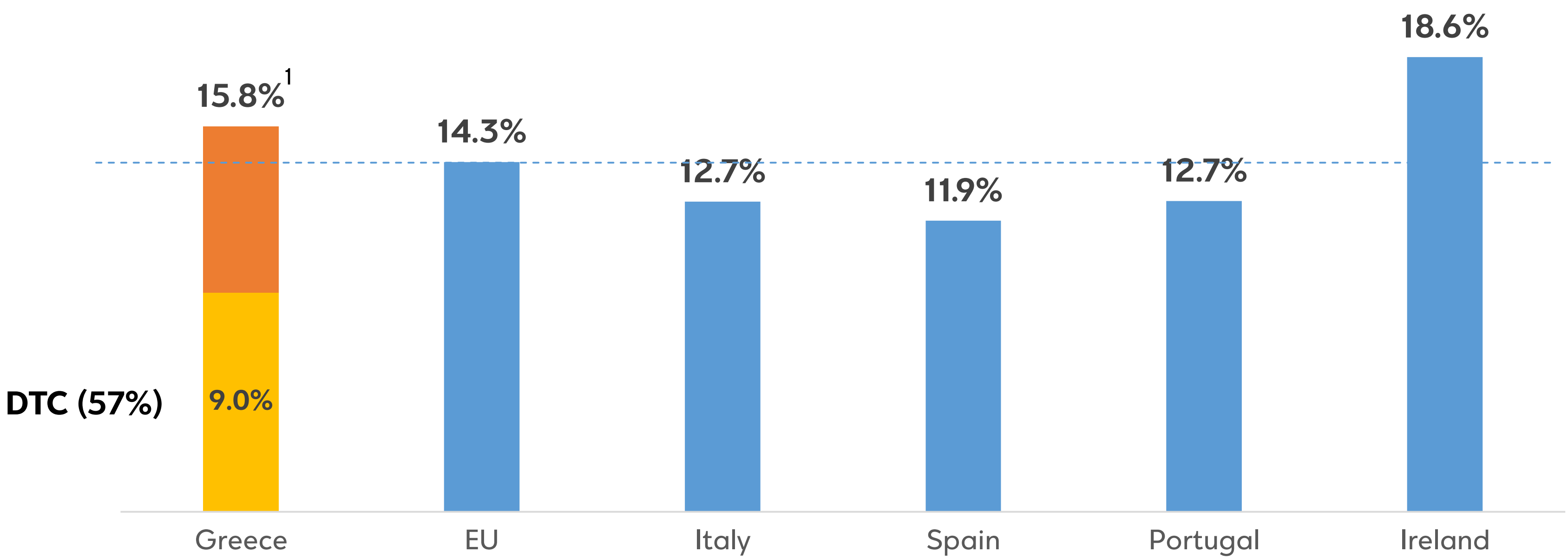
5th stress test doesn't lead to capital increases

Greek banks pass, even under the adverse scenario

Stress test 2018 results				
Bank	CET1 ratios starting level (end-2017, IFRS restated figures)	Estimated 2020 CET1 ratio under baseline scenario	Estimated 2020 CET1 ratio under adverse scenario	Capital depletion under adverse scenario
Alpha Bank	18.25%	20.37%	9.69%	-8.56pps
Eurobank	17.93%	16.56%	6.75%	-8.68pps
NBG	16.48%	15.99%	6.92%	-9.56pps
Piraeus Bank	14.85%	14.52%	5.90%	-8.95pps

Greek banks adequately capitalized

CET1 ratio 100bps above EU average – asset quality a concern



Source: ECB, Greek significant banks' reporting

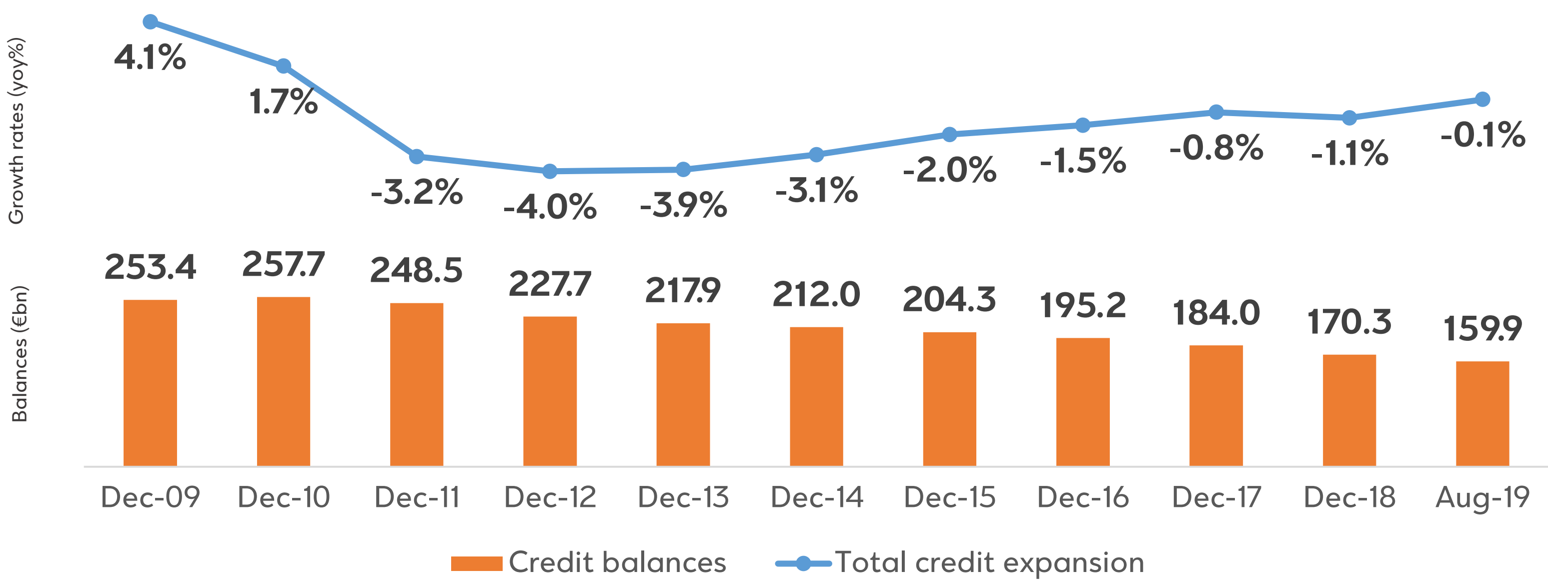
1. ECB provides a number of 15.3% - however the Greek banks reporting derives the number depicted above

Greek Banking: Profitability

- DELEVERAGING
- BANKS' TARGETS TO REDUCE NPE BALANCES
- SECTOR-WIDE INITIATIVES

Credit to private sector contracts

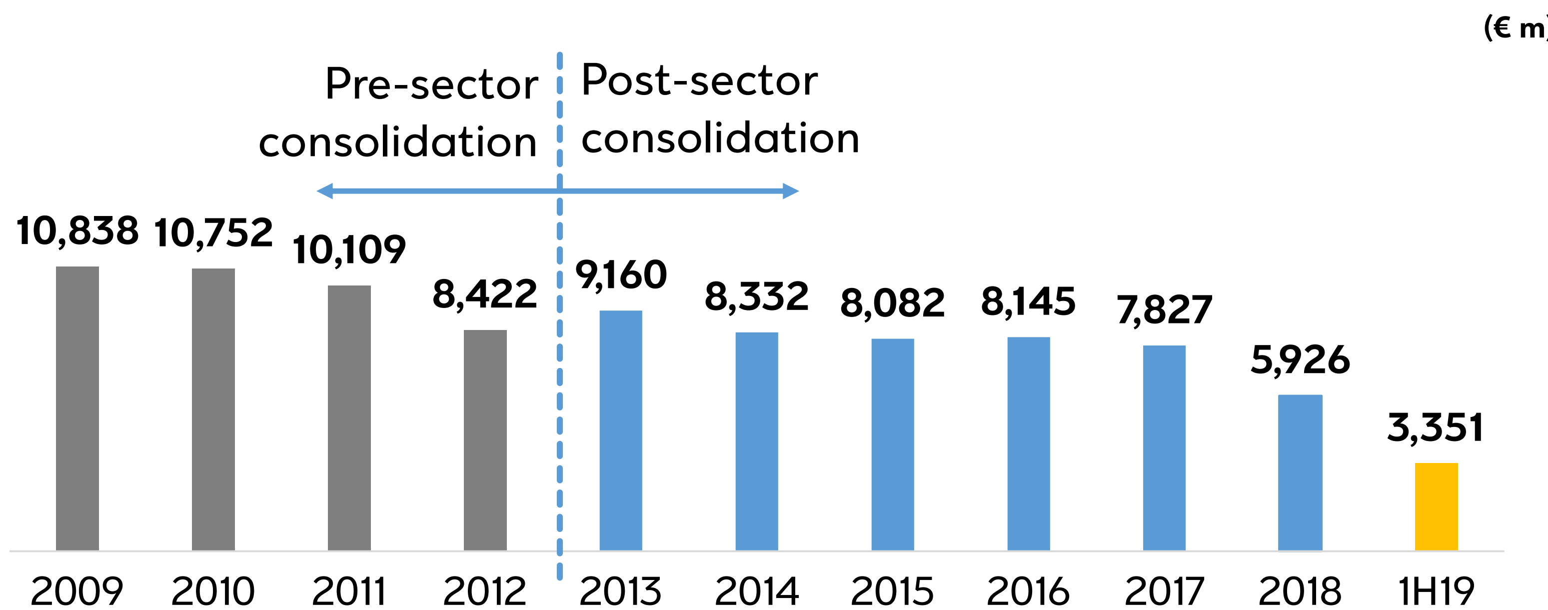
Diminishing balances as a result of reduced demand and write-offs; However, rate of decline decelerates



Source: BoG

Core income stagnant

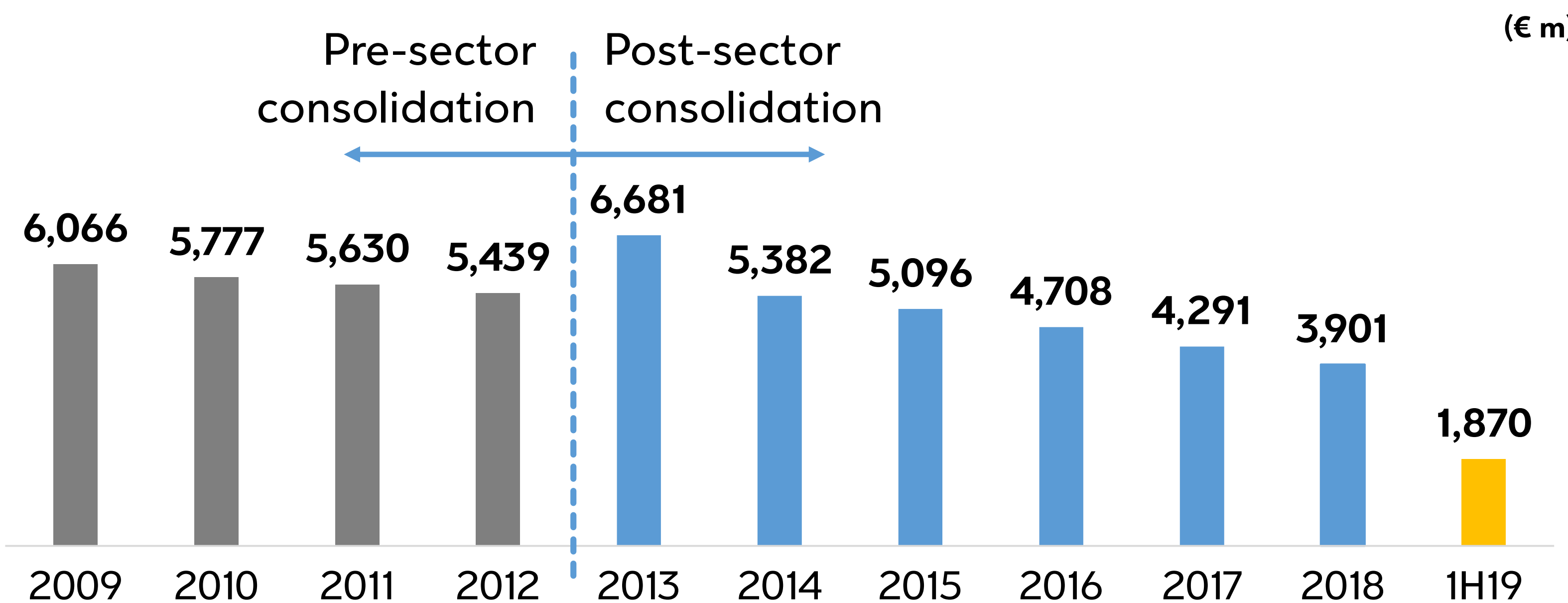
Significant banks' core income suffers from deleveraging, NPE management



Source: Significant banks' reporting

Operating expenses decline

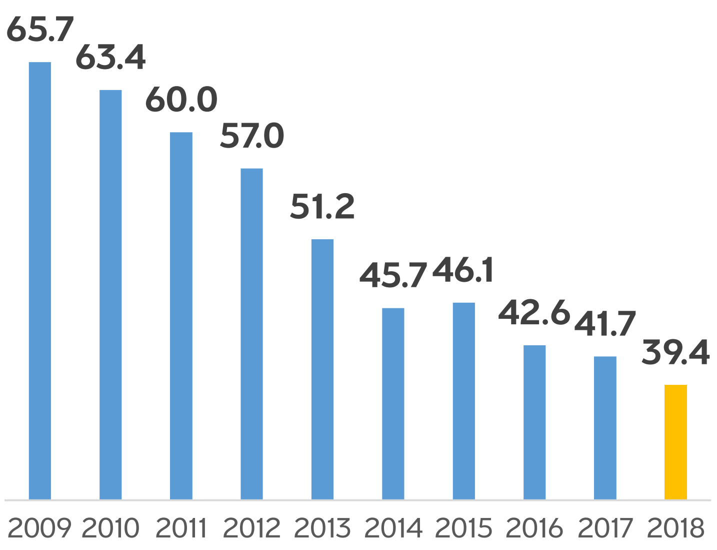
Significant banks respond to weakening revenues by reducing costs



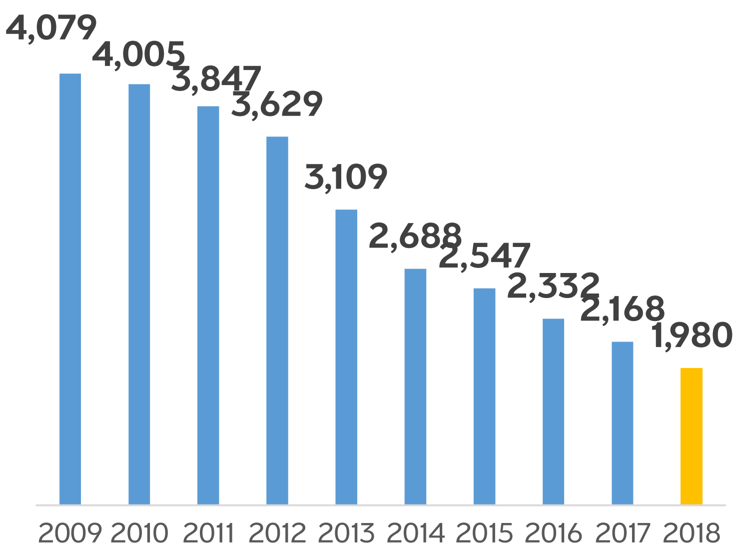
Source: Significant banks' reporting

Employees and network downsize

Employee evolution ('000)



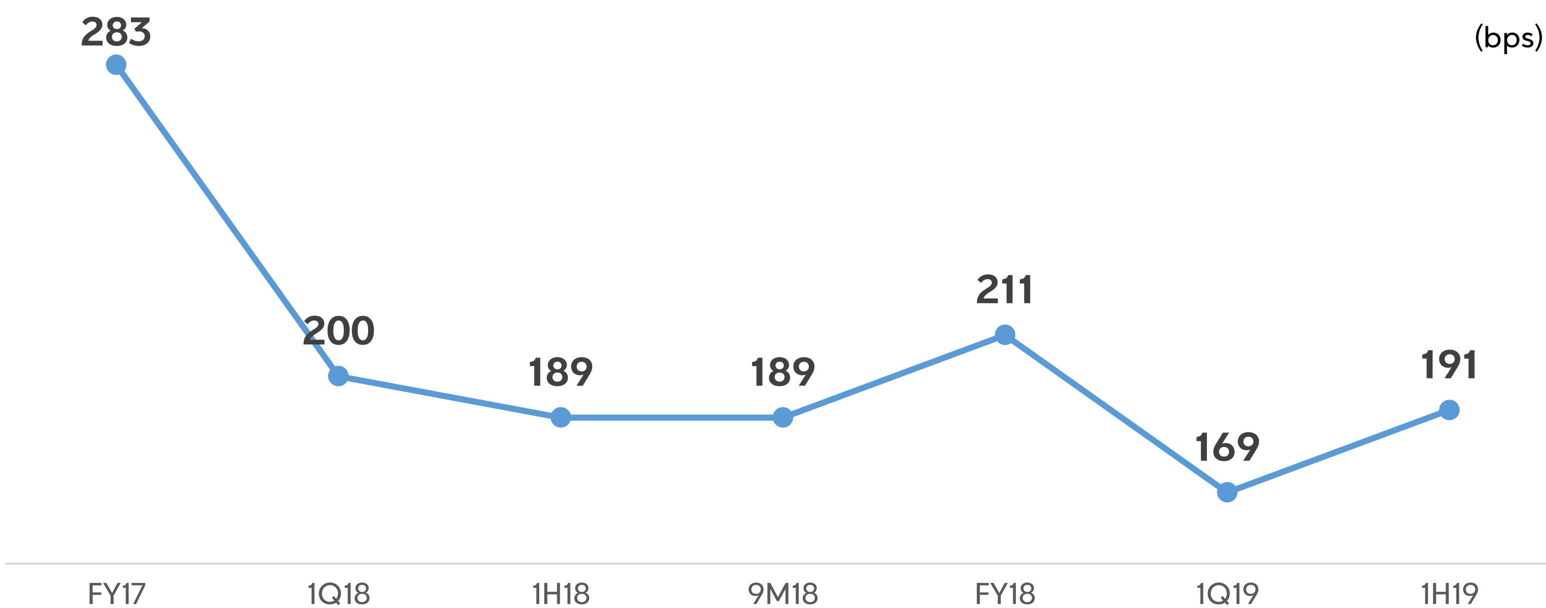
Branch network evolution



Source: BoG

Cost of Risk (CoR) declines as NPE flows stabilize

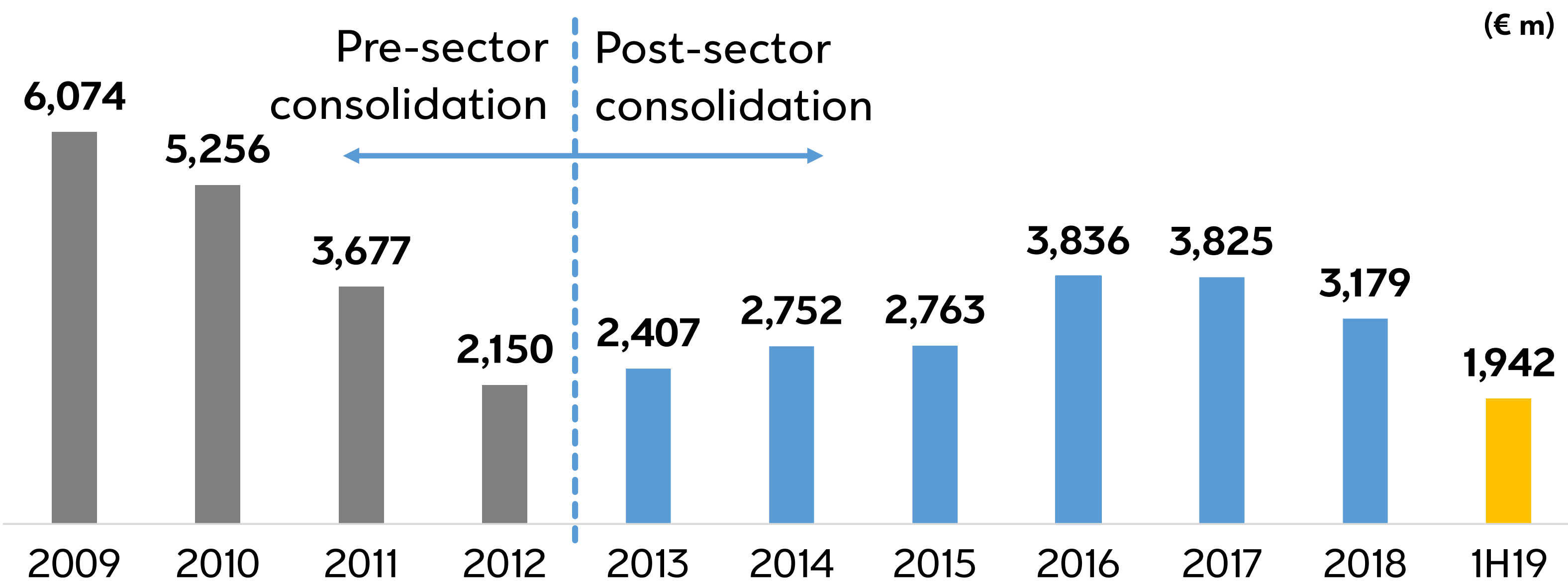
Despite the decline to below 200bps, CoR[1] shows resilience



Source: Significant banks' reporting, own calculations
1. Defined as loan loss provisions over average net loans

Pre-provision Income stagnant

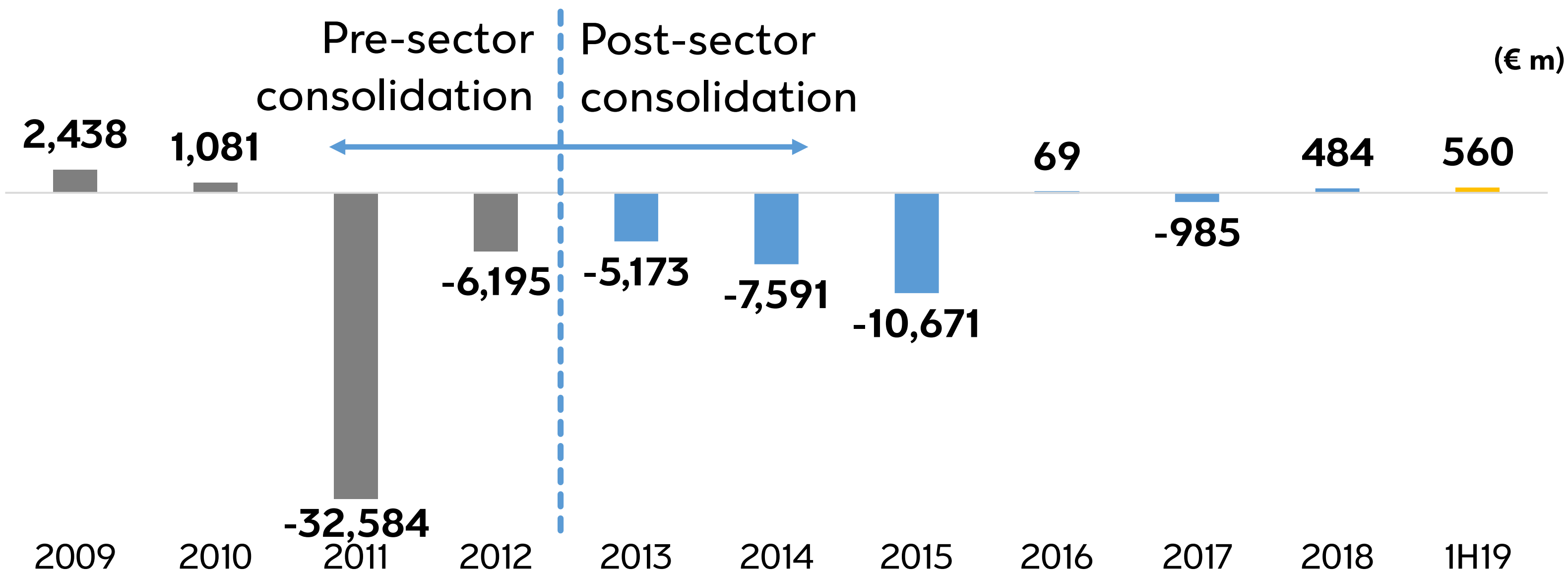
Despite OpEx and CoR reduction, PPI remains close to 2016 and 2017 levels



Source: Significant banks' reporting, own calculations

Pre-tax earnings pick-up

Slight rise in income coupled with OpEx and CoR containment leads to an increase in EBT



Source: Significant banks' reporting, own calculations

Disruptive Technology

- NEW TECHNOLOGIES CHALLENGE TRADITIONAL OPERATING MODEL
- NEW CHANNELS, PRODUCTS AND CUSTOMER EXPERIENCE

Digital banking here to stay

Disruptive technologies create a new competitive environment

- New regulation (PSD2) allows disrupting FinTech to invade the banking space
- Banks respond with large-scale investment to mitigate the threat
- Customer preferences change:
  - Mobile banking number of transactions up 2,096% since 2014
  - E-banking number of transactions up 161% since 2014
- Only 20% of cash transactions go through the branch vs. 40% in 2014
- 39% of cash transactions are done electronically (e or m) vs. only 19% in 2014
- Ironically, capital controls accelerated the use of electronic channels – especially among older age groups

Main challenges for Greek banks

- Improve asset and capital quality (NPEs & DTA) via various initiatives
- Restore credit ratings and tap unsecured bond market
- Utilize improving liquidity to support the growth of the Greek economy
- Reverse deleveraging trend and boost profitability
- Address new competitive environment

Summing up

Today we touched upon:

1. The impact of the crisis on the banking sector
2. The state in which the sector is today
3. The main challenges and opportunities for Greek banks going forward

THANK YOU FOR YOUR ATTENTION