



## Piraeus Bank 2020 Strategy Update: The Next Phase of Development

### Performance: Strong Progress in 2019

- Net Interest Income +2% yoy
- Net Fee Income +9% yoy on recurring basis
- Recurring Operating Expenses -5% yoy
- Recurring Core Pre Provision Income +16% yoy
- Loan disbursements of €4.1bn in FY.2019 exceeding initial target
- 17th consecutive quarter of NPE reduction at €24.5bn; historical low inflows in Q4.19

### De-risking: Frontloading effort on the back of HAPS

- The Hellenic Asset Protection Scheme (“HAPS”) facilitates de-risking effort
- NPE reduction of c.€11bn in 2020
- NPE securitisations of c.€7bn in 2020 (c.€5bn “Vega”, c.€2bn “Phoenix”)
- NPE ratio c.15% at the end of 2022 from c.49% in 2019
- Cost of risk normalization in the following years
- Historical low level for defaults and re-defaults in Q4.19 at c.€260mn signal positive trends ahead
- Strategic partnership with Intrum Hellas enhances Piraeus’ NPE recovery prospects

### Returns: c.10% RoTE target brought earlier by a year, to 2022

- Acceleration of balance sheet growth dynamics
- Improved performance demonstrating recurring earning power
- Uniquely positioned to take advantage of recovering trends in Greece
- Performance supported by enhanced operating model and cost efficiency plan





## Management Statement

“2019 was a landmark year for Piraeus Bank, as it achieved tangible results in all areas of focus, restoring profitability, improving asset quality & liquidity and enhancing its capital base.

Along with this significant progress, the Bank completed in record time the very complex transaction of spinning-off its legacy platform and partnering with Intrum, an initiative that will overhaul the Bank’s de-risking efforts. Furthermore, the €400mn Tier 2 issued in June 2019, was the first one by a Greek bank after 11 years. In total, our decisive actions increased our capital position by c.200bps, at the high end of our initial guidance.

Our annual performance was solidified by loan disbursements of €4.1bn, resilient margins and continuous cost reduction effort. On asset quality, NPE inflows in Q4.19 were at historically low levels, signaling that positive trends will continue. The backdrop is favourable and supportive to our efforts with the economy in growth mode and all major macro indicators improving.

The Hellenic Asset Protection Scheme “Hercules” is a tool that will provide additional support to Greek banks to speed up our de-risking initiatives. It’s a bolt-on tool aligned with our NPE reduction plan. Real estate market is also reinvigorated, a factor which greatly supports the Bank’s effort to clean-up its balance sheet.

In this context, Piraeus Bank will frontload its inorganic NPE reduction effort to 2020 and proceed with c.€7bn of securitisations. In total, the NPE reduction planned in 2020 will be enhanced to c.€11bn, leading to a NPE ratio lower than 30% by end-2020 versus the initial target of close to 40%.

We are now turning the page for Piraeus Bank, building on the successful completion of our “Agenda 2020” strategy. We are committed to fully leverage on our capacity to serve and support the Greek economy and deliver for our customers, shareholders and employees. We are fully focused on producing results and generating value for all of our stakeholders.

By adopting these winning strategies, Piraeus Bank is on track to attain its medium-term aspirations calling for c.10% return on tangible equity over the next 36 months, while continuing to invest for the future.”

Christos Megalou, Chief Executive Officer





## 2019 Performance Highlights - Preliminary data

### *Resilient NII trend*

Net Interest Income (NII) reached c.€1,435mn in FY.2019, +2% yoy. The €4.1bn loans that were disbursed in 2019 surpassed the initial target of €3.8bn and came in with an average rate of 4.7% that contributed positively to the top line, while at the same time customer deposits and interbank funding costs have also been supportive. Overall, NIM in FY.2019 stood at c.241bps, stable vs FY.2018.

### *NFI growth continues*

Net Fee and Commission Income (NFI) amounted to c.€316mn, +9% yoy on a recurring basis. Ancillary fee volumes continued their improvement, as the Bank bears the fruits of the increasing loan demand, investment banking & asset management recovering business, as well as transaction banking positive trends.

### *Operating expenses further reduced*

Recurring operating expenses stood at c.€980mn, -5% yoy in FY.2019. This trend improved the Group's recurring cost-to-income ratio to 54% in FY.2019 vs 56% in FY.2018.

### *Pre provision income strengthens*

Recurring Pre Provision Income (PPI) amounted to c.€839mn in FY.2019, +5% yoy. Core PPI (NII plus NFI minus recurring OpEx) in FY.2019 rose 16% yoy standing at c.€771mn, demonstrating the strength of the Bank's core franchise.

### *Customer deposits in Greece +6% yoy*

Customer deposits in Greece grew to c.€47.1bn at the end of FY.2019, +6% yoy. Private sector deposits increased by c.€2bn yoy, with improvement in all retail customer segments. Liquidity coverage ratio stood above 110% in Dec.19.

### *New loan generation at €4.1bn in 2019*

Loan disbursements reached €4.1bn in FY.2019, enhancing the Bank's performing book and defending its interest income despite its de-risking efforts and the negative interest rate environment. The Group's net loan-to-deposit ratio further improved to 80% vs 85% a year earlier.

### *Asset quality improves*

Q4.2019 was the 17th consecutive quarter of NPE reduction. Group NPEs stood at €24.5bn with historical low inflows recorded in Q4.19. Group NPE ratio was 49%.





## Commitment to “Agenda 2023” Roadmap & New 2022 Roadmap

Piraeus Bank has been successfully executing its roadmap up to 2023, namely “**Agenda 2023**”, generating progress in all fronts, with a solid 2019 performance, confirming underlying positive trends mainly in the following three aspects:

1. **De-risking:** the Bank will decisively continue de-risking its balance sheet, while stepping up its pace with the strategic direction to reach single-digit NPE ratio by 2023. Piraeus Bank intends to frontload its NPE reduction by c.€11bn in 2020 from c.€7bn previously, on the back of HAPS. Frontloading c.€7bn securitisations in 2020 is expected to enable cost of risk normalisation as of 2021. Two inorganic NPE transactions are scheduled to take place this year: “Vega” corresponding to c.€5bn gross book value, along with “Phoenix” corresponding to c.€2bn gross book value. The positive historically low level for both defaults and re-defaults witnessed in Q4.19 signal encouraging trends for recoverability in the forthcoming period. NPE ratio is targeted at c.15% at the end of 2022 from c.49% in 2019.
2. **Growth:** by deepening the existing c.5.5mn client relationships, Piraeus Bank will focus on leveraging the competitive advantages of its core business in Greece. The Bank envisages to remain the leading business Bank, along with demonstrating increased generation of retail business, both under a risk-adjusted approach. The Bank has identified sizeable revenue opportunities across all key customer segments, utilising the capabilities of its advanced digital platform, providing innovative solutions. For 2020, the Bank plans to disburse c.€5bn new loans to business & households, with accelerating trend thereafter.
3. **Simplification:** the Bank will decisively maximise its resources efficiency. This will be achieved through a simplified structure, further operational cost rationalisation measures, as well as further optimisation and automation of internal processes. Through the focused execution of actions already launched, as well as new initiatives under way, by the end of 2022 Piraeus Bank is expected to have evolved in an innovative & efficient financial institution, with a cost-to-income ratio below 50% and Return on Tangible Equity to c.10%.

Key Performance Indicators	9M 2019	2022	Agenda 2023
RoTE	3%	~10%	>10%
NPE ratio	52%	~15%	<10%
Cost-to-income ratio	52%	<50%	~45%
Capital ratio	16%	~15.5%	~16%





## GLOSSARY / ALTERNATIVE PERFORMANCE MEASURES (APM) AT GROUP LEVEL

#	Performance Measure	Definition
1	<b>NII</b>	Net Interest Income
2	<b>NFI</b>	Net Fee and Commission Income
3	<b>Non Recurring (One-off) Items</b>	Non Recurring Items for FY.18 include €48mn extraordinary quality commission (reported in Net Fee Income), €154mn VES costs and €28mn other offsetting cost adjustments (both reported in OpEx) Non Recurring Items for FY.19 include ~€349mn capital gain from the NPE servicing platform carve-out (included in trading Income), €36mn related with VES costs and €5mn other offsetting cost adjustments (both included in OpEx)
4	<b>DTAs</b>	Deferred Tax Assets
5	<b>PPA Adjustment</b>	Purchase price allocation (PPA) adjustments relating to the acquisition of the seven banks [i.e. former ATEbank, the Greek banking operations of Cypriot Banks in Greece (Bank of Cyprus, Cyprus Popular Bank, Hellenic Bank), Millennium Bank S.A., Geniki Bank S.A. and Panellinia Bank S.A.] amounting to €4.25bn at the end of Sep.18, €3.5bn at the end of Dec.18, €3.3bn at the end of Mar.19, €3.2bn at the end of Jun.19, €2.9bn at the end of Sep.19 and €2.8bn at the end of Dec.19 based on preliminary data
6	<b>Adjusted Total Assets</b>	Total assets excluding assets amounting to: 1) €3.3bn in Dec.2018 of discontinued operations in Albania and Bulgaria, the OPEKEPE seasonal agri-loan, and other discontinued operations 2) €1.2bn in Mar. 2019 of discontinued operations in Bulgaria and other discontinued operations 3) €0.1bn in June 2019 of discontinued operations 4) €0.1bn in September 2019 of discontinued operations 5) €1.7bn in Dec.2019 of the OPEKEPE seasonal agri-loan plus discontinued operations
7	<b>Gross Loans before Impairments &amp; Adjustments</b>	Loans and advances to customers at amortised cost before ECL allowances for impairment on loans and advances to customers gross of PPA adjustments
8	<b>Net Loans</b>	Loans and advances to customers at amortised cost
9	<b>Net Loans to Deposits Ratio</b>	Net loans over Deposits excluding €1.6bn of agriloan for 31.12.2019
10	<b>Core (Banking) Income or NII+NFI</b>	NII + NFI
11	<b>Net Interest Margin (NIM)</b>	Net Interest Income (annualised) over adjusted total assets
12	<b>Net Fee Income on a Recurring Basis over Assets</b>	NFI (annualised) excluding the one-off items related to the corresponding period, as per item #3 over adjusted total assets
13	<b>Pre Provision Income (PPI)</b>	Profit before provisions, impairments and income tax
14	<b>Pre Provision Income (PPI) on a recurring basis</b>	PPI excluding the one-off items related to the corresponding period, as per item #3
15	<b>Recurring Core Pre Provision Income (PPI)</b>	Recurring PPI excluding trading & other income
16	<b>Cost to Income Ratio (Recurring)</b>	Total operating expenses before provisions over total net income excluding the one-off items related to the corresponding period, as per item #3
17	<b>NPLs - Non Performing Loans</b>	Gross Loans before Impairments & Adjustments in arrears over 90 days past due
18	<b>NPEs - Non Performing Exposures</b>	On balance sheet credit exposures before ECL allowances for loans and advances to customers at amortised cost gross of PPA adjustments that are: (a) past due over 90 days; (b) impaired or those which the debtor is deemed as unlikely to pay ("UTP") its obligations in full without liquidating collateral, regardless of the existence of any past due amount or the number of past due days; (c) forborne





#	Performance Measure	Definition
		and still within the probation period under EBA rules; (d) subject to contagion from (a) under EBA rules and other unlikely to pay (UTP) criteria
19	<b>NPL Ratio</b>	Non-performing loans over Gross Loans before Impairments & Adjustments
20	<b>NPE Ratio</b>	Non-performing exposures over Gross Loans before Impairments & Adjustments
21	<b>NPL (Cash) Coverage Ratio</b>	Accumulated ECL allowance gross of PPA adjustment over NPLs
22	<b>NPE (Cash) Coverage Ratio</b>	Accumulated ECL allowance gross of PPA adjustment over NPEs
23	<b>Cost of Risk (CoR)</b>	ECL impairment losses on loans and advances to customers at amortised Cost of the period, annualized over Net Loans
24	<b>Return on Assets (RoA)</b>	Profit / (loss) for the period annualised over Adjusted Total Assets
25	<b>Operating Expenses (OpEx)</b>	Total operating expenses before provisions
26	<b>Net Revenues</b>	Total Net Income
27	<b>Deposits or Customers Deposits</b>	Due to Customers
28	<b>Performing Exposures</b>	Gross Loans before Impairments and Adjustments minus NPEs
29	<b>RoTE (Return on Tangible Equity)</b>	Annualised pre tax profit over: Tangible Equity (Total Equity minus contingent convertible securities minus intangible assets)
30	<b>Tangible Equity (Book Value)</b>	Total equity minus value of contingent convertible securities ((€2,040mn ) minus intangible assets
31	<b>LCR (Liquidity Coverage Ratio)</b>	Liquidity coverage ratio is the amount of sufficient liquidity buffer for a bank to survive a significant stress scenario lasting one month
32	<b>Gross Book Value</b>	Gross loans and advances to customers at amortised cost
33	<b>(Recurring) Operating Expenses</b>	Operating expenses excluding one-off items as per item #3





### Disclaimer

*The financial and operational information of the Bank as at and for the full year ended 31 December 2019 and forward-looking statements included in this document is based on preliminary figures and estimates of the management of the Bank which are based on a number of assumptions that are subject to inherent uncertainties and changes, which may be both foreseeable and unforeseeable. Such financial and operational information is not intended to be a comprehensive statement of the Bank's financial and operational information as at and for the full year ended 31 December 2019. Such information has been prepared by our senior management and has not been audited, reviewed or verified by our independent auditors. As such, you should not place undue reliance on it. By their very nature, forward-looking statements involve risks and uncertainties. Over the course of the next weeks we will be completing our financial statements for the full year ended 31 December 2019.*

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