



NATIONAL BANK
OF GREECE



2018 Stress Test

May 5th, 2018

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Stress Test Communication

- An ECB ST assessment was conducted for the period 2018-20 -- the first ST conducted under IFRS9 accounting standards
- Following the supervisory dialogue, NBG has been informed that based on their assessment **no capital plan is required**
- The 2018 ST applied significantly **more severe assumptions** and resulting in **larger capital depletion** than previous STs (e.g. 2015), under the adverse scenario
- As a result, the reduction in NBG's capital position in the adverse scenario of the ST is **9.6 ppts**, reaching a **CET1** level of **6.9% in 2020**, including an IFRS 9 impact of 70bps and a CRDIV impact of 20bps. Under the baseline scenario, the **CET1** ratio drops by 50 bps reaching **16.0% in 2020**, again including 70bps from IFRS9 phased in adoption and 20bps from CRDIV
- Positive impact of work-in-progress **divestments** has not been taken into account

- EBA ST methodology assumes a **Static Balance Sheet**, implying business mix stays the same through the ST horizon
- **No allowance for curing** from Stage 3, with all loans flowing into Stage 3 during the stress test or being in Stage 3 as of end-2017 not allowed to cure. The higher NPE stock leads to significant reductions in NII
- Greek **sovereign stress is high** in both the Baseline scenario and the Adverse scenario, leading to impairment charges of €144m in the baseline and €233m in the adverse
- Regarding interest rates on **liabilities**, despite the fact that Greece's rating is improving and capital controls remain in place, Greek banks had to assume **large increases in deposit margins**
- Despite anticipated improvement in the Greek economic environment, the ST methodology/assumptions combine to cap **increases in loan margins**

Stress Test 2018 vs Comprehensive Assessment 2015

Macro Parameters

Key Macro & market Variables	Baseline Scenario				Adverse Scenario			
	2018	2019	2020	3 yrs cum.	2018	2019	2020	3 yrs cum.
Real GDP annual growth (%)	2.4	2.5	2.4	7.5	-1.3	-2.1	0.2	-3.2
Unemployment rate (end-of-year, %)	19.9	18.3	16.6	-4.9	20.6	20.0	19.1	-2.4
HICP inflation – annual rate (%)	0.9	1.0	1.1	3.0	0.0	-1.1	-1.8	-2.9
House price growth (annual average %)	-0.5	0.5	1.0	1.0	-7.3	-6.7	-3.6	-16.6
Prime commercial property price growth (%)	0.3	0.3	0.3	0.9	-9.2	-6.1	-2.2	-16.6
Reference rate 1M (%)	-0.35	-0.15	0.17	0.52	0.09	0.22	0.48	0.39

2018 ST vs 2015 CA

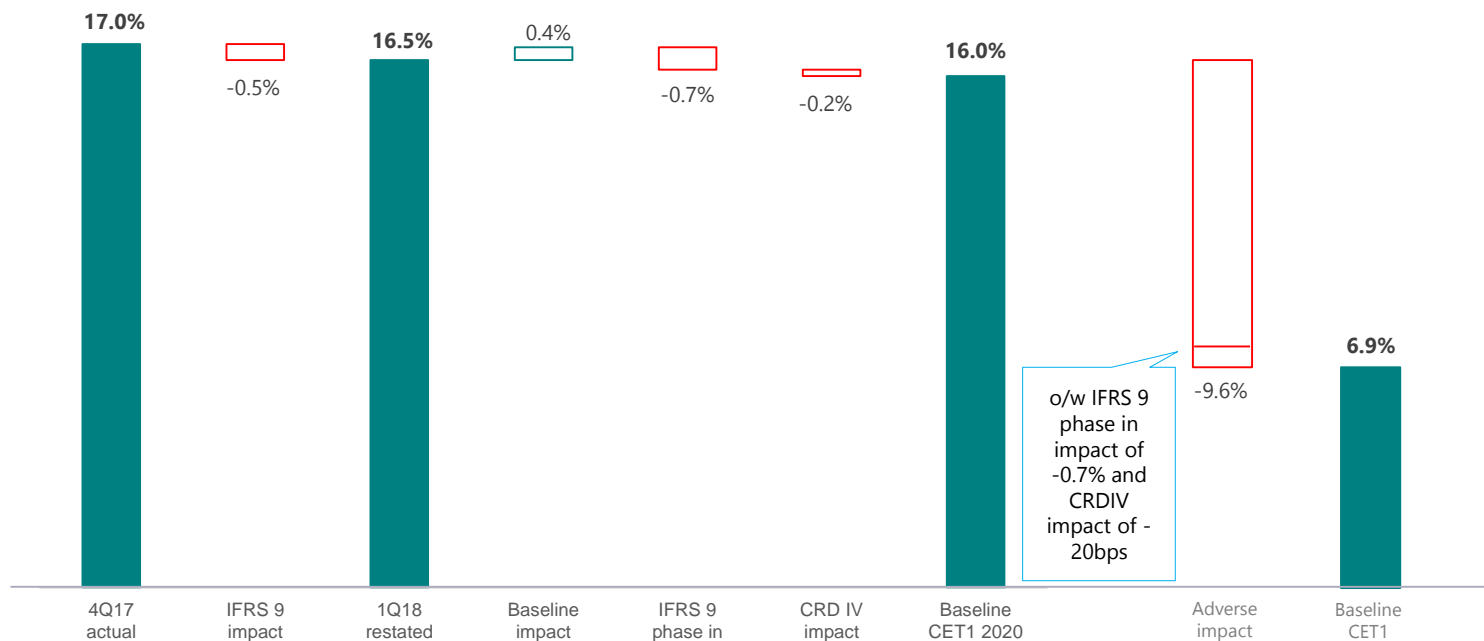
The 2015 Comprehensive Assessment (CA) contained deviations of the adverse scenario assumptions from the baseline, that were relatively lower vs the 2018 ST

In particular, the 3yr level deviation between the baseline and adverse scenarios stands at:

- **Real GDP annual growth:** 10% for the 2018 ST vs 5.9% for the 2015 CA
- **Unemployment rate:** maximum annual deviation of 2.5% for the 2018 ST vs 1.8% for the 2015 CA
- **HICP inflation annual rate:** 5.7% for the 2018 ST vs 3.0% for the 2015 CA
- **House price growth:** 17.4% for the 2018 ST vs 10.9% for the 2015 CA
- **Commercial property price growth:** 17.4% for the 2018 ST vs 5.5% for the 2015 CA

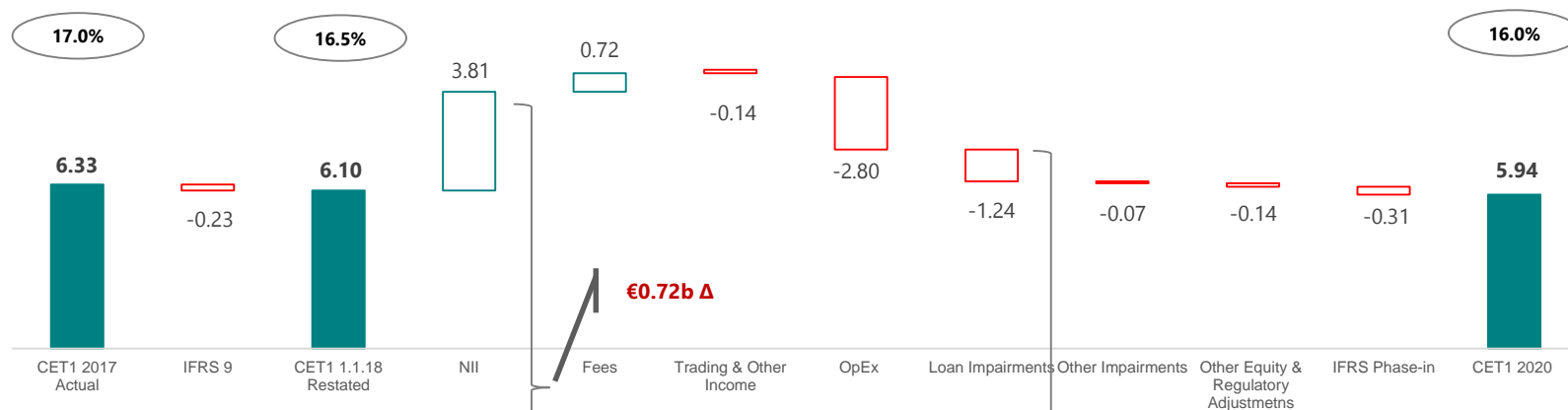
CET1 Ratio: A reduction of 9.6 pp in the adverse scenario

Evolution of CET1 ratio under baseline & adverse scenario

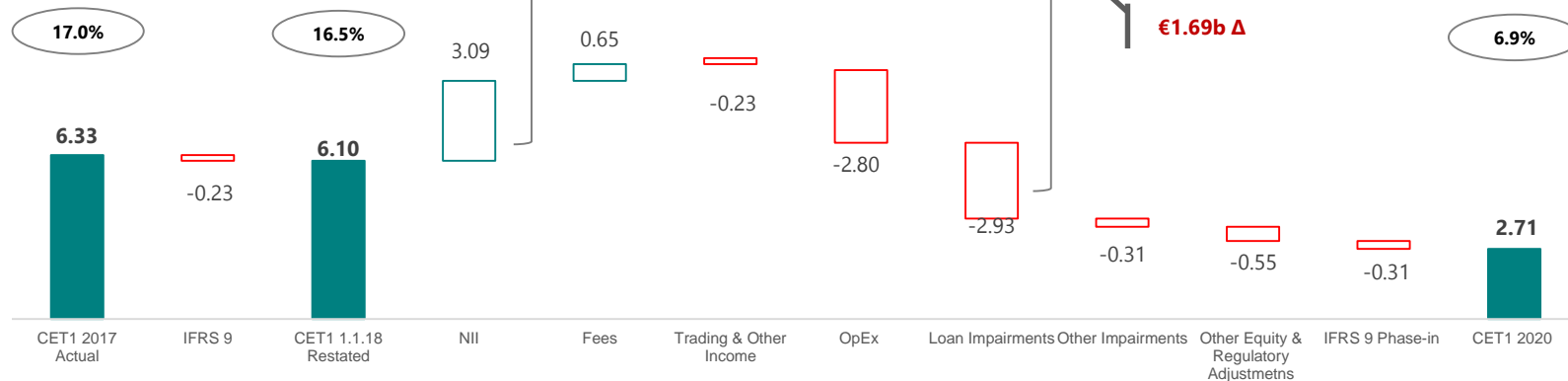


CET1 Evolution 2017-20: The outcome of the adverse scenario mainly reflects shocks to NII and credit impairments

Baseline scenario (€ b)

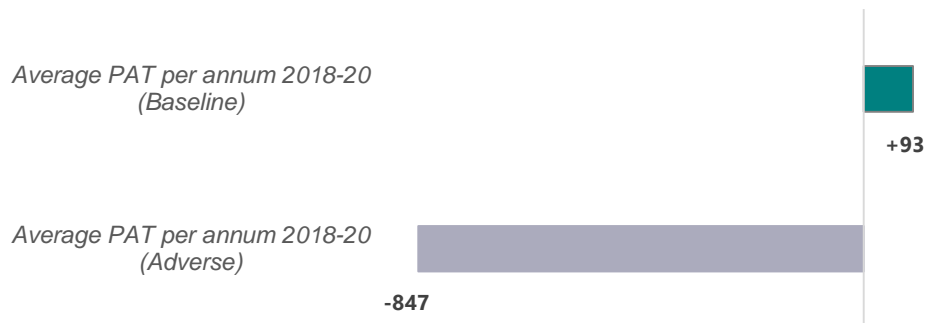


Adverse scenario (€ b)

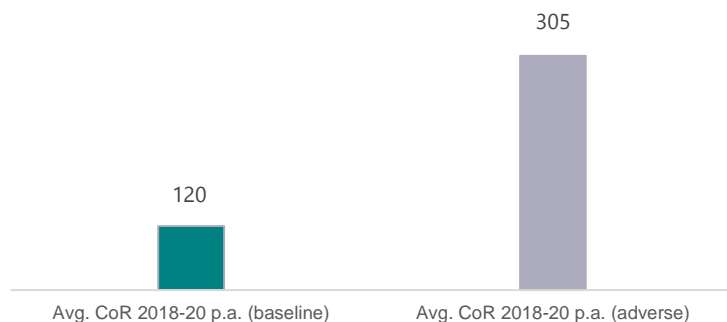


P&L Performance: In the adverse scenario, NII hit arises from the cost of funding, while credit impairments 2 ½ times the baseline level

PAT from continuing operations (€ m)

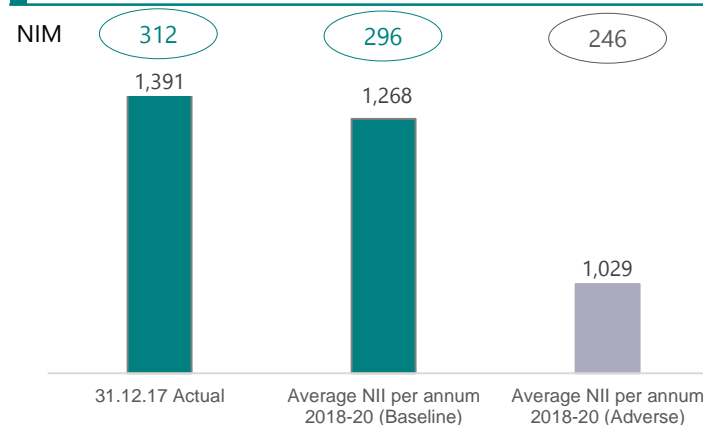


Cost of Risk (bps)

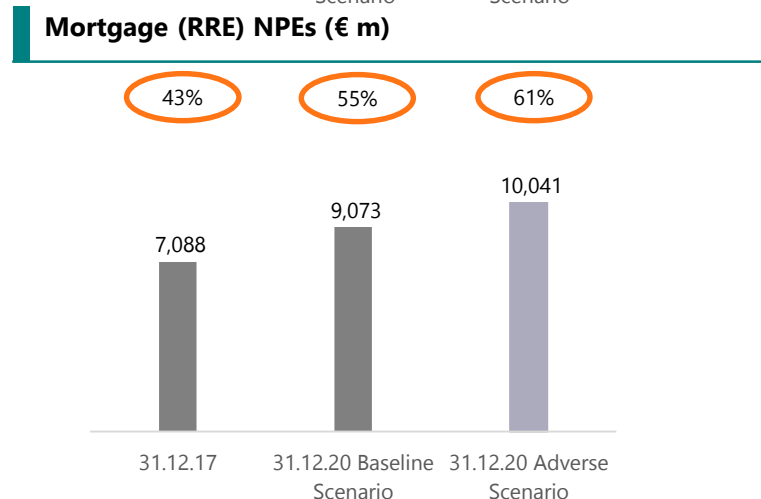
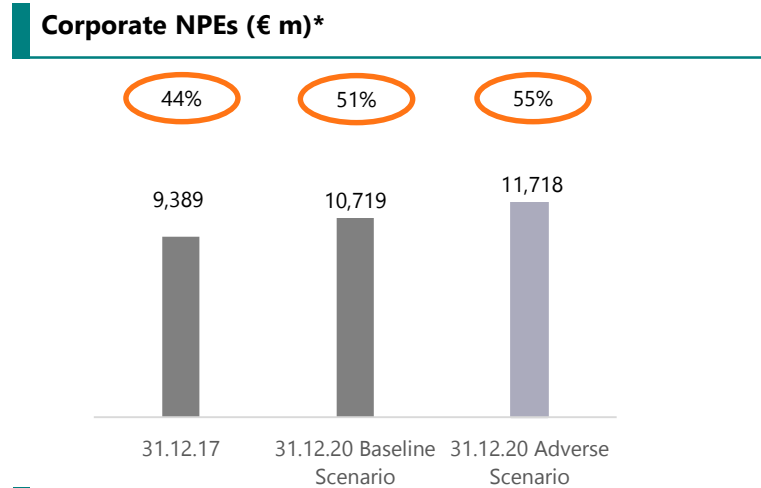
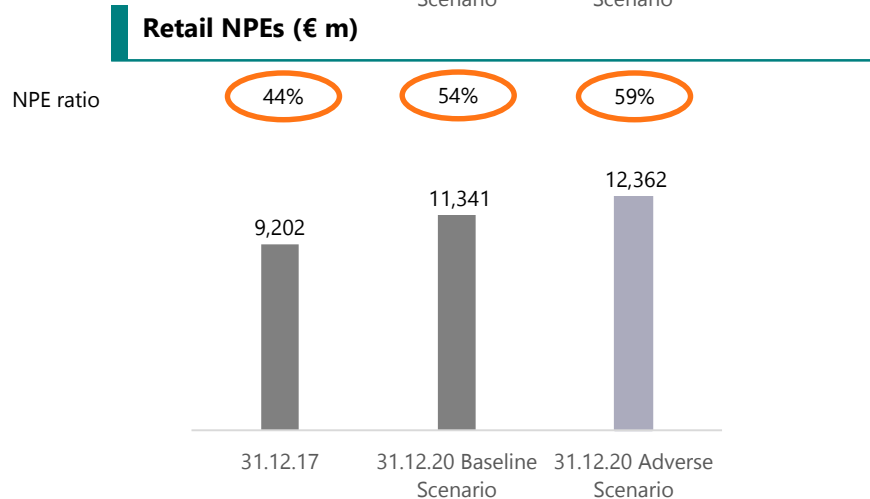
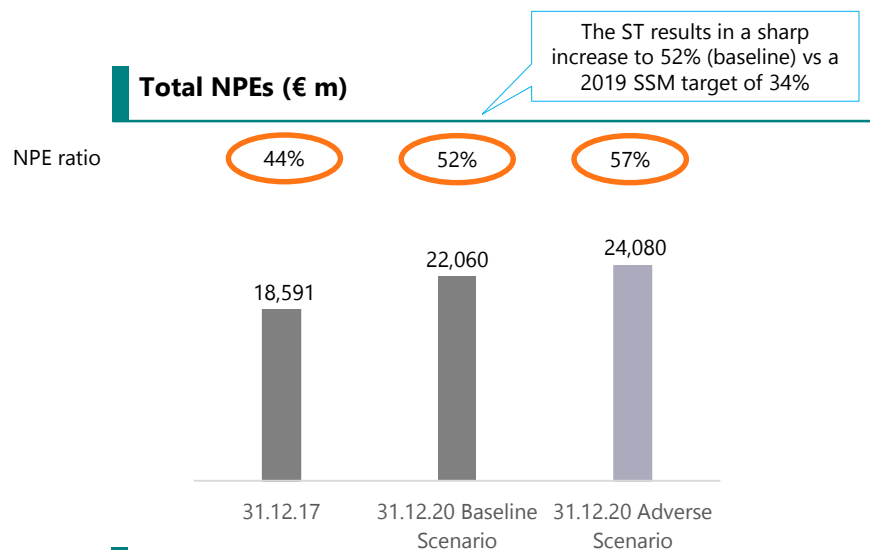


- The major impact on profitability arises due to the shocks on **NII** and **credit impairments**
- NII** is stressed by **19%** in the Adverse scenario compared to the Baseline (equivalent reduction noted on the NIM), mostly due to the **funding cost** component: namely, doubling the interest expense in the adverse scenario, with the average being >200% above the 2017 comparable cost, taking into account the ELA elimination
- Similarly, Credit stress methodology leads to **c.2.4 times higher Cost of Risk** in the Adverse scenario, compared to the Baseline

NII evolution | NIM (bps)



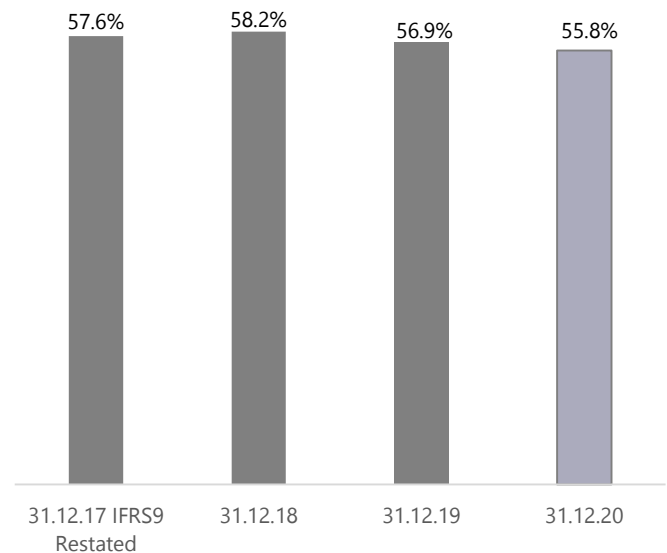
NPE evolution: Up 13 pp in the adverse scenario, with mortgages hit the hardest due to the decline in real estate prices



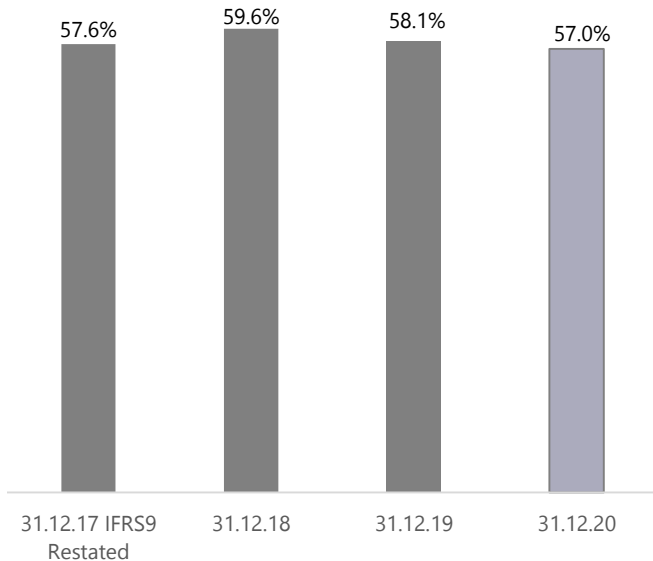
* Includes SBLs

In accordance with ST mechanics, higher NPE coverage does not translate into lower credit risk charges; NPE coverage remains high throughout the ST period

NPE (Stage 3) Coverage | Baseline scenario



NPE (Stage 3) Coverage | Adverse scenario



* Based on credit definitions



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