



## PRESS RELEASE

### NBG Group: Q2.17 results highlights

- **H1.17 domestic core PPI up 19% yoy, core PPI margin c60bps higher yoy at 287bps**
  - Domestic core PPI at €448m in H1.17 (+19% yoy) on the back of positive performance in net fees (+81% yoy) and rigorous cost containment (-9% yoy)
  - Domestic H1.17 NIM improves by 30bps yoy to 304bps, despite the slight drop in NII to €764m (-2% yoy) on loan deleveraging due to H1 uncertainty in the domestic market
  - H1.17 OpEx in Greece drops by 9% yoy, leading C:CI below 50%; Personnel expenses down by 13% yoy, reflecting the success of the 2016 VES involving c10% of domestic FTEs
  - Q2.17 domestic provisions down 14% qoq to €199m
  - H1.17 Group PAT breaks even, pro forma for the capital gain from the sale of National Insurance Company (NIC) and including the impairments on Romania and Serbia reflecting agreements to sell below book (-€151m)
- **NPEs stock declines qoq for a 5<sup>th</sup> consecutive quarter**
  - Domestic NPE stock dropped by €0.3bn qoq in Q2.17, reflecting slightly negative NPE formation and fully provided write-offs
  - Total NPE reduction at €3.3bn since YE'15; excluding write offs, NPE formation of -€1.5bn
  - NPE and 90dpd coverage ratios of 56% and 75% in Greece, combined with domestic NPE and 90dpd ratios of 45% and 34% respectively
  - Q2.17 domestic 90dpd formation turned negative (-€52m), aided by a late pick-up in restructuring flows
  - Q2.17 domestic NPL stock also reduced by €0.3bn qoq
- **ELA elimination within reach**
  - ELA funding down by €3.0bn ytd to €2.6bn currently<sup>1</sup>; Eurosystem funding at €6.8bn from €12.3bn at end-Q4.16
  - The agreed disposals of National Insurance Company, Banca Romaneasca and Vojvodjanska Banka will generate liquidity of c€1.7bn in H2.17, which will be deployed towards further reducing ELA
  - The execution of the remaining capital actions and other initiatives, expected during the next few months, will permit NBG to disengage fully from ELA
  - Domestic deposits up by €0.2bn qoq, adding up to a total of €0.9bn of inflows since the imposition of capital controls; Domestic deposit inflows continue so far in Q3.17
- **CET 1 ratio at 16.5%<sup>2</sup>**
  - CET 1 ratio at 16.5%<sup>2</sup> and at 16.3%<sup>2</sup> on a CRD IV FL basis, including the negative impact (-38bps) of the Serbian and Romanian assets for sales price discount
  - In H2.17, apart from the National Insurance positive capital impact, the RWA deconsolidation impact of the Romanian, Serbian and South African operations (-€1.8bn) will boost capital further

Athens August 31, 2017

<sup>1</sup> Data as at August 28, 2017

<sup>2</sup> Excluding the positive impact from the agreed sales of South African Bank of Athens (S.A.B.A.), National Insurance Company, Banca Romaneasca and Vojvodjanska Banka



*The second quarter of the year was marked by the completion of the second review of the economic programme, restoring business and consumer confidence, improving liquidity conditions and setting the stage for economic recovery. The Bank completed the divestment of UBB & Interlease to KBC Bank NV, in fulfillment of our commitments to DG Comp and our shareholders. The transaction generated liquidity of €0.8 billion that was utilized towards the reduction of ELA funding, currently amounting to just €2.6 billion, underscoring NBG's comparative strength in terms of liquidity ahead of the domestic economic recovery. The completion of the recently agreed divestments of South African Bank of Athens, Ethniki Insurance, Banca Romaneasca and Vojvodjanska Banka, coupled with other initiatives, will boost our capital ratios further, while placing ELA elimination well within reach.*

*Asset quality developments remain encouraging; the Bank managed to reduce the stock of NPEs for a fifth consecutive quarter, adding up to a total reduction of €3.3 billion since YE'15, maintaining a €0.7 billion outperformance buffer vs its FY.17 SSM target.*

*Regarding operational performance, NBG managed to increase PPI by almost 20% yoy, displaying NII resilience, fee income recovery and solid cost reduction trends.*

*As regards capital, NBG CET1 stands at 16.5% and is set to benefit further by the completion of already agreed capital actions.*

*Athens, August 31 2017*

*Leonidas Fragkiadakis*

*Chief Executive Officer, NBG*



## Profitability

### Greece:

Q2.17 domestic core pre-provision income (PPI) reached €220m from €228m the previous quarter, reflecting a slight drop in NII (-1.3% qoq) due to deleveraging and a seasonal pick-up in OpEx (+1.1% qoq).

NII amounted to €379m from €384m in Q1.17, with the envisaged narrowing of the front-back book time deposit gap, as well as the reduction of ELA balances expected to support NII in H2.17. The additional EFSF/ESM bond disposals under the ESM bond exchange scheme resulted in NIM improving by 9bps qoq to 309bps.

Net fee and commission income remained relatively stable qoq at €53m in Q2.17, however H1.17 fees reached €107m, up by 81% yoy. Net fee growth reflects significant improvements in the Bank's liquidity profile, including the elimination of Pillar funding costs, which resulted into a fee expense saving of €39m relative to H1.16.

Q2.17 OpEx amounted to €213m compared with €210m in Q1.17. On a H1.17 basis, operating expenses settled at €423m or 8.8% lower yoy. Cost-to-core income recovered to 49% in H1.17 from 55% in H1.16. Personnel expenses dropped by 12.6% yoy, incorporating the benefit from the Dec'16 Voluntary Exit Scheme (VES) that involved c10% of the domestic workforce. G&As declined by 2.3% yoy mainly on the back of lower expenses related to taxes and third party services.

H1.17 domestic losses after tax from continued operations amounted to €73m from €63m in H1.16, reflecting mainly increased loan impairments (+34% yoy to €431m), only partially offset by core income recovery (+19% yoy). Including on a pro-forma basis the capital gain from the sale of National Insurance Company of €144m, would have resulted in net profit amounting to €90m in Greece in H1.17.

### SE Europe<sup>1</sup>:

In SE Europe<sup>1</sup>, the Group recorded PAT from continued operations of €13m in H1.17 from €21m in H1.16, incorporating trading and other losses of €3m against gains of €4m a year ago.

## **NPEs stock declines for a 5<sup>th</sup> consecutive quarter**

The stock of domestic NPEs contracted for a 5<sup>th</sup> consecutive quarter (-€0.3bn qoq), reflecting negative NPE formation despite uncertainty in Q2.17 and fully provided write-offs. The Bank has already reduced NPEs by €3.3bn since end-Q4.15, overshooting the NPE operational target by €0.7bn. Even after adjusting for write offs, NPE reduction stands at €1.5bn over the same period. The NPE ratio in Greece settled at 45.2% in Q2.17, combined with an NPE coverage of 56.2%.

Domestic 90dpd formation turned negative (-€52m), aided by a late pick-up in restructuring flows.

<sup>1</sup> SE Europe includes the Group's businesses in Cyprus, Albania and the Former Yugoslav Republic of Macedonia



Q2.17 domestic provisioning run rate decreased to 257bps from 294bps in Q1.17. 90dpd coverage stood at 75.4% in Greece (74.2% at the Group level).

In SE Europe<sup>1</sup>, the 90dpd ratio settled at 34.7% on coverage of 54.9%.

### **Superior liquidity position<sup>2</sup>**

Group deposits amounted to €38.3bn in Q2.17 (+0.5% qoq), reflecting mainly the 0.4% or €0.2bn qoq increase of domestic deposits, after dropping by €0.8bn qoq in Q1.17 due to adverse seasonality. Notably, since the imposition of capital controls the Bank's deposit base in Greece has increased by €0.9bn. In SE Europe<sup>1</sup> deposits increased by 1.5% qoq to €2.1bn.

Following the completion of the sale of UBB & Interlease in mid-June that generated liquidity of €0.8bn, Eurosystem funding has declined significantly to €6.8bn in August<sup>3</sup> from €10.2bn at end-Q1.17, with ELA down by €3.0bn over the same period to just €2.6bn. This constitutes by far the lowest exposure in the sector<sup>2</sup>, with ELA over assets (excluding EFSF & ESM bonds) standing at just 4%. The cash value of excess collateral amounts to €10.1bn<sup>3</sup>. Liquidity stands to improve further with the completion of the recently agreed transactions of National Insurance Company, Banca Romaneasca and Vojvodjanska Banka to the tune of c€1.7bn, reducing ELA exposure by the same amount. The execution of the remaining capital actions, as well as other initiatives, place the ELA elimination well within reach.

With ELA exposure at €2.6bn and the lowest L:D ratio among the core Greek banks<sup>2</sup> (85% in Greece and 86% at the Group level), NBG maintains a unique funding advantage and is well positioned to tap domestic economic recovery potential.

### **Capital position**

CET1 ratio stood at 16.5%<sup>4</sup> and at 16.3%<sup>4</sup> on a CRD IV FL basis. The UBB & Interlease sale CET1 positive impact was partially offset by impairments on Romania and Serbia reflecting agreements to sell below book (-38bps). In H2.17, apart from the National Insurance positive capital impact, the RWA deconsolidation impact of South African Bank of Athens (S.A.B.A.), Banca Romaneasca and Vojvodjanska Banka (-€1.8bn) is expected to boost capital further.

Excluding completed and agreed transactions, equity of remaining SEE assets to be divested stands at €0.5bn on RWAs of €2.4bn.

<sup>1</sup> SE Europe includes the Group's businesses in Cyprus, Albania and the Former Yugoslav Republic of Macedonia

<sup>2</sup> Peer group comparison based on latest available data

<sup>3</sup> Data as at August 28, 2017

<sup>4</sup> Excluding the positive impact from the agreed sales of South African Bank of Athens, National Insurance Company, Banca Romaneasca and Vojvodjanska Banka



## Annex

### Balance Sheet | Group

| € m                                 | Q2.17         | Q1.17 <sup>1</sup> | Q4.16 <sup>1</sup> | Q3.16 <sup>1</sup> | Q2.16 <sup>1</sup> |
|-------------------------------------|---------------|--------------------|--------------------|--------------------|--------------------|
| Cash & reserves                     | 1 231         | 1 218              | 1 182              | 1 187              | 1 268              |
| Interbank placements                | 2 032         | 1 975              | 2 087              | 2 554              | 2 554              |
| Securities                          | 15 369        | 16 679             | 18 530             | 19 921             | 21 100             |
| Loans (Gross)                       | 43 749        | 44 482             | 45 046             | 45 837             | 46 499             |
| Provisions                          | (10 968)      | (11 176)           | (11 301)           | (11 867)           | (12 034)           |
| Goodwill & intangibles              | 123           | 115                | 117                | 113                | 115                |
| Tangible assets                     | 1 085         | 1 114              | 1 111              | 1 107              | 1 109              |
| DTA                                 | 4 917         | 4 918              | 4 918              | 4 917              | 4 918              |
| Other assets                        | 6 654         | 6 772              | 7 458              | 8 305              | 8 285              |
| Assets held for sale                | 5 681         | 9 459              | 9 382              | 9 669              | 10 103             |
| <b>Total assets</b>                 | <b>69 873</b> | <b>75 557</b>      | <b>78 531</b>      | <b>81 742</b>      | <b>83 917</b>      |
| Interbank liabilities               | 13 945        | 16 522             | 18 167             | 17 753             | 20 191             |
| Due to customers                    | 38 324        | 38 132             | 38 924             | 38 071             | 37 776             |
| Debt securities                     | 523           | 550                | 663                | 1 508              | 1 264              |
| Other liabilities                   | 5 564         | 5 862              | 6 322              | 7 419              | 7 510              |
| Liabilities held for sale           | 4 095         | 6 889              | 6 870              | 6 857              | 7 410              |
| Minorities                          | 660           | 689                | 680                | 708                | 701                |
| Equity                              | 6 762         | 6 913              | 6 909              | 9 426              | 9 064              |
| <b>Total liabilities and equity</b> | <b>69 873</b> | <b>75 557</b>      | <b>78 531</b>      | <b>81 742</b>      | <b>83 917</b>      |

<sup>1</sup> Group Balance Sheet has been adjusted for the agreed sales of National Insurance Company, Banca Romaneasca and Vojvodjanska Banka & NBG Leasing that have been classified in Q2.17 as non-current assets held for sale and liabilities associated with non-current assets held for sale

### P&L | Group

| € m  | H1.17       | H1.16          | yoy         | Q2.17       | Q1.17      | qoq             |
|--|-------------|----------------|-------------|-------------|------------|-----------------|
| NII  | 815         | 835            | -2%         | 405         | 410        | -1%             |
| Net fees & commissions                     | 119         | 72             | +66%        | 59          | 60         | -2%             |
| Insurance income                           | (0)         | 0              | n/m         | (0)         | 0          | n/m             |
| <b>Core income</b>                         | <b>934</b>  | <b>907</b>     | <b>+3%</b>  | <b>464</b>  | <b>470</b> | <b>-1%</b>      |
| Trading & other income                     | (74)        | (69)           | +7%         | (73)        | (1)        | >100%           |
| <b>Income</b>                              | <b>860</b>  | <b>838</b>     | <b>+3%</b>  | <b>391</b>  | <b>469</b> | <b>-17%</b>     |
| Operating expenses                         | (463)       | (505)          | -8%         | (232)       | (231)      | +0%             |
| <b>Core PPI</b>                            | <b>471</b>  | <b>402</b>     | <b>+17%</b> | <b>232</b>  | <b>239</b> | <b>-3%</b>      |
| <b>PPI</b>                                 | <b>397</b>  | <b>333</b>     | <b>+19%</b> | <b>159</b>  | <b>238</b> | <b>-33%</b>     |
| Provisions                                 | (433)       | (326)          | +33%        | (200)       | (233)      | -14%            |
| <b>Operating profit</b>                    | <b>(37)</b> | <b>6</b>       | <b>n/m</b>  | <b>(41)</b> | <b>5</b>   | <b>n/m</b>      |
| Other impairments                          | (7)         | (44)           | -85%        | (1)         | (6)        | -92%            |
| PBT  | (43)        | (37)           | +16%        | (42)        | (1)        | >100%           |
| Taxes                                      | (17)        | (5)            | >100%       | (10)        | (7)        | +49%            |
| <b>PAT (continuing operations)</b>         | <b>(60)</b> | <b>(42)</b>    | <b>+43%</b> | <b>(52)</b> | <b>(8)</b> | <b>&gt;100%</b> |
| PAT (discontinued operations) <sup>1</sup> | (67)        | (2 912)        | -98%        | (97)        | 30         | n/m             |
| Minorities                                 | (16)        | (21)           | -22%        | (7)         | (9)        | -22%            |
| PAT (reported)                             | (143)       | (2 975)        | -96%        | (156)       | 13         | n/m             |
| NIC <sup>2</sup>                           | 144         | -              | n/m         | 144         | -          | n/m             |
| <b>PAT (pro-forma for NIC)</b>             | <b>1</b>    | <b>(2 975)</b> | <b>n/m</b>  | <b>(12)</b> | <b>13</b>  | <b>n/m</b>      |

<sup>1</sup> Includes (a) the impairments on Romania and Serbia reflecting agreements to sell below book in H1.17 (€151m) and (b) a loss of €3,095m in H1.16, which reflects the recycling of losses recognized in other comprehensive income in previous periods and relates mainly to foreign currency translation differences from the translation of Finansbank's assets and liabilities in Euro, in accordance with IFRS. This loss has already been recognized in the Group's equity and CET1 capital in prior periods, therefore has no impact on the Group's equity and CET1 capital

<sup>2</sup> NIC: pro forma capital gain from the sale of National Insurance Company



### Key Ratios | Group

|                         | H1.17              | Q1.17              | FY.16              |
|-------------------------|--------------------|--------------------|--------------------|
| <b>Liquidity</b>        |                    |                    |                    |
| Loans-to-Deposits ratio | 86%                | 87%                | 87%                |
| ELA exposure (€ bn)     | 3.8                | 5.6                | 5.6                |
| <b>Profitability</b>    |                    |                    |                    |
| NIM (bps)               | 311                | 302                | 288                |
| Cost-to-Core income     | 50%                | 49%                | 55%                |
| <b>Asset quality</b>    |                    |                    |                    |
| NPE ratio               | 45.0% <sup>3</sup> | 44.9%              | 44.9%              |
| NPE coverage ratio      | 55.7%              | 56.0%              | 55.9%              |
| Cost of Risk (bps)      | 260                | 278                | 248                |
| <b>Capital</b>          |                    |                    |                    |
| CET1 phased-in          | 16.5% <sup>1</sup> | 16.0% <sup>2</sup> | 16.3% <sup>2</sup> |
| CET1 ratio CRD IV FL    | 16.3% <sup>1</sup> | 15.8% <sup>2</sup> | 15.8% <sup>2</sup> |
| RWAs (€ bn)             | 39.0 <sup>1</sup>  | 41.3 <sup>2</sup>  | 41.1 <sup>2</sup>  |

<sup>1</sup> Excludes the impact from the agreed sales of S.A.B.A., National Insurance Company, Banca Romaneasca and Vojvodjanska Banka

<sup>2</sup> Excludes the impact from the agreed sales of UBB, Interlease & S.A.B.A.

<sup>3</sup> Excluding the deleveraging impact, NPE ratio in 2Q is 67bps lower qoq

### P&L | Greece

| € m                                 | H1.17       | H1.16       | yoy             | Q2.17       | Q1.17       | qoq             |
|-------------------------------------|-------------|-------------|-----------------|-------------|-------------|-----------------|
| NII                                 | 764         | 779         | -2%             | 379         | 384         | -1%             |
| Net fees & commissions              | 107         | 59          | +82%            | 53          | 54          | -2%             |
| Insurance income                    | (0)         | 0           | n/m             | (0)         | 0           | n/m             |
| <b>Core income</b>                  | <b>871</b>  | <b>839</b>  | <b>+4%</b>      | <b>432</b>  | <b>439</b>  | <b>-2%</b>      |
| Trading & other income <sup>1</sup> | (72)        | (73)        | -1%             | (71)        | (1)         | >100%           |
| <b>Income</b>                       | <b>799</b>  | <b>766</b>  | <b>+4%</b>      | <b>361</b>  | <b>438</b>  | <b>-18%</b>     |
| Operating expenses                  | (423)       | (464)       | -9%             | (213)       | (210)       | +1%             |
| <b>Core PPI</b>                     | <b>448</b>  | <b>375</b>  | <b>+19%</b>     | <b>220</b>  | <b>228</b>  | <b>-4%</b>      |
| <b>PPI</b>                          | <b>376</b>  | <b>302</b>  | <b>+24%</b>     | <b>149</b>  | <b>228</b>  | <b>-35%</b>     |
| Provisions                          | (431)       | (321)       | +34%            | (199)       | (232)       | -14%            |
| <b>Operating profit</b>             | <b>(55)</b> | <b>(18)</b> | <b>&gt;100%</b> | <b>(51)</b> | <b>(4)</b>  | <b>&gt;100%</b> |
| Other impairments                   | (6)         | (43)        | -87%            | 0           | (6)         | n/m             |
| PBT                                 | (60)        | (62)        | -2%             | (50)        | (10)        | >100%           |
| Taxes                               | (13)        | (2)         | >100%           | (8)         | (5)         | +57%            |
| <b>PAT (continuing operations)</b>  | <b>(73)</b> | <b>(63)</b> | <b>+16%</b>     | <b>(58)</b> | <b>(15)</b> | <b>&gt;100%</b> |
| PAT (discontinued operations)       | 34          | 13          | >100%           | 22          | 12          | +85%            |
| Minorities                          | (15)        | (19)        | -21%            | (7)         | (9)         | -24%            |
| PAT (reported)                      | (54)        | (69)        | -22%            | (43)        | (12)        | >100%           |
| NIC <sup>2</sup>                    | 144         | 0           | n/m             | 144         | -           | n/m             |
| <b>PAT(pro-forma for NIC)</b>       | <b>90</b>   | <b>(69)</b> | <b>n/m</b>      | <b>101</b>  | <b>(12)</b> | <b>n/m</b>      |

<sup>1</sup> 4Q16 includes €150m gain from the sale of Astir Pallas

<sup>2</sup> NIC: pro forma capital gain from the sale of National Insurance Company



| Name                                    | Abbreviation          | Definition  |
|---|-----------------------|---|
| Common Equity / Book Value              | BV                    | Equity attributable to NBG shareholders less minorities (non-controlling interests) and contingent convertible securities (CoCos) that were repaid at end-Q4.16   |
| Common Equity Tier 1 Ratio              | CET1 ratio            | CET1 capital, as defined by Regulation No 575/2013 and based on the transitional rules over RWAs  |
| Common Equity Tier 1 Ratio Fully Loaded | CET1 ratio, CRD IV FL | CET1 capital as defined by Regulation No 575/2013, without the application of the transitional rules over RWAs  |
| Core Income                             | CI                    | Net Interest Income ("NII") + Net fee and commission income + Earned premia net of claims and commissions   |
| Core Operating Result (Profit / (Loss)) | -                     | Core income less operating expenses and provisions (credit provisions and other impairment charges)   |
| Core Pre-Provision Income               | Core PPI              | Core Income less operating expenses   |
| Cost of Risk / Provisioning Rate        | CoR                   | Credit provisions of the period annualized over average net loans   |
| Cost-to-Core Income Ratio               | C:CI                  | Operating expenses over core Income   |
| Cost-to-Income Ratio                    | C:I                   | Operating expenses over total income  |
| Funding cost                            | -                     | The blended cost of deposits, ECB refinancing, repo transactions and ELA funding  |
| Gross Loans                             | -                     | Loans and advances to customers before allowance for impairment, excluding the loan to the Greek State of €6.0bn  |
| Loans-to-Deposits Ratio                 | L:D                   | Net loans over total deposits, period end   |
| Net Interest Margin                     | NIM                   | NII annualized over average interest earning assets. The latter include all assets with interest earning potentials and includes cash and balances with central banks, due from banks, financial assets at fair value through profit or loss (excluding Equity securities and mutual funds units), loans and advances to customers and investment securities (excluding equity securities and mutual funds units).  |
| Net Loans                               | -                     | Loans and advances to customers, excluding the loan to the Greek State of €6.0bn  |
| Net Profit / (Loss)                     | -                     | Profit / (loss) for the period attributable to NBG equity shareholders  |
| Non-Performing Exposures                | NPEs                  | Non-performing exposures are defined according to EBA ITS technical standards on Forbearance and Non-Performing Exposures as exposures that satisfy either or both of the following criteria: (a) material exposures which are more than 90 days past due, (b) the debtor is assessed as unlikely to pay its credit obligations in full without realization of collateral, regardless of the existence of any past due amount or of the number of days past due |
| Non-Performing Exposures Coverage Ratio | NPE coverage          | Stock of provisions (allowance for impairment for loans and advances to customers) over non-performing exposures, period end  |
| Non-Performing Exposures Formation      | NPE formation         | Net increase / (decrease) of NPEs, before write-offs  |
| Non-Performing Exposures Ratio          | NPE ratio             | Non-performing exposures over gross loans, period end   |
| Non-Performing Loans                    | NPLs                  | Loans and advances to customers in arrears for 90 days or more  |
| 90 Days Past Due Coverage Ratio         | 90dpd coverage        | Stock of provisions over loans and advances to customers in arrears for 90 days or more, period end   |
| 90 Days Past Due Formation              | 90dpd formation       | Net increase / (decrease) of loans and advances to customers in arrears for 90 days or more, before write-offs and after restructurings   |
| 90 Days Past Due Ratio                  | 90dpd ratio           | Loans and advances to customers in arrears for 90 days or more over gross loans, period end   |
| Operating Expenses                      | OpEx, costs           | Personnel expenses + General, administrative and other operating expenses ("G&As") + Depreciation and amortisation on investment property, property & equipment and software & other intangible assets  |
| Operating Profit / (Loss)               | -                     | Total income less operating expenses and provisions (credit provisions and other impairment charges)  |
| Pre-Provision Income                    | PPI                   | Total income less operating expenses, before provisions (credit provisions and other impairment charges)  |
| Profit / (loss) after tax               | PAT (cont. ops)       | Profit / (loss) for the period from continuing operations   |
| Risk Weighted Assets                    | RWAs                  | Assets and off-balance-sheet exposures, weighted according to risk factors based on Regulation (EU) No 575/2013   |
| Tangible Equity / Book Value            | TBV                   | Common equity less goodwill & intangibles (goodwill, software and other intangible assets)  |
| Total deposits                          | --                    | Due to customers  |

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