ECB Comprehensive Assessment

26 October 2014

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Comprehensive Assessment (CA) Overview

- **Unprecedent exercise performed by European Central Bank (ECB) across 130 European banks**
- **The CA represents a step towards the full harmonisation of the European banking system**
- **Results and findings of the CA based on two main pillars: Asset Quality Review (AQR) and Stress Test (ST)**

1 Asset Quality Review (AQR)

- Unprecedented exercise aimed to enhance the transparency of bank balance sheets (B/S), by reviewing the quality of banks' assets, including the adequacy of asset and collateral valuation and related provisions
- Review of loan portfolios and projections based on large samples within each category
- Standardised approach across all banks assessed, taking into account the bank's exposures and the underlying borrowers financials and collateral valuation as of 31st December 2013
  - 84% of Eurobank portfolio reviewed through samples
  - Credit file review for €9.9bn of Greek corporate loans, representing 64% of the Greek Corporate portfolio

2 Stress Test (ST)

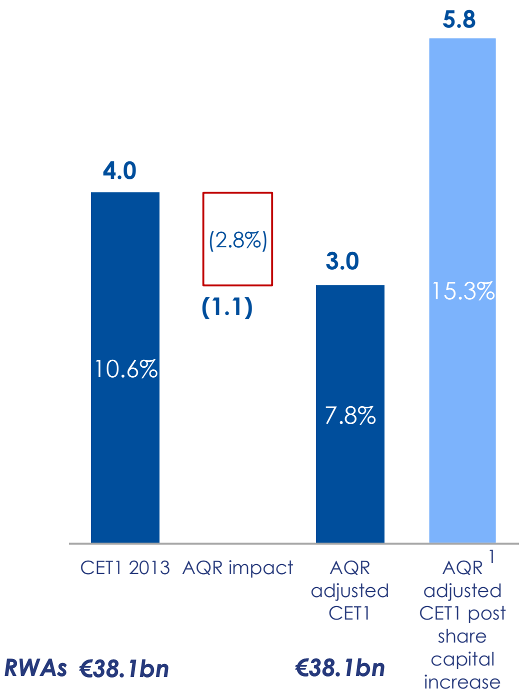
- Performed in cooperation with the European Banking Authority (EBA) to examine the resilience of banks' B/S to two stress test scenarios: Baseline and Adverse
- Capital adequacy was assessed over a three-year time period (2014-2016) against a Common Equity Tier 1 (CET 1) ratio benchmark of 8.0% and 5.5% in the Baseline and Adverse scenario, respectively
- The CA was carried out on both the Static and Dynamic B/S assumptions, with only the latter incorporating the effect of measures announced and committed in the Restructuring Plan approved by European Commission for the period 2014-2016

Comprehensive Assessment Summary Results

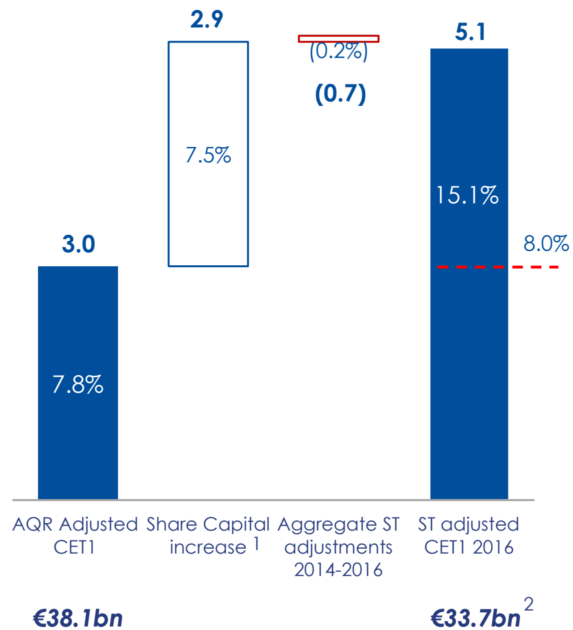
- **ECB will use the Dynamic B/S to assess the capital position of Eurobank**
- **The Dynamic B/S, which includes the €2.9bn share capital increase completed in May 2014, incorporates the Restructuring Plan (RP) for the 2014-2016 period approved by European Commission, stressed under the Baseline and Adverse scenario**
- **Eurobank meets the CA benchmark in both the Baseline and the Adverse Dynamic B/S scenario**

Dynamic B/S

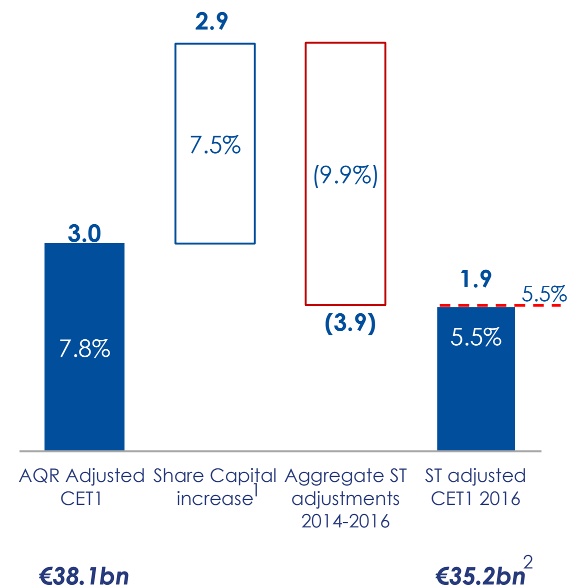
AQR Overview (€ bn)



Baseline (€ bn)



Adverse (€bn)



1. Share capital increase completed in May 2014.
2. As derived from the stress test.

Capital Mitigating Factors

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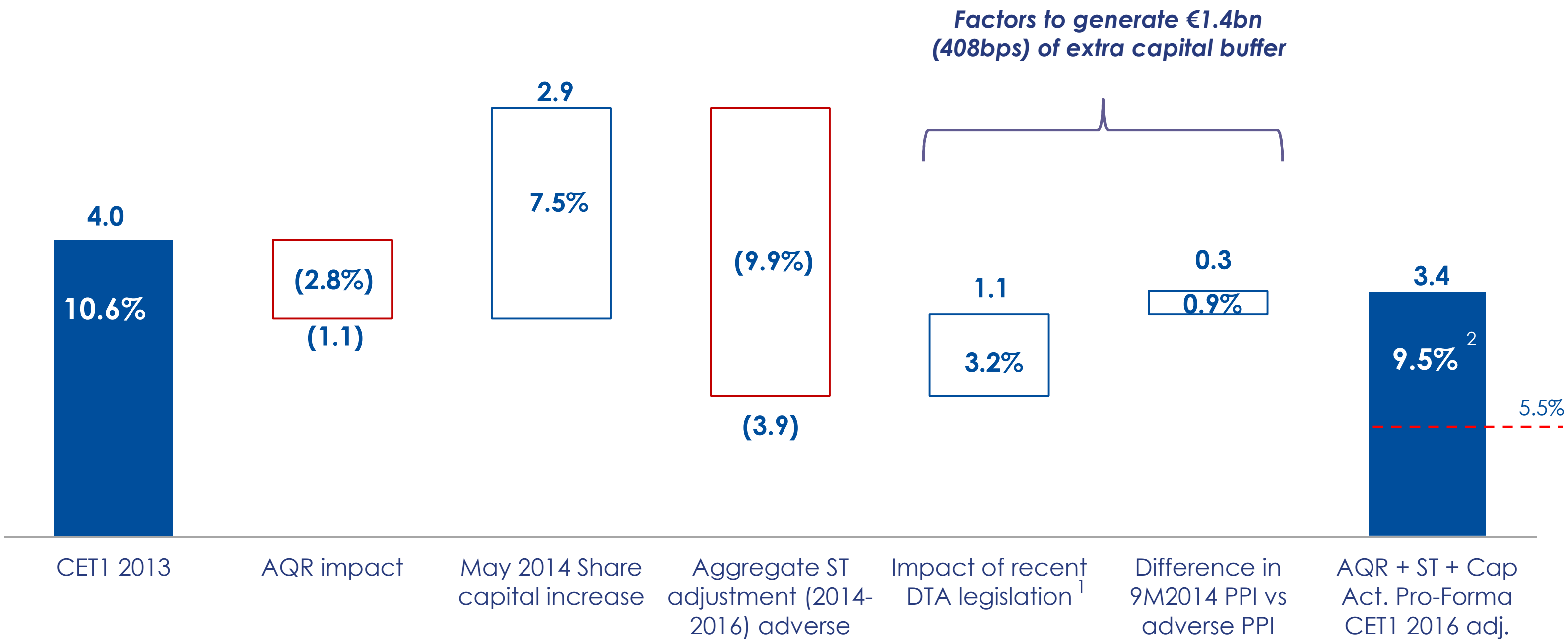
- **The following factors would create a capital buffer of €1.4bn to increase the stressed CET1 ratio from 5.5% to 9.5%**[2]

Dynamic B/S Adverse Scenario & Capital Mitigating Factors (€ bn)

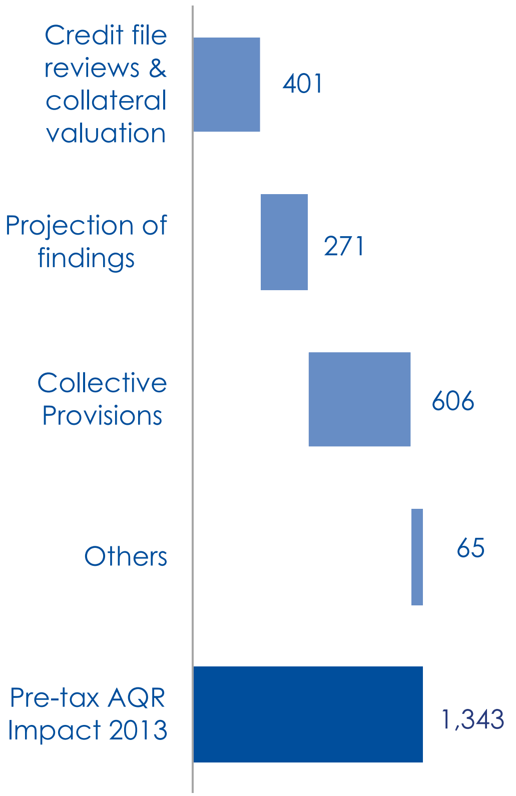


1. Conditional to the approval of opt-in to the scheme by the forthcoming 7 November 2014 EGM.
2. CET1 ratio excludes an additional benefit of c.30bps expected from the migration of NHPB mortgage portfolio to IRB approach.

AQR review perimeter and key findings (1/2)

- **84% of Eurobank loan book reviewed; 97% of Greek and 17% of International portfolio**
- **Credit file review and collateral valuation performed over €9.9bn of Greek corporate loans representing 64% of the Greek Corporate portfolio**
- **The AQR review resulted in a total provisions adjustment of €1,343m or €1,070m after tax**

Pre-tax AQR Impact Details (€ m)



- 887 files of Greek Corporate portfolio reviewed (64% of total Greek Corporate exposure)
- 79 files of Bulgaria's Large Corporate portfolio reviewed (93% of Bulgaria's Large Corporate)
- 388 files of Greek Residential Real Estate portfolio reviewed

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- Impact of projection of findings on provisioning for the unsampled component of the portfolios

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- Collectively assessed provisions adjustment, of which:
  - € 257m on corporate
  - € 256m on Residential Real Estate

- Includes:
  - €51m from challenger model review on CVA provisions
  - €14m from reduction in fair value on non derivative exposures

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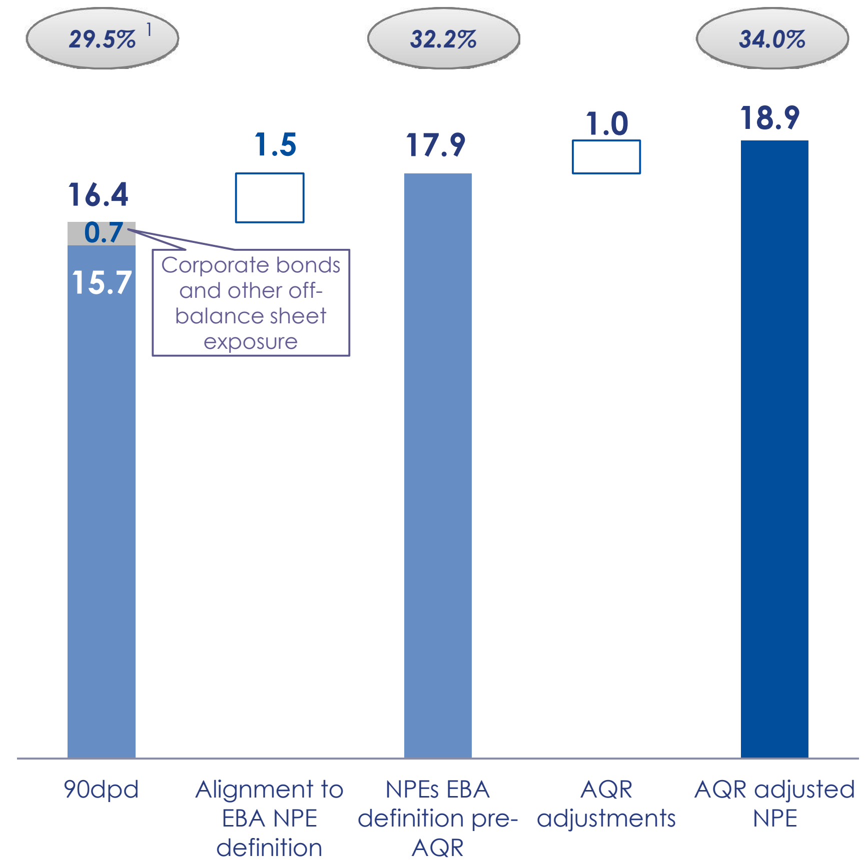
- € 1,070m net of tax impact

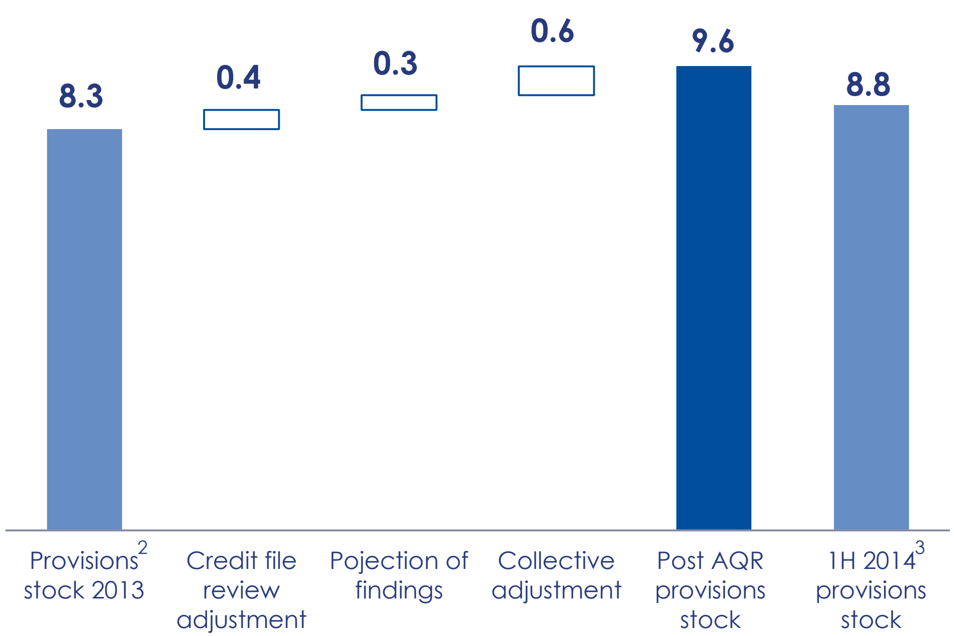
AQR review perimeter and key findings (2/2)

- **Limited adjustments in terms of NPEs from the credit file review, mainly stemming from the SME portfolio**
- **Stock of provisions in place as of June 2014, largely in line with the level envisaged in the AQR exercise**

NPEs evolution (€ bn)



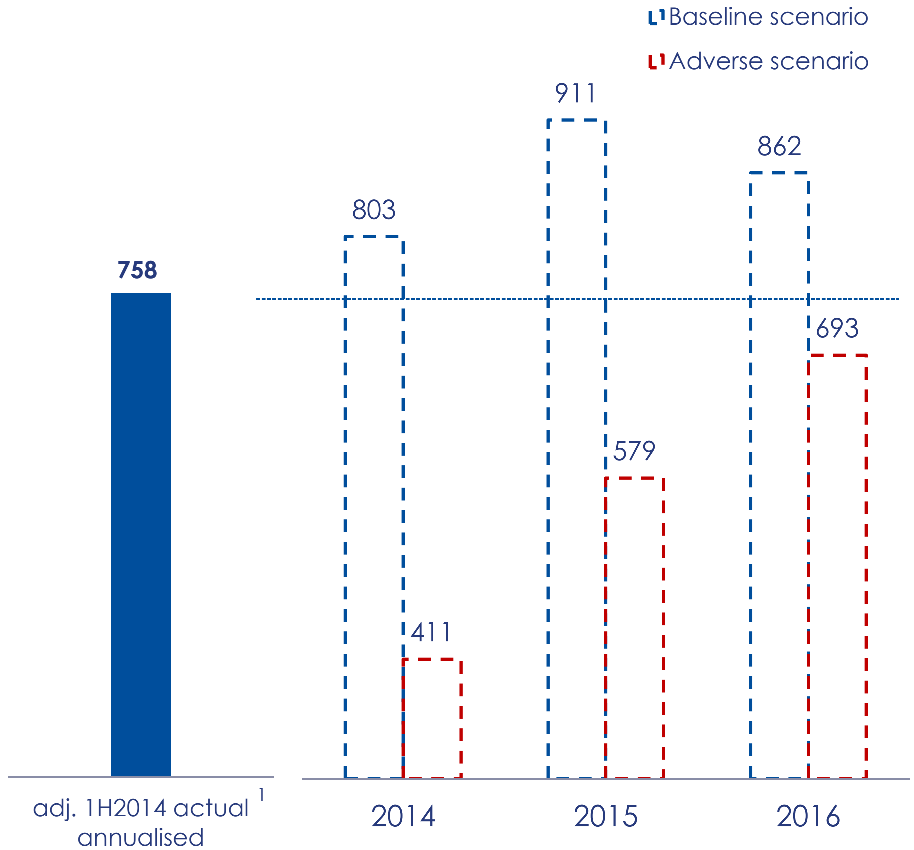
Provisions post AQR (€ bn)



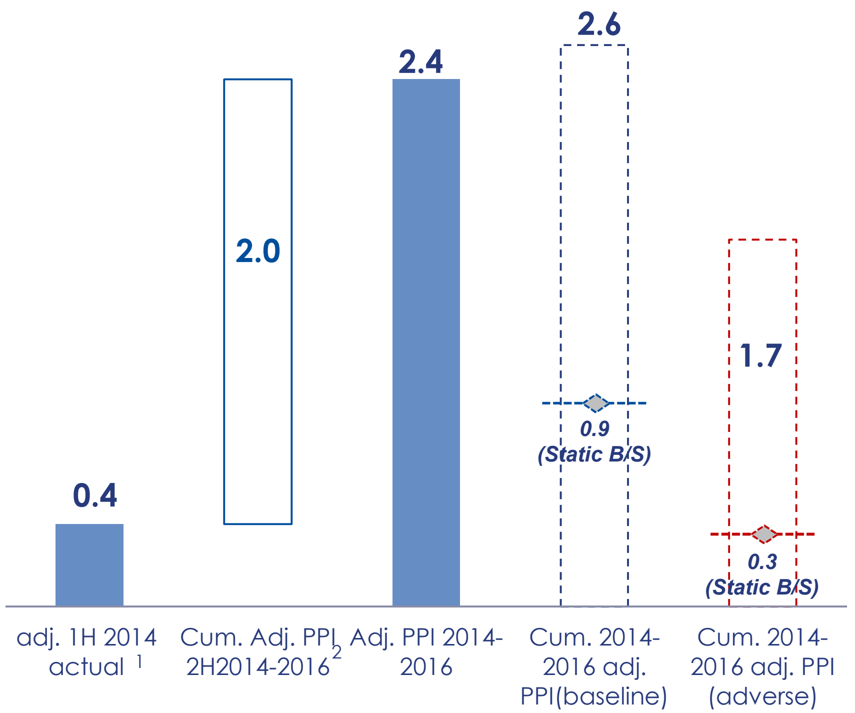
1. Ratio includes corporate bonds and off-balance sheet exposures.
2. Including corporate bonds.
3. Including corporate bonds, excluding Ukraine.

Stress Test (Dynamic B/S) – Adjusted PPI

Adjusted PPI evolution (€ m)



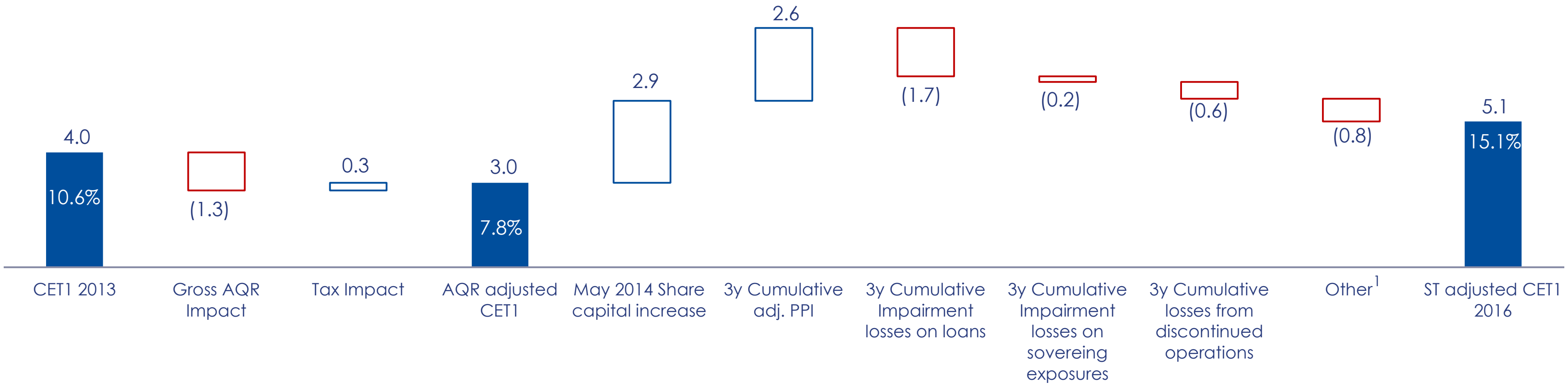
Adjusted PPI current run rate vs stressed (€ bn)



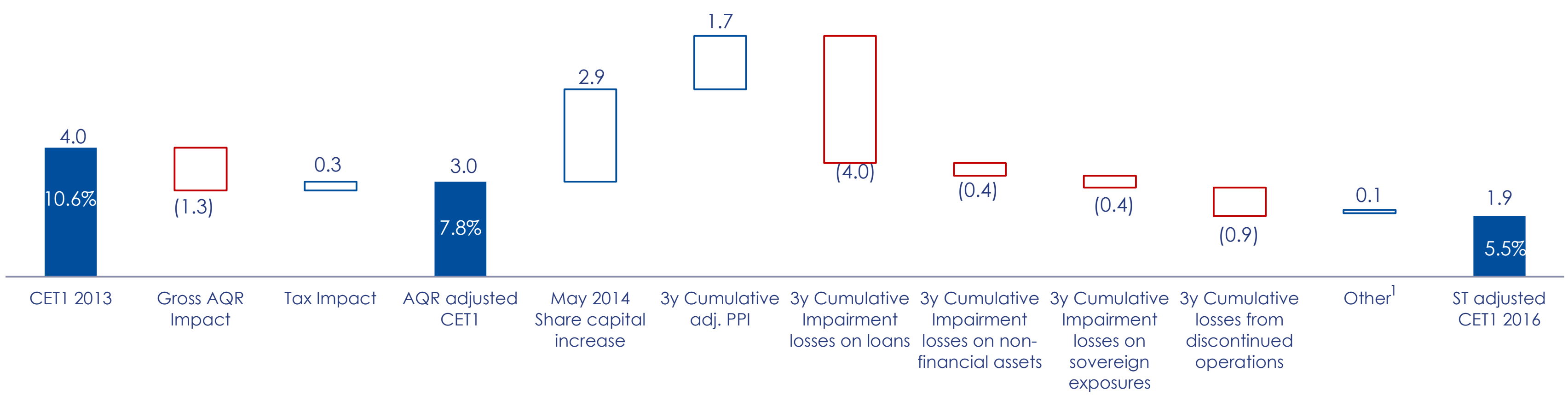
1. Excluding insurance PPI of €37m in 1H 2014 adj. PPI. (According to the ST methodology insurance operations are not included in the CA).
2. Based on 2Q 2014 adjusted PPI, kept flat for all the periods considered.

Stress Test Summary results – Dynamic B/S

Baseline Scenario (€ bn)



Adverse Scenario (€ bn)



1. Includes CET1 transitional impact based on Basel III CRDIV rules and tax effect.

Appendix

Stress Test – Key Assumptions

Scope of Exercise

- Capital adequacy was assessed over a three-year time period (2014-2016) against a Common Equity Tier 1 (CET 1) ratio benchmark of 8.0% and 5.5% in the Baseline and Adverse scenario, respectively
- The CA was carried out on both the Static and Dynamic balance sheet assumptions:
  – *According to the Static B/S assumption,* the actual B/S as of 31 December 2013 was used as reference, thus not taking into account any subsequent capital action and/or executed capital raising as well as structural operating performance improvement
  – *According to the Dynamic B/S assumption,* which includes the €2.9bn share capital increase completed in May 2014, the effect of measures announced and committed in the Restructuring Plan (RP) approved by DG Competition for the 2014-2016 period have been incorporated. These were then stress-tested under the Baseline and Adverse scenario

Macro Assumptions

Variable	Baseline Scenario			Adverse Scenario		
(%)	2014	2015	2016	2014	2015	2016
Real GDPP Growth	0.6	2.9	3.7	(1.6)	(0.6)	1.2
Unemployment Rate	26.0	24.0	19.5	26.5	25.3	21.6
Inflation	(0.6)	0.2	1.1	(1.0)	(0.9)	(0.7)
Residential House Prices	(7.7)	(3.7)	(1.2)	(11.1)	(9.9)	(7.9)
Commercial Real estate Prices	(3.7)	(0.8)	0.6	(5.9)	(4.5)	(3.5)
Relevant CET 1 Threshold		8.0%			5.5%	

Comprehensive Assessment Results

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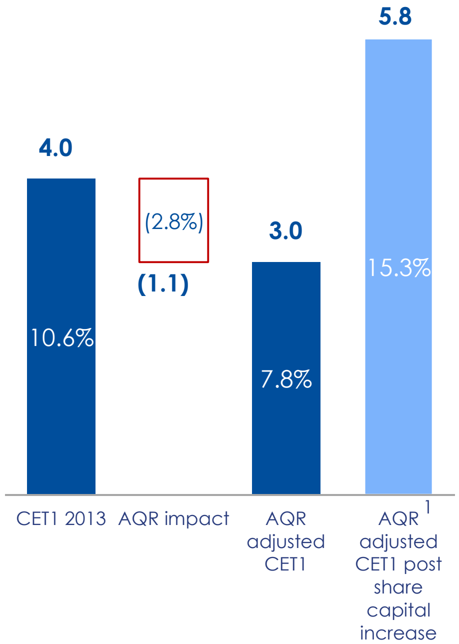
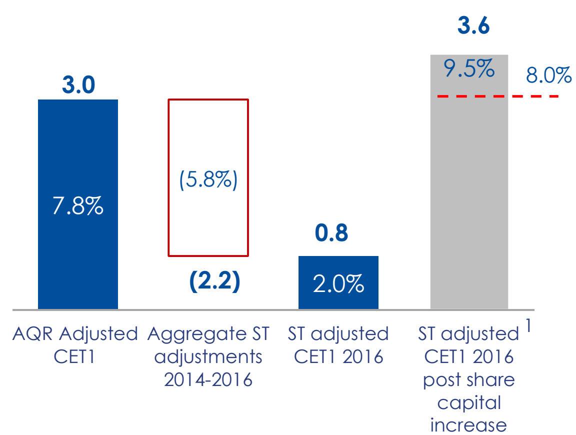
Static B/S

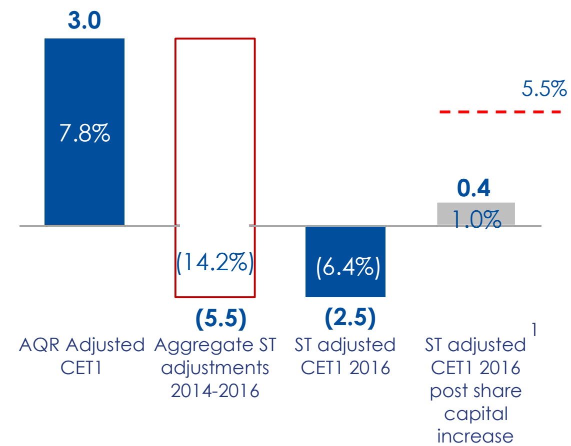
AQR Overview (€ bn)



Baseline (€ bn)



Adverse (€bn)

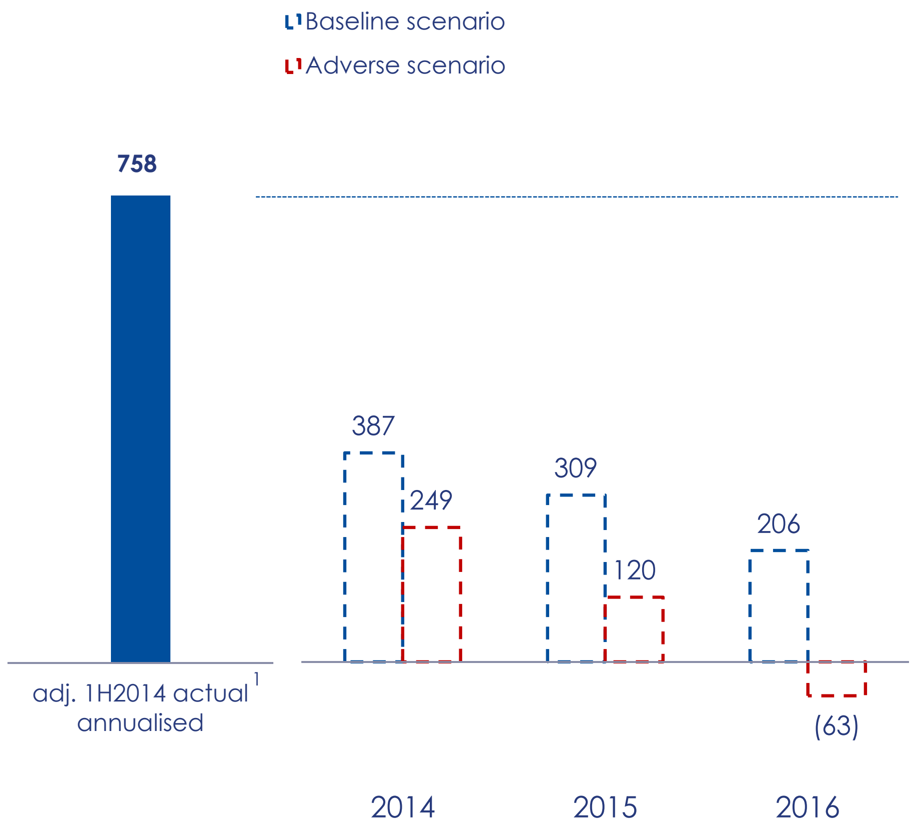


RWAs ***€38.1bn*** ***€38.1bn*** ***€38.1bn*** ***€38.2bn***[2] ***€38.1bn*** ***€38.8bn***[2]

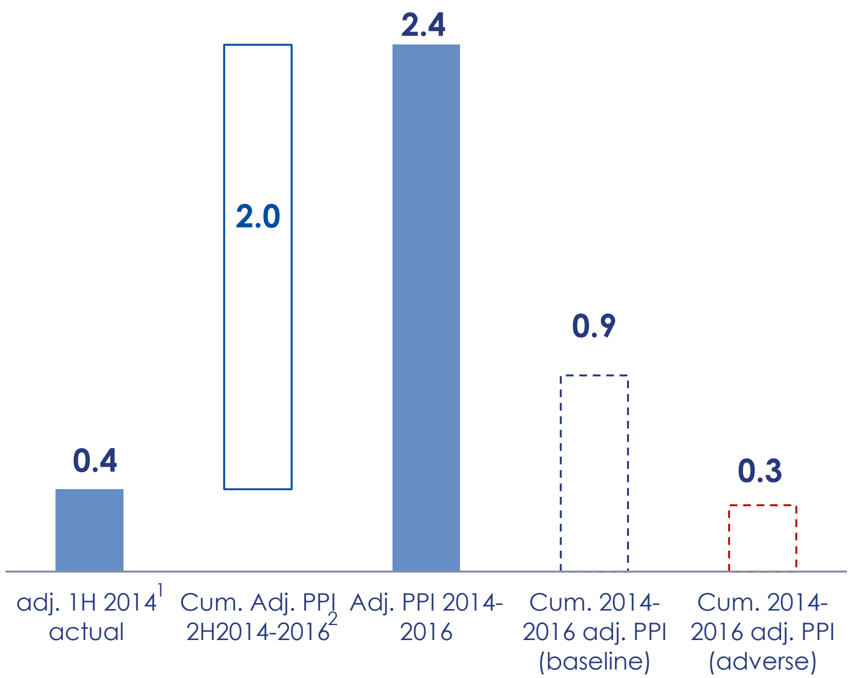
1. Share capital increase completed in May 2014.
2. As derived from the stress test.

Stress Test (Static B/S) – Adjusted PPI

Adjusted PPI evolution (€ m)



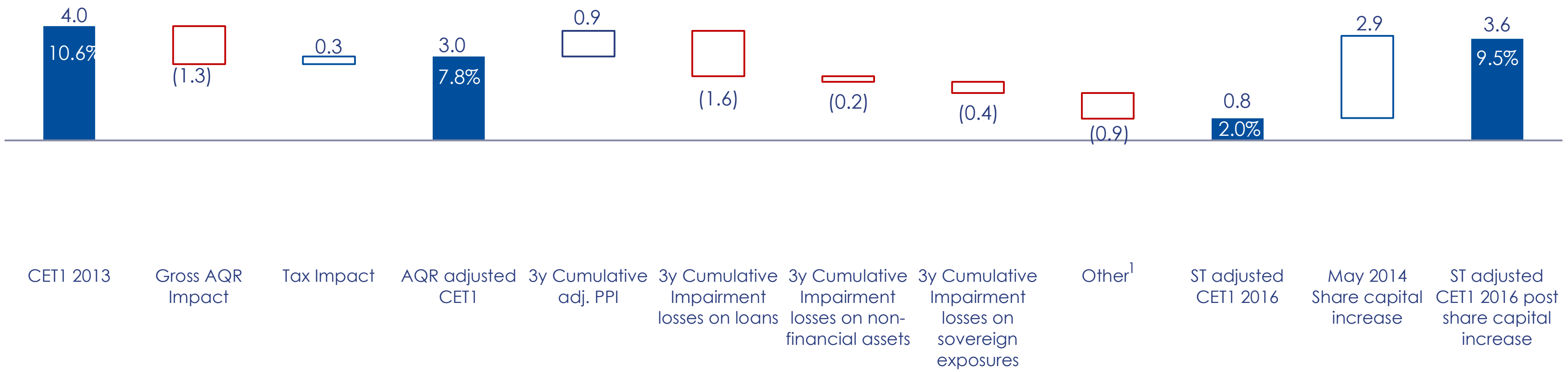
Adjusted PPI current run rate vs stressed (€ bn)



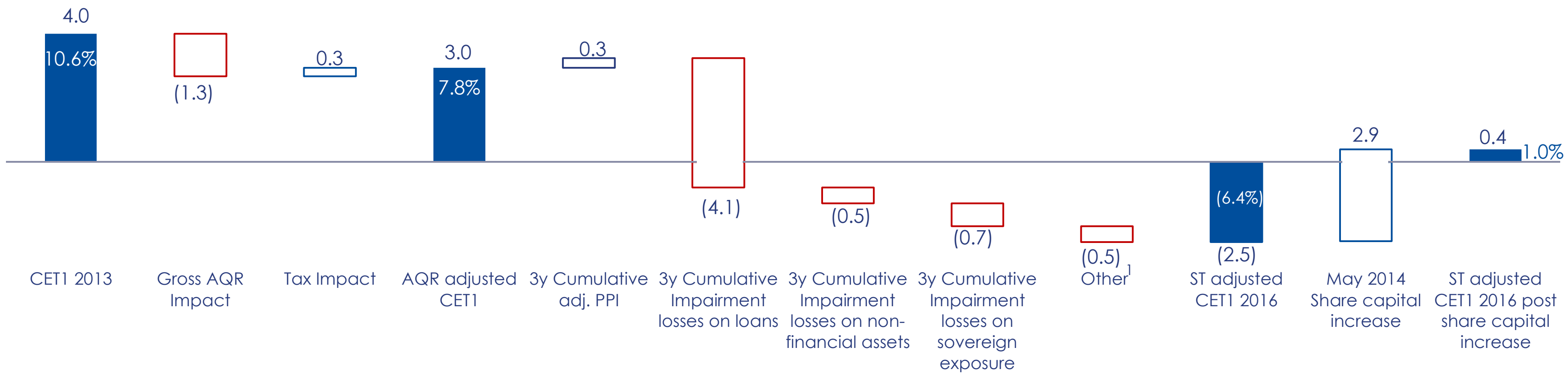
1. Excluding insurance PPI of €37m in 1H 2014 adj. PPI. (According to the ST methodology insurance operations are not included in the CA).
2. Based on 2Q 2014 adjusted PPI, kept flat for all the periods considered.

Stress Test Summary results – Static B/S

Baseline Scenario (€ bn)



Adverse Scenario (€ bn)



1. Includes CET1 transitional impact based on Basel III CRDIV rules and tax effect.

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