

# €2,864m Share Capital Increase

12 April 2014

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# Transaction overview and capital position

## €2,864m Capital Increase

- €2,864m share capital increase to address capital needs as assessed by the Bank of Greece under the baseline scenario following the BlackRock Diagnostic Exercise
- Strengthening of capital position by 771bps to a Basel II CT1 ratio of 19.0% (pro-forma 2013)
- Broadening of shareholder base, expected free float in excess of 50%

## Transaction Structure

- Capital increase without pre-emptive rights
  - Private placement outside Greece to international institutional investors under Rule 144A / Regulation S
  - Public offering in Greece
  - HFSF acts as backstop
  - Subscription price will not be lower than (i) the minimum price set out by the General Council of the HFSF and (ii) the nominal value of €0.30 per share
- If private participation in the capital increase is equal to or exceeds 50%, HFSF will (i) have restricted voting rights and (ii) commit to a six-month lock-up period

## Expected Timetable

- 12<sup>th</sup> April 2014: EGM approval
- 3<sup>rd</sup> week of April: Eurobank BoD decision on price range
- Last week of April: Bookbuilding, pricing and allocations, First week of May: Settlement of the new shares
- Second week of May: Trading of new shares

## Syndicate Structure

- Joint Global Coordinators: Barclays, Deutsche Bank, J.P. Morgan
- Joint Bookrunners: Bank of America Merrill Lynch, BNP Paribas, Citigroup, Credit Suisse, HSBC, Mediobanca, UBS
- Co-bookrunners: Axia, Eurobank Equities
- Co-leads: KBW, Moelis, VTB Capital

- Eurobank has signed an agreement in relation to its Capital Increase with a group of investors for an amount of c. €1,332m

## Cornestone Investors

### The Group of Investors includes:

- Fairfax Financial Holdings Limited (“**Fairfax**”)
- WLR Recovery Fund V, L.P. and/or other investment vehicles managed by WL Ross & Co. LLC (the “**WLR Funds**”)
- Capital Research and Management Company, acting in its capacity as a discretionary investment manager for and on behalf of certain funds that it manages (“**Capital Research and Management Funds**”)
- Mackenzie Financial Corporation, acting in its capacity as discretionary investment manager for and on behalf of certain funds that it manages (“**Mackenzie Funds**”)
- Certain funds managed by Fidelity Management & Research Company (together “**Fidelity Funds**”)
- Brookfield International Bank Inc (“**Brookfield**”)

## Terms of the Agreement

Under the terms of such agreement, each Investor, severally and not jointly and not in concert with any other Investor, **agreed to commit to subscribe for newly issued ordinary shares of Eurobank at a price of €0.30 per newly issued ordinary share**

## Commitment Amount

The aggregate commitments of all Investors amount to approximately **€1,332m (representing approximately 46.5% of the Capital Increase at the Investor Price)**, as set out below:

- Fairfax: €400,000,000
- WLR Funds: €37,500,000
- Capital Research and Management Funds: €556,801,260
- Mackenzie Funds: €172,000,000
- Fidelity Funds: €115,500,000
- Brookfield: €50,000,000

# Cornestone Investors: key terms and conditions

## Allocation

- Should the final offering price resulting from the bookbuilding process be **equal to €0.30 per share**, each Investor has a **guaranteed allocation** for its own Commitment Amount
- Should the final offering price be **higher than €0.30 per share**, each Investor has a **right to match** for an amount up to its own Commitment Amount with guaranteed allocation. Should any Investor decide not to exercise such right, a **commitment fee of 1.5%** of its respective Individual Investor Commitment Amount will be paid to such Investor, to the extent such shares are not taken up by one or more of the other Investors

## Corporate Governance

- **Fairfax and WLR Funds declared their intention to actively participate in the corporate governance of Eurobank**
- Based on Law 3864/2010, as amended by Law 4254/2014, should private participation cover 50% or more of the Capital Increase, **the Hellenic Financial Stability Fund will have restricted voting rights** on the existing Eurobank shares it owns
- Should private participation cover 50% or more of the Capital Increase, **the Hellenic Financial Stability Fund agreed to commit to a 6-month lock-up period**
- The commitment agreement is not intended to render the Investors as persons acting in concert for the purposes of Greek law

## Investors' Lock-up

- **Fairfax and WLR Funds committed to a 6 month lock-up period following completion of the Capital Increase**

## Conditions

- The commitment of each Investor is subject to obtaining all necessary regulatory approvals and consents and subject to the offering to international institutional investors in connection with the Capital Increase not having been terminated and expires on 16 May 2014

## Company overview

### Fairfax

- Fairfax is a Toronto-based financial services holding company which, through its subsidiaries, is engaged in property and casualty insurance, reinsurance and investment management.
- Fairfax is a TSX-listed publicly traded corporation with
  - **Market capitalization of approximately US\$10bn**
  - **Total assets under management of approximately US\$25bn**

### WL Ross & Co. LLC

- **Leading private equity firm** specialized in distressed and turnaround investments
- **Have sponsored more than US\$10.0bn of private equity investments and have achieved a gross IRR of 40%**
- **Long term investment approach** and a very closely relationship with management to help improve the overall operations and profitability of businesses over time

## Strong expertise in the sector

### Significant track record in banking and insurance sectors globally, among which:

- Bank of Ireland Group
- OdysseyRe
- ICICI Lombard

### Already executed significant transactions in the Greek market:

- Eurobank Properties
- Mytilineos Group
- Praktiker

Strong expertise in financial services companies both in United States and Europe. **More than US\$3.0bn invested in the sector since 2005. Examples of investments in banks:**

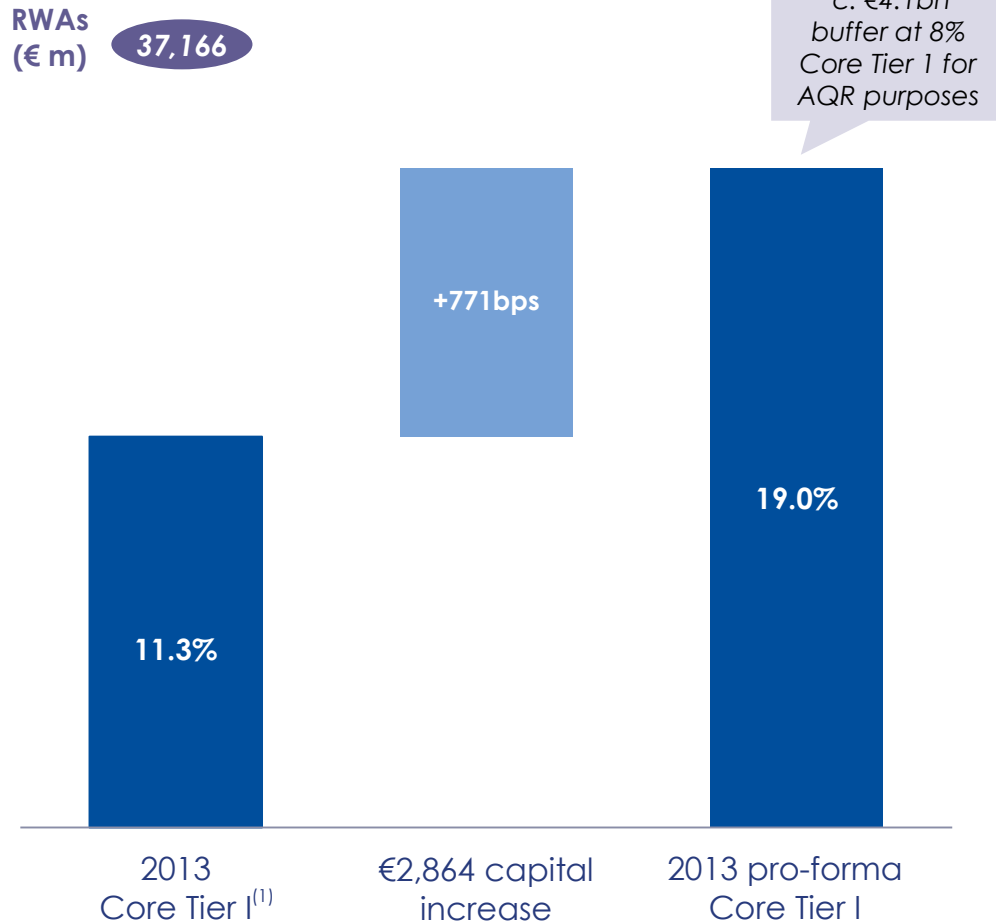
- Bank of Ireland Group
- Virgin Money
- BankUnited
- Talmer Bank & Trust
- Kansai Sawayaka Bank



# 2013 pro-forma capital position

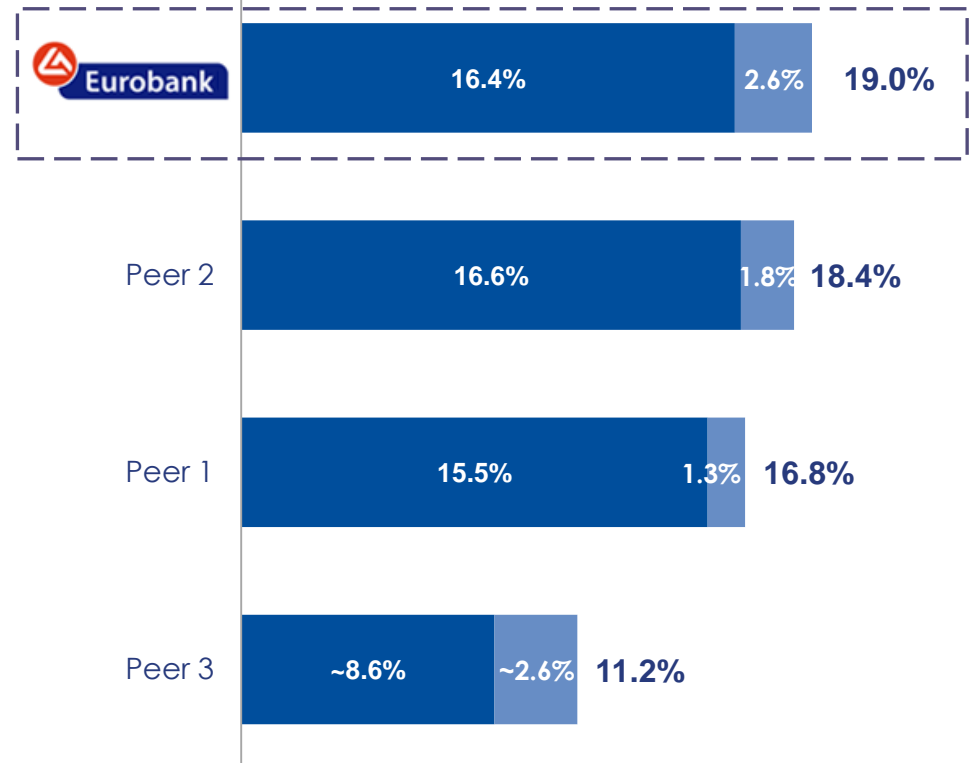
## Capital increase impact (Basel II)

Pro-forma for capital increase, Core Tier 1 ratio at 19.0% (incl. preference shares) and this capital will be the basis for the upcoming Asset Quality Review ("AQR") exercise by the ECB



## Greek banks capital ratios

■ 2013 CT1 ratio pro forma for capital increase, excl preference shares  
 ■ Preference shares

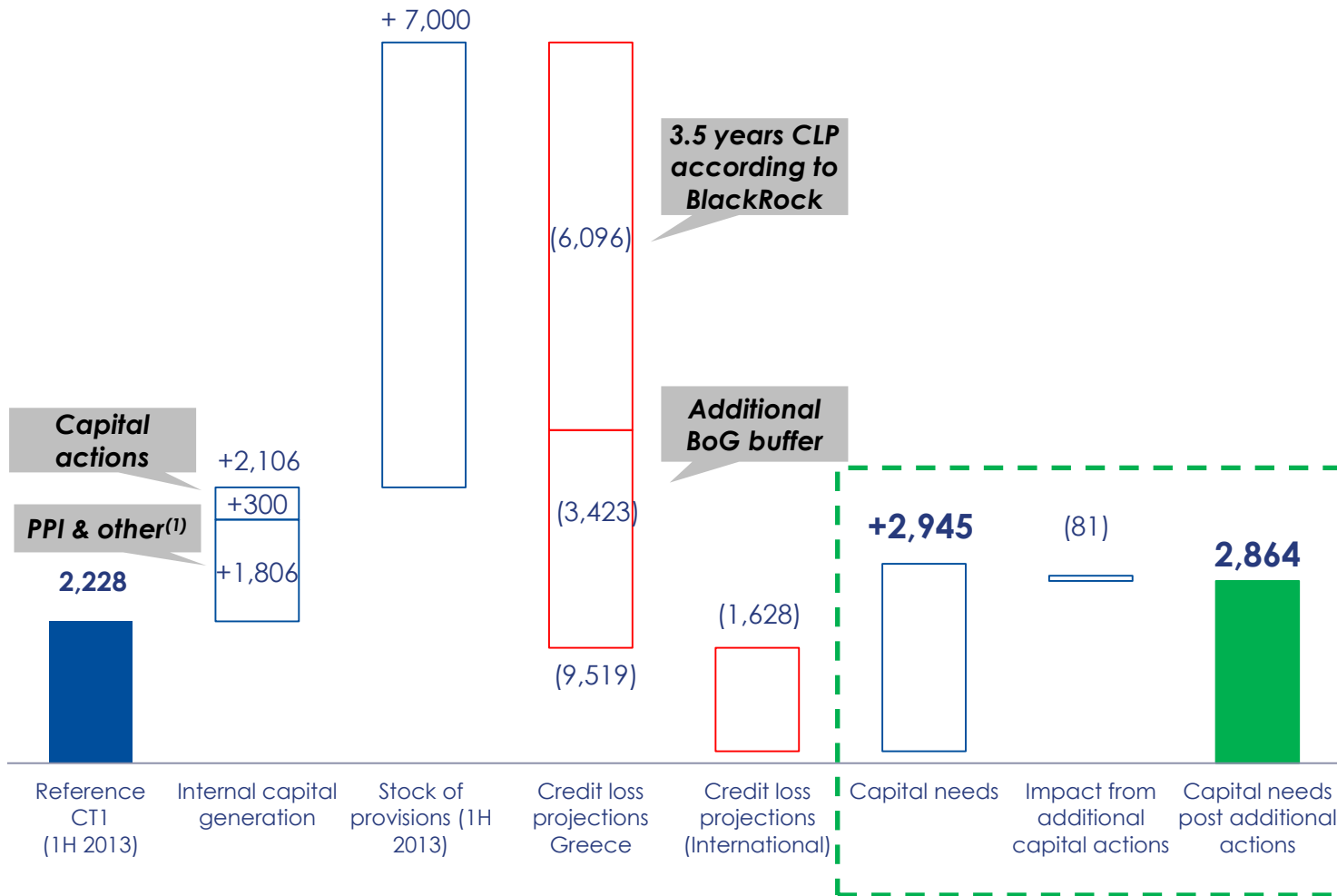


- Highest Core Tier 1 capital ratio among Greek banks post capital increase even if preference shares are excluded
- €4.1bn capital buffer vs. 8% CT1 ratio target ahead of the upcoming AQR exercise

1. Pro forma with the approval of IRB of mortgage portfolio for TT by BoG.

# Eurobank's capital needs according to BoG stress test

## Bank of Greece estimated capital needs in the baseline scenario (€ m)

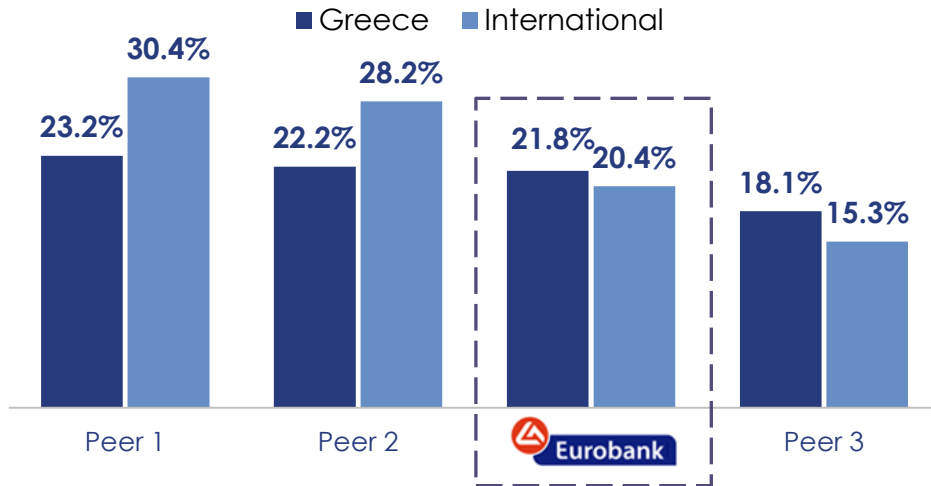


- Bank of Greece ("BoG") estimated Eurobank's capital needs at €2,945m
  - Includes a buffer of €3.4bn applied by Bank of Greece, in excess of Credit Loss Projections ("CLP")
- Analysis has been performed based on the previous DTA eligibility rule (DTAs capped at 20% of CT1)
- Taking into account €81m impact from additional capital actions, share capital increase amounts to €2,864m

1. Includes evolution of RWAs and other impact.

# BlackRock credit loss projections

## Greek<sup>1</sup> and international<sup>2</sup> lifetime CLP/Loans



## Comments

Eurobank portfolio quality improved by the acquisition of TT and Proton, which have been acquired as “clean” banks following carve out of non performing loans (“NPLs”)

- Lifetime CLP estimated for Eurobank by Bank of Greece compare well with the losses estimated for the other banks
- CLP for Greece lower than sector average across all segments except small business, both under the baseline and the adverse scenario
- CLP for international business among the lowest in peer group

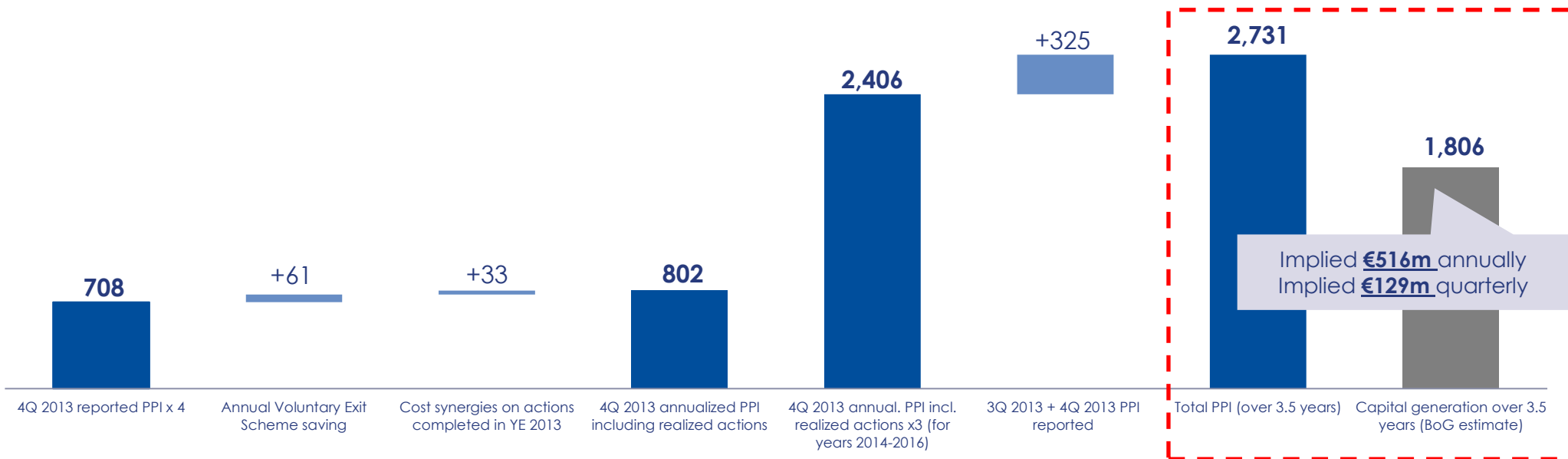
## Eurobank CLP vs. market average – Baseline scenario

Segment (Greece)	Eurobank lifetime CLP (%)	Market lifetime CLP (%)
Mortgage	5.0% ✓	7.3%
Consumer	41.5% ✓	43.7%
Small business	31.9%	30.9%
Corporate	23.1% ✓	24.1%
<b>Total</b>	<b>21.8%</b>	<b>21.7%</b>

1. BlackRock baseline scenario for lifetime CLP. BoG methodology incorporates at minimum 95% of BlackRock's baseline lifetime CLP in the 3.5yrs stress test period among other factors  
 2. BlackRock baseline scenario for 3.5yrs CLP. These CLP figures have been adjusted by BoG to take into account mitigating actions as well as foreign tax effects

# PPI assessment by BoG

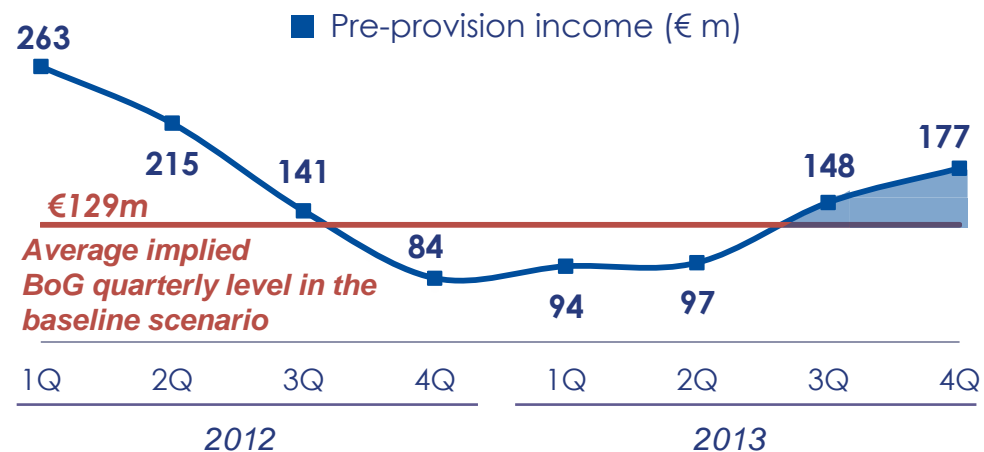
## Cumulative 3.5 years PPI based on 4Q 2013 vs. BoG assessment (€ m)



### Comments

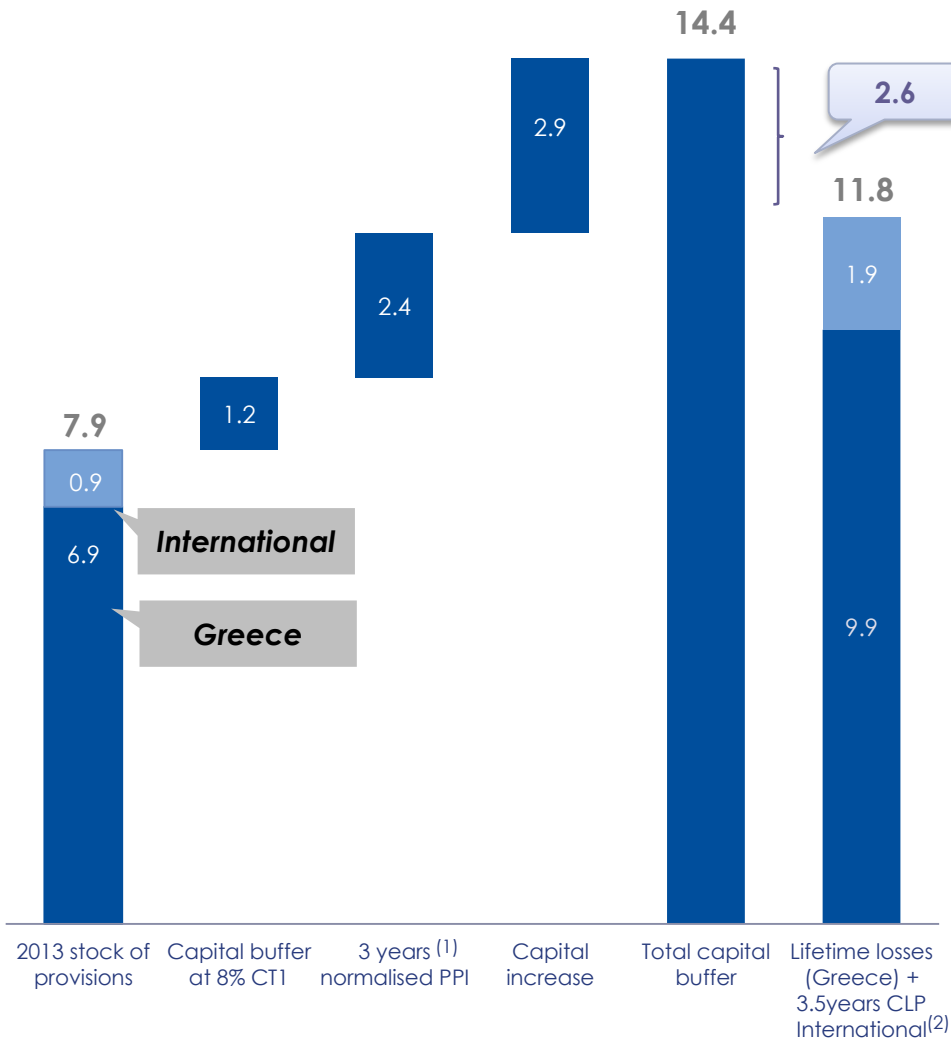
- BoG assumptions imply Eurobank's capital generation of €1,806m over 3.5 years, i.e. on average
  - Implied €516m annually
  - Implied €129m quarterly
- This compares to a run rate of:
  - €708m pre-provision income per year based on the 4Q 2013 (€802m including already achieved synergies)
  - €148m and €177m PPI generated in 3Q 2013 and 4Q 2013, respectively

### PPI quarterly performance

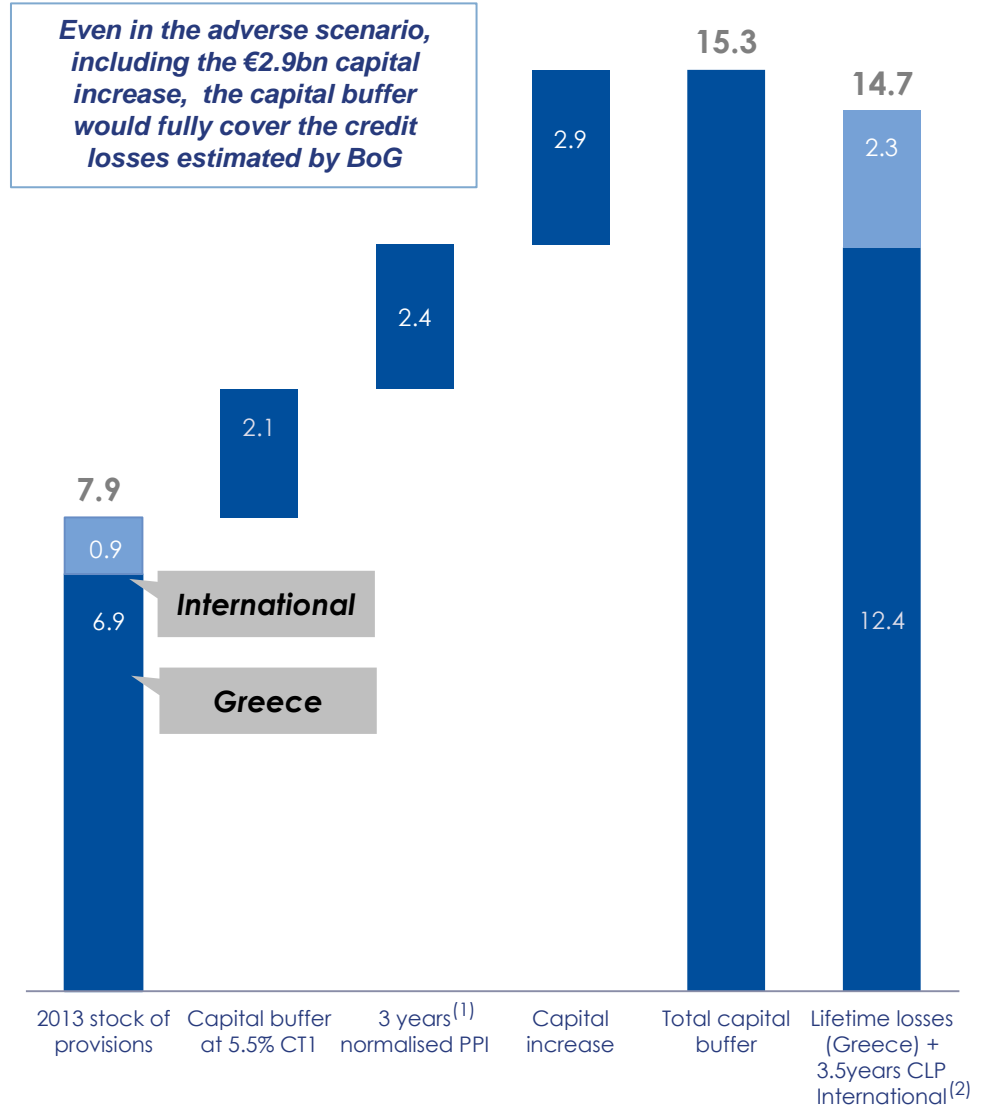


# Capital buffer in the adverse scenario

## Baseline scenario (€ bn)



## Adverse scenario (€ bn)

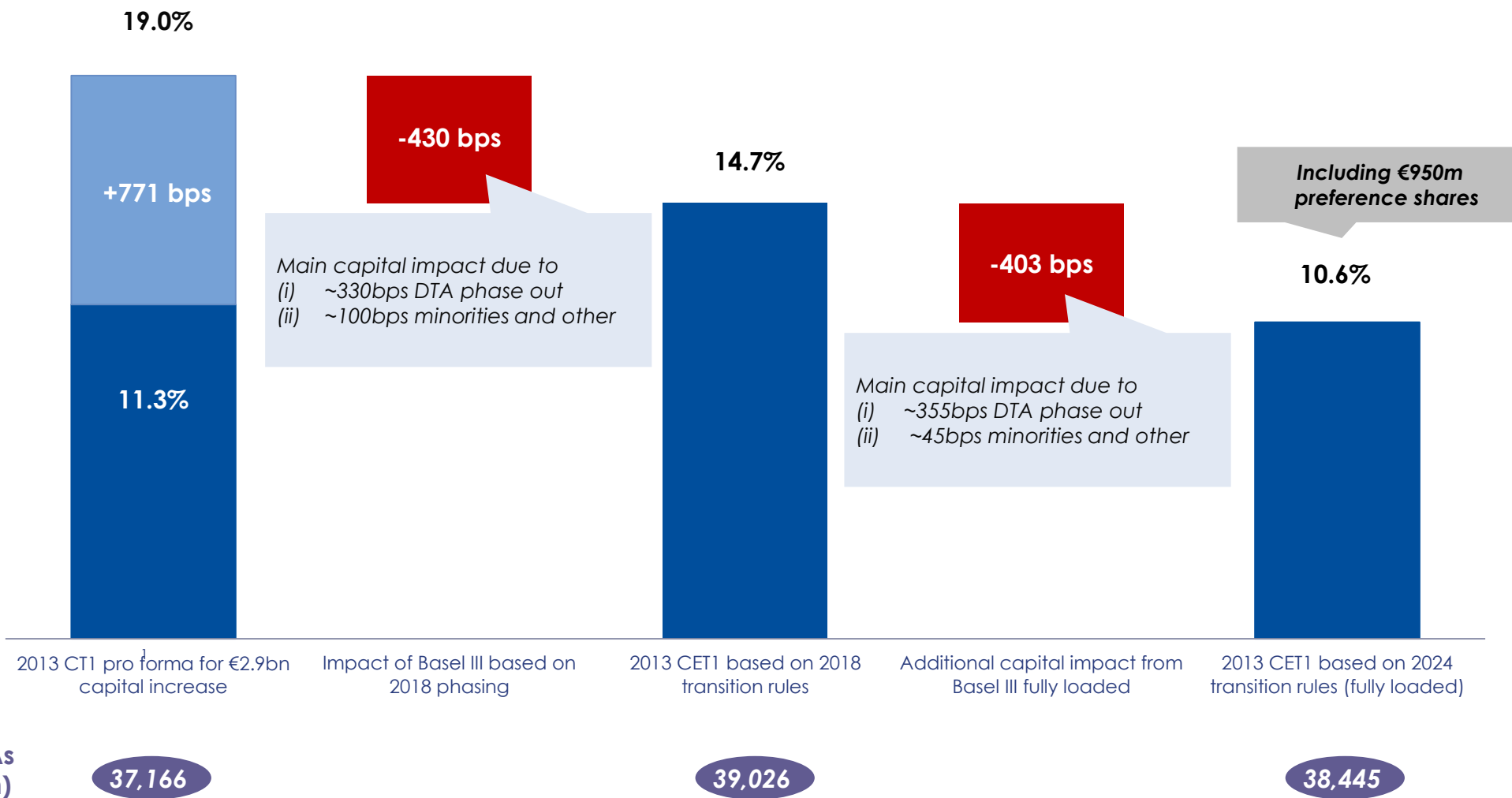


1. 4Q 2013 annualized PPI for actions already taken multiplied by 3

2. CLPs as per BlackRock. Bank of Greece CLPs are: Baseline: Greece €9.5bn, International €1.6bn | Adverse: Greece: €10.5bn, International: €2.0bn

# Capital position under Basel III post capital increase

## Basel III pro forma Common Equity Tier 1 ratio (%)



1. Pro forma for the IRB mortgage portfolio of TT.

## **Key investment highlights**

## *Opportunity to benefit from the recovery of the Greek economy in a consolidated banking market*

### **Well positioned in the new consolidated Greek banking market (top 4-banks with 93%<sup>(1)</sup> cumulative market share)**

- Lending: 20% market share. Deposits: 18%<sup>(2)</sup> market share

### **Enhanced business franchise through acquisitions of TT and Proton**

- Financial benefits: (i) Enhanced liquidity position (25 percentage points improvement in L/D ratio), (ii) Well provisioned loan portfolio (4.5 percentage points improvement in 90dpd coverage ratio) and (iii) Improved profitability (annual synergies of €200m)
- Strategic benefits: (i) Large and complementary client base with cross selling opportunities, (ii) Cooperation agreement with Hellenic Post network

### **Modern bank with entrepreneurial culture and leading positions in fee generating activities**

- Entrepreneurial culture and proven track record of product innovation supported by advanced and scalable IT infrastructure
- Leading positions in asset management (€2.9bn assets under management), private banking (€6.4bn assets under management), securities services (€35.7bn assets under custody), investment banking (market leader in M&A and advisory services), equity brokerage (16.5% market share<sup>(3)</sup>) and treasury sales

### **Clear path and drivers to profitability already embedded in our transformational plan**

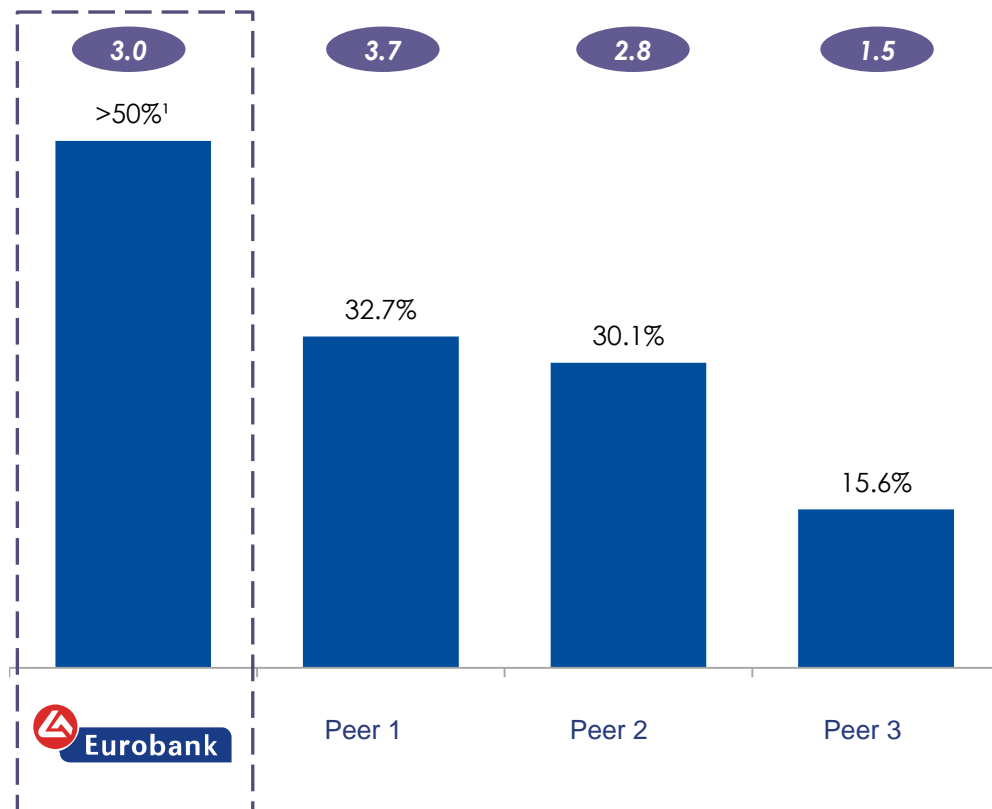
- Streamlining of operations in order to increase efficiency and reduce costs
- Decreasing deposit spreads and reduced Eurosystem funding reliance
- Recovery of fee and commission income
- Cost of risk reduction and proactive remedial management effort



# Highest free float among Greek banks post capital increase

## Free float

Free float % of total shares pro forma for capital increases



## Free float and index participation

- Eurobank to be the Greek bank with the highest free float (>50%)
- Potential index inclusion and/or increased index participation

*Potential index participation benefits*

€bn Free float pro forma for capital increases

## Key strategic objectives

### 1 Operational integration of TT – completed April 2014

- Dual brand strategy implementation
- Synergies realization

### 2 Implementation of Strategic Transformation Program

- Focus on risk and remedial/NPL management  
*(i.e. enhancing Non-Performing Customers General Division and establishing Corporate Special Handling Unit)*
- Enhance client relationship business model to maximize revenues and liquidity
- Transform the operational model to increase efficiency and reduce costs

### 3 Introduce private sector capital in the shareholder base through the share capital increase

## Business targets

- ### 1 Focus on NPL recoveries
- Set up and/or strengthen dedicated Remedial Units
  - Enhance Non-Performing Customers General Division
  - Adopt specific KPIs to monitor performance

- ### 2 Decrease funding cost
- Further reduce cost of time deposits
  - Eliminate ELA
  - Improve deposit mix

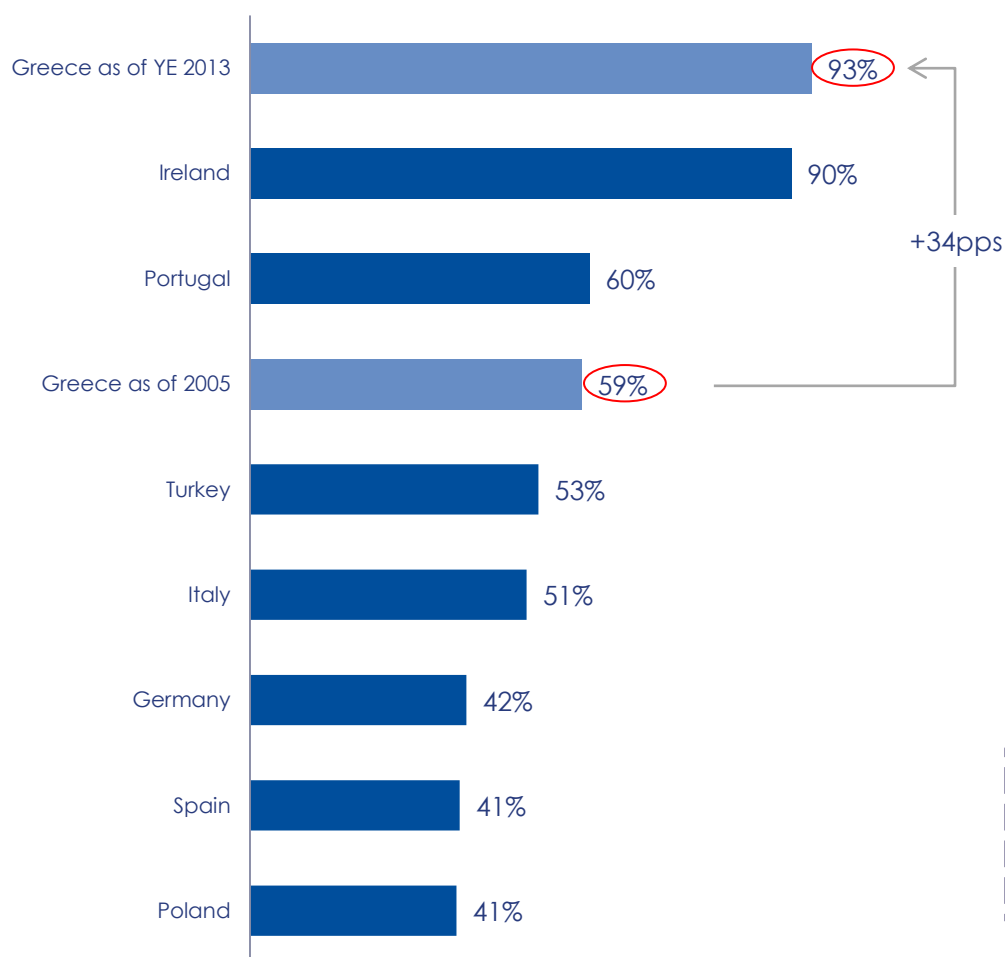
- ### 3 Control deleverage
- Focus on market niches with growth potential
  - Quality loan originations

- ### 4 Increase fees and commissions
- Leverage on macro improvement
  - Capitalise on leading position in fee generating activities

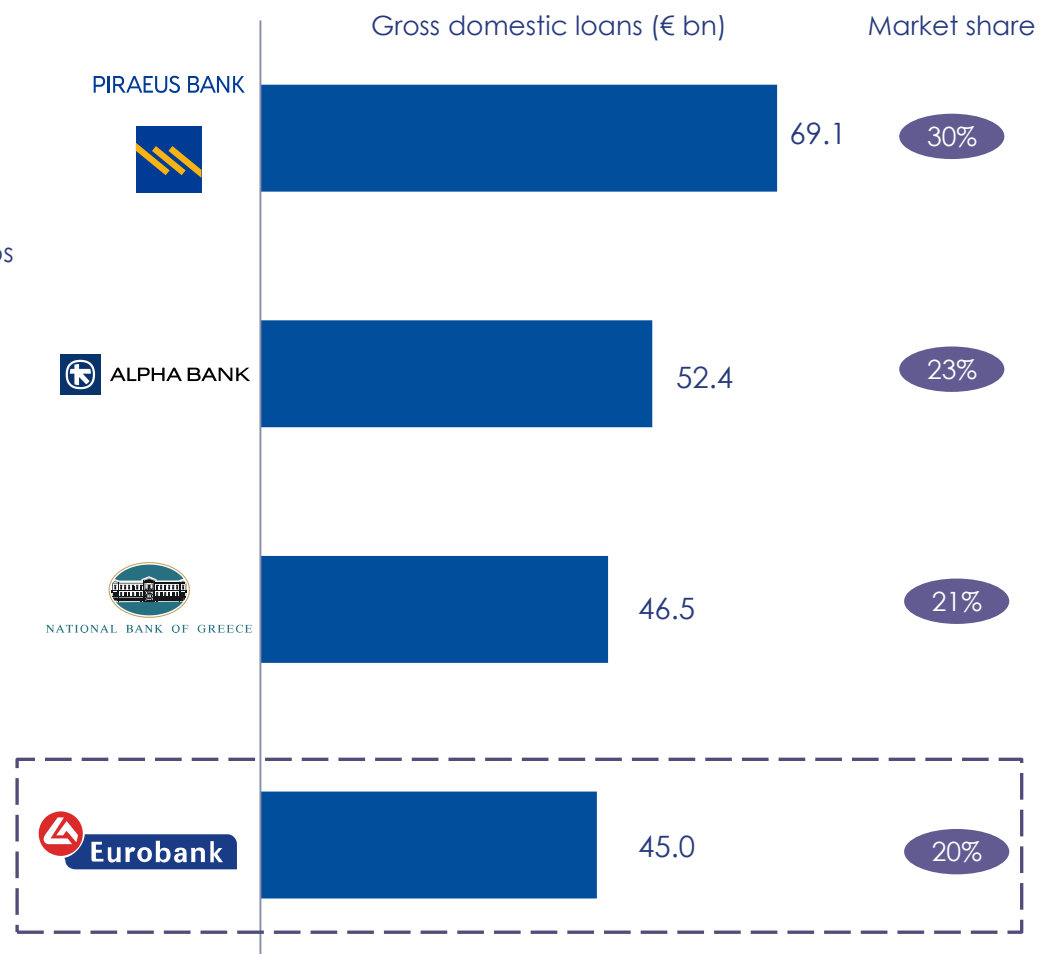
- ### 5 Continue cost optimization
- Offices rationalisation
  - Streamlining of central/administration functions
  - Streamlining of processes

# Greek banking sector concentration

## Market share of top four banks<sup>(1)</sup>



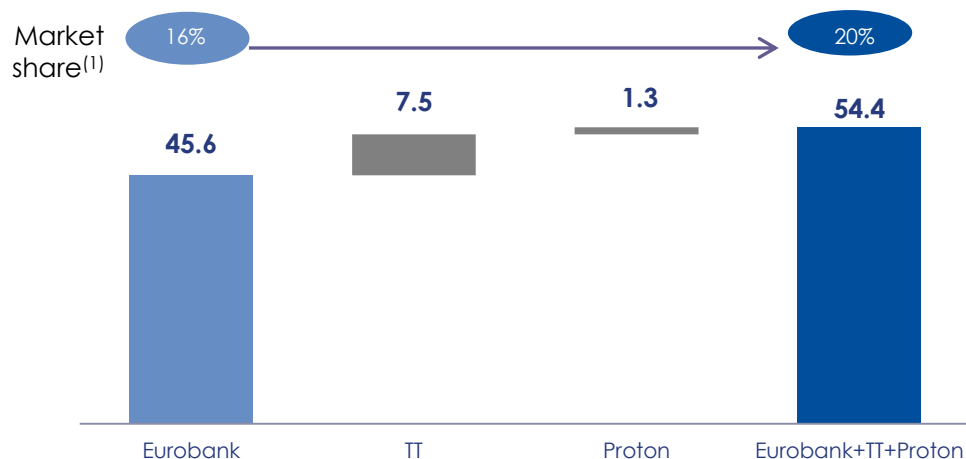
## Gross loans market share (Greece only)



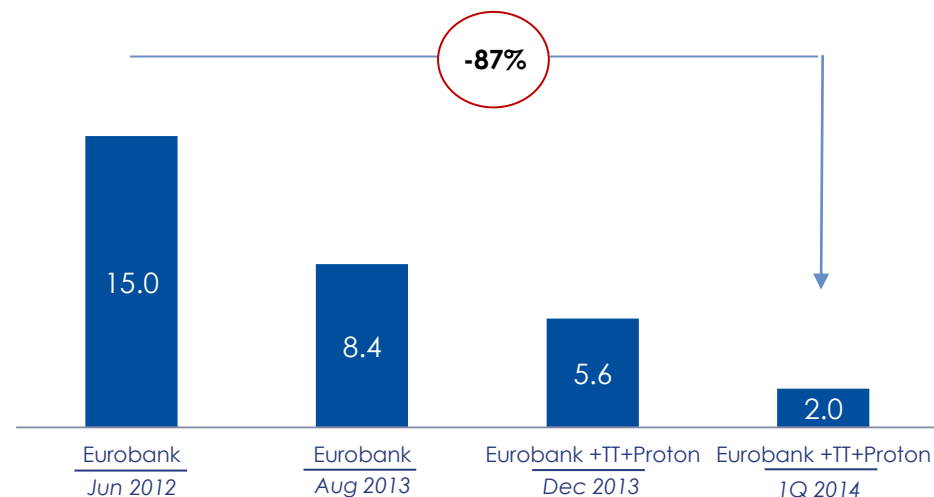
1. Market share by total assets as of 2012 year end, except market share for Greece which is based on gross customer loans as of Dec. 2013  
 Source: Bank of Greece, Company information, Bankscope, European Central Bank data

# Impact of acquisitions of TT and Proton

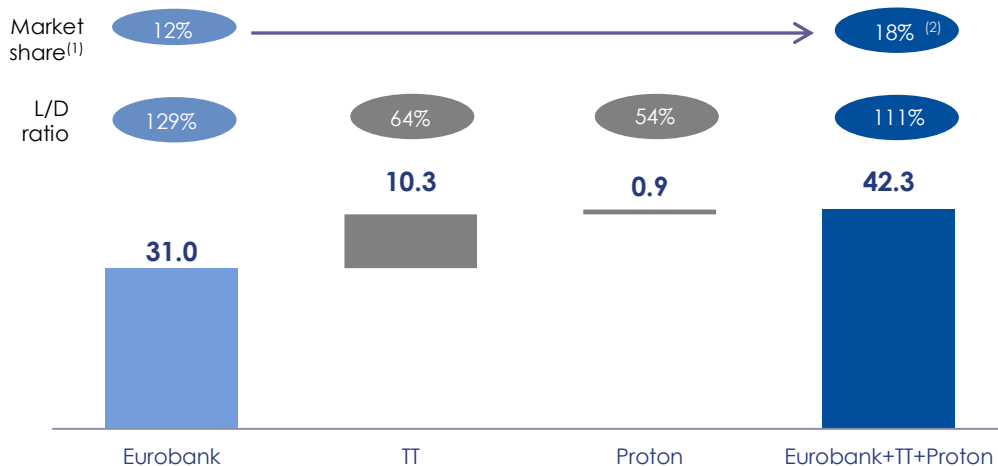
## Gross loans (3Q 2013, € bn)



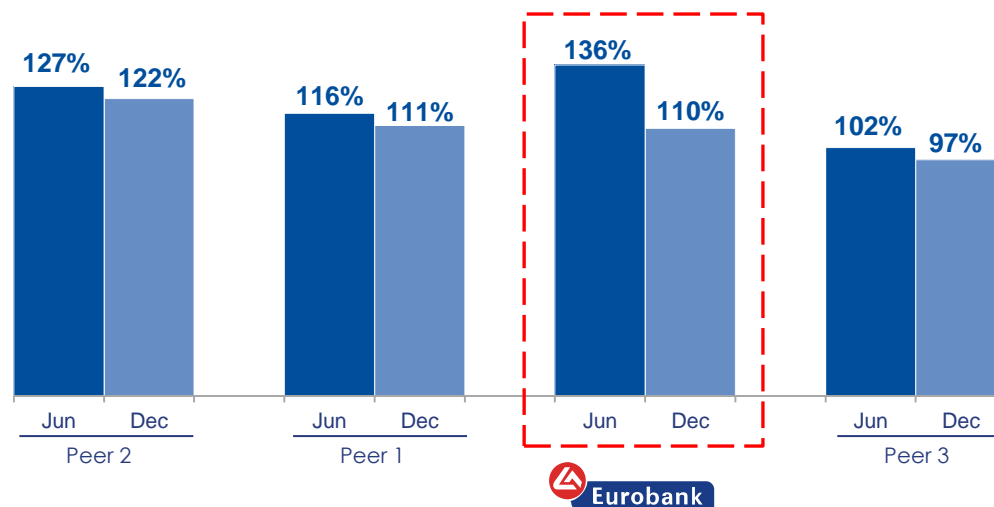
## ELA (€ bn)<sup>(3)</sup>



## Deposits (3Q 2013, € bn)



## Loan to deposit ratio vs peers (2013)



1. Market share refers to Greece only. 2. 19% excluding non-Greek residents. 3. EOP

# Modern bank with entrepreneurial culture and spirit of innovation

## Entrepreneurial culture with an innovation track record

- **Business model innovator creating new segments and market standards**
  - First bank to establish business unit fully dedicated to SB<sup>(1)</sup>
  - First bank to initiate and provide advanced banking services to SMEs
- **Customer orientation across units and products**
  - Cross divisional support teams
  - Active management to improve customer experience
- **Proven track record of product innovation**
  - Pioneer in introducing new value added products with customised features
  - Early adopter of value adding features to traditional products

### Retail Banking Services & Products

- **E-banking services:** more than 30 awards since 2001 from local and international institutions



- **m-banking services:** E-Volution award in 2012

### Wealth Management



- **Best Private Bank in Greece** for the years 2010, 2011, 2012 and 2013



- **Best Private Bank in Cyprus** for the years 2010, 2011 and 2013
- **Best Private Bank in Greece** for the years 2005, 2006, 2007 and 2009



- 6 Funds ★★★★★★
- 7 Funds ★★★★★★
- 16 Funds ★★★★★

### GCIB<sup>(3)</sup>



- **Best Domestic Cash Manager 2013**



- **Best Corporate/Institutional Internet Bank for 2013**



- **Best Trade Finance Bank for 2012**

## Highly qualified personnel

- Young, multi - skilled, highly educated and fully certified personnel
  - 64% with a graduate or a post graduate degree
  - 76% of branch network staff professionally certified
- Strong sales culture focused on the quality of the customer experience
  - 54% of Eurobank's clients have declared to be "very satisfied" vs. 24% average for the competition<sup>(2)</sup>
- Performance oriented culture across the entire organization attracts top talent and supports long term performance

## Advanced IT systems

- Lean IT governance structure and aligned direction with business strategy
- Scalable infrastructure and complete application portfolio supported by reliable IT operations
- Proven integration experience focusing on synergies realization
- A-rated for efficiency according to international benchmarks:
  - Consistently ranked as "A – Bank" (combination of business and IT efficiencies) in Western Europe by McKinsey since 2007

# Leading positions in fee generating activities

## Insurance

- #3 in total insurance market (€334m GWP in life and non-life) with over 8% share
- Market leading Bancassurance model, complemented by a network of 1,400 independent brokers and agents

## Securities Services

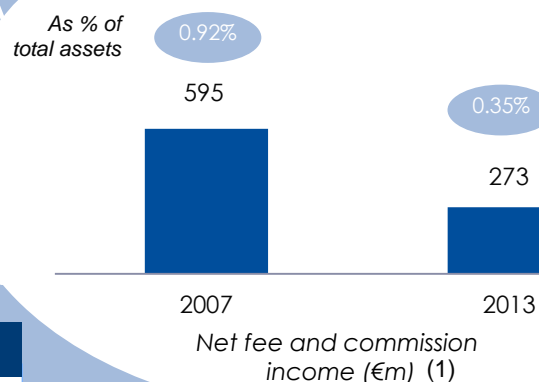
- Market leader in Institutional Custody
- The sole provider in Greece offering a full suite of securities services in line with international standards
- €35.7bn assets under custody

## Equity Brokerage

- #1 Greek equity brokerage house with 15.6% market share in 2013 and 16.5% in 1Q 2014

## Private Banking

- Market leader in Greece with holistic servicing model in three countries (Greece, Cyprus and Luxembourg)
- €6.4bn assets under management



## Asset Management

- Market leader in Greece with a 26.5% market share in mutual funds
- €2.9bn assets under management

## Eurobank Properties

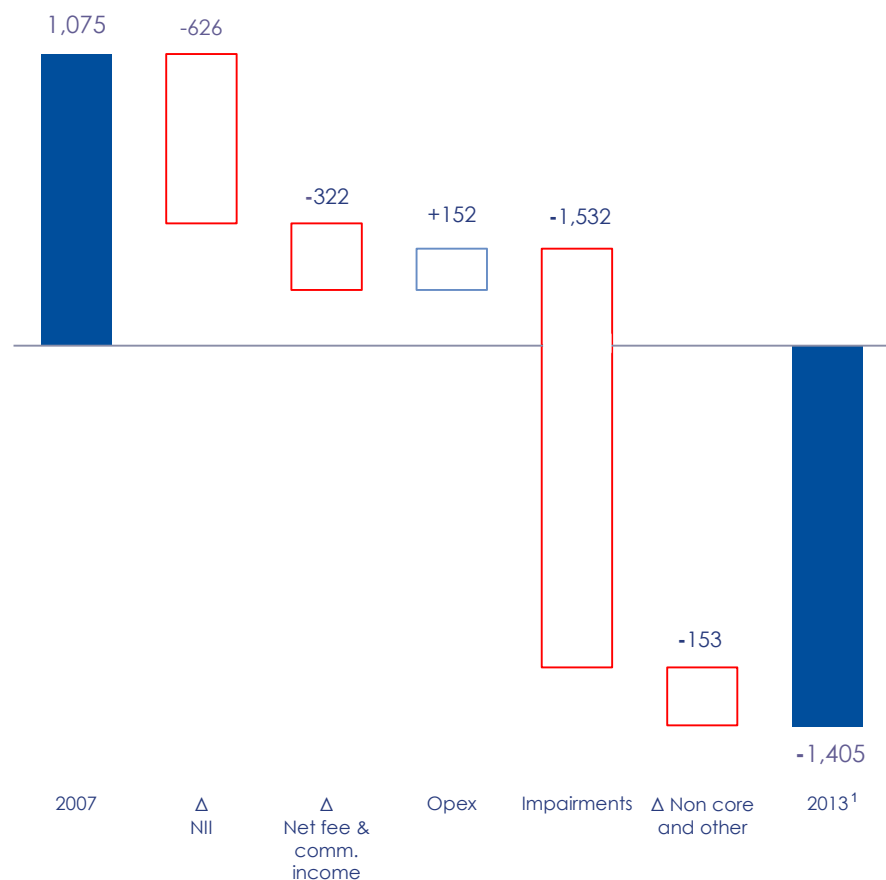
- The largest listed Investment property fund (REIC) in Greece with a market cap of €867m
- NAV: €821m as of 26th of February 2014
- Eurobank owns 33.5%

Despite the dwindling volumes in the fee generating businesses, our leading position remained robust, offering significant scope to benefit from a potential economic recovery and cross-selling opportunities with IT

1. Includes net insurance income and income from non banking services

# 2013 results do not reflect our full potential

## PBT: 2013 vs. 2007<sup>2</sup> (€ m)



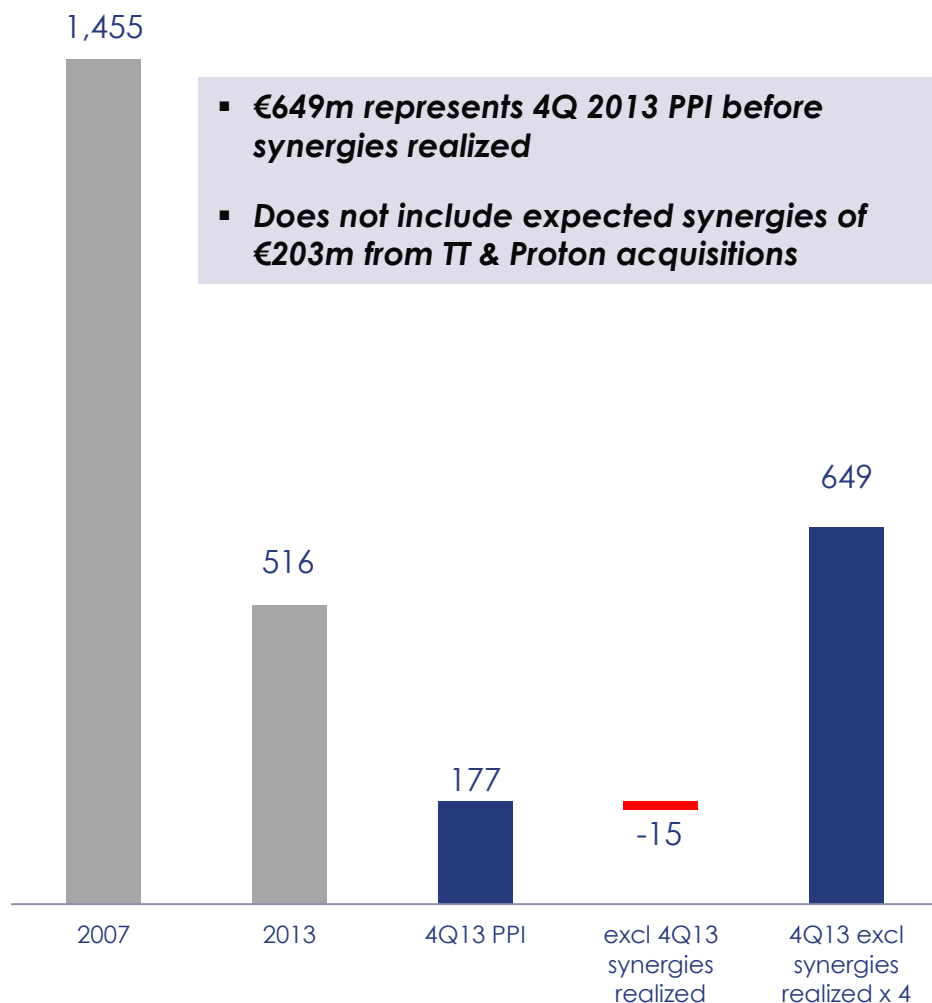
## Comments

Sharp deterioration of profitability since 2007 peak mainly driven by:

- Impairments: cost of risk increased from 100bps in 2007 to 402bps in 2013
- Lower NII mainly driven by increased cost of Greek deposits (time deposits spreads contracted from 17bps in Q4 2007 to -289bps in 4Q 2013)
- Eurosystem funding increased to €17bn (peaking at €34bn in 1H 2012) as Greek banks lost deposits and access to wholesale funding markets
- Falling commission income: fee and commission represented 0.92% of total assets in 2007 vs. 0.35% in 2013
- Cost containment efforts only partially offset the revenue decline

# Multiple operating levers provide scope for further improvements in profitability going forward

## PPI comparison 2007 vs. 2013 (€ m)

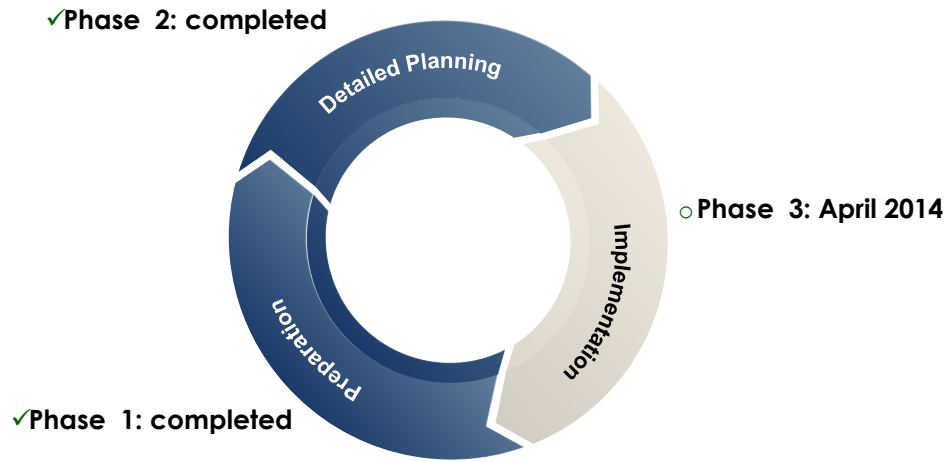


## Main operating levers

- A** Synergies from the TT and Proton acquisitions
- B** Continued cost containment
- C** Funding cost reduction (time deposit spreads and ELA)
- D** Fee and commission income recovery
- E** Cost of risk normalisation



## TT & Proton integration program



**€203m targeted pre-tax synergies in 2015**

- ✓ €56m funding synergies already achieved
- ✓ Completed actions corresponding to €33m cost synergies

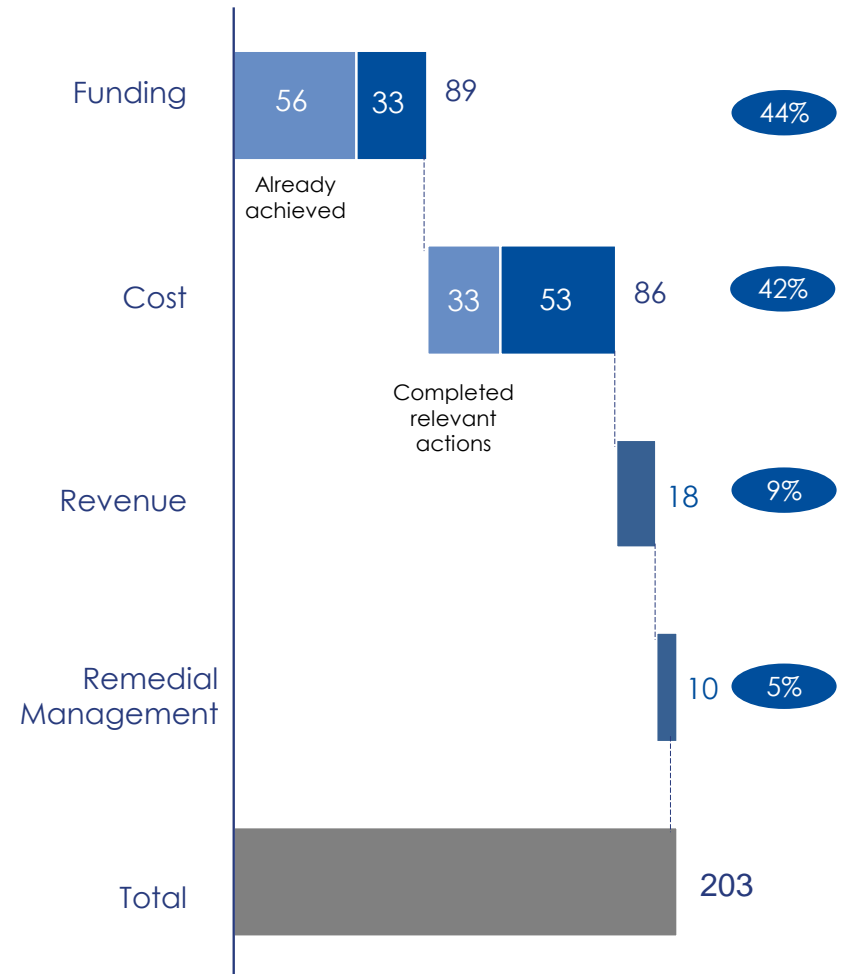
**Integration process update**

- ✓ Proton legal merger and operational integration and TT legal merger completed
- ✓ TT operational integration April 2014

**Dual brand strategy**

- ✓ Implementation in progress

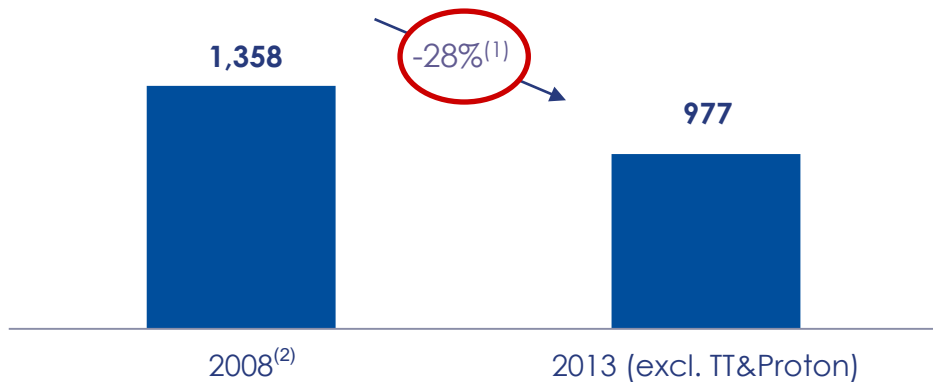
## Targeted pre-tax synergies 2015 (€ m)



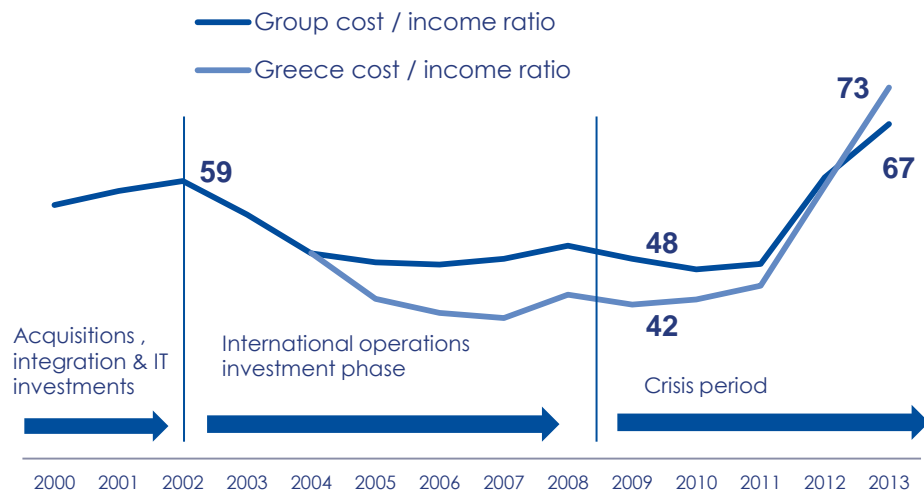
*Revenue and remedial management synergies to start materializing post the operational integration*

# B Continued cost containment

## Track record of organic operating expense reduction (€ m)

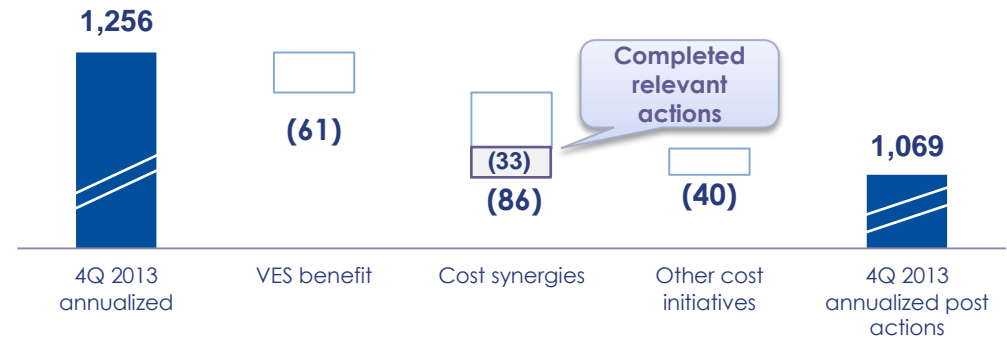


## Cost-to-income ratio (%)



Pre-crisis C/I ratio below 50%

## Operating expenses (incl. TT & Proton) (€ m)



## Initiatives to improve efficiency and reduce costs

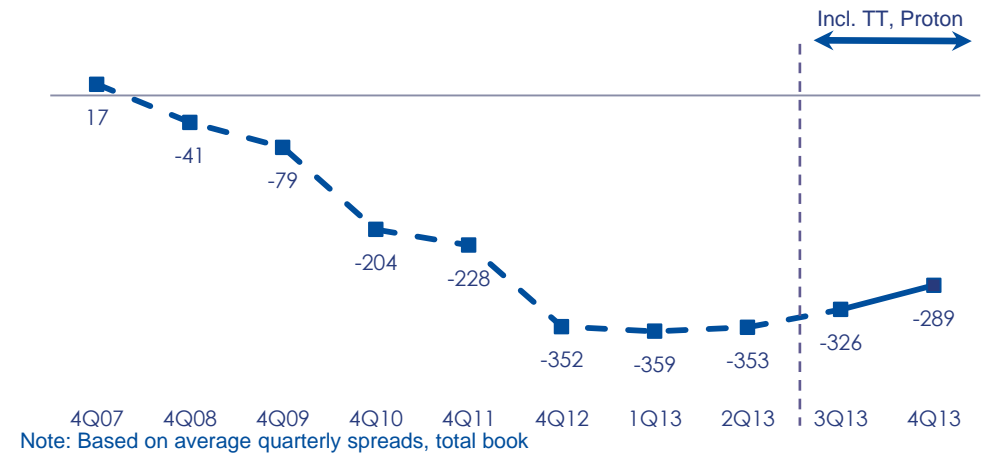
- Voluntary Exit Scheme ("VES") completed in 4Q 2013
  - 1,066 Eurobank and Proton employees participated
  - €61m annual cost saving (payback period 17 months)
  - €86m one-off cost (charged in 4Q 2013)
- Rightsizing personnel per unit and delaying
- Greek retail network rationalization from 600 (post acquisition of TT and Proton) to 500 branches by year end 2014
- Reduction of business centers from 30 to 20
- Centralization of supporting functions (legal, marketing and loans administration)
- Streamlining of product portfolio and processes

1. On a comparable basis. 2. Excludes Polish and Turkish operations sold in 2012

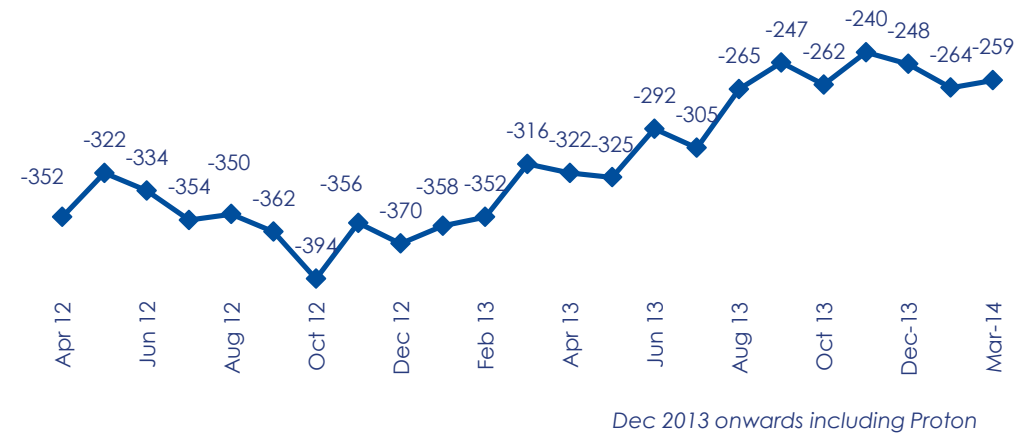
# C Time deposit spreads reduction

- Crisis resulted in material deposit outflows and subsequent pricing deterioration
- Time deposit pricing deteriorated by 306bps since 4Q 2007
- Pricing being restored due to:
  - Macroeconomic environment improvement
  - Banking system consolidation
- NII sensitivity of 100bps change in time deposits spreads is €223m

## Eurobank Greek time deposits spreads (bps)<sup>(1)</sup>



## New production time deposit spreads (bps)

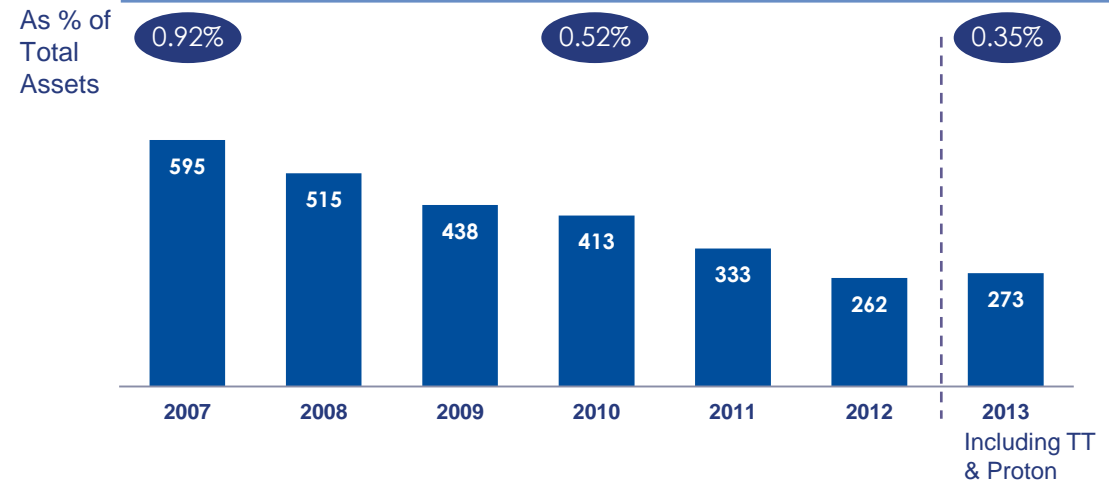


Greek Deposits	
	Balance (€bn) (2013)
Time	22.3
Core	10.6
<b>Total</b>	<b>32.9</b>

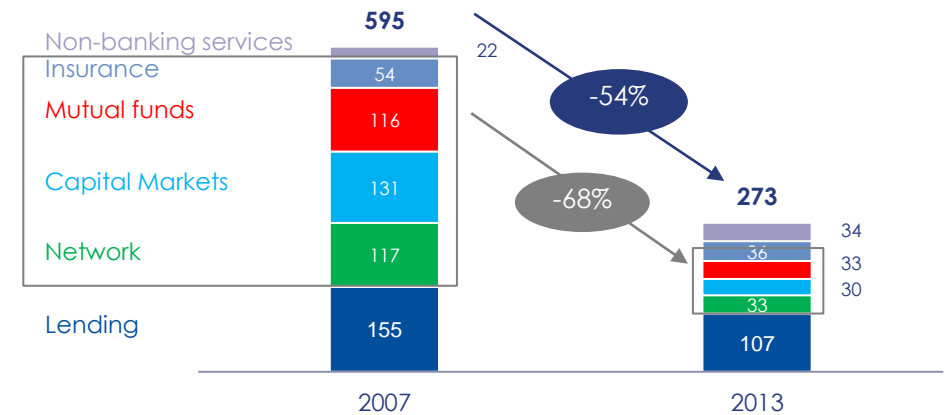
1. 3Q 2013 pro forma including TT, Proton for 3-months

- Due to the crisis, fee and commission income contracted from 0.92% of total assets in 2007 to 0.35% in 2013
- Commission income is highly dependent on macro environment and markets performance (asset management, investment banking, insurance)
- Mutual funds, capital markets and branch network fees most affected

## Net fee & commission income (€ m)<sup>(1)</sup>



## Sources of fee & commission revenues (€ m)<sup>(1)</sup>

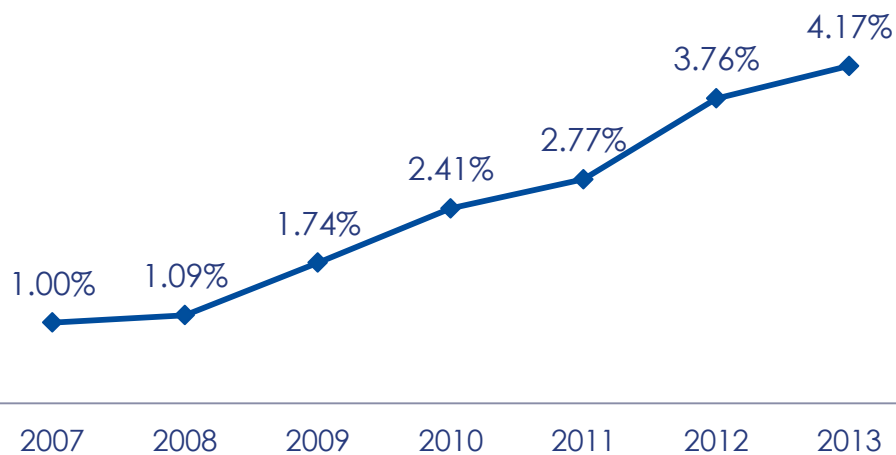


Net fee & commission income / Total Assets sensitivity	Net fee & commission income / Total Assets (%)	PBT change (€ m)
10bps	c. 0.45	c.80
15bps	c. 0.50	c.120
20bps	c. 0.55	c.160
25bps	c.0.60	c.200

1. Net fee and commission income includes net insurance income and income from non banking services

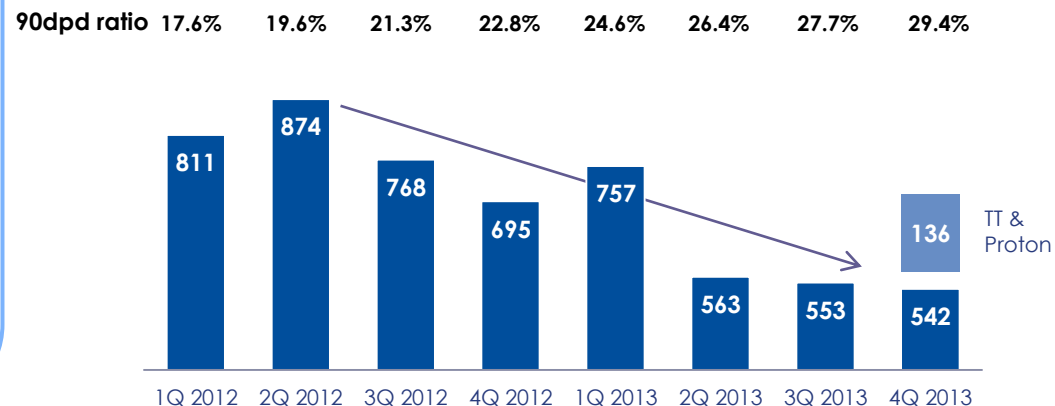
- Cost of risk in Greece increased by 317bps on average net loans between 2007-2013
- Full year 2013 provision charge in Greece of €1,651m
- Continuous effort to improve coverage ratio
- Sensitivity of 100bps in Greece implies €380m change in pre-tax income

## Cost of risk (Greece)

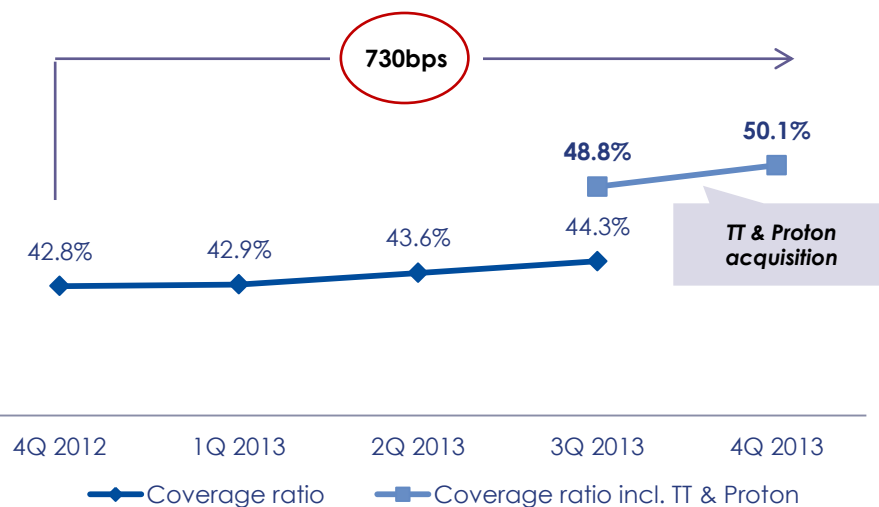


Note: Cost of risk = provisions / average net loans

## 90dpd formation (€ m)



## Coverage ratio



# Appendix

## ***Appendix – Eurobank at a glance***

# The Eurobank Group at a Glance

## Eurobank at a Glance

- One of four systemic banks in Greece, with 20% and 18%<sup>(1)</sup> market share in loans and deposits respectively**
  - Established in 1990, 95.2% owned by the Hellenic Financial Stability Fund (“HFSF”)
  - Operates in both business and retail segments offering a wide range of customized products and services
  - Leader in key fee generating market segments
  - Material increase in scale with acquisitions of New Hellenic Postbank (“TT”) and New Proton Bank (“Proton”), completed in August 2013
- Improved liquidity profile post acquisition with net L/D ratio of 110% and Eurosystem funding on total assets of 21.8%<sup>(2)</sup>**

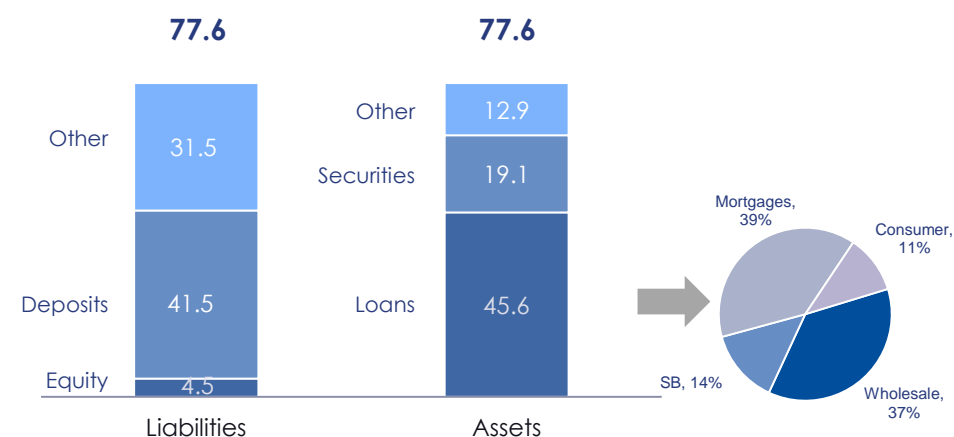
## International Presence

2013	Net loans (€ bn)	Retail branches	Ranking <sup>(3)</sup>
Romania	2.3	207	7
Bulgaria	2.3	182	6
Cyprus	1.1	Private bank	5
Serbia	1.0	99	7
Luxembourg	0.5	Private bank	n/m
Ukraine	0.5	53	n/m
<b>Total International</b>	<b>7.6</b>	<b>541</b>	

## Key Figures (€bn)

	2013
Customer loans (net)	45.6
Customer deposits	41.5
Total assets	77.6
Tangible book value	2.9
Branches (Group, #)	1,155
Employees (Group, #)	18,819

## Assets and Liabilities Breakdown (€bn)





## Insurance

- **Strong position in Life and non-Life insurance: Ranks #3 in total insurance market with over 8% share** and increasing trend
- **Market leading Bancassurance model**, complemented by a network of 1.400 independent brokers and agents
- **Strongly capitalized towards new regulatory regime** (no financing required), **highly liquid investment portfolio of €1.4bn and low guarantees in liabilities**

### 2013 key figures

- Total premia: €334m (+6.5% vs 2012)
- PBT: €77m and net profit over €50m p.a.
- NAV: €311m (+29% vs 2012)
- Average ROE over 30% the last 5 years

## Properties

- Largest listed Investment property fund (REIC) in Greece with **market cap of €867m**
- Portfolio includes offices, logistics, retail and mixed use real estate properties
- Capital increase of €193m completed in early February
- Fairfax Holdings increased its stake to 41% (from 19% previously) through a total investment of €164m
- Eurobank retains a 33.5% stake
- **NAV: €821m as of 26<sup>th</sup> of February 2014**

## Equities

- Eurobank Equities is the leading Greek brokerage house with **15.6% market share in 2013** and 16.5% ytd

## Securities Services

- **Market leader in Institutional Custody**
- **Regional offering with local operations and centralized strategy in 5 markets** (Greece, Cyprus, Bulgaria, Romania & Serbia)
- **International recognition for service quality in the region by reputable industry surveys** (Global Custodian & Global Finance)
- The sole provider in the region offering a full suite of securities services in line with international standards

### 2013 key figures:

- **€35.7bn assets under custody**

## Asset Management

- **Eurobank Asset Management M.F.M.C. is the market leader in Greece with a 26.5% market share in mutual funds**
- The company offers a full range of innovative products and investments services both in Greece and abroad

### 2013 key figures:

- €2.9bn AUM of which: (i) €1.7bn Mutual Funds, (ii) €0.7bn Institutional Clients AM and (iii) €0.5bn third party fund distribution through PB Greece, PB Luxembourg and PB Cyprus

## Private Banking

- **Greek market leader with holistic servicing model in 3 districts:** (i) Greece (8 specialized branches, 49 private bankers), (ii) Luxembourg (through EB Luxembourg with 10 private bankers), (iii) Cyprus (through EB Cyprus with 5 private bankers)
- Voted several times best Private Bank in Greece and Cyprus
- Open architecture model allows access to 1,400 funds and 15 asset managers

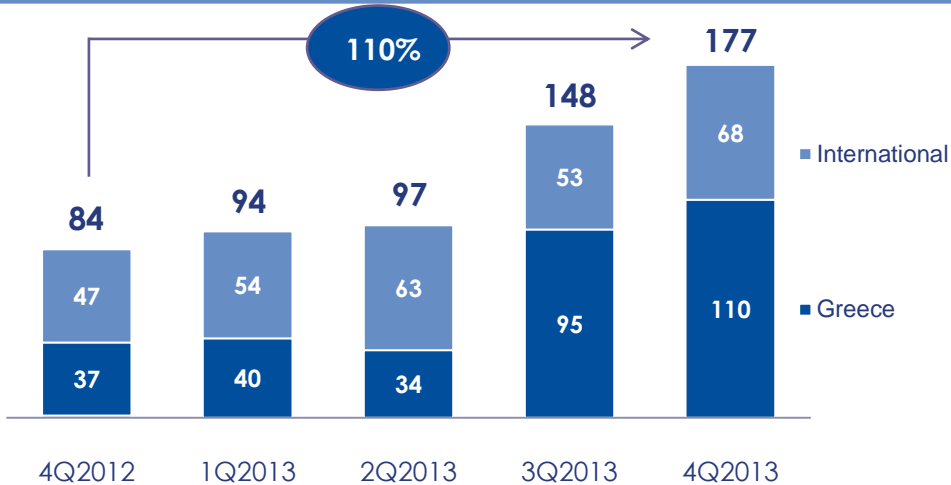
### 2013 key figures:

- AUM: €6.4bn

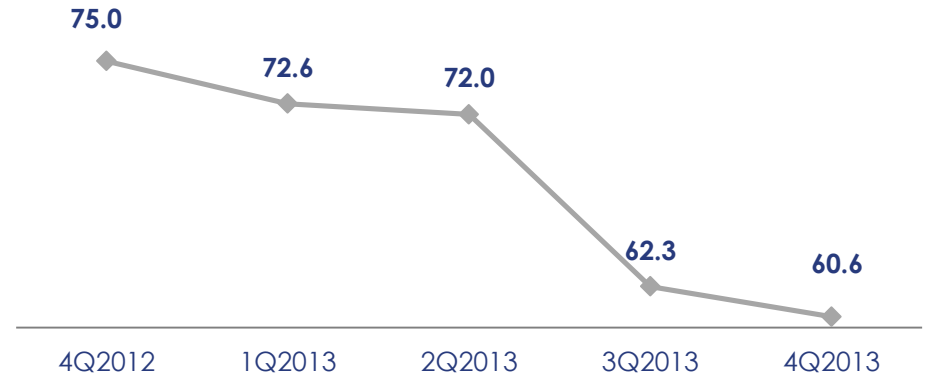
## ***Appendix – 2013 pre-provision income***

# Continued recovery of PPI

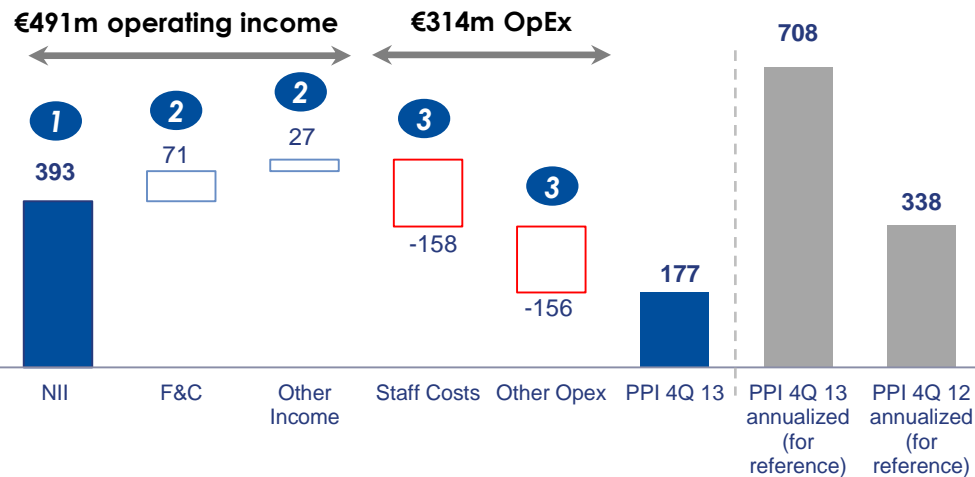
## Quarterly pre-provision income (€ m)



## Cost-to-income ratio excluding TT (%)



## PPI evolution (€ m)

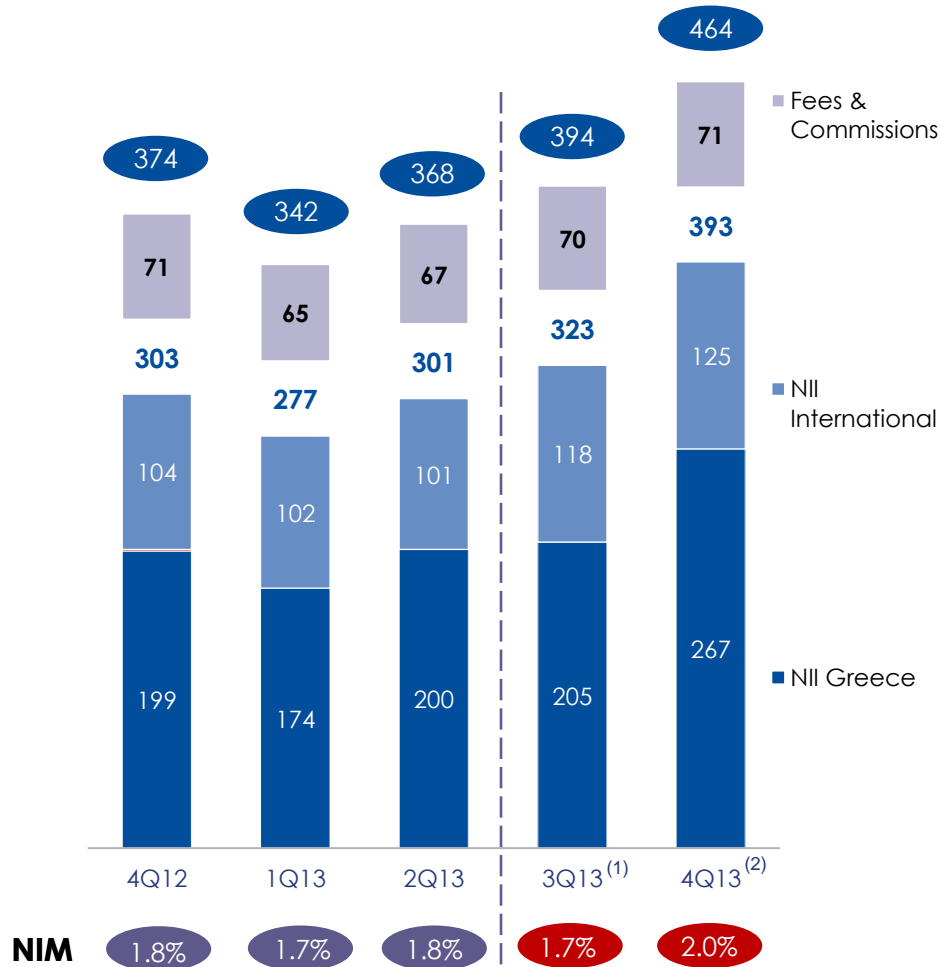


## Key profitability drivers

- ✓ Improving spreads, mainly on time deposits
  - ✓ Reduced reliance and better mix of Eurosystem funding
  - ✓ Synergies related to the acquisitions of TT & Proton
- ✓ Recovery of fees and commissions income due to by improvements in macroeconomic environment and targeted initiatives
  - ✓ Increasing market volumes
- ✓ Commitment to streamline cost structure over and above synergies

# Spread improvement supports higher revenues

## Core revenues evolution (€ m)

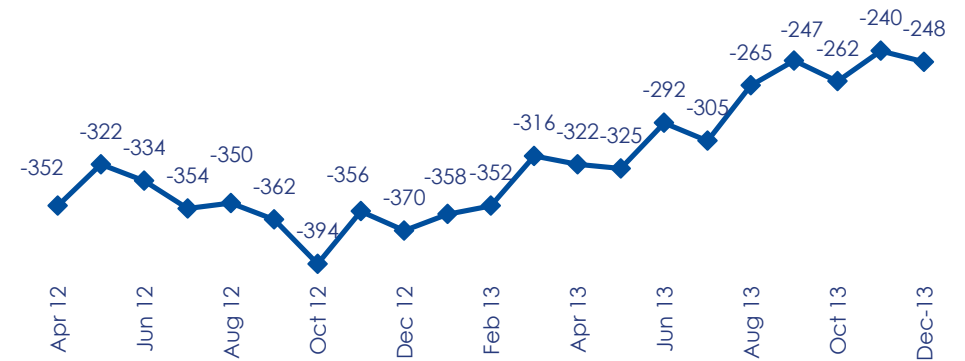


## Spreads (Greece, bps)

	3Q13 pro-forma	4Q13	Δ
Corporate	498	554	56
Retail	432	427	-5
<b>Total lending</b>	<b>456</b>	<b>472</b>	<b>16</b>
Core	-49	-43	6
Time	-326	-289	37
<b>Total deposits</b>	<b>-240</b>	<b>-213</b>	<b>27</b>

*Partially due to loan recoveries and remedial*

## Time deposit new production excl. TT, Proton (bps)

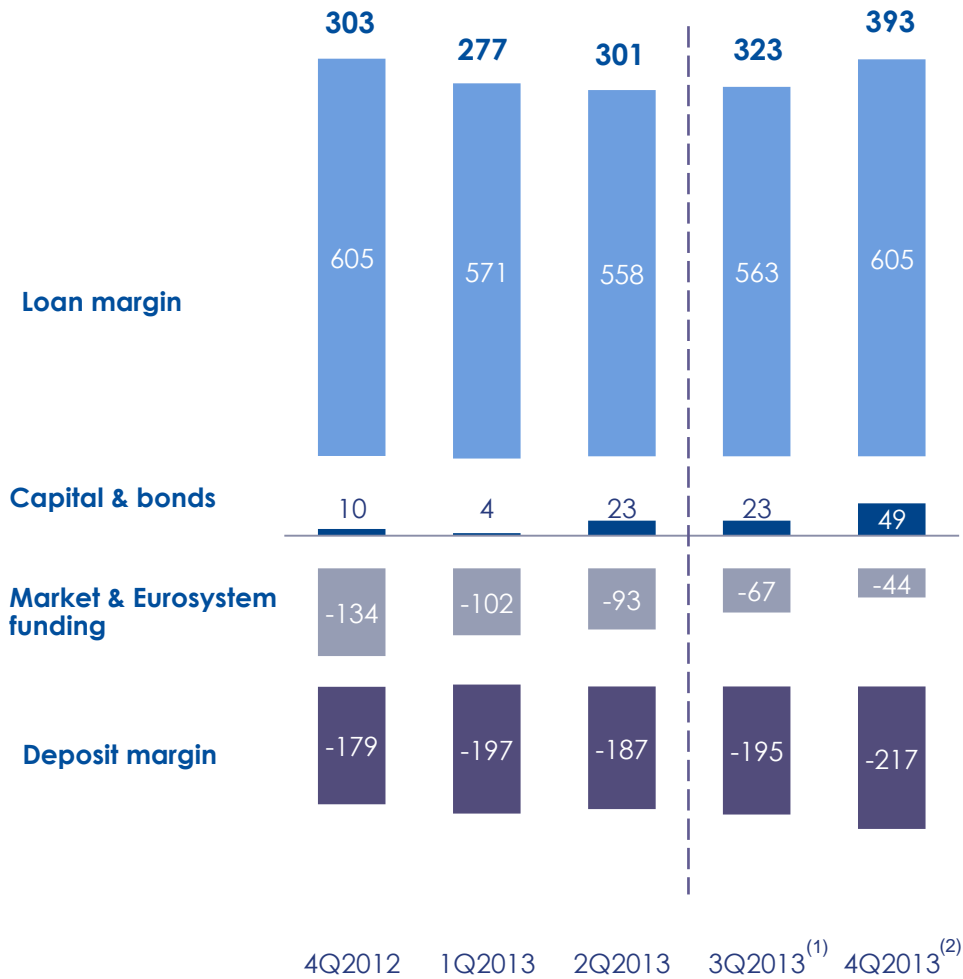


Dec 13 includes Proton

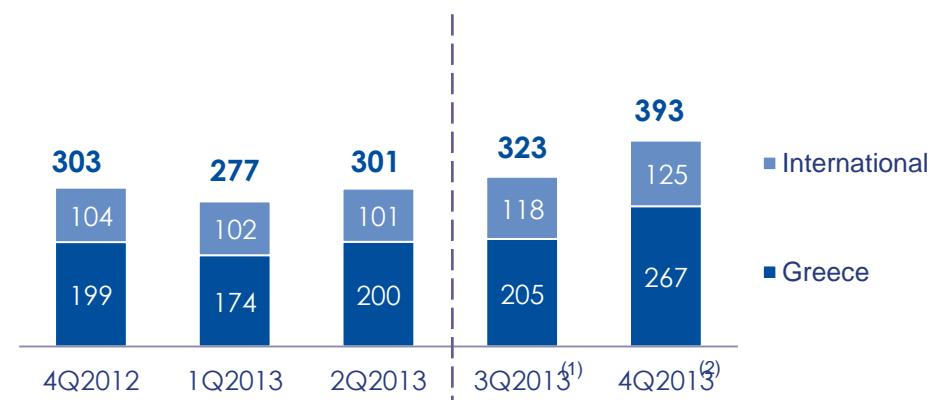
1. TT & Proton included for one month. 2. Includes TT & Proton

# Net interest income

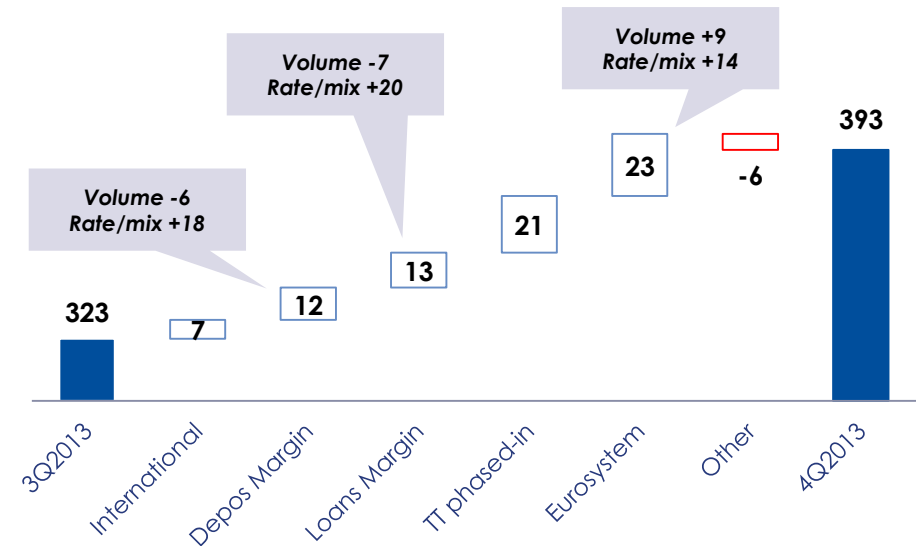
## NII breakdown (€ m)



## NII per region (€ m)

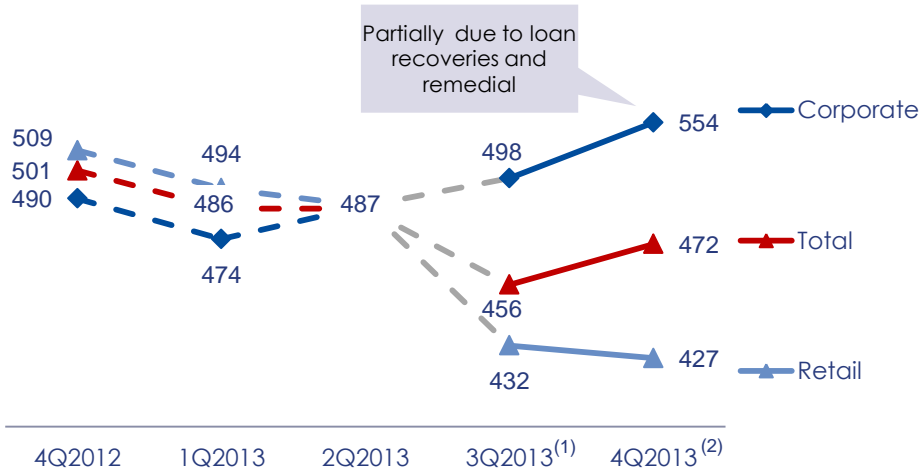


## NII evolution (€ m)

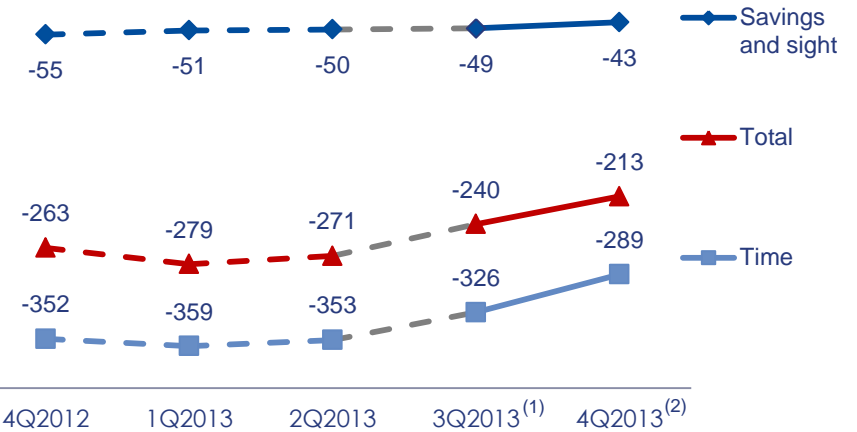


1. IT and Proton included for one month. 2. Includes IT & Proton

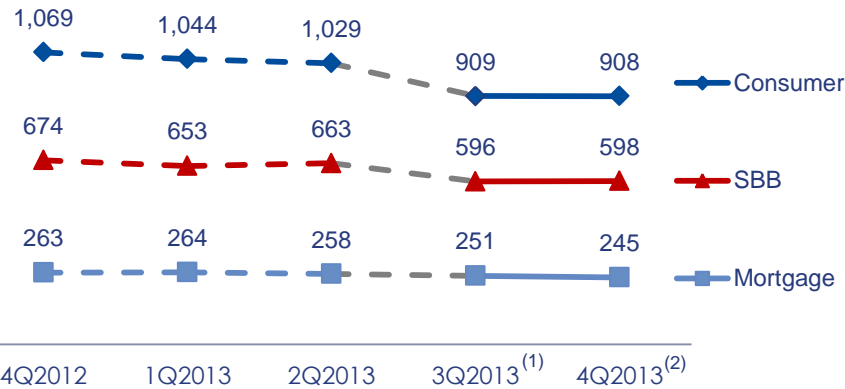
## Lending spreads (Greece, bps)



## Deposit spreads (Greece, bps)



## Retail spreads (Greece, bps)

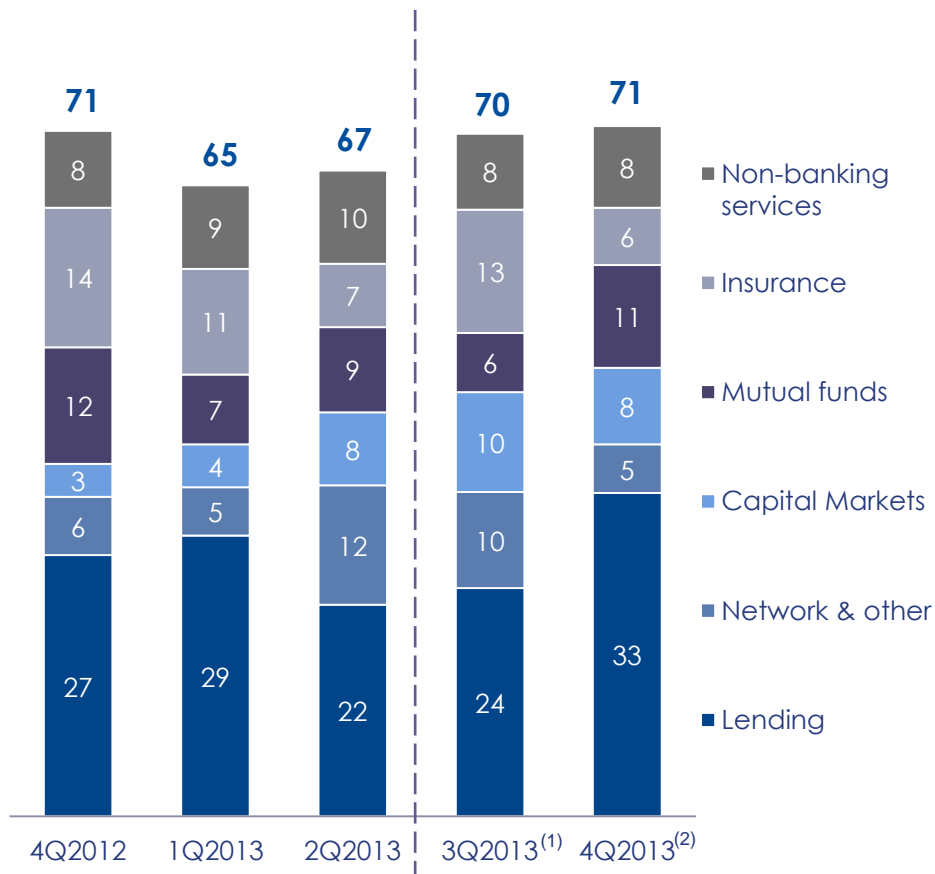


## NIM (bps)

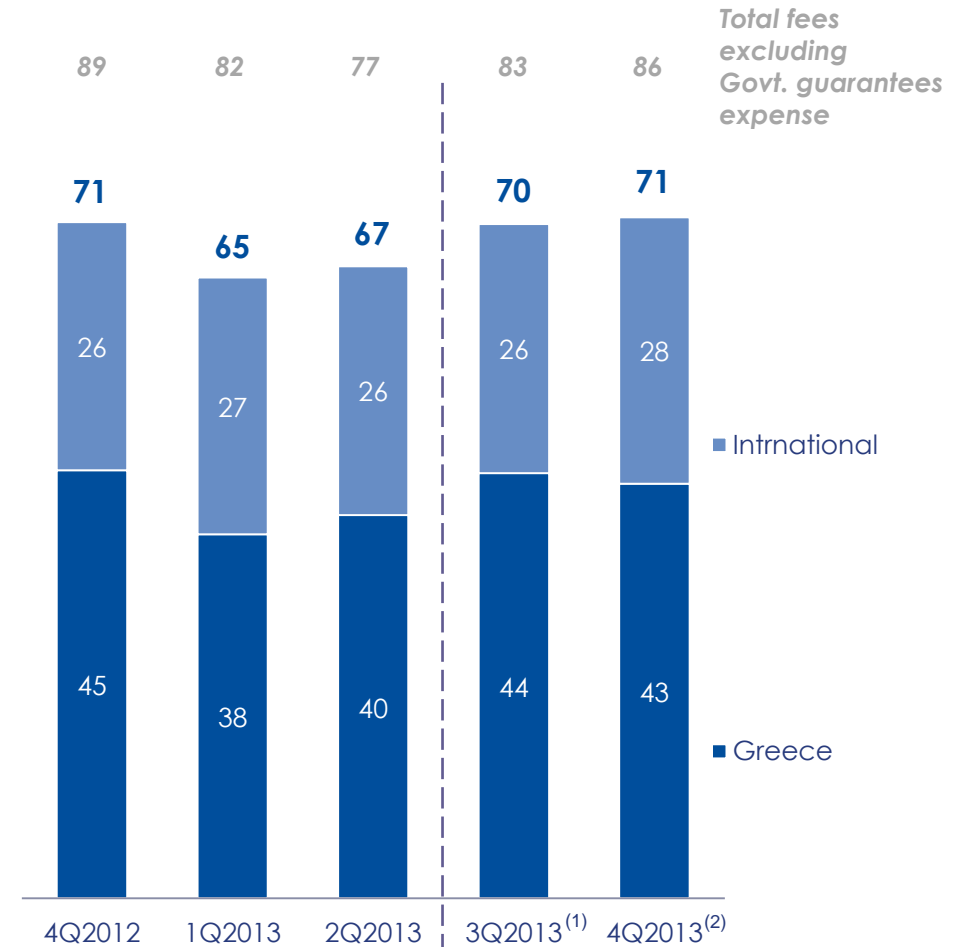
	4Q2012	1Q2013	2Q2013	3Q2013 <sup>(1)</sup>	4Q2013 <sup>(2)</sup>
Greece	147	134	153	137	163
International	289	290	296	356	382
<b>Group</b>	<b>177</b>	<b>167</b>	<b>183</b>	<b>173</b>	<b>199</b>

1. Pro-forma for TT & Proton. 2. Includes TT & Proton

## Commission income breakdown (€ m)



## Commission income per region (€ m)



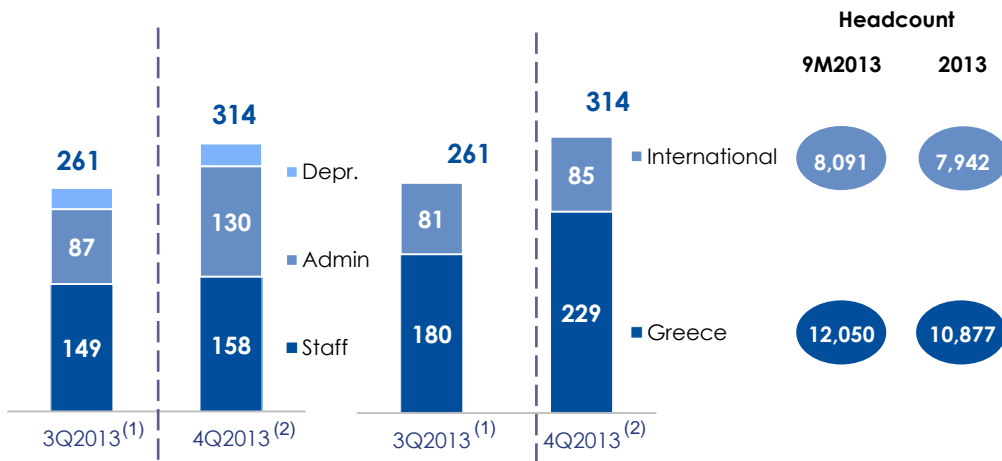
1. IT and Proton included for one month. 2. Including IT & Proton for the entire quarter

## OpEx down 7% yoy on a I-f-I basis

Eurobank excl. TT, Proton & TEKE <sup>(1)</sup>	Δ 2013/ 2012
Greece	-7.6%
Int'l Operations	-6.4%
<b>Total</b>	<b>-7.2%</b>

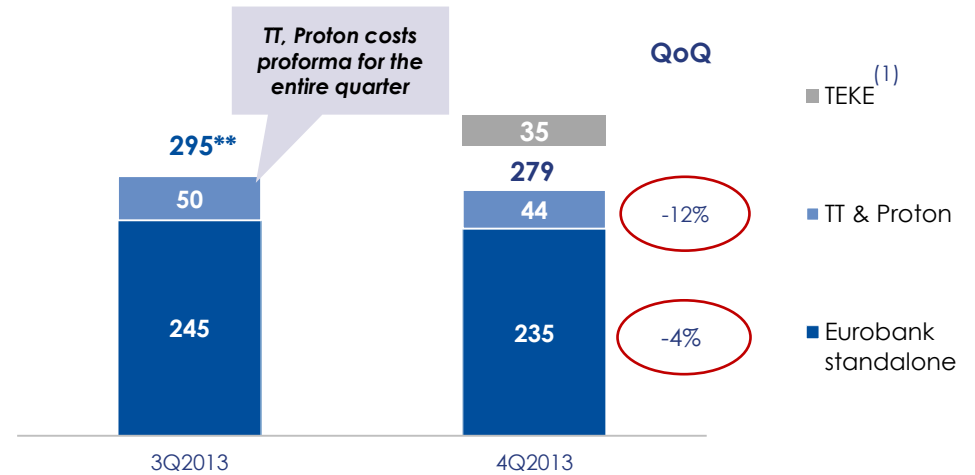
(1) TEKE: Greek deposit guarantee scheme, 2013 cumulative incremental contribution

## OpEx breakdown on reported basis (€ m)



1. TT & Proton Included for one month. 2. Including TT & Proton for the full quarter (pro-forma for 3Q13)

## OpEx breakdown on a I-f-I basis



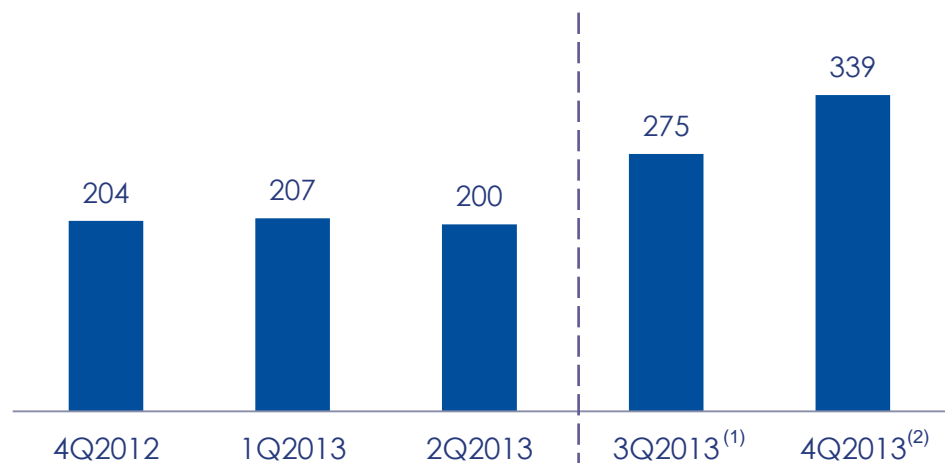
(1) TEKE: Greek deposit guarantee scheme, 2013 cumulative incremental contribution

## Voluntary exit scheme (VES)

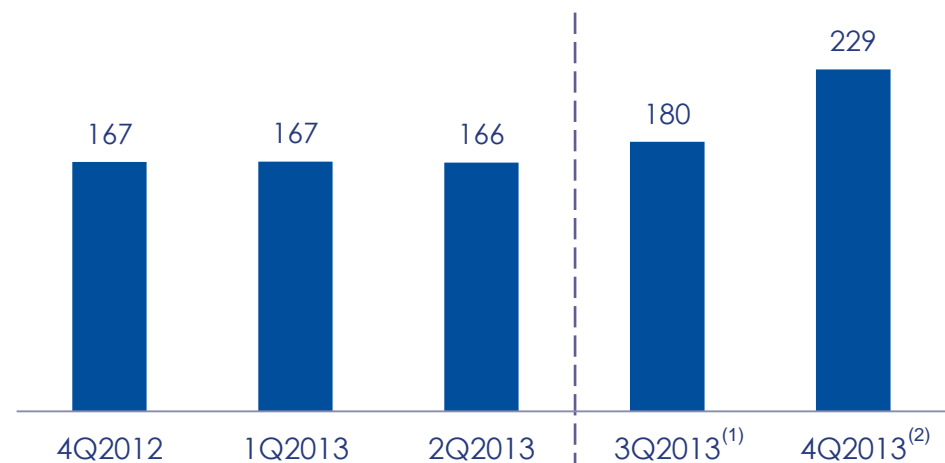
- VES completed in 4Q 2013; one-off cost at €86m
- 1,066 Eurobank & Proton employees
- Annual cost savings € 61m (17 months payback period)



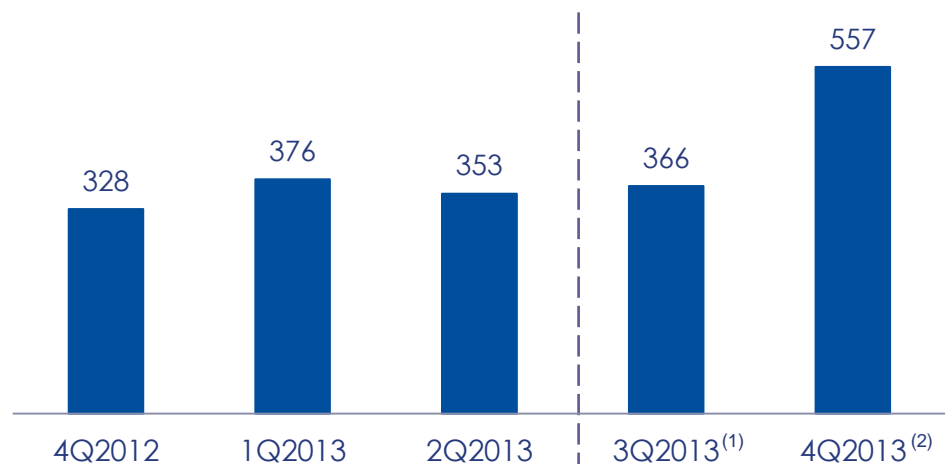
## Operating income (€ m)



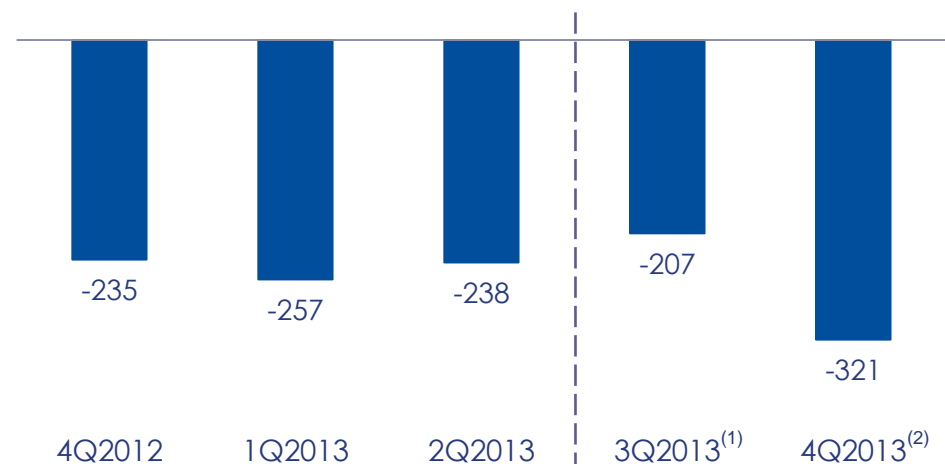
## Operating expenses (€ m)



## Provisions (€ m)



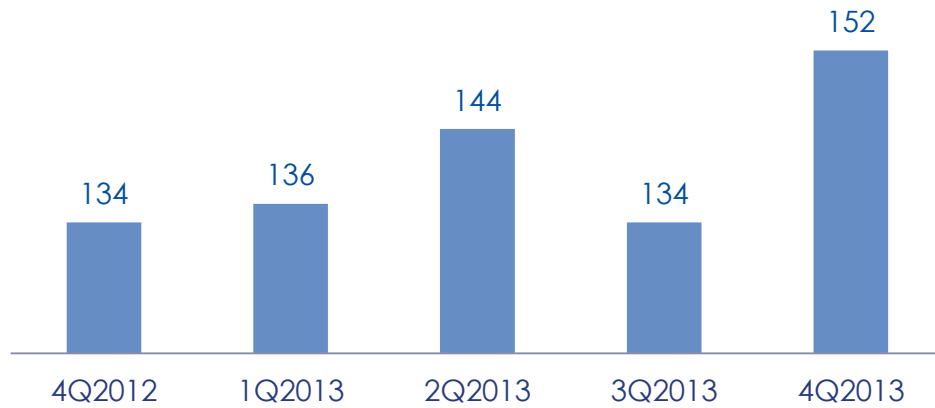
## Net result before one-offs (€ m)



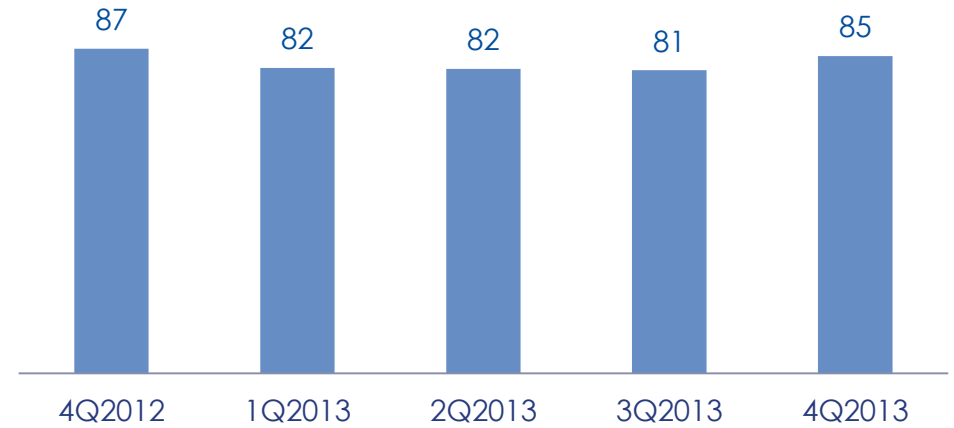
1. TT and Proton included for one month. 2. Including TT & Proton for the entire quarter

# P&L International operations

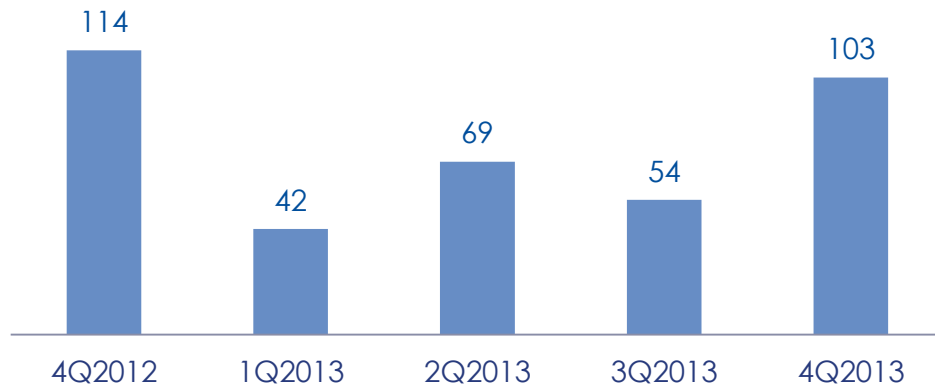
## Operating income (€ m)



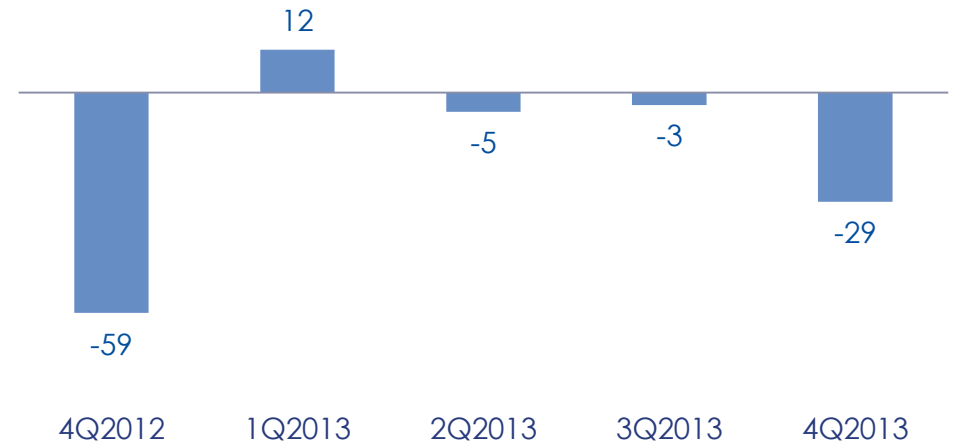
## Operating expenses (€ m)



## Provision charge (€ m)



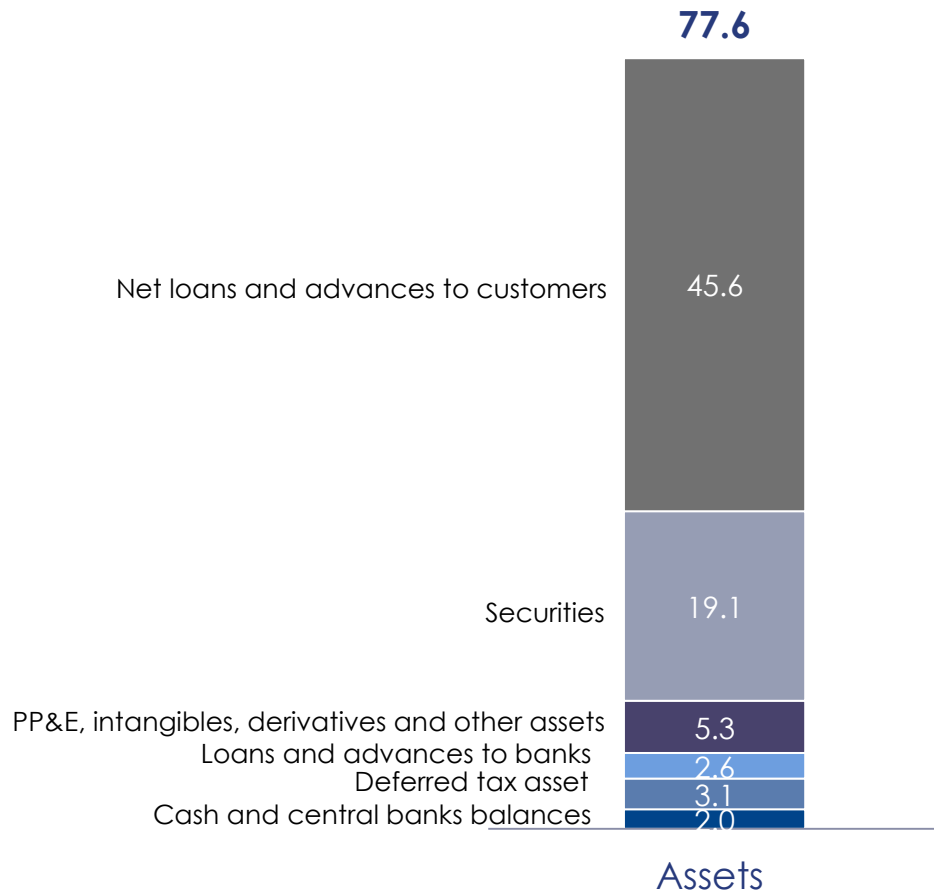
## Net result before one-offs (€ m)



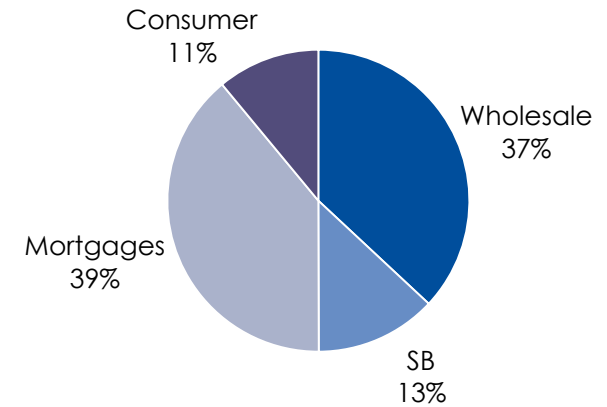
## ***Appendix – balance sheet***

# Total assets breakdown

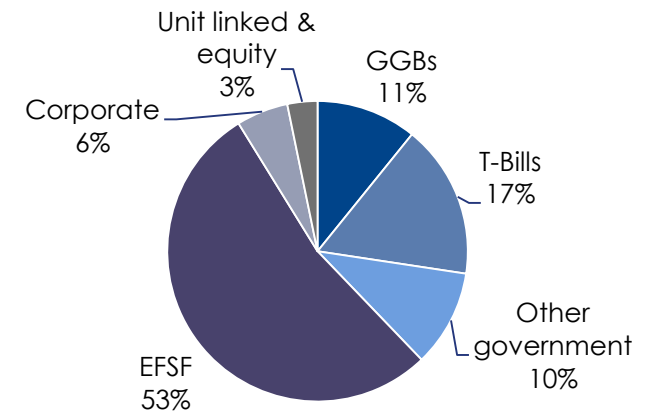
## 2013 Total assets breakdown (€ bn)



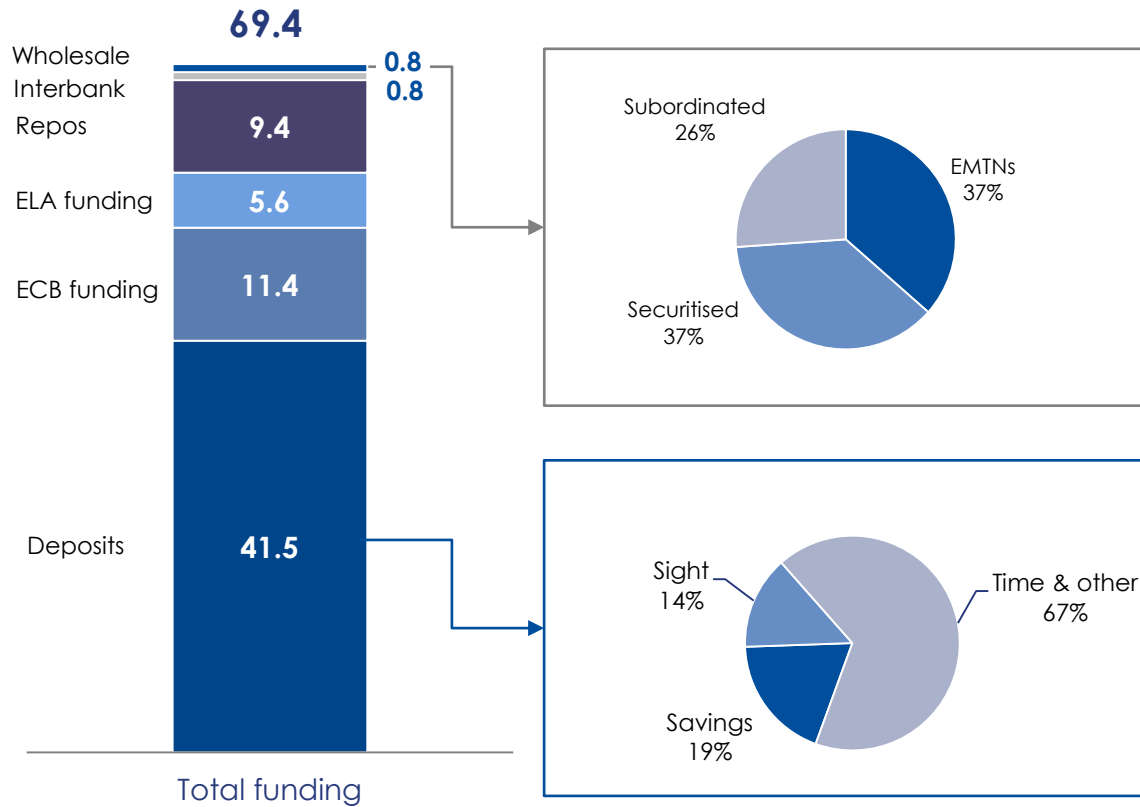
## 2013 Loans breakdown



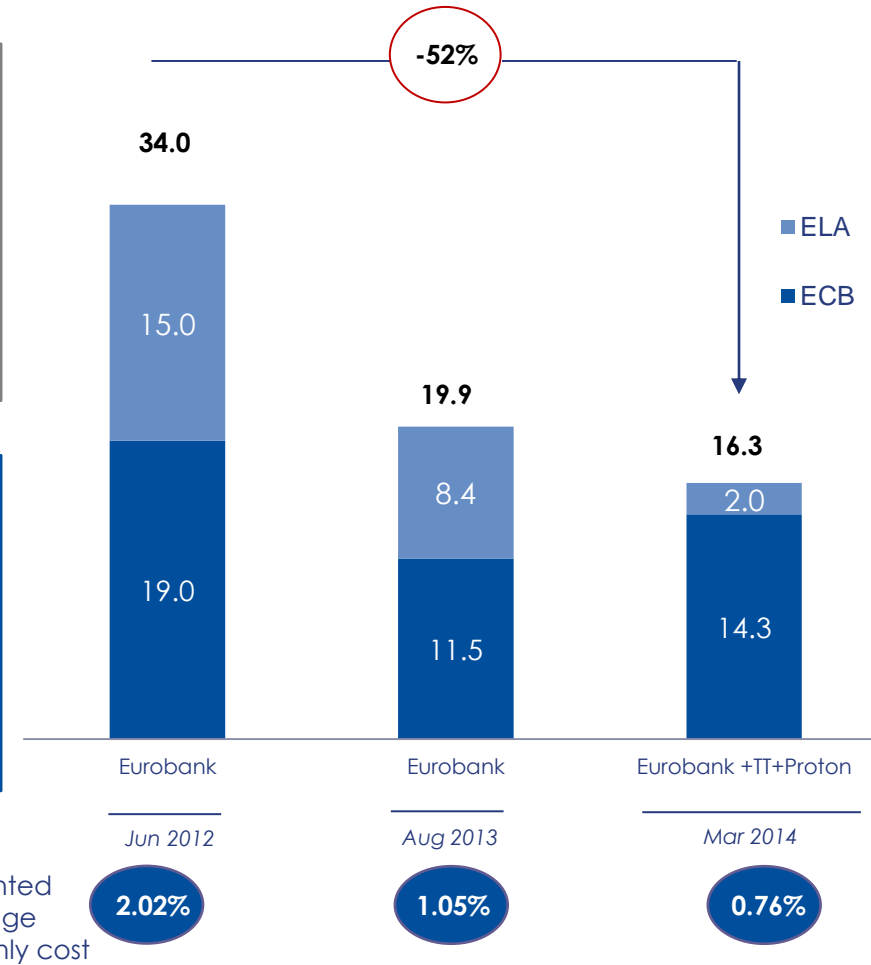
## 2013 Securities portfolio breakdown



## 2013 Funding breakdown (€ bn)

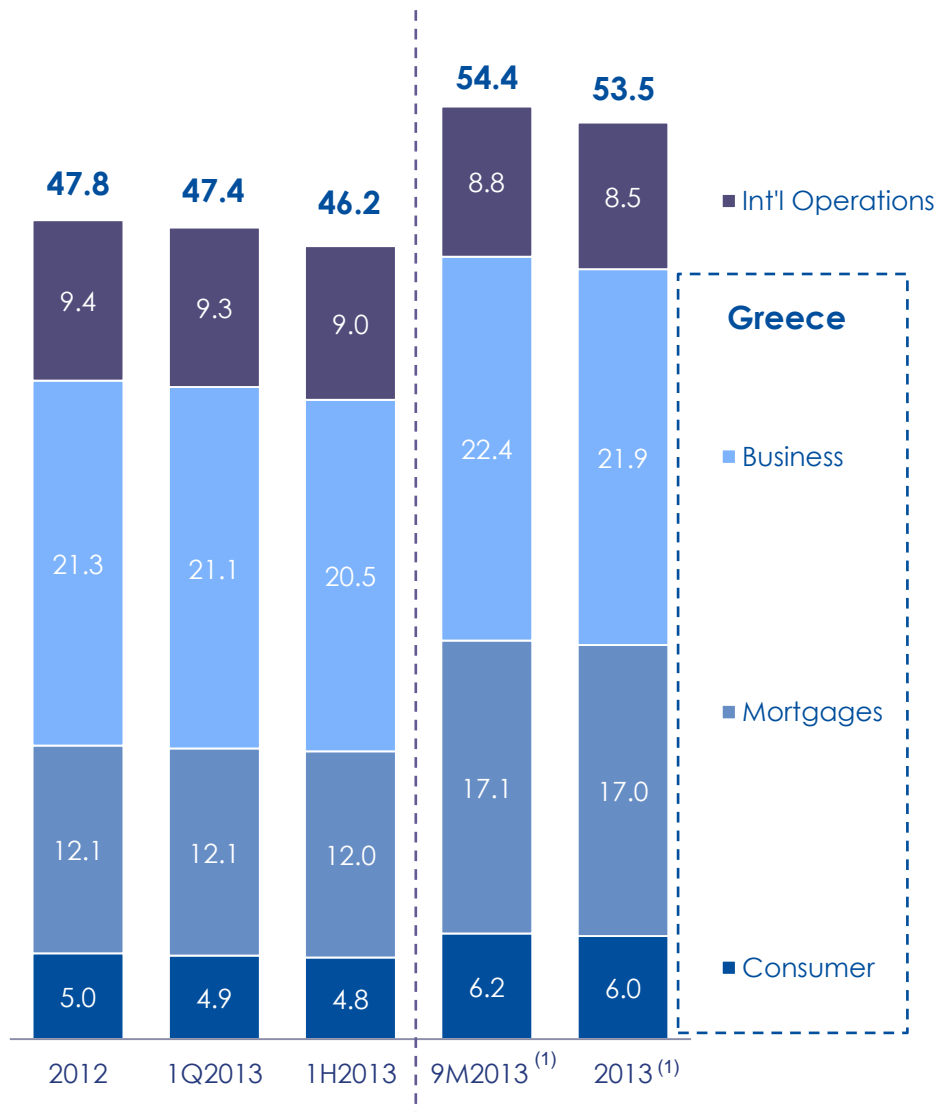


## Eurosystem funding (€ bn)



# Loans and deposits

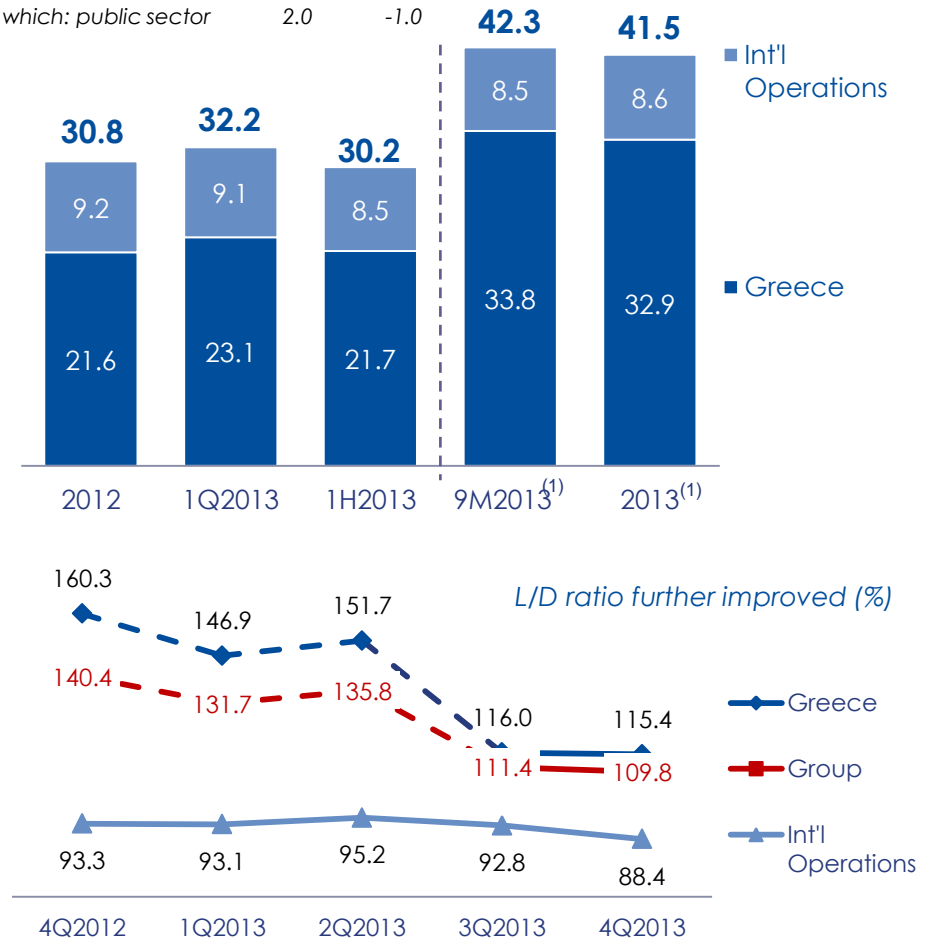
## Gross loans (€ bn)



## Deposits (€ bn)

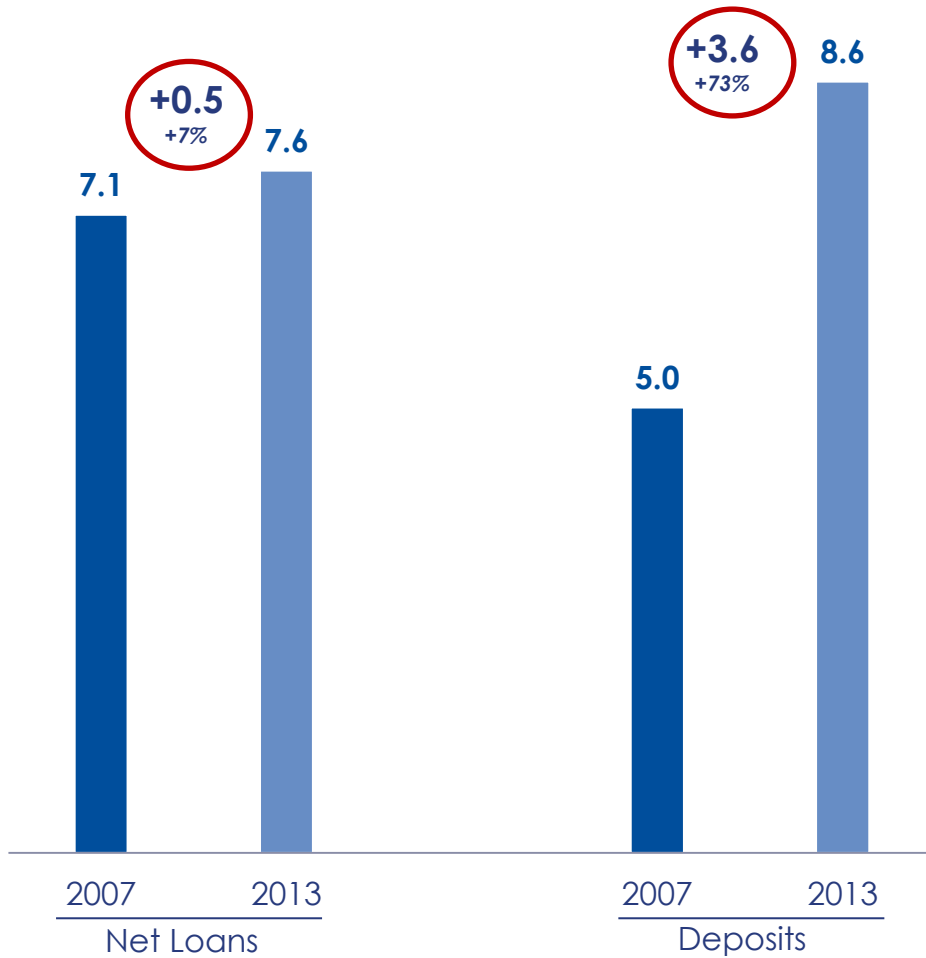
Group deposits (€ bn)	2013	Δ QoQ
Core	13.7	+0.3
Time	27.9	-1.0
<b>Total</b>	<b>41.5</b>	<b>-0.7</b>
of which: public sector	2.0	-1.0

Deposits up by €0.3bn net of public sector

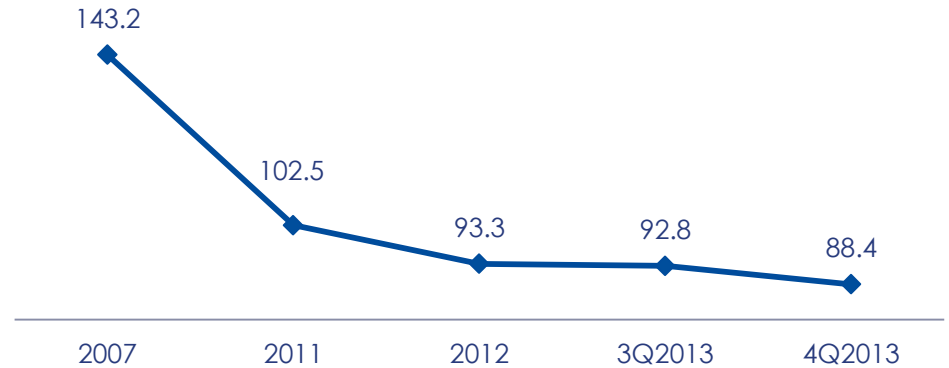


1. Including TT and Proton

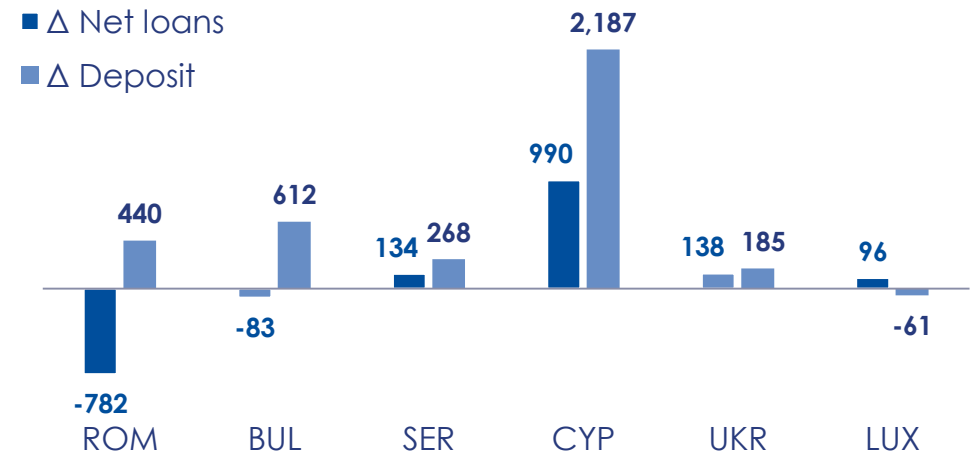
## Deposit gathering outpaces loan growth 7x (€ bn)



## L/D ratio (%)



## Δ Net loans & Δ deposits YE 2007-YE 2013 (€ bn)



## Amount and regulatory treatment

- Amount: €950m; term: perpetual
- Fully eligible as Core Equity Tier 1 capital until 2017, under Basel III rules (“Grandfathered State Aid”)

## Dividend

- 10% non-cumulative; with 2% step up every year after 2014
- Dividend payment not allowed under Corporate Law, if statutory equity is less than the sum of: Share Capital plus Share Premium plus Statutory Reserves
- In order to pay dividend, Eurobank must generate €7.6bn profits or write-off equivalent accumulated losses (mostly from PSI)

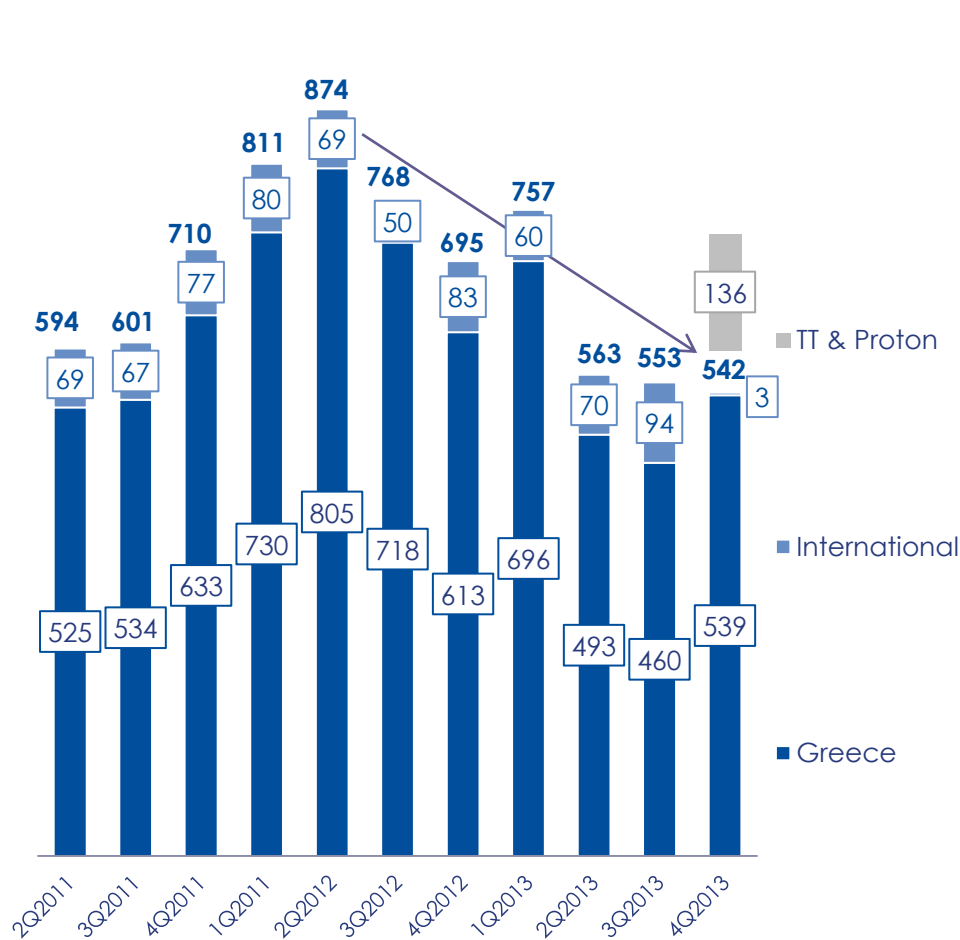
## Conversion and Redemption of the instruments

- Conversion: Preference shares may be converted into ordinary shares after five years from their issuance, pursuant to a decision of the Ministry of Finance on the recommendation of the Bank of Greece, if the (optional) redemption is not possible due to capital shortfall

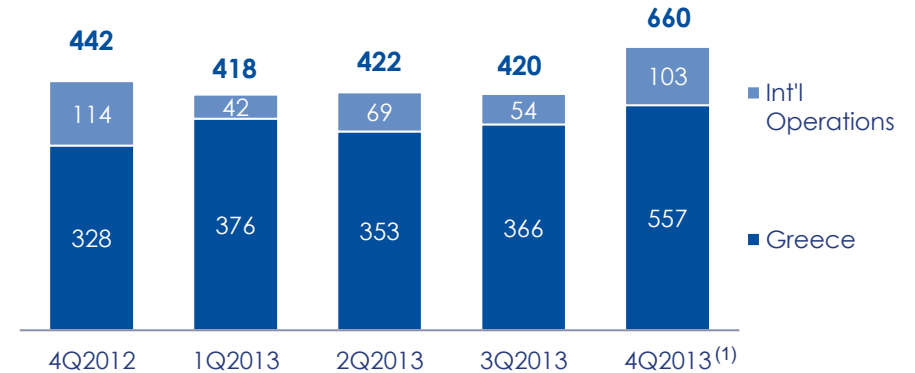


## ***Appendix – asset quality***

## 90dpd formation (€ m)



## Loan loss provisions (€ m)



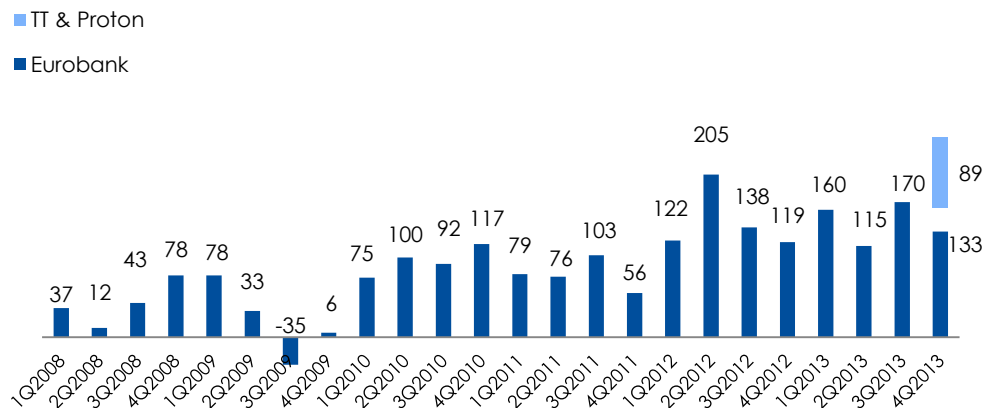
## 90dpd ratio & coverage

	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013 <sup>(1)</sup>
<b>90dpd ratio</b>					
Greece	24.2%	26.3%	28.1%	29.2%	31.1%
International	17.2%	17.8%	19.2%	20.5%	20.8%
<b>Group</b>	<b>22.8%</b>	<b>24.6%</b>	<b>26.4%</b>	<b>27.7%</b>	<b>29.4%</b>
<b>Coverage</b>					
Greece	41.6%	41.8%	42.4%	48.6%	49.7%
International	49.7%	49.8%	51.1%	50.0%	53.3%
<b>Group</b>	<b>42.8%</b>	<b>42.9%</b>	<b>43.6%</b>	<b>48.8%</b>	<b>50.1%</b>

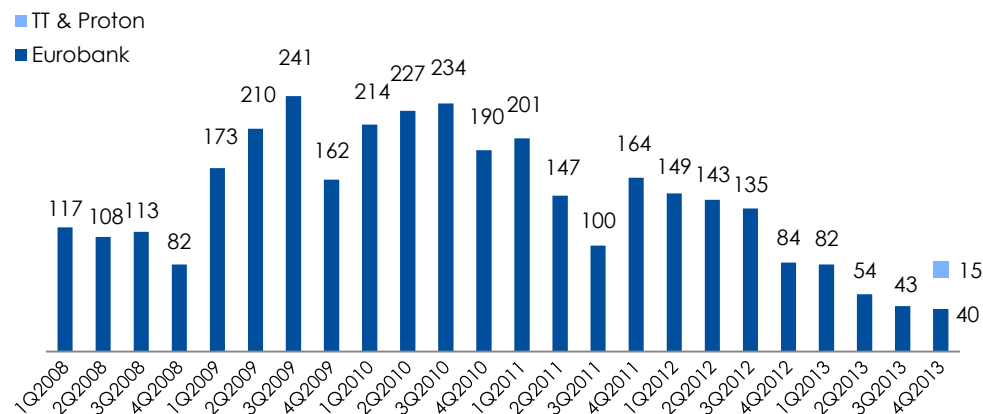
1. Including TT & Proton

# 90dpd formation per segment (Greece)

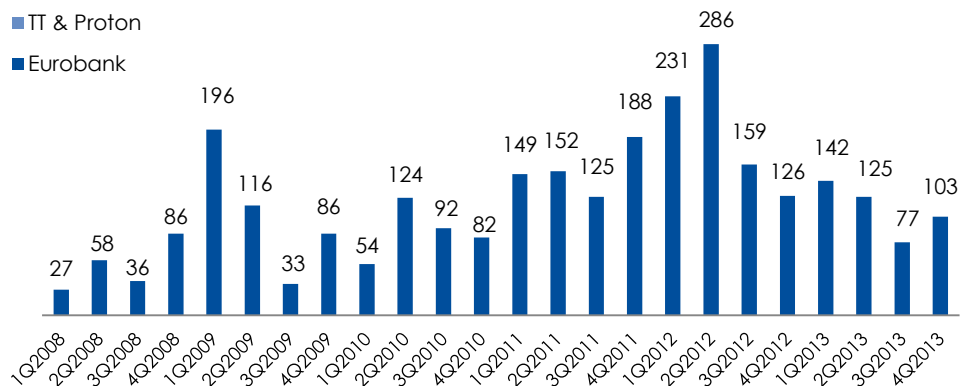
## Mortgages (€ m)



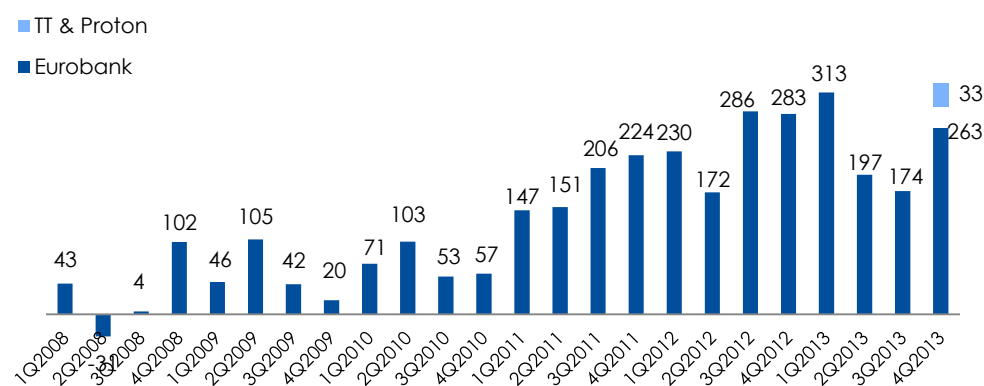
## Consumer (€ m)



## Small business (€ m)



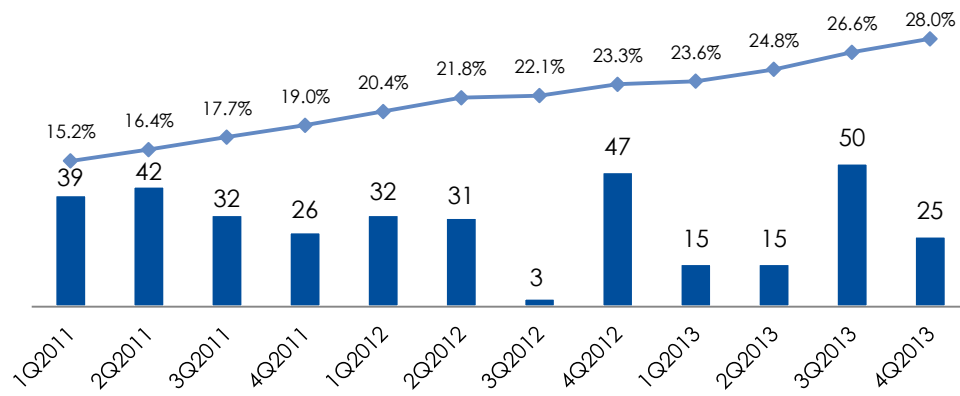
## Corporate (€ m)



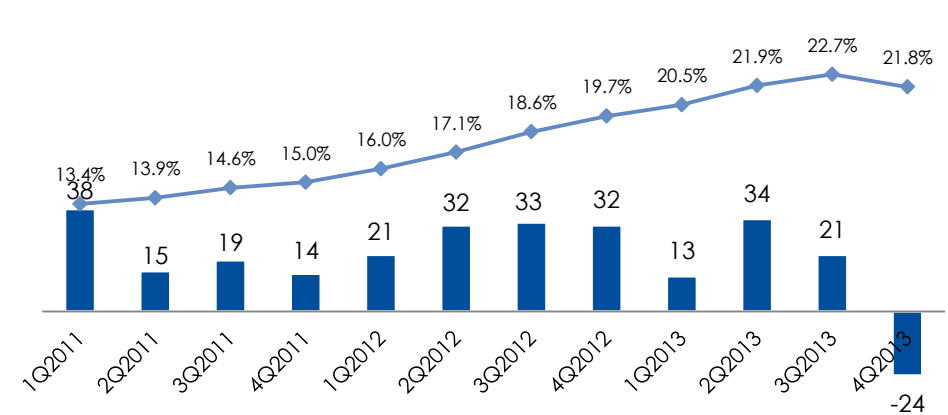
# 90dpd formation (International operations)

- The trend of the asset quality for the international business remains varied, with some countries showing signs of stabilization

## Romania

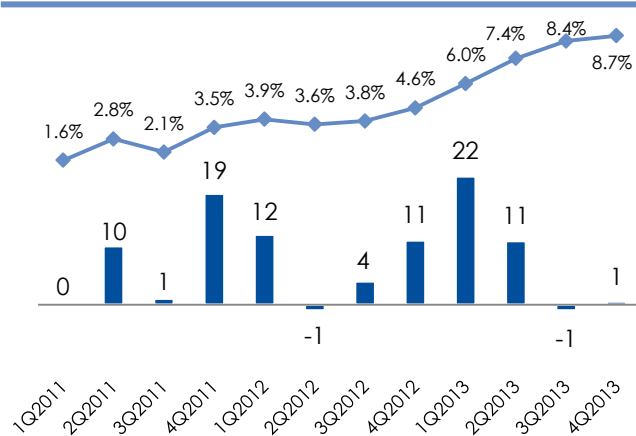


## Bulgaria

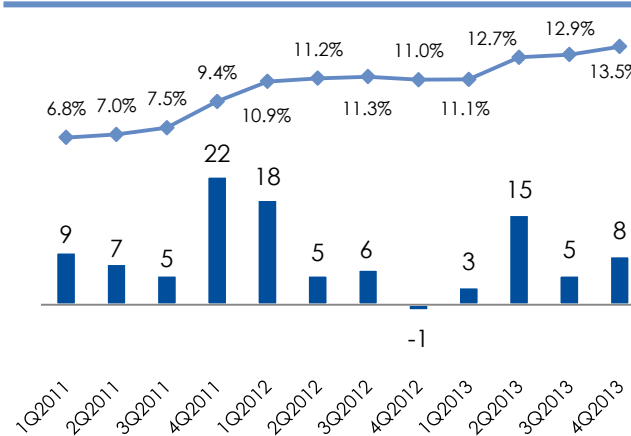


■ Gross 90dpd formation (€m) ■ 90dpd over av. loan book

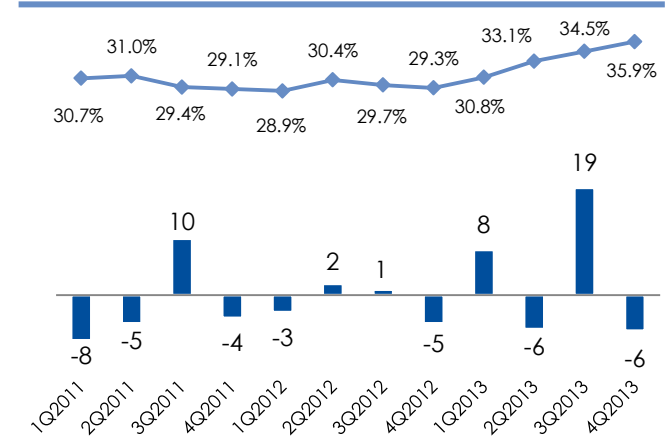
## Cyprus



## Serbia



## Ukraine



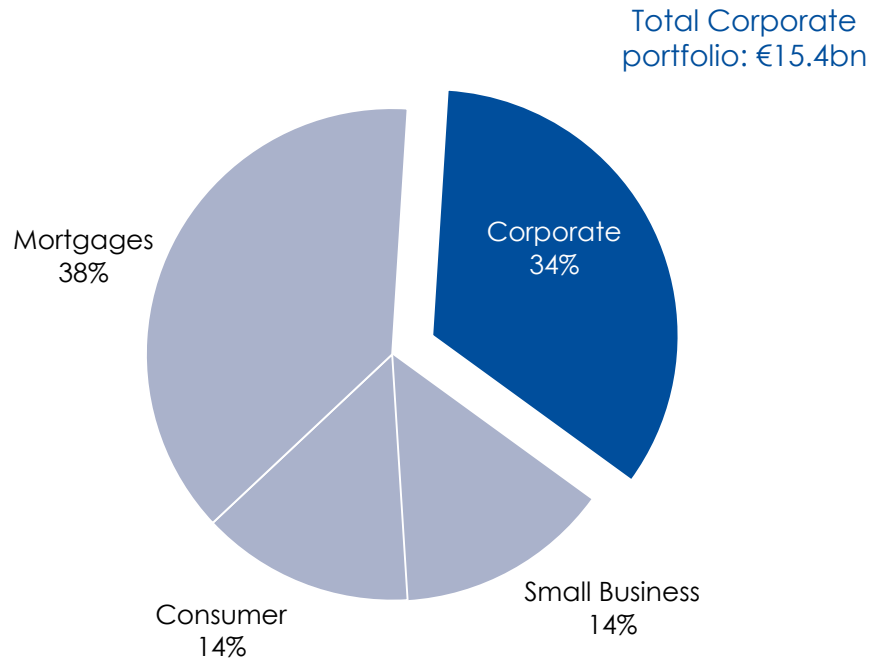
■ Gross 90dpd formation (€m) ■ 90dpd over av. loan book

# Coverage per segment analysis (Greece)

As of 30 Dec 2013	90dpd	Value of 90dpd Collaterals	Total 90dpd Coverage
<b>Consumer</b> 90dpd ratio Coverage	45% 78%	3%	81%
<b>Mortgages</b> 90dpd ratio Coverage	20% 29%	130%	>100%
<b>Small Business</b> 90dpd ratio Coverage	48% 42%	70%	>100%
<b>Corporate</b> 90dpd ratio Coverage	30% 53%	49%	>100%
<b>Total</b> 90dpd ratio Coverage	31% 50%	64%	>100%

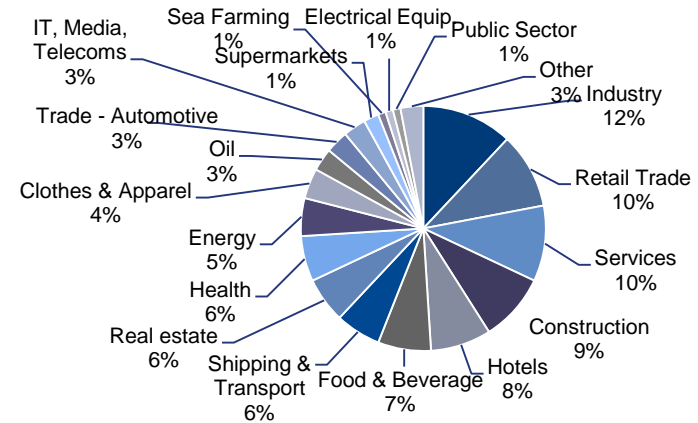
# Greek loan portfolio - Corporate

## 2013 Greek Corporate portfolio

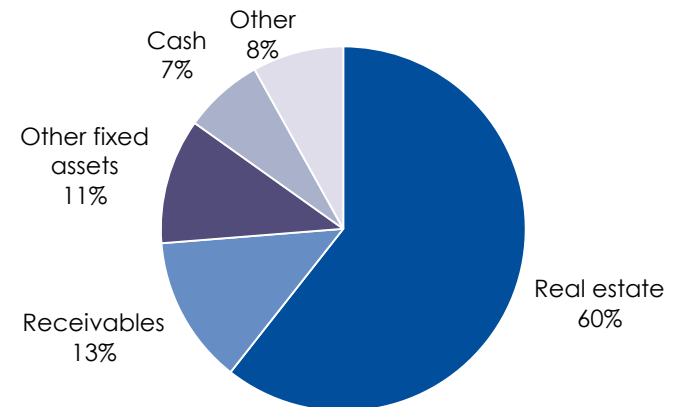


- Highly diversified portfolio
- Limited single name exposure:
  - Top 20 corporate exposures account for less than 5% of the consolidated loan book

## Breakdown by sector

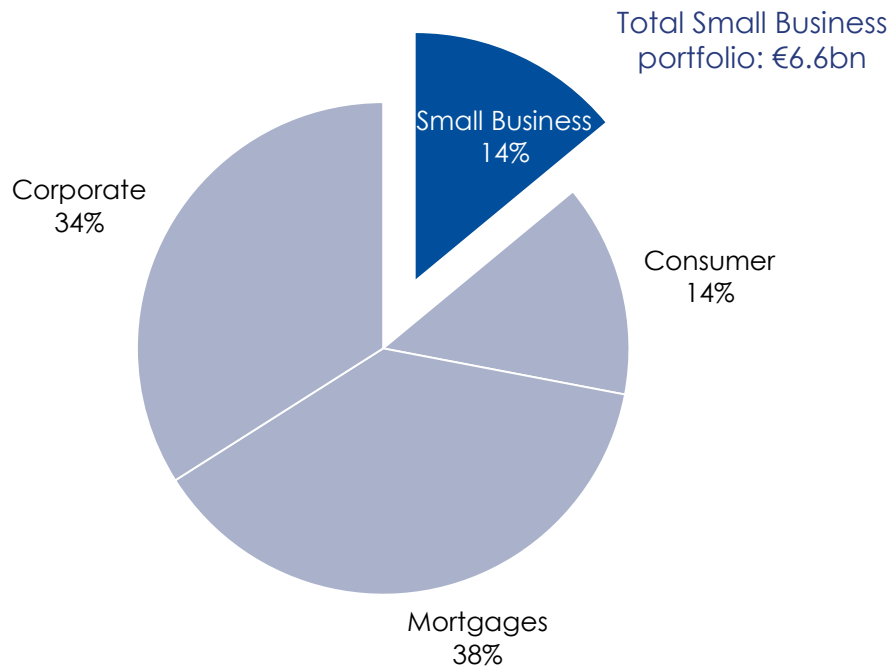


## Breakdown of collateral (52% collateralization)

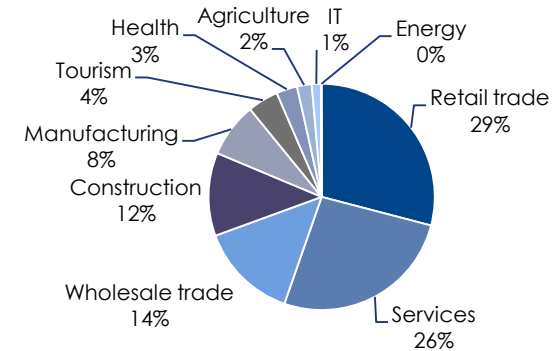


# Greek loan portfolio – Small Business

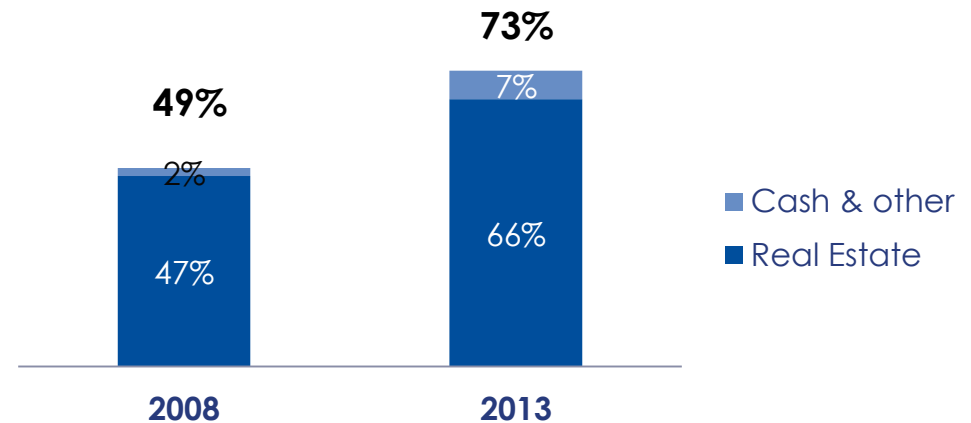
## 2013 Greek Small Business portfolio



## Breakdown by sector

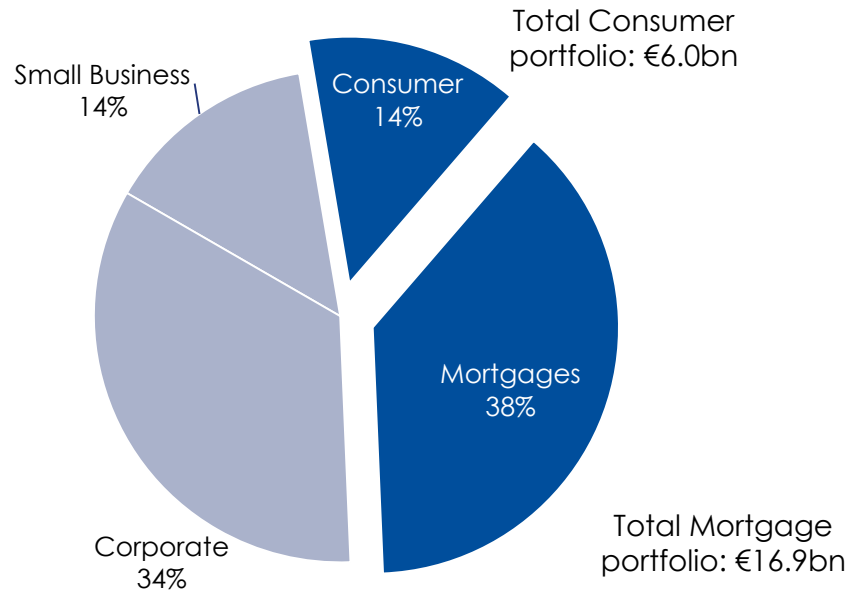


## Breakdown of collateral (73% collateralization)

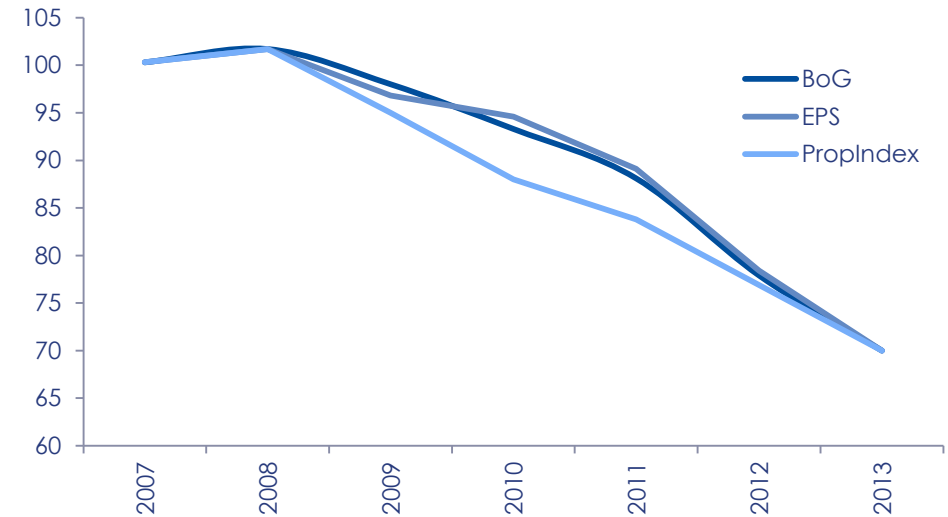


- 73% of Small Business portfolio is covered by residential & business property and cash collateral; a further 22% is covered by personal guarantees
- Collateral increased from 49% in 2008 to 73% of the total portfolio in 2013

## 2013 Greek Consumer and Mortgage portfolio



## Greek residential real estate indices<sup>(1),(2),(3)</sup>



### Mortgage Portfolio:

- Dynamic LTV at 76%
- Annual collateral revaluation (acc. to PropIndex)
- Phased lifting on auctioning moratoria could reduce moral hazard and stem NPLs flow

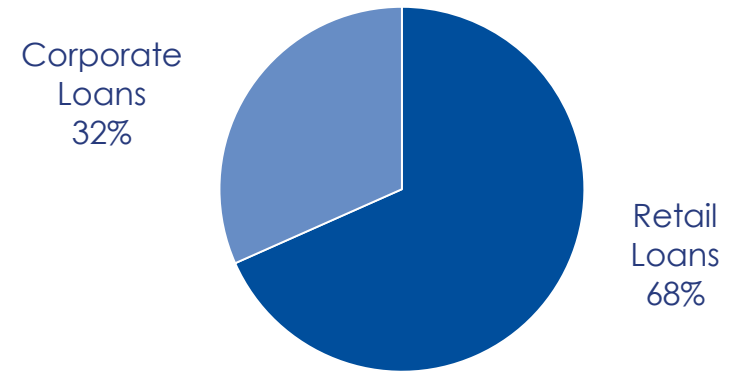
- (1) Bank of Greece collects data from valuations carried out by all major Greek banks and issues a residential index every quarter.
- (2) PropIndex S.A. collects data from the National Bank of Greece, Eurobank, Alpha Bank, and Emporiki Bank (acquired by Alpha Bank on 1/2/2013). The data collected concerns valuations carried out for loan purposes.
- (3) EPS: Eurobank Property Services index



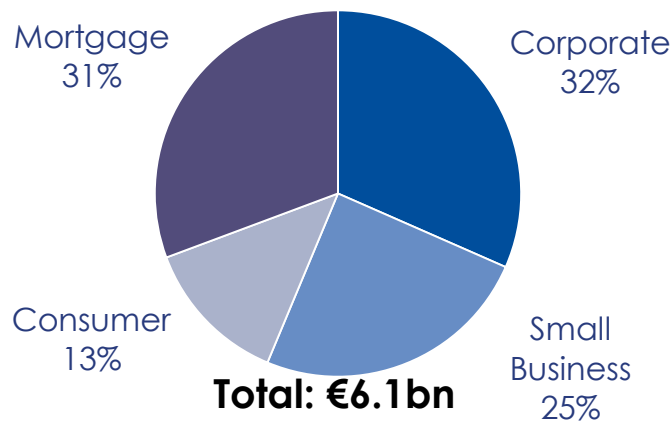
## Group 90dpd ratios & coverage

	90dpd ratio	Provision coverage
Consumer	40.9%	77.4%
Mortgages	19.4%	29.7%
Small Business	47.3%	42.4%
Corporate	27.7%	53.4%
<b>Total</b>	<b>29.4%</b>	<b>50.1%</b>

## Breakdown of Collateral



## Group restructured loans per segment



**49% of restructured loans included in 90dpd**

## Strategic initiatives for credit risk mitigation

- Shift from unsecured to secured lending and shorter tenors
- Reduction of consumer loan portfolio
- Discretionary sector selection in business lending
- Remedial management: Collections, Collateral improvement, Restructuring solutions
- Tightening of credit underwriting criteria: reduction of DTI ratios, LTV, tenors and approved limit amounts
- Update collateral review:
  - PropIndex for residential real estate
  - Re-evaluation (desktop or on site) for commercial real estate

- Eurobank Financial Planning Services ('Eurobank FPS'): household loans collection and servicing subsidiary
- Eurobank is the only Greek Bank with a wholly owned subsidiary, since 2006, dedicated to remedial management for household loans and operating according international best practices
- Integration of various different country-wide channels and partners:
  - branch network
  - legal offices
  - bailiffs
  - call centers
- High degree of automation to allow end-to-end management of the delinquency lifecycle and to enable effective handling of large volumes

## Eurobank FPS key metrics (2012)

717 internal FTEs and 282 FTEs in external collections agencies	400 FTEs in Branch network 10 Legal offices (150 lawyers)
700,000 customers	41 million communication attempts
€528m collected	8 million communications
191,000 rescheduling applications	113,000 real estate searches
26,000 payment orders	10,000 forced prenotations

## Corporate Special Handling Unit aims to:

- Enhance corporate remedial capabilities bringing together the necessary know how
- Release capacity of corporate Relationship Managers to pursue profitable clients

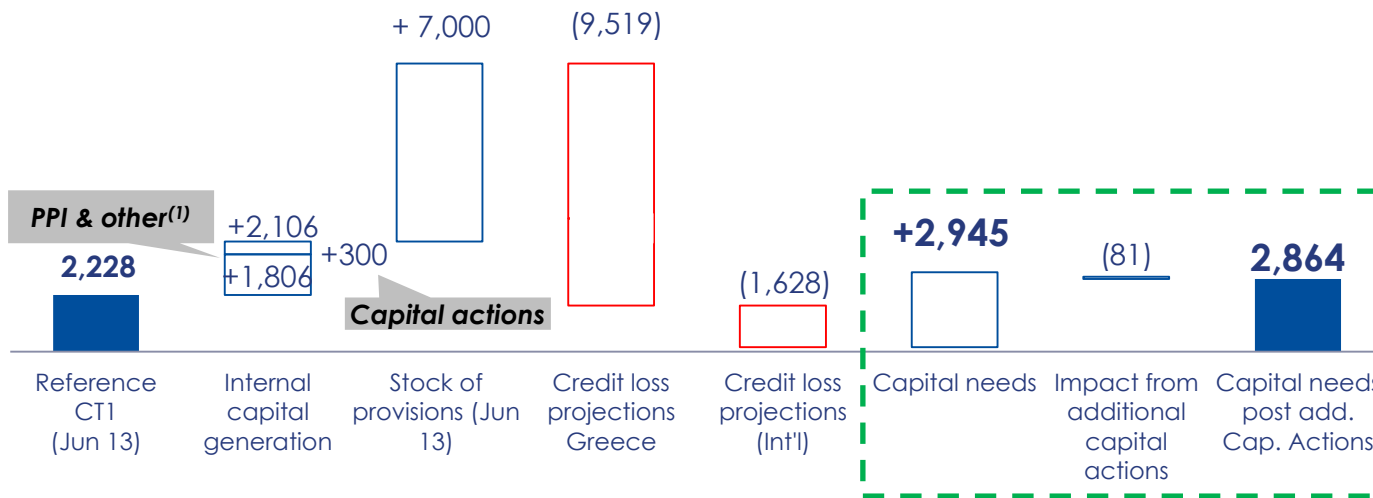
## Strategic initiatives implemented:

- **Establishment of Corporate Special Handling Sector (CSHS) to effectively manage remedial clients**
  - Sector reporting directly to Corporate and Investment Banking Head to ensure independence
  - Criteria for transferring clients to CSHS & rules of engagement with Business Units in place
  - Staffing finalized and comprises 40 experienced officers
  - Initial scoping exercise completed and transfer of files well in progress
- **All remedial files managed by the unit approved by Special Handling Committees**
  - Dedicated Committees to ensure harmonization of restructuring approaches

## ***Appendix – BoG / BlackRock capital assessment***

# Eurobank's capital needs according to BoG stress test

## Bank of Greece estimated capital needs in the baseline scenario (€ m)

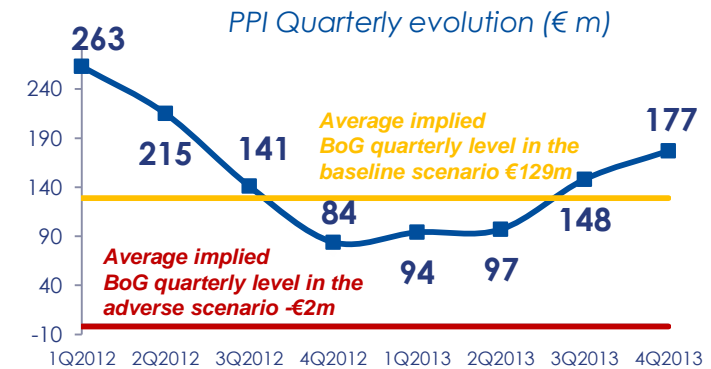
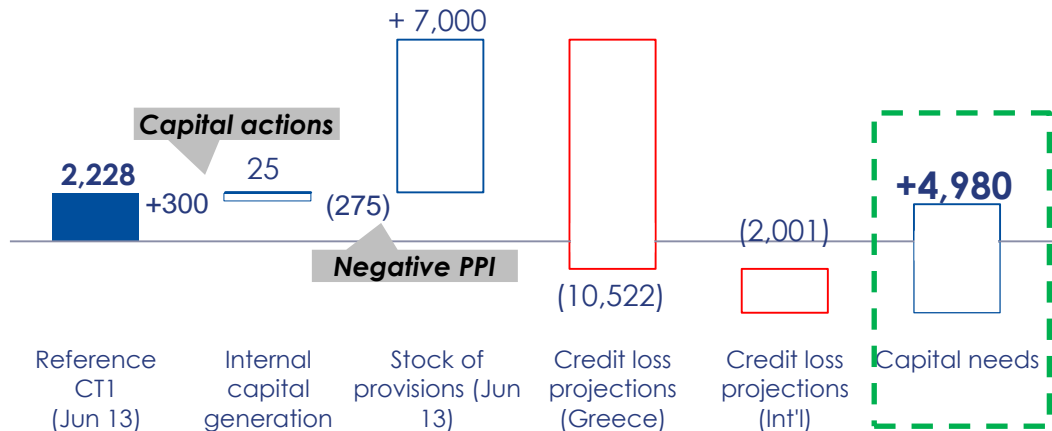


- Bank of Greece estimated Eurobank's capital needs at €4,980m assuming 5.5% Core Tier 1 ratio in December 2016
- €2.1bn of additional capital needs in the adverse scenario vs. baseline scenario** due to:
  - €2.1bn additional PPI haircut
  - €1.0bn additional credit loss projections for Greece and €0.4bn for international
  - €1.4bn additional capital forbearance

### €2.1bn of additional capital needs in the adverse vs. baseline scenario



## Bank of Greece estimated capital needs in the adverse scenario (€ m)

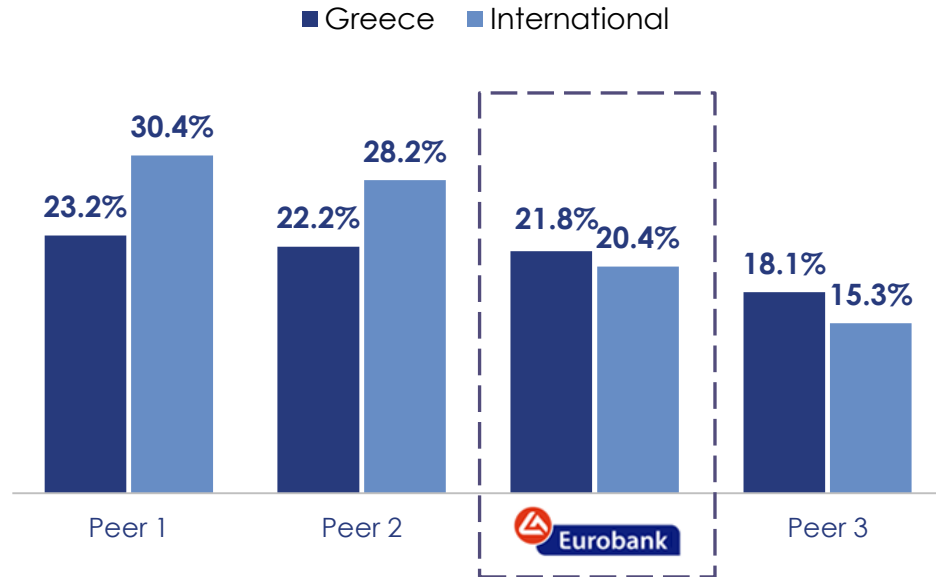


1. Including impacts from RWAs

# Credit loss projections: Eurobank vs. Greek market

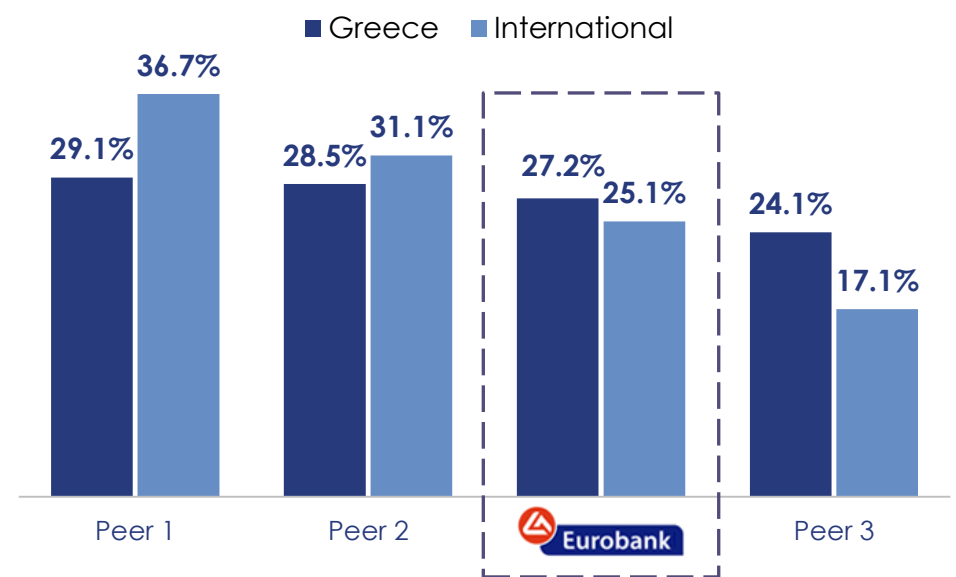
## Baseline scenario

### Greek<sup>1</sup> and international<sup>2</sup> CLP/Loans



## Adverse scenario

### Greek<sup>1</sup> and international<sup>2</sup> CLP/Loans



### Eurobank Greek CLP vs market average

Segment (Greece)	Eurobank lifetime CLP losses (%)	Market lifetime CLP losses (%)
Mortgage	5.0% ✓	7.3%
Consumer	41.5% ✓	43.7%
SBP	31.9%	30.9%
Corporate	23.1% ✓	24.1%
<b>Total Greece</b>	<b>21.8%</b>	<b>21.7%</b>

### Eurobank Greek CLP vs market average

Segment (Greece)	Eurobank lifetime CLP losses (%)	Market lifetime CLP losses (%)
Mortgage	9.5% ✓	12.5%
Consumer	48.5% ✓	50.9%
SBP	35.7%	34.3%
Corporate	29.3% ✓	30.7%
<b>Total Greece</b>	<b>27.2%</b> ✓	<b>27.6%</b>

1. BlackRock baseline scenario for lifetime CLP. BoG methodology incorporates at minimum 95% of BlackRock's baseline lifetime CLP in the 3.5yrs stress test period among other factors  
 2. BlackRock baseline scenario for 3.5yrs CLP. These CLP figures have been adjusted by BoG to take into account mitigating actions as well as foreign tax effects

## ***Appendix – summary financials***

# Summary 2013 performance and key figures

## Balance sheet

€ m	2013 <sup>(2)</sup>	2012
<b>Gross customer loans</b>	<b>53,498</b>	<b>47,841</b>
Stock of provisions	(7,888)	(4,670)
<b>Net customer loans</b>	<b>45,610</b>	<b>43,171</b>
Customer deposits	41,535	30,752
Eurosystem funding	16,950	29,000
Shareholders' equity	4,523	(655)
<b>TBV</b>	<b>2,949</b>	<b>(2,655)</b>
Risk Weighted Assets	37,166 <sup>(1)</sup>	37,999
<b>Core Tier I ratio</b>	<b>11.3%</b>	<b>n/m</b>
<b>Loan/Deposit ratio</b>	<b>109.8%</b>	<b>140.4%</b>
Eurosystem funding / Total Assets	21.8%	42.8%
90dpd ratio	29.4%	22.8%
<b>Provision coverage</b>	<b>50.1%</b>	<b>42.8%</b>
Provisions / Gross loans	14.7%	9.8%
<b>Employees</b>	<b>18,819</b>	<b>17,427</b>
Network (branches)	1,155	1,037

## Income statement

€ m	2013 <sup>(2)</sup>	4Q2013 <sup>(2)</sup>	3Q2013 <sup>(3)</sup>
<b>Net interest income</b>	<b>1,293.5</b>	<b>392.5</b>	<b>323.3</b>
Fee income	273.2	71.0	70.3
<b>Total operating income</b>	<b>1,587.1</b>	<b>490.9</b>	<b>409.3</b>
Operating expenses	(1,071.6)	(313.6)	(261.4)
<b>Pre-provision income</b>	<b>515.5</b>	<b>177.3</b>	<b>147.9</b>
Loan loss provisions	(1,920.4)	(660.0)	(419.5)
One-offs <sup>(4)</sup>	(105.0)	(563.4)	(74.6)
<b>Net income</b>	<b>(1,153.8)</b>	<b>(913.1)</b>	<b>(285.2)</b>
<b>Net interest margin</b>	<b>1.76%</b>	<b>1.99%</b>	<b>1.73%</b>
Fee income / assets	0.35%	0.37%	0.35%
Cost / income ratio	67.5%	63.9%	63.9%
Cost of risk	4.02%	5.70%	3.52%



# Quarterly financials

Income Statement (€ m)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013 <sup>(1)</sup>	4Q2013 <sup>(2)</sup>
Net Interest Income	426.4	373.4	358.3	302.8	276.7	301.0	323.3	392.5
Net Fees & Commissions	68.5	60.5	62.4	70.6	65.3	66.5	70.3	71.0
Other Income	41.5	50.0	-23.4	-35.4	0.6	-23.3	15.7	27.4
<b>Total Operating Income</b>	<b>536.4</b>	<b>484.0</b>	<b>397.3</b>	<b>337.9</b>	<b>342.6</b>	<b>344.2</b>	<b>409.3</b>	<b>490.9</b>
Operating Expenses	273.2	269.4	256.1	253.5	248.8	247.7	261.4	313.6
Pre-Provision Profit	263.2	214.6	141.2	84.4	<b>93.8</b>	<b>96.5</b>	<b>147.9</b>	<b>177.3</b>
Provisions	360.0	433.8	419.0	442.3	418.4	422.4	419.5	660.0
Profit before tax	-97.4	-219.1	-277.7	-357.8	-324.8	-326.6	-272.0	-481.8
<b>Net Profit (continuing)</b>	<b>-82.6</b>	<b>-166.2</b>	<b>-222.7</b>	<b>-295.2</b>	<b>-245.1</b>	<b>-243.5</b>	<b>-210.6</b>	<b>-349.7</b>
Profit from discontinued ops	5.6	3.6	-0.3	+1.3	0.0	0.0	0.0	0.0
One-offs & extraordinary items	-159.1	-472.8	0	-64.0	620.4	-87.4	-74.6	-563.4
<b>Net Profit</b>	<b>-236.2</b>	<b>-635.4</b>	<b>-223.0</b>	<b>-357.9</b>	<b>375.3</b>	<b>-330.8</b>	<b>-285.2</b>	<b>-913.1</b>

Balance sheet (€ m)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013 <sup>(1)</sup>	4Q2013 <sup>(2)</sup>
Consumer Loans	6,768	6,576	6,488	6,355	6,202	6,080	7,486	7,341
Mortgages	14,083	14,156	14,150	14,182	14,128	14,047	19,090	18,980
<b>Loans to Households</b>	<b>20,851</b>	<b>20,732</b>	<b>20,638</b>	<b>20,538</b>	<b>20,331</b>	<b>20,127</b>	<b>26,575</b>	<b>26,321</b>
Small Business Loans	7,699	7,641	7,534	7,498	7,472	7,404	7,449	7,429
Loans to Medium-Sized Enterprises	9,893	9,613	9,522	9,424	9,358	9,137	9,110	9,518
Loans to Large Corporates	10,494	10,516	10,390	10,287	10,153	9,574	11,247	10,230
<b>Loans to Corporate Entities</b>	<b>28,086</b>	<b>27,771</b>	<b>27,446</b>	<b>27,209</b>	<b>26,982</b>	<b>26,116</b>	<b>27,807</b>	<b>27,177</b>
<b>Total Gross Loans</b>	<b>49,029</b>	<b>48,599</b>	<b>48,177</b>	<b>47,841</b>	<b>47,399</b>	<b>46,315</b>	<b>54,448</b>	<b>53,498</b>
<b>Total Deposits</b>	<b>30,505</b>	<b>28,013</b>	<b>28,927</b>	<b>30,752</b>	<b>32,197</b>	<b>30,185</b>	<b>42,282</b>	<b>41,535</b>

# International key figures – 2013 (€m)

		Romania	Bulgaria	Serbia	Cyprus	Ukraine	LUX	TOTAL
Balance Sheet	Total Assets	3,854	3,068	1,591	2,955	665	1,106	<b>12,988</b>
	Total Loans (Gross)	2,709	2,607	1,021	1,132	589	488	<b>8,546</b>
	Total loans (Net)	2,286	2,310	964	1,091	462	486	<b>7,599</b>
	Loans +90dpd	758	569	138	99	211	2	<b>1,779</b>
	Total Deposits	1,875	2,299	842	2,482	285	810	<b>8,593</b>
P&L	Operating Income	202.2	151.9	85.2	67.4	29.0	34.1	<b>566.3</b>
	Operating Expenses	(128.7)	(84.7)	(50.3)	(21.0)	(33.3)	(14.6)	<b>(329.1)</b>
	Profit before tax & minorities	(51.8)	(8.3)	5.3	29.9	(24.6)	17.9	<b>(31.6)</b>
	Net Profit	(40.2)	(9.2)	5.8	22.0	(21.0)	16.4	<b>(26.1)</b>
Branches	Retail	207	182	99	-	53	-	<b>541</b>
	Wholesale	9	8	8	7	1	1	<b>34</b>

# One-off items analysis

One off items	Amount (after tax)	Description
One-off tax provision	-176	Provision for withholding taxes (€54m), new tax treatment of gains/losses from equities and derivatives (€92m), other tax-related provisions
Goodwill impairment	-142	Bulgaria (€97m), Serbia (€35m), Romania (€10m)
Voluntary Exit Scheme (VES)	-64	Total cost charged in 4Q2013
Property impairment	-87	Impairment on investment and repossessed real estate properties
Other	-95	Claims in dispute, investment securities' impairments and restructuring costs
<b>Total one-off items</b>	<b>-563</b>	

## ***Appendix – macroeconomic update***

**Real economy:** Recent improvement in a range of key real-activity and sentiment indicators points to an ongoing stabilization of domestic economic conditions, with a switch to positive year-on-year GDP growth expected from Q3 2014 onwards

**Fiscal position:** Greece's fiscal adjustment has been unprecedented by historical standards; Eurostat to confirm realization of general government primary surplus in 2013 (expected in April)

**Debt sustainability:** Past relief measures have facilitated a sharp improvement in servicing costs; Greece's interest rate on public debt expected to average ca. 3% over the coming decade (among the lowest in the euro area); debt dynamics to improve considerably after 2014 on elimination/reversal of "snowball effect"

**Additional debt relief by official lenders expected before year-end:** Lower interest rates & maturity extension of EU loans to further improve serviceability of Greek public debt

**External sector adjustment:** Sharp improvement in labor cost competitiveness already reflected in balance-of-payments dynamics (0.7%-of-GDP current account surplus in 2013)

**Preconditions for a shift to sustainable economic growth:** Insistence on fiscal consolidation and structural reforms agenda; strategies to improve liquidity conditions in the domestic economy, in view of lingering dysfunctions in the monetary policy transmission mechanism and supply-side credit constraints faced by Greek banks (still high dependence on CB funding & elevated NPLs ratio)

# Adjustment program success stories & costs

## Adjustment program success stories

	2009	2013	Improvement
General government (% GDP)	(15.6)	(2.2)	13.4 pts
General government primary balance (% GDP)	(10.5)	1.6	12.1 pts
Interest expense (€ bn)	12.3	7.8	4.5 billion
Current account balance (% GDP)	(11.6)	0.7	12.3 pts
Current account excl. oil, ships & net interest payment (% GDP)	(2.6)	7.1	9.7 pts

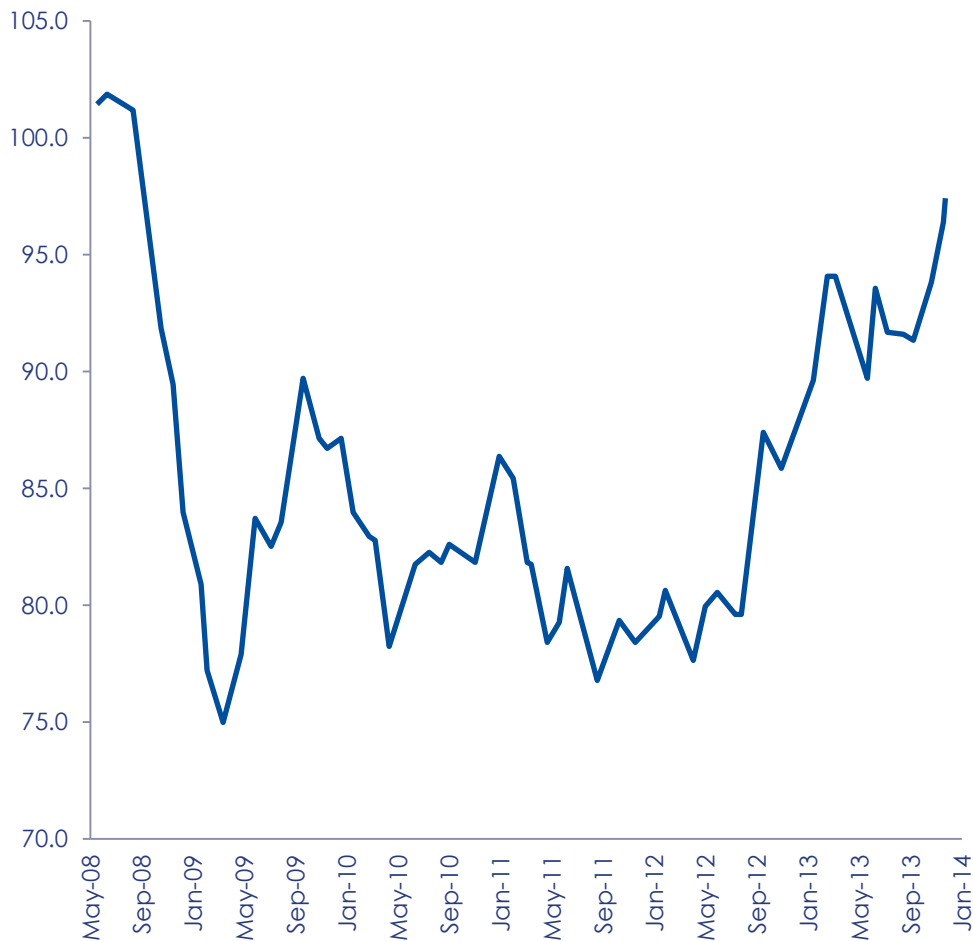
## Macroeconomic & social cost of adjustment

	2009	2013	Deterioration
Nominal GDP (€ bn)	231.1	182.1	21.2 pts
Unemployment (%)	12.5	27.5 (Dec)	15 pts
Total number of employees of 15yrs of age and over (thousands)	4,486	3,555	931 thousands
Gross debt (% GDP)	129.7	172.8	(59 pts of which due to snowball effect)

# Greece's economic sentiment indicator at a 5 ½ year high; PMI manufacturing above the boom-or-bust threshold of 50 for the first time since mid-2008

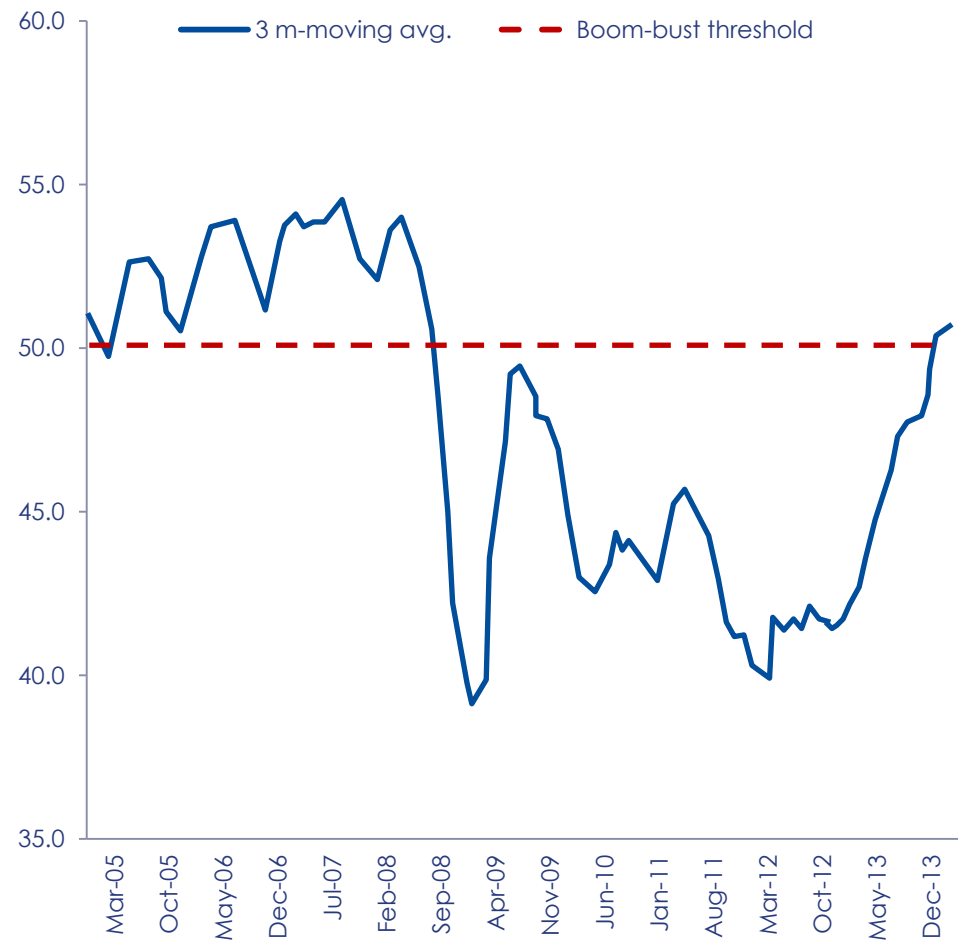
- Visible improvement in investor sentiment towards Greece reflected in the sharp compression of sovereign credit spreads and the recent rally in the domestic equity market
- Improvement in key real-activity & sentiment indicators signals brightening macroeconomic conditions going forward
- Bounce in domestic bank deposits since June 2012

## Economic Sentiment Indicator



Source: EC, Eurobank Global Markets Research

## PMI in Manufacturing



Source: MARKIT, Eurobank Global Markets Research

# Recession in domestic residential house market seen bottoming out in 2014/2015

- In both the baseline and adverse scenario 2016 is the turning point year
- House prices expected to show a steeper recovery than GDP in the next years

	Real GDP (% YoY)		Residential house price index (% YoY)	
	Baseline	Adverse	Baseline	Adverse
2008	-0.2	-0.2	0.3	0.3
2009	-3.1	-3.1	-4.2	-4.2
2010	-4.9	-4.9	-7.0	-7.0
2011	-7.1	-7.1	-6.7	-6.7
2012	-6.4	-6.4	-12.8	-12.8
2013	-3.7	-3.7	-9.3	-9.3
<b>2014f</b>	<b>0.6</b>	<b>-2.9</b>	<b>-5.9</b>	<b>-9.0</b>
<b>2015f</b>	<b>2.9</b>	<b>-0.3</b>	<b>1.0</b>	<b>-3.9</b>
<b>2016f</b>	<b>3.7</b>	<b>1.0</b>	<b>2.9</b>	<b>0.9</b>

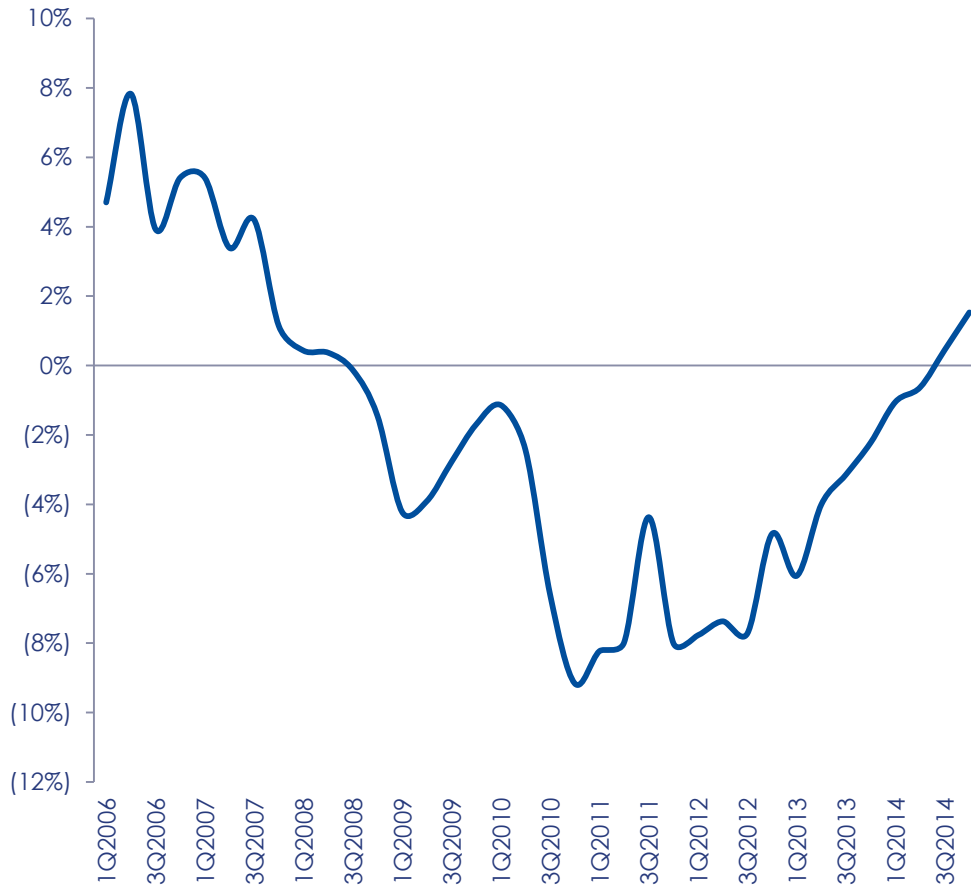


# External deficit closing rapidly while real GDP is slightly recovering

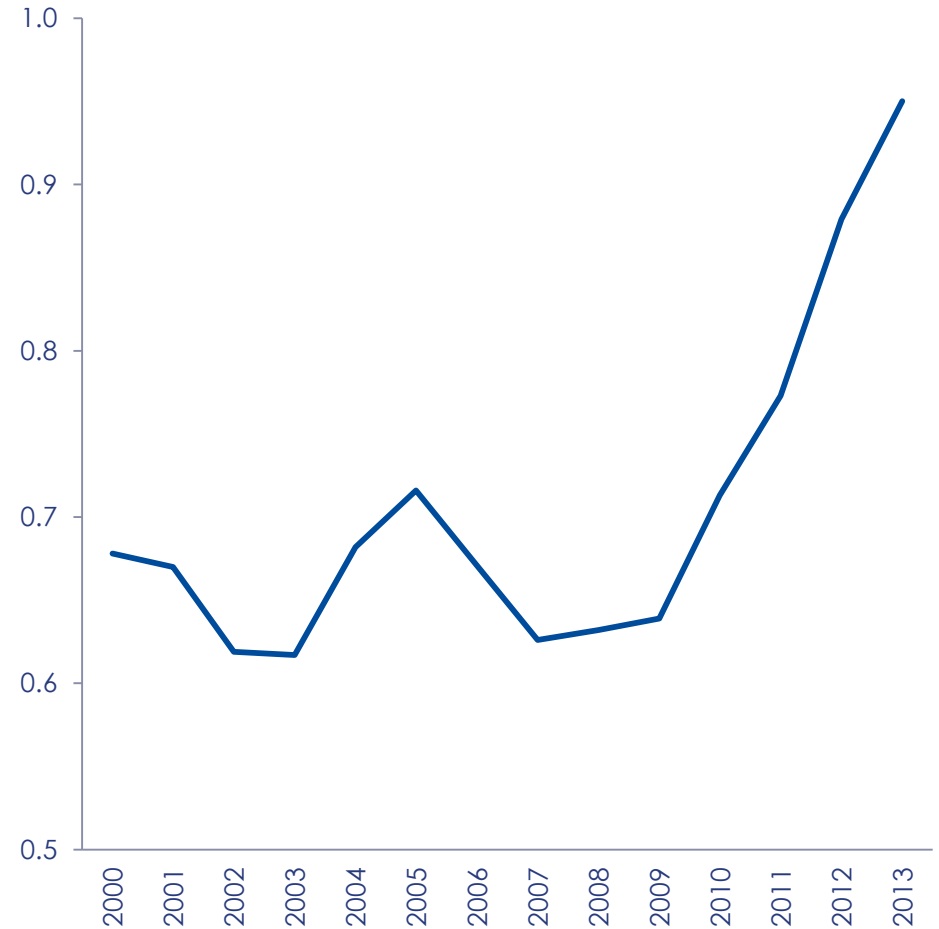
- Benefiting from sharp decline in goods imports, recovering exports & lower interest payments

## Real GDP forecast

Real GDP YoY



## Ratio of exports to imports of goods and services



# Greek real GDP growth and components (% , YoY)

## Realizations & forecasts

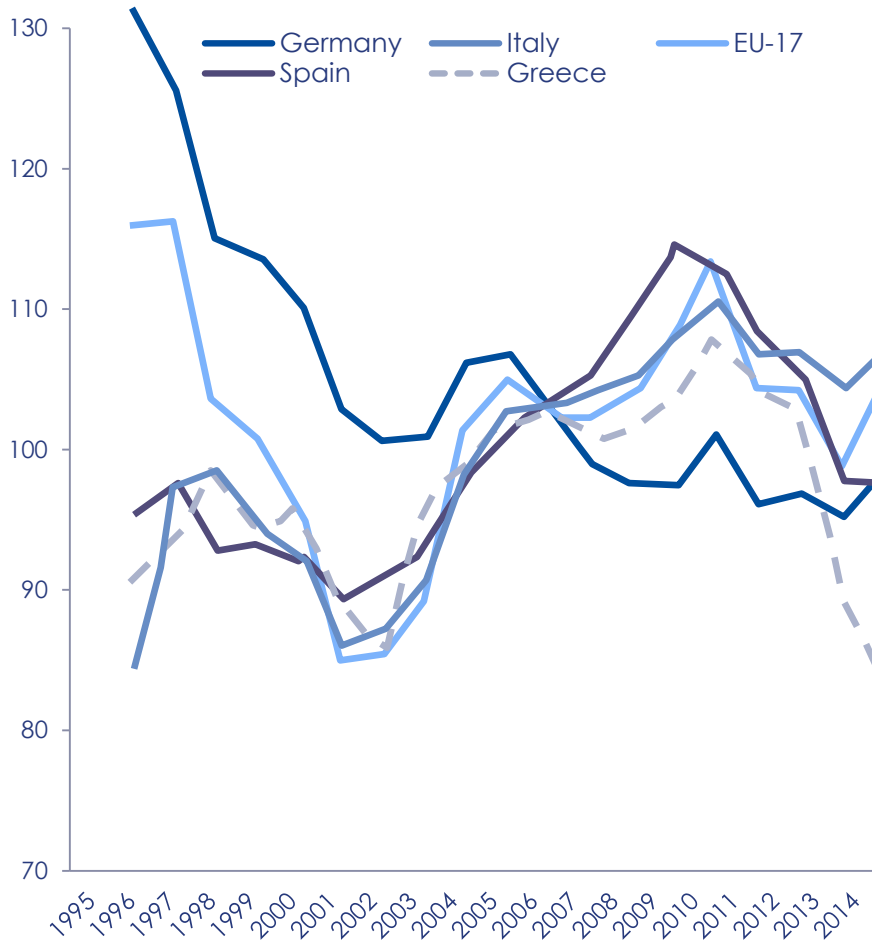
	2007	2008	2009	2010	2011	2012	2013	2014F	2015F
a1. Private consumption	3.6%	4.3%	-1.6%	-6.2%	-7.7%	-9.3%	-6.0%	-1.4%	1.5%
a2. Public consumption	7.1%	-2.6%	4.9%	-8.7%	-5.2%	-6.9%	-4.1%	-4.0%	-1.5%
Final consumption (a1+a2)	4.3%	2.8%	-0.3%	-6.7%	-7.2%	-8.8%	5.6%	-1.9%	0.9%
Gross capital information	12.9%	-10.4%	-25.0%	-8.3%	-16.4%	-17.8%	-6.7%	4.8%	10.2%
Exports g&s	7.1%	1.7%	-19.5%	5.2%	0.3%	-1.8%	1.8%	4.4%	5.5%
Imports g&s	14.5%	0.9%	-20.2%	-6.1%	-7.4%	-13.7%	-5.5%	-1.5%	2.9%
<b>GDP</b>	<b>3.6%</b>	<b>-0.3%</b>	<b>-3.3%</b>	<b>-4.8%</b>	<b>-7.1%</b>	<b>-7.1%</b>	<b>-3.9%</b>	<b>0.6%</b>	<b>2.9%</b>

# Key domestic product markets further facilitate the price adjustment process

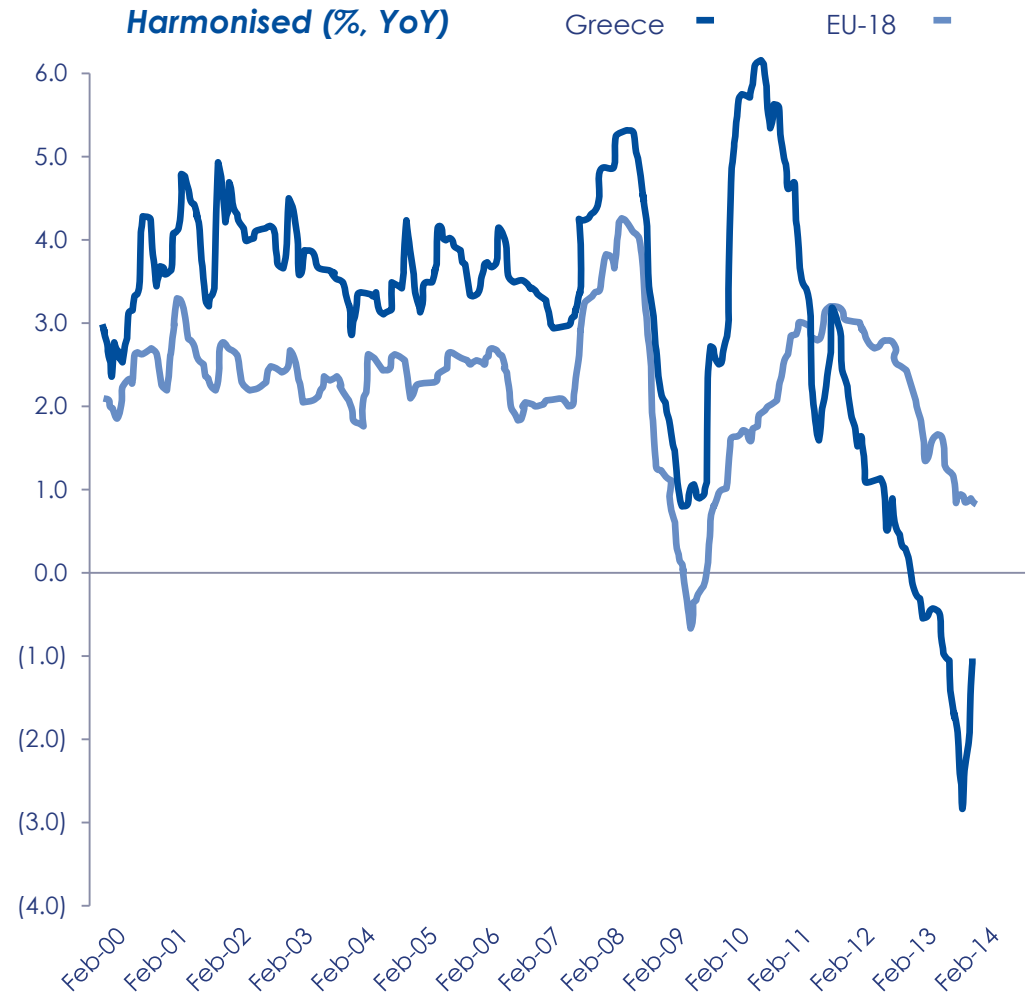
- Post-EMU entry cumulative losses in labor cost competitiveness already eliminated
- Wage pass-through to domestic consumer inflation still incomplete, but accelerating lately

## ULC-based REER Greece's REER cumulative growth

Relative to 36 major industrial countries (2005 = 100)

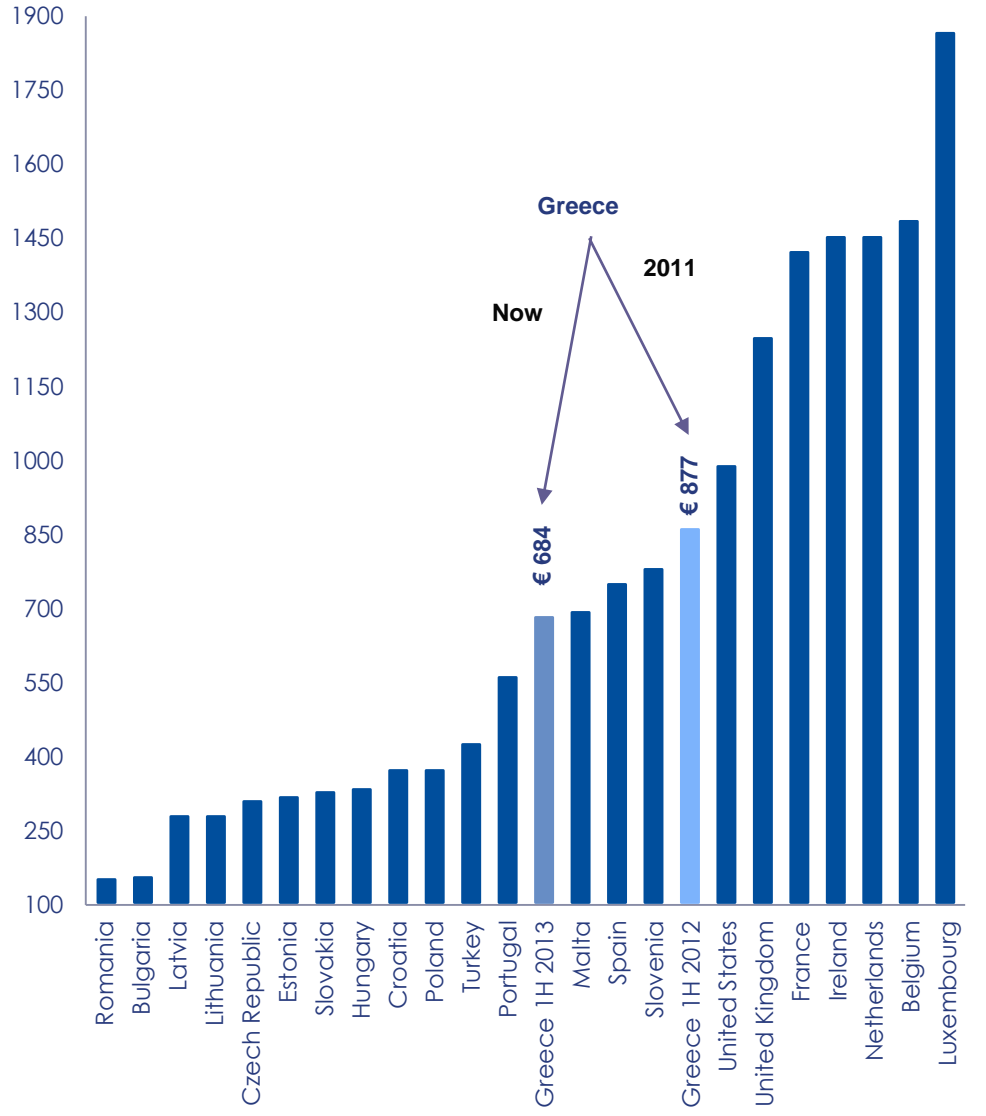


## Consumer price inflation

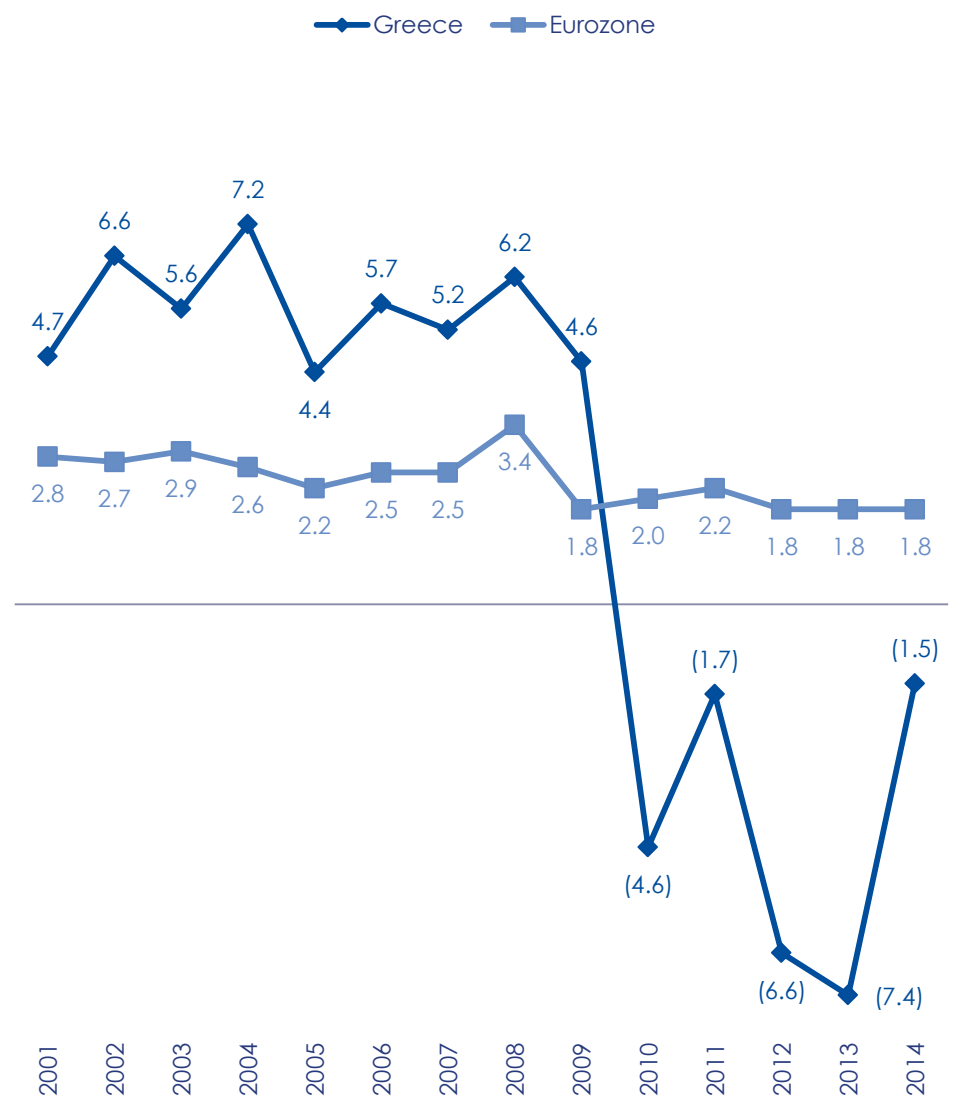


# Labor market reform and the domestic recession lead to rapid wage adjustment

Minimum wage (€ per month)



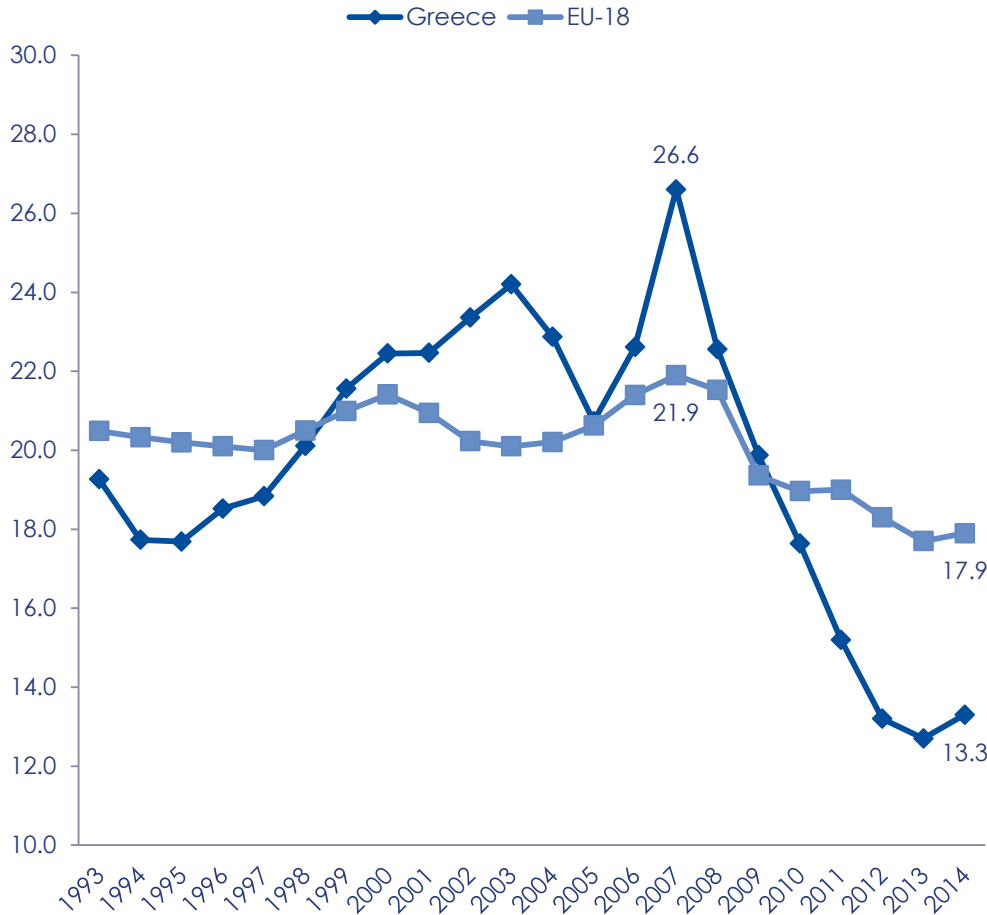
Average earnings growth-total economy (% YoY)



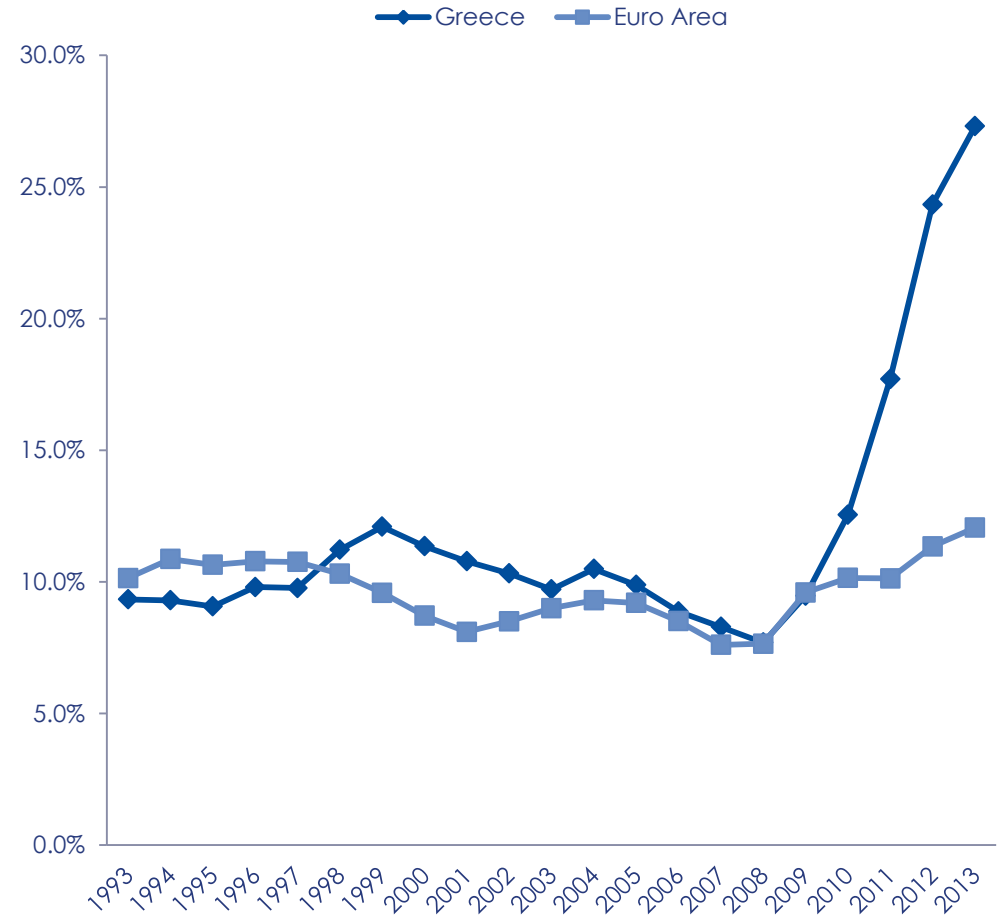
Source: AMECO, Eurobank Global Markets Research

# Destruction of physical (and human) capital risks a decline of potential output in the initial post-crisis years

## Gross fixed capital formation (% GDP)



## Unemployment rate (yearly average)



- **Fiscal multiplier of public investment as high as 3 in periods of deep economic recessions<sup>(1)</sup>**

Source: Eurostat, Elstat, IMF

(1) P. Monokroussos & D. Thomakos, "Greek fiscal multipliers revisited: Government spending cuts vs. tax hikes and the role of public investment expenditure", Eurobank Research, March 2013

# Key items agreed with the troika in the context of the last (4<sup>th</sup>) program review

3.9% reduction in social security contributions in a single step (July 1, 2014)

Adoption of majority of product market reforms proposed by the OECD

Distribution of the main bulk of windfall revenues in excess of the agreed General Government primary balance target in 2013

Collective company redundancies to require Supreme Labour Council's approval (6 month trial period)

Up to 50% reduction in the maturity coefficients for long-term, private-sector employees hired on the minimum wage

Major overhaul of the legal framework for labour unions' operations

Full coverage of FY-2014 fiscal gap

Time extension for the placement of the second wave of 12.5k public employees to the mobility scheme

80% reduction in special tax-related fines on freelancers

Taxpayers to be allowed to counterbalance their overdue payments with respective State arrears

*No capital gains tax on property transactions (applied on property acquired before 1995)*

Recapitalisation of domestic banking system based on Bank of Greece's new AQR results & new recap framework

## Eurobank Ergasias, 20 Amalias Avenue, 105 57 Athens, Greece

Fax:	+30 210 3337 160
E-mail:	<a href="mailto:investor_relations@eurobank.gr">investor_relations@eurobank.gr</a>
Internet:	<a href="http://www.eurobank.gr">www.eurobank.gr</a>
Reuters:	EURBr.AT
Bloomberg:	EUROB GA

## Investor Relations

- Dimitris Nikolos                      Tel: +30 210 3337688                      E-mail: [dnikolos@eurobank.gr](mailto:dnikolos@eurobank.gr)
- Yannis Chalaris                        Tel: +30 210 3337954                      E-mail: [ychalaris@eurobank.gr](mailto:ychalaris@eurobank.gr)
- Anthony Kouleimanis                Tel: +30 210 3337537                      E-mail: [akouleimanis@eurobank.gr](mailto:akouleimanis@eurobank.gr)