Eurobank

March 29, 2017

# FY2016 Financial Results

- Net profit at €230m in 2016 against losses of €1.2bn in 2015
- Core pre-provision income up 26.8%[1] in 2016 and 5.0% in 4Q2016
- Net interest income up 5.8% y-o-y
- Fee and commission income up 22.2% in 2016 and 7.6% in 4Q2016
- Operating expenses in Greece down 5.5%[1] y-o-y
- First quarter of negative NPE formation (-€108m)
- NPE ratio down by 40 basis points q-o-q
- Cost of risk at 1.96% in 2016
- Deposits up by €2.6bn in 2016 and €664m in 4Q2016
- ELA funding decreases by €8.1bn in 2016
- Fully-loaded CET1 ratio up by 70bps in 2016
- International operations net profit[2] at €123m in 2016 versus €67m in 2015

[1] On a comparable basis: 2015 expenses include €29m due to the reclassification of part of NPL expenses from loan loss provisions to operating expenses and exclude €12m one-off contribution to the resolution of a cooperative bank.
[2] Before discontinued operations and restructuring costs.

“A gradual return to normality prevailed throughout 2016. The Greek banking system confirmed that it can perform even in a challenging environment, if the conditions are improving, the impact of a negative juncture remains manageable and uncertainties are limited.

However, Q4 and then the beginning of the new year was marked by a relapse of uncertainties, which undermines the efforts for the Greek economy to leave behind the recurring crises. As a consequence, the positive developments in 2016 were reversed in the fields of deposits and NPL formation. The deliberations between Greece and its creditors are inherently difficult; nevertheless, the longer the duration of the talks, the more difficult their conclusion becomes, taking a toll on economic activity. An eventual agreement will allow a gradual enhancement of trust and Greece’s credibility towards international markets and its own citizens, which is a condition for return to a strong growth path and for the inflow of the necessary capital and investments.

As the European regulators recently confirmed, the Greek banks have enough capital and a significant stock of provisions, which allow the active management of the NPE stock amassed during the prolonged crisis. On the back of the above, given an improving climate, the Greek banks can finance Greek businesses and abet the return of the economy in positive growth rates.

Return to growth is the economic and political foundation for countering Greece’s main problems: unemployment, poverty, high public debt, a pile of non-performing loans, a society of limited opportunities and prospects, economic stagnation and scarcity of investment. In a positive juncture, Eurobank with its solid management, its strong and stable shareholder basis, its high quality human resources, and a business model fit for the new challenges, can be at the forefront of the growth trend, committed to the principles of transparency and efficiency and delivering on the needs of our clients and the communities we serve.”

*Nikolaos Karamouzis, Chairman of BoD*

“In our 2016 results, we report the first profitable and capital accretive year for Eurobank since the eruption of the Greek sovereign crisis, with net profit of €230 million. Return to profitability was our absolute priority and we are delighted to have been able to deliver last year on all our strategic targets.

The increase of the core pre-provision income by more than 25%, along with the increase in deposits by more than €2.5bn and the decrease of ELA liquidity by €8.1bn year-on-year confirm that Eurobank has a robust business, an effective operating model and a solid client basis that can perform even in a challenging environment, when circumstances are not completely forbidding. The fourth quarter of 2016 was the first of negative NPE formation. Furthermore, as part of our NPE reduction plan, a €150m corporate loan was disposed. Overall, asset quality improvement accelerated in the second half of 2016.

International activities continue to bear positively to our results. We expect this trend to sustain as regional economies are forecast to remain on a path of growth over the medium term.

In 2017 our main goal is to remain profitable, despite the downturn in the economic climate and a relapse of uncertainties that negatively affect economic activity, and strengthen further our capital basis with organic capital generation. Above all, we are focusing on the challenge of reducing the NPE stock to the levels agreed with the regulators. We are shifting resources; we are investing all the time and effort necessary; and, therefore, we have no doubt that the results will be fully in line with our commitments. It is obvious that a swift conclusion of the second program review will not only secure the above objectives but it would also unleash the significant growth potential of the Greek economy.”

*Fokion Karavias, CEO*

Eurobank

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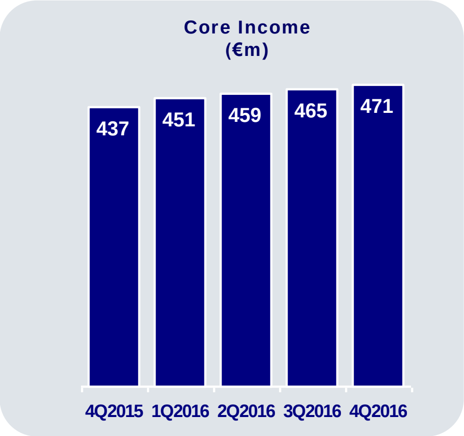
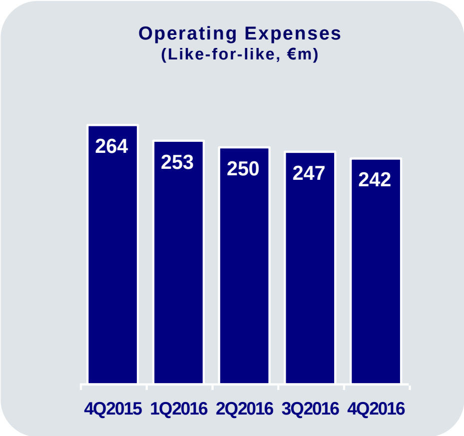
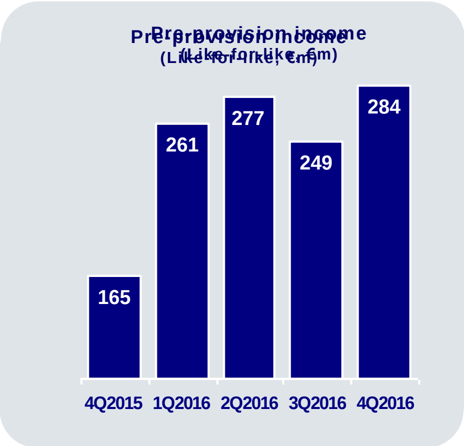
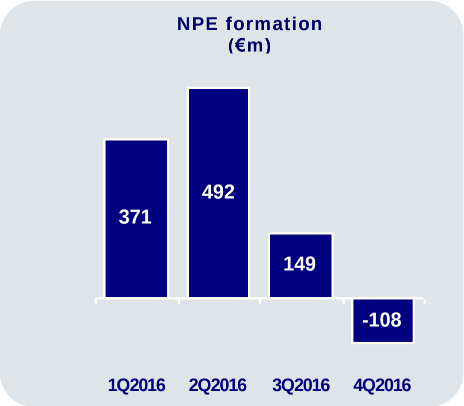



## FY2016 Results Analysis

Eurobank turned profitable in 2016, recording robust operating results. Net profit stood at €230m, against losses of €1.2bn in 2015, with the fourth quarter 2016 (4Q2016) bottom-line result reaching €38m.

In more detail, **net interest income** increased by 5.8% y-o-y to €1,548m, driven by the reduction in eurosystem funding cost, while it was stable q-o-q to €389m. Net interest margin expanded on an annual basis by 23 basis points to 2.25%.

**Net fee and commission income** grew by 22.2% y-o-y and 7.6% q-o-q. This was mainly due to the €42m decrease of pillar II bond expenses in 2016 versus 2015. Net fee and commission income accounted for 49 basis points of total assets in 4Q2016, against 34 basis points the same quarter in 2015.

As a result, **core income** rose by 8.2% y-o-y and 1.2% q-o-q, reflecting improved business performance. **Other operating income** came at €217m in 2016 and included €73m EFSF bond gains. Thus, **total operating income** increased by 17.1% y-o-y to €2,063m and by 5.9% q-o-q to €526m.

**Operating expenses** decreased by 4.0%[3] in 2016 to €992m and 2.1% to €242m in 4Q2016. In Greece, expenses were down by 5.5%[3] y-o-y, as a result of consistent cost rationalization efforts. **The cost / income** improved by 1,006 basis points[3] y-o-y to 48.1% and 380 basis points q-o-q to 46.0%.

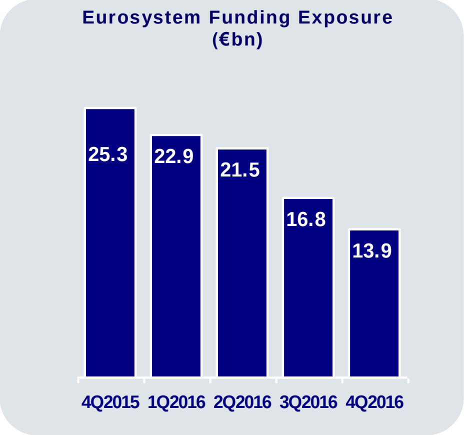
**Core pre-provision income** grew by 26.8%[3] y-o-y to €854m and 5.0% q-o-q to €229m. P**re-provision income** rose by 47.2%[3] y-o-y to €1,071m and by 13.9% in 4Q2016.

Positive results were also achieved in the management of NPLs. Both non-performing exposures (**NPEs**) and 90 days past due **(90dpd) formation** was negative in 4Q2016 by €108m and €85m respectively. The **NPE ratio** decreased by 40 basis points q-o-q to 45.2% of total loans, whereas the **90dpd ratio** was down to 34.7%, from 34.8% in 3Q2016 and 35.2% at the end of 2015. The **coverage of NPEs and 90dpd loans** improved by 70 and 60 basis points respectively and reached 50.7% and 66.1% at 2016-end. **Loan loss provisions** came at €775m in 2016 and accounted for 1.96% of net loans.

[3] On a comparable basis: 2015 expenses include €29m due to the reclassification of part of NPL expenses from loan loss provisions to operating expenses and exclude €12m one-off contribution to the resolution of a cooperative bank.


**International operations** remained at a consistently profitable path, as net profit[4] stood at €30m in 4Q2016, from €26m in 3Q2016. On an annual basis, net profit[4] increased to €123m, from €67m in 2015.

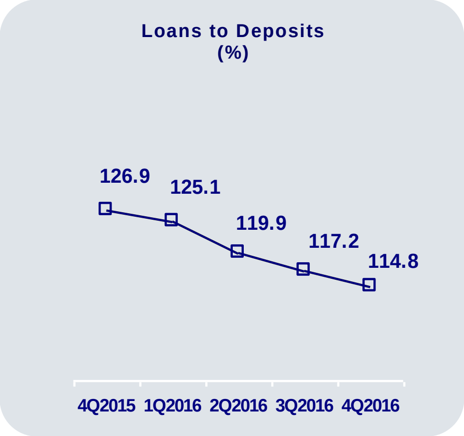
**Common Equity Tier I ratio** (CET1) amounted to 17.6% of risk weighted assets at the end of 2016. On a fully-loaded basis, CET1 stood at 13.8%, up 70 basis points against 2015.




**ELA funding** decreased by €8.1bn y-o-y in 2016, while **total Eurosystem funding** declined by €11.4bn to €13.9bn, due to deposit inflows and increased repo transactions. From September-end 2016 to March 21st 2017, ELA funding was down by €0.9bn to €12.2bn.

**Customer deposits** grew by €2.6bn in 2016 against 2015. On a quarterly basis, deposits increased by €664m, of which €257m in Greece.

**Gross loans** reached €50.7bn at the end of 2016, with loans to businesses and households amounting to €26.5bn and €24.2bn respectively. The **loans to deposits ratio** improved to 114.8% in 2016, from 126.9% in 2015.




[4] Before discontinued operations and restructuring costs.

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# Eurobank Financial Figures

| Key Financial Results | 4Q2016 | 3Q2016 | Change | 2016 | 2015 | Change |
|---|---|---|---|---|---|---|
| Net Interest Income | €389m | €389m | (0.1%) | €1,548m | €1,463m | 5.8% |
| Net Fee & Commission Income | €82m | €76m | 7.6% | €298m | €244m | 22.2% |
| Total Operating Income | €526m | €497m | 5.9% | €2,063m | €1,761m | 17.1% |
| Total Operating Expenses | €242m | €247m | (2.1%) | €992m | €1,034m[5] | (2.4%) |
| Core Pre-Provision Income | €229m | €218m | 5.0% | €854m | €673m[5] | 26.8% |
| Pre-Provision Income | €284m | €249m | 13.9% | €1,071m | €728m[5] | 47.2% |
| Loan Loss Provisions | €186m | €191m | (2.4%) | €775m | €2,636m | (70.6%) |
| Net Result after tax | €38m | €85m | (55.1%) | €230m | (1,181€m) | |

| Balance Sheet Highlights | 2016 | 2015 |
|---|---|---|
| Consumer Loans | €6,323m | €6,565m |
| Mortgages | €17,835m | €18,249m |
| Small Business Loans | €7,149m | €7,246m |
| Large Corporates & SMEs | €19,314m | €19,584m |
| Total Gross Loans | €50,655m | €51,683m |
| Total Customer Deposits | €34,031m | €31,446m |
| Total Assets | €66,393m | €73,553m |

| Financial Ratios | 2016 | 2015 |
|---|---|---|
| Net Interest Margin | 2.25% | 2.02% |
| Cost to Income | 48.1% | 58.7%[5] |
| Non-Performing Exposures (NPEs) | 45.2% | 43.8% |
| 90 Days Past Due Loans (90dpd) | 34.7% | 35.2% |
| NPEs Coverage | 50.7% | 52.1% |
| 90dpd Coverage | 66.1% | 64.8% |
| Provisions to average Net Loans | 1.96% | 6.43% |
| Common Equity Tier 1 (CET1) | 17.6% | 17.0% |

[5] 2015 expenses include €29m due to the reclassification of part of NPL expenses from loan loss provisions to operating expenses and exclude €12m one-off contribution to the resolution of a cooperative bank.

# Glossary

**Commission income**: The total of Net banking fee and commission income and Income from non-banking services of the reported period.

**Other Income**: The total of Dividend income, Net trading income, Gains less losses from investment securities and net other operating income of the reported period.

**Core Pre-provision Income**: The total of Net interest income, Net banking fee and commission income and Income from non-banking services minus the operating expenses of the reported period.

**Pre-provision Income**: Profit from operations before impairments and restructuring costs as disclosed in the financial statement for the reported period.

**Net Interest Margin**: The net interest income of the reported period, annualised and divided by the average balance of total assets. The average balance of total assets is the arithmetic average of total assets at the end of the reported period and of total assets at the end of the previous period.

**Fees/Assets**: Calculated as the ratio of annualized Commission income divided by the average balance of total assets. The average balance of total assets is calculated as the arithmetic average of total assets at the end of the period under review and of total Assets at the end of the previous period.

**Cost to Income ratio**: Total operating expenses divided by total operating income.

**Cost of Risk**: Impairment losses on Loans and Advances charged in the reported period, annualized and divided by the average balance of Loans and Advances to Customers. The average balance of Loans and Advances to Customers is calculated as the arithmetic average of Loans and Advances to Customers at the end of the reported period and of total assets at the end of the previous period.

**Provision/Gross Loans**: Impairment Allowance for Loans and Advances to Customers divided by Gross Loans and Advances to Customers at the end of the reported period.

**90dpd ratio**: Gross Loans more than 90 days past due divided by Gross Loans and Advances to Customers at the end of the reported period.

**90dpd Coverage**: Impairment Allowance for Loans and Advances to Customers divided by loans more than 90 days past due at the end of the reported period.

**90dpd formation**: Net increase/decrease of 90 days past due loans in the reported period excluding the impact of write offs.

**Non Performing Exposures (NPEs)**: Non Performing Exposures (in compliance with EBA Guidelines) are the Bank's material exposures which are more than 90 days past-due or for which 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 the number of days past due.

**NPE ratio**: Non Performing Exposures (NPEs) divided by Gross Loans and Advances to Customers at the end of the relevant period.

**NPE Coverage ratio**: Impairment Allowance for Loans and Advances to Customers divided by NPEs at the end of the reported period.

**NPE formation**: Net increase/decrease of NPEs in the reported period excluding the impact of write offs.

**Loans to Deposits**: Net Loans and Advances to Customers (net of Impairment Allowance) divided by Due to Customers at the end of the reported period.

**Risk-weighted assets (RWAs)**: Risk-weighted assets are the bank's assets and off-balance-sheet exposures, weighted according to risk factors based on Regulation (EU) No 575/2013, taking into account credit, market and operational risk.

**Phased in Common Equity Tier I (CET1)**: Common Equity Tier I regulatory capital as defined by Regulation No 575/2013 based on the transitional rules for the reported period, divided by total Risk Weighted Assets (RWA).

**Fully loaded Common Equity Tier I (CET1)**: Common Equity Tier I regulatory capital as defined by Regulation No 575/2013 without the application of the relevant transitional rules, divided by total Risk Weighted Assets (RWA).

**EUROBANK ERGASIAS S.A.**
General Commercial Registry No: 000223001000

## CONSOLIDATED BALANCE SHEET

| | In € million | |
|---|---|---|
| | **31 Dec 2016** | 31 Dec 2015 |
| **ASSETS** | | |
| Cash and balances with central banks | **1,477** | 1,798 |
| Due from credit institutions | **2,759** | 2,808 |
| Derivative financial instruments | **1,980** | 1,884 |
| Loans and advances to customers | **39,058** | 39,893 |
| Investment securities | **12,463** | 16,291 |
| Property, plant and equipment | **638** | 666 |
| Investment property | **905** | 925 |
| Intangible assets | **145** | 127 |
| Deferred tax assets | **4,945** | 4,859 |
| Other assets | **2,023** | 2,251 |
| Assets of disposal groups classified as held for sale | **-** | 2,051 |
| **Total assets** | **66,393** | 73,553 |
| **LIABILITIES** | | |
| Due to central banks | **13,906** | 25,267 |
| Due to credit institutions | **7,780** | 4,516 |
| Derivative financial instruments | **2,441** | 2,359 |
| Due to customers | **34,031** | 31,446 |
| Other liabilities | **880** | 892 |
| Liabilities of disposal groups classified as held for sale | **-** | 1,941 |
| **Total liabilities** | **59,038** | 66,421 |
| **EQUITY** | | |
| Ordinary share capital | **655** | 656 |
| Share premium, reserves and retained earnings | **5,067** | 4,814 |
| Preference shares | **950** | 950 |
| **Total equity attributable to shareholders of the Bank** | **6,672** | 6,420 |
| Preferred securities | **43** | 43 |
| Non controlling interests | **640** | 669 |
| **Total equity** | **7,355** | 7,132 |
| **Total equity and liabilities** | **66,393** | 73,553 |

## CONSOLIDATED INCOME STATEMENT

| | In € million | |
|---|---|---|
| | **1 Jan - 31 Dec 2016** | 1 Jan - 31 Dec 2015 |
| Net interest income | **1,548** | 1,463 |
| Net banking fee and commission income | **244** | 192 |
| Income from non banking services | **53** | 52 |
| Net trading income | **17** | 28 |
| Gains less losses from investment securities | **135** | 15 |
| Net other operating income | **65** | 12 |
| **Operating income** | **2,062** | 1,762 |
| Operating expenses | **(992)** | (1,017) |
| **Profit from operations before impairments, provisions and restructuring costs** | **1,070** | 745 |
| Impairment losses on loans and advances | **(775)** | (2,665) |
| Other impairment losses and provisions | **(65)** | (87) |
| Restructuring costs | **(66)** | (79) |
| Share of results of associated undertakings and joint ventures | **(4)** | 0 |
| **Profit/(loss) before tax** | **160** | (2,086) |
| Income tax | **49** | 604 |
| Tax adjustments | **31** | 432 |
| **Net profit/(loss) from continuing operations** | **240** | (1,050) |
| Net profit/(loss) from discontinued operations | **9** | (105) |
| **Net profit/(loss)** | **249** | (1,155) |
| Net profit/(loss) attributable to non controlling interests | **19** | 26 |
| **Net profit/(loss) attributable to shareholders** | **230** | (1,181) |

**Note:**
The Annual Financial Report for the year ended 31 December 2016 will be published by 31 March 2017.