

# National Bank of Greece

## Commercial Banks: Perspectives and Strategies

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Athens, May 27<sup>th</sup> 2009



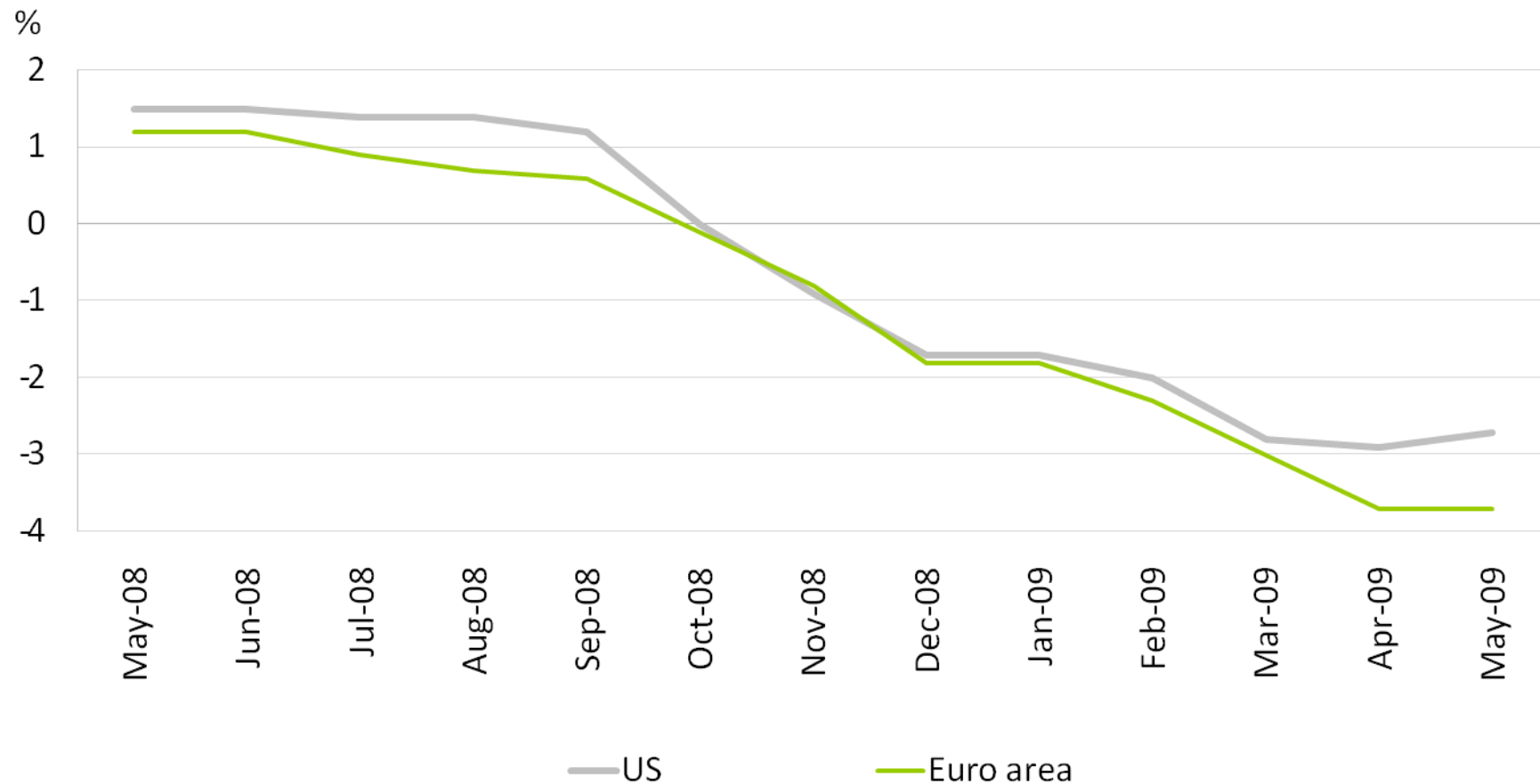
A tough but improving operating environment

Challenges exiting the crisis

The next day

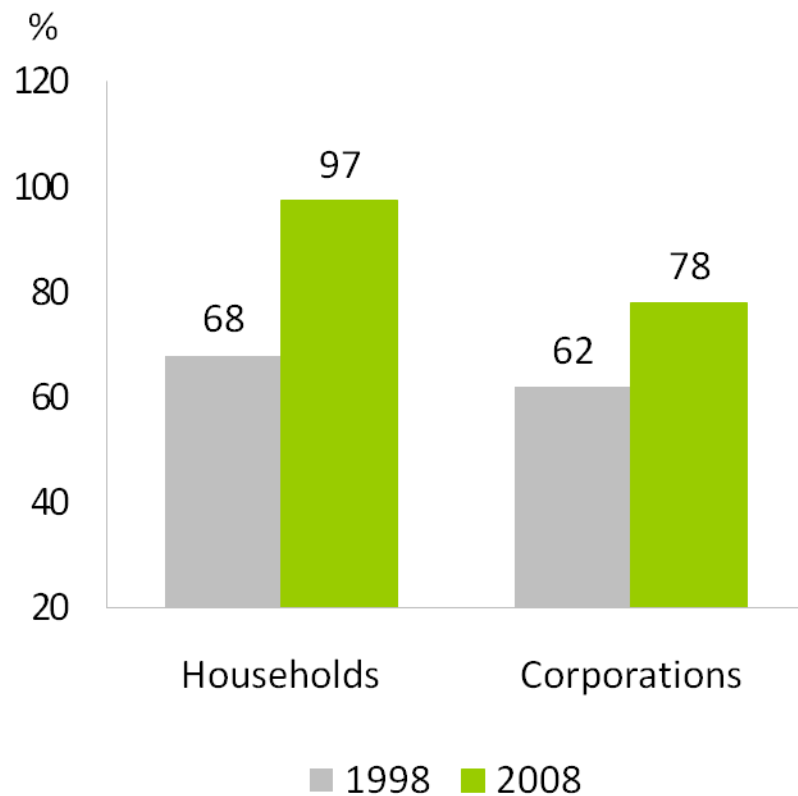
# Real GDP growth projections have stabilized at extremely low levels

Consensus estimates for real GDP growth in 2009

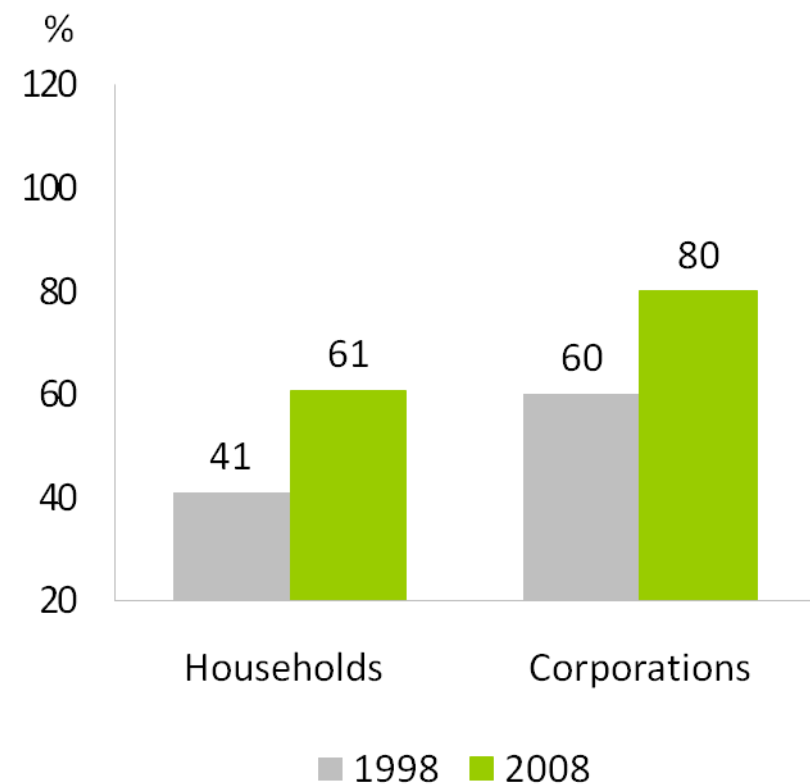


# US households are in need of deleveraging, restricting future growth prospects

US: Debt as % of GDP

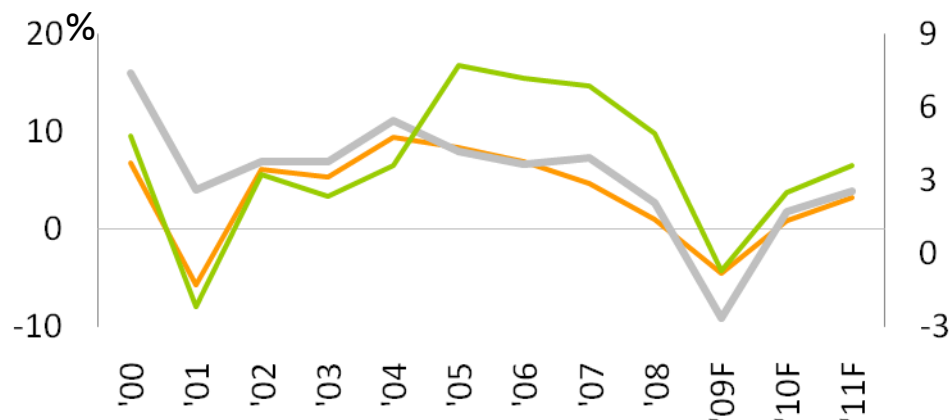


Euro area: Debt as % of GDP

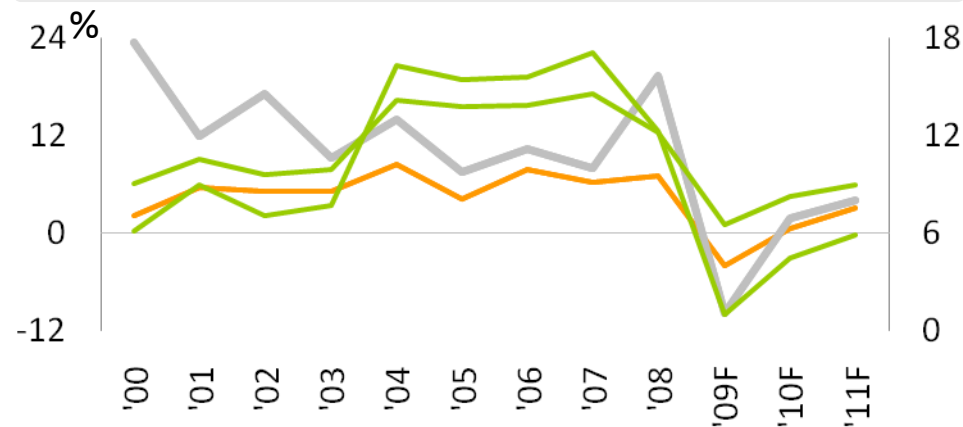


# SEE: An adverse external environment interrupted a long period of high growth

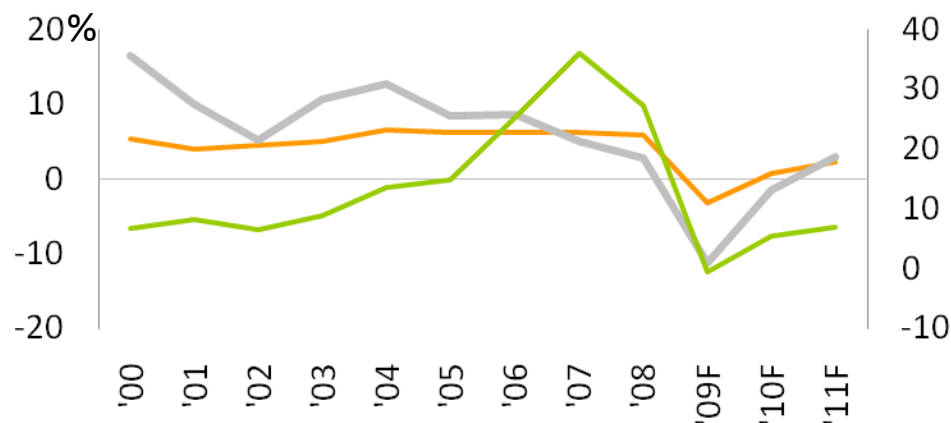
Turkey



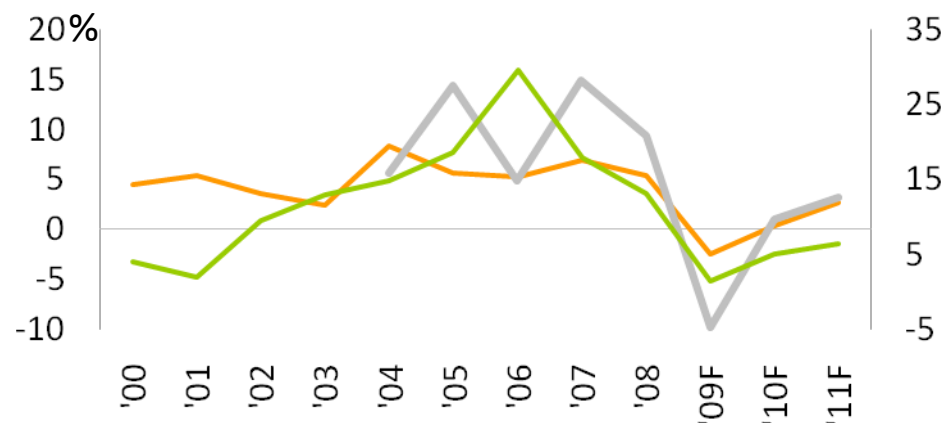
Romania



Bulgaria



Serbia



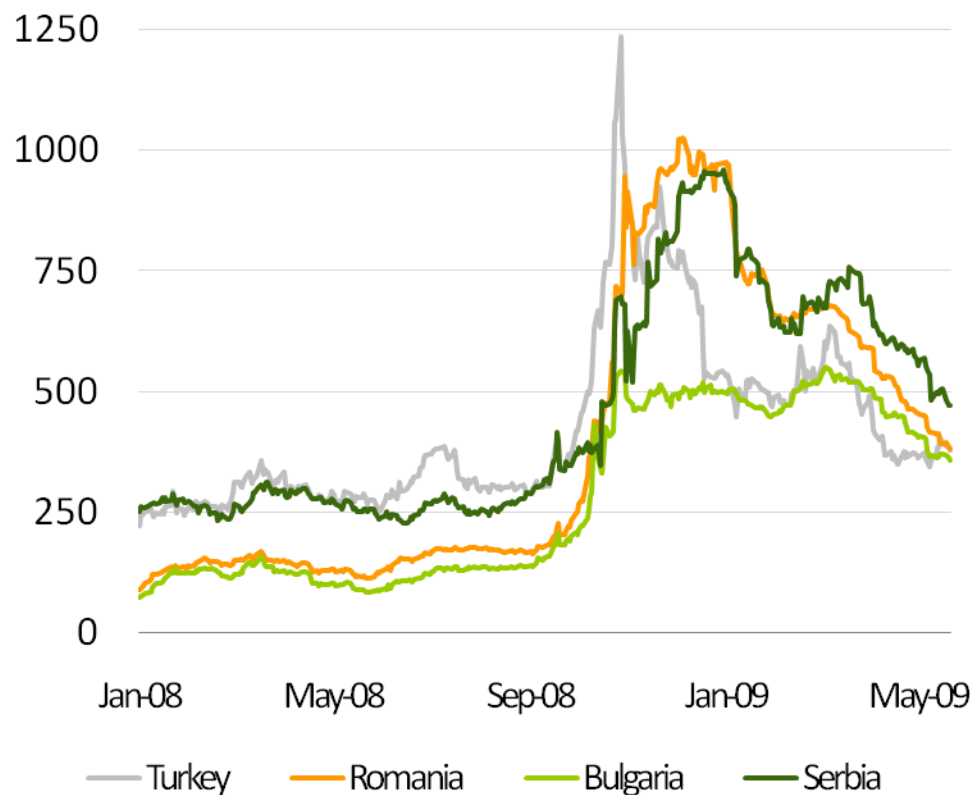
— GDP (lhs)<sup>(1)</sup>

— Exports of Goods & Services (lhs)<sup>(1)</sup>

— Net Capital Inflows (as % of GDP, rhs)

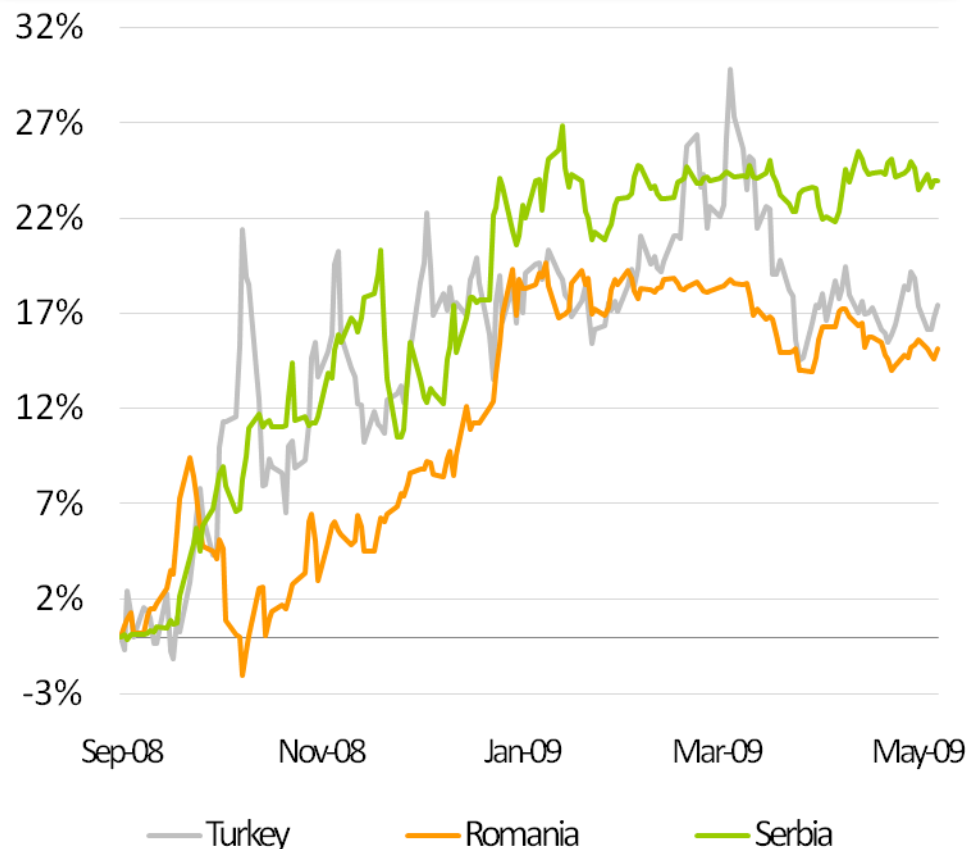
# Investors' confidence in the SEE region begins to build up, especially after the IFIs' support

Sovereign Eurobond Spreads <sup>(1)</sup>



(1) Spreads over German Treasuries for Turkey, Romania and Bulgaria and over US Treasuries for Serbia

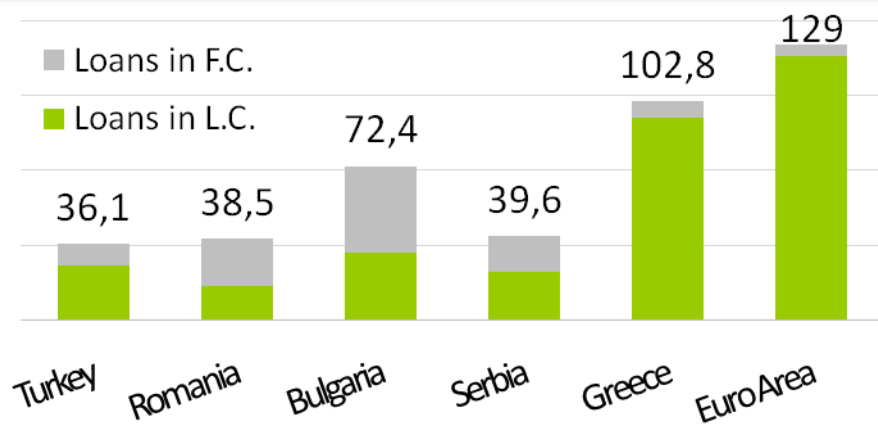
Cumulative daily return FX/ € <sup>(2)</sup>



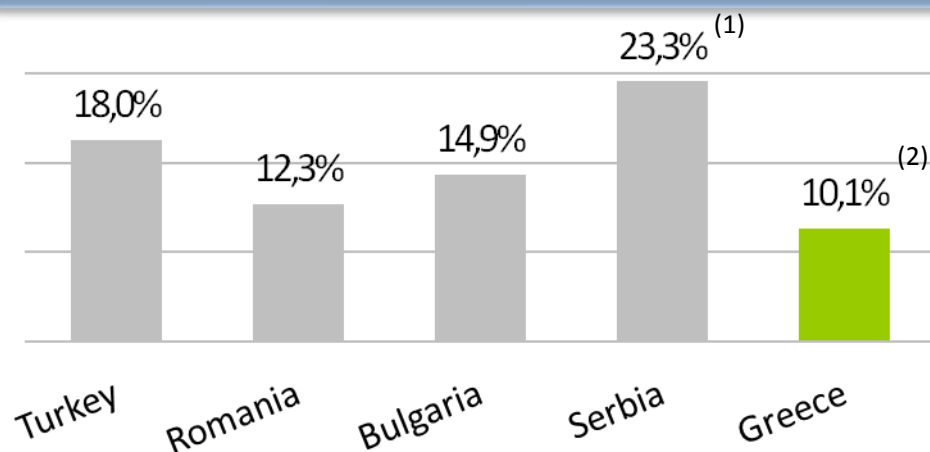
(2) •Y-t-d % change (15/09/08 – 21/05/2009)  
•Bulgaria: Fixed Exchange Rate BGN/€= 1,956

# The SEE banking sector is well-placed to tackle the challenges

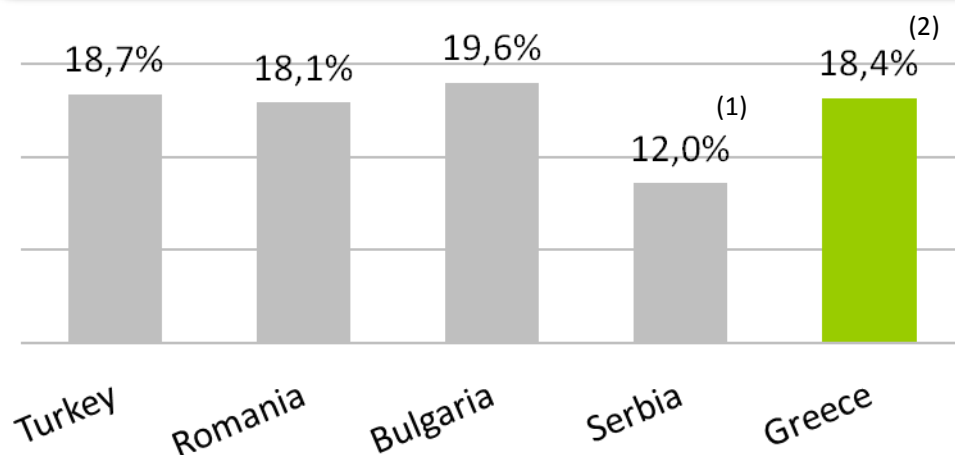
Credit to the Private Sector / GDP (% , 2008)



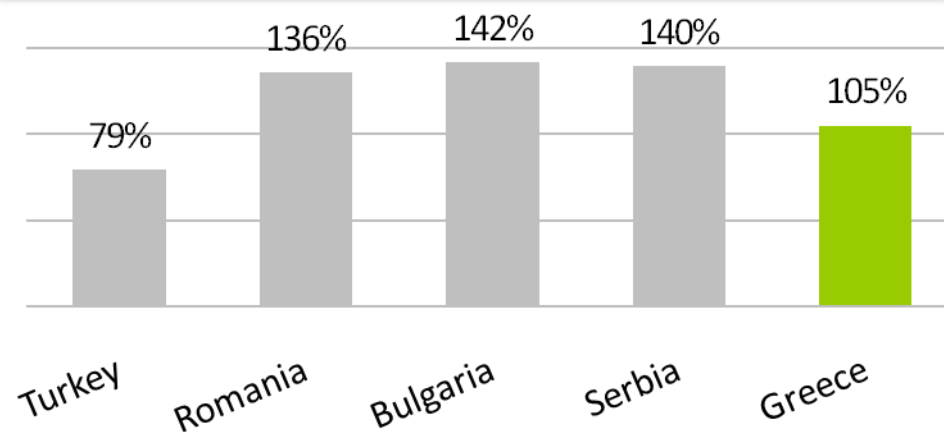
Capital Adequacy Ratio (% , 2008)



Return on Equity (% , 2008)



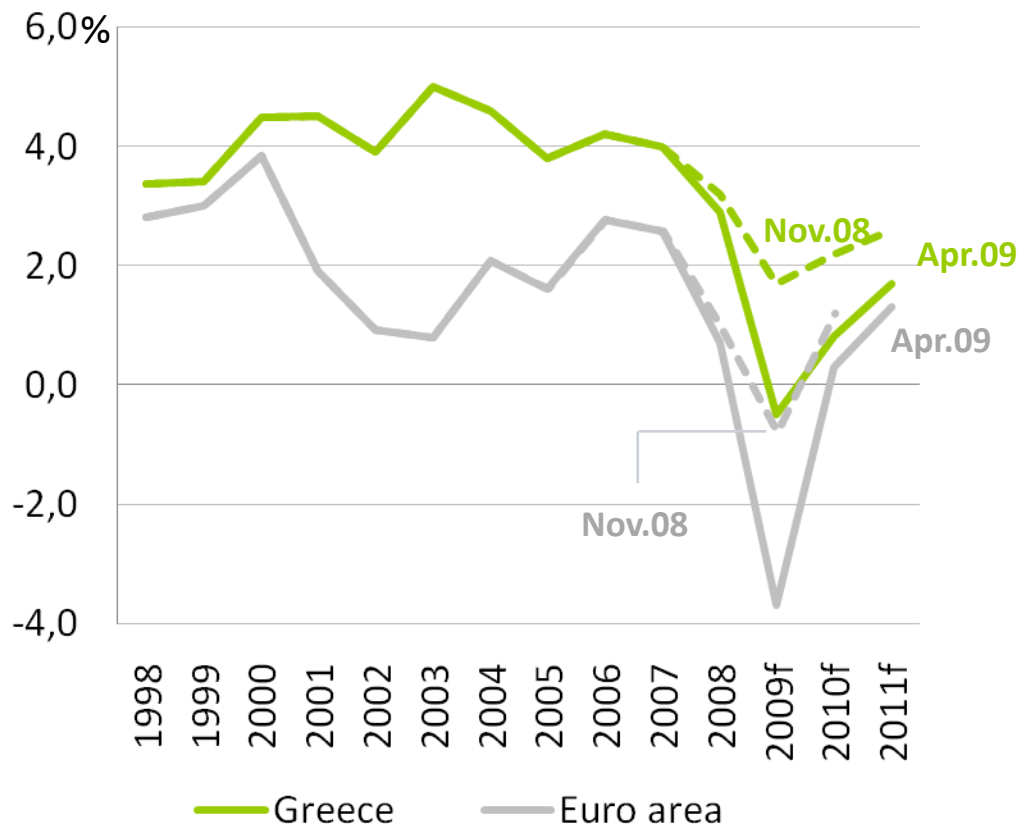
Loans / Deposits (% , 2008)



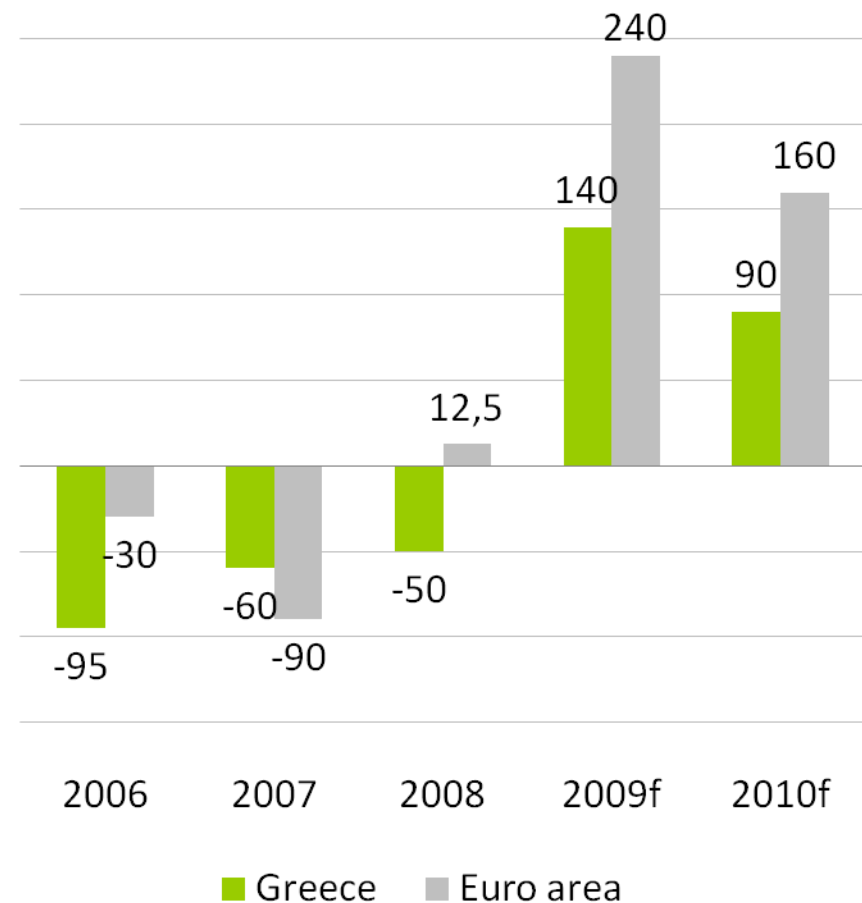
(1) September 2008, (2) 4 largest Greek banks

# The major downturn in economic activity internationally is taking an increasing but manageable toll on the Greek economy

GDP Growth



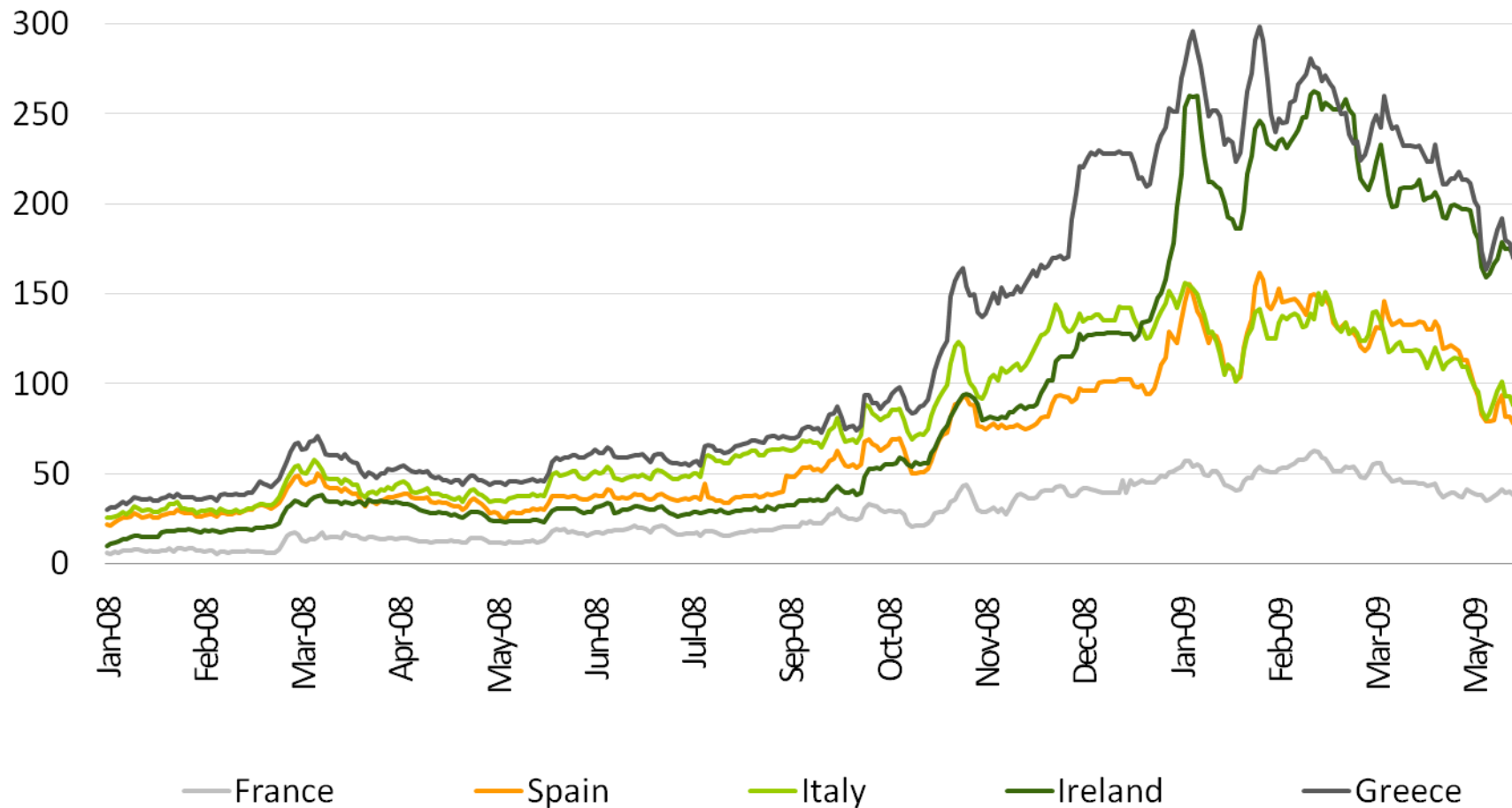
Change in unemployment rate (in bps)





# Market confidence has returned and Greek sovereign spreads have come down

Government bond spreads over bund (in bps)



# Challenges exiting the crisis

More regulation will require additional capital

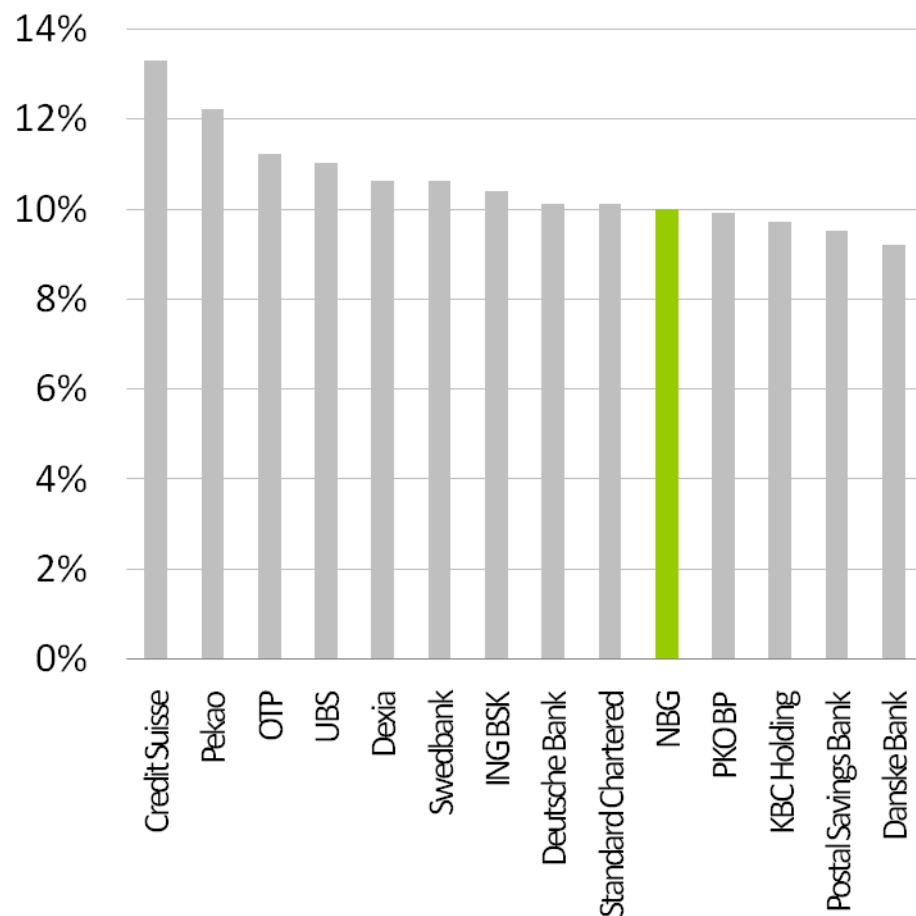
Scarce liquidity will lead to deleveraging

Re-evaluating risk in the post-bubble environment

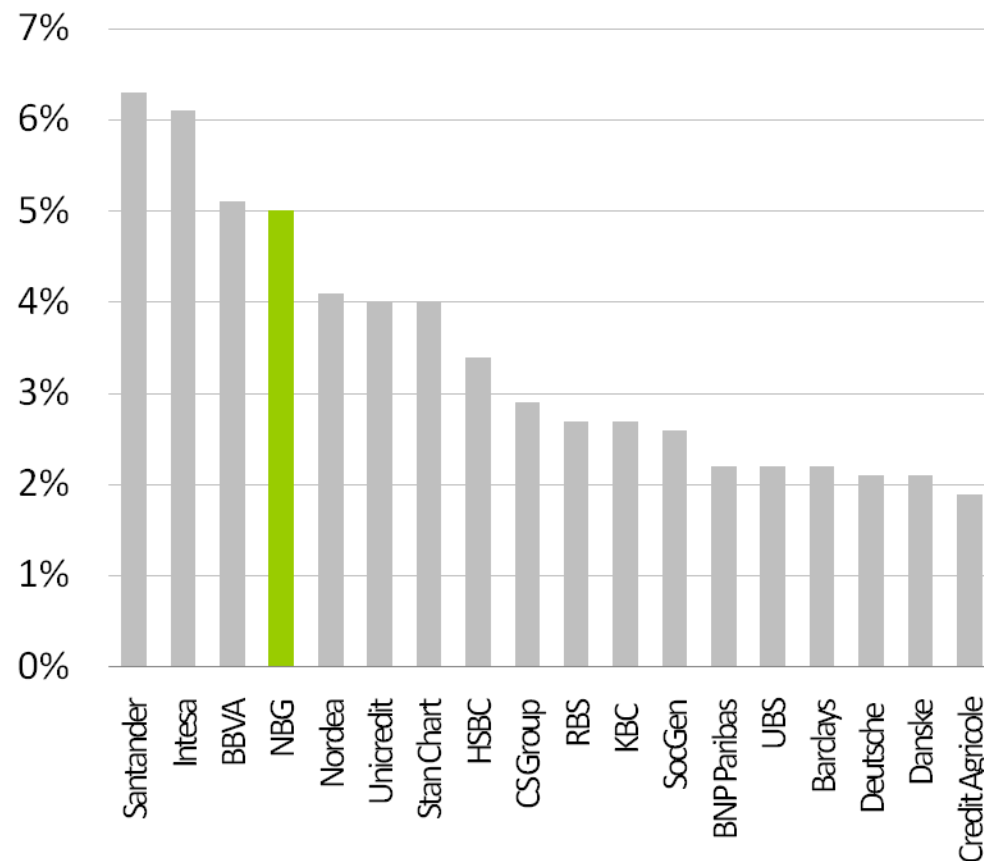
Dealing with the reversal of the unconventional monetary  
policy by the ECB

# Strong capital ratios place NBG among the best capitalized banks in Europe

European banks: Tier I capital as a percentage of risk-weighted assets (Tier I ratio)

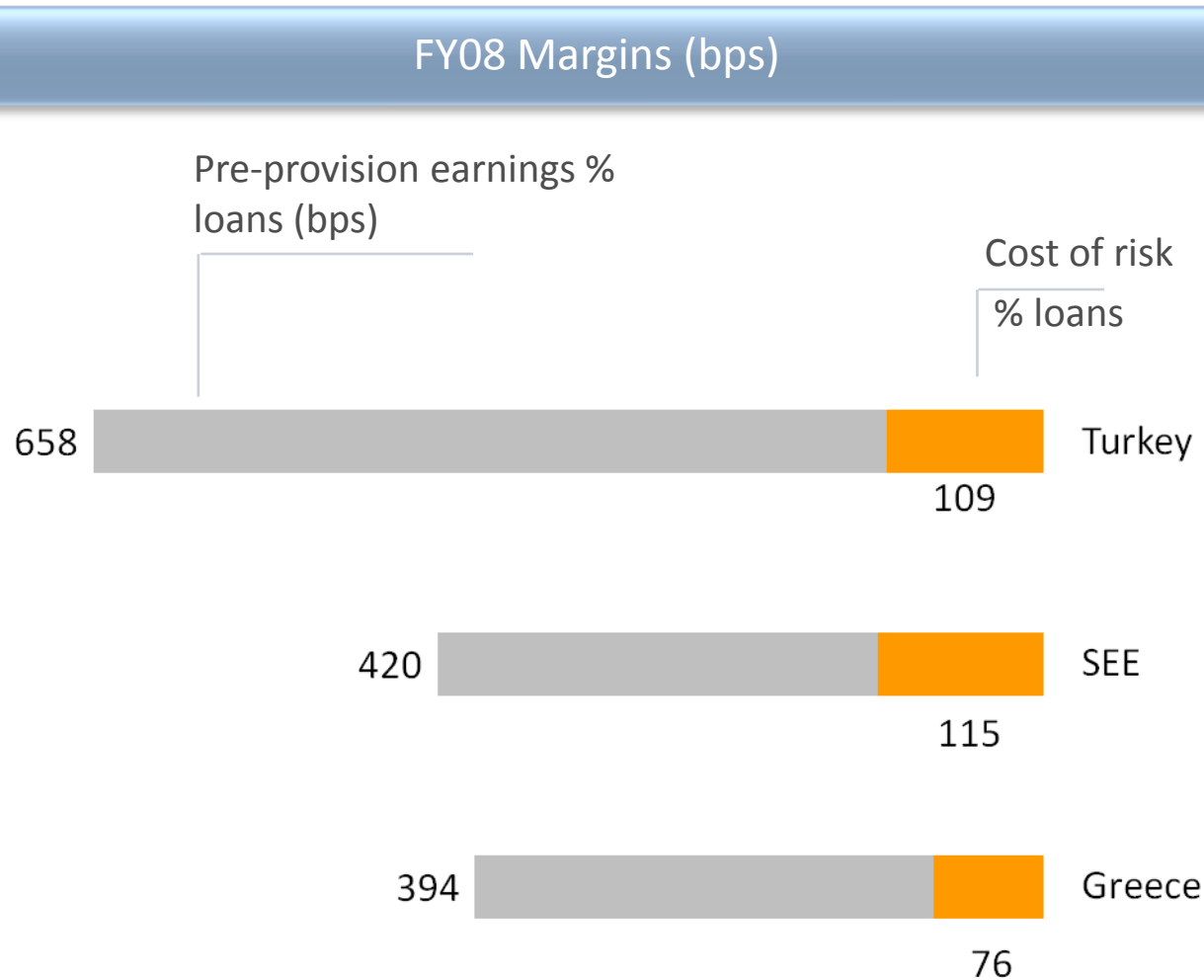


2009E Tangible Equity/ Assets (%) <sup>(1)</sup>



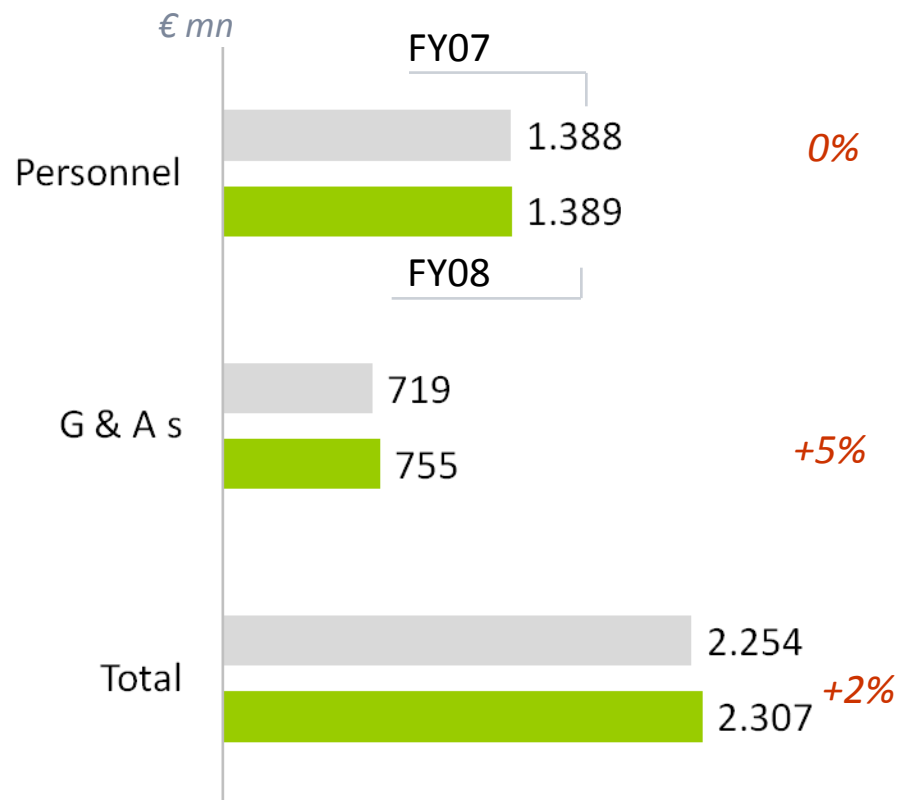
(1) Source: Merrill Lynch

# Strong recurring profitability and substantial pre-provision margins across all regions enhance capital

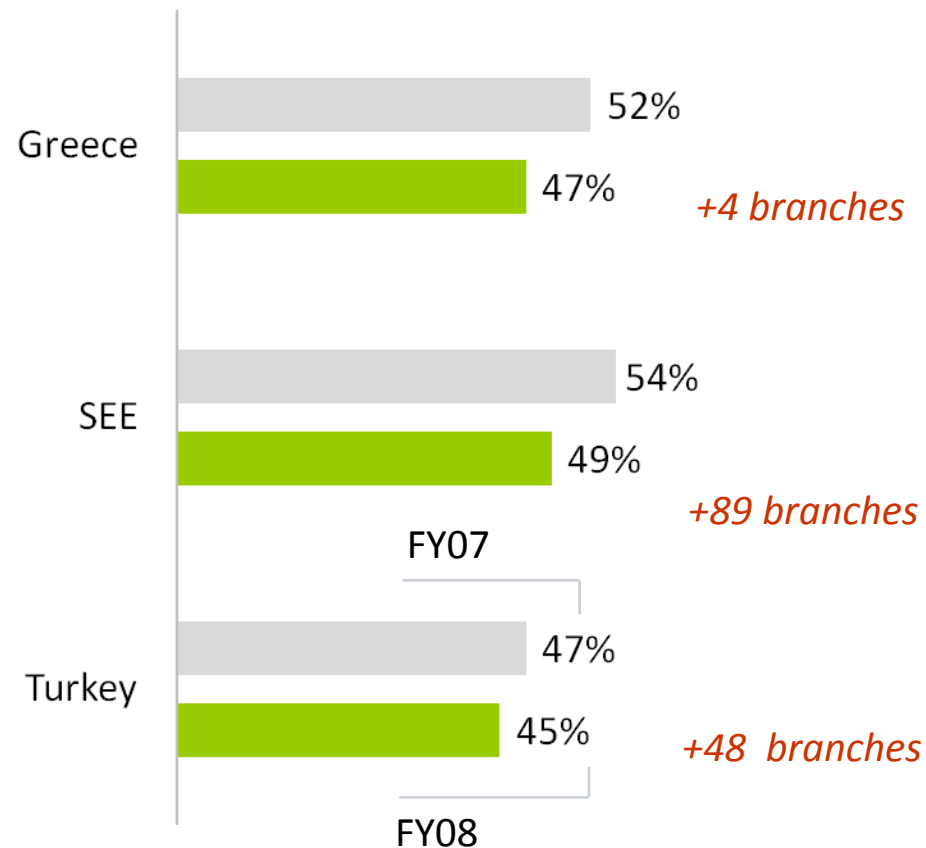


# More emphasis on cost management initiatives

## Group operating expenses

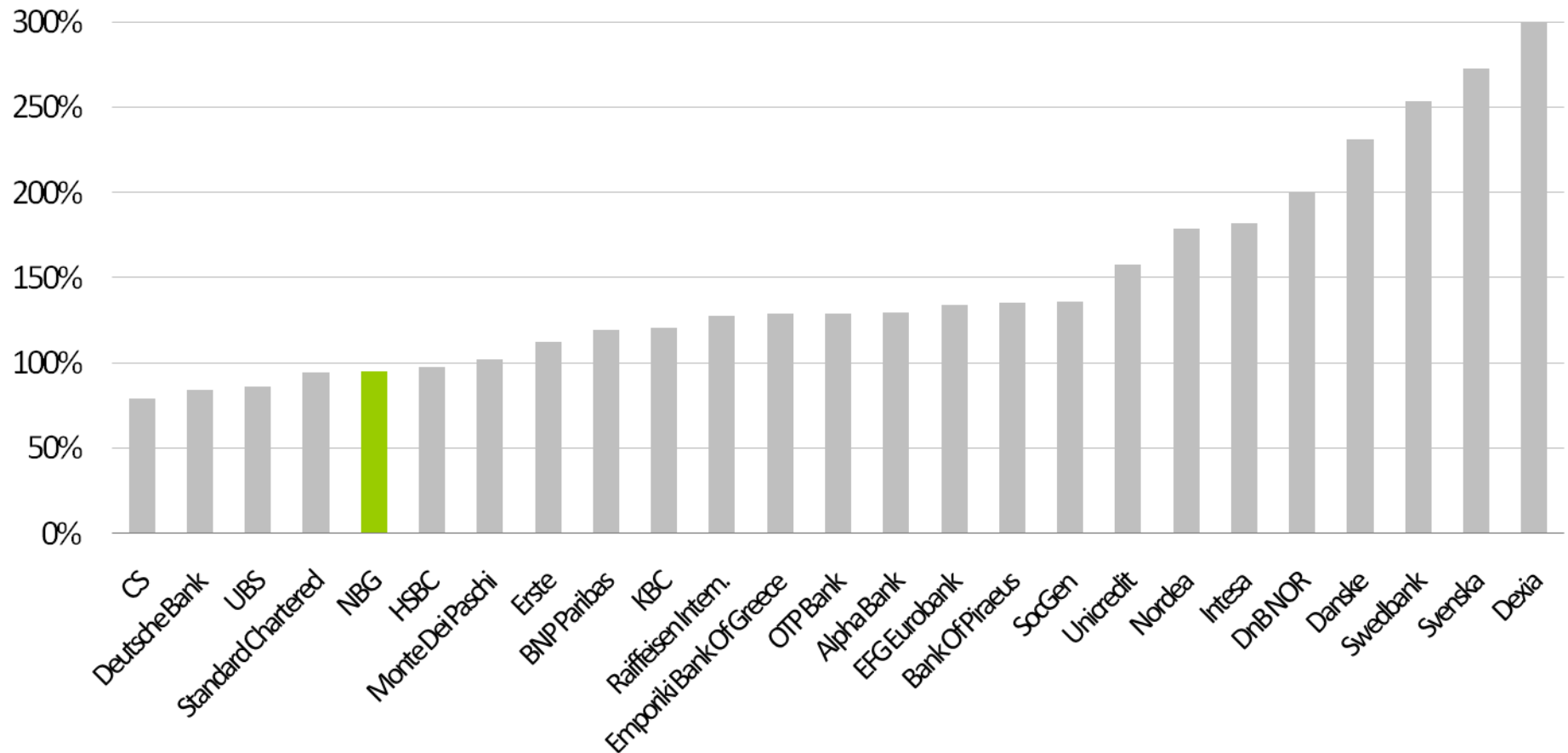


## Efficiency Ratio (C/I) by region



# Liquidity is now a key competitive advantage

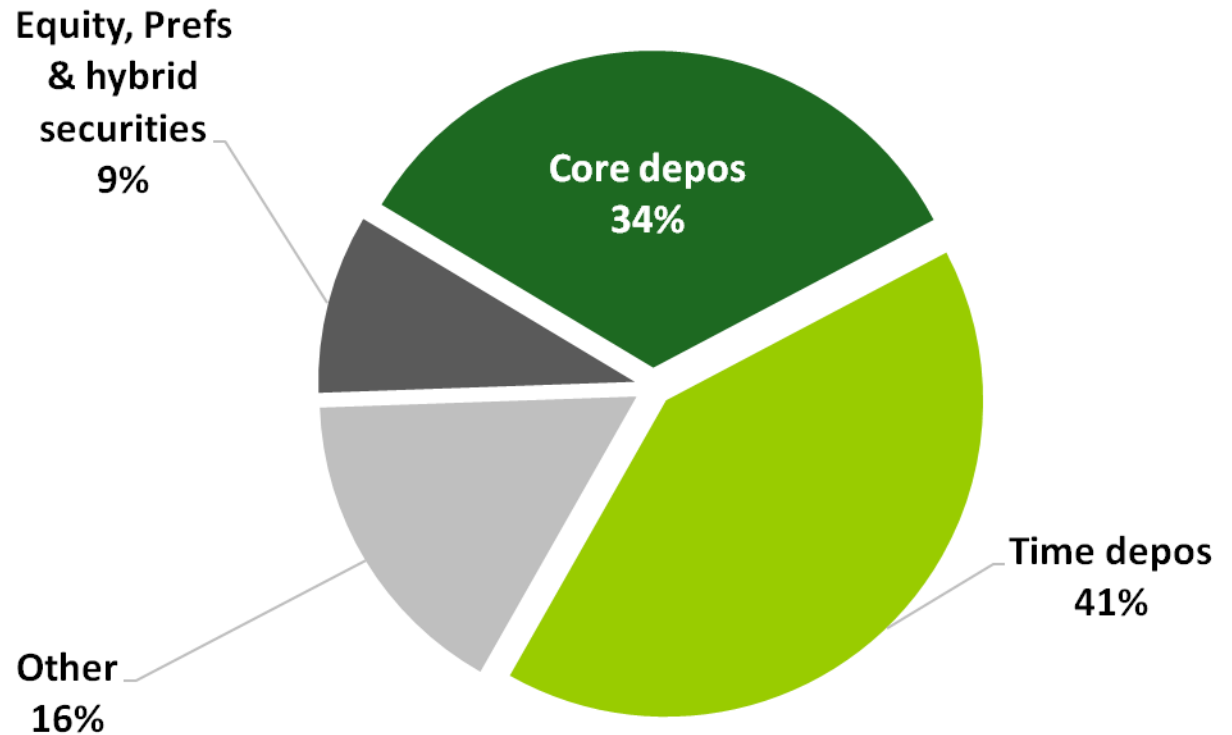
## European banks: Loans / Deposits



# Ample funding comprising high quality customer deposits

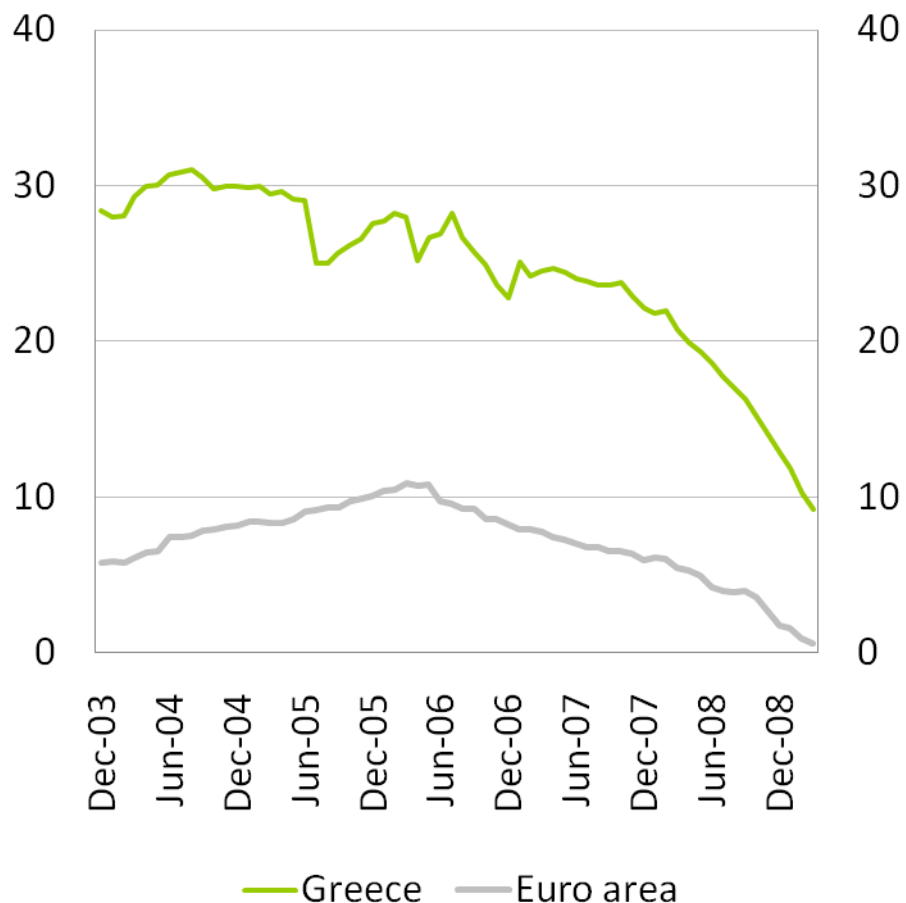
## Funding Structure

- Untapped liquidity reserves
- Strong liquidity and low refinancing needs

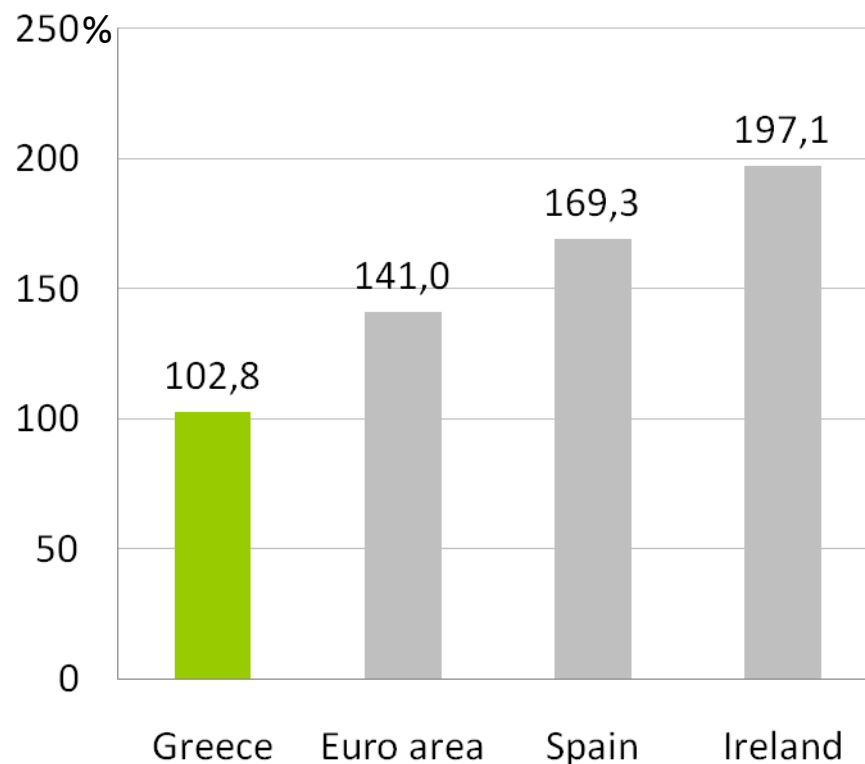


# Credit expansion slows down, yet remains above the Euro area pace as domestic lending penetration stands at relatively low levels

Credit expansion to households  
(y-o-y change %)



Private sector debt  
(% GDP 2008)

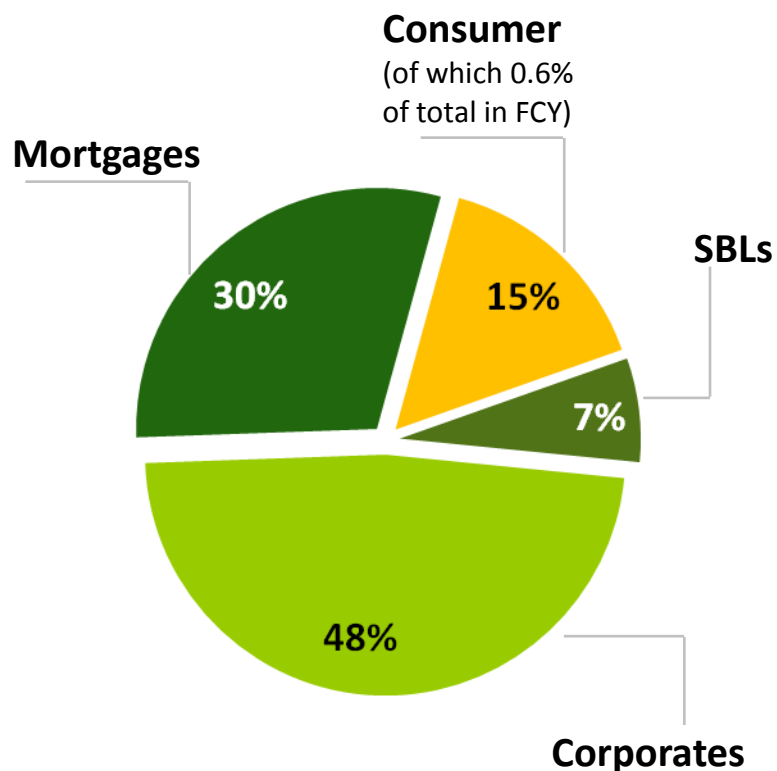




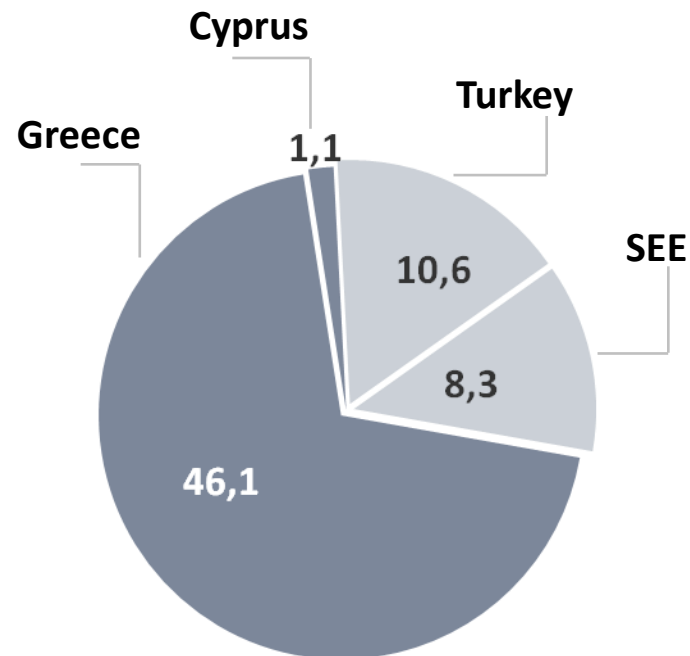
# Loan book is defensive as it is skewed heavily towards secured lending

## Group Loans Breakdown (12m.08)

### By LoB

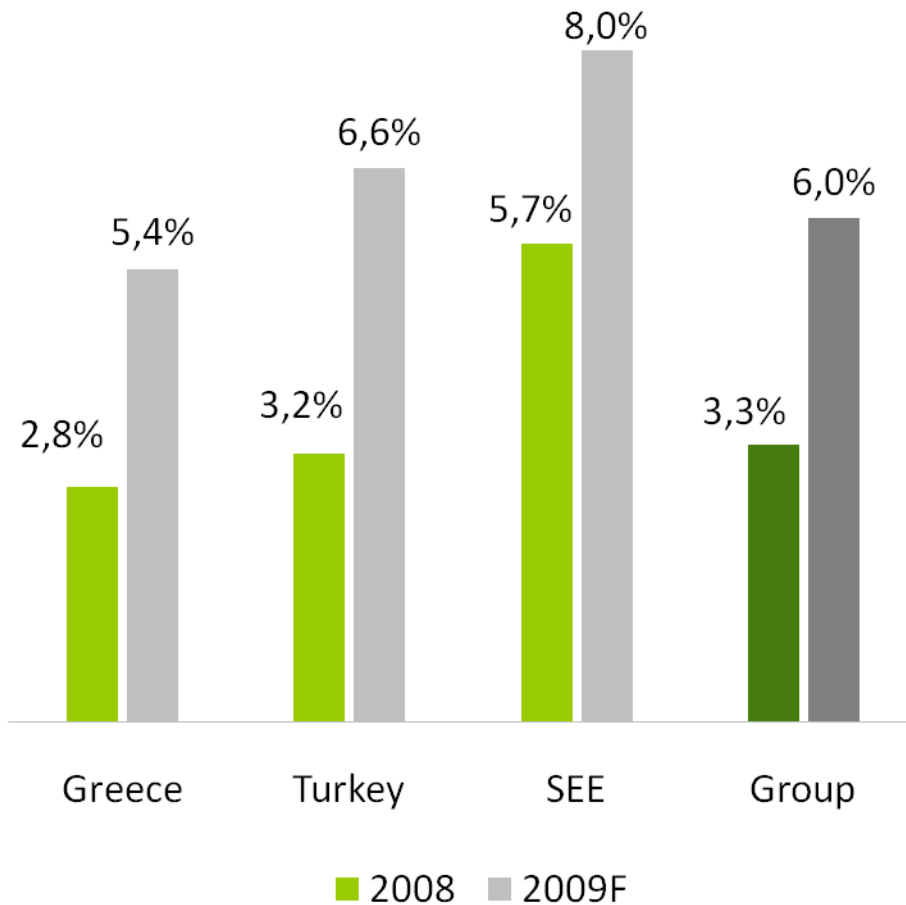


### By geography

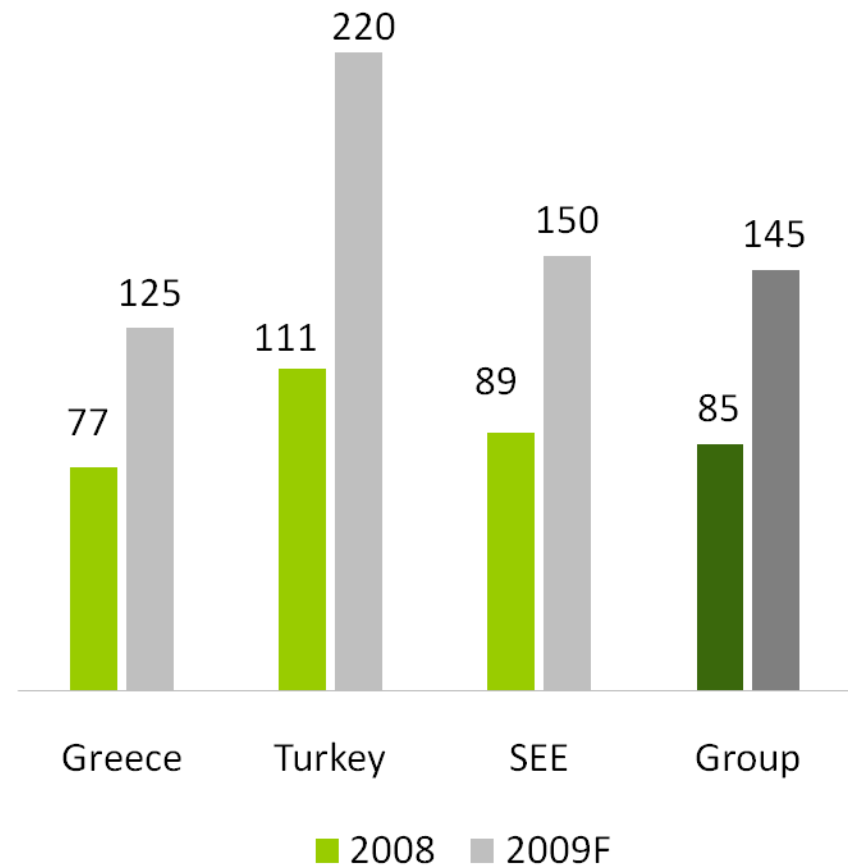


# Asset quality will deteriorate leading to higher cost of risk

Non Performing Loans (%)

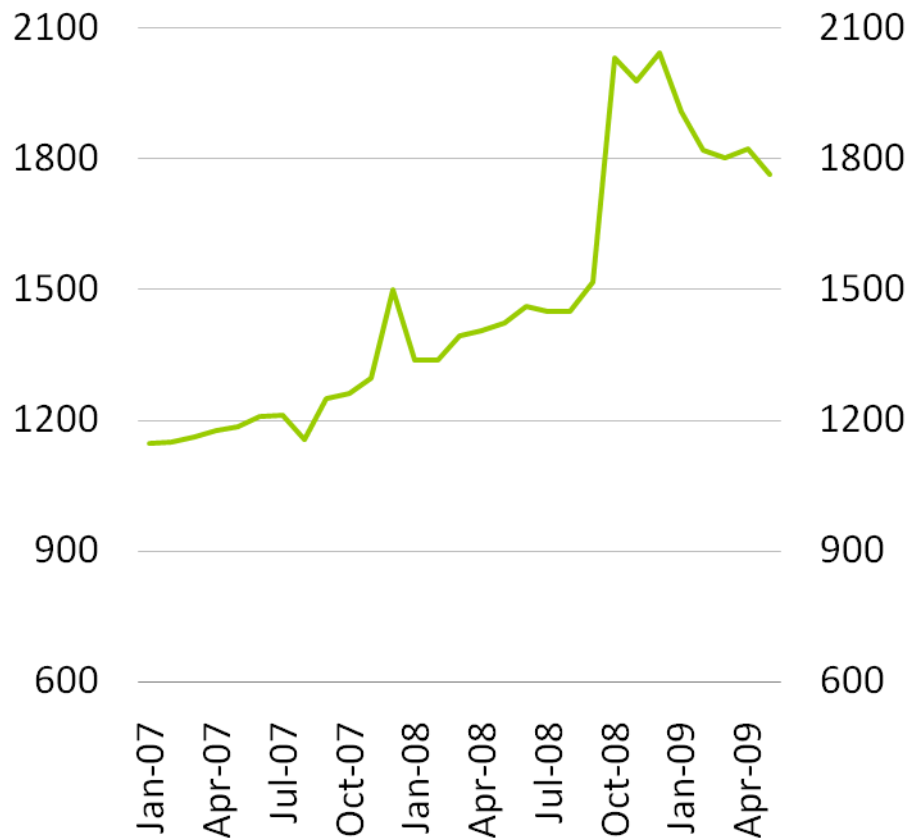


Cost of risk (bps)



# Unconventional money policy will need to be reversed as liquidity conditions and growth prospects normalize

ECB assets (€ bn)



Interbank credit spread <sup>(1)</sup>



<sup>(1)</sup> 3m Euribor over 3m OIS swap rate

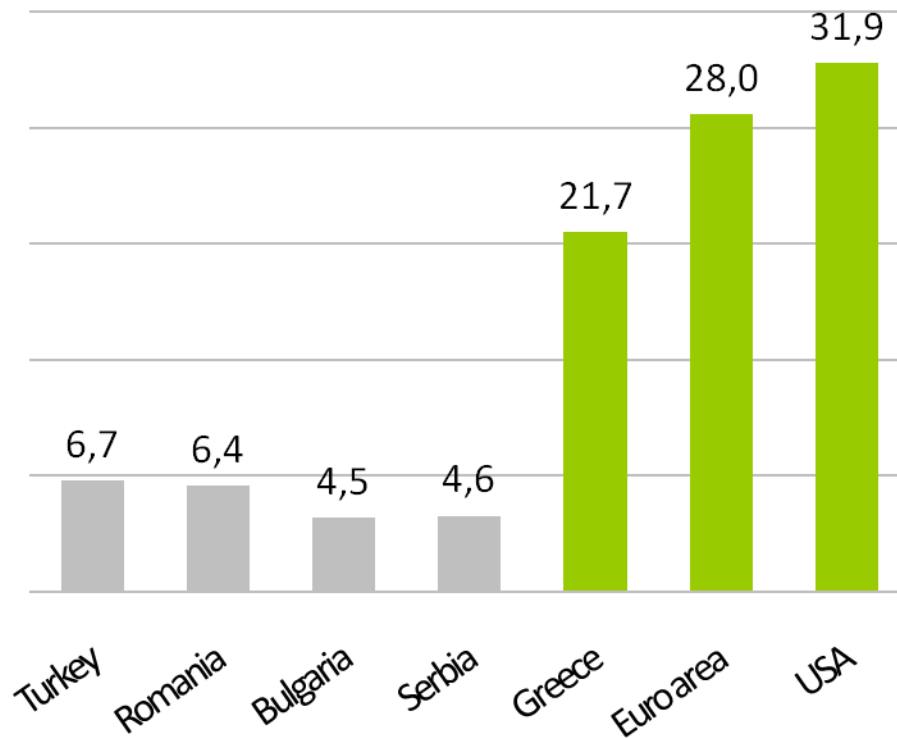
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Challenges exiting the crisis

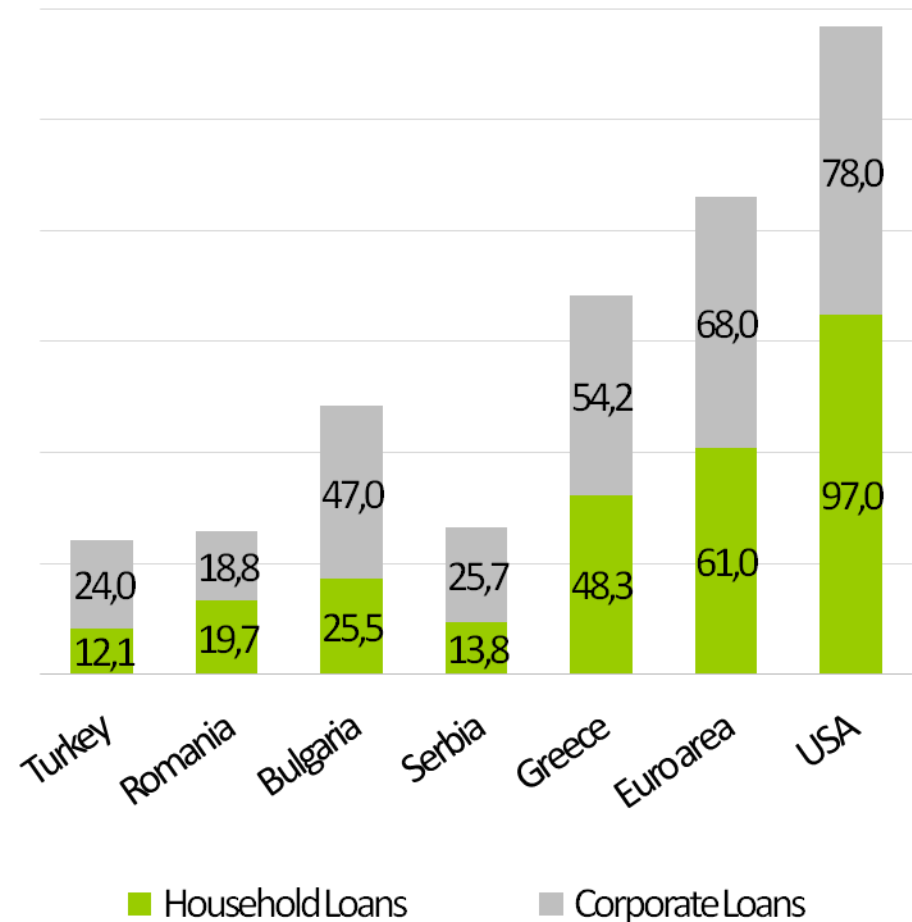
The next day

# Low per capita income and lending penetration levels across SEE, bode well for future growth in the region

2009e: GDP per Capita (€'000)



2008: Loans / GDP Ratio (%)



# Key take aways

- *The crises appears to be sharper but ending quicker than expected, with a manageable capital impact*
- *Nevertheless, post-crises banking will be altered by tougher regulations on capital and liquidity*
- *The region is well placed post crises, as households and enterprises are less leveraged than the more mature economies*
- *NBG is positioning itself for the next day, maintaining a strong pre-provision profitability, by cutting costs and repricing risk, and protecting its large capital and liquidity buffer*