

# **ECB 2018 Stress Test**

5 May 2018

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- ECB stress test completed, points to no capital shortfall and no capital plan needed as a result of the exercise
- Adverse scenario leads to CAD of 9.5%, including the effect of Tier 2 securities issued in January 2018 and CET1 of 6.8%
  - These ratios would be ca. 40bps higher at 9.9% and 7.2% respectively, if the positive impact from the sale of Romanian operations<sup>1</sup> was included
- Capital accretive under the baseline scenario, with CAD and CET1 at 19.3% and 16.6% respectively<sup>2</sup>
- Stress test conducted according to EBA methodology

## Approach

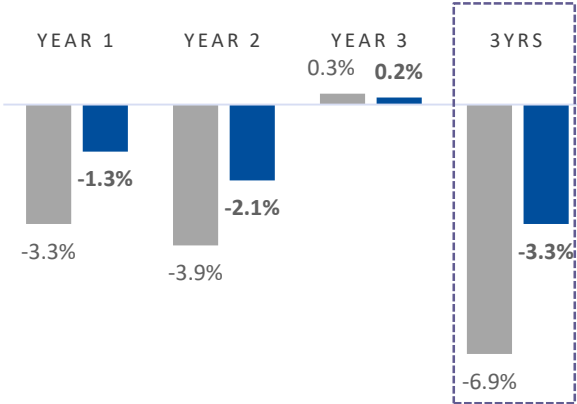
- Stress Test (ST) according to EBA methodology, using a static balance sheet approach (31/12/2017) and adjusted for the introduction of IFRS9
- Base and adverse scenarios applied over a three year period, i.e. 2018-2020
- Capital measures completed after 31/12/2017 are not included in the ST result.
- ST projections are based on IFRS 9, forecasting the movement of assets from Stage 1 into Stage 2 and Stage 3
  - NPE reduction strategy not taken into account
  - No cures from stage 3 (NPE) are allowed, leading to higher NPEs, provisions and lower NII

## Macroeconomic assumptions (Greece)

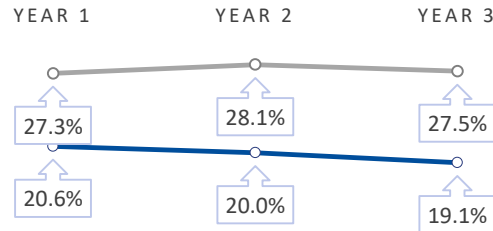
Variable	Baseline Scenario				Adverse Scenario				
	(%)	2018	2019	2020	Cum.	2018	2019	2020	Cum.
Real GDP Growth		2.4	2.5	2.4	7.3	(1.3)	(2.1)	0.2	(3.3)
Residential House Prices (RRE)	(0.5)	0.5	1.0	1.0	(7.3)	(6.7)	(3.6)	(16.6)	
Commercial Real Estate Prices (CRE)	0.3	0.3	0.3	0.9	(9.2)	(6.1)	(2.2)	(16.6)	
Inflation	0.9	1.0	1.1	3.0	0.0	(1.1)	(1.8)	(2.8)	
Unemployment Rate	19.9	18.3	16.6	n.a.	20.6	20.0	19.1	n.a.	

# ST2018 vs ST2015 Adverse scenario (Greece)

## Adverse Real GDP growth

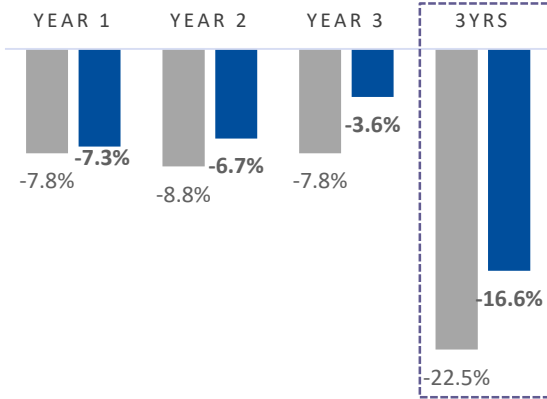


## Unemployment Rate

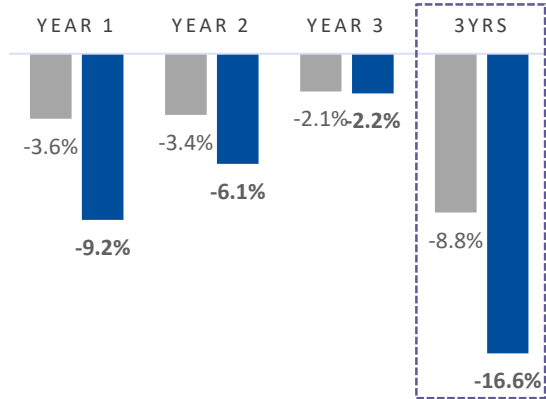


- ### Stress Test assumptions
- + Milder macro assumptions in 2018ST:
    - GDP growth,
    - unemployment,
    - residential price indexation
  - Static vs Dynamic balance sheet in 2015
  - 3 years stressing period versus 2.5 years in 2015
  - CRE price indexation more severe in 2018 than 2015

## RRE Growth



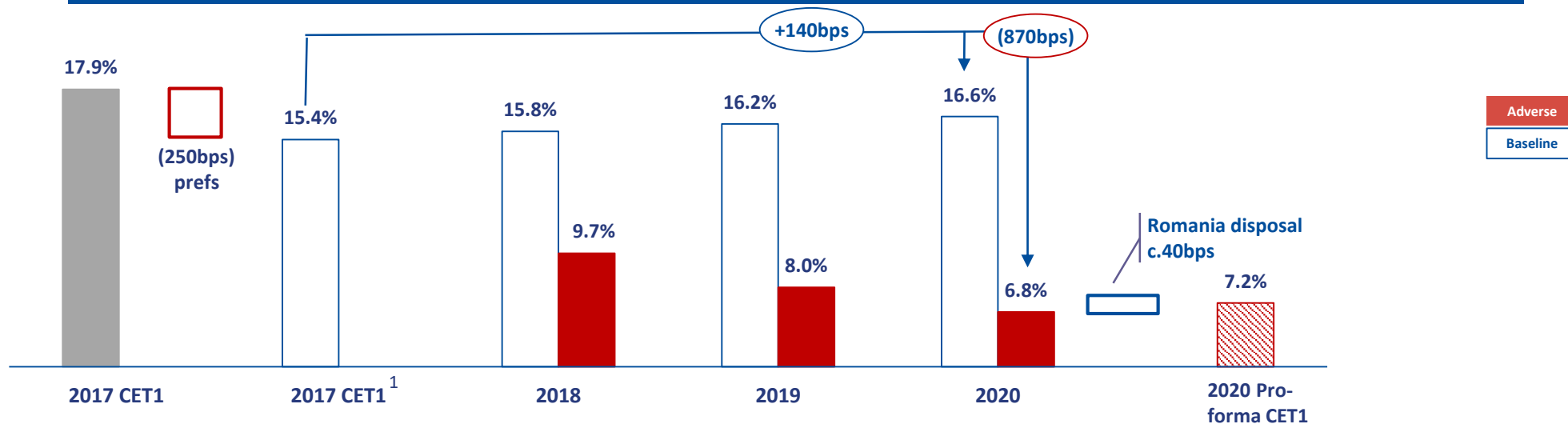
## CRE Growth



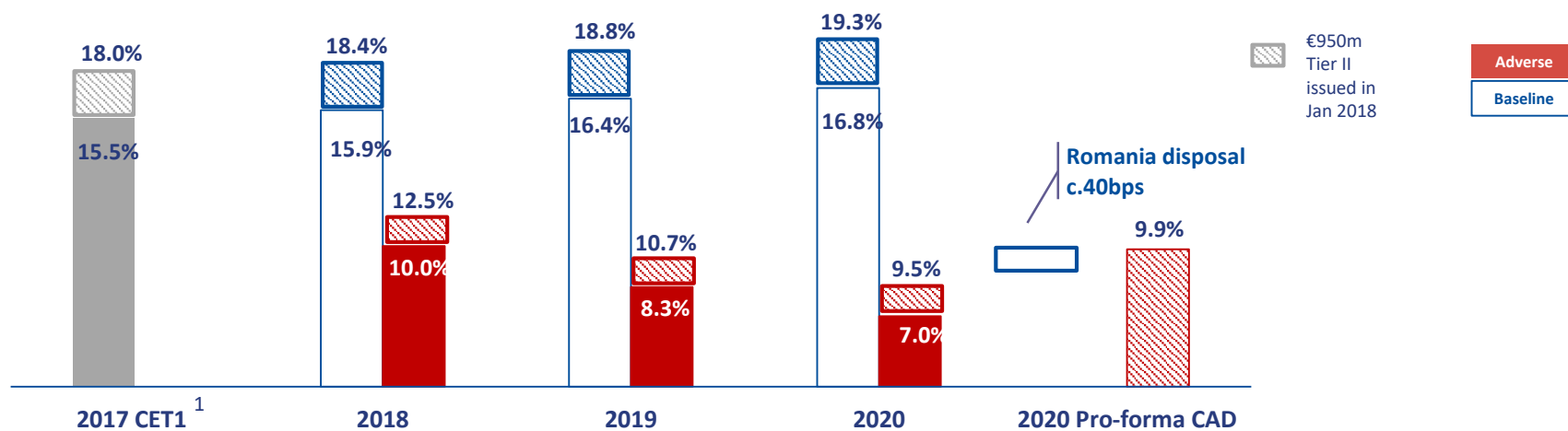
■ 2015 Stress Test    ■ 2018 Stress Test

- ### Eurobank specifics
- + Capital accretion of 220bps FLB3 CET1 ratio since 2015, coming from profitability, disposals and sovereign yield improvement, almost offsetting the phase-out of preference shares on 01/01/2018
  - + FBL3 total CAD up 450bps since 2015, mainly due to the redemption of preference shares with Tier II bonds
  - + Successful execution of the NPE reduction plan and the restructuring plan

## CET1 Baseline & Adverse Scenarios Impact

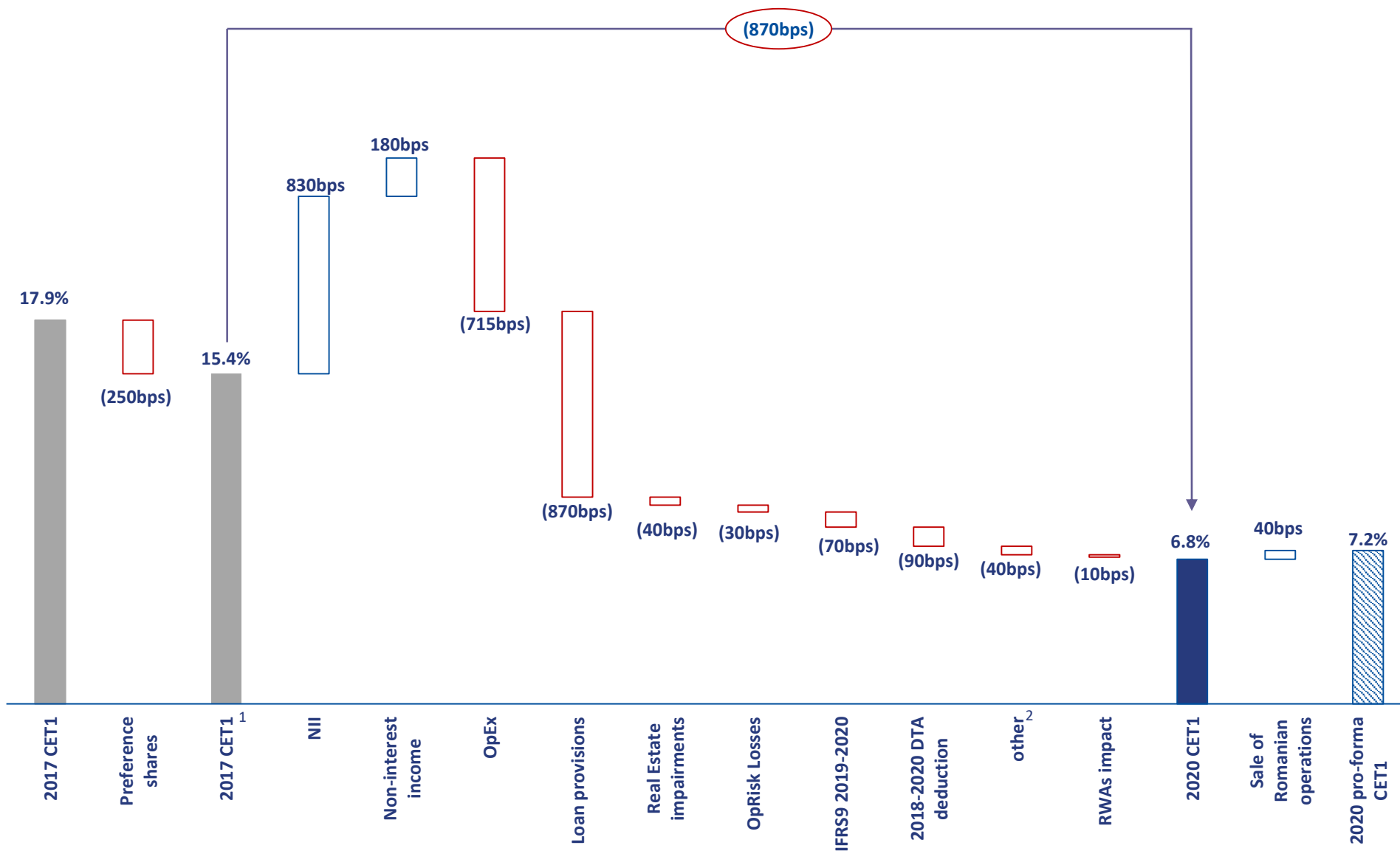


## CAD ratio Baseline & Adverse Scenarios



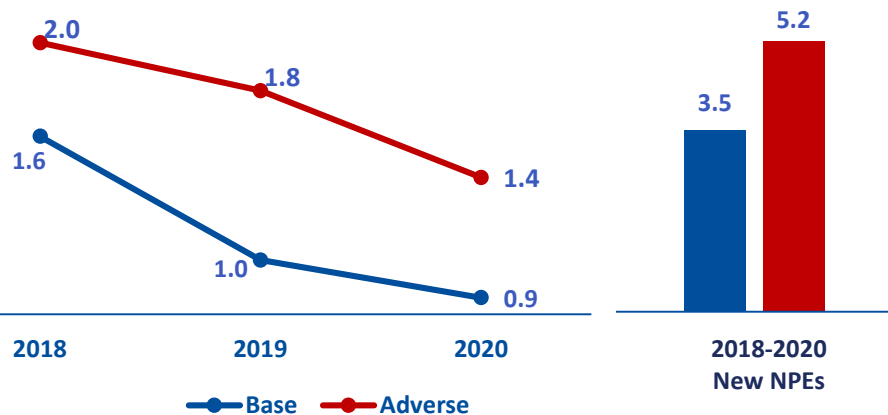
1. Restated for preference shares phase-out, IFRS9 FTA first year phase-in and excluding the positive impact from the sale of Romanian operations (c.40bps).

# Adverse scenario cumulative impact on CET1 ratio (2018-2020)

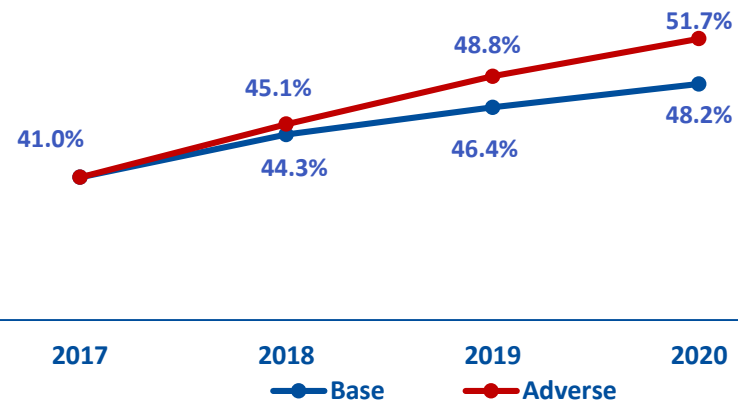


1. Restated for IFRS9 FTA first year phase-in and excluding the positive impact from the sale of Romanian operations (c.40bps). 2. Includes income from associates, tax impact, minority interest, non recurring items & discontinued operations and other reserves movement.

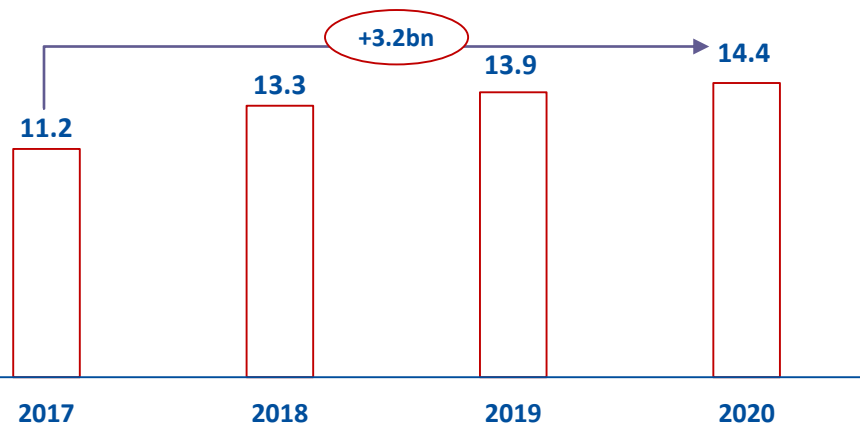
## NPE gross inflows (€ bn)



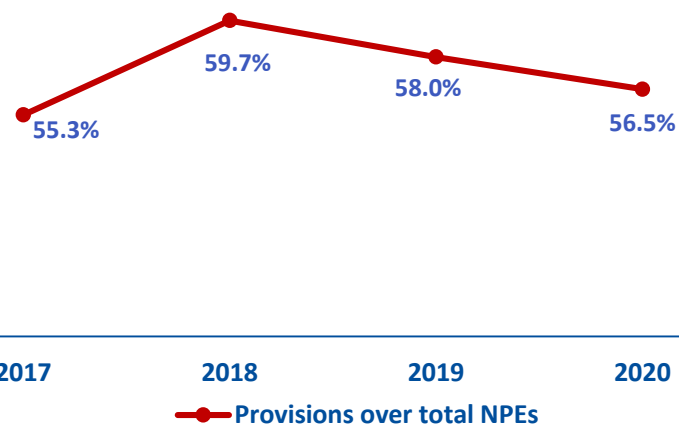
## NPE ratio (%)<sup>1</sup>



## Provision stock (Adverse scenario, € bn)



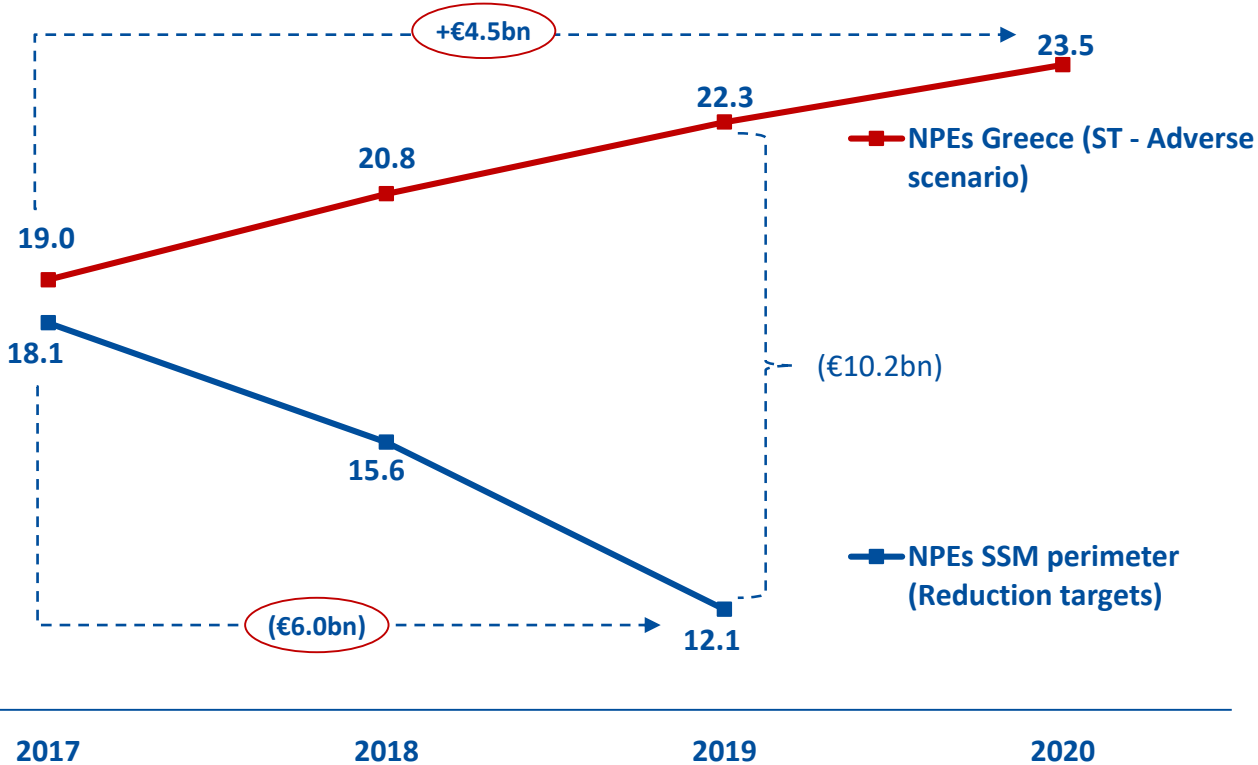
## Adverse scenario, provisions / NPEs (%)<sup>1</sup>



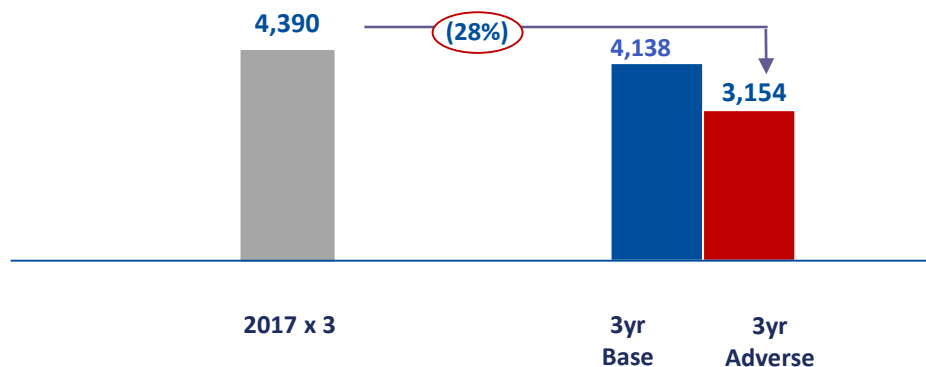
1. Including off-balance sheet exposures.



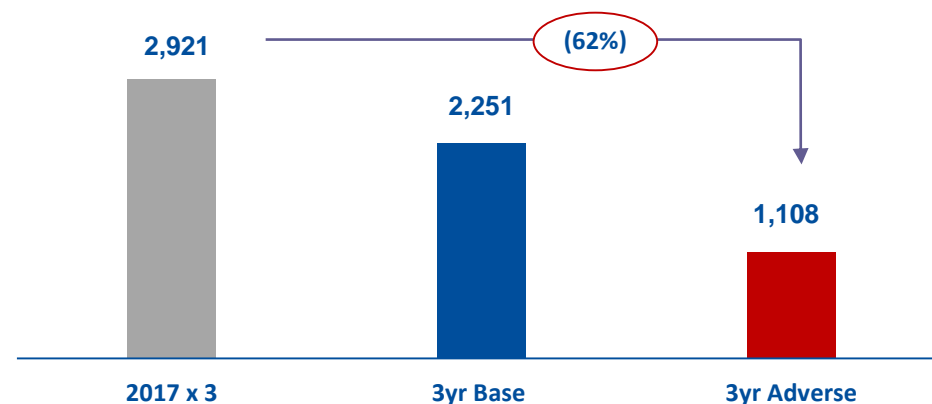
# ST Results | NPEs evolution (Adverse scenario, Greece, € bn)



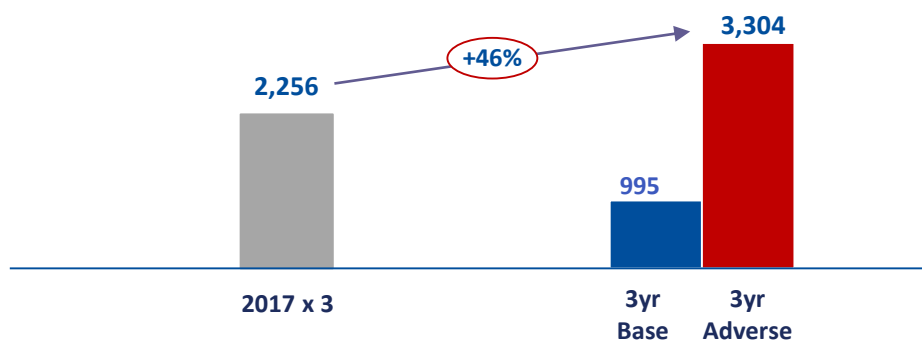
## Cumulative NII (€ m)



## Cumulative PPI (€m)



## Cumulative P&L Provision charge (€ m)



## Key assumptions

- Cumulative NII lower by c.6% in base and 28% in adverse scenario versus 2017 x 3, due to shocks applied mainly to liabilities and to new NPE flows
- Fees and commissions income (F&C) capped at 2017 level for base scenario; 10% lower in adverse compared to 2017 x 3
- Cumulative Other Income at €61m in base and negative €21m in adverse scenario (versus 2017 x 3 at €480m)
- Operating expenses stable at 2017 level in base and adverse scenarios
- Cumulative provision charge in base scenario lower by 56%, while in adverse higher by 46% versus 2017 x 3

Group (€m)	Starting		Baseline				Adverse				Δ vs 2017x3	
	2017	2017 x 3	2018	2019	2020	3Y	2018	2019	2020	3Y	3YrBase – 2017x3	3YrAdv – 2017x3
<b>P&amp;L</b>	<b>2017</b>	<b>2017 x 3</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>3Y</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>3Y</b>	<b>3YrBase – 2017x3</b>	<b>3YrAdv – 2017x3</b>
Net Interest Income	1.463	4.390	1.375	1.386	1.378	+4.138	1.075	1.048	1.032	+3.154	-252	-1.236
<i>o/w NII - Greece</i>	1.129	3.388	-	-	-	-	-	-	-	-	-	-
<i>o/w NII - International</i>	334	1.002	-	-	-	-	-	-	-	-	-	-
Commissions	258	774	258	258	258	+774	232	232	232	+697	-	-77
Trading income	70	209	8	8	8	+24	-38	-	-	-38	-185	-247
G/(L) from investment securities	70	211	-	-	-	-	-16	-	-	-16	-211	-226
Other operating income	17	52	10	10	10	+29	10	10	10	+29	-22	-22
Dividend income	3	8	3	3	3	+8	1	1	1	+4	-	-4
<b>Total Operating Income</b>	<b>1.882</b>	<b>5.645</b>	<b>1.653</b>	<b>1.664</b>	<b>1.656</b>	<b>+4.974</b>	<b>1.265</b>	<b>1.291</b>	<b>1.275</b>	<b>+3.831</b>	<b>-670</b>	<b>-1.813</b>
Opex	-908	-2.724	-908	-908	-908	-2.724	-908	-908	-908	-2.724	-	-
<b>Pre-provision Income</b>	<b>974</b>	<b>2.921</b>	<b>746</b>	<b>756</b>	<b>749</b>	<b>+2.251</b>	<b>357</b>	<b>383</b>	<b>367</b>	<b>+1.108</b>	<b>-670</b>	<b>-1.813</b>
Loan Provisions	-752	-2.256	-494	-260	-241	-995	-2.191	-659	-455	-3.304	+1.261	-1.049
<i>o/w LLPs - Greece</i>	-662	-1.986	-383	-224	-209	-815	-1.904	-561	-370	-2.835	+1.171	-849
<i>o/w LLP - International</i>	-90	-269	-111	-37	-32	-180	-287	-97	-84	-469	+89	-199
CCR* impairment losses	-	-	-	-	-	-	-8	-	-	-8	-	-8
RRE/CRE impairment losses	-34	-102	-1	-	-	-1	-71	-45	-16	-132	+101	-30
OpRisk losses	-14	-42	-34	-30	-27	-91	-41	-41	-41	-123	-49	-81
Income from Associates	7	22	7	7	7	+22	4	4	4	+11	-	-11
<b>PBT</b>	<b>181</b>	<b>543</b>	<b>224</b>	<b>473</b>	<b>488</b>	<b>+1.185</b>	<b>-1.949</b>	<b>-358</b>	<b>-141</b>	<b>-2.449</b>	<b>+642</b>	<b>-2.992</b>
Tax	-5	-16	-67	-142	-146	-355	585	107	42	+735	-340	+750
MI	-11	-34	-	-	-	-	-	-	-	-	+34	+34
Discontinued Operations	-61	-182	-	-	-	-	-	-	-	-	+182	+182
<b>PAT</b>	<b>104</b>	<b>312</b>	<b>157</b>	<b>331</b>	<b>341</b>	<b>+829</b>	<b>-1.365</b>	<b>-251</b>	<b>-99</b>	<b>-1.714</b>	<b>+518</b>	<b>-2.026</b>

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