



Greek Banks & Economic Recovery

A lot has been achieved

July 2013

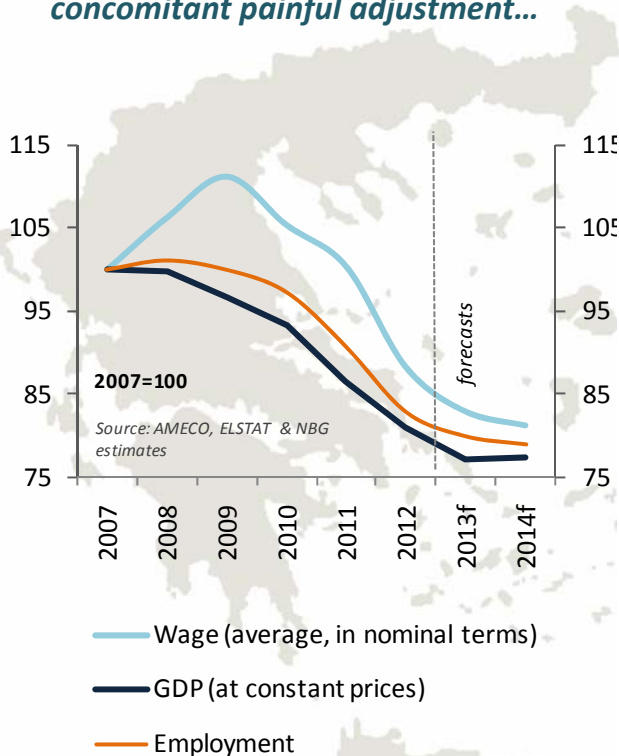
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*Chief Economist and Chief of Strategy
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The erosion of banks' capital due to the PSI exceeded €37 bn, representing the ultimate challenge for the Greek banking system

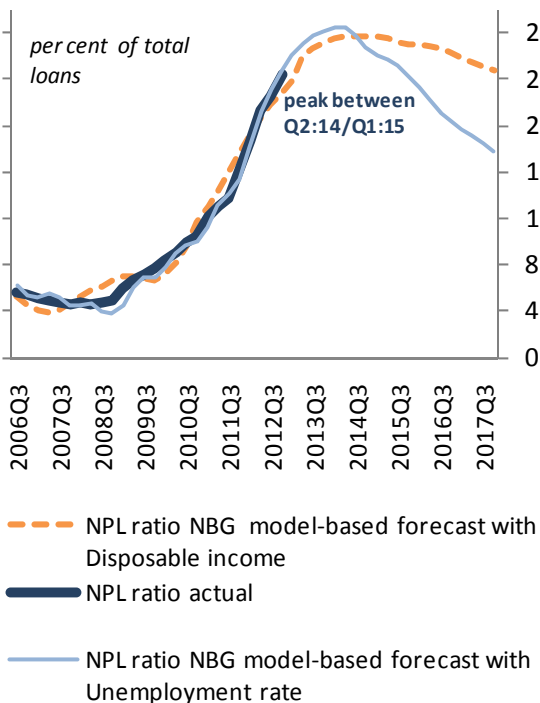
Moreover, severe macroeconomic headwinds, amplified by uncertainty, stressed portfolio quality further, in conjunction with a cumulative liquidity outflow of more than €130 bn (deposits & wholesale funding)

A severe macroeconomic shock and a concomitant painful adjustment...



Source: ELSTAT, NBG estimates

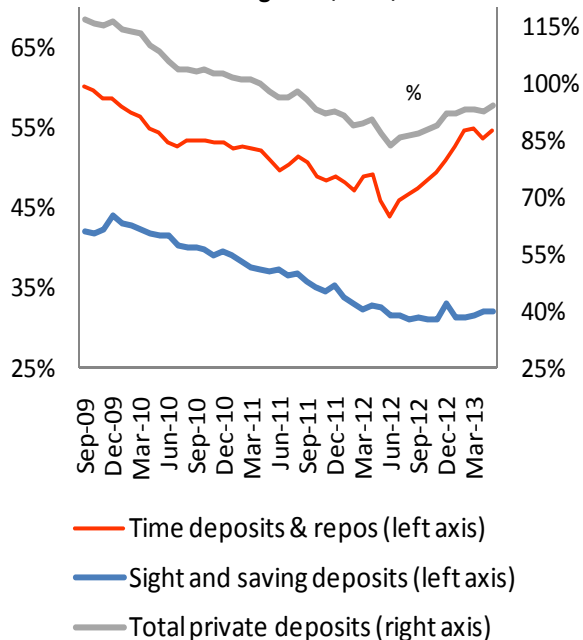
...have taken a considerable toll on the quality of Greek banks' portfolios...



Source: BoG, NBG estimates

...while bank deposits contracted rapidly

Greece: Private sector deposits : Main categories (% GDP)

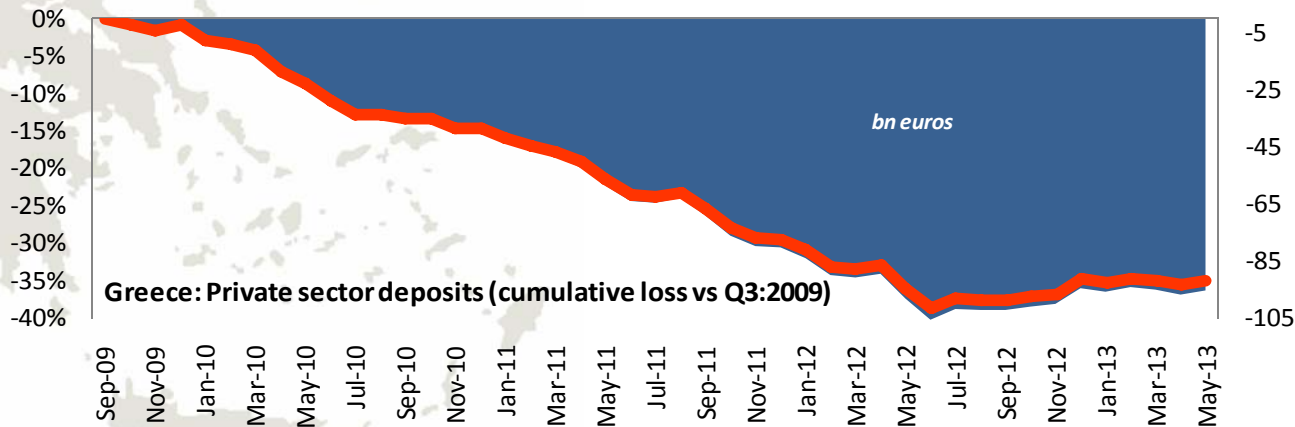
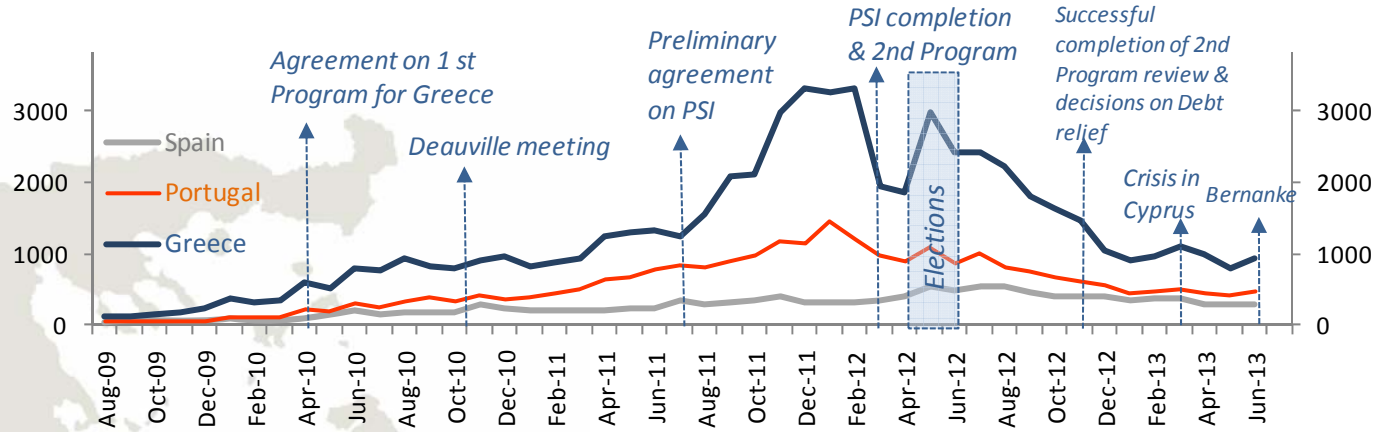


Source: BoG, NBG estimates



First signs of stabilization/recovery in the domestic deposit base following the reduction of uncertainty, although depositors remain highly sensitive to international developments

Sovereign Bond spreads (10-year notes over bund in bps) and timeline of key events

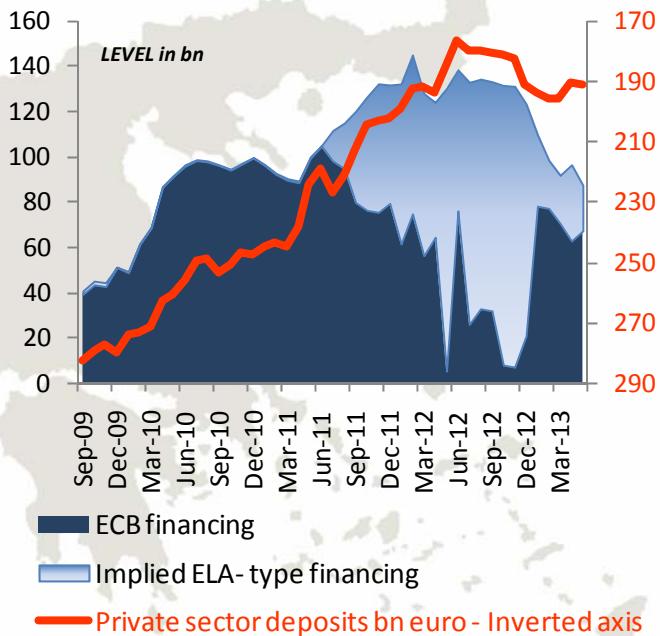


- Private deposits cumul. Change vs Q3:2009 (right axis, bn euros)
- Private deposits cumul. Change vs Q3:2009 (in per cent, left axis)



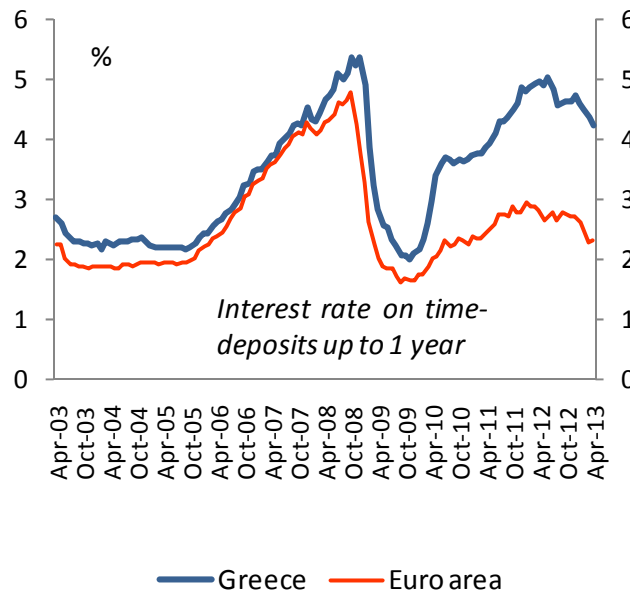
The gradual improvement in liquidity conditions will be ultimately translated into a more attractive credit environment in conjunction with the recovery in credit demand

The dependence of the Greek banking system on Eurosystem financing declined notably, while exposure to ELA has been minimized in Q2:2013



Source: BoG, NBG estimates

Deposit re-pricing will permit a gradual reduction in lending rates looking forward



Source: BoG, NBG estimates

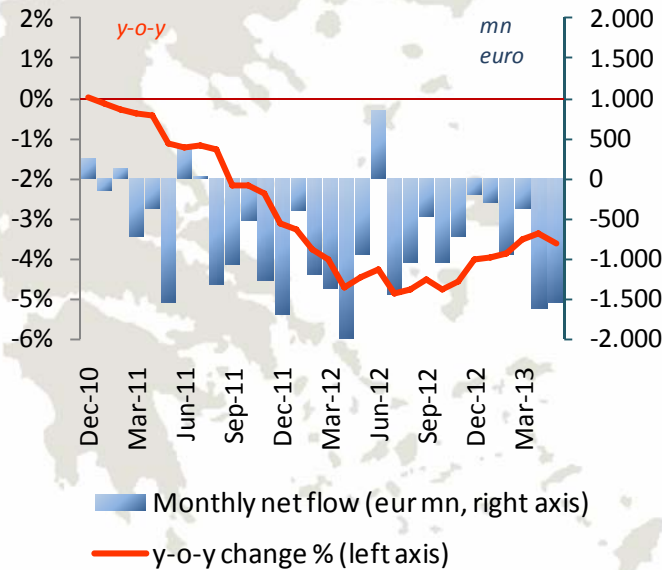


Deleveraging advances while exporting sectors face more favorable financing conditions

Credit conditions remain challenging, reflecting not only supply, but also demand factors...

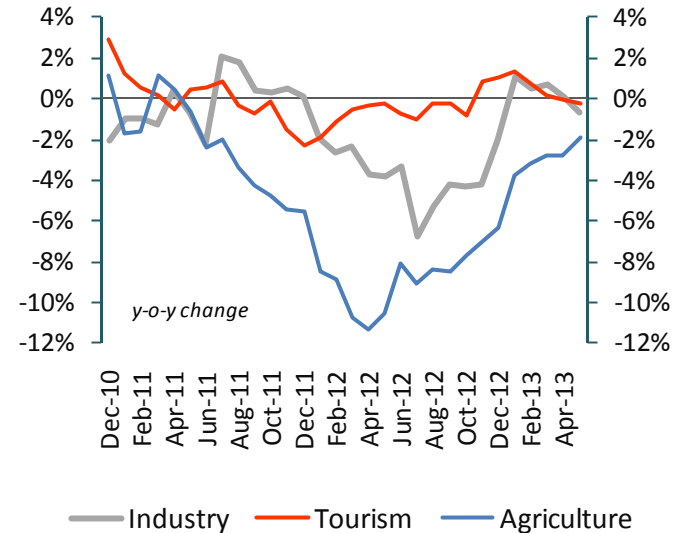
...while liquidity conditions for export oriented sectors are more favorable

Greece: TOTAL Credit to private sector



Source:: Bank of Greece

Greece: Bank credit to export-oriented sectors



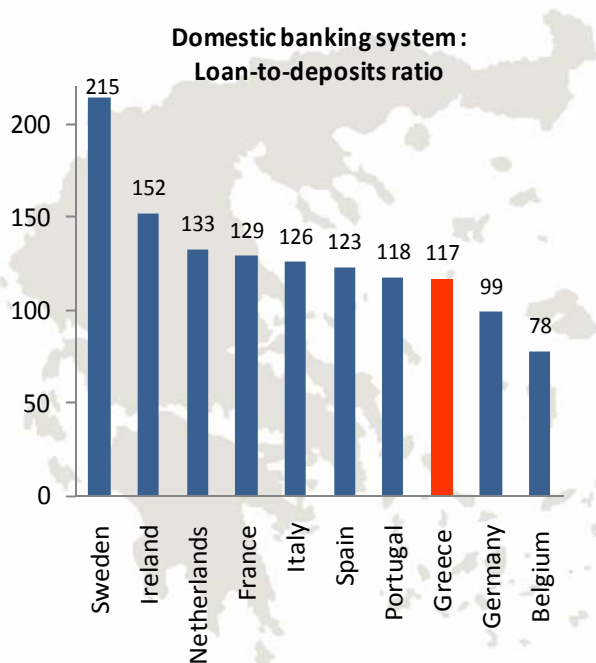
Source:: Bank of Greece



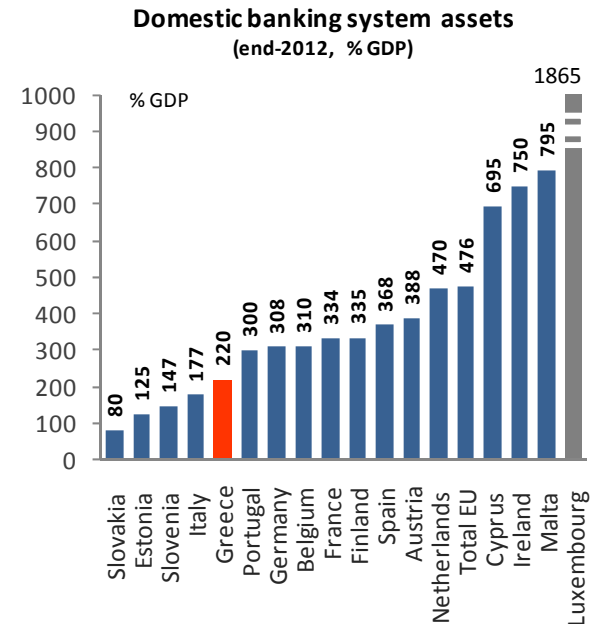
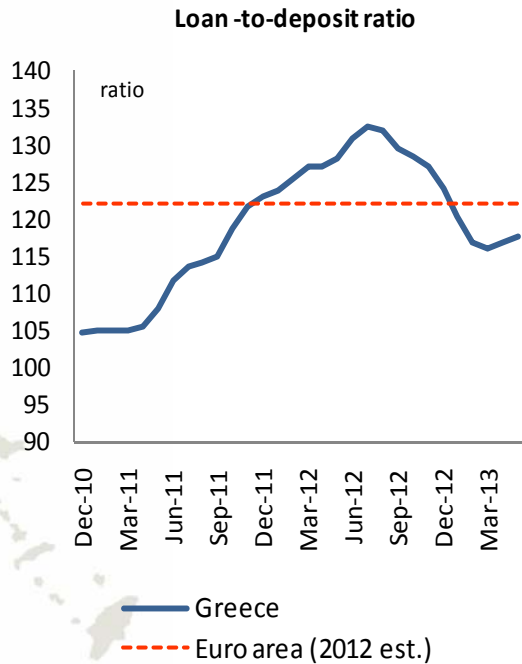
The "Reboot" in the Greek banking system will ultimately support the real economy

The successful completion of recapitalization is expected to put banking activity on a new sustainable footing...

...laying the foundation for a material support of the banking system to the economic recovery



Source: ECB, Barclays & NBG estimates



Source: ECB, Barclays & NBG estimates





Thank you