

ANNUAL REPORT  
2013



NATIONAL BANK  
OF GREECE

## GROUP FINANCIAL HIGHLIGHTS

Profit & loss account data (€ millions)	2013	2012	2011
Net interest income	3,157	3,365	3,843
Net fee & commission income	529	495	494
Earned insurance premia net of claims & commissions	67	131	147
Net trading income/ (loss) & results from investment securities	(95)	(431)	(28)
Net other income	113	(33)	(84)
Total operating income	3,771	3,527	4,372
Total operating expenses & other non-cash expenses	(2,572)	(2,349)	(2,571)
Operating profit / (loss) before provisions	1,199	1,178	1,801
Credit provisions & other impairment charges	(1,373)	(2,966)	(3,439)
Impairment of Greek Government bonds	-	(187)	(11,783)
Share of profit / (loss) of equity method investments	(5)	2	1
Profit/ (loss) before tax & minorities	(179)	(1,973)	(13,420)
Taxes	986	(158)	1,095
Minorities	(2)	(4)	19
Attributable profit/ (loss)	809	(2,127)	(12,344)

### Balance sheet data (€ millions)

Due from banks (net)	2,847	4,318	4,636
Loans & advances to customers (net)	67,250	69,135	71,496
Investment securities & financial assets	20,564	13,744	13,372
Other assets	20,269	17,601	17,228
Total assets	110,930	104,798	106,732
Due to banks	27,897	33,972	34,108
Due to customers	62,876	58,722	59,544
Debt securities in issue & other borrowed funds	3,806	3,771	3,440
Other liabilities	9,240	10,617	9,893
Total shareholder equity	7,111	(2,284)	(253)
Total equity & liabilities	110,930	104,798	106,732

### Key figures & ratios

Earnings (losses) per share (€)	0.62	(10.62)	(12.93)
Dividend per common share (€)	-	-	-
Net interest margin	3.4%	3.7%	3.7%
Core Tier I*	10.3%	7.8%	-
Total CAR*	11.2%	9.2%	(2.6)%
Staff numbers (year end)	37,591	34,881	34,698

\* The funds of 2012 have been recalculated on the basis of Act 13/28.3.2013 of the Executive Committee of the BoG.

Credit ratings	Long-term	Short-term
Moody's	Caa1	NP
Standard & Poor's	CCC+	C
Fitch Ratings	B-	B

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## LETTERS TO SHAREHOLDERS

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Dear Shareholder,

2013 was the year in which, for the first time since the start of the crisis, the Greek economy showed clear signs of regaining balance. Against a severely recessionary backdrop, the nascent trend toward reduced uncertainty and the narrowing of divergences from fiscal targets seen at the beginning of the year gradually evolved in the second half of the year into a generalized improvement in economic sentiment, an upturn in investment interest from abroad, and a concomitant deceleration in the recessionary spiral. These favourable trends gained even greater momentum in the first half of 2014.

The fiscal adjustment outperformance, by which a primary surplus at the level of general government was achieved a year earlier than scheduled, plus the creation of a current account surplus in 2013, testified to the substantial progress in restoring macroeconomic imbalances. The surge, however, in unemployment to unprecedented levels and the substantial deterioration in other key social parameters demonstrate the huge price paid for the adjustment by Greek society and the priorities that need to be set for the reallocation of sources deriving from the surplus, as it looks to be a steady feature.

The progress in the macroeconomic environment in 2013 was inversely proportional to the situation at the outbreak of the crisis. At that time, the negative fiscal shocks and a growing belief that the levels of internal and external debt were unsustainable served to undermine confidence, leading to an exceptionally negative reaction and exclusion from markets. A vicious spiral of uncertainty, fiscal gaps, new measures, aggression by partners, and downgrades by rating agencies that verged on national insolvency, fueled the biggest postwar recession. Now, the consolidation in recent quarters of a picture of restored fiscal and external balance is boosting confidence in the Greek economy, attracting large-scale investment funding, generating the first upgrades in the country's credit ratings, and gradually feeding through to liquidity conditions, thereby creating slowly but surely the conditions for economic recovery.

The return of the economy to a growth path and the finalization of the processes by which long-term sustainability of Greek public debt can be secured through back-up facilities from the euro area are the two main outstanding themes through which the crisis can be essentially overcome, and a new chapter in the Greek economy – starting in 2014 – can be written.

The NBG Group and the Greek banking system in general have completed the necessary capital-enhancing measures, gradually restoring their capital adequacy ratios to internationally competitive levels, even under adverse scenarios, while moving ahead with the last round of supplementary actions to enhance their capital structure, the emphasis being on purely banking activities. The clear deceleration in creation of new loan delinquencies and accordingly the reduced need to create higher provisions, combined with the stabilization of the deposit base, the substantial cuts in operating costs and the gradual return to the markets, are making access to liquidity easier while supporting sound, long-term core profitability. The transition of the NBG Group from a phase of stabilization, restructuring and shielding of its position in 2013 to a phase whereby it can actively support the Greek economy should be fully realized during the course of 2014.

Chairman of the Board



George P. Zantias

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Dear Shareholder,

In 2013, after six years of persistent economic recession and far-reaching structural changes, the Greek economy displayed the first signs of stabilization, particularly in the second half of the year. For the banking system in particular 2013 was a landmark year, as it underwent radical restructuring after the successful recapitalization of the systemic banks in mid-year and the resulting consolidation of players in the sector, whereby the country's banking map has been totally redrawn. NBG has successfully met the challenges of these exceptionally difficult years, fortifying its capital position and defending the private nature of its business status. Specifically:

- NBG continues to have ample of low-cost liquidity, at superior levels to its peers, and a loan-to-deposit ratio of circa 84% in Greece and 93% at Group level. We have also succeeded in reducing our net exposure to the Eurosystem to just 7% of our assets, with zero exposure to the ELA emergency liquidity mechanism. In addition, we have a competitive advantage as regards our deposit mix, with a larger market share in sight and savings deposits at a much lower cost than term deposits, while we are the frontline player in transaction banking. Our healthy liquidity enables us to finance business sectors that display strong growth potential and an export orientation, as economic conditions in the country start to pick up.
- The program for reducing operating costs in Greece generated significant savings, as NBG achieved a reduction of circa 27% during the past four years (2009-2013). Close monitoring of expenses remains a key strategic objective for NBG, and our intention is to make further progress in this area. For 2014, there will be a further year-on-year reduction of 19% (or €155 million), achieved due to the voluntary retirement program that was completed at end 2013.
- A key factor in NBG's return to profitability has been the significant slowdown in the creation of new NPLs and the more effective handling of existing loans in arrears. In 2013, there was a 40% decrease in provisions vs. the previous year, as a result of the 60% y-o-y reduction in new delinquencies. It is also worth noting that Q1:2014 was the fifth consecutive quarter in which domestic NPLs presented a slowdown in growth. These trends are confirmed by the results of the recent tests carried out by BlackRock, which revealed that NBG has the best asset quality among Greek banks. Specifically, the Bank has the lowest level of credit loss projections among all systemic banks, combined with the highest level of provisioning for such losses.
- Private sector involvement in our shareholder base has broadened significantly with the recent share capital increase, enhancing the free float from 16% to 43%. Accordingly, NBG currently holds second place among banks in Greece in terms of private investor participation.

The factors outlined above contributed to the return to profitability in 2013. As a result, NBG is the only Greek bank to cover the cost of credit risk and new provisions through its operating profits.

The NBG Group remains committed to the following strategic priorities:

- To increase lending to attractive domestic business segments, drawing on the Bank's healthy liquidity.
- To enhance further the operational efficiency of the Group, with the ongoing redesign of business processes coupled with further optimization of central and administrative functions.

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- To optimize management of loans in arrears through the newly established specialized loan workout unit, with a view to supporting sustainable businesses.

The Group's progress to date vindicates our key strategic choices. These achievements, however, would not have been possible without the support of our shareholders and the dedicated work of our staff throughout the Group, for which I hereby express my deep gratitude. With your support, we have succeeded in meeting the challenges of these very difficult years of crisis, maintaining our dynamism, effectively fortifying our balance sheet, and defending the private nature of our business status.

Chief Executive Officer



Alexandros G. Tourkolias

## **BOARD OF DIRECTORS**

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### **George Zanias**

Chairman of the Board, Professor of Economics at the Athens University of Economics and Business (Non-executive member)

### **Alexandros Tourkolias**

Chief Executive Officer (Executive Member)

#### EXECUTIVE MEMBERS

### **Petros Christodoulou**

Deputy Chief Executive Officer

#### NON-EXECUTIVE MEMBERS

### **Efthymios Katsikas**

Employees' Representative

### **Stavros Koukos**

Employees' Representative, President of OTOE

### **Dimitrios Afendoulis**

Economist

#### INDEPENDENT NON-EXECUTIVE MEMBERS

### **Stefanos Vavalidis**

Former member of the Board of the European Bank for Reconstruction & Development (EBRD)

### **Spyridon Theodoropoulos**

Chief Executive Officer, Chipita SA

### **Panagiotis-Aristeides Thomopoulos**

Economist, Banker

### **Alexandra Papalexopoulou-Benopoulou**

Member of the Board of Titan Cement SA

### **Petros Sabatacakis**

Economist

### **Maria (Marily) A. Frangista**

Managing Director of Franco Compania Naviera SA

#### REPRESENTATIVE OF THE HELLENIC REPUBLIC (Law 3723/2008)

### **Alexandros Makridis**

Economist, Chairman of the Board & Chief Executive Officer of Chrysafidis SA

#### REPRESENTATIVE OF THE HELLENIC FINANCIAL STABILITY FUND (HFSF) (Law 3864/2010)

### **Charalambos Makkas**

Economist

#### SECRETARY OF THE BOARD & BOARD COMMITTEES

### **Panagiotis Dasmanogolou**

Assistant General Manager - Group Chief Compliance Officer

**Notes:**

The current Board, whose term expires in 2016, was elected (with the exception of the representatives of the Hellenic Republic and the HFSF) by the 2nd Repeat Extraordinary General Meeting of Shareholders held on 23 November 2012 and was constituted as a body in its 23 November 2012 meeting.

During 2013, the following changes were made to the membership of the Bank's Board:

- On 9 April 2013 H.E. the Metropolitan of Ioannina Theoklitos resigned from his position as Board member.
- On 19 December 2013 Mr. Panagiotis-Aristeides Thomopoulos was elected member of the Board.

In addition, on 20 February 2014, Mr Ioannis Giannidis resigned from his position as Board member and Mr Dimitrios Afendoulis was elected as Board member.

On 20 June 2014, upon proposal by the Corporate Governance & Nominations Committee, the Board of NBG decided to propose to the Bank's AGM, held on Thursday, 26 June 2014, the election of Mr Dimitris Dimopoulos, Mr Paul Mylonas and Ms Paula Hadjisotiriou as its new members.

Ms Maria Frangista and Mr Panagiotis Thomopoulos have expressed their wish to conclude their term of office as Board members at the said AGM of the Bank.

## NBG SENIOR MANAGEMENT

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### EXECUTIVE COMMITTEE

Chairman:

**Alexandros Tourkolias** CEO

Members:

**Petros Christodoulou** Deputy CEO

**Paula Hadjisotiriou** CFO

**Damianos Charalampidis** Chief of Operations

**Paul Mylonas** Chief Risk Officer, Chief Economist of the Group

**Nelly Tzakou-Lambropoulou** General Manager, Retail Banking

**Dimitrios Dimopoulos** General Manager, Corporate Banking

Non-voting member:

**Miltiadis Stathopoulos** General Counsel & General Manager of Corporate Governance

### GENERAL MANAGERS

**Aristotelis Karytinis** General Manager, Group Real Estate

**Panos Goutakis** General Manager, Investment Banking

**Leonidas Fragkiadakis** General Manager, Treasury and Global Markets

**Tilemachos A. Paleologos** General Manager, Procurement & Security

**Theofanis Panagiotopoulos** General Manager, Corporate Branches

**Marianna Politopoulou** General Manager, Group Retail Collections

**Petros Fourtounis** General Manager, Corporate Special Assets

**Nikos Christodoulou** Group Chief Information Officer

**Marinis Stratopoulos** General Manager, International Activities

### ASSISTANT GENERAL MANAGERS

**Anthony Antonopoulos** Assistant General Manager, Group Human Resources

**Constantinos Vossikas** Assistant General Manager, Chief Credit Officer

**Panagiotis Georgiou** Assistant General Manager, Branch Network

**Panagiotis Dasmanogolou** Assistant General Manager, Group Chief Compliance Officer

**Andreas Exarchos** Assistant General Manager, Retail Collections

**Georgios Kaloritis** Assistant General Manager, Group Chief Audit Executive

**Dimitrios Kapotopoulos** Assistant General Manager, Corporate Special Assets

**Ioanna Katziliari-Zour** Assistant General Manager, Group Marketing & Communications

**Angelos Katsikas** Assistant General Manager, Business Processes

**George Koutsoudakis** Assistant General Manager, Corporate Banking

**George Maligiannis** Assistant General Manager, Retail Lending

**Vassilis Mitrakos** Assistant General Manager, Staff Insurance Funds

**Alexander Benos** Assistant General Manager, Group Risk Management

**Konstantinos Bratos** Assistant General Manager, International Activities

## FINANCIAL REVIEW 2013

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For full-year 2013, Group net profit attributable to NBG shareholders amounted to €809 million vs. substantial losses of €2,127 million in 2012. This achievement was due in part to the improvement in the domestic economic climate that helped new NPL creation to slow, the write-back of provisions against claims on the Hellenic Republic in 2012, and the elimination of the high trading losses of the previous year. The contribution by Finansbank was particularly strong, as it reported a net profit of €439 million for 2013, despite the adverse circumstances prevailing in the Turkish market in H2:2013, while the Group's SEE-5 subsidiaries posted profits of €32 million, vs. losses of €65 million in 2012.

Group operating expenses appeared to stabilize, as cost cutting continued in Greece and the SEE-5, offsetting the rise in expenditure in the developing Turkish market (93 new Finansbank branches were opened in 2013). In particular, staff expenses in Greece fell by 8.2% y-o-y, backed by the implementation of the new collective labour agreement effective as of 1 July 2013. Overall, expenses in Greece posted a 4.9% reduction. Reductions in operating expenses were also continued in the SEE-5 (down 4.4% y-o-y), despite the significantly higher inflation experienced in the region.

As regards the quality of the Group's loan book, it is particularly encouraging that the slowdown in new loan delinquencies was strengthened. In 2013, the impairment charge for credit losses in Greece posted a 57% reduction on an annual basis, to €1.5 billion, while in 2012 at the peak of the crisis, the said charge topped €3.6 billion. As a result, at Group level, provisions fell to €1,627 million, down by 36%, vs. €2,532 million a year earlier. That said, the Group and the Bank improved provision coverage levels to 56.0% vs. 54.3% a year earlier, the highest level in the market. In addition, the +90 dpd Group loan ratio stood at 22.5% at the end of December 2013, vs. 19.0% a year earlier.

Ongoing improvement in liquidity is another positive development. Specifically, the growth in Group deposits has led to an improvement in the liquidity ratio (loans-to-deposits) to 98% vs. 108% in December 2012. In Greece the loan-to-deposit ratio stood at 90% – improved by 11 pps y-o-y – thereby placing NBG

comfortably in the best position in the domestic market in terms of liquidity. This development comprises tangible evidence of NBG's solid liquidity position and its improved ability to channel funding for the growth of the Greek economy. It is worth noting that the corresponding ratio for the SEE-5, which stood at 99.0% (an improvement of 14 pps y-o-y), is low compared with peers in the same markets, while it has decreased by half when compared with pre-crisis levels. In Turkey, deposit growth of 16% y-o-y exceeded loan growth (up +13% y-o-y), while there was also a significant improvement in the deposit mix due to the higher share of low-cost sight deposits, which grew by 65% y-o-y.

As regards capital adequacy, the Group's Core Tier I ratio, which was 7.8% as at 31 December 2012 (readjusted due to the share capital increase that took place in June), stood at 10.3% as at 31 December 2013, while if the changes introduced into the methodology for calculating Finansbank's Risk Weighted Assets and the benefit to be derived from the agreement to sell Astir Palace Vouliagmeni are taken into account, the ratio stood at 11.2%. The Core Tier I ratio has also been affected to a small degree (80 bps in 2013) by unrealized FX losses deriving from the Turkish lira. On the other hand, the capital base was boosted by the positive profitability in 2013, the modest capital strengthening provided by the new acquisitions of FBB and Probank, the liability management exercises performed in H1:2013, as well as a series of actions designed to strengthen its capital position, including – significantly – the benefit derived from the sale of 66% of NBG Pangaea REIC.

As regards the results of the diagnostic tests carried out by BlackRock, which was assigned the task of estimating credit losses in the loan book, it is worth pointing out that the Bank displays much lower credit loss projections (CLPs) for the period through end 2016 than the other systemic banks. Specifically, in line with BlackRock's models and the conservative approach of the Bank of Greece, credit loss projections in the domestic loan book for the period June 2013 through December 2016 amounted to €8.7 billion. Existing provision stock provides coverage of 74%, while net CLPs for the remaining 3.5 years amount to just €2.3 billion, significantly lower y-o-y than domestic provisions for 2013 that totalled €1.2 billion.

As regards the BoG-estimated capital generation of NBG, which was calculated at €1.5 billion for the three years through 2016, the Group succeeded in 2013 – a year of recession in Greece and of significant headwinds in Turkey – in posting pre-provision profit of €1.6 billion, thereby covering the estimated gap in the course of just one year.

In 2013, net profit from domestic business totalled €341 million, against losses of €2,724 million in 2012. The main contributors to this performance were:

- i. 41% growth in operating income to €1,758 million, vs. €1,250 million in 2012, mainly due to the drastic reduction in trading losses and improvement in net interest income and net fees and commission income in H2:2013 (Q4:2013, net interest income increased by 4.9% vs. Q3:2013, improved for the fourth consecutive quarter, while net fees and commission income more than doubled);
- ii. the contraction of operating expenses by 4.9% y-o-y (adjusted for first-time FBB and Probank consolidation, one-off integration costs and exceptional taxes, the real reduction stood at 8%);
- iii. the 42% reduction in provisions for loan impairments (or €841 million y-o-y) to €1,185 million, as a result of the significantly slower growth in new loan delinquencies in 2013;
- iv. the write-back of provisions against claims on the Hellenic Republic and other extraordinary provisions, due to the improved spreads on Greek government bonds, which contributed a cumulative €949 million on an annual basis.

The cost of the far-reaching voluntary retirement scheme, in which more than 2,500 employees participated, was incorporated into the 2013 results and is expected to deliver a y-o-y benefit of €155 million or 20% of its cost in 2014.

Despite the adverse backdrop in Turkey in H2:2013, the net profit of Finansbank fell by just 9.3% y-o-y to TL1,106 million (€439 million on a constant currency basis). This reveals the high resilience of the business

model of Finansbank and holds out the promise of a positive performance for 2014.

Operating income presented strong resilience (up 11.3% y-o-y, unchanged q-o-q), despite the changes in the regulatory framework for the country's banking sector and the increase in interest rates. This strong performance was achieved due to an 11.3% improvement in net interest income and an 8.9% increase in fees and commission income over the course of the year. In Q4, net interest margin was under considerable pressure, mainly because of regulatory caps and the increase in the reference rates in Turkey. Nevertheless, the interest margin stood at the high level of 556 bps. Net interest income fell by just 0.9% and net fees and commission income by 9.4% vs. the previous quarter.

The efficiency ratio (cost/income) stood at 49.6%, incorporating the rise in expenses relating to the rapid network expansion (93 new units were opened in 2013) and the increase in staff by 2,000 employees, as well as the relatively high level of inflation in the country.

The capital adequacy ratio (CAR) reached 17.2%, the highest among its peers. It should be noted that, compared with other Turkish banks, Finansbank has by far the lowest exposure to government bonds.

In 2013, the Group's businesses in the SEE-5 posted net profits of €32 million, in contrast to the negative results of €65 million in 2012. A key contributing factor to this positive result was the stabilization in the growth rate of NPLs, reflecting the normalization of economic activity in the region, as well as improved loan recoveries, especially in Q4, which led to a 54.4% reduction in provisioning levels y-o-y.

Furthermore, the policy to reduce operating costs continued, delivering an annual reduction of 4.4% y-o-y.

## THE NBG SHARE

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Despite the ongoing economic recession, 2013 was a satisfactory year for the Athens Exchange (ATHEX). The capital increases of banks combined with the fact that the ATHEX has been classified as an emerging market had a positive impact on the Athex General

**TABLE 1**  
**NBG STOCK MARKET DATA <sup>(1)</sup>**

	2013	2012	2011	2010	2009
Year-end price (€)	3.9	6.5	8.2	30.5	77.4
Year high (€)	9.9	15.8	40.8	89.1	120.8
Year low (€)	1.8	4.5	7.2	30.3	34.7
Yearly standard deviation for NBG share price (%)	6.6	6.2	5.4	3.8	4.0
Yearly standard deviation for banking sector (%)	5.1	6.1	4.8	3.4	3.4
NBG market capitalisation at year end (€ billions)	9.2	1.2	1.5	5.8	11.0
Annual trading volume (€ billions)	2.1	2.5	4.7	11.1	11.6
NBG-to-ATHEX trading volume ratio (%)	11.8	19.8	22.6	31.7	26.2

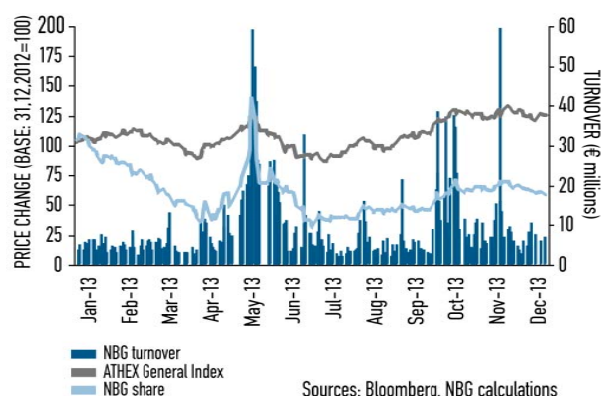
Sources: ATHEX, Bloomberg, NBG calculations

<sup>(1)</sup> For ease of comparison, share prices have been adjusted.

Index and on average daily trading volumes. NBG's share presented greater volatility, its year high standing at €9.9 on 20 May 2013, its year low at €1.8 on 8 April 2013, and its closing price on 31 December 2013 at €3.9.

NBG's market capitalization as at 21 December 2013 stood at €9.2 billion vs. €1.2 billion in the previous year, including the recapitalization. The total trading volume of shares stood at €2.1 billion, less than the previous year (€2.5 billion), comprising 11.8% of the annual trading volume in the domestic capital market vs. 19.8% in 2012.

**DIAGRAM 1**  
**NBG SHARE PRICE & TURNOVER**



## SHAREHOLDER STRUCTURE

As at 31 December NBG's share capital was divided into: (a) 2,396,785,994 common shares of a nominal value of €0.30 each, (b) 12,639,831 redeemable, registered preference shares without voting right or cumulative dividend, of a nominal value of €0.30 each, and (c) 270,000,000 redeemable, registered preference shares pursuant to Law 3723/2008, of a nominal value of €5 each.

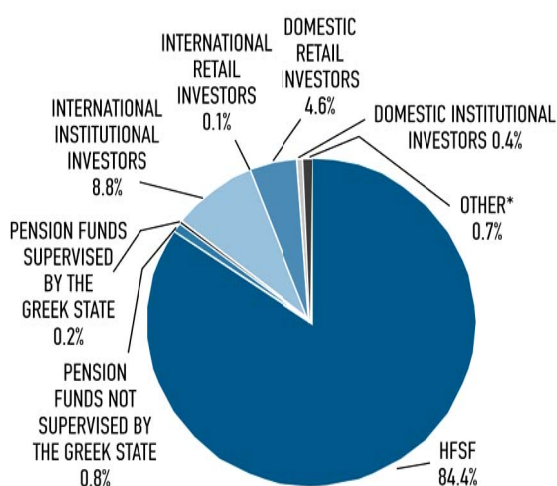
On 29 April 2013, the 2nd Repeat General Meeting of the Bank's shareholders approved: a) the reverse split of common registered shares at a rate of ten (10) old common NBG shares of nominal value €1 each to one (1) new common NBG share of nominal value €10 each, b) reduction in the nominal value of each common registered voting share of the Bank (as it stood after the reverse split), from €10 to €0.30 in order to form an equivalent special reserve, as per article 4.4a of the Companies Act, as amended, and c) the share capital increase by €9,756 million within the context of the recapitalization process of Greek banks.

On 19 June 2013, the Board certified the payment of €1,079 million in cash by private investors and €8,677 million by the HFSF, and the issue of 2,274,125,874 common registered shares of a nominal value of €0.30 each.

By the end of December 2013 NBG's free float was broad-based, including circa 227,600 institutional and retail shareholders. As at 31 December 2013, NBG's shareholder data indicate that the HFSF held 84.4% of its share capital, while 8.9% was held by international

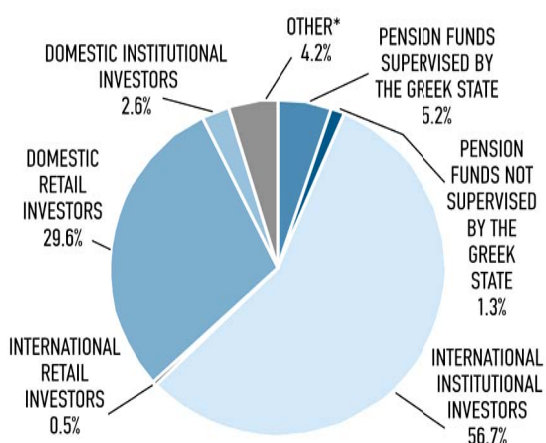
institutional and retail investors, and 4.6% by domestic retail investors (DIAGRAM 2). Excluding the HFSF's shareholding, the participation of international institutional and retail investors stood at 56.9% while that of domestic retail investors stood at 29.4% (DIAGRAM 3).

**DIAGRAM 2**  
**NBG SHAREHOLDER STRUCTURE**  
**AT 31 DECEMBER 2013**



\* These include NBG subsidiaries, domestic private sector companies, banks, insurance companies, hospitals, foundations and legacies, associations etc.

**DIAGRAM 3**  
**NBG SHAREHOLDER STRUCTURE**  
**(excl. HFSF) AT 31 DECEMBER 2013**



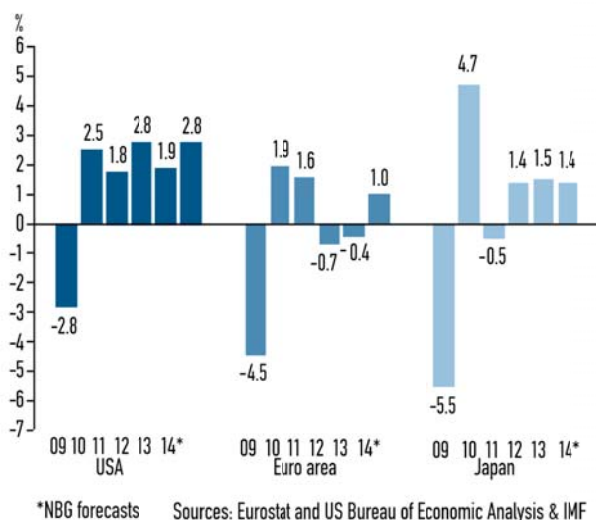
\* These include NBG subsidiaries, domestic private sector companies, banks, insurance companies, hospitals, foundations and legacies, associations etc.

SECTION **1** THE FINANCIAL ENVIRONMENT

## 1.1 THE GLOBAL ENVIRONMENT

In 2013, the global economy slowed slightly to 3.0% from 3.2% in 2012, mainly due to the slowdown in economic activity in the US and the emerging economies. Specifically, economic growth in the US slowed to 1.9% in 2013, vs. 2.8% in 2012, largely as a result of the tighter fiscal policy, while growth in emerging markets slowed to 4.7% in 2013, from 5.0% in 2012. In the euro area, the recession persisted for a second consecutive year, as economic activity contracted by 0.4% in 2013 following contraction of 0.7% in 2012. The Japanese economy posted growth of around 1.5% in 2013, vs. 1.4% in 2012, on the back of expansionary monetary and fiscal policy.

**DIAGRAM 1.1.1**  
GDP GROWTH (YEAR-ON-YEAR)

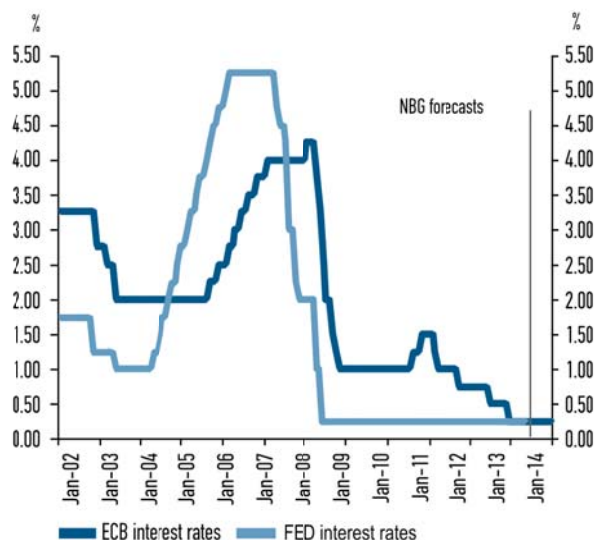


International oil prices increased in 2013, mainly due to growing geopolitical tensions in the Middle East and North Africa. By the end of the year, the price of crude oil rose by c. 7.2% to USD98 per barrel, from USD92 a year earlier. In terms of average price over the whole year, oil increased to USD98 per barrel, from an average of USD94 per barrel in 2012. By contrast, the (average annual) prices of agricultural produce and industrial metals declined by 9.1% and 10.1% respectively over the course of the year. In the developed markets inflation retreated in 2013 to 1.4%, from 2.0% in 2012, while in emerging markets it declined to 5.8%, from 6.0% the previous year. In addition, in the four key developing economies core inflation (which excludes the particularly volatile component of food and energy prices) declined to 1.2%.

from 1.5% in 2012. Notably, the greatest decline in core inflation was posted in the euro area (1.1% in 2013, vs. 1.5% in 2012), due mainly to the recession and the appreciation of the euro vs. the dollar (down 3.3% vs. the US dollar, from an average of €1.29 in 2012 to €1.33 in 2013).

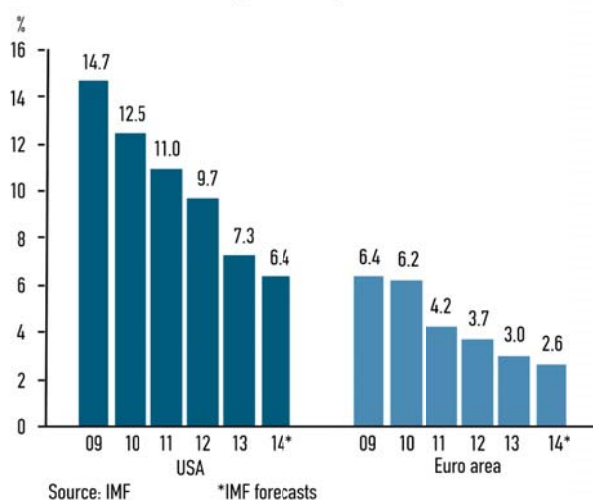
Most central banks kept their monetary policy extremely loose in 2013. In the US, the Fed continued its third round of quantitative easing, committing to buy up Treasuries at the rate of c. USD45 billion per month, besides the purchase of agency mortgage-backed securities at a rate of USD40 billion per month (in all, USD85 billion per month). During the course of the year (May 2013) the Fed first held out the prospect of the introduction of its tapering policy, by which it aims gradually to slow asset purchases, eventually announcing its launch in December 2013, to take effect in January 2014 (totalling USD75 billion per month). In Europe, the ECB cut its refinancing rate by 50 bps to 0.25% in 2013 (DIAGRAM 1.1.2) and introduced forward guidance rhetoric for short-term rates in light of ongoing economic anemia and increasing disinflationary pressures, committing to hold rates at current, or even lower, levels in the period ahead.

**DIAGRAM 1.1.2**  
SHORT-TERM INTEREST RATES



As regards public finances, in the US the deficit-to-GDP ratio contracted to 7.3% in 2013, from 9.7% in 2012, while in the euro area it dropped to 3.0% in 2013, from 3.7% in 2012 (DIAGRAM 1.1.3), reflecting the intention of the relevant authorities on both sides of the Atlantic to adhere to the current course of fiscal adjustment.

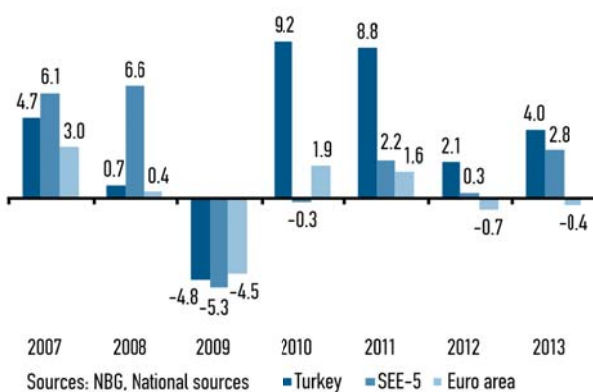
**DIAGRAM 1.1.3**  
BUDGET DEFICIT (% of GDP)



### SE Europe (SEE-5) and Turkey

In Turkey, growth accelerated significantly and banking sector performance remained strong. However, external imbalances worsened. The economic rebound was driven by strengthening domestic demand, despite tight liquidity conditions, as the authorities took measures to contain credit expansion at 15% and to limit surging foreign capital inflows in order to avert financial instability. Real GDP growth accelerated to 4% y-o-y from 2.2% in 2012. On a negative note, the current account deficit, the “Achilles heel” of this economy, widened to 7.8% of GDP from 6.2% of GDP in 2012. Note, however, that the widening of the current account in 2013 was driven exclusively by a temporary deterioration of the gold trade balance.

**DIAGRAM 1.1.4**  
REAL GDP GROWTH (%)

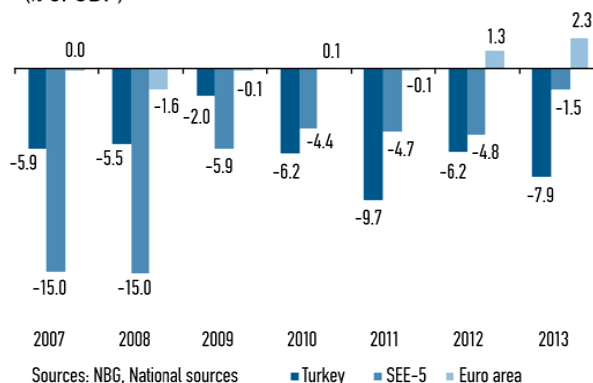


Against a backdrop of strong economic growth and despite tight liquidity conditions, the Turkish banking sector’s fundamentals improved somewhat and its

performance remained impressive. Specifically: i) ROAE stood at 14.2% in 2013, slightly lower than the 2012 outcome of 15.7%; ii) the ratio of +90 dpds to total gross loans receded to 2.8% in December 2013 from 2.9% in December 2012; and iii) the capital adequacy ratio moderated to 15.3% in December 2013 from 17.8% in December 2012, due to a surge in credit activity (up 32.2% y-o-y in December 2013 vs. 15.3% y-o-y in December 2012), but was well above the statutory threshold of 8.0%.

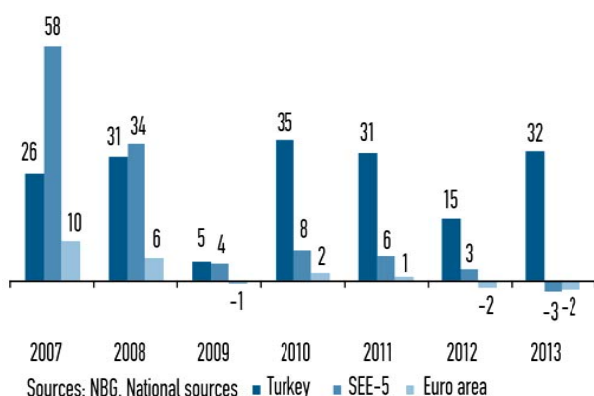
In SEE-5 (Albania, Bulgaria, FYROM, Romania and Serbia), economic activity accelerated, external imbalances moderated, and banking sector performance improved. The strong growth and adjustment of external imbalances were driven by buoyant external demand. Indeed, exports soared in 2013, on the back, *inter alia*, of increasing penetration into fast-growing regions outside the EU, the broadening export base (especially in the automotive sector, which currently accounts for 40% of exports of goods in the largest SEE-5 economy, Romania) and, to a lesser extent, the continued weak recovery in the region’s main trading partner, the euro area. Subdued domestic demand contributed to the reduction of external imbalances, reflecting lower foreign capital inflows and weak credit activity, due to the limited financing of the primarily foreign-owned banking sector by parent banks and the implementation of tighter credit rules. Real GDP growth in SEE-5 accelerated to the five-year high of 2.8% y-o-y in 2013 from 0.3% in 2012, and the adjustment in external imbalances, which began in 2009 in the wake of the global economic and financial crisis, gained momentum, with the current account deficit moderating to a record low of 1.5% of GDP in 2013 vs. 4.8% of GDP in 2012 and the all-time high of 15% of GDP in 2008.

**DIAGRAM 1.1.5**  
CURRENT ACCOUNT BALANCE (% of GDP)



Within a favourable operating environment, the fundamentals of the SEE-5 banking sector strengthened and performance improved. Indeed, i) the bottom line turned positive in the first three quarters of 2013, reaching an estimated €716 million vs. mild losses of €76 million in 2012; ii) the pace of creation of non-performing loans has slowed, as the ratio of problem loans to total gross loans deteriorated at a slower pace, ranging between 11.6% (FYROM) and 24.3% (Albania) in September 2013 vs. 10.5% (FYROM) and 22.8% (Albania) in December 2012; and iii) the capital adequacy ratio remained broadly stable at comfortable levels, ranging between 13.9% (Romania) and 19.9% (Serbia) in September 2013 vs. 14.9% (Romania) and 19.9% (Serbia) in December 2012.

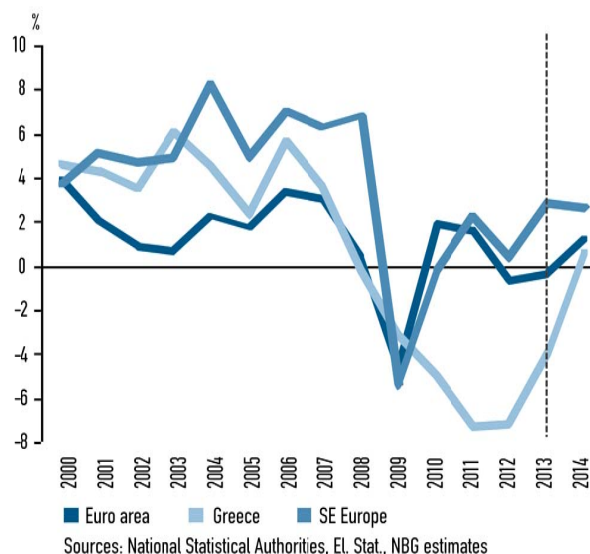
**DIAGRAM 1.1.6**  
CREDIT EXPANSION TO THE PRIVATE SECTOR  
(y-o-y % change)



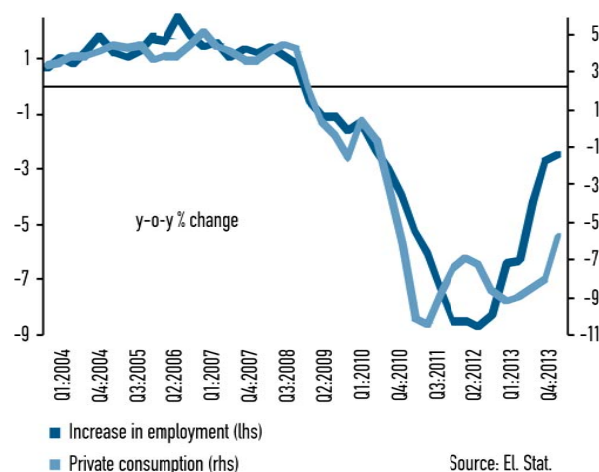
## 1.2 THE GREEK ECONOMY

After six years of severe economic contraction, the recession showed the first signs of easing in 2013, as the annual pace of GDP contraction stood at 3.9% vs. 7% in 2012. The easing of recessionary pressures became more noticeable in the second half of the year (GDP down by 2.7% y-o-y), led by a strong positive contribution of net exports (rise in exports, but mainly, ongoing decline in imports), while domestic demand looked less anemic, though still in a downward trend.

**DIAGRAM 1.2.1**  
GDP GROWTH (%)



**DIAGRAM 1.2.2**  
EMPLOYMENT & PRIVATE CONSUMPTION



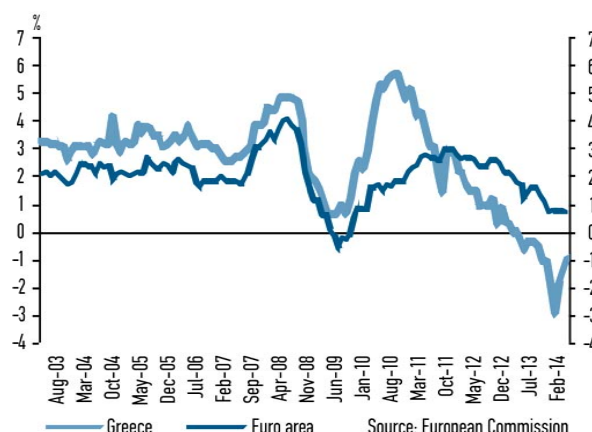
Private consumption remains on a declining path (down 6% y-o-y in 2013) that reflects the combined impact of wage adjustment (down 6.9% y-o-y in 2013), contraction in employment (down 4% in 2013), and declining levels of real estate wealth. Nevertheless, the business climate, as well as the performance of specific sectors, presented an improvement, particularly in tourism-related sectors, and capacity utilization rates in export-oriented industrial sectors showed a gradual return to their long-term averages. However, a broader based recovery in business investment was held back (fixed asset investment by businesses in fact declined by 4.1%) because of the

ongoing uncertainty about whether domestic demand has bottomed out and the extremely slow improvement in liquidity conditions in the private sector – despite the notable acceleration in the clearance of government arrears to the private sector. Against this backdrop, the trend for deleveraging, mainly by large corporate but also households, continued while the overall deposit base of the economy shrank by 0.4%, or €0.7 billion, vs. 2012.

Regarding residential investment, the housing market adjustment continued (residential investment contracted by 37.8% y-o-y in 2013, at constant prices), with the cumulative peak-to-Q4:2013 reduction in house valuations reaching 34% of GDP.

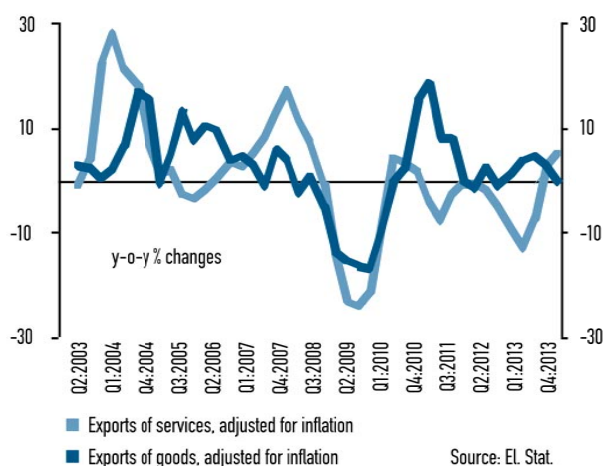
Net exports are estimated to have added 2 percentage points to real GDP growth in 2013, on the back of a further decline in imports (-5.3% y-o-y, in constant prices in 2013), and strong tourism service exports. It should be noted that total exports of goods and services increased by only 1.8% y-o-y, in constant prices, reflecting a stagnation of merchandise exports as a result of weakness among most of the euro area economies, as well as adverse trends in commerce among non-EU countries. Nevertheless, net receipts from tourism posted a strong increase (up 20% or 0.9% of GDP in 2013), while total imports of goods and services declined in nominal terms by 6.8% (or 2.2% of GDP). Accordingly, adjustment of the external balance continued at a strong pace in 2013, with the current account balance (Bank of Greece, Balance of Payments data) closing the year with a surplus, the first in decades (0.7% of GDP in 2013).

**DIAGRAM 1.2.4**  
HARMONIZED CPI

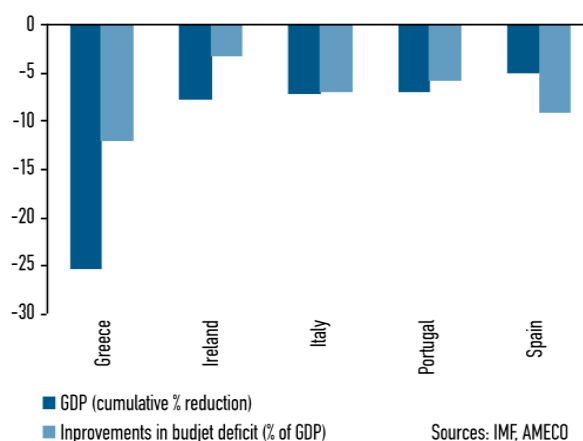


Labour market conditions remained challenging, despite the marked slowdown in the rate of contraction of employment in 2013 (down by 4% y-o-y vs. 8% in 2012). The rate of unemployment rose to a 45-year high of 27.5% in Q4:2013, amplifying the social costs of economic crisis and the concomitant pressure exerted on consumption and investment behaviour of households and businesses. The continued recession, coupled with the legislative changes in the labour market, led to further decline in unit labour costs (down by 6.9% in 2013 and 13.1% cumulatively from their peak in 2009), and reinforced disinflationary trends in the economy, as headline inflation fell deeper into negative territory in 2013 (down 0.9% y-o-y in 2013). In this light, the loss of competitiveness in terms of unit labour cost in the Greek economy – as compared with the country's main trading partners – seen in the previous decade, has been fully reversed.

**DIAGRAM 1.2.3**  
GREECE: EXPORTS OF GOODS & SERVICES  
– Constant prices



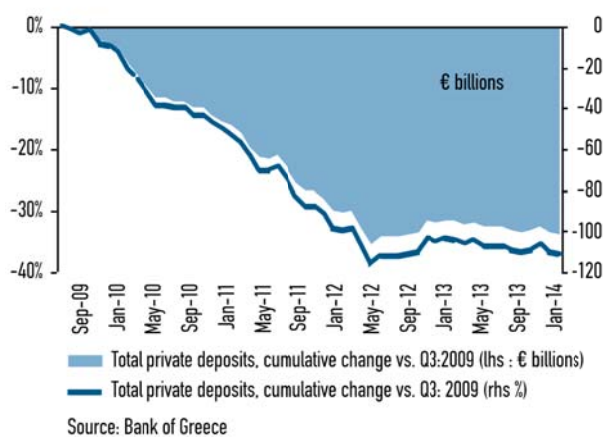
**DIAGRAM 1.2.5**  
IMPROVEMENTS IN BUDGET DEFICIT  
vs. CHANGE IN GDP



Greece's intensive efforts to address the large fiscal imbalances resulted in the first primary surplus in the general government budget in 12 years. The over performance in general government budget implementation in 2013 – vis-à-vis the Program target for a balanced budget – amounted to 0.8% of GDP (EU Commission estimates, excluding the impact of the net cost of supporting the banking sector and certain categories of extraordinary budget revenues). The adjustment was based mainly on permanent spending cuts, while revenues have gradually aligned with Budget targets, supported by a slowing in GDP contraction and some gains in tax collection efficiency.

Progress in the implementation of structural reforms continued, though at a slower pace than initially agreed, including the agenda for privatizations. The relatively slow progress reflects technical difficulties, poor market conditions and delays, which reflect in some cases conflicts with EU standards for competition in network industries and energy. Nonetheless, significant privatization progress of the second half of 2013 included the sale of a 31% government stake in Greece's gas transportation system operator (DESFA), agreed in June, and the sale of the betting company OPAP, which was concluded in Q4:2013.

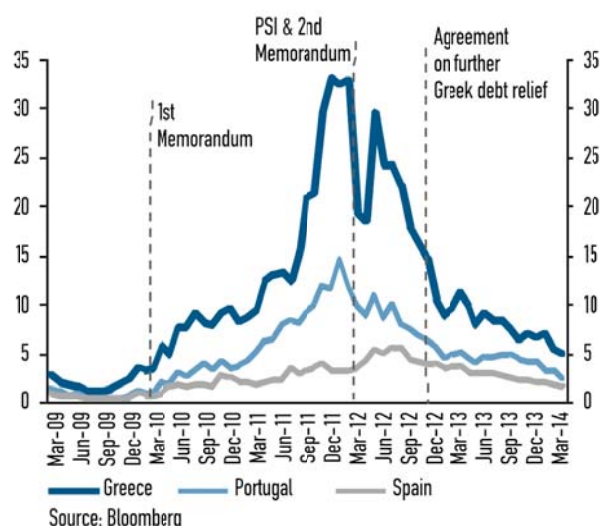
**DIAGRAM 1.2.6**  
TOTAL PRIVATE DEPOSITS



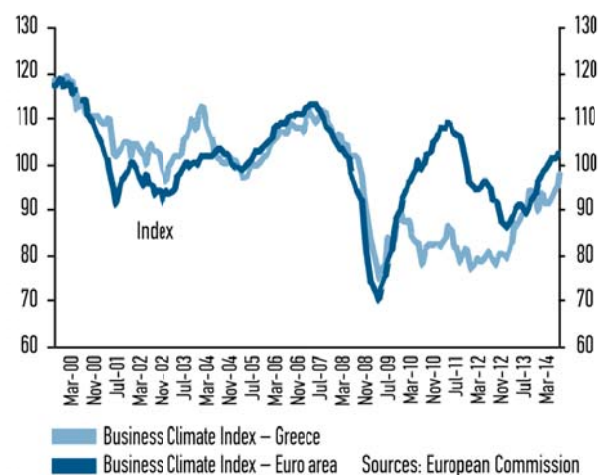
By July 2013 the 2nd and 3rd Reviews of the economic support program were successfully completed, leading to the approval of cumulative disbursements of €10 billion from the European Financial Stability Fund (EFSF), €1.5 billion in the form of refund of income on the ECB's SMP portfolio and revenue accruing to euro area national central banks in 2012, and €1.8 billion of IMF money. Another €1 billion, conditional on the achievement of additional program milestones, was eventually disbursed in December 2013.

In April 2014 the 4th program Review was completed, leading to the gradual disbursement of up to €12 billion by July, thereby covering the country's funding needs at least through to the end of 2014. The return of the Hellenic Republic to the capital markets in April 2014, with the issue of a syndicated 5-year bond, for the first time in four years, and the raising thereby of €3 billion, underscores the growing confidence in the economy and extends further the length of time for which the country's funding needs are fully covered.

**DIAGRAM 1.2.7**  
10 YEAR GOVERNMENT BOND SPREADS vs. GERMAN BONDS



**DIAGRAM 1.2.8**  
BUSINESS CLIMATE (COMPOSITE INDEX)



## Anticipated developments

With regard to macroeconomic developments in Greece, 2014 is expected to be the first year of positive growth following 6 years of recession. The adjustment in private consumption will continue in 2014 – albeit at a slower pace compared with 2013 (an estimated -1.8% y-o-y versus -6% y-o-y in 2013) – as labour market conditions stabilize (also improving consumer confidence), wage adjustment is levelling out, and some support to household real disposable income will come from continued disinflation of the economy and lower international prices of some consumer-related international commodities, already evident in H2:2013.

The support to economic activity from net exports is estimated to be broadly similar in 2014, reflecting a stronger export performance in the goods and tourism segments – as the economic climate in the euro area looks to be improving – while spending on imports will stabilize, as domestic demand picks up. Conditions in the labour market are expected to improve significantly from mid 2014 onwards, with the rate of unemployment for the whole year standing at around 26%.

In this vein, improving trends in export orders, favourable momentum in the tourism sector, and the restarting of large infrastructure construction projects as of early 2014 are expected to support investment, and thereafter, consumer spending. In addition, completion of the recapitalization of the Greek banking system, acceleration of the public sector investment program, and take-up of EU funds and other support initiatives (e.g., investment fund), in tandem with the steady recovery in the business climate, is expected to give further impetus to improvement in liquidity conditions in the Greek economy in 2014.

### **1.3 THE GREEK BANKING SECTOR**

In 2013, the Greek banking system underwent radical structural changes. The key factors behind this momentum were the successful bank recapitalization in mid-year and the series of mergers throughout the year that led to significant consolidation in the domestic banking sector. Another important event – the Cypriot banking crisis in April – had only a limited

impact on the Greek banking industry despite the close alignment of the two countries and the significant presence of Cypriot banks in Greece. The smooth transfer of the local networks of Cypriot banks to a Greek bank eliminated risk to depositors and the likelihood of contagion.

The wave of mergers and acquisitions had a significant impact on banks' balance sheets and financial results, while significantly increasing the level of consolidation. Banks recorded profit for the year, incorporating the positive impact of negative goodwill and capital buffers arising from the acquired banks. In the medium term the absorption of these franchises will generate substantial synergies coming in the form of operating and funding cost reductions. In the same vein, the collective wage agreement signed with OTOE, the Greek banking sector union, in July 2013 contributed to a further reduction in the wage bill by almost 10%. Voluntary early retirement schemes implemented across a number of banks also played a significant role, resulting in the exit of over 6,000 bank employees during 2013.

The banking system underwent a tectonic shift that led to the formation of a new banking landscape, with fewer yet stronger banks, and the gradual elimination of excess capacity and better leveraging of synergies. According to data at 30 September 2013, the four systemic banks controlled more 91.6% of domestic bank assets, compared with 63.4% in 2009 (Bank of Greece, Governor's Annual Report for 2013, published in February 2014).

In 2013, new loan delinquencies posted a slowdown compared with 2012, the year in which NPL formation hit a record high. However, asset quality continued to deteriorate, remaining under pressure due to ongoing recessionary forces in the economy and rising unemployment levels. As a result of these factors, the cost of risk, though lower, nevertheless remained high, burdening the financial results of banks as it constituted the key negative factor burdening profitability.

The total deposit base of the Greek economy has recovered from the 8-year low level of June 2012, increasing by 8.1% (or €14.2 billion) in the July 2012-December 2013 period, although this favorable trend lost momentum since April 2013 following the

introduction of the “bail in” strategy in the banking crisis in Cyprus in this period. This, coupled with ongoing balance sheet deleveraging, led to a significant improvement in the liquidity of domestic banks thereby enabling them to reduce their dependence on ECB funding and drastically decrease at industry level – or even eliminate altogether, in the case of some banks – the need to raise funds via the local ELA emergency liquidity mechanism.

With the completion of the capital raising process in June 2013, banks’ capital ratios were restored, placing the EBA Core Tier I ratio at the level of 11.9% for banking groups (Bank of Greece data at end June 2013).

Nevertheless, the Bank of Greece conducted a follow-up stress test on the basis of end-June 2013 data to update banks’ capital needs, as envisaged in the Memorandum. The resulting capital needs for all Greek commercial banks were estimated under the Baseline Scenario at €6.4 billion. The Bank of Greece requested banks to submit their capital plans by mid-April 2014 to cover the additional capital needs. Following that, Piraeus Bank, Alpha Bank, Eurobank and NBG went ahead with new capital increases so as to address their capital needs and create an effective capital buffer.

The Greek banking system is engaged in a process of restructuring and recovery following its recapitalization by the Hellenic Financial Stability Fund (HFSF), the recovery and stabilization of deposits – reflecting the significant improvement in confidence in the prospects of the country and its banking system – the drastic reduction in operating costs and the sustained reduction in the level of new loan impairments. These trends are expected to strengthen going forward as the economy returns to a growth trajectory. Last, the banks’ capital increases in 2014 will further strengthen their capital structure and shield them against risks in the future.

SECTION **2** ACTIVITIES OF THE GROUP IN GREECE

## 2.1 RETAIL BANKING

As at 31.12.2013, the Group's retail loan portfolio before provisions totalled €43.2 billion, down by 5% y-o-y, of which €29.1 billion concerned the Bank's retail loan book.

### Mortgage lending

2013 was the sixth consecutive year of recession of the Greek economy, with very high unemployment (circa 27%), reductions in nominal wages (by over 30%), and even higher taxation, which led to a contraction in disposable incomes. During the course of the year, real estate prices fell by 10.5%, vs. 11.8% in 2012 and 5.5% in 2011. Since Q3:2008, the prices of real property have undergone a cumulative reduction of 34.3%, while a further small reduction is expected in 2014 as well.

The volume of new housing loans remained particularly low in 2013, at €28 million vs. €48 million in 2012. The average loan-to-value (LTV) ratio of loans approved within 2013 was 54.5% vs. 62.8% in 2012. The payment-to-income (PTI) ratio fell to 21.0% in 2013 vs. 25.1% in 2012. The loan approval rate in 2013 stood at 49.0%. The average pricing margin rose to 362 bps, at the same levels as in 2012, but higher than the respective margin in the period 2009-2011. Factors that had a negative impact were the significant fall in demand and the implementation of very strict lending terms.

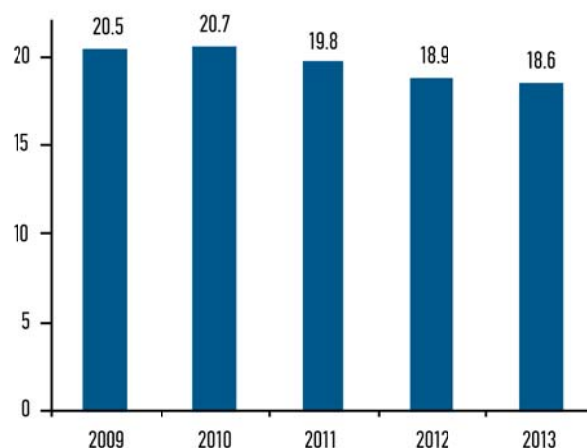
As at 31 December 2013 NBG's mortgage loan book before impairment provisions stood at €18.6 billion vs. €18.9 billion a year earlier.

In 2013, +180 dpd loans continued to rise, though at a slower pace than in previous years. The Bank focused on proactively addressing customers facing difficulties in meeting their loan repayment obligations. For instance, it implemented debt restructuring and rescheduling packages with lengthening of the loan term for customers still repaying their obligations normally or whose debts are only slightly in arrears. In addition, for +90 dpd loans the Bank implemented respective debt rescheduling packages, which offer the option to repay part of the instalment due adjusted to the borrower's disposable income. Loan rescheduling

measures include the option to extend the loan term up to a total of 45 years, with the interest margin at 30 bps over their previous rate, subject to minimum margin of 200 bps.

As at 31 December 2013 the Bank's restructured mortgage loan book (after provisions) stood at €3,918 million.

**DIAGRAM 2.1.1**  
**NBG MORTGAGE LOANS**  
**(BALANCES AT YEAR END - € BILLIONS)**



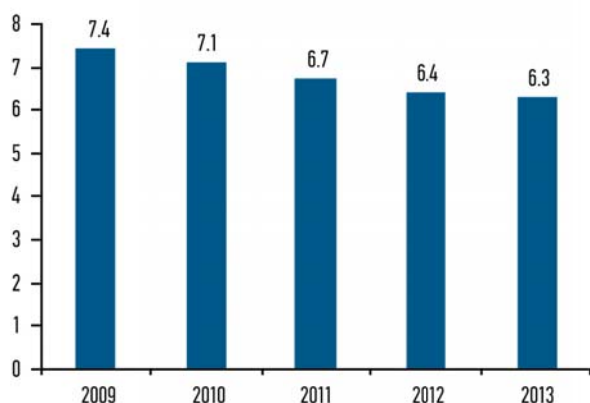
### Credit cards and consumer loans

In 2013 the Bank continued its strategy to enhance liquidity by encouraging customers to use debit cards through POS, cleaning up its credit card portfolio, and providing assistance packages to customers presenting a strong likelihood of default.

It also absorbed the healthy card portfolios of FBBank and Probank, in the context of their merger with NBG.

In particular, with respect to debit cards, the Bank continued to focus its strategy on increasing their use through POS machines for the purchase of products and services. To this end, it launched "Your small change turns to gains", a transaction reward programme that has proved very popular: monthly debit card turnover through POS increased by 50% and active POS accounts grew to over 40%. The strong turnover dynamic continued even after the programme ended, demonstrating the margins for further penetration of debit products in the Greek market.

**DIAGRAM 2.1.2**  
**NBG CONSUMER LOANS**  
**(BALANCES AT YEAR END - € BILLIONS)**



In addition, the Bank launched in October its Virtual Prepaid MasterCard, rounding off its range of services with a purely e-banking product. The card is offered to the Bank's existing Internet Banking customers and enables them to carry out online transactions. It has already proved to be popular, and in less than a year more than 8,000 cards were issued.

The Bank continued to focus on qualitative expansion of its portfolio, by supporting reward and cash-back programmes, placing particular emphasis on its "go" cards and "go National" customer loyalty programme that enable cardholders to enjoy cash bonuses and special offers via partner retailers.

Furthermore, as part of its social responsibility actions, the Bank ran its "go for Kids" programme three times in 2013, by which the Bank gives a part of its card turnover to support various not-profit organizations that support children in need.

With respect to consumer loans, the Bank's aim has been to support customers who continue to face problems in repaying their debts due to the persistence of the adverse economic environment in 2013. Specifically, the Bank:

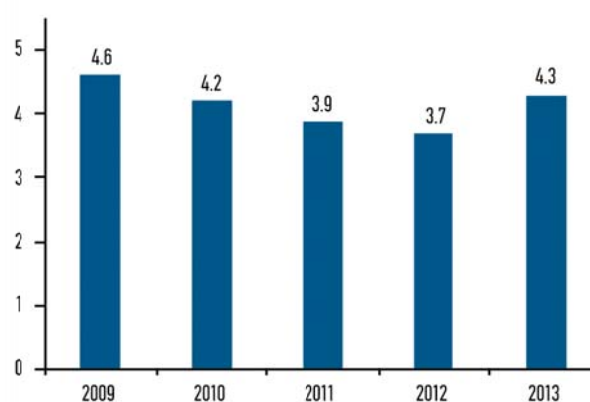
- offered debt rescheduling packages in order to formulate a realistic and sustainable repayment schedule.
- offered the said packages with the option to register a prenotation on real estate. In this case, a much lower interest rate and the maximum repayment term are offered, the

combination of which leads to a reduction of the instalment to a very low level, as well as the total cost of the credit, while at the same time it enhances customers' likelihood of meeting their loan repayment obligations. At an ever increasing rate, the Bank's customers are electing for prenotation on real estate as collateral in order to improve the financial terms of their debt rescheduling.

### Lending to small businesses

Against a harsh economic backdrop, NBG continued to support healthy SMEs by providing essential liquidity, as well as enterprises facing difficulties in servicing their financial obligations. Lending to small businesses with turnover below €2.5 million at year end stood at €4.3 billion vs. €3.7 billion a year earlier, including the portfolios of former FBBank and Probank (DIAGRAM 2.1.3).

**DIAGRAM 2.1.3**  
**NBG LENDING TO SMALL BUSINESSES**  
**WITH TURNOVER BELOW €2.5 MILLION**  
**(BALANCES AT YEAR END - € BILLIONS)**



With a view to enhancing domestic economic activity, NBG provided financing for businesses that are to cover working capital needs as well as investment plans of older and newly launched businesses, the main tool being the provision of credit through co-funded programmes. Through the said programmes, i.e. the JEREMIE initiative (in cooperation with the European Investment Fund), and ETEAN actions, the Bank granted loans to SMEs totalling some €46.5 million, under particularly favourable terms.

Through an agreement with the European Investment Bank, the Bank received lending with a view to

directing financing to healthy businesses, under more favourable terms than those of other loans of similar type, totalling €11.5 million.

NBG continued to help customers repay their obligations by means of various rescheduling and restructuring programmes. As at 31.12.2013 the total balance of such facilities stood at €825.5 million.

## 2.2 BUSINESS BANKING

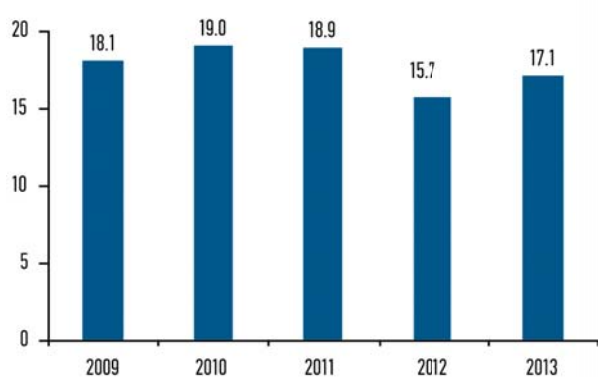
The business loan portfolio (for businesses with turnover over €2.5 million) in Greece grew by 8.9% y-o-y to €17.1 billion, including the portfolios of former FBBank and Probank (DIAGRAM 2.2.1).

### Corporate lending

In 2013, the market showed signs of stabilization vs. the recessionary spiral of 2012, which helped sustain the quality of the Bank's corporate lending portfolio.

In 2013 the Bank sought to assist businesses in their efforts to meet their obligations in the face of the ongoing crisis and accordingly continued its policy for rearranging and rescheduling loan repayments under terms adjusted to the needs of each firm and by enhancing the collateral accordingly.

**DIAGRAM 2.2.1**  
NBG LENDING TO BUSINESSES  
WITH TURNOVER OVER €2.5 MILLION  
(BALANCES AT YEAR END - € BILLIONS)



In light of the increased need for restructuring of corporate loans, the Bank continued to undertake initiatives in coordinating and organizing syndicated solutions through a team of specialists, at the same time enhancing fee and commission income.

NBG's total lending to corporations declined in 2013 as scheduled repayments exceeded new lending, yet remained unchanged in total from 2012, at €6.1 billion, due to the absorption of former FBBank and Probank portfolios.

With the increased need for rescheduling and restructuring of a large number of loans raised through bond issues, deriving both from NBG's corporate banking portfolio as well as the portfolios of peer banks, the Bank was particularly active, again in 2013, in coordinating and organizing bond loans. Specifically, NBG participated in 55 new bond issues in total: 41 on a syndicated basis, with NBG acting as issue coordinator and organizer in 27, and as co-organizer (though coordinated by other banks) in 12.

### Project finance

In 2013, the project finance portfolio in Greece grew by 30%, reflecting mainly the strengthening of the participation of Greek banks in the funding of motorway concession projects, in the context of the successful conclusion of negotiations between the Hellenic Republic, concessionaires and lending banks. This development is expected to boost the domestic project finance portfolio through to the beginning of 2016, whereupon the construction of the outstanding sections of the national inter-city motorway network should be completed.

In 2013, a decision was taken on the financing of the first Public-Private Partnership (PPP) project, while it is expected that PPP projects should gain momentum within 2014, particularly in the area of urban solid waste management.

On the other hand, the project finance portfolio abroad posted a decline, mainly due to withdrawal from projects that held out low benefits for the Bank, and to the repayment of loans. Developments in the lending portfolio are set out in TABLE 2.2.1.

### Lending to medium-sized businesses

The Bank continued in 2013 its strategy to support the investment plans of medium-sized businesses facing the impact of the economic recession, by providing the liquidity needed to sustain the operations of business customers presenting positive prospects.

The Bank also gave tangible support to efforts to bring the Greek economy back on a growth path by actively participating in programmes designed to enhance investment and business plans, leveraging sources available through NSRF 2007-2013 funds.

More specifically, the Bank participated in the provision of low-interest loans to businesses co-funded by the National Fund of Entrepreneurship and Development (ETEAN SA).

NBG also participated in the ETEAN SA programme for issuance of letters of guarantee to business suppliers, in the framework of the "Export Orientation" programme for financing export credit.

It also contributed to the containment of businesses' funding costs, with the provision of funds through the European Investment Bank.

It is notable that the Bank, through the acquisition of the healthy portfolios of former FBBank and Probank, broadened significantly its business activity in the SME sector.

## Leasing

The slowdown in economic activity and the negative rates of credit expansion had a significant negative impact on the leasing sector, due to customers' declining liquidity, reluctance to develop investment plans, and increased delinquencies.

Against this backdrop, Ethniki Leasing continued the portfolio deleveraging process, its leases outstanding falling by around 8.3% (€551 million in 2013, compared with €601 million in 2012). Nevertheless, new financing

grew by 50% vs. 2012 (€57 million in 2013, vs. €38 million in 2012), reflecting our efforts to contribute to the generation of new investments and to support viable customers.

In light of the general adverse circumstances, Ethniki Leasing maintained its capital adequacy ratio at levels higher than the minimum requirements as per the relevant BoG Governor's Act. More specifically, as at 31 December 2013, the company's CAR, which is calculated in line with Basel II rules, stood at circa 18%.

## Shipping

In 2013, the financial environment continued to be particularly harsh. The liquid cargo market remained at the sluggish pace of the past years, while the bulk cargo market showed signs of improvement, and interest in the purchase of vessels picked up somewhat. The Bank continued its long tradition of supporting Greek-flagged shipping, offering new financing arrangements – on a selective basis – to existing customers, at conservative rates of financing and higher prices. In addition, NBG placed emphasis on improving the prospects of repayment of existing loan exposures and collecting related collateral, when needed, while it arranged rescheduling of loan instalments when this was deemed expedient, special focus being placed on the portfolio that came into the Bank's possession with the acquisition of former FBBank.

Against this backdrop, the quality of the loan portfolio remained satisfactory with the coverage ratio (loans-to-collateral) standing at 112%. 45% of the shipping portfolio corresponds to loans for vessels under 5 years old, while the average age of the mortgaged fleet

**TABLE 2.2.1**

	31/12/2012		31/12/2013		Change 2013/2012
(€ million)	Number of projects		Number of projects		
Loans to domestic projects	9	€101	10	€131.3	+30.0%
Loans to projects abroad	12	€329	10	€286.7	-12.9%
	<b>21</b>	<b>€430</b>	<b>20</b>	<b>€418.0</b>	<b>-2.8%</b>

is 13 years.

As at 31.12.2013, shipping financing amounted to USD2.7 billion vs. USD2.3 billion a year earlier. The greater part of the loan book concerns dry cargo vessels (44%) and tankers (33%).

At the same time, the Bank managed to increase significantly the deposits deriving from its shipping customers.

In 2014, the nascent signs of revival following the downturn of the previous years are expected to gain momentum as a result of the absorption of excess supply of tonnage and the formation of new trends in the market.

### Global transaction services

NBG's main priority has been to support exports, which comprise an important pillar in the drive to reboot the Greek economy and the future growth of the country.

NBG's recent distinction as "Greece Best Trade Finance Bank 2014" awarded by Global Finance magazine for the second year in a row reflects the emphasis that NBG places on trade finance and especially exports, as well as the confidence shown in it by the international business and banking community. The Bank's international standing ensures Greek enterprises the best possible terms in their endeavours to penetrate the global marketplace.

### Managing loans in arrears

In 2013, the creation of new loans in arrears slowed significantly relative to previous years, reflecting the gradual stabilization of the economic environment. The Bank's Units stepped up their efforts to achieve the best possible yields in liquidating and settling the portfolio of business NPLs.

Accordingly, the Bank focused on developing an effective strategy for the liquidation of receivables in order to deal with new, increasingly complex cases, which usually need to be addressed on a case by case basis, and endeavoured to achieve out-of-court settlements/workouts alongside ongoing legal proceedings.

These steps were taken against a backdrop marked by:

- ongoing economic recession, the impact of which has been severe for existing and new debtors in default.
- increasing resort by debtors to protection measures against creditors.
- a constantly shifting legal and regulatory framework, which restricted the Bank's ability to move ahead with liquidation of claims through the courts.

The Bank continues its effort to apply innovative procedures, placing special emphasis on finding solutions for timely settlement of the NPL portfolio, so as to aid the reform process of businesses and minimize future losses, leaving injunction proceedings as a last resort.

## 2.3 ASSET MANAGEMENT

### Deposits – Investment products

As at 31.12.2013, NBG's deposits outstanding rose 13% y-o-y to €43.7 billion (including the deposits of absorbed FBank and Probank). NBG's market share posted growth, both in respect of total deposits (up 2.4 pps from 22.3% to 24.7%), as well as in the various individual categories. More specifically, market share of first demand deposits improved by 2.4 pps (sight and current deposits up 7.9 pps and savings deposits up 0.2 pps) and time deposits by 3.0 pps.

With regard to its deposit mix, NBG managed to maintain its comparative edge vs. its peers in terms of cost.

In addition, with a view to retaining and further expanding its deposit base, the Bank continued its efforts to market its products dynamically. For example:

- it stepped up its efforts to market "NBG Sight Account", as the special privileges offered encouraged beneficiaries to increase their account balances and carry out their

transactions via such accounts (payments, payroll servicing etc.);

- it endeavoured to attract salaried employees of the private sector, as well as employees of the public sector and public entities (especially municipalities);
- it enhanced the servicing of beneficiaries of farming subsidies, by crediting the relevant amounts to their accounts, and the penetration in the said customer category by forging collaboration with farmers' cooperatives;
- it enriched the range of products offered with new initial guaranteed capital products.

As part of the restructuring of the Greek banking sector, in 2013 NBG absorbed and consolidated the businesses of the healthy part of FBBank and Probank. This enterprise was particularly demanding, given the fact that the transition of all the products, services and customer relations of each absorbed bank was completed within a very tight schedule so as to ensure that customers were provided services seamlessly across the entire NBG branch network.

In 2013, the Personal Banking customer base – which includes customers with balances over €60,000 – was expanded, as:

- 454 accredited Personal Banking officers handled funds worth €14.5 billion, thereby playing a decisive role in sustaining the Bank's liquidity and enhancing its capital adequacy.
- The Personal Banking officers managed approximately 45% of total funds under management at NBG branches and over 75% of time deposits held by retail customers.

### Mutual funds

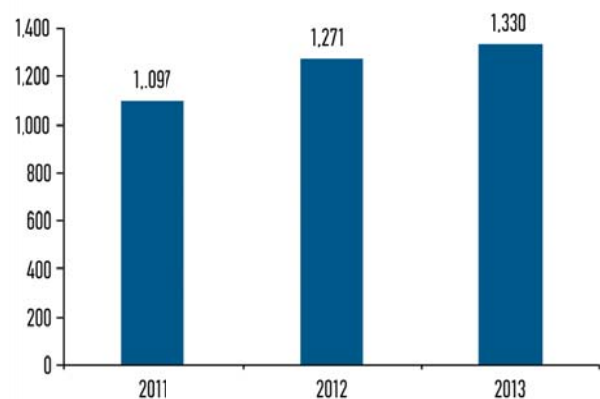
In 2013, 90% of the mutual funds and 100% of the order books managed by NBG Asset Management Mutual Funds SA outperformed their benchmarks, while in terms of assets under management outperformance rates were 97% and 100%, respectively.

According to data of the Hellenic Funds & Asset Management Association, in 2013 the mutual funds managed by the company gained preeminent places in the Greek market. The Delos Income–Domestic Bond Fund gained first place among Greek Bond Funds. Indeed, this mutual fund product succeeded in attracting international recognition, since according to an article in the Wall Street Journal it ranked first place worldwide among all bond funds.

In 2013, the NBG SICAV-Global Equity B and DELOS Green Energy–Equities International products gained first place in the Developed Market Equity Funds and the International Equity Funds categories, respectively.

Total assets at NBG Asset Management deriving from mutual funds and portfolio management amounted to €1,330 million, up 4.6% y-o-y (DIAGRAM 2.3.1). The company's market share as at 31 December 2013 stood at 15.6%.

**DIAGRAM 2.3.1**  
TOTAL ASSETS OF NBG ASSET MANAGEMENT  
MF SA (BALANCES AT YEAR END - € MILLIONS)



NBG Asset Management Mutual Funds SA manages 21 DELOS Mutual Funds and 3 SICAV funds of NBG International, which is registered in Luxembourg. The clientele is particularly wide and consists of over 46,700 shareholders, 70 of whom are institutional investors (pension funds and organizations).

As at 31 December 2013 funds under management stood at €353 million, up 43.5% vs. 2012.

## Private Banking

NBG Private Banking managed to stand by its clientele and retain their confidence, providing information on financial and economic developments and offering a wide range of investment options, depending on each customer's investment profile and risk appetite. Clear proof of the confidence shown by customers in NBG was their significant contribution to the successful completion of the Bank's recapitalization process as well as the modest repatriation of capital from abroad following the practical elimination of the risk of a Greek exit from the euro and the de-escalation of uncertainty and instability. Funds under management posted a rise of 9% y-o-y to €1.95 billion.

## **2.4 INVESTMENT BANKING**

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### Treasury

2013 was a year of reversal of trends vs. the period 2010-2012. Following the Bank's successful recapitalization in the second half of the year, signs of improvement in the economic climate began to multiply.

The most important sign concerns liquidity. The cost of raising liquidity remained low – the lowest of the whole Greek banking system – and improved significantly. More specifically, the margin of the interest rate offered for time deposits over euribor fell from 329 bps to 249 bps.

In 2013 the prices of Greek bonds issued post-PSI continued their upward course (the yield fell to below 7% for the bond maturing 2023), reflecting the improved economic climate and increasing confidence in Greece. NBG managed to maintain its leading role in this market.

In addition, the Bank played a significant role as a Primary Dealer of bonds issued under the euro area Support Mechanisms (EFSF and ESM) for yet another year, actively participating in all the syndicated issuances and auctions of bonds and T-bills of these organizations.

Lastly, the Bank participated in the issuance of Greek T-bills, thereby contributing to the ongoing funding of the country's short-term needs.

## Brokerage

Despite the ongoing economic recession, 2013 was a positive year in terms of brokerage business, with the ATHEX General Index rising by 28.1%, while the average daily trading volume posted a significant increase of 66.9% (€86.6 million in 2013 vs. €51.9 in 2012). A significant role in this positive performance of average daily trading volumes was played by:

- share capital increases by players in the banking sector
- the classification of the Athens Exchange (ATHEX) as an emerging market

The participation of foreign institutional investors increased to 48.5% vs. 29.0% in 2012.

NBG Securities ranked second in the ATHEX ranking list, with an 11.7% market share, and first in FTSE/ASE Large Cap futures contracts, with a 22.9% share. Furthermore, it gained a preeminent place in most futures contracts.

In 2013, the analysis department further enhanced the quality and range of its products and as a result strategic analysis is offered for the market, while more detailed information and secondary analysis on international markets are provided on a daily basis. In 2013 the analysis departments ranked second according to a survey conducted by Extel, while NBG Securities was named "Greece Leading Brokerage Firm".

### Capital market operations

Since the beginning of 2013 the Bank's investment banking operations have been incorporated into NBG Securities, with a view to leveraging the synergies that arise. In this context, the NBG Group provided a wide range of services in the fields of corporate finance, and stock and bond issuances, thereby boosting market share within an extremely harsh environment. More specifically, the Group:

- acted as advisor to the Hellenic Republic Assets Development Fund (HRADF) for the successful privatization of OPAP SA,

- acted as advisor to Coca-Cola Tria Epsilon AG, in the context of the voluntary public offering for the acquisition of Coca-Cola Hellenic Bottling Company SA,
- provided an expression of opinion to the Board of Hellenic Telecommunications SA (OTE) regarding the fair and reasonable consideration for the sale of Cosmo Bulgaria Mobile EAD (Globul),
- acted as a coordinator and book-builder for the bond issued by Hellenic Petroleum SA,
- acted as bookrunners in NBG's share capital increase.

### Private equity

In 2013 the funds managed by NBGI Private Equity (NBGI) channelled circa €14.0 million into three new investments and €20.6 million to existing ones. Within the year two investments were exited, generating proceeds of circa €22.9 million, while a further investment exit was agreed, which is expected to generate income of €11.4 million in the beginning of 2014.

As the economic crisis has started to wane, the returns of certain portfolios have begun to recover, while some other businesses continued to be negatively affected. Nevertheless, through the active management of NBGI investment teams and the support of sector advisors, the Group continued to support businesses so as to address the difficulties they faced. The region, however, continues to face problems, such as the recovery rate in Greece and the political turbulence in Turkey, which continue to affect the valuations of the various businesses which NBGI manages in these countries, despite the dynamic and steady management of the said businesses.

### Custodian services

With its long-standing and dynamic presence in custodian services in Greece, NBG plays a leading role in the specialized post-trading environment, participating in related international and domestic bodies such as the Hellenic Bank Association, Hellenic

Exchanges SA, ECB/T2S, COGESI Group, and the EBF/Post Trading Working Group.

The persistent low level of activity in every kind of investment service, as a result of the crisis, has inevitably had a direct impact on custodian activities while also depriving local custodian service providers of significant competitive advantages because of their low credit ratings. Despite the extremely adverse environment, NBG managed to mitigate the impact of the crisis by maintaining excellent business relationships with its clientele and providing top-class tailor-made services.

NBG's record of success and high-quality services have once again been recognized by its Greek and international institutional customers, who awarded NBG's custodian services, for the 5th consecutive year, the title "Top Rated" in the annual survey conducted by Global Custodian, gaining top marks for services provided to institutional clientele at the domestic and international level.

## **2.5 STRATEGY FOR OPERATIONS UPGRADE**

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### Branch network

NBG's branch network has played a crucial role in the implementation of its strategy, as:

- it is constantly in contact with customers, with a view to servicing them in the best way and to maintaining mutually beneficial relationships,
- provides a wide geographical and population coverage, having a dynamic presence even in remote or economically weaker areas of the country,
- is a service point for millions of customers and their transactions (in 2013, 6 million customers were serviced and carried out more than 200 million transactions).

In 2013 the branch network continued the significant role it plays in enabling the Bank to achieve its frontline targets:

- sustaining liquidity
- cleaning up the loan books
- increasing share capital

In addition, in the context of the absorption of the healthy part of former FBBank and Probank, NBG consolidated their network (19 branches ex FBBank and 112 ex Probank) both in terms of servicing customers and maximizing ex-FBB and ex-Probank staff potential.

At 31.12.2013 NBG's network totalled 540 branches, up 29 on the previous year.

With a view to further improving the organizational structure and profitability of the branches and the upgrading of the services offered to customers, the Bank launched a series of actions at the end of 2013, which will be completed within 2014:

- to develop a new, fully customer-focused operation model for the branches. The network is organized so as to be manned with experienced personnel for full service of each customer segment (retail, personal banking, business banking) across the entire range of their banking needs.
- to set up a total of 17 corporate branches throughout Greece – 4 of which have already launched operations – focusing on top-class corporate clientele servicing.
- to take targeted actions for channelling a part of the transactions carried out by tellers to electronic networks, including the development of the successful i-bank store model.

NBG's network, staffed by about 6,000 employees, will continue in 2014 to actively support efforts to restore the Greek economy to a growth path and fully meet the banking needs of household and businesses.

## Alternative networks

In 2013, NBG placed strategic emphasis on the development of alternative channels, not only to help contain operating costs, but also because they are proving highly popular with customers.

NBG's i-bank has established itself as an umbrella for customer-focused banking services through alternative delivery channels (i.e. via fixed or mobile phone, internet, ATM and APS).

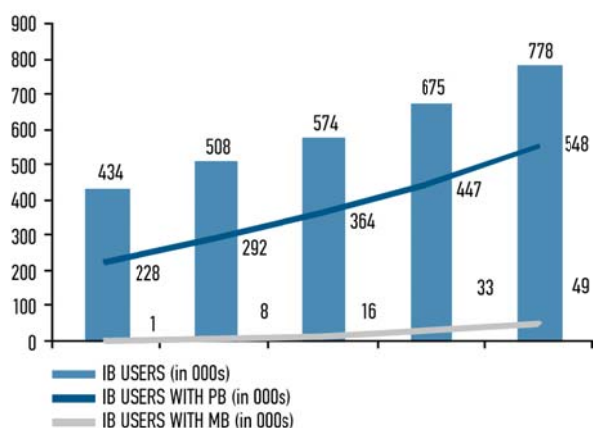
In 2013 the Contact Center was the main support channel for the Bank's business and participated in the absorption of former FBBank and Probank and the integration of new services (Simple Pay, MasterCard Secure Code, Virtual MasterCard). The support activities offered by the Contact Center to the branch network through help desks posted 40% growth in turnover.

3.5 million incoming calls, 500 thousand outgoing calls and 200 thousand back office operations were serviced. Stock broking transactions worth a total of €149 million (30% of the Bank's total) and banking transactions worth €14.5 million were carried out, and consumer credit products worth €3.6 million were granted.

There were over 400,000 unique visits to the four i-bank stores, and 85,000 banking transactions were carried out.

The Bank's upgraded web portal, at [www.nbg.gr](http://www.nbg.gr), leveraging state-of-the-art technologies, provided real time information about the Bank's and the Group's activities, the overall corporate image of the NBG Group, and the products or services offered to individuals and businesses. In 2013 it attracted an even greater number of visitors, up by 33%.

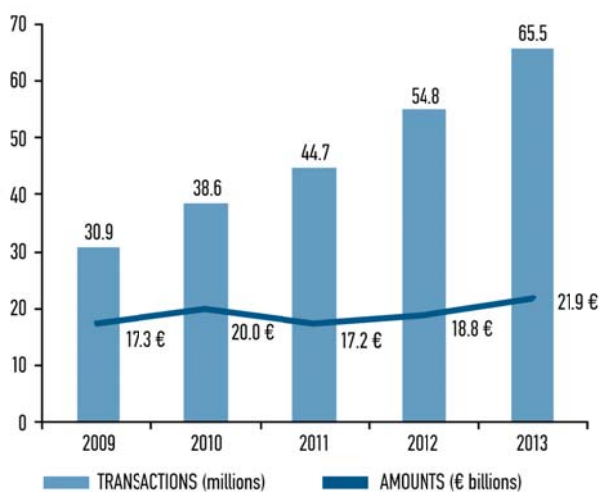
**DIAGRAM 2.5.1**  
INTERNET, PHONE AND MOBILE BANKING  
SUBSCRIBERS



In 2013 the use of internet, phone and mobile banking networks posted a steady increase.

Internet banking subscribers totalled 778,000, and 63 million transactions worth €22 billion were carried out (DIAGRAMS 2.5.1 & 2.5.2).

**DIAGRAM 2.5.2**  
INTERNET BANKING TRANSACTIONS



At 31.12.2013 the Bank ran 1,398 ATMs. Transaction volume at ATMs grew by 2.8 million vs. 2012 (DIAGRAM 2.5.3) to 103.4 million transactions worth a total of €15.6 billion.

**DIAGRAM 2.5.3**  
ATM TRANSACTIONS (€ billions)



### Technological upgrade

In line with its strategic business plan, the Bank developed applications to support the share capital increase, and the switchover and incorporation of all the systems of ex FBBank and Probank.

In addition, priority was placed on the service oriented architecture of the Bank's customer management systems, and the implementation of customer relationship software.

With a view to providing the Bank's customers (individuals and businesses) with first-class, easy-to-use and cost-effective services and at the same time fulfilling the principle of IT integrated application architecture and the use of state-of-the-art, flexible technologies, new integrated platforms for the Bank's alternative networks and its investment products were launched.

In the area of Compliance, systems for reporting to central government and supervisory authorities and new functionalities arising from the introduction of new banking legislation were developed. In addition to these there was also the audit carried out by BlackRock.

The main targets for 2014 are to maintain uninterrupted operational running of applications and the timely completion of project phases for:

- the new Deposits System,
- the integrated Payments platform,
- the integrated Business Credit platform
- Management and Financial Reporting,
- the new accounting approaches under IFRS,

- the new Card Management System,
- the new system for Internet and Mobile Banking,
- the new IT system for the branch network (my NBG),
- the new system for submission and management of loan product requests (i-Apply), and
- the integration of Group Treasury systems.

It is worth noting that, as regards our domestic and international subsidiaries, the following projects were carried out in cooperation with Ethnodata SA, one of the Group's companies:

- deployment of a pioneering system for the offering by the Bank of Motor Bancassurance products in cooperation with Ethniki Insurance,
- implementation of the new internet payment platform "i-bank Simple Pay" also available to non-customers of the Bank,
- implementation of a new integrated IT platform (Core Banking, BI, AML/KYC, Internet Banking, etc) for National Bank of Greece (Cyprus) Ltd,
- completion and incorporation of the latest regulatory requirements on AML/KYC into our international subsidiaries' systems,
- launch of systems for collections, as well as for loan and rescheduling applications (APS) at the Group's international subsidiary banks, in line with the new Group model.

In 2014, at domestic and international Group companies the tasks outlined above will be continued, together with installation of the new system for filing and integrating the financial statements of the Group's subsidiaries (Financial Consolidation).

## 2.6 NBG OMBUDSMAN

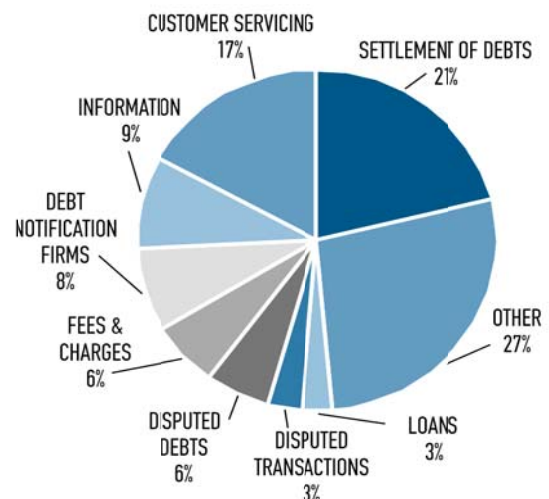
The NBG Ombudsman aims at maintaining the valuable relationship of trust that the NBG Group has built with its customers, by operating on an independent basis as a unit for the amicable settlement of disputes in matters concerning NBG and Ethniki Insurance, before the customer resorts to judicial or other proceedings.

In 2013, the NBG Ombudsman enhanced customer confidence in NBG and Ethniki Insurance, believing in a transaction relationship that places the customer at the centre of focus. It listened to customers' problems, seeking mutually acceptable solutions, while serving as advisor and assistant in the dispute intermediation process. The impact of the economic crisis continued to determine the nature of most of the complaints. Of the total complaints investigated (and which properly fall within the Ombudsman's jurisdiction), 77% were successfully resolved, and 83% were processed within the space of just one week.

In 2014, the NBG Ombudsman aims at:

- maintaining a high-quality of service in an environment that sees considerable shifts in customer behaviour and requirements,
- continuing to promote the role of this institution for finding alternative ways to resolve disputes, in cooperation with other NBG and Ethniki Insurance units and external mediation bodies.

**DIAGRAM 2.6.1**  
TYPES OF ISSUES FILED WITH  
THE CUSTOMER OMBUDSMAN



SECTION **3**

INTERNATIONAL ACTIVITIES OF  
THE GROUP

### 3.1 THE GROUP'S INTERNATIONAL PRESENCE

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The NBG Group is active internationally through its 9 subsidiary banks in Turkey, Bulgaria, FYROM, Romania, Serbia, Albania, Cyprus, Malta and South Africa, as well as branches operating in Egypt and the UK. It runs a total of 1,236 units outside Greece.

Despite the adverse conditions that prevailed in the second half of 2013 in Turkey, our Turkish subsidiary Finansbank displayed exceptional resilience, contributing significantly to the Group's profitability.

Beyond the Turkish story, the results of the Group's international operations were satisfactory, affirming the return to profitability as net profit amounted to €32 million.

Our international units succeeded in attaining a number of key targets, such as maintaining revenue levels, further improving asset quality, and further rationalizing expenditure, achieving a 4% y-o-y reduction in operating expenses.

The substantial 9% increase in deposits, coupled with the downsizing of the loan portfolio, helped to increase liquidity in our SE Europe subsidiaries, with the loan-to-deposit ratio improving by a further 14 percentage points y-o-y to 99%.

#### International retail banking

Backed by a strong deposit base, the self-funding capability of our subsidiaries, and focusing on securing sound asset quality, in 2013 retail banking business aimed at stabilizing the portfolio and enhancing profitability.

These objectives were achieved by pursuing strategies to deepen relationships with existing customer groups, including payroll and personal banking customers and small businesses, activating credit lines for current holders of revolving credit products, and broadening the customer base through advertising campaigns, with a particular focus on leveraging opportunities

in consumer credit where strong profit margins can be tapped.

In addition, the Group continued to focus on growing the retail and small business deposit base, seeking to promote a more integrated banking relationship with customers, particularly in personal banking. In 2013, the Group succeeded in achieving an impressive reduction of circa 30% in the cost of retail deposits – a considerably better rate than the market average, reflecting the strong trust of the Group's clientele and the quality of its customer base, both factors contributing significantly to the steadily growing profitability of the retail banking business in our SE Europe network.

#### International business banking

In our business banking activities, efforts in 2013 focused on cleaning up further the business loan portfolio, with active management of non-performing loans, and improvement in its quality and performance via selective financing. Positive developments in the past year included the significant slowdown in the growth of new NPLs and the higher provisioning coverage to deal with them. It is also notable that the reduction in the funding cost and improved liquidity conditions in most of our subsidiaries in SE Europe have served to support and enhance their efforts to offer financing products at competitive price levels for the benefit of our business clientele.

### 3.2 FINANSBANK SA

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Despite the adverse backdrop in Turkey in H2.2013, the net profit of Finansbank fell by just 9% y-o-y to TL1,106 million. This reveals the high resilience of the business model of Finansbank and holds out the promise of a positive performance for 2014.

Finansbank expanded to a total number of 674 branches and 13,967 employees at end 2013. Total assets of the FB Group increased 21% to TL71.0 billion. Retail loans grew to TL26.0 billion, and business loans to TL22.0 billion, posting growth of 26% year on year.

Growth in customer deposits was 16%, reaching TL37.3 billion. Reflecting the strong trust of its customers, demand deposits posted 65% growth, topping TL5.4 billion. The number of credit cards reached 5.4 million capturing 12% market. Shareholders' equity increased by 12% to TL9.6 billion. Finansbank ended 2013 with a capital adequacy ratio of 17.2%, the highest among its peers.

Interest and commission income stood at TL3.3 billion and TL1.0 billion respectively in 2013, increasing by 11% and 9%.

SME loans continued to grow in 2013 and comprised 28% of the loan portfolio. Further growth in SME and commercial banking loans will remain a priority for the bank, in line with its strategy for 2014.

2013 was a year when many new products and services were launched by Finansbank. The establishment of "Quartz", a new brand for wealth banking; the introduction of "My First Card" program to educate the first time card users; the launching of mobile banking applications; and the establishment of eFinans company to provide online solutions for electronic invoice filing needs of businesses were among such initiatives.

Finansbank will continue to take the designated steps within the roadmap of achieving its goal of being among Turkey's top three players in the fields of SME loans and acquiring volumes (POS number) by 2020.

### **3.3 UNITED BULGARIAN BANK (UBB)**

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2013 was the first year since the beginning of the crisis in 2009 when the Bulgarian banking sector, including UBB, reversed the negative trend in non-performing loans and gradually returned to normal banking activities.

UBB, according to its 2013 business plan, had two main priorities: 1) effective and focused management of problematic loans accompanied by very conservative provisioning policy, and 2) achievement of full liquidity independence from

NBG, through intensive accumulation of additional liquidity on the local market, mainly by focusing on expansion of the local deposit base.

UBB's recorded profit before tax for 2013 amounted to €9.7 million. As a result of the aforesaid policy, UBB managed to improve its loan portfolio quality significantly, create a liquidity buffer and restore self-financing to its pre-crisis status.

At the end of 2013 UBB's total assets amounted to €3.5 billion, up by 5% year on year. Net loans amounted to €2.2 billion (€2.4 billion in 2012), down by 8% y-o-y (6% y-o-y decrease in retail loans and 5% decline in corporate loans). UBB's customer deposits amounted to €2.7 billion, growing by 9% y-o-y.

Despite a nominal decrease in interest bearing assets, the main contributors to the final positive results for 2013 were a very aggressive interest and operating cost reduction policy, as well as lower provisions and improved income from the non-performing loan portfolio.

On the other hand, in a very competitive market, the bank achieved 5% growth in retail deposits, while corporate deposits remained stable y-o-y. As at 31 December 2013, UBB maintained its market position in total deposits, with a 9.2% market share, including a 9.8% market share in individual deposits and 7.0% in corporate deposits.

UBB's capital position in 2013 continued to be strong – at the end of the year the total capital adequacy ratio and Tier 1 ratio both stood at 14.8%. In addition, the bank significantly improved its loan-to-deposit ratio from 99% in 2012 to 84% at the end of 2013.

In 2014, UBB will continue its efforts to improve quality of the loan portfolio, optimize costs, and maintain optimal liquidity and strong capital position. At the same time, the bank will step up further its activity in credit and overall banking business, in order to recover its leadership position in the Bulgarian banking sector and achieve strong profitability levels.

### 3.4 STOPANSKA BANKA AD

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Despite challenges in the overall macroeconomic environment, 2013 was the most successful year for Stopanska Banka since 2000, the year that it became part of the NBG Group, as its net profits reached €20.2 million or 20.4% above 2012.

Being one of the most dominant brands in the market, SB managed to further enhance the trust it enjoys among households and businesses and, accordingly, to increase its deposit base by approximately 7%, reaching the historic high of €1,027 million in deposits. Its market share in deposits reached an impressive 26%. The liquidity position remained at excellent levels as the bank remained self-funded and highly liquid, with a net loan-to-deposit ratio of 78%. Enjoying the strongest capital base in the country, with total equity of €187 million and a total capital adequacy ratio of 19.7%, the bank is in a position to implement its strategy successfully in the years ahead and increase its market share in lending further, backed also by its indisputable dominance in retail business with a 36% market share, and thereby become a yet stronger player in corporate banking, where Stopanska currently holds a market share of 16%.

In 2013, the bank's NPL ratio in retail loans remained (despite the fact that the bank has the largest and oldest retail portfolio in the country) at the impressive low of 6.1% (from 6.4% in 2012).

Stopanska combines tradition with innovation. With a presence of almost 70 years in the country and a network of 64 branches, 150 ATMs and 1,051 employees, it offers state-of-the-art banking products and services and a range of alternative delivery channels to more than one million customers.

### 3.5 BANCA ROMANEASCA SA

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In 2013 the Romanian macroeconomic environment presented significant improvement. GDP increased by 3.5% y-o-y (the highest growth rate in EU), exports advanced by 13.8% y-o-y, and inflation dropped by 3.2%, providing an encouraging outlook for the future.

During 2013, Banca Romaneasca laid the foundations for improving its performance substantially, as the pressure on both funding availability and cost of funding diminished considerably. Money market cost of funding decreased in 2013 by 77 bps, reaching 130 bps by the end of the year, whilst deposit cost of funding dropped by 152 bps.

The bank's assets totalled €2.1 billion, roughly the same as the previous year, while profit before provisions stood at €6.1 million. Customer deposits increased by 9% y-o-y. Corporate deposits advanced significantly during 2013 by 16%, boosted inter alia by funds attracted from asset management and guarantee funds. Operating expenses presented a 7.8% y-o-y reduction, as the bank actively deployed cost control measures and downsized its branch network.

As asset deterioration continued during 2013 throughout the entire Romanian banking system, despite restructuring programs, BROM continued to take steps to defend the quality of its assets by improving its collection infrastructure. Non-performing loans were stabilized and credit risk cost decreased significantly (by 78%) in 2013 vs. the previous year.

In retail banking, Banca Romaneasca promoted unsecured refinancing loans, targeting both new and existing clients (through top-up campaigns) in order to reduce attrition and compensate for repayments. Also, the bank launched new products such as Mastercard Gold, deployed at the beginning of the year. Advertising, acquisition and usage campaigns contributed to boosting credit card products (new card issuance increased by 12%, POS transactions by 45% and ATM transactions by 7%).

At the end of the year, the bank's network totalled 115 branches and 134 ATMs, operating with increased efficiency (3% less staff) in key areas of the country.

BROM enjoys strong capital adequacy, with a total CAD ratio of 16.9% at the end of 2013, above the average for the Romanian banking sector.

### 3.6 VOJVODJANSKA BANKA AD

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The sovereign debt crisis and the deterioration in the macroeconomic environment in the EU had a negative impact on the Serbian economy. Economic growth in 2013 was around 2.0%, powered mainly by the recovery in agricultural and industrial production. Economic conditions remain fragile, since fiscal consolidation and structural reforms are critical to ensure the credibility of macroeconomic policy in Serbia, which should result in substantial gains for long-term growth. The banking industry experienced stagnation, and the high level of non-performing loans in the market resulted in high provisioning and regulatory capital requirements.

In this challenging environment, Vojvodjanska achieved sustainable revenue growth and effective cost management, resulting in profits after tax of €15.9 million. The bank strengthened its position in the market by increasing performing loans by 2%, while on average the market contracted by 5% during 2013. As a result of customer's continued confidence in the bank, the volume of customer deposits topped €721 million at the end of 2013, presenting 7% y-o-y growth. Loan-to-deposit ratio stood at 88%, compared with the 140% average of its peers.

Vojvodjanska succeeded in generating positive pre-provision results of €5.9 million 2013, vs. pre-provision losses of €5.0 million in 2012. Net interest income increased by €9.6 million, or 36.1% y-o-y, reflecting an increase in average interest bearing assets and a significant decrease in funding cost. Net interest margin increased by 79 bps, reaching 387 bps at the end of 2013. The bank boosted its cost efficiency, reducing total cost by €1.9 million, or 4% y-o-y. Strict procurement policy and monitoring tools were put in place, while cost containment – by further rationalizing operations – remained a priority, aiming not to affect the bank's ability to sustain its business model and service delivery. The overall result in 2013 was affected by the collection of receivables amounting to €13.9 million, which were fully provided for impairment losses.

Vojvodjanska serves more than one million customers through a network of 109 branches, remaining among the top transactional banks in the Serbian market.

The bank's total capital adequacy ratio stood at 17.5% – above the regulatory threshold of 12% required by the National Bank of Serbia.

### 3.7 BANKA NBG ALBANIA SH.A

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In 2013, foreign and domestic investments in Albania were held back, waiting for the election results, thereby contributing to sluggish economic growth and weak credit expansion, which slowed by approximately 2% on an annual basis. Bank of Albania continued its expansionary monetary policy, by decreasing the policy rate several times within the year (from 4% to 3%).

In this challenging environment in 2013, Banka NBG Albania Sh.A succeeded in remaining well capitalized (total CAR of 17.3%), highly liquid (loan-to-deposit ratio of 73%), and self-financed, contributing to the Group with increasing funding.

For a fourth consecutive year, NBG Albania remained profitable, with net profits before provisions of €2.3 million in 2013. Weak loan demand and tighter credit criteria led to a 5% decline in gross loans, while deposits increased by 8%, despite the adverse effect of the crisis.

### 3.8 NATIONAL BANK OF GREECE (CYPRUS)

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2013 marked a watershed for the Cypriot economy and the banking sector in particular. The Eurogroup meeting in March 2013 decided to allow an abrupt contraction of the country's banking sector, which meant folding up the second biggest bank in Cyprus (Laiki Bank), transferring the networks of the three Cypriot banks operating in Greece to a Greek bank, imposing strict controls on banking transactions, appropriating deposits over and above €100,000 of Laiki Bank, and bailing out Bank of Cyprus with the mandatory conversion of 48% of deposits to shares.

The economy inevitably presented a sharp 6% downturn in 2013.

Against this challenging backdrop, NBG (Cyprus) Ltd succeeded in:

- Substantial reduction in operating expenses and restructuring of the bank's operational needs, with a 10% staff reduction, reducing the branch network (from 16 units to 12), and centralization of a substantial number of operations.
- Systematic expansion of the deposit base, thereby generating surplus liquidity.
- Strengthening loan workout teams with additional staff and supporting them with collection companies, mostly for SMEs and individuals.

All of the above well-coordinated actions enabled NBG (Cyprus) to present a reasonable picture while laboring in an environment of economic crisis, as it continued to enjoy strong capital adequacy (circa 17% at 31.12.2013), satisfactory liquidity, and core profitability of €14.2 million.

### **3.9 SOUTH AFRICAN BANK OF ATHENS (SABA)**

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In 2013, South African Bank of Athens (SABA) strengthened further the operational and strategic changes made over the preceding three-year period. The operational health of the Bank bears evidence to the fact that that these changes have placed it on a solid path that should continue to yield benefits into the future.

The market leading sponsored banking deal that was signed with the largest mobile operator in Africa (MTN), delivered an excellent first-year performance, acquiring more than one million customers and executing more than ZAR1 billion in transactions. The expected further growth and product enhancements in this relationship should continue to provide a healthy presence in the retail banking market to compliment SABA's business banking strategy.

### **3.10 INTERNATIONAL BRANCHES (EGYPT, UK)**

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NBG runs a network of branches in Egypt and operates one branch in London.

In Egypt, despite turbulent conditions that affected social and economic growth for a third consecutive year, the 17-branch network continued to post solid performance in 2013 by:

- achieving a substantial reduction in the cost of deposits;
- maintaining a sound loan portfolio;
- further rationalizing expenditure.

All the above, coupled with the positive impact of the devaluation of the Egyptian pound led to a largely improved bottom line compared with the preceding year, with net profit topping €3.6 million.

NBG's London Branch has been operating for over 100 years. In 2013 it focused on offering trade and commodity finance services, chiefly to corporate customers, notably shipping companies.

SECTION **4** OTHER NBG GROUP ACTIVITIES

## 4.1 INSURANCE

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Via its subsidiaries Ethniki Insurance and NBG Bancassurance, the Group offers a full range of retail and business insurance products and services on the domestic market.

Ethniki Insurance recorded profit before tax of €111 million in 2013 vs. €91 million in 2012, thereby sustaining steadily growing profitability since 2011.

This positive performance for 2013 was attained mainly by closely monitoring loss ratios, effectively managing the investment portfolio, designing new revenue-rich products, enhancing alternative sales networks and effectively reducing operating expenses through synergies with NBG.

In 2013, the key loss ratios of the car insurance sector remained at the already improved levels of 2012, at 51%, while the key loss ratios of the fire and health insurance sectors improved significantly, to 5% and 67% respectively, vs. 20% and 74% in 2012.

In addition, Ethniki Insurance reduced the amount of uncollected claims by 13% y-o-y by applying more rigorous procedures, changing areas of its credit policy, and deploying new ways of collecting premiums across all insurance sectors.

It is worth noting that Ethniki Insurance managed to reduce its operating costs from €120 million to €113 million, down 6% vs. 2012.

The financials of Ethniki Insurance are presented in the following table:

<b>Key financial data</b>			
<b>(€ millions)</b>	<b>2013</b>	<b>2012</b>	<b>%</b>
Total assets	3,384	3,110	8.8%
Equity	503	361	39.3%
Profit after tax	117	69	69.6%

The positive course of profits boosted the Company's credibility ratio (coverage ratio of the regulatory capital required) amounting to 5.3 as at 31.12.2013 vis-a-vis 3.9 as at 31.12.2012.

As part of the Group's strategy to enhance synergies, special emphasis is placed on designing and developing bancassurance

products, which are marketed through the Bank's extensive branch network.

The negative course of bancassurance production was reversed in 2013, posting impressive growth despite the ongoing recession in the Greek economy. Specifically, total life bancassurance production in 2013 increased to €106 million from €60 million in 2012, mainly due to the successful launch of "Ethniki Efpax", while insurance premiums for damages increased year on year to €42 million in 2013 (2012: €34 million).

In 2014 Ethniki Insurance will endeavour to maintain its leading position in the market, while enhancing its profitability, focusing on strengthening sales with the support of its traditional networks, and cultivating its alternative delivery channels, cooperating with NBG so as to leverage its network (cross-selling) and further promoting Bancassurance products. The primary goals of the Management, which focus on enhancing the capital base, rationalizing the *modus operandi* and sustaining the profitability of Ethniki Insurance so as to ensure effective adoption of the new Solvency II regulatory framework, have been set and are already delivering significant results.

## 4.2 HOTEL BUSINESS

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In 2013, the NBG Group was also involved in the hotel business through Astir Palace Vouliagmeni SA.

Based on data for tourist arrivals at the main Greek airports, 2013 ended posting a double-digit increase in arrivals, up by almost 11% y-o-y, while Athens remained a popular destination, posting a total increase in passenger traffic of 2.5% during the year (source: Association of Greek Tourist Enterprises). Accordingly, average room occupancy in international luxury hotels in Attica stood at 56.1% (2012: 50.6%) in 2013, while the average daily room rate fell to €136.01 (2012: €133.06) (source: Attica Hotels Association).

Astir Palace recorded an increase in room occupancy and maintained its turnover rates, although the Posidonia event held in 2012

generated revenues of around €2 million. On a consolidated level, the turnover increase was due to the subsidiary's revenues generated from the management of the Vouliagmeni Marina.

In addition, in 2013, the Company continued the implementation of its restructuring program that started in August 2012, adopting measures to streamline operating and financial costs and, thus, significantly improve its results year on year.

Consolidated turnover in 2013 amounted to €26.9 million vs. €25.3 million in 2012, up by 6.4%.

On 10 February 2014, after the HFSF granted its written consent, the Board of NBG announced that Jermyn Street Real Estate Fund IV LP was its preferred investor for the sale of Astir Palace Vouliagmeni SA.

#### **4.3 REAL ESTATE**

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In 2013, the Group was active in the real estate sector via the Bank itself, as well as via its subsidiary NBG Pangaea Real Estate Investment Company, within the framework of the Group's policy and strategy to implement a single integrated real estate policy across the Group.

Because of the crisis in the Greek economy property sales were low in 2013, thereby impacting selling prices, rent values and real estate returns.

Despite the adverse conditions that prevailed and the downbeat mood in the market, the management of the Bank's real estate holdings in 2013 generated revenues of €5.9 million, which derive from the collection of debts from real estate sales, the collection of expropriation compensations, property leases and interest on property sold on credit.

In 2013, payments for property leased from third parties were further reduced by circa 14.6% y-o-y.

NBG Pangaea Real Estate Investment Company was set up in 2010 with a view to becoming an investment vehicle of particular interest for investors seeking fixed income from dividends.

Within 2013, NBG entered an agreement with Invel Real Estate (Netherlands) II BV for the sale and transfer of 66% of its holdings in the company. NBG still holds 34% of the Company's share capital and maintains control of the same. In addition, the said transaction facilitates the implementation of its investment program, aiming at the creation of a diversified real estate portfolio when the company is listed on the ATHEX.

At 31.12.2013, the company's real estate portfolio comprised 252 commercial properties (mainly bank branches and office buildings) with a market value of €931 million, in highly visible commercial locations, most of which are leased to NBG.

SECTION **5** RISK MANAGEMENT &  
CORPORATE GOVERNANCE

## 5.1 GROUP RISK MANAGEMENT

The NBG Group applies best risk management practices in line with the guidelines and supervisory requirements set out by the Basel Committee for Banking Supervision, the European Committee of Banking Supervisors, the Bank of Greece and the Capital Market Commission, together with the decisions of the relevant bodies overseeing the Group companies.

The Group's risk governance framework comprises of a number of different constituents. In particular, the Board of Directors has established the Risk Management Committee (RMC) overseeing all risk management functions across the Group. All risk management units report to the NBG Group Risk Control & Architecture Division and to the NBG Group Market & Operational Risk Management Division which are supervised by the Group Chief Risk Officer, who reports to the Risk Management Committee.

The Bank's Asset and Liability Committee (ALCO) sets the general guidelines for asset and liability management. ALCO determines the Bank's strategy and policy for matters relating to the structuring and management of assets and liabilities taking into account the current market conditions and the risk limits set by the Bank.

The Group Compliance Division oversees all internal and external compliance matters, such as applicable Greek and EU laws and regulations, as well as supervisory authorities' decisions. It reports directly to the Board through the Audit Committee.

The Internal Audit—Inspection Division of the Bank and the Group, which reports directly to the Board of Directors through the Audit Committee, complements the risk management framework and acts as an independent reviewer, focusing on the effectiveness of the risk management framework and control environment.

### Market risk

To manage market risk effectively, the Bank estimates on a daily basis, through RiskWatch

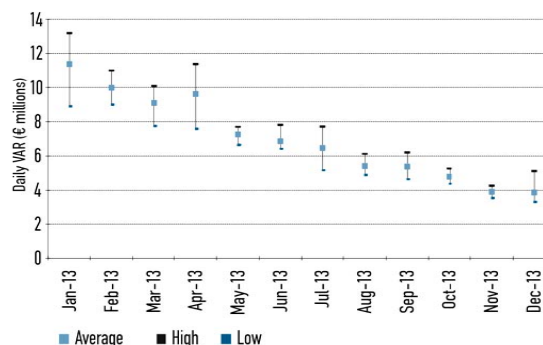
software purchased from Algorithmics, "Value at Risk" (VaR) for the aggregate and separate risks (interest rate, foreign exchange and equity risks) arising from its trading and available-for-sale (AFS) portfolio. In particular, the Bank has adopted the variance-covariance (VCV) methodology, with a 99% confidence interval and 1-day holding period.

Apart from the Bank, at Group level, the monitoring of market risk focuses primarily on the trading and AFS portfolio of Finansbank. To this end, Finansbank calculates VaR on a daily basis for both its trading and AFS portfolios, as well as VaR per risk type (interest rate, equity and foreign exchange risk). These calculations are based on a 99% confidence interval and 1-day holding period.

Since the end of 2009, NBG has been making VaR estimates of the Group on a daily basis. These estimates include the Bank's trading and AFS portfolios and the corresponding portfolios of Finansbank. The VaR estimates concern the overall market risk in the loan books as well as the various individual risks (i.e. interest rate, equity and FX risk). The market risk assumed by other subsidiary banks of the Group is relatively low in comparison with the risk contained in the portfolios of NBG and Finansbank.

In 2013, the total VaR estimate for the Bank's portfolio ranged between €3.3 million and €13.2 million, while the average for the year was €7 million (DIAGRAM 5.1.1).

**DIAGRAM 5.1.1**  
TOTAL VAR ON NBG'S TRADING & AFS PORTFOLIO



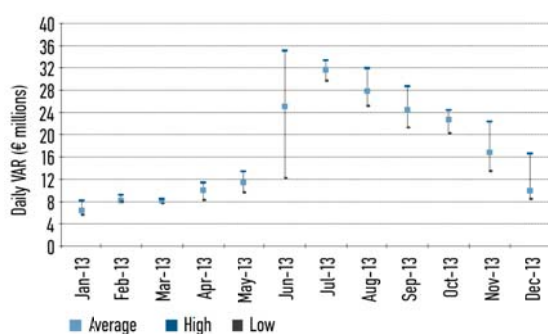
The relatively low level of total VaR was mainly due to the course of interest rate risk. The VaR on NBG's interest rate risk in 2013 ranged between

€2.5 million and €11.3 million, while the average for the year was €5.4 million. Since December 2012, following the completion of the new debt securities repurchase program by the Hellenic Republic and the drastic reduction in the Bank's Greek Government debt securities portfolio, interest rate and aggregate VaR have posted a substantial reduction. During 2013, VaR estimates stood at even lower levels due to reduced volatility of the underlying interest rates and reduced portfolio sensitivity, reflecting the contraction of the Bank's OTC derivatives portfolio.

The equity risk for the Bank's portfolio ranged between €1.4 million and €4.7 million, while the average for 2013 was €2.2 million. Last, FX risk over the year ranged between €0.8 million and €3.4 million, while the average for 2013 was €1.9 million.

Correspondingly, in 2013 the VaR on Finansbank's trading and AFS portfolio ranged between €5.6 million and €35.1 million, while the average for the year was €16.7 million (DIAGRAM 5.1.2).

**DIAGRAM 5.1.2**  
TOTAL VAR ON FINANSBANK'S  
TRADING & AFS PORTFOLIO



The most significant risk in the Finansbank portfolio derives from interest rates. Finansbank's interest rate VaR in 2013 ranged between €5.7 million and €35.3 million, while the average for the year was €16.7 million. At the end of H1:2013, the political crisis in Turkey caused a substantial increase in interest rates and their volatility, resulting in higher VaR for Finansbank. Over the second semester, as interest rates remained unchanged, volatilities returned to their previous levels and as a result interest rate and VaR gradually declined. However, at the end of the

year, due once again to the political uncertainty, interest rates rose abruptly, leading to a higher level VaR vs. the average for December.

In 2013, the equity risk on Finansbank's portfolio ranged between €0.01 million and €0.5 million, while the average for the year was €0.2 million. Last, Finansbank's FX risk over the year ranged between €0.02 million and €2.4 million, with the average at €0.4 million.

At Group level (NBG and Finansbank), the VaR on the trading and AFS portfolio for 2013 ranged between €9.6 million and €34.9 million, while the average over the year was €17.4 million. The interest rate VaR ranged between €8.5 million and €33.1 million, with the average at €15.7 million. The equity risk VaR ranged between €1.4 million and €4.8 million, with the average at €2.3 million, and the FX VaR ranged between €0.8 million and €4.1 million, with the average for the year at €2.1 million.

To control and manage the Bank's risk, we have set specific VaR limits, which cover both individual risks (interest rate risk, equity risk, FX risk) and total market risk. The approved limits concern NBG's aggregate trading and AFS portfolio. A similar framework of VaR limits is in place for Finansbank's portfolio.

To verify the reliability of its internal model for measuring market risk, the Bank conducts back-testing of its trading portfolio data, which consists of a comparison of the VaR estimated by the model with the corresponding change in value of the portfolio on which the estimate was based for the period in question. During 2013, there was no instance in which the back-testing result exceeded the respective VaR estimate. Finansbank also performs back-testing on a daily basis, following a procedure similar to the one that the Bank has established. During 2013 there were nine cases in which the back-testing result exceeded the respective VaR estimate.

The daily VaR estimates refer to "normal" market conditions. However, supplementary analysis is necessary for capturing the potential loss that may be incurred by the Bank under extreme and

unusual conditions in the financial markets. Accordingly, the Bank carries out stress testing on a weekly basis, calculating the profit/loss in the trading and AFS portfolio in the event of extreme movements in the markets. The scenarios used refer to interest rate, equity and FX risks.

Moreover, stress test analysis is performed by Finansbank on a monthly basis. The scenarios refer to extreme movements in interest rates and foreign exchange prices and apply to both the trading and the AFS portfolio. The scenarios are based on extreme movements in the underlying risk factors during the course of the latest financial crisis in Turkey.

### Credit risk

The Group ensures that it implements the highest standards of credit risk management and control. Credit risk arises from an obligor's (or group of obligors) failure to meet the terms of any contract established with the Bank or one of its subsidiaries. Accordingly, the Group Risk Control & Architecture Division sets the standards for developing, ratifying and grading all its models for predicting, analysing, measuring, monitoring, offsetting, reducing and managing the credit risk assumed by NBG subsidiaries in Greece and abroad, and sets the guidelines for developing the methodology for calculating the key risk parameters for each category of exposure in corporate and retail banking business.

The guidelines refer to the development of methodologies for assessing expected loss (EL) and its components, i.e. the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each category of exposure in corporate and retail banking business.

The Group uses different credit risk rating systems for its various portfolios. Credit risk rating systems are implemented to ensure reliable borrower and/or borrowers' exposure rating and therefore optimum credit decision-making and pricing.

## A. NBG

### Corporate portfolio

The deep economic crisis that continued to affect Greece in 2013 (GDP growth remained in negative territory for the sixth consecutive year) led to a particularly intense effort on the part of the Business Units to increase quantity and quality of collaterals received, to finance exporting firms and to review most credit facilities frameworks with a view to enhancing, as effectively as possible, normal debt repayment by corporate clients.

The Bank uses four models, validated and certified by the Bank of Greece, for rating businesses, which can be accessed via the Risk Analyst (RA) online platform and are backed, in line with NBG's Business Portfolio Credit Policy, by the ratings of international rating agencies (External Credit Assessment Institutions – ECAI) such as Moody's Investors Service and Standard & Poor's (S&P). The said models are used to quantify PD as a risk parameter, as set out in the introduction to this section, in the context of implementing the Internal Ratings Approach for the calculation of credit risk-weighted assets.

**TABLE 5.1.1**  
**NBG SCALE**

Obligor rank	Probability of Default (%)
1	0.09
2	0.12
3	0.20
4	0.25
5	0.35
6	0.50
7	0.70
8	1.00
9	1.35
10	1.90
11	2.65
12	3.75
13	5.25
14	7.35
15	10.30
16	14.50
17	20.30
18	28.50
19	40.00
20.21.22 (Default)	100.00

**TABLE 5.1.2**  
BREAKDOWN OF BUSINESS EXPOSURES BY MODEL TYPE

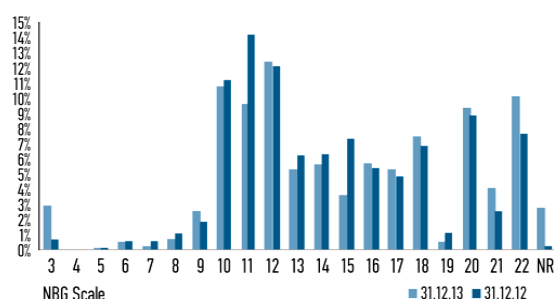
Model	Number	(%)	Value to be weighted (€ 000s)	(%)
<b>At borrower level</b>				
Corporate Credit Assessment Model	3,011	79.6%	9,272,894	92.2%
Scorecard for businesses with limited financial data	147	3.9%	50,187	0.5%
Expert Judgement Model	214	5.7%	620,897	6.2%
Unrated	412	10.9%	118,020	1.2%
In default	3,334		3,568,333	
Subtotal	7,118	100.0%	13,630,330	100.0%
<b>At exposure level</b>				
Self-financed projects	1,104	86.7%	1,166,616	47.7%
Ocean shipping	169	13.3%	1,278,999	52.3%
In default	60		125,369	
Subtotal	1,333	100.0%	2,570,984	100.0%
<b>TOTAL</b>	<b>8,451</b>		<b>16,201,314</b>	

NBG's main risk rating scale (TABLE 5.1.1) displays the percentage values that indicate the obligor's PD corresponding to his rating, and contains 22 grades, 19 of which correspond to borrowers who have not been in default and 3 to borrowers who are or have been in default.

Using data at 31.12.2013, TABLE 5.1.2 gives a breakdown of business exposures (from the domestic branch network and the London Branch) by model.

The breakdown of business obligors' balances as at 31.12.2013, vs. the previous year, shows higher concentration in the rating categories that indicate default (20, 21, 22), as a result of the ongoing recession and the significant decline of domestic demand.

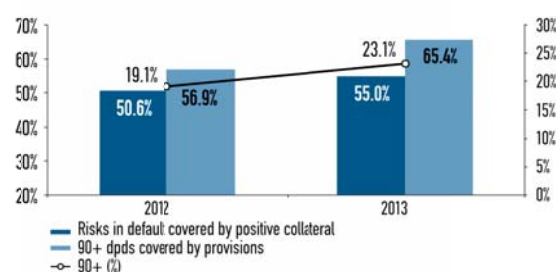
**DIAGRAM 5.1.3**  
BREAKDOWN OF BUSINESS PORTFOLIO BALANCES



Over the past year, NBG fortified further its business loan book through additional collaterals, in order to reduce its exposure to credit risk and to lever up debt repayments. Furthermore, in line

with prudent financial management practices, the Bank increased its provisions against loan delinquencies compared with 2012. This increase, along with the emerging recovery of the Greek economy, which will inevitably enable businesses to repay their debts, has laid the ground for enhanced profitability in the years ahead.

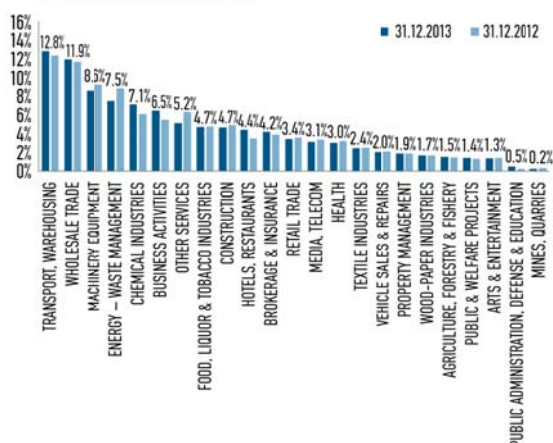
**DIAGRAM 5.1.4**  
ENHANCEMENT OF COLLATERALS AND PROVISIONS



Relative to the previous year, the Bank's business portfolio across the various sectors of economic activity continues to not present significant risk concentration. Chemical industries present the highest growth in balances (€1,215.4 million), while energy – waste management presents the highest decline (€1,281.2 million). Besides the above, no significant changes were recorded y-o-y.

In 2013, the Bank completed the entry into its systems of the business activity codes of the firms receiving finance, on the basis of the STAKOD 2008 classification system.

**DIAGRAM 5.1.5**  
NBG: BREAKDOWN OF BUSINESS BALANCES BY SECTOR



The higher risk concentration in the Transport – Warehousing market (12.8%) is explained by the fact that this category includes lending to shipping, while the Wholesale Trade market (11.9%) includes a large number of similar business activities.

### Retail banking

To assess credit risk related to retail exposures, the Bank uses models that have been designed (either by external agencies or in-house) and are applied to various steps of the credit cycle. These statistical models follow well established international methodologies and are based on historical data held by the Bank, while they are monitored systematically.

Accordingly, the Bank uses and implements:

1. Application scorecards during the credit approval process, in order to reliably rate new customers and price their products in line with the Retail Credit Policy. These models mostly use demographic features and financial data.
2. Behavioural scorecards for ongoing monitoring and assessment of existing customers / accounts, aimed at customer rating, depending on the related risk.
3. PD models that are key components for the calculation of expected loss (EL) and credit risk-weighted assets (RWA). These models are used for the calculation of

capital adequacy, the Internal Capital Adequacy Assessment Process (ICAAP), and the provision formation process.

4. Loss Given Default (LGD) Models.
5. Credit Conversion Factor (CCF) and Exposure at Default (EAD) Model, applied to off-balance sheet items (letters of guarantee, documentary credits, unused credit lines) of the SME loan book for the calculation of capital adequacy.

In 2013, the rate of new loans of any type granted to individuals continued to decline. It is particularly important at the current juncture to monitor on a regular basis and at a central level the behaviour of existing loans, particularly those with less than three overdue repayment instalments. In this context, reports are prepared on the quality of the loan books for review by the management and the credit divisions concerned, and measures are proposed in a timely manner for mitigating credit risk and upcoming loan delinquencies, as well as for increasing loan recovery, wherever possible. The methods used for monitoring the loan book quality are default ratios (for 30 up to 180 days past due), vintage analysis, loan-to-value (LTV) ratios, transition matrices and roll rates, and, lastly, default rates and respective losses by product or portfolio. These regular analyses form the basis for making provisions for all the retail portfolios.

### Mortgage lending

The mortgage lending portfolio represents the largest share of NBG's loans and advances to customers (total exposure: €18.6 billion at 31.12.2013) and is subject to close monitoring on an ongoing basis. While the Bank has redoubled efforts to collect debt in arrears, applies strict criteria in the loan approval process, offers products at favourable repayment terms, and has stepped up debt restructuring arrangements for borrowers facing difficulties in repaying their dues, the impact of the adverse economic climate is clearly reflected in the rate of housing loan delinquencies.

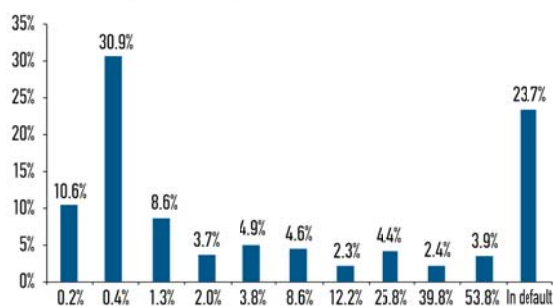
Since the start of 2008, the Bank has applied the IRBA for estimating capital requirements for credit risk in respect of mortgages. Accordingly, all housing loans are ranked in groups on the basis of data regarding the borrower, the credit, and potential default status at the time of categorisation.

All mortgage loans (the only exception being those secured under the unconditional guarantee of the Greek State) are classified on a monthly basis in groups with similar risk features, for estimating risk parameters. The estimation models for both PD and LGD (loss given default) are based on historical internal data of the Bank recorded from 1990 onwards. The estimations are therefore consistent with the long experience of the Bank in the sphere of mortgage lending, but simultaneously take into account both the Greek legal framework and the practices of the Bank in respect of liquidation of mortgaged properties over the past five years.

Besides estimating capital requirements through IRBA, the PD model is also used for the purposes of monitoring portfolio history, preparing management information and making provisions.

A breakdown of total mortgages in December 2013 indicates that despite the ongoing domestic crisis, a significant part – nearly a third (30.9%) – of borrowers is rated in the risk group displaying low PD (0.4%).

**DIAGRAM 5.1.6**  
MORTGAGES – BREAKDOWN OF VOLUME PER PD (31.12.2013)



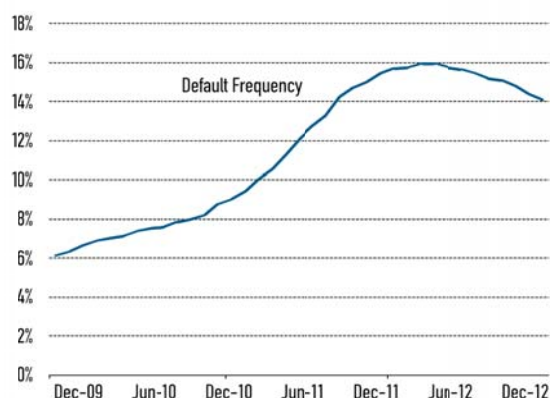
For IRBA purposes, the Bank has designed and used since 2010 a full model for the estimation of LGD in replacement of the previous static measurement that simply classed housing loans as subsidized and non-subsidized. The new model

is mainly based on loan duration, product type, borrower behaviour (e.g. if the loan history contains any payments in arrears) and maturity ratios. The methodology used to develop the model enables the Bank to use a 15-year debt-collection horizon. It should be noted that analysis of the most recent recovery data shows that even in the midst of deep recession as recorded in 2010 and 2011, loan accounts that went into default before 2001 (i.e. over 10 years) continue to receive credit (i.e. positive) cash flows, thereby significantly enhancing recoverability ratios. Another reason for maintaining, if not even further extending, the 15-year recoverability period, is that Greek financial institutions are being encouraged by the authorities to extend the repayment horizon on housing loans, so as to provide relief to borrowers.

A key tool in containing the growth rate of mortgage delinquencies in 2013 was the launch of products at favourable repayment terms aimed at customers who meet regularly their obligations, as well as products designed to reschedule outstanding housing loans of customers who are unable to service their overdue debts.

Last, there are clear indications that the credit crisis is bottoming out and that mortgage delinquencies have approached, if not reached, their ceiling. Specifically, yearly default frequency of total mortgages, being the ratio of loans that become default within a 12-month period to the number of loans not in default at the beginning of the said period, indicate that for approx. 8 months now such frequency is pursuing a steady downward trend (DIAGRAM 5.1.7)

**DIAGRAM 5.1.7**  
MORTGAGES – 12-MONTH DEFAULT FREQUENCY

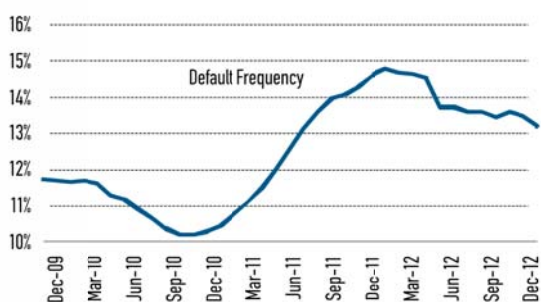


## Consumer credit

In 2013, consumer credit showed signs of improvement despite the ongoing economic slowdown and the decline in the rate of consumer loans granted.

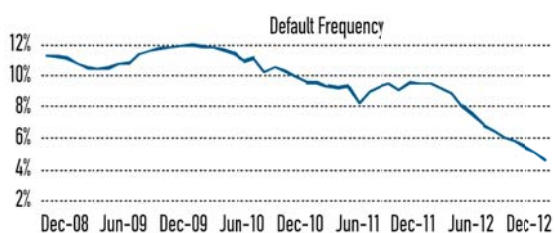
The offering of loan products on favourable repayment terms to existing customers who meet regularly their obligations, and debt rescheduling products to customers with overdue debts, as well as the obtaining of additional collateral, real or personal, contributed to the improvement of loan book quality. This is evidenced by the progress of 12-month default frequency, which is following a downward trend.

**DIAGRAM 5.1.8**  
CONSUMER LOANS – 12-MONTH  
DEFAULT FREQUENCY



Likewise, the much stricter approval criteria (resulting in lower risk financing) and the launch of fixed-term loans aimed at consolidating and rescheduling existing loans (whether regularly serviced or overdue) improved the quality of the credit card portfolio, as measured on the basis of 12-month default frequency.

**DIAGRAM 5.1.9**  
CREDIT CARDS – 12-MONTH  
DEFAULT FREQUENCY



## SMEs

In 2013, pursuant to regulatory requirements, the model used to assess SMEs was re-graded on the basis of recent data regarding default and recovery flows. TABLE 5.1.3 sets forth the new PD (%) per rating.

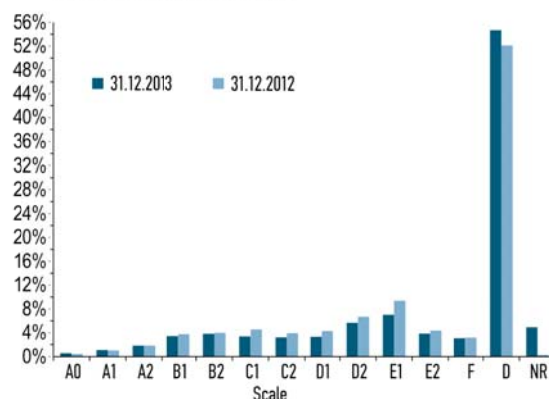
**TABLE 5.1.3**  
NEW PD (%) PER RATING

Scale	A0	A1	A2	B1	B2	C1	C2	D1	D2	E1	E2	F
SMEs new PD (%)	2.00	3.00	4.00	6.00	8.00	11.00	14.50	20.00	28.50	40.00	53.00	68.00

The breakdown of balances indicates that a significant portion, i.e. 55%, entails customers in default due to the impact of the economic crisis. The rise in the percentage of non-rated (NR) customers as at 31.12.2013 reflects the fact that the customers of Probank and FBB, which were absorbed by NBG in 2013, are currently under assessment in order to be rated in line with NBG's SME rating model.

The breakdown of balances across the various scales displays notable dispersion of clientele without high concentration in any one single category. With respect to the aggregate portfolio, at 31.12.2013, balances rated equal to or higher than D1 have fallen to 20.8% vs. 23.9% a year earlier, as a result of the ongoing adverse economic environment.

**DIAGRAM 5.1.10**  
SMEs — BREAKDOWN OF LENDING  
PER CUSTOMER RATING



Assessment of all credit applications for the purposes of both initial determination of the credit facility framework and subsequent renewals / annual updating of credit limits, as per

the Bank's Retail Credit Policy – SME Financing, is based on the SME rating model.

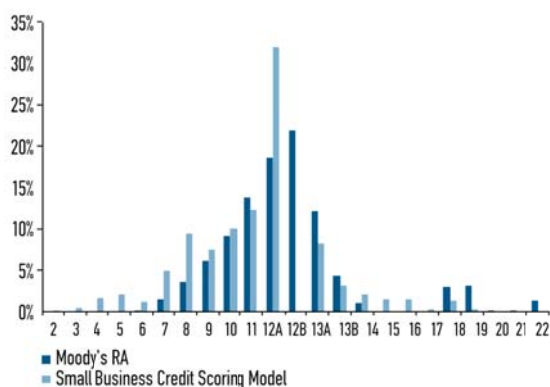
## B. NBG SUBSIDIARIES

The standards for risks undertaken by the Group's subsidiaries and the guidelines for calculating the key risk parameters in business and retail banking are set centrally by the Bank, which also reviews regularly and approves, when necessary, the models (for evaluating loan applications or behavioural parameters) developed by the relevant units of the subsidiaries in question.

### Corporate portfolio

For the Group's largest subsidiary, Finansbank, DIAGRAM 5.1.11 shows the distribution of its corporate loan book by rating model used and by obligors' credit score. This is fairly similar to normal distribution.

**DIAGRAM 5.1.11**  
FINANSBANK – BREAKDOWN OF CORPORATE LENDING BY CUSTOMER RATING



### Retail banking

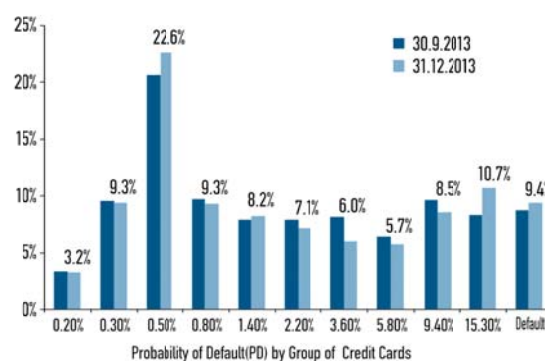
#### A. Finansbank

In 2013, Finansbank continued to grow its share of retail lending. Because of the importance of this bank, which is the Group's largest subsidiary in terms of weighted assets, and the contribution of its retail portfolio (almost 50%) to total lending, close monitoring of its loan book quality is necessary.

In view of the application of the Internal Ratings Based Approach to Finansbank's retail portfolio, in 2013 six PD models were developed for housing loans, car loans, consumer loans, credit cards, overdraft facilities and lending to SMEs, as well as two LGD models for housing and car loans. All these models achieve satisfactory discriminatory power, as measured on the basis of relevant statistical indicators in model development and "out-of-time" validation samples.

The breakdown of credit card balances (which comprise almost 50% of total retail lending) by probability of default indicates that almost 60% is rated in groups displaying less than 3% PD.

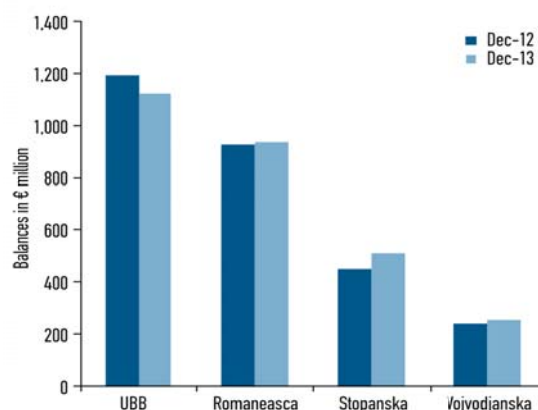
**DIAGRAM 5.1.12**  
CREDIT CARDS - PROBABILITY OF DEFAULT



#### B. SE Europe subsidiaries

Retail banking at the Group's SE Europe subsidiaries grew by 0.4% y-o-y. The highest growth (13.2%) was posted by Stopanska Banka, at which all the lending portfolios pursued an upward path.

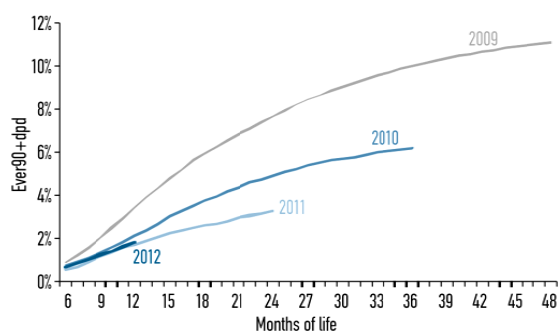
**DIAGRAM 5.1.13**  
SE EUROPE – RETAIL BANKING BALANCES



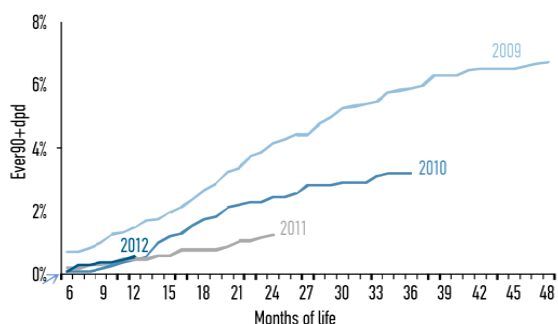
The next best positive performance was posted by Vojvodjanska Banka, with growth of 6.4%. By contrast, United Bulgarian Bank (UBB) posted a reduction of 6.0% in its loan outstandings.

The UBB retail portfolio is the largest in terms of balances of the total SEE subsidiaries. Both consumer and housing loan books, which represent the majority of retail products, show an ongoing improvement in bad rate loans, due to the stricter criteria applied to customer assessment, the offering of debt rescheduling products and enhanced monitoring mechanisms.

**DIAGRAM 5.1.14**  
SE Europe: UBB RETAIL BANKING – CONSUMER CREDIT VINTAGE ANALYSIS



**DIAGRAM 5.1.15**  
SE Europe: UBB RETAIL BANKING – MORTGAGE CREDIT VINTAGE ANALYSIS



## Counterparty risk

The Group faces counterparty risk from the OTC transactions and repo agreements in which it engages, as well as its interbank placements. Its commercial transactions also entail counterparty risk.

Counterparty risk is the risk that a counterparty will fail to meet his contractual obligations, prior to

final settlement of cash flows. To monitor and manage this risk effectively, the Group has established appropriate counterparty authorization limits, which take as their basis the maximum acceptable limits for risk assumption and the business needs of each subsidiary.

### A. NBG

NBG's interbank market transactions with financial institutions entail counterparty risk. To minimise this risk, the Bank has established counterparty risk limits at group level, primarily on the basis of the credit ratings of each group's parent bank. The credit ratings are provided by Moody's and Standard & Poor's. According to the Bank's policy, in the event of different ratings, the lowest rating shall be taken into consideration.

The maximum acceptable limit per counterparty group for interbank dealings was set at 70% of the obligor limits determined in NBG's Business Portfolio Credit Policy.

Thereafter, the said limits are allocated to the various subsidiary banks of the counterparty group, in line with NBG's business needs.

With respect to the Athens Treasury, limits in nominal amounts are set for interbank placements without collateral (Money Market) and pre-settlement limits expressed in risk units for all OTC products and interbank placements with collateral (repos, reverse repos). Pre-settlement limits are converted into nominal values, where applicable, on the basis of specific risk weights for each product category.

Interbank transactions, and specifically interbank placements, are effected mainly with low and medium investment grade financial institutions, rated between AAA and BBB-. As regards Greek banks, due to their credit rating being downgraded by international agencies, special obligor limits have been established, so as to meet NBG's business needs.

Specifically, in the case of interbank placements in domestic financial institutions, NBG allows one week maximum for transactions with systemic

banks and only O/N or T/N transactions with other banks. The corresponding term for transactions with foreign financial institutions, with the exception of the Group banks, is a maximum of three months. As at 31.12.2013, NBG's interbank placements were, for the most part, intra-Group.

In addition, in the context of the Bank's endeavours to manage and reduce counterparty risk it has put into effect various agreements (Credit Support Annexes - CSAs) with virtually all its counterparties. These contracts set out the terms for reciprocal provision of collateral (cash or securities) on a daily basis, in line with the current value of each product. The level of risk per counterparty depends on the net market value of the transactions involved.

NBG is also active in international trade. For trade that entails counterparty risk for the Bank, NBG has set limits at counterparty group level that cover the funded transactions carried out by its relevant unit (Athens Trade Finance Unit).

## B. FINANSBANK

Besides NBG, at Group level, the subsidiary with the highest level of exposure to counterparty risk is Finansbank. The risk undertaken by Finansbank in its interbank dealings derives mainly from its placements in financial institutions, OTC derivative products, and repos and reverse repos.

To effectively manage this risk, Finansbank has set up a framework of counterparty limits, expressed in risk units.

In its interbank placements Finansbank sets a maximum of one week on the duration of its transactions, with the exception of transactions with the banks of the Group, which can be up to three months' duration.

In addition, to reduce counterparty risk Finansbank has signed agreements (Credit Support Annexes—CSAs) with its key counterparties, exchanging the collateral required on a daily basis.

For trade that entails counterparty risk, it has set a limits framework to cover funded and unfunded domestic and international transactions.

Finansbank reports regularly on the use of the said limits to the Group Market & Operational Risk Management Division.

## C. OTHER GROUP BANKS

The counterparty risk undertaken by UBB, Banca Romaneasca and Vojvodjanska Banka is relatively low and derives mainly from their transactions in the interbank market. These transactions involve interbank placements and currency trades and, in some cases, repo dealings.

To manage this risk, the banks in question have set corresponding limits frameworks at counterparty group level, expressed in nominal values and in risk units. Their conversion is carried out in line with specific weights that are the same for all subsidiaries. Apart from the limits set for transactions with local and Greek banks, the counterparty risk limits in the interbank market concern mainly high-rated financial institutions based in low or very low risk countries.

The maximum duration of the interbank placements of the said banks was three months, with the exception of the Group banks.

The said subsidiaries undertake only a small level of counterparty risk as part of their commercial funded and unfunded transactions, with corresponding separate limits. All the above limits frameworks are defined and monitored by the Group Market & Operational Risk Management Division.

### Corporate bonds

The Bank holds a global and Greek corporate bond portfolio. To manage the corresponding risk, limits for the purchase and holding of such bonds have been set in line with the following parameters:

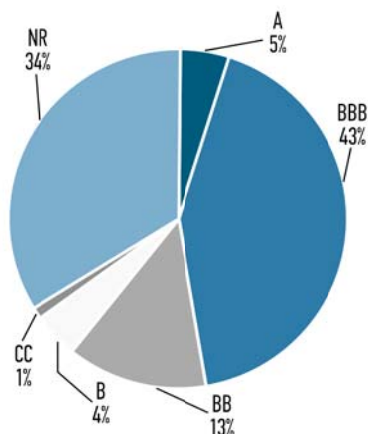
- credit rating
- corporation – issuer

- industry and issue
- origin of issuer

As at 31.12.2013, the Bank's placements in international and domestic corporate bonds stood at €421 million in nominal values.

With respect to its rating, 48% of the corporate bond portfolio – compared with 38% a year earlier – comprises of low and medium investment grade issues. Also, the said portfolio includes certain non-rated issues, mainly by low and medium investment grade international financial institutions, amounting to 34% (DIAGRAM 5.1.16).

**DIAGRAM 5.1.16**  
BREAKDOWN OF CORPORATE BONDS  
BY CREDIT RATING (31.12.2013)



Lastly, 6% of NBG's aggregate corporate bond portfolio is comprised of Greek issues and 94% international.

### Country risk

Country risk involves various risks that may be generated at country level as a result of political or economic problems, whether in the form of sovereign default risk or in the form of convertibility risk (i.e. the risk that a local currency cannot be freely exchanged/delivered for another freely exchangeable "hard" currency) and transfer risk (i.e. the risk that it may not be possible to send a currency out of the country), which represent cross-border risk. Accordingly, country

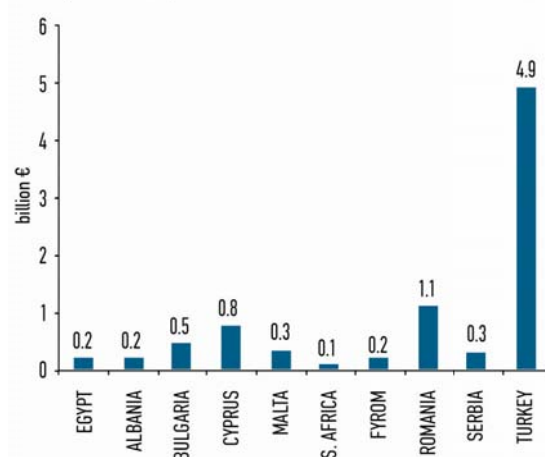
risk concerns all cross border transactions, either with a central government, or with a financial institution, a corporate or a retail client.

The on and off balance sheet items which potentially entail country risk are the following:

- holdings of government debt securities (sovereign risk);
- interbank transactions/placements, and equivalent risks from interbank derivative transactions (cross-border risk);
- loans to businesses or banks, holdings of corporate bonds, and financing of large projects (cross-border risk);
- funded and unfunded commercial transactions (cross-border risk), and
- shareholdings in subsidiary banks based abroad.

The Bank's exposure to country risk is monitored on a daily basis, in line with the framework outlined above, and is concentrated primarily in the countries where the Group has a business presence, i.e. SE Europe, Turkey, Egypt, South Africa and Malta. At 31.12.2013, exposure to these markets amounted to 7.7% of total Group assets (DIAGRAM 5.1.17, TABLE 5.1.4).

**DIAGRAM 5.1.17**  
COUNTRY RISK IN EMERGING MARKETS  
(31.12.2013)



**TABLE 5.1.4**  
CREDIT RATING FOR EMERGING MARKETS

Country	Moody's	S&P	Country risk as % of total Group assets 31.12.2013
Egypt	Caa1	B-	0.20%
Albania	B1	B	0.17%
Bulgaria	Baa2	BBB	0.43%
Cyprus	Caa3	B-	0.68%
Malta	A3	BBB+	0.30%
South Africa	Baa1	BBB	0.07%
FYROM		BB-	0.14%
Romania	Baa3	BB+	1.01%
Serbia	B1	BB-	0.28%
Turkey	Baa3	BB+	4.43%
<b>Total</b>			<b>7.70%</b>

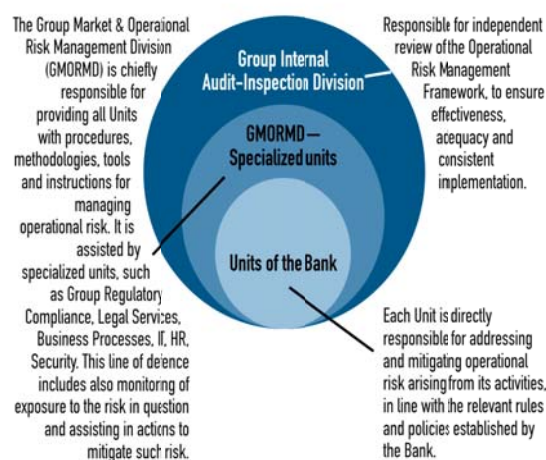
## Operational risk

Operational risk is the risk that loss will be incurred as a result of inadequacy or failure of internal procedures and systems, whether due to human factors or external events. In line with the Basel II definition employed by the Bank, operational risk includes legal risk and regulatory compliance risk.

NBG is fully aware of the significance of operational risk. Accordingly, since 2005, it has focused on developing and deploying a comprehensive operational risk management framework so as to meet not only the qualitative and quantitative criteria for implementation of the Standardised Approach, but also, over a long-term horizon, to adopt the Advanced Measurement Approach for calculating associated capital requirements.

The Group's governance model regarding operational risk management is based on a "three-line defence", as presented in DIAGRAM 5.1.18.

**DIAGRAM 5.1.18**  
GOVERNANCE MODEL FOR OPERATIONAL RISK MANAGEMENT



In endeavouring to enhance its operational risk management, since 2010 NBG has developed and deployed the OpVar software application by Algorithmics, initially at NBG (including its international branch network) and Finansbank, and gradually expanded to the remaining Group companies. In 2013, Ethniki General Insurance integrated OpVar into its operational risk management.

Likewise, the Group continued to provide comprehensive training and updates to its staff with a view to enhancing its risk management culture and raising awareness about operational risk management.

In 2013, the annual implementation cycle of the Operational Risk Management Framework was deployed by the Bank through its OpVar software application for the fourth consecutive year. The key constituents of this framework are outlined below:

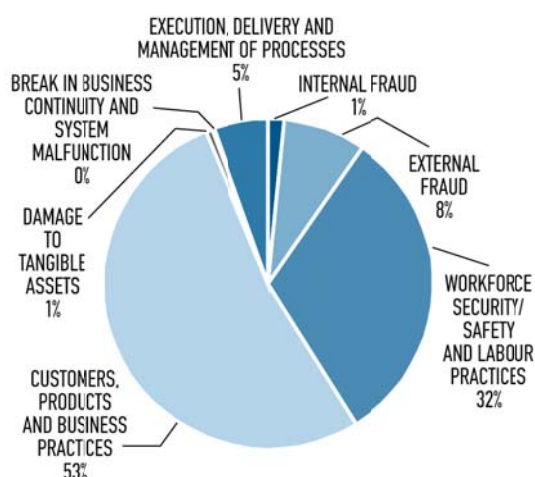
- to identify, assess and monitor operational risks;
- to define effective risk mitigation action plans;
- to identify and monitor NBG's Key Risk Indicators;
- to perform scenario analysis by means of systematic recording by expert analysts of a series of risk-weighted assessments

- of the frequency at which operational losses with serious impact occur, and to collect loss-making event data.

As regards the collection of loss data, in 2013 the Bank continued to collect data of loss-making events and to enrich and maintain on a day-to-day basis a full and consistent database of real loss events attributable to operational risk.

DIAGRAM 5.1.19 presents a breakdown of loss-making events incurred by the Bank in 2013 by regulatory category.

**DIAGRAM 5.1.19**  
**CLASSIFICATION OF TOTAL NBG LOSS**  
**DUE TO OPERATIONAL RISK EVENTS IN 2013**



NBG uses the Standardized Approach for calculating capital requirements for operational risk at Group level. In 2013, the Group's regulatory capital requirements for operational risk amounted to €385 million.

## 5.2 REGULATORY COMPLIANCE

2013 was a landmark year for the Greek banking system. Mergers and acquisitions took place, financial institutions were placed under special liquidation, Monitoring Trustees were appointed in the context of meeting EU competition requirements pursuant to relevant decisions of the European Commission, and the systemic banks were recapitalized by the Hellenic Financial Stability Fund with private sector participation.

In seeking to effectively manage regulatory compliance risks, the Group Regulatory Compliance (GRC) Division was responsible for ensuring rapid adaptation to legal and regulatory developments, including the obligations arising from the Relationship Framework Agreement between the Bank and the HFSF and from the agreement with the Monitoring Trustee.

The key areas of focus for the GRC were corporate governance, consumer/investor protection, data protection, AML and CFT, investigation of customer assets, attachment of property in the hands of third parties, management of customer complaints, staff training, establishing an effective environment for monitoring regulatory compliance issues, and communication with supervisory authorities.

In the context of ensuring high legal and ethical standards within the Group, the "Whistle Blowing Policy of the Bank and its Group" was launched, further enhancing the existing framework for submitting confidential reports for the prevention and avoidance of misconduct and irregularities which could jeopardize the reputation and interests of the Bank, its shareholders and customers.

The Bank considers compliance and transparency to be top priorities, and this is reflected in its strong ranking in the "Evaluation of the level of disclosure by the biggest Greek corporations through their website", under the anti-corruption program of Transparency International - Greece: NBG was first among banks and third among the 16 largest companies in Greece in terms of turnover, with 85% disclosure fullness under the program.

The continued application of effective regulatory compliance at Group level is the Bank's key objective for 2014.

## 5.3 INTERNAL AUDIT

The Internal Audit function is an independent and objective activity providing a frame of assurance and advisory services, designed to add value and enhance the operations of the organization

through regular assessment of the system of corporate governance, the risk management framework, and the internal audit process.

The Internal Audit-Inspection Division conducts controls at Bank and Group level on the basis of risk assessment, and operates as the coordinating unit that provides guidance and supervises all the Internal Control Units in the Group's subsidiaries. The Internal Audit's control and advisory activities are adapted so as to enable the Unit to contribute to the attainment of the Group's strategic goal to confront effectively the fallout from the economic crisis.

The Division was recently assessed by an international external advisor regarding its compliance with international standards and best practices, and was awarded the highest rating (Generally Conforms).

In 2013, all Internal Control Units of the Group continued to apply a single control methodology and to use the Thomson Reuters EGRC online application for the overall management of the audit process. In addition, they continued their good cooperation with external auditors, enriching the scenarios of the special anti-fraud (ASIST) application for averting and detecting possible cases of fraud, monitoring the implementation of corrective actions, and playing an advisory role in various projects, committees and the design of procedures. Over the same period, the Internal Audit-Inspection Division was reinforced with 21 new employees from the Bank's existing personnel and from the absorbed banks (FBB and Probank), while 20 experienced officers participated in the recent voluntary retirement scheme.

Almost all scheduled audits for 2013 were duly carried out, despite heightened extraordinary requirements, while the audit program of the subsidiaries' Internal Control Units was satisfactorily carried out.

## 5.4 CORPORATE GOVERNANCE

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The Bank's corporate governance framework is aligned with the requirements of Greek legislation, the rules of the Hellenic Capital Market Commission (HCMC), the Bank's Articles of Association and regulations as well as with the stipulations of the Relationship Framework Agreement-(RFA) between the Bank and the Hellenic Financial Stability Fund, and the obligations of the Bank towards the Monitoring Trustee. The Bank, being listed on the New York Stock Exchange (NYSE), is also subject to the US legal and regulatory framework (Sarbanes Oxley Act), the US Securities & Exchange Commission (SEC) rules, and NYSE regulations.

In February 2006, the Bank's Board of Directors (the Board) adopted a framework that sets out the Bank's corporate governance structure and policy. This framework was based on international best practices and fosters continuity, consistency and efficiency in the *modus operandi* of the Board and the governance of the Bank and the Group. In March 2011, in compliance with the provisions of the corporate governance framework, the Board adopted the Corporate Governance Code of the Bank, which was thereafter amended in November 2013, with a view to bringing it into line with the RFA between the Bank and the HFSF as well as with the Bank's obligations vis-a-vis the Monitoring Trustee.

The Bank has adopted the Corporate Governance Code and provides explanations for any exceptions identified in accordance with Law 3873/2010. Within the context of its Corporate Governance Code, the Bank is in the process of developing a high level Chart of Authorities and Responsibilities of the Management at Group level, which should be adopted by the Board in 2014, together with the relevant software.

The Board has a self-evaluation system for assessing the effectiveness of its work and that of its committees, based on a methodology developed and approved by the Corporate Governance & Nominations Committee.

Every three years, in-depth evaluation is carried out by an external consultant whose selection and oversight are the responsibility of the Corporate Governance & Nominations Committee.

The Corporate Governance Code can be viewed on the Bank's website at: [www.nbg.gr](http://www.nbg.gr) (section: The Group\Corporate Governance\Regulations and Principles).

The corporate governance practices and the *modus operandi* of the General Meeting, the Board of Directors and the other management, administrative and supervisory bodies, as well as shareholders' rights are described in the Group's Annual Financial Report for 2013, which is available on the Bank's website [www.nbg.gr](http://www.nbg.gr) (section: The Group/Investor Relations/Annual and Interim Financial Statements/Financial Statements of the Group and the Bank for the period ended 31.12.2013).

**SUMMARY FINANCIAL  
STATEMENTS**

## INDEPENDENT AUDITOR'S REPORT

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To the Shareholders of "NATIONAL BANK OF GREECE SA"

### Report on the Stand-Alone and Consolidated Financial Statements

We have audited the accompanying stand-alone and consolidated financial statements of the "NATIONAL BANK OF GREECE SA" (the "Bank") and its subsidiaries (the "Group"), which comprise the stand-alone and consolidated statement of financial position as at December 31, 2013, and the stand-alone and consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Stand-Alone and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these stand-alone and consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as Management determines is necessary to enable the preparation of stand-alone and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these stand-alone and consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the stand-alone and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the stand alone and consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the stand-alone and consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the stand-alone and consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the stand-alone and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the accompanying stand-alone and consolidated financial statements present fairly, in all material respects, the financial position of the Bank and the Group as of December 31, 2013, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

## Report on Other Legal and Regulatory Requirements

- a) The Directors' Report includes a Corporate Governance Statement which provides the information required according to the provisions of paragraph 3d of Article 43a and paragraph 3f of article 107 of Codified Law 2190/1920.
- b) We have agreed and confirmed the content and consistency of the Directors' Report to the accompanying stand-alone and consolidated financial statements according to the provisions of the articles 43a, 108 and 37 of the Codified Law 2190/1920.

Athens, 31 March 2014  
The Certified Public Accountant

Emmanuel A. Pelidis                      Beate Randoulf  
Reg. No. SOEL: 12021                      Reg. No. SOEL: 37541

**Deloitte.**

Hadjipavlou Sofianos & Cambanis SA  
3a Fragoklissias & Granikou Str., 151 25 Maroussi  
Reg. No. SOEL: E.120



**FINANCIAL DATA AND INFORMATION FOR THE PERIOD FROM 1 JANUARY 2013 TO 31 DECEMBER 2013**

(Published in accordance with article 135 of Law 2190/1920, for enterprises preparing annual stand-alone and consolidated financial statements in accordance with IFRS) (amounts in million €)

**Company Information**

Headquarters:	86, Eolou Str., 102 32 Athens
Register Numbers of SA:	6062/06/B/86/01
Supervising Prefecture:	Athens Prefecture
Date of approval of Financial Statements by BoD:	20 March 2014
Certified Public Accountant - Auditor:	Manos Pelidis (RN SOEL 12021), Beate Randulf (RN SOEL 37541)
Audit Firm:	Deloitte, Hadjipavlou Sofianos & Cambanis SA Assurance & Advisory Services
Independent Auditor's Report:	Unqualified opinion
Issue date of Auditor's report:	31 March 2014
Website:	www.nbg.gr

The financial data and information listed below, derive from the financial statements and aim to a general information about the financial position and results of National Bank of Greece and NBG Group. We therefore recommend the reader, prior to making any investment decision or other transaction concerning the Bank, to visit the Bank's web site (www.nbg.gr), where the set of financial statements is posted, as well as the auditor's report.

**Statement of Financial Position (Consolidated and Standalone)**

	GROUP		BANK	
	31.12.2013	31.12.2012 As restated	31.12.2013	31.12.2012 As restated
<b>ASSETS</b>				
Cash and balances with central banks	5.910	4.500	2.195	1.213
Due from banks (net)	2.847	4.318	3.478	4.195
Financial assets at fair value through profit or loss	3.087	5.429	2.411	5.006
Derivative financial instruments	3.671	3.693	2.581	3.380
Loans and advances to customers (net)	67.250	69.135	46.327	47.000
Available for sale investment securities	4.285	5.215	908	1.046
Held to maturity investment securities	1.237	356	902	1.030
Loans and receivables investment securities	11.955	2.744	11.660	2.464
Investment property	535	280	-	-
Investments in subsidiaries	-	-	8.209	8.907
Equity method investments	143	159	7	7
Goodwill, software & other intangible assets	1.709	2.138	111	134
Property & equipment	1.755	1.969	263	331
Deferred tax assets	2.409	1.297	2.189	1.085
Insurance related assets and receivables	721	636	-	-
Current income tax advance	441	371	435	340
Other assets	2.754	2.558	2.259	1.801
Non-current assets held for sale	221	-	262	-
<b>Total assets</b>	<b>110.930</b>	<b>104.798</b>	<b>84.197</b>	<b>77.939</b>
<b>LIABILITIES</b>				
Due to banks	27.897	33.972	26.473	33.287
Derivative financial instruments	3.029	4.770	2.559	4.373
Due to customers	62.876	58.722	45.290	40.908
Debt securities in issue	2.199	2.385	810	600
Other borrowed funds	1.607	1.386	102	205
Insurance related reserves and liabilities	2.404	2.460	-	-
Deferred tax liabilities	53	80	-	-
Retirement benefit obligations	530	388	487	328
Current income tax liabilities	46	48	-	-
Other liabilities	2.406	2.629	2.093	2.168
Liabilities associated with non-current assets held for sale	9	-	-	-
<b>Total liabilities</b>	<b>103.056</b>	<b>106.840</b>	<b>77.814</b>	<b>81.869</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	2.073	6.138	2.073	6.138
Share premium account	11.975	3.326	11.972	3.325
Less: treasury shares	(2)	-	-	-
Reserves and retained earnings	(6.935)	(11.748)	(7.662)	(13.393)
<b>Equity attributable to NBG shareholders</b>	<b>7.111</b>	<b>(2.284)</b>	<b>6.383</b>	<b>(3.930)</b>
Non-controlling interests	683	70	-	-
Preferred securities	80	172	-	-
<b>Total equity</b>	<b>7.874</b>	<b>(2.042)</b>	<b>6.383</b>	<b>(3.930)</b>
<b>Total equity and liabilities</b>	<b>110.930</b>	<b>104.798</b>	<b>84.197</b>	<b>77.939</b>

**Statement of Changes in Equity (Consolidated and Standalone)**

ASSETS	GROUP		BANK	
	From 1.1 to 31.12.2013	31.12.2012 As restated	From 1.1 to 31.12.2013	31.12.2012 As restated
<b>Balance at beginning of period</b>	<b>(2.042)</b>	<b>(367)</b>	<b>(3.930)</b>	<b>(1.177)</b>
<b>Changes during the period:</b>				
Total comprehensive income / (expense), net of tax	(361)	(1.558)	643	(2.752)
Share capital increase / (decrease) / Share premium	4.584	-	4.582	-
Dividends declared	-	(3)	-	-
(Purchases) / disposals of treasury shares	(2)	-	-	-
Other changes	5.695	(114)	5.088	(1)
<b>Balance at end of period</b>	<b>7.874</b>	<b>(2.042)</b>	<b>6.383</b>	<b>(3.930)</b>

**Statement of Comprehensive Income (Consolidated and Standalone)**

	GROUP		GROUP	
	From 1.1 to 31.12.2013	31.12.2012 As restated	From 1.1 to 31.12.2013	31.12.2012 As restated
Interest and similar income	5.520	6.230	2.517	3.080
Interest expense and similar charges	(2.363)	(2.865)	(1.069)	(1.412)
<b>Net interest income</b>	<b>3.157</b>	<b>3.365</b>	<b>1.448</b>	<b>1.668</b>
Fee and commission income	793	776	237	231
Fee and commission expense	(264)	(281)	(236)	(264)
<b>Net fee and commission income / (expense)</b>	<b>529</b>	<b>495</b>	<b>1</b>	<b>(33)</b>
Earned premia net of reinsurance	530	695	-	-
Net claims incurred	(463)	(564)	-	-
<b>Earned premia net of claims and commissions</b>	<b>67</b>	<b>131</b>	<b>-</b>	<b>-</b>
Net trading income / (loss) and results from investment securities	(95)	(431)	(169)	(687)
Net other income / (expense)	113	(33)	592	(108)
<b>Total income</b>	<b>3.771</b>	<b>3.527</b>	<b>1.872</b>	<b>840</b>
Personnel expenses	(1.530)	(1.380)	(915)	(793)
General, administrative and other operating expenses	(811)	(733)	(339)	(319)
Deprec. & amortis. on properties, equipment, software & other intang. assets	(206)	(209)	(88)	(92)
Amortis. & write offs of intang. assets recognised on business combinations	(20)	(22)	-	-
Finance charge on put options of non-controlling interests	(5)	(5)	(5)	(5)
Credit provisions and other impairment charges	(1.373)	(2.966)	(1.026)	(2.483)
Impairment of Greek government bonds	-	(187)	-	(163)
Share of profit / (loss) of equity method investments	(5)	2	-	-
<b>Profit/(loss) before tax</b>	<b>(179)</b>	<b>(1.973)</b>	<b>(501)</b>	<b>(3.015)</b>
Tax benefit / (expense)	986	(158)	1.119	89
<b>Profit / (loss) for the period, net of tax (A)</b>	<b>807</b>	<b>(2.131)</b>	<b>618</b>	<b>(2.926)</b>
<b>Attributable to:</b>				
Non-controlling interests	(2)	(4)	-	-
<b>NBG equity shareholders</b>	<b>809</b>	<b>(2.127)</b>	<b>618</b>	<b>(2.926)</b>
<b>Other comprehensive income/(expense), net of tax (B)</b>	<b>(1.168)</b>	<b>573</b>	<b>25</b>	<b>174</b>
<b>Total comprehensive income/(expense), net of tax (A+B)</b>	<b>(361)</b>	<b>(1.558)</b>	<b>643</b>	<b>(2.752)</b>
<b>Attributable to:</b>				
Non-controlling interests	(5)	(3)	-	-
<b>NBG equity shareholders</b>	<b>(356)</b>	<b>(1.555)</b>	<b>643</b>	<b>(2.752)</b>
<b>Earnings/(losses) per share (Euro) - Basic and Diluted:</b>	<b>€0,6226</b>	<b>€(10,6177)</b>	<b>€0,4453</b>	<b>€(15,4072)</b>

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**Statement of Cash Flows (Consolidated and Standalone)**

	31.12.2013	31.12.2012	31.12.2013	31.12.2012
		As restated		As restated
Net cash flows from / (used in):				
Operating activities	(1.074)	(2.765)	(2.536)	(1.981)
Investing activities	105	2.469	1.374	(595)
Financing activities	1.201	183	1.172	(826)
<b>Net increase / (decrease) in cash and cash equivalents in the period</b>	<b>232</b>	<b>(113)</b>	<b>10</b>	<b>(3.402)</b>
Effect of foreign exchange rate changes on cash and cash equivalents	(144)	9	(36)	(10)
<b>Total cash inflows / (outflows) for the period</b>	<b>88</b>	<b>(104)</b>	<b>(26)</b>	<b>(3.412)</b>
Cash and cash equivalents at beginning of period	4.167	4.271	3.524	6.990
Conversion of branch to subsidiary	-	-	-	(54)
<b>Cash and cash equivalents at end of period</b>	<b>4.255</b>	<b>4.167</b>	<b>3.498</b>	<b>3.524</b>

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**The Board of Directors**

Georgios P. Zanias	Non-Executive Member - Chairman of the BoD
Alexandros G. Tourkolias	Executive Member - Chief Executive Officer
Petros N. Christodoulou	Executive Member - Deputy Chief Executive Officer
Stavros A. Koukos	Non-Executive Member
Efthymios C. Katsikas	Non-Executive Member
Dimitrios N. Afendoulis	Independent Non-Executive Member
Stefanos C. Vavalidis	Independent Non-Executive Member
Alexandra T. Papalexopoulou - Benopoulou	Independent Non-Executive Member
Petros K. Sabatacakis	Independent Non-Executive Member
Maria A. Frangista	Independent Non-Executive Member
Panagiotis - Aristeidis A. Thomopoulos	Independent Non-Executive Member
Spyridon J. Theodoropoulos	Independent Non-Executive Member
Alexandros N. Makridis	Greek State representative
Charalampos A. Makkas	Hellenic Financial Stability Fund representative

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## Notes

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- 1) The principal accounting policies that have been adopted are in accordance with the requirements of International Financial Reporting Standards ("IFRS") and are the same with those applied in the 2012 financial statements. Details are included in Note 2 of the annual financial statements as of 31.12.2013.
- 2) The Bank has been audited by the tax authorities up to and including the year 2008. The financial years 2009 and 2010 are currently being audited by the tax authorities whereas the financial years 2011 and 2012 were audited and 2013 is currently being audited by the independent auditor of the Bank. The unaudited tax years of the subsidiary companies of the Group fully consolidated and associated are reflected in Notes 47 & 24 of the annual financial statements as of 31.12.2013.
- 3) Cases under litigation or in arbitration as well as pending cases before the Courts or Arbitration Courts are not expected to have a material impact on the financial position or operations of the Bank and the Group. As of 31.12.2013, the provisions recognized by the Group and the Bank, amounted to: a) for cases under litigation €70 million and €60 million respectively, and b) for other risks €35 million and €3 million respectively.
- 4) The number of Group and Bank employees as of 31.12.2013 was 37.591 and 12.527 respectively (31.12.2012: 34.881 and 11.493 respectively).
- 5) Related party transactions and balances as defined in IAS 24 are analyzed as follows: assets, liabilities, interest, commission and other income, interest, commission and other expense and off-balance sheet items with associated companies and joint ventures of the Group, as of 31.12.2013, amounted to €8 million, €35 million, €34 million, €8 million and €8 million respectively. The corresponding balances and transactions with subsidiaries, associated companies and joint ventures of the Bank as of 31.12.2013 were €3.799 million, €4.151 million, €129 million, €201 million and €3.156 million. Loans, deposits, letters of guarantee and total compensation of the members of the Board of Directors of the Bank, the General Managers and the members of the Executive Committees of the Bank, the key management of other Group companies, as well as the close members of family and entities controlled or jointly controlled by those persons amounted, as of 31.12.2013, to €88 million, €12 million, €16 million and €16 million respectively and for the Bank alone the corresponding amounts amounted to €87 million, €4 million, €16 million and €5 million. The total receivables of the Group and the Bank from the employee benefits related funds as of 31.12.2013, amounted to €582 million. The total payables of the Group and the Bank to the employee benefits related funds as of 31.12.2013, amounted to €134 million and €62 million respectively. During 2012 under the recapitalization plan, HFSF contributed €9.756 million EFSF bonds to the Bank as an advance for the participation in the Bank's share capital increase that was completed in June 2013. The HFSF contribution in the share capital increase eventually amounted to €8.677 million and an amount of €1.079 million was covered by private investors. Furthermore, the Bank paid €90 million to HFSF as underwriting fees. Following the acquisition of "selected" assets and liabilities of FBB the HFSF has already contributed to the Bank as an advance EFSF bonds of nominal value amounting to €457 million. Finally, following the acquisition of "selected" assets and liabilities of PROBANK by the Bank, the HFSF cover the funding gap which was amounted to €563 million.
- 6) Acquisitions, disposals & other capital transactions:
  - (a) On 16.1.2013, the assets and liabilities of Astir Palace Vouliagmenis SA and its subsidiary Astir Marina Vouliagmenis SA were reclassified in "Non-current assets held for sale" in accordance with the decision of NBG and the agreement with the Hellenic Republic Asset Development Fund SA ("HRADF"), following the decision to launch a tender for the sale of the companies. On 10.2.2014 the Bank announced the Preferred Investor. Approval by the HRADF on the above nominations was also granted on 13.2.2014.
  - (b) As of 15.2.2013 NBG acquired 84,4% of Eurobank share capital by a voluntary share exchange offer. The fair value of the shares issued as the consideration paid for the Eurobank shares acquired amounted to €273

million. On 22.4.2013, Eurobank's Board of Directors decided to increase the share capital and to propose to the extraordinary general shareholders meeting on 30.4.2013 the abolition of the preemptive rights of the existing shareholders and the full coverage of the share capital increase by the HFSF. The above proposal of Board of Directors to the extraordinary general shareholders meeting was approved on 30.4.2013. The recapitalization of Eurobank through the HFSF completed on 31.5.2013 and led to our shareholding in Eurobank being reduced to 1.2%, with the HFSF having full voting rights for the Eurobank shares it acquired and our investment in Eurobank was classified as AFS investment.

- (c) On 15.2.2013, NBG PANGAEA Reic acquired 100% of KARELA SA which owns a building in Paiania in Attica, for €56 million.
  - (d) On 10.05.2013 the Bank acquired, free of any consideration, the "healthy" assets and liabilities of FBB which is under special liquidation following the decision 10/10.5.2013 of the Bank of Greece Resolution Measures Committee.
  - (e) On 26.7.2013 the Bank acquired, free of any consideration, the "healthy" assets and liabilities of Probank which is under special liquidation following the decision 12/26.7.2013 of the Bank of Greece Resolution Measures Committee.
  - (f) On 30.12.2013 was completed the transfer of 66% of the shares of PANGAEA REIC from the Bank to Invel Real Estate (Netherlands) II BV for a total consideration of €653 million. The Bank retained a 34% stake in NBG Pangaea REIC and maintain control through a shareholders' agreement. The above transaction resulted in an increase in non-controlling interests of €629 million and an increase in equity attributable to NBG Shareholders of €24 million.
  - (g) Within December 2013 the bank entered into a binding agreement to dispose of its 100% participation on its subsidiary Grand Hotel Summer Palace SA. The disposal will be completed upon the fulfillment of certain conditions. Based on the above, the assets and liabilities of Grand Hotel Summer Palace SA were reclassified in "Non-current assets held for sale and discontinued operations". Details for the above transactions are included in Notes 30 & 46 of the annual financial statements as of 31.12.2013.
- 7) Included in Notes 24 & 47 of the annual financial statements as of 31.12.2013, are the group companies consolidated, their country of residence, the direct or indirect participation of the Bank in their share capital and the consolidation method applied for each such company. As of 31.12.2013 the following changes occurred in the Groups' structure:
- (a) Fully consolidated: From 15.2.2013 is included our subsidiary KARELA SA. On 10.5.2013 NBG International Holdings BV proceeded to the establishment of ARC Management Two EAD– SPV in Bulgaria, a wholly owned subsidiary which is included in the Group. On 28.5.2013 NBG International Holdings BV and NBG (Malta) Holdings Limited proceeded to the establishment of ARC Management One SRL– SPV in Romania, a wholly owned subsidiary which is included in the Group. On 10.5.2013 the Bank acquired, through the acquisition of "healthy" assets and liabilities the business of FBB, in which included and the 99% of voting rights of FB Insurance Agency Inc. which is under liquidation. On 26.7.2013 the Bank acquired, through the acquisition of "healthy" assets and liabilities the business of PROBANK in which included the following voting rights of five subsidiaries of PROBANK: Probank MFMC 100%, Profinance SA 100%, Probank Leasing SA 84,71%, Probank Insurance Brokers SA 99,98% and Anthos Properties SA 100%. As of 30.9.2013 E-Finans Elektronik Ticaret Ve Bilisim Hizmetleri AS (E-Finance) is included as subsidiary and from 23.12.2013 Nash SrL is included in the financial statements as subsidiary.
  - (b) There are no entities exempted from the annual financial statements as of 31.12.2013.
  - (c) There have been no changes in the method of consolidation since the previous annual financial statements.

- 8) "Other comprehensive income for the period, net of tax" of the Group, in the current period, is comprised of €(91) million relating to the movement of available for sale investments reserve, €(1.150) million relating to currency translation differences, €36 million relating to net cash flow hedge and €37 million relating to the remeasurement of the net defined benefit liability / asset. The corresponding amounts for the Bank for the first three cases are NIL while for the forth is €25 million.
- 9) As of 31.12.2013, the Group held 397.655 treasury shares with acquisition cost of €2 million approximately, while the Bank did not hold any treasury shares.

10) Other events:

- (a) At its meeting of 22.2.2013 the Bank's Board of Directors confirmed the Increase of the share capital arising from the acquisition of Eurobank. As a result the Bank's share capital increased by €271 million by issuing 270.510.718 ordinary shares with nominal value of €1,0 per share. The fair value of these shares issued as the consideration paid for Eurobank amounted to €273 million and was based on the closing price of Bank's share on the ATHEX on 15.2.2013.
- (b) On 29.4.2013, the 2nd Repeat Extraordinary General Meeting of the Bank's shareholders approved the reverse split of the ordinary shares at a ratio of 10 existing shares of €1,00 per share for 1 new share of €10,00 per share. Furthermore, in the same meeting it is approved the reduction in the nominal value from €10,00 per share to €0,30 per share as per article 4 para 4a of the Company Law 2190/1920, with the formation of a special reserve of an equal amount. Moreover, they approved the share capital increase by €9.756 million in the context of recapitalization of the banks. On 19.6.2013 the Board of Directors certified that €1.079 million was covered in cash by investors and €8.677 million by HFSF through the contribution of EFSF bonds.
- (c) On 3.7.2013, following the tender offer of 31.5.2013, was completed by the Bank the repurchase and the settlement of 12.360.169 ADSs for USD155 million.
- (d) On 6 March 2014, the Bank of Greece informed NBG regarding its capital shortfall amounting to €2,2 billion, arising from the stress test which incorporated the results from the BlackRock exercise.
- 11) Certain amounts in prior period have been reclassified to conform to the current presentation. The revised IAS 19 "Employee Benefits" applies from 1.1.2013 with retrospective application. As a consequence certain amounts for the comparative period and for the previous fiscal year were restated as follows:

For the previous fiscal year at a Group level the loss after tax and after the non controlling interest share decreased by €13 million, the comprehensive income / (expense) after tax decreased by €(41) million and the Equity attributable to NBG shareholders decreased by €(155) million while at a Bank level the loss after tax decreased by €10 million while the comprehensive income / (expense) after tax and the Equity attributable to NBG shareholders decreased by €(24) million and €(135) million respectively.

Details related to the above and restatements are included in Note 51 "Restatements of items in the financial statements" of the annual financial statements as of 31.12.2013.

Athens, 20 March 2014

THE CHAIRMAN OF THE BOARD OF DIRECTORS	THE CHIEF EXECUTIVE OFFICER	THE DEPUTY CHIEF EXECUTIVE OFFICER	THE CHIEF FINANCIAL OFFICER
GEORGIOS P. ZANIAS	ALEXANDROS G. TOURKOLIAS	PETROS N. CHRISTODOULOU	PAULA N. HADJISOTIRIOU

## INVITATION TO THE BANK'S ANNUAL GENERAL MEETING OF SHAREHOLDERS

TO BE HELD ON THURSDAY, 26 JUNE 2014, AT 12:00 HOURS

(Repeat AGM: Monday, 7 July 2014, 12:00)

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Pursuant to Codified Law 2190/1920 ("the Companies Act") and the provisions of Law 2396/96 on dematerialized shares, and the Bank's Articles of Association (article 11) and following Board of Directors' resolution dated 28 May 2014, the Shareholders of National Bank of Greece SA, a banking corporation having its registered office at 86 Eolou St., Athens, Greece, are invited to the Bank's Annual General Meeting ("AGM") to be held at 12:00 hours on Thursday, 26 June 2014 at 93 Eolou St. (Megaro Mela), Athens:

### AGENDA

1. Submission for approval of the Board of Directors' and the Auditors' Reports on the Annual Financial Statements for the financial year 2013 (1.1.2013 – 31.12.2013).
2. Submission for approval of the Annual Financial Statements of the Bank for the financial year 2013 (1.1.2013 – 31.12.2013).
3. Discharge of the members of the Board of Directors and the Auditors of the Bank from any liability for indemnity regarding the Annual Financial Statements and management for the year 2013 (1.1.2013 – 31.12.2013).
4. Approval of the remuneration of the Board of Directors of the Bank for the financial year 2013 (pursuant to Article 24.2 of the Companies Act). Determination of the remuneration of the Chairman of the Board, the CEO, the Deputy CEO and non-executive Directors through to the AGM of 2015. Approval, for the financial year 2013, of the remuneration of the Bank's Directors in their capacity as members of the Bank's Audit, Corporate Governance & Nominations, Human Resources & Remuneration, Risk Management, and Strategy Committees, and determination of their remuneration through to the AGM of 2015.
5. Granting of permission for Directors, General Managers, Assistant General Managers and Managers to participate on the Board of Directors or in the management of NBG Group companies pursuing similar or related business goals (as per Article 23.1 of the Companies Act and Article 30.1 of the Bank's Articles of Association).
6. Election of new members to the Board. Appointment of independent non-executive member(s).
7. Election of members to the Audit Committee.
8. Election of regular and substitute Certified Auditors for the purposes of the audit of the Financial Statements of the Bank and the Consolidated Financial Statements of the Group for the year 2014, and determination of their remuneration.
9. Amendment of the Bank's Articles of Association and alignment thereof with the new provisions of the Companies Act (following law 3884/2010) and with laws 3864/2010, 4072/2012, 4156/2013 and 4250/2014: amendment of Articles 5, 6, 8, 10, 11, 12, 13, 14, 15, 18, 21, 26, 30, 31 and 32, and completion, cancellation and renumbering of provisions of the Articles of Association.
10. Various announcements and approvals.

In the event that the General Meeting does not achieve quorum, the Shareholders are hereby invited to attend a Repeat General Meeting on Friday, 7 July 2014, at 12:00, at the same address. Note that, in accordance with article 29 of the Companies Act, as amended, new invitations for the said Repeat Meeting will not be published.

In accordance with articles 26.2b and 28a of the Companies Act, as amended and supplemented by, respectively, articles 3 and 5 of Law 3884/2010, the Bank informs shareholders of the following:

## ENTITLEMENT TO PARTICIPATE IN THE GENERAL MEETING

Any person listed as a shareholder (i.e. holder of common registered shares of the Bank) in the registry of the Dematerialized Securities System [formerly the Central Securities Depository] managed by Hellenic Exchanges SA (HELEX), in which the shares of the Bank are recorded, is entitled to participate in the General Meeting, according to the specific provisions outlined hereinbelow. Each common share is entitled to one vote. Preference shares in the Bank under Law 3723/2008 entitle the representative of their holder (the Hellenic Republic) to attend the Meeting, as per article 1 of the said Law. Proof of shareholder status should be provided by presenting to the Bank relevant certification from HELEX at the latest by the third day prior to the Meeting. Shareholders who are legal entities must also, by the same deadline, file, pursuant to the law, their legalisation documents, unless these documents have already been filed with our Bank, in which case it is sufficient to state where they have been filed in the relevant proxy form. Alternatively, proof of shareholder status can be provided through direct electronic link-up of the Bank with the records of the Dematerialized Securities System.

Shareholder status must exist on 21 June 2014 (Record Date), i.e. at the start of the 5th day prior to the date of the General Meeting of 26 June 2014, and the relevant written certification or the electronic verification of shareholder status must have been received by the Bank by 23 June 2014 at the latest, i.e. on the 3rd day prior to the date of the AGM. Only those who have shareholder status on the said Record Date are considered to be entitled to participate and vote in the AGM. Shareholders who do not comply with the provisions of article 28a of the Companies Act may participate in the AGM only after the Meeting has authorized them to do so.

To exercise the said rights, it is not necessary to block the shares or follow any other similar process that may restrict the ability to sell and transfer shares in the period between the Record Date and the AGM.

## PROCEDURE FOR VOTING BY PROXY

The shareholder may participate in the AGM and may vote either in person or by proxy. Each shareholder may appoint up to 3 proxy holders. Legal entities may participate in the AGM by appointing up to 3 natural persons as proxy holders.

However, if the shareholder owns shares in the Bank that are held in more than one Investor Securities Account, such limitation shall not prevent the shareholder from appointing, in respect of the AGM, separate proxy holders for the shares appearing in each Account. A proxy holder holding proxies from several shareholders may cast votes differently for each shareholder. Before the AGM commences, the proxy holder must disclose to the Bank any particular facts that may be of relevance for shareholders in assessing the risk that the proxy holder may pursue interests other than those of the shareholder. Within the meaning intended in this paragraph, a conflict of interest may arise in particular when the proxy holder:

- a) is a controlling shareholder of the Bank or is another entity controlled by such shareholder;
- b) is a member of the Board of Directors or in general the management of the Bank, or of a controlling shareholder or an entity controlled by such shareholder;
- c) is an employee or an auditor of the Bank, or of a controlling shareholder or an entity controlled by such shareholder;
- d) is a spouse or close relative (1st degree) of a natural person referred to in (a) to (c) hereinabove.

The appointment and revocation of appointment of a proxy holder shall be made in writing and shall be notified to the Bank in writing at least 3 days prior to the date of the General Meeting.

The Bank shall make available the form to be used for appointing a proxy holder on its website ([www.nbg.gr](http://www.nbg.gr)). The said form, filled in and signed by the shareholder, must be filed with the Bank's Shareholder Sub-division (ground floor, 93 Eolou St., Athens) or the Head Branch or any branch of the Bank's network, or sent by fax to +30 2103343404,

2103343406 and 2103343410 at least 3 days prior to the date of the General Meeting. Shareholders should confirm that the appointment-of-proxy form has been successfully received by the Bank by calling +30 2103343415, 2103343421, 2103343436 or 2103343411.

The Articles of the Bank do not provide for participation in the General Meeting by electronic means without the Shareholder attending the Meeting in person at the place where it is held. Similarly, the Articles do not provide for participation in voting by distance voting.

## MINORITY RIGHTS

(a) If shareholders representing 1/20 of the paid-up share capital of the Bank so request, the Bank's Board of Directors is obliged to include additional items in the Agenda of the AGM, provided that the said request is communicated to the Board by 11 June 2014, i.e. at least 15 days prior to the General Meeting.

The said request should be accompanied by justification or a draft resolution to be approved by the AGM and on 13 June 2014, i.e. 13 days prior to the AGM, the revised agenda should be disclosed in the same manner as the previous agenda, and at the same time made available to shareholders through the Bank's website, along with the justification or draft resolution tabled by the shareholders, in accordance with the provisions of article 27.3 of the Companies Act.

(b) If shareholders representing 1/20 of the paid-up share capital of the Bank so request, the Board of Directors shall, in accordance with the provisions of article 27.3 of the Companies Act, make available to shareholders by 20 June 2014 at the latest, i.e. at least 6 days prior to the AGM, any draft resolutions on the items included in the initial or revised agenda, provided that the said request is communicated to the Board by 19 June 2014, i.e. at least 7 days prior to the AGM.

(c) If any shareholder so requests, and provided that the said request is filed with the Bank by 21 June 2014, i.e. at least 5 full days before the AGM, the Board of Directors is obliged to provide the AGM with information regarding the affairs of the Bank, insofar as such information is relevant to a proper assessment of the items on the agenda. The Board may decline to provide such information citing sufficient material grounds, and this should be recorded in the minutes. The Board may provide a single answer to shareholders' requests that are of similar content. The obligation to provide information does not apply in the event that such information is already available through the Bank's website, particularly in the case of frequently asked questions.

(d) If shareholders representing 1/5 of the paid-up capital of the Bank so request, and provided that the said request is filed with the Bank by 21 June 2014, i.e. at least 5 full days prior to the AGM, the Board of Directors is obliged to provide the AGM with information on the course of the business affairs and financial status of the Bank. The Board may decline to provide such information citing sufficient material grounds, and this should be recorded in the minutes.

In all the aforesaid cases the shareholders making requests are required to prove their shareholder status as well as the number of shares they hold as at the time of exercising the relevant right. A certificate to this effect from HELEX or verification of shareholder status through direct online link-up between the records held by HELEX and the Bank may also serve as such proof.

In the event that the General Meeting of Shareholders held on 26 June 2014 does not achieve quorum, Shareholders are hereby invited to attend a Repeat Meeting at 12:00 hours on Monday, 7 July 2014 at Eolou 93 (Megaro Mela), Athens.

For shareholders to be entitled to participate in the said Repeat Meeting, shareholder status must exist on 3 July 2014 (Record Date), i.e. at the start of the 4th day prior to the date of the Repeat Meeting of 7 July 2014, and the relevant written certification or the electronic verification of shareholder status must have been received by the Bank by 4 July 2014 at the latest, i.e. on the 3rd day prior to the date of the Repeat Meeting.

The appointment and revocation of appointment of a proxy holder shall be made in writing and shall be notified to the Bank in writing at least 3 days prior to the date of the Repeat Meeting.

With regard to the procedure whereby Shareholders exercise their voting rights and minority rights at the Repeat Meeting, should such Meeting take place, all the respective provisions set out hereinabove shall, mutatis mutandis, apply.

#### **AVAILABLE DOCUMENTS AND INFORMATION**

The information required under article 27.3 of the Companies Act, including the invitation to the AGM, the proxy appointment form and the draft resolutions on the items of the agenda shall be made available in electronic form on the website of the Bank at [www.nbg.gr](http://www.nbg.gr). Hard copies of the full text of the draft resolutions and any documents specified under article 27.3(c) and (d) of the Companies Act can be obtained from the Bank's Shareholder Sub-division (ground floor of the Megaro Mela, 93 Eolou Str., Athens).

Athens, 28 May 2014  
By order of the Board of Directors  
The Chairman

Georgios P. Zantias

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## NATIONAL BANK OF GREECE SA

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