NBG Group 1Q.09 results

Athens, 29 May 2009

In €mn	1Q 2009	1Q 2008	Δ
Attributable profit	317	401	-21%
Attributable profit from Domestic Operations	177	245	-28%
Attributable profit Finansbank	103	106	-2%
Attributable profit SE Europe	37	50	-26%
Return on Equity	22%	28%	-600 bps
Cost / Income	46%	46%	-
NPL ratio	3.7%	3.5%	+20 bps
Total assets (€bn)	107	90	+19%
Loans / Deposits	95%	92%	+300 bps
Tier I capital adequacy	10.4%(*)	9.2%	+120 bps

(*) Including Greek State preference shares of €350 mn.

The results of the first quarter underscore both our efforts to contain the impact of the current crisis as well as the conservative management stance of the past several years.

The results of the first quarter reflect our comparative advantages: excess liquidity, high capital levels, and a conservative loan book comprising mostly low risk collateralized lending.

The emphasis of management is now on containing the deterioration of asset quality and on sustaining our high pre-provision profit margin, through a repricing of risk and through aggressive cost containment.

Though uncertainty over developments in the coming quarters remains high, I feel more confident now about our ability to come out stronger from the crisis in order to make use of growth opportunities.

Athens, May 2009
Takis Arapoglou
Chairman and CEO

Group net profit in 1Q09: €317 million

Group net profit for the first quarter of 2009 stood at €317 million, down by 4% qoq and 21% yoy. Profit before provisions amounted to €662 million, up 9% yoy.

- Net profit from domestic business totalled €177 million, down 19% on the previous quarter, while profit before provisions amounted to €397 million, up 6% yoy.
- **Finansbank** posted profit of TRY224 million (€103 million) in 1Q09, up 33% qoq and 17% yoy. This figure corresponds to 1/3 of total Group profit. Profit before provisions increased by 39% yoy and 15% qoq.
- Net profit from the Group's operations in **Southeast Europe** declined by 26% yoy (though up by 14% qoq) to €37 million, contributing 12% of total Group profitability. Despite the highly unfavourable environment in the region net profit, before provisions, for the Group's SE European affiliates increased by 6% yoy.

These results were achieved within a very hostile environment, with quarterly provisions remaining at the high level reached in 4Q08. Specifically, the Group formed provisions for credit risk totalling €235 million in 1Q09, compared with just €88 million in 1Q08.

Consistent management of doubtful debt shields NBG from credit crunch fallout

Despite the credit crunch, **the loan book remains healthy**. The NPL ratio stood at 3.7% compared with 3.5% in 1Q08. The Group's conservative and prudent provisioning policy resulted in provision coverage of more than 70% of NPLs, before taking into account the value of collateral.

In addition, the Group's systematic risk management has meant that the loan book is concentrated on low risk sectors such as mortgages and financing to businesses and the wider public sector, which together comprise 83% of the Group's aggregate loan book.

Financing continues at a steady pace

Total Group lending in 1Q09 amounted to €67.6 billion compared with €57.1 billion in 1Q08, up 18% yoy, despite the adverse impact of the credit crisis and the recessionary pressures in most of the countries of the region.

In 1Q09, the Group succeeded in increasing its lending on the previous quarter by 3% in Greece and 2% in Turkey, while in SE Europe the level remained unchanged.

Greece: €5.7 billion in disbursements, €1.6 billion net loan worth

Notwithstanding the global crisis, the Bank leveraged its strong liquidity to increase its funding to Greek businesses and households. The loan book in Greece grew by €1.6 billion in 1Q09 to €47.7 billion, up by 14% on an annualised base.

This performance exceeds the credit targets set by the Group for Greece and underscores NBG's commitment to maintain an uninterrupted flow of financing to the national economy, even as the banking crisis swept across the globe from September onwards. SMEs played a key role in this performance, with the lending balance in this segment growing by around 32% on an annualised basis.

Growth in retail banking was also positive. Retail lending in 1Q09 totalled €30.4 billion. Growth in the retail loan balance in the same period was €850 million, an increase of the order of 12% on an annualised basis.

Specifically:

- Mortgages grew by 13% yoy to over €19 billion.
- Disbursements of new housing loans in 1Q09 amounted to €645 million, resulting in an annualised growth of mortgages by 10%. Total mortgage disbursements correspond to 41% of aggregate disbursements in the Greek market, demonstrating the importance that NBG attributes to maintaining normal financing flows to this product segment.
- Consumer loans and cards grew by 13% yoy to €6.8 billion. In 1Q09, net growth in consumer loans amounted to €113 million, bringing the current year's growth rate to 7%, a particularly encouraging pace given the contraction in demand.
- The lending balance to professionals and SMEs posted positive growth of around 32% on an annualised basis in 1Q09 to over €4.4 billion. Disbursement of loans to SMEs via the Small Business Guarantee

Fund has also progressed rapidly, exceeding €840 million by the end of April.

Net growth in lending to medium and large corporates amounted to €700 million in 1Q09, which corresponds to a 17% increase on an annualised basis.

Deposit growth is funding credit expansion

Group **deposits** grew by 14% yoy to €69 billion in 1Q09. As a result, Group lending as a whole is covered by deposits, with the loan-to-deposit ratio remaining unchanged at 95%.

The Bank's strong liquidity and, above all, its stability comprise a substantial competitive advantage, particularly in the current environment, which limits the ability to raise liquidity from the global money and capital markets.

In addition, **customer deposits in Greece** increased by 14% yoy to €56.3 billion.

Balanced growth mitigates the impact of shrinking margins

Group **interest income** stood at €945 million, up 11% yoy. This result was achieved within a global environment of extremely tight liquidity, and reflects the balanced growth of the loan books in Greece and abroad, coupled with efficient management of the cost of raising funding.

The Bank's participation in financing to the Greek state (an area in which the Bank traditionally plays a leading role) was a key contributing factor in maintaining interest income at record highs.

Group **net interest margin** stood at 4.10%, lower than the 4.21% posted in 4Q08, but nevertheless steadily above the 4% level.

Efforts to contain costs continue

Growth in the Group's operating costs was contained at +8% yoy, despite the growth in the branch network in SE Europe and Turkey in 2008 (+137 branches or +9%) and investment in the operational integration of the Group's international subsidiaries. Compared with the previous quarter, operating costs, in fact, declined by 14%.

Accordingly, the cost/income ratio stood at 46%.

Fully aware of the particularly adverse environment into which the banking sector has entered, the NBG Group continues its cost cutting policy unabated, aiming at a radical restructuring of its cost base.

Finansbank: sustained profit growth

The **net profit** of the Finansbank Group grew by 33% qoq to TRY 224 million (€103 million).

This performance reflects the growth in profit before provisions, up by 15% qoq, underscoring the strong fundamentals of the Bank that enable it to boost its core earnings despite the adverse climate faced by the Turkish economy.

At the end of 1Q09, Finansbank's **lending** totalled TRY23.4 billion (€10.5 billion), up 16% on an annual basis.

The slower growth rate of the Turkish economy in 1Q09 led to restrained growth in Finansbank's lending (just 2% in 1Q09). This ongoing slowdown reflects the general adjustment in the pricing of credit risk and credit approval criteria applied by the Group in Turkey. Specifically:

- **Retail lending** remained at the forefront of Finansbank's growth trajectory and has continued to grow at an impressive 33% annually. In 1Q09, retail loans totalled TRY10.5 billion (€4.7 billion). Mortgage and consumer lending presented a strong dynamic, growing by 28% and 37%, respectively yoy.
- **Business lending** grew by 5% on an annual basis to TRY12.9 billion (€5.8 billion).

The adverse economic climate that continued through 1Q09 affected the **quality of the loan book**, as the NPL ratio stood at 3.8% of total loans, up 0.6% qoq, though well below the average for the Turkish market.

Finanbank's **deposits** posted an excellent performance, growing rapidly by 25% yoy, as a result of the Bank's strategy to broaden its deposit base, particularly in local currency. At the end of 1Q09, local currency deposits totalled TRY10.0 billion (€4.5 billion) compared with TRY6.8 billion (€3.3 billion) in 1Q08, up 48%.

Growth in Finansbank's deposit base in local currency led the loan-to-deposit ratio to 121%, a particularly strong performance especially as residual financing is funded by medium-term borrowing from the international markets (non-Group) with maturity extending up to 2013.

The combination of customer deposits and medium-term borrowing has made Finansbank virtually self-funded, meaning that its cross-border borrowing from the Group was significantly reduced throughout the year.

The scheduled expansion of Finansbank's branch network was completed in 2008, and accordingly only one more branch was added in 1Q09, bringing the total to 459 branches.

SE Europe: satisfactory core profitability – lending and deposits remain unchanged

Net profit from operations in SE Europe amounted to €37 million in 1Q09, compared with €50 million a year earlier, burdened by higher provisions. **Profit before provisions** amounted to €73 million, up by 6% yoy. All the countries of the region continued to post profitability in 1Q09, both in terms of operating and net income, absorbing the extra provisions made for loan loss.

Growth in operating expenses was contained at 10% yoy. This was assisted by the completion of the Group's **branch network** expansion programme in the region, which today includes 751 branches and 9,600 employees.

Total **lending** in SE Europe stood at €9.4 billion (including the €1.1 billion lending balance of the Cypriot franchise), up 25% yoy, though unchanged since the beginning of the year, as loan repayments are virtually equivalent to new loan production. There has been a reduction in the non-secured loan portfolio (consumer loans), to which the Group is systematically reducing its exposure in the region.

Total **deposits** amounted to €5 billion, up by 7% yoy and remaining steady since the beginning of the year, which is encouraging, as the total deposit market in these countries in fact contracted by 6% over the same period.

The **quality of the loan book** in SE Europe remains particularly satisfactory, with NPLs comprising 3.3% of the total loan book, reflecting the defensive restructuring of the Group's portfolio in the region, 79% of which is secured by a high level of collateral. Note that in the Group's key markets in SE Europe (Romania and Bulgaria) the NPL ratio is substantially lower than that of the market.

Capital adequacy: consistently ranking among the top European banks

The **Tier I capital adequacy ratio**, taking into account the Hellenic Republic preference shares and the sale of treasury stock, stands at 10.4%. The **Equity Tier I ratio**, which does not include hybrid capital and shares, is estimated to be around 8.3%. These levels rank NBG among the best capitalized banks in Europe.

The combination of high liquidity and a strong capital base provides the Group with the foundations on which it can continue to build its growth in Greece and abroad, and secures stability even in the eventuality that the economic environment deteriorates yet further.