# NBG Group results

## 9-month 2009

- **Net profits in 9m 2009 totalled €1 010 million (-17%)**
- **Pre-provision profits grew to €2 129 million in the first 9 months of 2009, +15% yoy**
- **Net profits of €301 million in Q3 2009**
- **€5 billion net increase in domestic lending yoy, equivalent to +12% credit expansion**
- **€2.2 billion new mortgage loans in Greece since the start of the year, 41% of the total market, and 69% of the total increase in outstandings**
- **€1.7 billion in lending via the SME Guarantee Fund (TEMPME) program in 2009, equivalent to 1/3 of the total program**
- **€4 billion in new deposits in Greece ytd, bringing the Group's loan-to-deposit ratio to 94%**
- **45% of the Group's profit in Q3 derives from its international affiliates**
- **Finansbank: 9 month profits of €332 million, equivalent to 33% of total Group profits**
- **SE Europe: profitability in all countries, despite adverse conditions**
- **€1.5 billion in new liquidity from the first covered bond issue by a Greek bank**
- **Top-class capital adequacy ratio: Tier I of 12.2%**

***The Group's performance in Q3, particularly the resilience of operating income, demonstrates that core banking is driving the gradual return of our earnings to pre-crisis levels.***

***Recognising the substantial challenges facing the banking sector, we are preparing for the gradual winding down of the emergency measures put in place in 2009 to support the global financial system, and have laid the foundations to ensure that the NBG Group will not simply rise to the challenges ahead but will in fact seize the opportunities generated by them.***

***Our high capital adequacy, strong liquidity and healthy operating performance, by any standard, make NBG a clear leader in banking developments in Greece and the wider region. Our central role is reflected in the financing we provide to Greek businesses and households – where NBG has clearly taken the lead – lending through which we seek to support the Greek economy and guard it from the fallout of the crisis.***

***I wish to thank our shareholders for their participation in the recent rights issue carried out by the Bank. Its successful outcome is a clear vote of confidence in our strategy to date and in the prospects of the Group. I also wish to thank the staff of the Group in Greece and abroad for their contribution to our positive performance during these difficult times.***

*Athens, 23 November 2009*
*Takis Arapoglou*
*Chairman and CEO*

# Net profits 9m 2009: €1 010 million

Group net profit for 9m 2009 stood at over €1 billion, down 17% yoy. Net profit for Q3 2009 topped €300 million, boosted by the recovery in core profitability in all the countries where the Group is active.

The Group's **core profitability** in Q3 accelerated on the previous quarters, underscoring the stability of the Group's business model even in periods of crisis, and highlighting the importance of recurring sources of income from core banking operations. Specifically:

- The Group's core sources of income (excluding trading income) posted improvements mainly due to the further strengthening of interest income (+2% qoq and +10% yoy). Interest margin remained unchanged qoq at over 4%, despite ongoing competitive pressure that is squeezing margins on deposit products.
- Recurring **operating expenses** grew by 2% qoq, reflecting higher staff costs stemming from the implementation of collective pay increases as well as the extraordinary expense of hiring young unemployed persons as part of NBG's efforts to help reduce the fallout of the economic crisis on the Greek economy. On the other hand, administrative expenses declined by 4% qoq and 2% on an annual basis, reflecting the Group's commitment to cost cutting.

The recovery in the Group's profitability is clear in all the regions where it operates:

- **Net profit** from **domestic operations** approach €600 million, lagging 15% behind the pre-crisis level of 9m 2008. This decline reflects exclusively the more than doubled provisions for non-performing loans, which in 9m 2009 amounted to over €430 million compared with just €203 million in 2008. By contrast, pre-provision profit grew by 17%, reflecting the resilience of the Bank's core sources of income even within an environment of lacklustre demand.
- For 9m 2009 **Finansbank** posted a net profit of TRY712 million (€332 million), up 12%, despite higher provisions in 2009, which totalled €173 million compared with just €49 million in 9m 2008. In particular, profits before provisions grew by 35% yoy. It is a reflection of Finansbank's dynamism that it has outperformed its pre-crisis performance under exceptionally difficult conditions for the Turkish economy. It should be noted however that from Q3 2009, the Turkish economy has been showing signs of recovery.
- Last, the **net profit** of our **SE European** units declined by 50% compared with 9m 2008, totalling €84 million. However, **pre-provision profit** stands at €223 million, slightly lower than the previous year (-4%), while qoq this figure represents a 4% increase. Although provision levels have risen due to the adverse environment in the economies of the region, the Group's SE European franchises continue to post profits.

## Loan book quality: progress so far vindicates our expectations

The performance outlined above was achieved within an adverse environment that continues to impact negatively the banking sector in the wider region, despite the trend toward stabilization in the global markets. These negative developments have had only a limited impact on the quality of the Group's loan book. The ratio of NPLs to total loans stood at 4.9% at end-September. It is notable that in Q3, there were the first signs that the increase in bad debt is slowing, particularly in Turkey, allowing us to expect a gradual turnaround in sentiment going forward.

The Group made provisions of €240 million in Q3, 7% less than in the previous quarter. This level corresponds to 143 basis points vis-à-vis average loans outstanding, one of the most conservative rates in the Greek market.

As a result of our consistent provisioning policy, the accumulated provisions of the Group are about €2.2 billion, or 3.2% of the aggregate lending of the Group, and cover 63% of debt in arrears, before, of course, taking into account the various forms of collateral associated with the debt. The low level of loans in arrears, and the more than adequate provisions and collateral are the product of the Group's long-standing conservative risk management, by which the loan book is focused on low-risk, strong collateral sectors, which account for more than 85% of the aggregate lending of the Group.

## NBG consistent in its support for the national economy and our customers in the wider region

The NBG Group sticks to its policy of supporting the national economy and its customers in the wider region. In response to the problem of anaemic credit expansion, the Group increased its lending by €4 billion on an annual basis (+6%) and, in the last quarter, by €1.5 billion (+2%), bringing total lending to around €70 billion.

This lending growth reflects first and foremost expansion of credit in Greece (+12% yoy). The Group's loan books in SE Europe and Turkey display slower growth, but nevertheless higher than that of the local market, indicating that we are gaining market share.

## Greece: €5 billion increase in loans despite a lacklustre market

**Net loan growth** in Greece amounted to €5 billion or 12% on an annual basis, underscoring the Bank's commitment to keeping the flow of funding to businesses and households uninterrupted. This performance is closing in on the target that the Bank set for credit growth in Greece (+10%). It is particularly significant that this growth was achieved in an environment of virtually zero growth in the market overall.

Notably, the key drivers behind lending growth are two of the most critical sectors of the Greek economy, i.e. mortgage loans and lending to SMEs. Specifically:

- **Mortgage lending** posted growth rates of 10% yoy and 7% ytd , and now surpasses €20 billion.
- **Disbursements of new mortgages** amounted to €2.2 billion in 9m 2009, with Q3 disbursements amounting to €800 million despite the seasonal summer slowdown. Disbursements of new mortgages in the first 9 months of the year account for 41% of total market disbursements, boosting NBG's market share of new mortgage loans by 14 percentage points yoy. This performance underlines the importance that NBG attaches to household financing, as well as the trust that Greek households have in NBG as the housing credit bank of choice.
- **Lending to SMEs** posted impressive growth of 29% yoy and 22% ytd, with outstandings totalling €5 billion at end-September. Loan disbursements to SMEs via the SME Guarantee Fund (TEMPME) were in the region of €1.7 billion. These disbursements pertain to some 18,000 small businesses and correspond to approximately 34% of the overall TEMPME loan programme.
- **Consumer loans** (including credit cards) grew by 11% yoy, and by 8% since the beginning of the year. This trend contrasts with the general contraction in consumer credit, leading NBG to increase its market share by 160 basis points since the beginning of the year to 19.4%.
- Finally, NBG's lending to medium and large enterprises has grown 9% on an annual basis to over €17 billion.

## Deposit growth finances credit expansion

Retail deposits in Greece grew by 7% yoy (note that retail deposits comprise the principle source of funding for the Bank's credit expansion).

It is particularly significant that savings deposits continue to show an upward trend, since these deposits comprise the main pool of funding for the Bank's activities. Likewise, time deposits are also growing, up 15% yoy, and thereby enhancing the Bank's liquidity.

The Bank recently undertook the inaugural covered bond issue by a Greek bank in international markets. The 7-year bond, for a total of €1.5 billion, was very well received by the market, being oversubscribed 4 times.

The success of the bond issue combined with the significant size of the cover pool (€14 billion) for potential covered bond issues in the years ahead, provides greater flexibility to the Group in raising medium-term liquidity from the global markets at a very competitive cost. This ability to raise liquidity gives the Group a particularly important competitive advantage in view of the anticipated winding down of the ECB's emergency liquidity relief packages.

In any case, the Group continues to be in an exceptionally strong position with regard to liquidity, with the loan-to-deposit ratio at 94%, one of the lowest levels in Europe.

## Finansbank: impressive rebound in profitability to pre-crisis levels

The **net profit** of Finansbank grew by 12% yoy, to TRY712 million (€332 million), equivalent to one third of total Group profits.

This performance, reflecting the 35% increase in core (pre-provisions) income, is particularly impressive, given that it surpasses the pre-crisis performance of Finansbank at a time when the Turkish economy has experienced a deep recession. As the incipient recovery in the Turkish economy gains momentum, Finansbank can expect to further strengthen its position. Specifically:

- Net interest income grew by 24% yoy in 9m 2009 to TRY1 487 million (€694 million).
- Commissions income grew by 3% to TRY414 million (€193 million).
- Cost cutting measures at Finansbank helped keep the rate of growth of operating expenses below 10%, compared with over 20% in 2008.

At the end of September 2009, Finansbank's lending totalled TRY23.9 billion (€11 billion), up 8% on an annual basis, despite the fact that the negative growth of the Turkish economy in 2009 brought about a drastic reduction in demand. However, with the positive turnaround in the Turkish economy in Q3, credit expansion also revived, enabling Finansbank to increase its lending by 5% in just one quarter.

**Retail lending** continues to be the key driver behind Finansbank's credit expansion, posting impressive increases of around 27% annually. At end-September, retail lending totalled TRY11.9 billion (€5.8 billion). Mortgage lending and consumer credit posted particularly strong performances, growing by 27% and 37%, respectively, on the previous year, enabling Finansbank to gain market share. Specifically:

- Finansbank's market share in mortgage lending expanded by 70 basis points to 10.9% in September 2009 from 10.2% in September 2008.
- Finansbank's market share of consumer credit grew from 6.7% in 2008 to 7.5% at the end of September 2009.

Despite the adjustment in the pricing of credit risk in Turkey, Finansbank's **business lending** totalled TRY12.0 billion (€5.8 billion), up 2% in Q3, reflecting improved business sentiment.

The **quality of** Finansbank's **loan book** was impacted by the economic environment, bringing the NPL ratio to 5.3%, up 60 basis points in Q3. This increase in bad debt in Q3 was in fact substantially lower than Q2 (90 basis points), reflecting the incipient turnaround in the Turkish economy and verifying our projections for a steady deceleration in NPLs going forward.

Finansbank's **deposits** posted a positive performance, increasing as a result of the Bank's strategy to broaden its deposit base, particularly in respect of deposits in local currency, which grew by 10% yoy.

Growth in Finansbank's deposit base in local currency led the loan-to-deposit ratio to 136%, a solid performance especially as residual financing is funded by medium-term borrowing from the international markets (non-Group) with maturities extending up to 2013.

## SE Europe: satisfactory core profitability – loans and deposits remain unchanged

**Net profit** from operations in SE Europe in 9m 2009 amounted to €84 million compared with €169 million for the same period in 2008, burdened by high provisions amounting to €131 million in 9m 2009. **Profit before provisions** totalled €223 million, implying a 4% qoq increase in profitability. All the subsidiaries in SE Europe were profitable in 9m 2009, both in terms of operating and net income, absorbing the higher provisions for doubtful debt.

**Administrative expenses** in SE Europe declined by 3% qoq (and by 5% yoy), as a result of persistent and sustained cost cutting measures, leaving the cost/income ratio unchanged at 50%.

Total **lending** in SE Europe stood at €9.3 billion (including the €1 billion lending balance of the Cypriot franchise), presenting an increase of 2% yoy despite the generalised market contraction owing to the ongoing deleveraging of the economies of the region.

Total **deposits** amounted to €5.5 billion, up 2% yoy and 6% qoq. This is a particularly encouraging development, as the Group broadens its funding sources and has enhanced its SE Europe loan-to-deposit ratio by 11 percentage points within one quarter.

The **quality of the loan book** in SE Europe reflects the general adverse environment in the local market, with loans in arrears still on an upward trend, and representing 5% of the total loan book at end-September. This development, although unfavourable, nevertheless is in line with our guidance regarding the progress of NPLs in the region. It is important to note that it burdens the Group only marginally, given that the vast bulk of Group lending in the region is backed by collateral.

## Strong capital base

Total Group **shareholders' equity** at the end of September 2009 stood at €9.1 billion, up €1 890 million on the previous quarter. This record high reflects the €1 208 million increase in share capital, the profitability of Q3 (€301 million), the buy-back of hybrid securities totalling €222 million and the positive impact of the improvement in the money and currency markets.

The **Tier I capital adequacy ratio** stands at 12.2%, thereby ranking NBG among the top European banks in terms of capital adequacy. The Equity Tier I ratio, which excludes hybrid capital and Hellenic Republic preference shares, stands at 10.9%, again ranking the NBG Group among the top European banks in terms of the structural quality of its equity.

## Appendix – Key Figures

| | | 9m 2009 | 9m 2008 | Δ |
|---|---|---|---|---|
| **P&L** (€ millions) | | | | |
| | Attributable profit | 1 010 | 1 214 | -17% |
| | Net profit from domestic | 593 | 702 | -15% |
| | Net profit from Finansbank | 332 | 343 | -3% |
| | Net profit from SE Europe | 84 | 169 | -50% |
| **Assets** (€ millions) | | | | |
| | Total assets | 112 240 | 101 603 | +10% |
| | Total loans *(before provisions)* | 69 877 | 65 774 | +6% |
| | Greece | 49 545 | 44 363 | +12% |
| **Equity** (€ millions) | | | | |
| | Shareholders' Equity | 9 116 | 7 060 | +29% |
| | Tier I Capital | 8 274 | 6 368 | +30% |
| **Ratios** | | | | |
| | Tier I Capital | 12.2% | 10.4% | +1.8pps |
| | Loans : Deposits | 94% | 95% | -1pps |
| | Net Interest Margin (bps) | 403 | 424 | -21bps |
| | Cost : Income | 45% | 47% | -2pps |
| | Return on Equity (ROE) | 15% | 24% | -9pps |