NATIONAL BANK OF GREECE S.A.

Management's report

for the financial year 2006

March 2007

Management's report

on the consolidated financial statements of National Bank of Greece

for the financial year 2006

Dear Shareholder,

2006 was a favorable year for the international economy, with global growth topping 5.1% mainly due to growth in the emerging economies of China and India, as well as the economies of the US and Japan. Likewise, there have been clear signs of growth in Europe. Within an environment of high oil prices, the monetary authorities around the world (some earlier, some later) proactively pushed up their interest rates in an effort to contain inflationary pressures without putting a brake on growth rates.

In the EU, GDP grew by 2.8% from 1.6% in 2005, while in the euro area growth was in the region of 2.8%, reflecting for the most part domestic consumption rather than net exports. The fiscal position of the member countries whose deficits exceeded the targets have improved thanks to the gradual reduction in the high deficits, thereby strengthening margins for further growth.

In Greece, the economy continued for yet another year to grow at rates well above the European average, reaching 4.2% as compared with 3.7% in 2005. This growth reflected both the increased domestic demand and a recovery in investments and exports of goods and services. The stronger domestic demand was boosted mainly by lower interest rates and rapid growth in household and business credit, with the average consumer price index dropping from 3.5% in 2005 to 3.2% in 2006. In the sphere of public finance, the deficit showed an improvement compared with the previous year, with the General Government deficit falling from 5.2% of GDP in 2005 to 2.6% in 2006, while the corresponding debt declined to 104.1% of GDP.

The favorable macroeconomic outlook for the country, together with the growth dynamic presented by the banking sector in Greece, is reflected in the high valuations of the major Greek banks, their robust capital adequacy and strong profitability. Thanks to the fast growth of the Greek economy and the expansion in household and business credit, Greek banks have moved beyond the domestic market and are broadening their activities in Southeast Europe, becoming key players in the region.

Over the past two years, the NBG Group has strengthened its position, implementing major restructuring while also forging a broader international profile, both in terms of its shareholder base and its business activities. The Bank aspires to become a strong financial group that will lead the banking market in the region of SE Europe, delivering superior value to its shareholders. The historic performance of 2006, with net profit after tax and minority interests reaching almost €1 billion, serves to vindicate the strategic choices of the Bank in Greece and the wider region.

Financial results

Group net profit after tax and minority interests grew to €990.1 million in 2006, up 36.1% on the previous year. This figure includes €89.8 million profit of Finansbank, at a Group share of 55.7% for the 135 days from the completion of the acquisition of the majority shareholding on 18 August 2006 through to the end of the year. Finansbank's total profits over the same period amounted to €159.6 million. If Finansbank`s share and the one-off €100.6 million tax payment on the Bank's reserves are excluded from the results, the Group's profitability in 2006 totals €1,007 million, up 38.4% on 2005. As a result of the Group's strong profitability, return on equity in 2006 reached 28.7%. This performance puts the Group among the top of Greek and European banks in terms of return on equity.

The spectacular increase in profitability in 2006 reflects the dynamic growth posted across all sources of income and the ongoing reorganization and broadening of the Group's activities, which leads to a gradual decline in operating costs. As a result, the Group's core income grew by around 31.3%.

The main growth driver for the Group's core income has been the steadily strengthening interest income. Group net interest income in 2006 totalled approximately €2.1 billion, up 33.5% on the previous year. The momentum in interest income is reflected in the 10% growth posted in Q3 and Q4, pushing net interest income in 2006:Q4 to the level of €526 million, excluding Finansbank It is notable that, excluding Finansbank, net interest margin rose to a record high of 3.76% at the end of 2006:Q4 compared with 3.50% in Q3 and 3.16% for the whole previous year. This was due to the ongoing improvement in the asset mix and the dynamic growth in the Group's loan book, particularly retail.

Net commission income in 2006 rose to €548.2 million compared with €425.1 million in 2005, up 29.0% y-o-y. Although intense and generalized competition in Greece had an adverse impact on retail commissions, the positive contribution of other fees and commissions, particularly mutual fund commissions, more than offset the difference.

A key strategic objective of the Bank is to strengthen its position in the mutual funds market, particularly high value-added funds. In the face of adverse conditions, the Group managed to increase its market share in mutual funds overall to 29%, taking first place in the domestic market. Particularly encouraging was the increase in market share of equity and bond funds from 10.9% to 12.7% in 2006.

In 2006, insurance business posted a 6.0% improvement, rising to over €106 million. This reflects the structural changes in the Group's insurance operations, principally at Ethniki Insurance, and the more intensive marketing of insurance products to the large customer base of NBG via its extensive branch network.

Total Group lending amounted to €44.1 billion at the end of 2006, up 44.1% y-o-y. Over the same period retail lending posted spectacular growth of 37.0%, meaning that retail credit now accounts for 57.9% of total lending.

Mortgages surged by 29.9%, with mortgages outstanding exceeding €15.3 billion at the end of the year and corresponding to 34.8% of total Group lending. This result confirms the supremacy of NBG in the local mortgage lending market where it enjoys a market share of 24%. In 2006, disbursements of new mortgage loans exceeded €3.5 billion, of which €1.1 billion were disbursed in Q4, up 22% q-o-q.

Consumer loans outstanding totalled €7.2 billion at the end of the year, up 51.4% y-o-y, playing a key role in the performance of commissions deriving from consumer credit, which grew by 33.0% during the year.

Substantial growth was also posted by Group lending to businesses and professionals, which reached to €21.5 billion at year end. A key role was played by domestic financing for professionals and businesses with turnover below €2.5 million and SMEs with turnover of €2.5-€50 million that, after excluding Finansbank, reported impressive growth of 45% and 25% respectively. The corporate loan book topped €9.6 billion, up 10% y-o-y. Further growth in this loan book is planned by leveraging cross selling potential, with an emphasis on profitable categories of Project Finance and Cross Border Trade, tapping the synergies offered by corresponding specialized units at Finansbank.

The ratio of non-performing loans to the total loan book declined to 4.0%, from 4.7% in December 2005. NPLs after provisions for bad and doubtful debt today account for just 0.6% of the total loan book. The sound loan growth of recent years reflects ongoing discipline in implementing strict credit approval rules coupled with the adoption by the Group of state-of-the-art procedures and systems for controlling and managing credit risk.

Total Group deposits in 2006 grew by 22.8% to over €53 billion. Savings and sight deposits grew by 3.2% reaching €31 billion, while time deposits presented growth of over 80%. NBG's large market share of deposits gives it a strong competitive advantage since this facilitates the smooth financing of the Group's expanding activities and investment plans in Greece and the wider region.

Although lending continued to increase at a rapid pace, the fast growth in deposits in 2006 helped maintain the Group's balance-sheet leverage (ratio of loans to deposits) at the low level of 83% approximately.

Group operating costs grew by 19.7% on an annual basis, reflecting mainly the expansion of the Group's business in SE Europe and Turkey as well the increased staff expenditure due to the one-off cost of voluntary early retirement programmes at various Group subsidiaries and the cost of compliance with Basel II rules and the Sarbanes-Oxley Act. The Group's efficiency (cost/income) ratio, excluding Finansbank, stood at 50.3%, improved by 3 percentage points on the previous year, reflecting the emphasis that has been placed on keeping operating costs on a tight rein.

The NBG Group in SE Europe

Despite the considerable cost of expanding Group business in SE Europe, all our units made substantial improvements in their profits. In 2006, Group net profit after tax in SE Europe grew by approximately 57% over the previous year's results. The key driver behind growth in the region was business in Bulgaria and Romania via the local subsidiaries United Bulgarian Bank and Banca Romaneasca, as well as expansion into the Serbian market with the acquisition of Vojvodjanska Banka.

At the beginning of the year, the NBG Group completed its acquisition of Alpha Insurance Romania from the Alpha Bank Group, thereby broadening its presence in the insurance market of Romania. The company was renamed "NBG Asigurari S.A." and has signed a cooperation agreement with Alpha Bank Romania for the next five years.

Exploiting the strong position enjoyed by United Bulgarian Bank, the Group set up life insurance and general insurance companies in Bulgaria, with Ethniki Insurance teaming up with American International Group Inc. (AIG).

NBG strengthened its position in the Serbian market with the acquisition of Vojvodjanska Banka. Vojvodjanska is the sixth largest Serbian bank in terms of assets, and runs the second largest branch network in the country. Following this acquisition, NBG's market share in the Serbian market stands at around 8% vis-à-vis deposits and 6% vis-à-vis loans, thus ranking it among the top banks in the country.

With the addition of Vojvodanska's 168 units plus the opening of 95 new branches by other SE Europe subsidiaries, the Group now runs a total of 520 fully functional branches, almost the same as the Bank's network in Greece. Group lending in the region grew by a robust 44.0% in 2006 to €3.1 billion. Yet again, retail banking led the way, with the total retail loan book expanding at the impressive rate of 52% annually. It is particularly encouraging that over the course of the year the expanding loan book has been accompanied by a relative decline in non-performing debt to a ratio of less than 4%.

Acquisition of Finansbank

For National Bank, the expansion of its activities into Turkey is an integral part of its overall strategy, and has been vindicated by the strong performance of Finansbank, which was consolidated by the NBG Group for the first time. The net profit of the Finansbank Group for the 135 days between the signing of the acquisition agreement and the end of the year totalled €159.6 million. The profit corresponding to NBG on the basis of the consolidation ratio (55.7%) prior to the recent public tender offer to minority shareholders amounted to €89.8 million. Note that 43.4% of the minority shareholders responded positively to the public tender offer, which was completed recently, thus bringing the NBG Group's total stake in Finansbank to 89.4%. This strong performance by Finansbank reflects the dynamic course of its business, with retail banking comprising the principal lever for growth. At the same time, the bank's network is expanding fast.

In 2006, 101 new branches opened, 45 of these from August onwards, thus bringing the total number of Finansbank branches to 309 as at 31 December 2006.

Risk management

The Group operates in a fast growing and changing environment and acknowledges its exposure to banking risks as well the need for effective risk management. Risk management and control consist an integral part of the Group's commitment to providing continuous and high quality returns to shareholder.

To this effect, the Group has developed an overall strategic direction, addressing the core issues regarding its fundamental attitude towards risk and risk management, driven by business objectives and targeting the creation of shareholder value.

Particularly, the Group Risk Strategy:

- Lays the foundation on which the Group builds its risk culture, terminology, policies and procedures;
- Describes the Group's risk management governance structure within a framework of three lines of defence (risk-taking units, Group Risk Management unit, Group Internal Audit unit);
- Defines the Group's risk management principles;
- Defines the Group's risk appetite and profile, as well as its risk-bearing capacity.

During 2006, the Group achieved significant progress on the implementation of the "Basel II" programme. The programme targets both the Group's compliance with the new capital adequacy regulatory requirements and, further, the enhancement of risk and capital management capabilities. The "Basel II" programme currently consists of 140 projects, which are expected to exceed 200 after the incorporation of Finansbank and Vojvodjanska Banka.

Credit risk

The Group pays particular attention to implement 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 NBG or NBG's subsidiary. The Group employs credit risk rating systems, which are especially designed to meet the specific characteristics of its various loan exposures (e.g. the Moody's Risk Advisor for the corporate loans portfolio, internal rating models for the retail loans portfolio etc.). The objective for using a credit risk rating system is to appropriately classify an obligor to a particular credit rating class and then to estimate the parameters of expected and unexpected loss, with the ultimate goal of protecting the profitability and the capital of the Group. The protection against credit risk is achieved through:

- The application of maximum limits for exposures to a particular obligor, a group of associated obligors, obligors that belong in the same economic sector etc.;
- The use of credit risk mitigation techniques (collaterals, guarantees);
- The incorporation of risk metrics in the pricing of products and services;
- The use of contemporary financial techniques for hedging credit risk.

Market risk

To effectively measure market risk, which is the risk of loss attributed to adverse changes in market driven factors such as the foreign exchange rates, the interest rates, the equity prices and the prices of derivative products, the Group applies the Value at Risk (VaR) model taking into account the sum of all trading and available for sale (AFS) positions in all currencies. The Group has established a framework of VaR limits in order to control and manage more efficiently the risks to which it is exposed, capturing both the individual risk factors (interest rates, foreign exchange rates, equity price risk) and the total level of market risk exposure.

Operating risk
A particular section of the "Basel II" programme refers to the development and the implementation of an integrated operational risk management framework, in accordance with the new regulatory requirements and the international best practices. During the year 2006, NBG completed the development of:

- The operational risk strategy, policies and methodologies;
- A "pilot implementation" of the new framework at NBG level;
- The timeline for the gradual implementation of the framework to all Group activities.

Liquidity and interest rate risk
Furthermore, the Group systematically estimates and manages interest rate risk in the loan book as well as the liquidity risk, through:

- The analysis of repricing and liquidity gaps arising from its balance sheet structure;
- The measurement of balance sheet and net interest income sensitivity to possible and less possible shifts in the yield curves and
- The establishment of relevant limits.

Capital adequacy
The Group manages actively its capital base by taking advantage of the contemporary means for raising capital, with the objective to sustain its high capital adequacy ratios and, at the same time, to improve the weighted average cost of capital to the benefit of its shareholders. In this light, the Group has issued hybrid capital instruments as well as subordinated debt, eligible for inclusion in the regulatory capital base of the Group. The Total and the Tier I Capital Adequacy Ratios on 31.12.2006 stood at 15.6% and 12.4% respectively, comparing to 15.2% and 12.3% in 2005. The Group's Capital Adequacy Ratios stand at a significantly higher level to the minimum regulatory limits that have been established by the Bank of Greece (8% and 4% for the Total and the Tier I Capital Adequacy Ratio respectively).

Corporate governance

NBG has embraced all international and Greek rules for corporate governance at Board level and runs Audit, Human Resources and Corporate Governance Committees. In December 2006, the Bank's Board of Directors approved a Code of Conduct for the Bank and its Group. The newly formed Group Compliance Division is responsible for monitoring the implementation of the Code of Conduct. Also in 2006, the Bank activated all the procedures to meet Sarbanes-Oxley Act, as required by the Securities and Exchange Commission ("SEC") of US.

Dividend policy

Given the positive picture presented by the Group's profitability, the Bank's Board of Directors proposes to the Annual General Meeting of Shareholders that €1 dividend per share be distributed, totalling €475 million comparing with €339 million in 2005, up 40% y-o-y. This amount will result from current and prior years results (€374.2 million) and taxed reserves (€100.8 million). On the basis of the closing price of the share at 31 December 2006, this figure represents a dividend yield of 2.9%.

Recognizing the crucial contribution of the staff in achieving these results and wishing to reward effort and efficiency, the Bank's Board of Directors intends to propose to the Annual General Meeting of Shareholders that €32 million of the profit be distributed to the staff of the Bank. A further amount of €19 million will be distributed by the Bank's subsidiary companies in Greece and abroad to their staff, raising the total distribution of profit to Group staff to €51 million, or 5% of net Group profit.

In November 2006, the Bank's Board of Directors activated its Stock Options Programme for the staff of the Bank and its subsidiaries as approved by the General Meeting of Shareholders last year. In line with the Programme, Management approved the issue of 2,992,620 stock options for officers and staff of the Bank strictly on the basis of merit. The aim of the Programme is to link, on a long-term basis, pay with Group performance, as well as to enhance the value delivered to the Bank's shareholders.

Takis Arapoglou
Chairman and CEO

Supplementary Report

To the Annual General Meeting of Shareholders

Of National Bank of Greece

pursuant to article 11a of Law 3371/2005

Pursuant to article 30 of Law 3461/106 A/30-5-2006 aligning national legislation with European Council Directive 2004/25/EC, article 11a was included in Law 3371/2005, which states that listed companies must submit a supplementary report to the General Meeting of Shareholders providing detailed information on specific issues. This Board of Directors' report to the General Meeting of Shareholders contains the additional information required by article 11a of Law 3371/2005.

A) Share capital structure

NBG's share capital amounts to €2,376,436,095 divided into 475,287,219 ordinary registered shares with voting rights, of a par value of €5.00 each NBG shares are listed for trading on the Athens Exchange ("ATHEX").

NBG shareholders' rights issuing from its share depend on the share capital portion that corresponds to the paid up value of their shares. Each share embodies all the rights and obligations provided for by law and the company's Articles of Association. Specifically:

- The right to participate in and vote at the General Meeting of Shareholders.
- The right to a dividend from the Bank's profit for the year ended, or from liquidation, which amounts to 35% of the net profit following allocation of statutory reserves, or 6% of the paid-up capital (whichever is higher). This is annually distributed to shareholders as first dividend, whereas distribution of supplementary dividend is subject to General Meeting resolution. Entitled to a dividend are shareholders whose names appear in the Register of NBG's Shareholders on the date the dividend beneficiaries are determined, and a dividend on each share owned by them is paid within 2 months of the date of the General Meeting of Shareholders that approved the Bank's annual financial statements. The dividend payment method and place are announced in the press. After the lapse of five (5) years from the end of the year in which the General Meeting approved the dividend, the right to collect the dividend expires and the corresponding amount is forfeited in favor of the Greek state.
- The preemptive right to each share capital increase in cash and issue of new shares.
- The right to receive a copy of the Bank's financial statements and of the chartered auditors' report and the Board of Directors' report.
- The General Meeting of Shareholders maintains all of its rights during liquidation proceedings (pursuant to Article 38 of the Bank's Articles of Association).

Shareholders' liability is limited to the nominal value of the shares owned by them.

B) Restrictions on transfers of shares

Transfers of the Bank's shares are carried out as prescribed by law and are not subject to any restrictions pursuant to the Bank's Articles of Association.

C) Significant direct and indirect holdings as per PD 51/1992

There are no significant direct or indirect holdings as per PD 51/1992, i.e. of a direct or indirect participation percentage higher than 5% of the aggregate number of the Bank's shares.

D) Shares with special control rights

There are no shares with special control rights.

E) Restrictions to voting rights

There are no restrictions on voting rights issuing from the shares pursuant to the Bank's Articles of Association.

F) NBG Shareholders' agreements

To the Bank's knowledge there are no shareholders' agreements pursuant to which restrictions apply to transfers of, or to the exercise of voting rights issuing from, the Bank's shares.

G) Rules regarding the appointment and replacement of Board members and amendments to Articles of Association

The provisions of the Bank's Articles of Association regarding the appointment and replacement of members of the Board of Directors and amendments to the Articles of Association are the same as the corresponding provisions of the Companies' Act 2190/1920.

H) Board of Directors' authority for the issue of new shares or the purchase of own shares

1) Pursuant to the provisions of Companies' Act 2190/1920 Article 13 par. 1(b), by General Meeting resolution, subject to the publication requirements provided for under Companies' Act 2190/1920 Article 7b, the Board of Directors can increase the Bank's share capital through the issue of new shares by resolution adopted on a two-third-majority basis. In that case, pursuant to Article 5 of the Bank's Articles of Association the Bank's share capital may increase up to the amount of capital paid up as at the date the Board of Directors' is authorized to do so by the General Meeting. The said authorization may be renewed, each time for a period of up to 5 years.

2) In accordance with Companies' Act 2190/1920 Article 13 par. 9, pursuant to a General Meeting resolution a Stock Options Programme may be launched for the management and the staff in the form of options to acquire shares of the Bank as per the terms of the resolution. The General Meeting resolution determines the maximum number of shares to be issued if the beneficiaries' stock options are exercised, which by law cannot exceed 1/10 of the Bank's existing shares, as well as the purchase price and the terms of allocation of the shares to the beneficiaries.

Other details not provided for otherwise under the General Meeting resolution are determined by resolution of the Board of Directors, which provides for the issue of the stock option certificates, in December of each year issues the shares to the beneficiaries who have exercised their options, increasing the Bank's share capital accordingly and certifying the said increase.

Pursuant to the said provisions, on 22 June 2005 the General Meeting approved a stock options programme for executive members of the Board of Directors, senior management, and the staff of the Group. The programme (as amended by the second repeat General Meeting of 1 June 2006) is of 5-year duration, expiring 2010. The stock options may be granted one-off or in parts, at the discretion of the Board, at any time. The maximum number of shares to be issued on the basis of the said programme is 3.5 million. The options exercise price was determined within the range of €5 and 70% of the average stock market price of the share in the period from January 1 of the year in which the stock options were granted through the first day of their exercise.

In November 2006, the Bank's Board of Directors approved the issue of 2,992,620 stock options, and the exercise price was set at €23.8 per share. During the first options exercise period (6-15 December 2006), 310,043 options were exercised and the aggregate amount paid was €7,379,023. Subsequently, at its meeting of 27 December 2006 the Board decided to increase the Bank's share capital by €1,550,215 through the issue of 310,043 new registered voting shares of a par value of €5.00 each, and the amount of €5,828,808.40 was transferred and credited to the share premium account. As expressly provided for under Companies' Act 2190/1920 Article 13 par. 9, the said share capital increase does not constitute an amendment to the Articles of Association.

By resolution of the Bank's second repeat General Meeting of 1 June 2006, a new stock options programme was approved at Group level. The new programme, of 5-year duration and expiring 2011, provides for the issue of a maximum of 3.5 ordinary registered shares to be allocated to Board members, officers and staff of the Group, at a purchase price within the range between the par value (currently €5) and 70% of the average stock market price of the share from the date after the General Meeting (2 June 2006) until the first day of the exercise of the beneficiaries' options. No options under the said programme have yet been exercised.

3) In accordance with Companies' Act 2190/1920 Article 16 par. 5-13, pursuant to a General Meeting resolution companies listed on the ATHEX may purchase up to 10% of their own shares ("treasury shares") via ATHEX to support the stock market price of their share, subject to the specific terms and procedures provided for under the Article. On 27 April 2006, the Annual General Meeting, utilizing the said option afforded by law, decided to purchase, from 2 May 2006 until 27 April 2007, up to 10% treasury shares via the ATHEX at a purchase price of between €5 and €60.

I) Significant agreements that come into effect, are modified or terminated in the event of a change in control following a public offering

There are no agreements that shall come into effect, be modified or terminated in the event of a change in control of the Bank following a public offering.

J) Agreements with Board members or officers of the Bank

In the case of the executive members of the Board of Directors and the highly ranked officers, the Bank reserves the right for groundless termination of their employment contracts by paying specific levels of compensation. The compensation may reflect the entitled salaries for the remaining period of the contract.

For the Bank's Board of Directors

Takis Arapoglou

Chairman and CEO