



NATIONAL BANK OF GREECE

PRESS RELEASE

2002 H1 RESULTS

Athens, 7 August 2002

National Bank of Greece announced today the results of the Group and the parent company for the six-month period ended 30 June 2002.

NBG Group profits before tax and after minorities reached €228.8 million in the first half of 2002 posting a decline of 50.5% year-on-year. The reduction in profits was due to the fall in trading gains, which in the first half of 2002 amounted to €70.5 million compared with €265.7 million in the same period last year.

Also affected by the decline in trading gains, pre-tax profits for the Bank reached €203.8 million in the first half of the year compared with €430.9 million in the corresponding period last year.

In spite of the adverse capital market environment, the core profitability of the Group improved substantially. The following developments are characteristic of this improvement:

- Net interest income for the Group improved in the first half of 2002 compared with the same period last year (2002: €573.6 million, 2001: €569.8 million). This improvement was more pronounced in the second quarter of 2002, when the Group posted an 8.8% increase quarter-on-quarter.
- The same trend is evident in the Group's net interest margin, which rose for the second consecutive quarter reaching 238 bps for the first half of 2002 (2002 Q1: 234 bps).
- Net commission income in the first half of the year rose to €164.9 million posting an increase of 2.5% compared with the same period of 2001. Net commission income displayed dynamic performance in the second quarter of the year, up 5.7% on the first quarter. The growth in commission income was achieved despite the unfavorable stock

market conditions that impacted adversely on investment banking commissions, which in the first six months of the year fell by 19.6% year-on-year.

As a result, core operating income of the Group (excluding trading gains) was maintained at the 2001 levels despite the adverse capital market environment (2002 H1: €766.4 million, 2001 H1: €771.8 million), while strong quarter-on-quarter growth of 8.5% indicates gaining momentum. A further improvement in the composition of operating income is expected in 2002 with core operating income representing 91.6% of the total.

Cost control measures have made a positive contribution to Group profitability. The following developments highlight this trend:

- Group operating costs totalled €142.6 million, practically unchanged on the 2001 average, despite the one-off cost of the implementation of the euro which impacted the current period.
- Group staff costs were up by just 1% on the average costs of 2001 and 2.9% year-on-year. The voluntary early retirement scheme offered to NBG staff will lead to the retirement of approximately 680 employees by the end of the year, besides the 120 individuals who retired from the Bank in the first half of the year. The total cost for the early retirement scheme is estimated in the region of €21 million, while the corresponding annual wages and contributions for this group of employees would have been approximately €37 million. Moreover, approximately 420 individuals have already retired from other Group companies. These changes should help reduce staff costs and enhance profitability in the forthcoming quarters.

At 30 June 2002, the Group's loan and corporate bond book stood at €22.1 billion, up 12.9% year-on-year. Retail banking continues to show robust growth. In particular, consumer credit balances (credit cards, consumer and personal loans) grew by 22.4% on an annualized basis during the first half of the year. Similarly, mortgage balances grew by 20% during the same period.

Despite the substantial growth of the Group's loan portfolio, its high quality has been maintained. Loans in arrears (net of provisions) represent just 2.3% of the total loan portfolio and are fully collateralized.

Furthermore, despite the continuing growth of the Group's loan portfolio, the Group's strong deposit base brought its 2002 H1 loan-to-deposit ratio to 43.4%, thus enabling the Group to rationally grow its operations.

The Group's efficiency ratio stood at 70.7% in 2002 H1 compared with 60.4% in 2001, due to the decline in trading gains. For the same reason, the Group's 2002 H1 pre-tax return on average equity stood at 19.3% compared with 27.1% in 2001 while the Group's 2002 H1 return on average assets stood at 0.87% compared with 1.40% in 2001.

Group Income Statement

<i>thousand €</i>	1H.02	1H.01	±%	2Q.02	1Q.02	±%
Net interest income	573 594	569 758	+0.7%	298 877	274 717	+8.8%
Dividend income	11 183	24 079	-53.6%	6 986	4 197	+66.5%
Net commission income	164 942	160 863	+2.5%	84 747	80 195	+5.7%
Other operating income	16 652	17 065	-2.4%	8 157	8 495	-4.0%
Operating income	766 371	771 765	-0.7%	398 767	367 604	+8.5%
Trading gains	70 458	265 736	-73.5%	2 355	68 103	-96.5%
Total income	836 829	1 037 501	-19.3%	401 122	435 707	-7.9%
Staff costs	(364 288)	(354 128)	+2.9%	(186 763)	(177 525)	+5.2%
Other administrative expenses	(142 632)	(132 656)	+7.5%	(71 785)	(70 847)	+1.3%
Depreciation	(77 127)	(66 882)	+15.3%	(38 485)	(38 642)	-0.4%
Other operating charges	(7 902)	(8 739)	-9.6%	(6 623)	(1 279)	+417.8%
Provisions	(71 809)	(77 246)	-7.0%	(34 517)	(37 292)	-7.4%
Extraordinary income	58 503	74 111	-21.1%	30 807	27 696	+11.2%
Profit before tax and minorities	231 574	471 961	-50.9%	93 756	137 818	-32.0%
Minority interests	(2 792)	(9 635)	-71.0%	(1 139)	(1 653)	-31.1%
Profit before tax	228 782	462 326	-50.5%	92 617	136 165	-32.0%

Group commission income

<i>thousand €</i>	1H.02	2H.01	±%	2Q.02	1Q.02	±%
Retail ⁽¹⁾	57 436	57 902	-0.8%	32 067	25 369	+26.4%
Corporate ⁽²⁾	32 485	28 929	+12.3%	15 845	16 640	-4.8%
Asset management	23 338	14 093	+65.6%	11 514	11 824	-2.6%
Other ⁽³⁾	46 067	49 508	-7.0%	21 724	24 343	-10.8%
	159 326	150 432	+5.9%	81 150	78 176	+3.8%
Investment and capital markets ⁽⁴⁾	19 336	24 058	-19.6%	9 352	9 984	-6.3%
Total Group	178 662	174 490	+2.4%	90 502	88 160	+2.7%

⁽¹⁾ Commissions on mortgages and consumer loans, credit cards and deposit account charges.

⁽²⁾ Commissions on corporate loans, letters of guarantee, imports-exports and corporate account charges.

⁽³⁾ Commissions on money transfers, foreign exchange transactions and other intermediation.

⁽⁴⁾ Commissions on custodian services, brokerage and IPO fees.

Group trading gains

<i>thousand €</i>	1H.02	2H.01	±%	2Q.02	1Q.02	±%
Bond trading and hedging	63 063	186 074	-66.1%	(7 721)	70 784	-110.9%
FX trading	10 000	18 147	-44.9%	1 716	8 284	-79.3%
Equity trading	9 616	57 950	-83.4%	9 740	(124)	
Derivatives hedging	(2 427)	3 565	-168.1%	(321)	(2 106)	-84.8%
Equity method investments	(9 794)			(1 060)	(8 734)	-87.9%
Total Group	70 458	265 736	-73.5%	2 354	68 104	-96.5%

Group Loans

<i>thousand €</i>	1H.02	±ytd%	1Q.02	12. 01
Portfolios:				
Commercial loans	12 036 965	-1.6%	12 261 398	12 226 673
Consumer loans	1 328 571	+9.4%	1 292 934	1 214 233
Credit cards	905 283	+13.9%	854 397	794 999
Mortgages	5 280 273	+10.0%	4 948 853	4 800 133
Total loans	19 551 092	+2.7%	19 357 582	19 036 038
Corporate bonds	2 562 863	+8.9%	2 430 123	2 352 867
Total loans & corporate bonds (before provisions)	22 113 955	+3.4%	21 787 705	21 388 905
Provisions	(1 027 419)	+1.8%	(1 034 471)	(1 009 423)
Total loans & corporate bonds	21 086 536	+3.5%	20 753 234	20 379 482
Loans breakdown:				
Performing	18 069 440	+2.5%	17 915 783	17 630 406
Non-performing ⁽¹⁾	1 481 652	+5.4%	1 441 799	1 405 632
Total	19 551 092	+2.7%	19 357 582	19 036 038
Ratios of loan portfolio:				
NPLs/Gross loans	7.6%		7.4%	7.4%
Net NPLs/Gross loans	2.3%		2.1%	2.1%
Provision coverage	69.3%		71.7%	71.8%

⁽¹⁾ Under its accounting policies, the Bank classifies as non-performing consumer loans and credit card balance with overdue interest and/or principal for 100 days and over. Commercial loans are classified as non-performing after 180 days. As of 1.1.2002 mortgage loans are also treated as non-performing after 180 days while prior to 2002 the threshold was 360 days.

Group key- ratios

	1H. 02	1Q.02	2001
Net Interest Margin	2.38%	2.34%	2.43%
Return on Average Assets (before tax and minorities)	0.87%	1.07%	1.40%
Return on Average Equity (before tax)	19.3%	23.0%	27.1%
Efficiency (cost: income)	70.7%	66.2%	60.4%