

ATTICA BANK SA

[BOAr.AT]

- Operations restructuring continues amid adverse market conditions
- Value creation remains a tough challenge



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by **VALUATION & RESEARCH SPECIALISTS (VRS)**

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Greek Equities - June 9, 2009

ATTICA BANK SA

Sector : Banking

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Company Description:

Attica Bank is a state-owned small to medium sized commercial bank in Greece with strong focus on corporate banking and gradually increasing extroversion in the promising domestic retail-banking business. Attica Bank holds less than 2.5% of Greek banking sector's assets.

(in € mil.)	2008	2009	2010
Assets	4,520	5,063	5,822
Net Loans	3,386	3,750	4,428
Deposits	2,951	3,239	3,584
Op. Profit	145	160	184
Net Profit	13	11	17

Price (9 June '09)	€ 2.54
Shares (mn)	136.05
MktCap (in € mn)	345.56

Beta	1.200
Dividend '08	€ 0.00
Div. Yield	0.00%

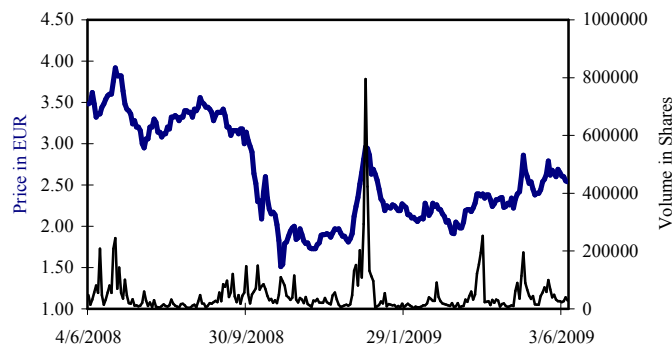
	2008	2009	2010
P/E	27.40	30.62	20.59
P/BV	1.07	1.00	1.01
ROA, Avg	0.30%	0.23%	0.31%
ROE, Avg	3.93%	3.32%	4.94%

Source: Company data & VRS Projections

Key Investment Points

- Following the recent credit crisis, **Attica Bank has set as priority the strengthening of its capital base via the entrance of Greek State in its share capital.** Its management declared their intention of joining the government's EUR 28 billion bank support package, an option that was approved by the shareholders' meeting in January 2009.
- Corporate banking, maintenance of yield spread, competitive product pricing, branch network expansion and utilization of alternative sales networks** appear to be the major drivers in Attica Bank's future growth in both the medium and long-term horizon.
- Corporate banking is by far the most important contributor to the Group's operating income,** while retail banking is still a laggard in income generation. A gradual improvement in the loan portfolio's quality would positively affect the Bank's revenues.
- Our valuation model's projections are conservative compared to the management's guidance, in view of the **current volatile cycle in the banking sector and the non favorable first quarter financial results** released in May. As result, we resume Attica Bank's coverage with a neutral rating, setting a target price at € 3.1 per share.

Share Price Graph (52 Weeks) - Max: € 3.92 - Min: € 1.51



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Growth Drivers

Following the recent credit crisis, Attica Bank has set as priority the strengthening of its capital base via the entrance of Greek State in its share capital. Its management declared their intention of joining the government's EUR 28 billion bank support package, an option that was approved by the shareholders' meeting in January 2009.

As far as the core business front is concerned, corporate banking, maintenance of yield spread, competitive product pricing, branch network expansion and utilization of alternative sales networks appear to be the major drivers in Attica Bank's future growth in both the medium and long-term horizon.

A significant growth potential may derive from synergies with the Bank's largest shareholder. With 95,000 members and EUR 3.1 billion funds under management, TSMEDE appears as a large pool of potential customers for Attica Bank. The Bank could take advantage of this opportunity, utilizing its modern technological infrastructure and expanding the product range in order to satisfy certain customer needs. Along with a competitive pricing policy, Attica Bank might be in position to further enhance its market share especially in the retail banking.

Loan Portfolio

Corporate banking remains the core business of Attica Bank, with the share of those loans standing at 65.20% of total gross portfolio and the annual growth rate at 18% as of end 2008. Retail banking stood at 28% of total gross portfolio at the end of 2008, growing at a moderate rate of 8% following the effect of the international credit crisis on the Greek banking system. In 2009, we anticipate a small deceleration in corporate loans' growth and a minor acceleration in retail loans provided that credit conditions evolve at normal levels.

ATTICA BANK	31/12/2007	%	31/12/2008	%	Projection 31/12/2009	%	Projection 31/12/2010	%	Projection 31/12/2011
<i>Breakdown of Consolidated Loans</i>									
Retail Banking									
Consumer Loans	294.03	11.23%	327.05	10.00%	359.76	15.00%	413.72	15.00%	475.78
Credit Cards	72.26	-5.69%	68.15	-5.00%	64.74	10.00%	71.22	10.00%	78.34
Mortgage Loans	481.78	20.82%	582.10	10.00%	640.31	15.00%	736.35	20.00%	883.62
Other Loans	72.12	-77.60%	16.16	10.00%	17.77	10.00%	19.55	10.00%	21.51
Total	920.19	7.96%	993.46	8.97%	1,082.58	14.62%	1,240.84	17.60%	1,459.25
Breakdown of Gross Total	30.51%		28.24%		27.72%		26.96%		25.57%
Corporates									
Agriculture	21.36	42.64%	30.47	30.00%	39.61	35.00%	53.47	40.00%	74.86
Commerce	685.76	15.01%	788.67	10.00%	867.53	15.00%	997.66	20.00%	1,197.20
Industrials	357.74	5.84%	378.64	2.00%	386.22	10.00%	424.84	15.00%	488.56
Manufacturing	116.29	2.31%	118.97	-10.00%	107.07	10.00%	117.78	15.00%	135.45
Tourism	66.08	24.61%	82.34	10.00%	90.57	15.00%	104.16	20.00%	124.99
Marine	10.32	137.31%	24.48	30.00%	31.83	40.00%	44.56	45.00%	64.61
Construction	383.08	27.49%	488.39	15.00%	561.65	20.00%	673.98	30.00%	876.18
Other	302.06	26.26%	381.38	15.00%	438.59	20.00%	526.31	25.00%	657.88
Total	1,942.68	18.05%	2,293.34	10.02%	2,523.07	16.63%	2,942.75	23.00%	3,619.72

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Public Sector	3.25	-31.76%	2.22	10.00%	2.44	30.00%	3.17	40.00%	4.44
Breakdown of Gross Total	0.11%		0.06%		0.06%		0.07%		0.08%
Leasing	149.53	52.89%	228.62	30.00%	297.21	40.00%	416.09	50.00%	624.14
Breakdown of Gross Total	4.96%		6.50%		7.61%		9.04%		10.94%
Gross Loan Portfolio for the Group	3,015.66	16.65%	3,517.64	11.02%	3,905.29	17.86%	4,602.86	24.00%	5,707.54
Minus: Provisions for Bad Loans	115.05	14.58%	131.82	17.58%	155.00	12.90%	175.00	8.57%	190.00
Net Loan Portfolio for the Group	2,900.61	16.73%	3,385.81	10.76%	3,750.29	18.07%	4,427.86	24.61%	5,517.54

Source: The Company. Note: In EUR million.

ATTICA BANK, Loan Quality			
Consolidated Financial Statements, IAS	2007 IFRS	%	2008 IFRS
Non-Performing Loans (NPLs) / Total Loans	4.99%		5.11%
Bad Debts / Total Loans	3.97%		3.89%
Loan Loss Provisions / Total Loans	1.05%		1.02%
Coverage Ratio (Provisions / NPLS)	21.00%		19.99%
Loan Loss Provisions / Bad Debts	26.42%		26.24%
Total NPLs / Gross Loans	4.80%		4.92%
Total NPLs (in EUR mil.)	144.75	19.56%	173.07
Provisions for Bad Debts (in EUR mil.)	115.05	14.58%	131.82
Loan Loss Provisions (in EUR mil.)	30.40	13.78%	34.59

Source: Company accounts, VRS calculations.

Loan portfolio's quality remains relatively low as compared to Greek peers, with the Bank intensifying efforts to monitor customer's credibility via technology-based infrastructure and a more efficient sales force. The most difficulties appear to exist in the consumer loan book, whereas a relatively better outlook appears in the corporate loan book.

Deposits

Attica Bank offers a full spectrum of deposit products as well as customized solutions to its clientele. Time deposits constitute the largest part implying higher interest expenses for the Bank in order to maintain its deposit base. Attica Bank is expected to grow loans faster than deposits. This could raise additional funding needs in the future.

The following tables present the Bank's deposit base evolution on historic and projected basis.

ATTICA BANK	31/12/2007	%	31/12/2008	%	31/12/2009	%	31/12/2010
Evolution of Consolidated Deposits							
Current and Sight Deposits	537.72	-37.88%	334.05	-15.00%	283.94	-15.00%	241.35
Savings Accounts	404.08	-1.71%	397.17	5.00%	417.02	5.00%	437.87
Time Deposits	1,854.02	13.96%	2,112.79	15.00%	2,429.71	15.00%	2,794.17
Blocked Deposits	79.56	-1.61%	78.28	0.00%	78.28	0.00%	78.28
Repos	0.00		1.50	5.00%	1.58	5.00%	1.65
Other Deposits	40.47	-32.07%	27.49	5.00%	28.86	5.00%	30.30
TOTAL DEPOSITS	2,915.85	1.21%	2,951.27	9.76%	3,239.39	10.63%	3,583.63

Source: The Company, VRS projections. Note: In EUR million.

ATTICA BANK	31/12/2007	31/12/2008	31/12/2009	31/12/2010
Structure of Consolidated Deposits				
Current and Sight Deposits	18.44%	11.32%	8.77%	6.73%
Savings Accounts	13.86%	13.46%	12.87%	12.22%
Time Deposits	63.58%	71.59%	75.01%	77.97%
Blocked Deposits	2.73%	2.65%	2.42%	2.18%
Repos	0.00%	0.05%	0.05%	0.05%
Other Deposits	1.39%	0.93%	0.89%	0.85%
TOTAL DEPOSITS	100.00%	100.00%	100.00%	100.00%

Source: The Company, VRS projections

Cost Side

The Bank retains a high cost / income ratio that originates from its state-owned corporate culture and the subsequent inefficiencies on the operation level. Major factors responsible for the inefficient cost outlook related to the high personnel expenses and strong IT expenditures as until recently the Bank was considerably lagging behind its domestic peers in technological infrastructure. The Bank's Management has given us guidance on possible actions that would improve the cost / income ratio in the following 3 years:

- Payroll expenses are targeted to grow on a decelerating pace.
- Pension contributions are now under a more efficient control, following the Bank's inclusion in the country's new pension scheme.
- Finally, branch network expansion is taking place on a rational basis allowing not only revenue generation but also economies of scale.
- The management targets total personnel of 1,125 and 85 branches by the end of 2009.

Contribution to Operating Income

The following table demonstrates how retail banking, corporate banking and treasury contribute to operating income generation for Attica Bank.

ATTICA BANK	2007		2008
<i>Operating Income Breakdown</i>			
Retail Banking			
Interest Income	1.90	-500.89%	-7.61
Fees and Commissions	4.11	16.57%	4.79
Trading Income and Other Items	36.11	16.53%	42.08
Total	42.12	-6.80%	39.26
Corporate Banking			
Interest Income	89.58	39.90%	125.33
Fees and Commissions	29.06	-1.92%	28.50
Trading Income and Other Items	-28.07	58.48%	-44.48
Total	90.57	20.73%	109.34
Treasury			
Interest Income	1.91	-846.43%	-14.25
Fees and Commissions	2.22	-10.87%	1.98
Trading Income and Other Items	10.35	-15.05%	8.79
Total	14.48	-123.97%	-3.47
TOTAL OPERATING INCOME	147.17	-1.39%	145.13

Source: The Company. Note: In EUR million.

From the above table, it is evident that corporate banking is by far the most important contributor to the Group's operating income, while retail banking is still a laggard in income generation. A gradual improvement in the loan portfolio's quality would positively affect the Bank's revenues. We would anticipate a similar breakdown of income generation over the following 2-3 years, with income from retail banking posting an even stronger growth rate. The contribution of the Treasury is considered especially volatile. Treasury remains a minor contributor of operating income.

Capital Base

Following the share capital increase by € 149 million in 2007, the Bank's capital base has significantly improved.

ATTICA BANK - Share Capital Increase

Cut-off of pre-emptive rights	22/5/2007		
Exercise of pre-emptive rights	29/5/2007	-	12/6/2007
Trading period of pre-emptive rights	29/5/2007	-	6/6/2007

Number of Shares prior to Increase	82,577,910.00		
New Shares Issued	49,546,746.00		
Total Number of Shares Outstanding	132,124,656.00		
Nominal Value per Share	0.35	€	
Offering price per Share	3.00	€	
Share Capital prior to Increase	28,902,268.50	€	
Share Capital Increase	17,341,361.10	€	
Total Share Capital after Increase	46,243,629.60	€	
Premium Account prior to Increase	108,248,134.98	€	
New Premium Account	131,298,876.90	€	
Total Premium Account after Increase	239,547,011.88	€	

Source: The Company

Attica Bank has accepted its inclusion in the package of EUR 27 billion granted to Greek commercial banks by the Greek State as a cushion against the credit crisis that hit the international banking sector in 2007-2008.

In this context, the Attica Bank's board of directors and the extraordinary shareholders meeting on 8 January 2009 approved a share capital increase by EUR 100.2 million. Existing shareholders waived their rights in favor of the Greek State which will become the bank's new shareholder. Following the share capital increase, total capital adequacy rate is targeted at 13.8% from 11.2% in 2008. *[With regard to the share capital increase, it is noted that no relevant assumption has been made in forecasts presented in this report.]*

According to an announcement on 22nd May 2009, Attica Bank received a 5-year floating rate bond loan from the Greek State with a nominal value of EUR 100.2 million, in exchange for a share certificate equivalent to 286,285,714 preferred shares that is under Greek State's ownership.

The Restructuring Plan of Attica Bank

Over the past 2-3 years, Attica Bank has shifted operations towards a more efficient structure in an effort to improve, and in later stage maximize, financial performance. Before that, the Bank had to deal with significant financial losses on parent level, higher loan provisions, low capital adequacy ratio, loss making subsidiaries, poor productivity, and obsolete IT infrastructure. In order to tackle and remedy long-lasting structural inefficiencies, Attica Bank's management implemented a restructuring plan, the major axes of which are presented below:

- Redesigning of operations and organizational chart;
- Installation of new IT system;
- Risk management based process with regard to loan approval;
- Expansion of branch network and commencement of e-banking services;
- Installation of CRM applications for cross-selling activities;
- Marketing of the Bank's new corporate identity (including its new logo);
- Monitoring financial performance metrics

The operating restructuring and technological advancements continue to facilitate the Bank's expansion strategy, which is based on the following axes:

The Major Axes of Attica Bank's Strategy	
	Promotion of new high yielding products (primarily in corporate banking, and secondarily in retail banking)
	Expansion of branch network to 90 points
	Expansion of customer base is a difficult task, however TSMEDE the bank's major shareholder offers an excellent opportunity in this front
	Following organization restructuring and technology enhancements, operational efficiency is seen as top priority
	Cross selling of products and expansion into banc assurance and leasing business

Attica Bank – Cash Flow Highlights

<i>Consolidated Cash Flows</i>	2006	2007	2008
Cash flows from operating activities	161.51	51.04	138.14
Cash flows from investment activities	-94.70	21.42	-64.07
Cash flows from financing activities	0.00	147.28	-50.95
Total Cash Flows	66.81	219.74	23.12

Source: The Company. Note: In EUR million.

Attica Bank – Income Statement (Historic & Projected)

Consolidated Accounts (in EUR mil.)	2008	%	2009	%	2010	%	2011
Interest Income	270.89	13.86%	308.43	9.35%	337.27	17.36%	395.83
Interest on Other Securities	57.19						
Interest on Loans	213.70						
Interest Expense	167.42	15.90%	194.05	5.75%	205.20	10.28%	226.29
Net Interest Income	103.47	10.54%	114.37	15.47%	132.07	28.37%	169.54
Net Interest Income / Interest Income	38.19%		37.08%		39.16%		42.83%
Fee & Commission Income (net) (1)	35.27	5.00%	37.03	5.00%	38.88	5.00%	40.83
Trading Income (2)	-0.72	-50.00%	-0.36	150.00%	0.18	300.00%	0.72
Income from Securities (3)	-0.26	-50.00%	-0.13	150.00%	0.06	300.00%	0.26
Other Operating Income (4)	7.37	30.00%	9.58	30.00%	12.45	30.00%	16.19
(1) + (2) + (3) + (4)	41.66	10.71%	46.12	11.83%	51.58	12.43%	57.99
Total Operating Income	145.13	10.59%	160.50	14.43%	183.65	23.89%	227.53
Personnel Expenses	57.91	5.00%	60.80	5.00%	63.84	5.00%	67.04
G&A Expenses	32.90	6.00%	34.87	6.00%	36.97	6.00%	39.18
Depreciation	4.96	5.00%	5.21	5.00%	5.47	5.00%	5.74
Other Operating Expenses							
Operating Expenses	95.76	5.34%	100.88	5.35%	106.28	5.35%	111.96
Operating Profit	49.36	20.77%	59.61	29.79%	77.37	49.36%	115.57
Non Int. Exp. / Operating Income	65.99%		62.86%		57.87%		49.21%
Loan Loss Provisions	34.59	30.10%	45.00	22.22%	55.00	18.18%	65.00
Net Extra ordinaries	2.04		0.00		0.00		0.00
Profit Before Tax and Minority Interests	16.82	-13.09%	14.61	53.10%	22.37	126.01%	50.57
Taxation	4.21	-13.12%	3.65	53.10%	5.59	126.01%	12.64
Effective Tax Rate	25.01%		25.00%		25.00%		25.00%
Profit Before Minorities	12.61	-13.08%	10.96	53.10%	16.78	126.01%	37.93
Less Minority Interests	0.00	-100.00%	0.00	#DIV/0!	0.00	#DIV/0!	0.00
Net Profit	12.61	-13.08%	10.96	53.10%	16.78	126.01%	37.93
Net Profit Margin	8.69%		6.83%		9.14%		16.67%

Source: Bank accounts and Research Department's forecasts.

Attica Bank – Balance Sheet (Historic & Projected)

Consolidated Accounts (in EUR mil.)	2008	%	2009	%	2010	%	2011
Total Assets	4,520.27	12.00%	5,062.70	15.00%	5,822.11	20.00%	6,986.53
Interest - Earning Assets (year-end)	4,127.74	10.48%	4,560.33	17.52%	5,359.39	23.81%	6,635.38
As % of Total Assets	16.41%		16.00%		16.00%		16.00%
Average Interest - Earning Assets	3,827.72	13.49%	4,344.03	14.18%	4,959.86	20.92%	5,997.39
Interest - Bearing Liabilities (year-end)	4,119.46	9.36%	4,505.06	11.86%	5,039.15	13.84%	5,736.67
As % of Total Assets	25.84%		25.00%		25.00%		25.00%
Average Interest - Bearing Liabilities	3,816.35	12.99%	4,312.26	10.66%	4,772.11	12.90%	5,387.91
Deposits	2,951.27	9.76%	3,239.39	10.63%	3,583.63	11.34%	3,990.04
As % of Interest Bearing Liabilities	71.64%		71.91%		71.12%		69.55%
Loans (Net)	3,385.81	10.76%	3,750.29	18.07%	4,427.86	24.61%	5,517.54
As % of Interest Earning Assets	82.03%		82.24%		82.62%		83.15%
Bonds (Greek GAAP)	84.43	8.03%	91.21	17.52%	107.19	23.81%	132.71
As % of Interest Earning Assets	2.05%		2.00%		2.00%		2.00%
Participations (Greek GAAP)	0.00		0.00		0.00		0.00
As % of Total Assets	0.00%		0.00%		0.00%		0.00%
Equity	324.36	3.38%	335.32	2.50%	343.71	5.52%	362.67
Equity (including Minorities)	324.36	3.38%	335.32	2.50%	343.71	5.52%	362.67

Source: Bank accounts and Research Department's forecasts.

Attica Bank – Financial Ratios (Historic & Projected)

Consolidated Financial Statements	2008 IFRS	%	2009	%	2010	%	2011
Net Interest Margin	2.29%		2.26%		2.27%		2.43%
Net Interest Margin (as % of avg assets)	2.22%		2.16%		2.10%		2.06%
Net Interest Income / Total Income	71.29%		71.26%		71.91%		74.51%
Total Costs / Total Income	65.99%		62.86%		57.87%		49.21%
Costs / Income (excluding trading income)	65.66%		62.72%		57.93%		49.36%
Total Costs / Avg. Assets	2.27%		2.11%		1.95%		1.75%
Operating Burden (in EUR mil.)	-54.11		-54.76		-54.70		-53.97
Burden (as % of avg assets)	-1.28%		-1.14%		-1.00%		-0.84%
Burden excl. Trading Income (in EUR mil.)	-53.39		-54.40		-54.88		-54.69
Burden excl. Trading Income (as % of avg assets)	-1.27%		-1.14%		-1.01%		-0.85%
Loan Loss Provisions / Avg. Loans	1.10%		1.26%		1.35%		1.31%
Loan Loss Provisions / Avg. Assets	0.82%		0.94%		1.01%		1.01%
Tax Rate	25.01%		25.00%		25.00%		25.00%
Dividend Payout	0.00%		0.00%		50.00%		50.00%
ROE	3.89%		3.27%		4.88%		10.46%
ROE average	3.93%		3.32%		4.94%		10.74%
ROA	0.28%		0.22%		0.29%		0.54%
ROA average	0.30%		0.23%		0.31%		0.59%

Source: Bank accounts and Research Department's forecasts.

Attica Bank – Valuation & Profitability Ratios (Historic & Projected)

Consolidated Financial Statements	2008 IFRS	%	2009	%	2010	%	2011
EPS growth (fully diluted)	-41.26%		-10.50%		48.68%		126.01%
Non - Int. Oper. Profit Growth (diluted)	51.06%		4.22%		-3.00%		-1.33%
P/E Ratio (fully diluted)	27.40		30.62		20.59		9.11
Price / Operating Profit Ratio (diluted)	7.00		5.63		4.47		2.99
P/BV (Tier I) (fully diluted)	1.07		1.00		1.01		0.95
Dividend Yield	0.00%		0.00%		2.43%		5.49%
Consolidated Financial Statements	2008 IFRS	%	2009	%	2010	%	2011
ROA, Average	0.30%		0.23%		0.31%		0.59%
ROE, Average	3.93%		3.32%		4.94%		10.74%
Return on Avg. Interest Earning Assets	7.08%		7.10%		6.80%		6.60%
Cost of Avg. Interest Bearing Liabilities	4.39%		4.50%		4.30%		4.20%
Yield Spread	2.69%		2.60%		2.50%		2.40%

Source: Bank accounts and Research Department's forecasts.

Developments in 2007 - 2009

Developments in the period 2007 - 2009 mainly related to the Bank's expansion in the retail banking business, its reorganization efforts as well as the strengthening of its capital adequacy ratio. Specifically:

- The Bank further expanded its branch network. It plans to open 8 new branches in 2009.
- The Bank installed a new accounting system (Oracle).
- Added life insurance to banc assurance products.
- The process for approval and monitoring of corporate lending was centralized and risk management system was further modernized.
- At the end of 2007, Attica Bank established Attica Bank Properties to take advantage of the bank's real estate portfolio in Greece.
- The Management approved the distinction of the bank's branches into business centers (BC) and retail branches in order to focus more efficiently in certain market segments expanding market shares.

1st Quarter 2009 Financial Results

First quarter 2009 financial results were hit by the adverse credit conditions in the banking sector despite the management's continuous efforts to rationalize the loan portfolio, monitor non performing loans to a more efficient manner and control cost structure. The major highlights of the Bank's results on consolidated basis are presented below:

- Total assets settled at EUR 4,582.25 million slightly higher than the level on 31 December 2008.
- Deposits amounted to EUR 2,484.44 posting a 21% growth as compared to 31 December 2008.
- Loans before provisions accounted for EUR 3,417.7 million, dropping by 2.8% due to the tightening credit conditions prevailing in the market and stricter terms in granting loans adopted by Attica Bank's management.
- Provisions for credit risks settled at EUR 8.5 million higher by 13.2% year-on-year, with their cumulative level standing at EUR 140.31 million.
- Total equity stood at EUR 313.7 million.

The Bank's financial results in the 1st quarter 2009 are presented in the following table:

INTERIM CONSOLIDATED INCOME STATEMENT			
(Amounts expressed in Euro)			
		THREE MONTHS PERIOD ENDED ON	
	Note	31/03/2009	31/03/2008
Interest and similar income		61,390,691.57	61,534,423.05
Less: Interest expense and similar charges		(44,128,199.91)	(36,269,249.25)
Net interest income		17,262,491.66	25,265,173.80
Fee and commission income		8,794,307.29	10,502,960.30
Less: Fee and commission expense		(383,756.12)	(401,797.52)
Net fee and commission income		8,410,551.17	10,101,162.78
Profit/(loss) from trading portfolio		181,896.47	(1,003,299.31)
Profit/(loss) from investment portfolio		130,663.29	0.00
Other income		1,560,375.44	1,461,800.12
Operating income		27,545,978.03	35,824,837.39
Allowance for impairment losses		(8,500,000.00)	(7,511,556.08)
Salaries, wages and personnel expenses		(14,716,575.93)	(11,730,952.04)
General operating expenses		(7,488,747.83)	(6,353,749.72)
Depreciation		(1,359,937.36)	(1,215,442.49)
Total operating expenses		(32,065,261.12)	(26,811,700.33)
Income from investments in associates		(49,261.17)	1,900,760.00
Profit / (loss) before income tax		(4,568,544.26)	10,913,897.06
Less: income tax	4	1,622,574.31	(2,282,318.53)
Profit / (loss) for the period		(2,945,969.95)	8,631,578.53
<i>Attributable to:</i>			
Owners of the parent		(2,946,085.37)	8,631,534.23
Minority shareholders		115.42	44.30
Basic earnings per share (in Euro)	5	(0.0217)	0.0653
Diluted earnings per share (in Euro)	5	(0.0214)	0.0653

Source: Attica Bank.

Attica Bank – Shareholders' Structure

ATTICA BANK - Shareholders' Structure	as of 11 May 2009
Pension Fund of Engineers and Public Works Contracts (TSMEDE)	41.96%
Greek Postal Savings Bank	20.05%
Loans & Reserves Fund	19.13%
Free Float & Institutional Investors	18.86%
Total	100.00%

Source: Athens Exchange

Description of Attica Bank's Major Shareholders

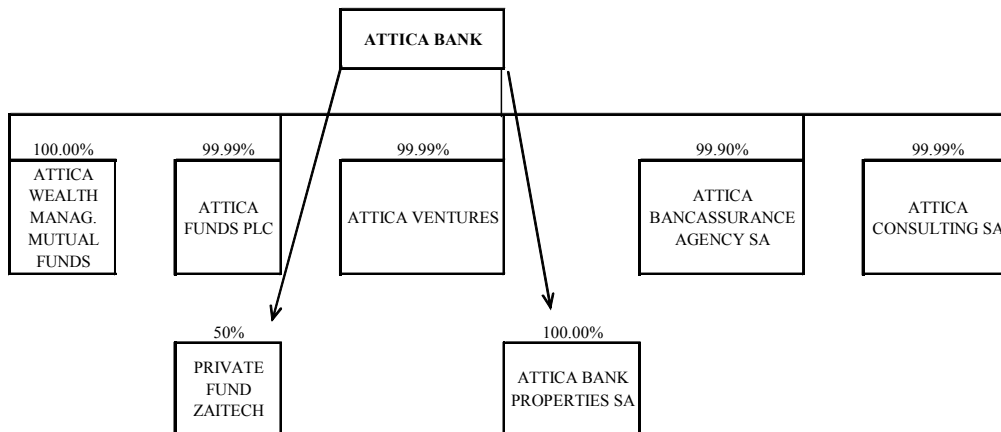
[Sources: Attica Bank, Postal Savings Bank.]

Pension Fund of Engineers and Public Works Contracts (TSMEDE), is one of the wealthiest pension funds in Greece with 100,871 active members and 14,037 pensioners. The Fund's total assets, as at 31.12.2007 stood at EUR 3,134.78 million.

The **Loans and Reserves (or Deposits) Fund** is a public entity established in 1919 in Greece. Its main objectives are the safekeeping and administration of deposits, the issue of loans, the cash management of funds of the Local Government Organizations, etc. It is governed by a Board of Directors appointed for a 3-year term by the Ministry of Finance and Economy which supervises the body. The Fund is also supervised by the Bank of Greece as to the activities that fall under its jurisdiction. Given that the Deposits and Loans Fund has the legal form of a public entity, it does not participate in the interbank market and its cash is deposited at the central bank.

Greek Postal Savings Bank (or TT Hellenic Postbank S.A.) has over a century presence in the banking sector. During this period, the Bank presents a private network of 145 branches in 64 cities around Greece, a constantly growing ATM network and an alternative network of 845 allied Hellenic Post Branches. TT Hellenic Postbank S.A. became a Société Anonyme entity by the end of 2002. In May 2006, TT Hellenic Postbank S.A. initiated a very successful I.P.O. in the Athens Stock Exchange being a part of Hellenic Republic Privatization program.

ATTICA BANK - Group Structure



Source: The Company.

Assumptions in Valuation Model

Our model's projections reflect Attica Bank's accelerating loan growth, gradually enhanced net interest margin, and improving cost to income ratio. More specifically:

- We assume that net interest income will be rising on double-digit rates in 2009 and 2010, of 14% and 9% respectively, following the Bank's efficient strategy in expanding corporate and retail loan portfolio.
- We project net interest margin (NIM) (as % of average interest earning assets) in the neighborhood of 2% - 2.3% in the following 2-year period.
- With regard to fee and commission income, we project moderate annual growth rate of 5% in 2009 and 2010, resulting into fee and commission income of € 37 million in 2009 and € 39 million in 2010.
- According to our model, the cost to income ratio drops to 63% in 2009 and to 58% in 2010. However these levels remain significantly higher than the ones of leading commercial banks in Greece.
- We also assume an –aggressive for the bank's history– average loan to deposit ratio in the neighborhood of 115% - 125% during the years 2009 - 2010. The option for greater leverage could be also seen as a growth opportunity for Attica Bank. We project total deposits of € 3.2 billion at year-end 2009 and € 3.6 billion in 2010. Total net loans are estimated at € 3.7 billion in 2009 and € 4.4 billion in 2010.
- On bottom line, we end up with net profit of € 10.96 million in 2009 and € 16.78 million in 2010, with the corresponding ROE ratio evolving to 3.27% in 2009 and to 4.88% in 2010. ROE ratio is however projected well below the market average.

Dividend Discount Model

The dividend discount model derives a fair value of € 3.1 per share, based on the financial projections previously discussed. In addition, the following assumptions have been made in the model:

- Cost of capital at 11.10%.
- Dividend growth rate of 7.00%.

Following the bank's inclusion in Greek State's scheme for enhancing the capital base of Greek banks, and based on Attica Bank's official announcement, we assume that no dividend is to be distributed for years 2008 and 2009.

ATTICA BANK, Dividend Discount Model

	1st Projected Year						Dividend Growth Rate	Terminal Value End of Period
	2008	2009	2010	2011	2012	2013		
Dividend per Share (in EUR)	0.00	0.00	0.06	0.14	0.14	0.18	7.00%	4.70
Required Return / Cost of Capital		11.10%	11.10%	11.10%	11.10%	11.10%		
Present Values (in EUR)		0.00	0.05	0.10	0.09	0.11		2.78
Dividend Growth Rate (2007 - 2013 CAGR)							10.29%	
Implied Value per Share (Target Price)								3.13
Current Share Price								2.54
Upside Potential								23.04%

Source: Bank accounts and Research Department's forecasts.

Attica Bank's Profile

Bank of Attica, as it was until recently called, was established in 1925 by a group of industrial businessmen and merchants.

In the post war era, Bank of Attica changed numerous ownership structures. First, in 1964, it was acquired by Commercial Bank and was listed on the Athens Stock Exchange.

In 1972, Banque Nationale de Paris purchased 39% of the Bank from Commercial Bank and assumed control. Almost a decade later, in 1981, the French owners sold back their stake to Commercial Bank.

In 1997, Commercial Bank sold two stakes of 34% and 15.5% to the Pension Fund of Greek Civil Engineers (TSMEDE), and the Loans and Reserves Fund respectively. In 2002, Commercial Bank sold another stake, of 16.9%, to the Greek Postal Savings Bank.

In 2006, Bank of Attica was renamed to Attica Bank. During the period 2007 – 2008, the Bank proceeded with the modernization of its infrastructure and branch network in order to target a larger penetration of the domestic retail banking market.

ATTICA BANK'S HISTORY

Attica Bank operates as a Banking Société Anonyme, according to the provisions of Law 2190/20, on Sociétés Anonymes, the provisions of Law 2076/92 on Financial Institutions and the provisions of other relevant pieces of legislation.

The Bank's term is set at one hundred years starting on the date of the publication of the initial articles of association, i.e. on February 5th 1925 and expires on February 4th 2025. According to article 2 of the articles of association, the object of the company is the execution of banking operations on its own account or on the account of others. From 1964 the Bank belonged to the Group of Companies of Emporiki Bank and was listed in the Athens Stock Exchange (ASE) on 2.6.1964. On 26.6.97 the Emporiki Bank Group of Companies transferred, through the ASE part of its shares, to The Engineers and Public Works Contractors' Pension Fund (TSMEDE) and the Loans and Consignments Fund (LCF). On 09.09.2002 the remaining shares held by the Emporiki Group were transferred to the Greek Postal Savings Bank.

Notes

Notes

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VRS Makes a Statement about Real Estate Market Risk

The real estate market is to a large extent cyclical and faces risks at a number of levels. Among others, the following factors tend to affect the demand and the ability of tenants to pay rent:

- Macroeconomic environment
- Level of supply
- Interest rates

Furthermore, the following factors are mainly, but not exclusively, accountable for the course of property values:

- Macroeconomic environment
- Corporate Earnings
- Interest rates
- Financing mechanisms offered
- Returns on other types of assets
- Legal and tax legislation

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DISCLOSURE CHECKLIST

Covered Company	Reuters	Price Close	Date of Price Close	Disclosure
ATTICA BANK	BOA:AT	€ 2.54	9 June 2009	6

1. VRS has acted as financial consultant for the covered company within the past 24 months.
2. VRS has sent the research report to the covered company, prior to publication or dissemination, for factual verification.
3. VRS has changed the contents of the initially sent report, with respect to: no change has been made.
4. VRS has received compensation from the covered company for the preparation of this research report.
5. VRS produces research reports for this company on systematic basis.
6. VRS produces research reports for this company on demand basis.
7. VRS has produced a research report for this company within the past 12 months.

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