

Attica Bank

Reuters : BOAr.AT Bloomberg : TATT GA

Sector: Commercial Banks

Ownership Structure:

TSMEDE	41.96%
Greek Postal Savings Bank	19.13%
Loans & Reserves Fund	19.10%
Free Float	19.81%

Stock Data

Price (27/07/2007)	€ 3.90
Shares (in million)	132.12
Mkt Cap (in million)	€ 515.29

Summary Financials

(in mil €)	2005	2006	2007 E	2008 E
Total Assets	2,515	3,093	3,403	3,828
Net Loans	1,788	2,206	2,419	2,756
Deposits	1,954	2,422	2,632	2,929
Oper. Income	117	126	147	166
Net Profit	-10	1	17	29

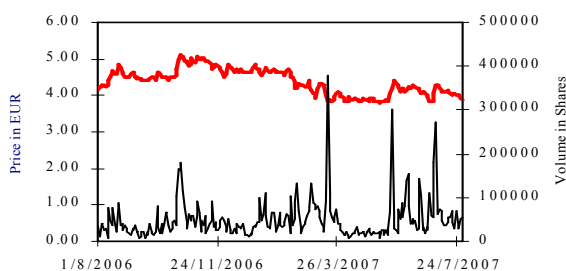
Financial Ratios

	2005	2006	2007 E	2008 E
P/E	-32.57	368.62	30.85	17.51
P/BV	2.10	2.09	1.64	1.54
ROA, Average	-0.79%	0.03%	0.51%	0.81%
ROE, Average	-12.91%	0.57%	7.14%	9.07%

Source: Company Data & VRS Projections

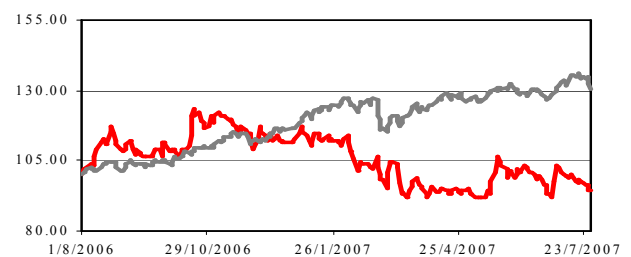
Stock Graph (52 weeks)

Min: € 3.80, Max: € 5.10



Relative performance with G.I. (52 weeks)

Stock Return: -5.80% - G.I. Return: 30.19%



— ATTICA BANK — G.I.

KEY INVESTMENT POINTS

- **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% of Greek banking sector's assets.
- **Attica Bank is shifting operations towards a more efficient structure in an effort to improve and in later stage maximize financial performance.** Previously, the Bank had to deal with significant financial losses on parent level, high loan provisions, low capital adequacy ratio, loss making subsidiaries, poor productivity, and obsolete IT infrastructure. The operating restructuring and technological advancements are expected to speed up the Bank's expansion strategy in the domestic market.
- **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.
- Speculation over an imminent sale of Greek Postal Savings Bank's equity stake in Attica Bank and the entrance of a strategic shareholder would be driving the stock in the near term. Fundamental performance needs time improve although bottom line profitability shows an encouraging trend so far in 2007. Taking into consideration the above, **we initiate Attica Bank's coverage with a neutral rating, setting a target price at € 4.80 per share.**

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THE RESTRUCTURING PLAN OF ATTICA BANK

Attica Bank is shifting operations towards a more efficient structure in an effort to improve and in later stage maximize financial performance. Previously, the Bank had to deal with significant financial losses on parent level, high 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 is implementing a restructuring action 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 are expected 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 in 3 years time
	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 becomes top priority
	Cross selling of products and expansion into bancassurance and leasing business

GROWTH DRIVERS

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.

Furthermore, a significant growth potential would easily derive from synergies with the Bank's largest shareholder. With 95,000 members and EUR 2.5 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 the newly established technological infrastructure and expanding the product range in order to satisfy certain customer needs. This would also necessitate a competitive pricing policy in view of strong competition domestically.

☞ Loan Portfolio

Corporate banking has been the core business of Attica Bank, with the share of those loans standing at 64% of total gross portfolio and the annual growth rate at 15% as of end 2006. Retail banking stood at 32% of total gross portfolio at the end of 2006, growing at a faster rate (44%) than corporate loans. For 2007, we anticipate a similar outlook in the growth trends of the two major segments of the Bank's loan portfolio, adding a note that growth in corporate loans could speed up to 25% on average basis in the following 2-3 years in line with the Bank's expansion strategy.

ATTICA BANK	31/12/2004	%	31/12/2005	%	31/12/2006
<i>Breakdown of Consolidated Loans</i>					
Retail Banking					
Consumer Loans	76.02	10.98%	84.37	-0.82%	83.68
Credit Cards	126.88	37.93%	175.00	38.55%	242.47
Mortgage Loans	172.08	48.60%	255.71	41.79%	362.58
Other Loans	0.76	252.63%	2.68	1959.70%	55.20
Total	375.74	37.80%	517.76	43.68%	743.93
Breakdown of Gross Total	20.90%		27.39%		32.06%
Corporates					
Agriculture	11.12	38.04%	15.35	-0.85%	15.22
Commerce	587.80	-8.98%	534.99	12.54%	602.06
Industrials	323.39	-22.62%	250.25	8.86%	272.42
Manufacturing	105.05	-9.54%	95.03	6.83%	101.52
Tourism	9.78	1.53%	9.93	40.89%	13.99
Marine	1.55	32.26%	2.05	247.32%	7.12
Construction	140.14	25.69%	176.14	25.37%	220.83
Other	174.22	18.41%	206.29	21.54%	250.73
Total	1,353.05	-4.66%	1,290.03	15.03%	1,483.89
Breakdown of Gross Total	75.26%		68.23%		63.94%
Public Sector	6.02	24.25%	7.48	-67.91%	2.40
Breakdown of Gross Total	0.33%		0.40%		0.10%
Leasing	63.03	19.50%	75.32	19.99%	90.38
Breakdown of Gross Total	3.51%		3.98%		3.89%
Gross Loan Portfolio for the Group	1,797.84	5.16%	1,890.59	22.74%	2,320.60
Minus: Provisions for Bad Loans	70.98	45.18%	103.05	11.64%	115.04
Net Loan Portfolio for the Group	1,726.86	3.51%	1,787.54	23.39%	2,205.56

Source: The Company. Note: In EUR million.

Interest Rate Received from Loans

7.26%

6.91%

ATTICA BANK, Loan Quality			
Consolidated Financial Statements, IAS	2005 IFRS	%	2006 IFRS
Non-Performing Loans (NPLs) / Total Loans	2.91%		3.02%
Bad Debts / Total Loans	33.73%		34.50%
Loan Loss Provisions / Total Loans	2.48%		1.07%
Coverage Ratio (Provisions / NPLS)	85.16%		35.49%
Loan Loss Provisions / Bad Debts	7.35%		3.11%
Total NPLs / Loans	2.91%		3.02%
Total NPLs (in EUR mil.)	52.02	28.05%	66.61
Bad Debts (in EUR mil.)	603.00	26.20%	761.00
Loan Loss Provisions (in EUR mil.)	44.30	-46.64%	23.64

Loan portfolio's quality is considered to be poor, 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, paying higher interest rates on deposits than the Greek market on average basis. In addition, time deposits constitute the largest part of total deposits implying higher interest expenses for the Bank in order to maintain its deposit base. As a temporary remedy to this cost burden, the Bank plans to issue medium term notes in order to inject liquidity with lower cost. Although we expect satisfactory growth in its deposit base, as most Greek banks, 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.

ATTICA BANK	31/12/2003	%	31/12/2004	%	31/12/2005	%	31/12/2006
<i>Evolution of Consolidated Deposits</i>							
Current and Sight Deposits	408.34	34.75%	550.23	9.92%	604.81	-28.87%	430.23
Savings Accounts	299.53	20.99%	362.40	5.09%	380.85	2.27%	389.51
Time Deposits	843.56	26.10%	1,063.69	-16.64%	886.73	68.45%	1,493.71
Blocked Deposits	29.22	11.31%	32.52	56.95%	51.04	20.47%	61.49
Repos	126.62	-68.65%	39.69	-54.95%	17.88	-65.83%	6.11
Other Deposits			17.27	-25.65%	12.84	216.98%	40.70
TOTAL DEPOSITS	1,707.26	-17.36%	2,065.80	5.71%	1,954.15	-19.31%	2,421.75

Source: The Company. Note: In EUR million.

ATTICA BANK	31/12/2003	%	31/12/2004	%	31/12/2005	%	31/12/2006
<i>Structure of Consolidated Deposits</i>							
Current and Sight Deposits	23.92%		26.64%		30.95%		17.77%
Savings Accounts	17.54%		17.54%		19.49%		16.08%
Time Deposits	49.41%		51.49%		45.38%		61.68%
Blocked Deposits	1.71%		1.57%		2.61%		2.54%
Repos	7.42%		1.92%		0.91%		0.25%
Other Deposits	0.00%		0.84%		0.66%		1.68%
TOTAL DEPOSITS	100.00%		100.00%		100.00%		100.00%

Source: The Company

☞ Cost Side

The Bank retains an especially 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 relate to the high personnel expenses and strong IT expenditures as until recently the Bank was considerably lagging behind its domestic peers in technological infrastructure. According to our calculations, cost to income ratio stood at 78% at end 2006 versus 72% at end 2005, whereas it dropped to 65% in Q1 2007 vis-à-vis 68% in Q1 2006. 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 expected to lower as percentage of total income, following the Bank's inclusion in the country's new pension scheme;
- ❖ Finally, costs related to voluntary retirement schemes (VRS) are also expected lower in absolute terms in 2007-2008 compared to 2006. Last year's VRS implied expenses of EUR 4.7 million on the parent bank level.

The Bank's personnel are expected to reach 1,160 employees by the year-end, posting a growth of 4% year-on-year. It is noted that in 1st Q 2007, staff expenses grew by 3.7% to € 13.93 million due to the inclusion of a payment (€ 800,000) to Ethniki Hellenic General Insurance. According to the Management, following the merger of the pension scheme LAK with ETAT from January 1st, 2007 (Law 3354/2007), the above amount is claimable to be offset at a later period.

☞ 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		2005		2006
<i>Operating Income Breakdown</i>				
Retail Banking				
Interest Income		10.51	-72.71%	2.87
Fees and Commissions		5.02	-4.96%	4.77
Trading Income and Other Items		0.63	184.57%	1.79
Total		16.15	-41.65%	9.42
Corporate Banking				
Interest Income		66.79	13.89%	76.07
Fees and Commissions		23.56	9.75%	25.86
Trading Income and Other Items		1.75	92.69%	3.37
Total		92.11	14.33%	105.31
Treasury				
Interest Income		0.80	434.46%	4.28
Fees and Commissions		1.26	61.46%	2.04
Trading Income and Other Items		6.74	-22.51%	5.22
Total		8.80	31.14%	11.54
TOTAL OPERATING INCOME		117.06	7.87%	126.27

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 do not expect a much different breakdown of income generation over the following 2-3 years, although we would anticipate income from retail banking to reverse the negative growth trend of 2006. The contribution of the Treasury is considered especially volatile when it comes to the trading income, as it was shown in the results of 1st quarter 2007.

☞ Capital Base

Following a recent share capital increase by € 149 million, the Bank's capital base has significantly improved, with the Total Capital Adequacy Ratio targeted to exceed 12%.

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

☞ Privatization is Under Way

The Greek Postal Savings Bank has explicitly declared its intention to sell its equity stake in Attica Bank. Speculation on a possible offering of shares by Greek Postal Savings Bank may create volatility on the stock. On the other hand, a strategic investor would assist the Bank to establish a solid position in the domestic market and even to attempt penetrating international markets.

ATTICA BANK – CASH FLOWS & CAPEX

ATTICA BANK	2004	2005	2006
<i>Cash Flows</i>			
Cash flows from operating activities	68.85	-87.79	161.51
Cash flows from investment activities	28.37	-67.18	-94.70
Cash flows from financing activities	10.29	138.94	0.00
Total Cash Flows	107.51	-16.03	66.81

Source: The Company. Note: In EUR million.

ATTICA BANK	2004	2005	2006
<i>Capex in the period 2004 - 2006</i>			
A. Tangible Assets			
Real estate assets	2.00	5.95	1.30
Installation in third party assets	1.01	0.58	1.21
Furniture and fixture	1.54	1.78	3.15
Sub-total	4.55	8.31	5.66
B. Intangible Assets	0.35	2.22	2.17
C. Equity holdings	0.59	0.12	0.35
GRAND TOTAL	5.49	10.65	8.18

Source: The Company. Note: In EUR million.

ATTICA BANK – INCOME STATEMENT (HISTORIC & PROJECTED)

Consolidated Financial Statements, IAS (in EUR mil.)	2006 IFRS	%	2007	%	2008	%	2009
Interest Income	160.32	21.59%	194.93	15.18%	224.52	16.01%	260.46
Interest on Other Securities	25.89						
Interest on Loans	134.43						
Interest Expense	77.10	23.79%	95.44	16.53%	111.21	16.42%	129.47
Net Interest Income	83.22	19.55%	99.49	13.89%	113.31	15.61%	130.99
Net Interest Income / Interest Income	51.91%		51.04%		50.47%		50.29%
Fee & Commission Income (net) (1)	32.67	10.00%	35.94	12.00%	40.25	15.00%	46.28
Trading Income (2)	3.73	5.00%	3.91	5.00%	4.11	5.00%	4.31
Income from Securities (3)	1.20	25.00%	1.50	25.00%	1.88	25.00%	2.35
Other Operating Income (4)	5.46	10.00%	6.00	12.50%	6.75	15.00%	7.77
(1) + (2) + (3) + (4)	43.05	9.99%	47.35	11.90%	52.99	14.58%	60.71
Total Operating Income	126.27	16.29%	146.84	13.24%	166.29	15.28%	191.70
Personnel Expenses	57.60	3.00%	59.33	3.00%	61.11	3.00%	62.94
G&A Expenses	35.53	5.00%	37.31	5.00%	39.17	5.00%	41.13
Depreciation	5.77	10.00%	6.34	10.00%	6.98	10.00%	7.67
Other Operating Expenses			0.00		0.00		0.00
Operating Expenses	98.90	4.13%	102.98	4.16%	107.26	4.19%	111.75
Operating Profit	27.37	60.24%	43.86	34.58%	59.03	35.43%	79.95
Non Int. Exp. / Operating Income	78.32%		70.13%		64.50%		58.29%
Loan Loss Provisions	23.64	-15.40%	20.00	15.00%	17.00	17.65%	14.00
Net Extraordinaries							
Profit Before Tax and Minority Interests	3.73	539.06%	23.86	76.14%	42.03	56.90%	65.95
Taxation	2.86	150.28%	7.16	76.14%	12.61	56.90%	19.79
Effective Tax Rate	76.60%		30.00%		30.00%		30.00%
Profit Before Minorities	0.87	1811.73%	16.71	76.14%	29.42	56.90%	46.17
Less Minority Interests	0.00	-100.00%	0.00	#DIV/0!	0.00	#DIV/0!	0.00
Net Profit	0.87	1812.06%	16.71	76.14%	29.42	56.90%	46.17
Net Profit Margin	0.69%		11.38%		17.69%		24.08%

Source: Bank accounts and Research Department's forecasts.

ATTICA BANK – BALANCE SHEET (HISTORIC & PROJECTED)

Consolidated Financial Statements, IAS (in EUR mil.)	2006 IFRS	%	2007	%	2008	%	2009
Total Assets	3,093.42	10.00%	3,402.77	12.50%	3,828.11	10.00%	4,210.92
Interest - Earning Assets (year-end)	2,844.50	7.66%	3,062.49	12.50%	3,445.30	10.00%	3,789.83
As % of Total Assets	91.95%		90.00%		90.00%		90.00%
Average Interest - Earning Assets	2,561.36	15.31%	2,953.50	10.17%	3,253.90	11.18%	3,617.57
Interest - Bearing Liabilities (year-end)	2,868.39	7.95%	3,096.52	11.26%	3,445.30	8.78%	3,747.72
As % of Total Assets	92.73%		91.00%		90.00%		89.00%
Average Interest - Bearing Liabilities	2,572.12	15.95%	2,982.45	9.67%	3,270.91	9.95%	3,596.51
Deposits	2,421.75	8.68%	2,632.04	11.26%	2,928.51	10.06%	3,223.04
As % of Interest Bearing Liabilities	84.43%		85.00%		85.00%		86.00%
Loans (Net)	2,205.56	9.69%	2,419.37	13.92%	2,756.24	11.38%	3,069.76
As % of Interest Earning Assets	77.54%		79.00%		80.00%		81.00%
Bonds (Greek GAAP)	172.06	6.80%	183.75	12.50%	206.72	10.00%	227.39
As % of Interest Earning Assets	6.05%		6.00%		6.00%		6.00%
Participations (Greek GAAP)	0.00		0.00		0.00		0.00
As % of Total Assets	0.00%		0.00%		0.00%		0.00%
Equity	153.73	104.29%	314.07	6.56%	334.66	9.66%	366.98
Equity (including Minorities)	153.73	104.29%	314.07	6.56%	334.66	9.66%	366.98

Source: Bank accounts and Research Department's forecasts.

ATTICA BANK – FINANCIAL RATIOS (HISTORIC & PROJECTED)

Consolidated Financial Statements	2006 IFRS	2007	2008	2009
Net Interest Margin	2.69%	2.92%	2.96%	3.11%
Net Interest Margin (as % of avg assets)	2.78%	2.56%	2.75%	2.82%
Net Interest Income / Total Income	65.90%	67.75%	68.14%	68.33%
Total Costs / Total Income	78.32%	70.13%	64.50%	58.29%
Total Costs / Total Income (excluding trading income)	80.70%	72.05%	66.13%	59.64%
Total Costs / Avg. Assets	3.53%	3.17%	2.97%	2.78%
Operating Burden (in EUR mil.)	-55.85	-55.63	-54.27	-51.04
Burden (as % of avg assets)	-1.99%	-1.71%	-1.50%	-1.27%
Burden excl. Trading Income (in EUR mil.)	-59.57	-59.54	-58.38	-55.35
Burden excl. Trading Income (as % of avg assets)	-2.12%	-1.83%	-1.61%	-1.38%
Loan Loss Provisions / Avg. Loans	1.18%	0.86%	0.66%	0.48%
Loan Loss Provisions / Avg. Assets	0.84%	0.62%	0.47%	0.35%
Tax Rate	76.60%	30.00%	30.00%	30.00%
Dividend Payout	0.00%	30.00%	30.00%	30.00%
ROE	0.57%	5.32%	8.79%	12.58%
ROE average	0.57%	7.14%	9.07%	13.16%
ROA	0.03%	0.49%	0.77%	1.10%
ROA average	0.03%	0.51%	0.81%	1.15%

Source: Bank accounts and Research Department's forecasts.

ATTICA BANK – VALUATION & PROFITABILITY RATIOS (HISTORIC & PROJECTED)

Consolidated Financial Statements	2006 IFRS	2007	2008	2009
EPS growth (fully diluted)	-108.83%	1095.03%	76.14%	56.90%
Non - Int. Oper. Profit Growth (diluted)	24.39%	-37.74%	-2.43%	-5.96%
P/E Ratio (fully diluted)	368.62	30.85	17.51	11.16
Price / Operating Profit Ratio (diluted)	11.76	11.75	8.73	6.44
P/BV (Tier I) (fully diluted)	2.09	1.64	1.54	1.40
Dividend Yield	0.00%	0.97%	1.71%	2.69%

Consolidated Financial Statements	2006 IFRS	2007	2008	2009
ROA, Average	0.03%	0.51%	0.81%	1.15%
ROE, Average	0.57%	7.14%	9.07%	13.16%
Return on Avg. Interest Earning Assets	6.26%	6.60%	6.90%	7.20%
Cost of Avg. Interest Bearing Liabilities	3.00%	3.20%	3.40%	3.60%
Yield Spread	3.26%	3.40%	3.50%	3.60%

Source: Bank accounts and Research Department's forecasts.

ATTICA BANK – INCOME STATEMENT 1ST QUARTER 2007

ATTICA BANK, Income Statement

Consolidated Financial Statements, IAS (in EUR mil.)	Q1 2006	%	Q1 2007
Interest Income	35.99	34.97%	48.57
Interest on Other Securities			
Interest on Loans			
Interest Expense	15.80	64.64%	26.01
Net Interest Income	20.19	11.75%	22.56
Net Interest Income / Interest Income	56.10%		46.45%
Fee & Commission Income (net) (1)	7.73	10.05%	8.51
Trading Income (2)	2.17	-56.74%	0.94
Income from Securities (3)	0.39	-57.15%	0.17
Other Operating Income (4)	1.01	46.70%	1.48
(1) + (2) + (3) + (4)	11.29	-1.80%	11.09
Total Operating Income	31.48	6.89%	33.65
Personnel Expenses	13.43	3.72%	13.93
G&A Expenses	6.47	3.41%	6.69
Depreciation	1.43	-1.42%	1.41
Other Operating Expenses			
Operating Expenses	21.32	3.28%	22.02
Operating Profit	10.16	14.47%	11.63
Non Int. Exp. / Operating Income	67.74%		65.45%
Loan Loss Provisions	4.97	27.70%	6.34
Net Extraordinaries			
Profit Before Tax and Minority Interests	5.19	1.80%	5.28
Taxation	1.11	7.46%	1.20
Effective Tax Rate	21.44%		22.63%
Profit Before Minorities	4.08	0.25%	4.09
Less Minority Interests	0.00	27.99%	0.00
Net Profit	4.08	0.25%	4.09
Net Profit Margin	12.95%		12.14%

Source: Bank accounts.

ATTICA BANK – BALANCE SHEET 1ST QUARTER 2007

ATTICA BANK, Balance Sheet

Consolidated Financial Statements, IAS (in EUR mil.)	Q1 2006	%	Q1 2007
Total Assets	3,093.42	3.47%	3,200.69
Interest - Earning Assets (year-end)	2,844.50	3.37%	2,940.48
As % of Total Assets	91.95%		91.87%
Average Interest - Earning Assets			2,892.49
Interest - Bearing Liabilities (year-end)	2,868.39	3.60%	2,971.76
As % of Total Assets	92.73%		92.85%
Average Interest - Bearing Liabilities			2,920.08
Deposits	2,421.75	2.93%	2,492.73
As % of Interest Bearing Liabilities	84.43%		83.88%
Deposits incl. Repos	20,696.62	-89.75%	2,121.84
As % of Interest Bearing Liabilities	721.54%		71.40%
Loans (Net)	2,205.56	4.82%	2,311.80
As % of Interest Earning Assets	77.54%		78.62%
Bonds (Greek GAAP)			
As % of Interest Earning Assets	0.00%		0.00%
Participations (Greek GAAP)	0.00		0.00
As % of Total Assets	0.00%		0.00%
Equity	153.73	2.64%	157.80
Equity (including Minorities)	153.73	2.64%	157.80

Source: Bank accounts.

DEVELOPMENTS IN 1ST QUARTER 2007

Developments in the first quarter 2007 mainly related to the Bank's expansion in the retail banking business and its reorganization efforts. Specifically:

- ❖ A new branch initiated operations in Attica;
- ❖ The Bank installed a new accounting system (Oracle);
- ❖ Planned to commence co-operation with Master Card;
- ❖ Added life insurance to bancassurance products;
- ❖ The process for approval and monitoring of corporate lending was centralized and risk management system was further modernized.

ATTICA BANK - Subsidiaries Financial Results			
Earnings after taxes & minorities (€ thous.)	Q1 2007	%	Q1 2006
Attica Bank (Parent Company)	3,878.90	5.00%	3,694.20
Attica Leasing	81.80	-43.66%	145.20
Attica Mutual Funds	98.16	-34.99%	151.00
Attica Consulting	-1.70		0.70
Attica Ventures	40.30	-20.36%	50.60
Attica Funds Plc.	21.80		
Attica Bancassurance	47.00	36.23%	34.50

Source: The Company

SHAREHOLDERS' STRUCTURE – ATTICA BANK GROUP

ATTICA BANK - Shareholders' Structure

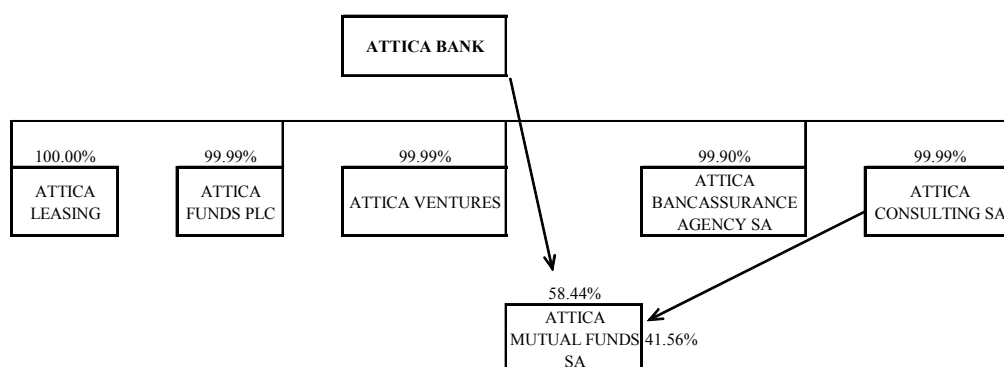
as of 28 February 2007

Pension Fund of Engineers and Public Works Contracts (TSMEDE)	41.96%
Greek Postal Savings Bank	19.13%
Loans & Reserves Fund	19.10%
Free Float & Institutional Investors	19.81%

Total	100.00%
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Source: The Company

ATTICA BANK - Group Structure



Source: The Company.

RISK FACTORS

	Investment Risks / Concerns	Mitigating Factors / Important Notes
1	Attica Bank is still a state-owned bank striving to overcome its long lasting inefficiencies. Furthermore, the narrow branch network has historically delivered a modest financial performance.	The entrance of a strategic investor, if realized, may encourage the Bank to approach the banking business from the private sector's perspective. The expansion of the branch network is under way, as well as the marketing of new products.
2	Loan portfolio is of medium to low quality. Provisions hurt bottom line performance.	The new centralized system for approving and monitoring loans, both corporate and retail ones, is expected to gradually reverse this negative trend.
3	The operating expenses / income ratio is significantly higher than domestic market's average.	According to the new strategy, modest growth is expected in personnel expenses, whereas there are also benefits from the country's new pension fund law.
4	There is very strong competition from much larger domestic players expanding into retail and corporate banking segments.	TSMEDE, which is the largest shareholder of the Bank, would offer great potential for the Bank to capture new customers, especially in retail banking.

Source: Company Data, VRS Research Department

ASSUMPTIONS IN VALUATION MODEL

Our model's assumptions reflect Attica Bank's accelerating loan growth, rising 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 2007 and 2008, of 20% and 14% respectively, following the Bank's efficient strategy in expanding corporate and retail loan portfolio. The first signs in 1st quarter 2007 were positive.
- ❖ We project NIM (as % of average interest earning assets) in the neighborhood of 2.6% - 2.8% in the following 2-year period.
- ❖ Fee and commission income posted satisfactory growth in Q1 2007, by 10% year-on-year. We project annual growth rate of 10% in 2007 and 12% in 2008, resulting into fee and commission income of € 36 million in 2007 and € 40 million in 2008.
- ❖ According to our model, the cost to income ratio drops to 70% in 2007 and to 64% in 2008. However these levels remain significantly higher than the ones of leading commercial banks in Greece.
- ❖ We also assume an average loan to deposit ratio in the neighbourhood of 90% - 95% during the years 2007 - 2008. The option for greater leverage could be also seen as a growth opportunity for Attica Bank. We project total deposits of € 2.6 billion at year-end 2007 and € 2.9 billion in 2008. Total net loans are estimated at € 2.4 billion in 2007 and € 2.8 billion in 2008.
- ❖ On bottom line, we end up with net profit of € 16.71 million in 2007 and € 29.42 million in 2008, with the corresponding ROE ratio evolving from 7.14% in 2007 to 9.07% in 2008.

DIVIDEND DISCOUNT MODEL

Our dividend discount model derives a fair value of € 4.80 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 8.50%.

ATTICA BANK, Dividend Discount Model

	<u>1st Projected</u> <u>Year</u>						<u>Dividend</u> <u>Growth Rate</u>	<u>Terminal Value</u> <u>End of Period</u>
	2006	2007	2008	2009	2010	2011		
Dividend per Share (in EUR)	0.00	0.04	0.07	0.10	0.14	0.18	8.50%	7.51
Required Return / Cost of Capital		11.10%	11.10%	11.10%	11.10%	11.10%		
Present Values (in EUR)		0.03	0.05	0.08	0.09	0.11		4.44
Dividend Growth Rate (2007 - 20011 CAGR)							47.60%	
Implied Value per Share (Target Price)								4.80
Current Share Price								3.90
Upside Potential								23.09%

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.

NOTES

Dynamic Securities Rating System

Rating	Ratings Breakdown	Definition of Rating System
Outperformed	70%	Expected to Outperform the Index by more than 10%
Neutral	30%	Expected to perform relative to the Index by +/- 5%
Underperform	0%	Expected to Underperform the Index by more than 10%

Notes: 1/ Ratings refer to a 12-month period.

2/ Benchmark Index: ASE General Index.

3/ Stock Universe: 40 Companies.

4/ Current Stocks Covered: 8 Companies.

Ratings History

Company	Date	Rating	Target Price
SARANTIS	27/07/2006	Outperform	€ 9.10
INTRALOT	31/10/2006	Outperform	€ 25.55
THRACE PLASTICS	18/12/2006	Outperform	€ 2.72
OPAP	10/01/2007	Neutral	€ 29.86
F.H.L. KIRIAKIDIS	01/02/2007	Outperform	€ 2.93
KRI KRI	28/03/2007	Outperform	€ 4.47
NIREUS GROUP	18/05/2007	Outperform	€ 5.91
AGRICULTURAL SPIROU	06/06/2007	Outperform	€ 3.64
SPIDER	11/07/2007	Neutral	€ 1.44
ATTICA BANK	27/07/2007	Neutral	€ 4.80

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Analyst Stock Ratings

All of the above denote investment ratings (not recommendations) which refer to our overall view of the company based not only on valuation but on qualitative factors as well.

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