

NATIONAL BANK (NBG)

Banking Sector

Flash Alert
6M 2005 Results

Financial Highlights, NBG 6M 2005 Results

- ⊙ NBG reported a surprising set of results for 1H 05, with net profit (after taxes and minorities) increased by 62.3% y-o-y (24.7% q-o-q), standing at €330 million. This increase was partly attributed to the reduced tax rate due to tax deductible trading losses. However, even the EBT showed a significant growth by 40.3% y-o-y, although slightly down on a quarterly basis (-0.9%).
- ⊙ The expansion of the loan portfolio settled at 17.7% y-o-y, boosted by the stronger demand for mortgage loans (27% y-o-y). Overall, the retail credit expansion reached €16.5 billion higher by 26.2% y-o-y, while corporate lending increased by 8.5% y-o-y (SBLs advanced by 19% y-o-y). Lending expansion in SEE recorded a tremendous growth rate of 59%, while the retail expansion increased by a whopping 128%.
- ⊙ The above led to a 15.3% y-o-y increase in NII, while income from commissions increased by 5.4%. Both sources of income represented 84.4% of the total income.
- ⊙ Cost performance was better than expected, with the overall expenses down by 3.6% y-o-y, driven by the reduction of the personnel expenses (-1.9%) and the lower depreciation expenses (-6.4%), leading to a cost to income ratio of 55.4% (1H 04: 63.4%).
- ⊙ ROaE after tax increased to an impressive 28.1% (1H 04: 17.2%), while RoaA reached 1% (1H 04: 0.7).
- ⊙ EBT from SEE doubled compared to last year's figures accounting for the 10% of the group's earnings.
- ⊙ Core Tier I capital remained at a healthy 8.5%, with the total capital ratio reaching 15.7%.

Tips from the Conference Call (Thursday, 29 September 2005), NBG 6M 2005 Results

- ⊙ The management appears confident that the targeted cost/income ratio of less than 50% will be achieved up to 2007, in line with the business plan presented earlier this year.
- ⊙ Trading and investment income achieved is considered as sustainable level for the following years.
- ⊙ There is great room for improvement in insurance income, since restructuring of NBG's insurance business is still at an early stage.
- ⊙ Effective tax rate is seen at 25%-27% for 2005 and 2006. It is the nominal tax rate of 32% minus 5%, which is tax gains from NBG's recently announced merger with two subsidiaries.
- ⊙ The new pension law is beneficial for NBG (implies lower pension liabilities in future), however it is compulsory for the Bank and its employees only in two years time. In the meantime, it is up to employees to decide about an earlier participation in the state sponsored scheme.