NATIONAL BANK

[NBGr.AT]

Retail lending combined with cost control are driving growth

ΕΘΝΙΚΗ ΤΡΑΠΕΖΑ
ΤΗΣ ΕΛΛΑΔΟΣ

Valuation & Research Specialists (VRS)

Value Invest - www.valueinvest.gr

Investment Research & Analysis Journal - www.iraj.gr

INITIAL STATEMENT

by VALUATION & RESEARCH SPECIALISTS (VRS)

Information contained herein is based on data obtained from recognized statistical services, issue reports or communications, or other sources, believed to be reliable. However, such information has not been verified by VRS, and VRS does not make any representation as to its accuracy and completeness. Opinions, estimates, and statements nonfactual in nature expressed in its research represent VRS's judgment as of the date of its reports, are subject to change without notice and are provided in good faith and without legal responsibility. In addition, there may be instances when fundamental, technical and quantitative opinions, estimates, and statements may not be in concert. Neither the information nor any opinion expressed shall constitute an offer to sell or a solicitation of an offer to buy any shares, warrants, convertible securities or options of "covered companies" by no means.

Please see full disclosure and disclaimer statements at the end of this report

Contact: info@valueinvest.gr

Greek Equities – 21 September 2005

NATIONAL BANK (NBG)

Banking Sector

Nicholas I. Georgiadis
CA, HCMC

Company Description:

National Bank of Greece (NBG) is the oldest and largest among Greek commercial banks, with IFRS based total assets at EUR 54.48 billion at end 2004.

(in mil. €)	2004	2005 E	2006 F
Total Assets	54,482	62,110	69,563
Net Loans	26,053	30,046	34,564
Deposits	40,865	43,027	45,351
Op. Income	2,187	2,391	2,685
Net Profit	302	604	758

Price Close in €	**21/9/2005**	**29.68**
Shares (mn outstanding)		331.58
Mkt Cap (in mn €)		9,841.16

Beta	1.150
Dividend in €	0.60
Div. Yield	2.04%

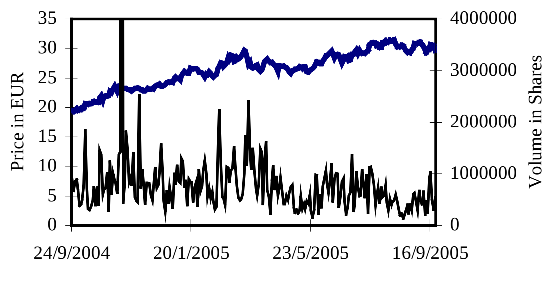
	2004	2005 E	2006 F
P/E	32.64	16.29	12.99
P/BV	4.12	3.66	3.21
ROA (avg)	0.55%	1.04%	1.15%
ROE (avg)	13.32%	23.82%	28.18%

Source: Company & Res. Dept. Projections

Key Investment Points

- Retail lending is currently the key driving force behind NII growth and NIM improvement. NBG has greater room to exploit in this area as compared to other major domestic peers.
- The Management places strong emphasis on mortgage and SMEs loans, with both categories experiencing growth of over 23% in Q1 05/Q1 04.
- The lower, as compared to the domestic average, loan to deposit ratio remains a strong advantage for NBG ensuring cheap funding for its loan portfolio growth. The ratio was evolving in the neighborhood of 65%-70% until Q1 2005, with deposits showing a favorable structure.
- Cost containment and restructuring has become a key strategy for NBG, and its consistent, or in some cases aggressive, implementation may support a higher than expected earnings growth.
- Our model's forecasts reflect NBG's balanced loan growth portfolio, with an emphasis on the retail segment, a steadily rising loan to deposit ratio, improved net interest margin and strong capital adequacy. The above are also in line with the developments – both margin improvement and volume growth - observed in first quarter 2005.

Share Price Graph (52 weeks)
Max: € 31.46 - Min: € 19.34



Please see important disclosure and disclaimer statements at the end of this report

TABLE of CONTENTS Page

Growth Drivers	5
Loan Portfolio	5
Deposit Growth	6
Cost Restructuring / Containment	6
Income Statement – Historic and Projected Accounts	7
Balance Sheet – Historic and Projected Accounts	8
Historic and Projected Financial Ratios	9
Historic and Projected Valuation – Profitability Ratios	10
FY 04 Results under Greek GAAP	11
1Q 05 Results under IFRS	11
3-Year Business Plan	12
Valuation Model's Assumptions	13
International Operations	14
Impact due to Adoption of IFRS	15
Investment Risks / Concerns	16
Company Profile	17
Share Price Performance	19
Valuation - DDM	20
Notes	21
Disclosure Statement	22

Growth Drivers

NBG was historically more mortgage oriented, however, retail lending is currently the key driving force behind NII growth and NIM improvement. The Management also targets more cross sectional selling opportunities deriving from its loan portfolio in the future. In the above context, NBG is expected to place greater emphasis on mortgages, SMEs and retail lending in an effort to sustain its revenue growth.

Loan Portfolio

Retail lending is a major growth driver for NBG, having captured growth rates of 35.0% (consumer loans) and 19.3% (credit cards) in Q1 05 / Q1 04. Growth in retail lending may be lower than other Greek peers however there is greater room for expansion and this should be reflected in the following years' financial results. The lower growth rate in retail lending is also a result of the Management's cautious, not especially aggressive, policy in the particular business area. Spreads fluctuate at 650-700 bps and at 850-900 bps in consumer loans and credit cards respectively.

The mortgage portfolio is a historically strong asset for NBG and will remain so due to rising domestic demand for home purchases, as it appeared in Q1. Mortgages posted the fastest growth of 23% in Q1 05 and are expected to sustain the trend until year-end as well as the following quarters. The Management may also utilize its mortgage portfolio to generate cross sectional revenues. Spreads range at 220 bps in new mortgage loans, and at higher levels for older loans.

Small and medium business lending continued to grow stronger and above sector average. SBLs rose 26.3% whereas MBLs advanced 24.1% in Q1 05 / Q1 04. Growth in aggregate business lending, which includes large corporate loans, was above market average in Q1 05. NBG aims a larger market share in small medium enterprises. Spreads range at 350-400 bps in SBLs, at 250 bps in MBLs and at 100-120 bps in large corporate loans.

NBG's loan portfolio growth is more balanced than in other three major Greek commercial banks. Based on Q1 05 figures, growth in the major business segments of consumer, mortgage and business lending was in the neighborhood of 25% - 27.5%, without hurting total lending growth, which was still higher than market average. It is noted that consumer and mortgage growth rates were not as aggressive as the sector's average rates.

Deposit Growth

NBG exhibits the lowest loan to deposit ratio among the major Greek commercial banks. The ratio was evolving in the neighborhood of 65%-70% until Q1 2005, whereas other Greek banks had ratios of over 100%. We consider NBG ratio as an advantage since it implies that the Bank has still to utilize a lot of cheap funding to achieve its future growth targets, to much greater extent that its peers, and at the same time sustain higher profit margins.

The structure of NBG's deposit portfolio is also favorable, since sight and savings accounts constitute the great majority – almost three-thirds in Q1 05 – of total deposits. The above facilitates NBG's efforts to sustain cost on interest bearing liabilities and further improve spreads.

Cost Restructuring / Containment

Cost containment and restructuring has become a key strategy for NBG, and its consistent, or in some cases aggressive, implementation should support a higher than expected earnings growth. A deceleration in personnel expenses growth should be expected following the voluntary retirement plan of 2004. Last year, 1,511 persons participated in the above plan (out of a total of 1,902 qualified persons), implying a significant contraction of administrative expenses in future. In 2004, the total effect of the above voluntary retirement plan was a cost of EUR 109 million. For the current staff, NBG allows for a pay increase of 4% on annual basis, in accordance with the latest collective labor agreement. It is not unlikely a second voluntary retirement plan to materialize in the following months up to the end of 2006. In such a case, the Management would not exclude the possibility to incur a per capita cost lower than the previous plan.

Income Statement – Historic and Projected Accounts, IFRS

NATIONAL BANK, Income Statement							**Valuation Model**
Consolidated Financial Statements, IAS (in EUR mil.)	**2004 IFRS**	**%**	**2005**	**%**	**2006**	**%**	**2007**
Interest Income	2,224.19	9.38%	2,432.77	12.43%	2,735.15	12.07%	3,065.41
Interest on Bonds	N/A						
Interest on Loans	N/A						
Interest Expense	811.63	3.74%	842.02	5.26%	886.31	5.48%	934.90
Net Interest Income	**1,412.56**	12.61%	**1,590.76**	16.22%	**1,848.85**	15.23%	**2,130.50**
Net Interest Income / Interest Income	63.51%		65.39%		67.60%		69.50%
Fee & Commission Income (net) (1)	404.69	5.00%	424.92	6.00%	450.42	7.00%	481.95
Trading Income (2)	110.43	2.00%	112.64	5.00%	118.27	6.00%	125.37
Income from Securities (3)	107.47	1.50%	109.09	3.00%	112.36	3.00%	115.73
Other Operating Income (4)	151.94	1.00%	153.46	1.00%	155.00	2.00%	158.09
(1) + (2) + (3) + (4)	774.54	3.30%	800.11	4.49%	836.05	5.39%	881.14
Total Operating Income	**2,187.10**	9.32%	**2,390.87**	12.30%	**2,684.89**	12.17%	**3,011.64**
Personnel Expenses	1,001.50	-15.00%	851.27	5.00%	893.84	5.00%	938.53
G&A Expenses	347.80	-3.00%	337.36	3.00%	347.48	3.00%	357.91
Depreciation	133.11	-6.00%	125.12	4.00%	130.12	4.00%	135.33
Other Operating Expenses	57.19	-5.50%	54.04	3.50%	55.93	3.50%	57.89
Operating Expenses	**1,539.59**	-11.16%	**1,367.80**	4.36%	**1,427.38**	4.36%	**1,489.66**
Operating Profit	**647.51**	58.00%	**1,023.07**	22.92%	**1,257.51**	21.03%	**1,521.98**
Non Int. Exp. / Operating Income	70.39%		57.21%		53.16%		49.46%
Loan Loss Provisions	177.55	15.46%	205.00	14.63%	235.00	14.89%	270.00
Net Extraordinaries	24.72	-95.96%	1.00	0.00%	1.00	0.00%	1.00
Profit Before Tax and Minority Interests	**494.68**	65.57%	**819.07**	24.96%	**1,023.51**	22.42%	**1,252.98**
Taxation	175.32	16.80%	204.77	24.96%	255.88	22.42%	313.25
Effective Tax Rate	35.44%		25.00%		25.00%		25.00%
Profit Before Minorities	**319.37**	92.35%	**614.30**	24.96%	**767.63**	22.42%	**939.74**
Less Minority Interests	17.86	-44.02%	10.00	0.00%	10.00	0.00%	10.00
Net Profit	**301.50**	100.43%	**604.30**	25.37%	**757.63**	22.72%	**929.74**
Net Profit Margin	13.79%		25.28%		28.22%		30.87%

Source: Bank accounts and Research Department's forecasts.

Balance Sheet – Historic and Projected Accounts, IFRS

NATIONAL BANK, Balance Sheet							**Valuation Model**
Consolidated Financial Statements, IAS (in EUR mil.)	**2004 IFRS**	**%**	**2005**	**%**	**2006**	**%**	**2007**
Total Assets	54,482.44	14.00%	62,109.98	12.00%	69,563.18	10.00%	76,519.49
Interest - Earning Assets (year-end)	34,793.54	15.14%	40,060.94	15.04%	46,085.60	14.57%	52,798.45
As % of Total Assets	63.86%		64.50%		66.25%		69.00%
Average Interest - Earning Assets	32,645.77	14.65%	37,427.24	15.09%	43,073.27	14.79%	49,442.03
Interest - Bearing Liabilities (year-end)	48,441.01	4.50%	50,619.63	4.79%	53,041.92	4.95%	55,667.93
As % of Total Assets	88.91%		81.50%		76.25%		72.75%
Average Interest - Bearing Liabilities	49,068.50	0.94%	49,530.32	4.64%	51,830.78	4.87%	54,354.93
Deposits	40,865.18	5.29%	43,026.69	5.40%	45,350.84	5.56%	47,874.42
As % of Interest Bearing Liabilities	84.36%		85.00%		85.50%		86.00%
Loans (net)	26,052.76	15.33%	30,045.70	15.04%	34,564.20	14.57%	39,598.84
As % of Interest Earning Assets	74.88%		75.00%		75.00%		75.00%
Bonds	9,506.05	-3.07%	9,214.02	-2.47%	8,986.69	26.32%	11,351.67
As % of Interest Earning Assets	27.32%		23.00%		19.50%		21.50%
Participations	338.15	1.02%	341.60	-0.22%	340.86	-1.22%	336.69
As % of Total Assets	0.62%		0.55%		0.49%		0.44%
Equity	2,385.75	12.66%	2,687.90	14.09%	3,066.71	15.16%	3,531.58
Equity (incl. Minorities)	2,688.07	10.00%	2,956.87	10.00%	3,252.56	10.00%	3,577.82

Source: Bank accounts and Research Department's forecasts.

Historic and Projected Financial Ratios, IFRS

NATIONAL BANK, Financial Ratios				**Valuation Model**
Consolidated Financial Statements, IAS	**2004**	**2005**	**2006**	**2007**
Net Interest Margin	2.59%	2.56%	2.66%	2.78%
Net Interest Margin (as % of avg assets)	2.25%	2.42%	2.42%	2.53%
Net Interest Income / Total Income	64.59%	66.53%	68.86%	70.74%
Total Costs / Total Income	70.39%	57.21%	53.16%	49.46%
Total Costs / Total Income (excluding trading income)	74.14%	60.04%	55.61%	51.61%
Total Costs / Avg. Assets	2.81%	2.35%	2.17%	2.04%
Operating Burden (in EUR mil.)	-765.05	-567.69	-591.33	-608.52
Burden (as % of avg assets)	-1.40%	-0.97%	-0.90%	-0.83%
Burden excl. Trading Income (in EUR mil.)	-875.49	-680.33	-709.61	-733.89
Burden excl. Trading Income (as % of avg assets)	-1.60%	-1.17%	-1.08%	-1.00%
Loan Loss Provisions / Avg. Loans	0.74%	0.73%	0.73%	0.73%
Loan Loss Provisions / Avg. Assets	0.32%	0.35%	0.36%	0.37%
Tax Rate	35.44%	25.00%	25.00%	25.00%
Dividend Payout	58.31%	50.00%	50.00%	50.00%
ROE	12.64%	22.48%	24.71%	26.33%
ROE average	13.32%	23.82%	26.33%	28.18%
ROA	0.55%	0.97%	1.09%	1.22%
ROA average	0.55%	1.04%	1.15%	1.27%

Source: Bank accounts and Research Department's forecasts.

Historic and Projected Valuation – Profitability Ratios, IFRS

NATIONAL BANK, Valuation Ratios				**Valuation Model**
Consolidated Financial Statements, IAS	**2004**	**2005**	**2006**	**2007**
EPS growth (fully diluted)	-16.32%	100.43%	25.37%	22.72%
Non - Int. Oper. Profit Growth (fully diluted)	25.71%	-25.80%	4.17%	2.91%
P/E Ratio (fully diluted)	32.64	16.29	12.99	10.58
Price / Operating Profit Ratio (fully diluted)	15.20	9.62	7.83	6.47
P/BV (Tier I) (fully diluted)	4.12	3.66	3.21	2.79
Dividend Yield	2.02%	2.93%	3.57%	3.91%

NATIONAL BANK, Profitability Ratios				**Valuation Model**
Consolidated Financial Statements, IAS	**2004**	**2005**	**2006**	**2007**
ROA, Average	0.55%	1.04%	1.15%	1.27%
ROE, Average	13.32%	23.82%	26.33%	28.18%
Return on Avg. Interest Earning Assets	6.81%	6.50%	6.35%	6.20%
Cost of Avg. Interest Bearing Liabilities	1.65%	1.70%	1.71%	1.72%
Yield Spread	5.16%	4.80%	4.64%	4.48%

Source: Bank accounts and Research Department's forecasts.

FY 04 Results under Greek GAAP

NBG reported remarkable volume growth in gross loans by 18.6% y-o-y reaching € 27.4 million, with Southeast Europe registering a 45% y-o-y loan growth. Growth was driven by loans to small and medium size enterprises (39.4% y-o-y), consumer loans and credit cards (29.1% y-o-y), mortgages (28.2% y-o-y), and other corporate loans (8.8% y-o-y), while at the same time the NPL ratio improved to 5.1% (2003: 6.2%). Overall, NBG commands the 26% of the market share in mortgages (2nd player at 14%), 22% in consumer lending (1st player at 30%) and 17% in business lending (1st player at 21%).

The loan growth widened the net interest income by 15%, to € 1,418.8 million (70.5% of total revenues), with the NIM as a percentage of average total assets reaching 266 bps (2003: 228 bps). The commission income grew by 5% to € 397.8 million. (19.8% of total revenues), while trading gains reached € 120.6 million, stronger by 16.9%. Total revenues increased by 14.1% reaching € 2,012.5 million. On the other hand, operating expenses grew by only 5.3% to € 1,199.8 million resulting into cost/income ratio of 59.6% from 64.6% in 2003. Profits before tax and extraordinary items were up 33.1% y-o-y reaching € 634,8 million. Net income increased by 7.2% to € 386.3 million, significantly affected by the one-off severance costs.

1Q 05 Results under IFRS

NBG reported a strong set of 1Q 05 results as credit expansion continued to grow with double digit figures, while cost restructuring started paying off. Specifically:

- Net interest income grew 17.4% to € 397.9 million compared to € 338.8 million in 1Q 04 driven by strong growth in retail lending with consumer loans up by 44% y-o-y, mortgages up by 23% y-o-y, SBL up by 26%, loans to middle size business up by 24.1%, while loans to large corporations remained at the level of 1Q 04. At the same time, the spreads were kept at healthy grounds. As a result, NIM, as a percentage of average total assets, widened to 2.8% (1Q 04: 2.5%), while as a percentage of interest earning assets reached 3.4%, up by nearly 40 bps.
- Banking commissions grew by 7.7%, while insurance income increased by 42%, as a result of high volumes and operating efficiencies in the National Insurance subsidiary.
- Trading income and income from the investment portfolio showed a minor reduction of 0.6%.

- Operating income increased by 12.8% reaching € 591.9 million.
- Operating expenses were kept under control, in fact they ended 4% lower compared to 1Q 04, as a result of last year's voluntary retirement plan, as well as the restructuring of the Group. Following the above, the cost to income ratio improved to 55% (1Q 04: 64.7%).
- Pre-tax income increased by 55.1% to € 217.959 million, with SEE contributing 9.1% (1Q 04: 7.2%). In Bulgaria, UBB reported pre-tax income of € 14.3 mn, in Romania pre-tax income of Banca Romaneska reached € 2.5 mn, while in Serbia and Albania the respective figures were € 0.3 mn and € 0.5 mn.
- Net income after tax and minority interest increased by 58.4% to € 147 million, affected from a reduced tax rate due to the planned absorption of National Investment. ROE (after tax and minority interest) jumped to 24.5% from 15.6% in 1Q 04, while ROA reached 1% from 0.7% in 1Q 04.

[It is noted that 29 September 2005 will be the release date of first half 2005 results for NBG.]

3-Year Business Plan

On the 1st March 2005, the Management of NBG announced its business and strategic plan for the three year period 2005-2007, aiming at further strengthening its leading position, both domestically and in SE Europe, by maintaining high growth rates and strong operating efficiency. According to the plan:

- Total revenues are expected to reach € 2.7 billion in 2007, showing a 10.3% CAGR (34.1% growth as compared to end 2004).
- Net income is estimated to reach € 800 million in 2007 showing a 20% CAGR (72.4% higher compared to end 2004).
- NIM is expected to widen to 310 bps from 2.8% in 2004.
- The cost / income ratio is seen to fall below 50% in 2007.
- ROE is targeted above 24% compared to 20% in 2004.
- Loans are expected to increase to more than 80% of total deposits, from 67% in 2004.
- NPL ratio is expected to become less than 4.5% compared to 5.1% in 2004.
- Tier 1 ratio is expected to remain above 7%.
- SE markets are expected to contribute more than 11.5% of Group earnings in 2007, versus 8.5% in 2004.

The Management is expected to fully exploit synergies within the Group, capturing cross-selling opportunities, as well as implementing customer specific asset gathering strategies. In addition, the Management intends to motivate sales force through the establishment of performance based reward, while at the same time the IT improvements will free up staff from the back office operation strengthening the sales effort. At the same time, NBG is seeking expansion opportunities to SEE, especially in Romania and in Turkey, with € 210 million to be invested in the region to support organic growth.

On the operating efficiency side, the Management plans to significantly reduce the administrative expenses through reallocation of back office operations, use of outsourcing services and renegotiation of long-term contracts with suppliers. According to the Management, these actions are expected to reduce administrative expenses by € 107 million out of € 222 million of parent administrative expenses. Out of these € 107 million, € 22 million may be instantly achieved, while further reduction of € 40 million and € 45 million is expected to be achieved in medium and long-term.

Further to Management expectations, there are also other elements that may enhance performance. These elements may include another redundancy scheme that may include up to 1,400 employees resulting in annual savings of between € 45 and € 60 million, a restructuring of the branch network that may include the closing down of up to 50 branches as well as the downsizing in others, the reduced pension contributions as a result of the inclusion of NBG's pension funds to state-sponsored pension funds (IKA), and the sale of non-core assets that may result in an one-off capital gain of € 560 million.

Valuation Model's Assumptions

Our model's forecasts reflect NBG's balanced loan growth portfolio, with an emphasis on the retail segment, a steadily rising loan to deposit ratio, improved net interest margin and strong capital adequacy. The above are also in line with the developments – both margin improvement and volume growth - observed in first quarter 2005. We also consider positive that first quarter results were in line with the targets set in NBG's business plan 2005 - 2007 announced earlier this year, however we are concerned about June's strike, and thus we keep a more cautious approach in our forecasts. More specifically:

- We assume that core income will be steadily strengthening, and this will be driving profitability in the future. Our model indicates a growth rate of 12.61% in core income during 2005, whereas in Q1 05 core income advanced by 16.2%.
- Higher yielding loans, such as consumer loans, should represent a larger share of the total loan portfolio in the following years, allowing for margin improvements. We project NIM (on average assets) at 2.42% in 2005 from 2.25% in 2004.
- Commission and insurance income were also encouraging in Q1 05 growing by

12.6% as compared to Q1 04. We project a growth rate of 5% resulting into fee and commission income of € 425 million in 2005. Retail banking and to less extent intermediation fees will be driving commission income growth.

- According to our model, cost to income ratio (excluding trading gains) drops to 60.04% in 2005 from 74.14% in 2004, in line with the trend observed in Q1 05 / Q1 04, when the ratio dropped from 64.7% to 55.0%. Personnel expenses will be the major factor in this development.
- We also assume a more leveraging loan to deposit ratio, 69.83% in 2005 from 63.75% in 2004, which is justified from the current loan growth. It is noted that NBG demonstrates the lowest loan to deposit ratio among the leading commercial banks in Greece and consequently may utilize a lot of cheap sources to be funding credit expansion. Total deposits are expected to follow the Greek GDP growth in future. We project total deposits of € 43.0 billion by year-end and € 45.3 billion in 2006. Total loans are estimated at € 30.0 billion by year-end and € 34.5 billion in 2006.
- On bottom line we end up with net profit growth of 100.43% and 25.37%, and ROE 23.82% and 26.33% in 2005 and 2006 respectively.
- Capital base is expected to remain strong with limited changes in the following years. Total capital adequacy ratio stood at 14.2% in Q1 2005.
- NBG Management targets dividend payout ratio at 45%. However in view of no current capital needs for significant investments or acquisitions, it may evolve even higher in the future.

International Operations

Almost two thirds, € 19.9 million, of net profit generated internationally of € 30.1 million in Q1 05 came from SE Europe. Overall contribution from international operations to total profitability remains relatively low, but this ratio should gradually advance going forward to 2007. In addition, activity in SE Europe could be seen as of lower risk, since it is related, up to a certain extent, to Greek enterprises expanding in the regional economies and establishing subsidiaries.

NBG has international presence in Western Europe and US through Atlantic Bank as well as strong presence in South East Europe. NBG operates 110 branches in Bulgaria and commands a market share of 10.5% by assets, 48 branches in FYROM and 20.2% market share, 28 branches in Romania and 1.8% market share, 15 branches in Serbia and 2.1% market share, and 6 branches in Albania and 2.2% market share. The markets of Bulgaria and Romania, which are in line for EU entry in 2007, offer the greatest potential due to their size, economic growth and demographics. Overall, profit before tax from the international presence reached € 119 million in 2004, higher by 5% y-o-y, while the pre-tax profit from Southeast Europe increased by 32% y-o-y, reaching € 58 million.

The macroeconomic trends continue to be favorable with GDP growth reaching 5.7% in Bulgaria and 8.3% in Romania in 2004, as a result of strong domestic consumption and credit growth, which still has a long way to go. Private sector loans to GDP settled at 33% in Bulgaria, and only 18% in Romania in 2004. In the Bulgarian market, NBG has established the strongest presence among Greek banks acquiring UBB bank, the second largest lender in the market, holding the third position in deposits. UBB reported pre-tax profits of € 49.5 mn in 2004 (13% y-o-y), with loans increasing by 34% to € 870 million. In Romanian market, NBG participates through Banca Romanesca, however being still a small player in the market despite its favorable prospects. In 2004, net profits of Banca Romanesca increased by 31%, reaching € 8.9 million as a result of loan growth 46% y-o-y. In FYROM, total loans grew by 36% to € 190 million, however profit before tax decreased by 30% to € 0.9 million. In Serbia, profit before tax remained negative at € –0.7 million, while total loans reached € 68 million increased by 580%. In Albania, losses before tax decreased significantly by 61% to € 0.5 million.

Impact due to Adoption of IFRS

The following key adjustments should be highlighted following the adoption of International Financial Reporting Standards (IFRS) by NBG in early 2005:

- Net profit was adjusted downward in 2004, mainly due to one-off differences, from € 386 million under Greek GAAP to € 302 million under IFRS. Specifically, there was a negative time impact of € 24 million, a positive recurring impact of € 13 million, and negative one-off differences of € 79 million.
- For the financial year 2004, shareholders' equity increased from EUR 2,522 million to EUR 3,170 billion, due to various adjustments, and the inclusion of minority interest and hybrid securities.

Investment Risks / Mitigating Factors

	Investment Risks / Concerns	Mitigating Factors / Important Notes
1	During June 2005, the pension related strikes interrupted normal business for nearly three weeks. In view of the above, financial results of NBG in Q2 2005 should be negatively affected.	The management appears confident that they will not miss targets for 2005, since financial results in Q1 2005 were above expectations and later months, April and May, must have generated satisfactory revenues. July and August should be also expected strong months in revenues.
2	After a rapid retail credit expansion in Greece during the recent years, a slowdown may be imminent.	NBG has great room to exploit in consumer lending, since it demonstrates a growth rate, which is significantly lower than its peers.
3	As in the near past, GDP growth should remain strong in the current year, however if the trend reverses in following years, it may have a negative impact on revenues of the Greek banking sector.	There is no evidence that GDP growth will reverse its trend in the following 2-3 years. The 4th EU Structural Support Framework also supports the above statement.
4	Deposits for NBG appear to have reached a peak. Historically, deposits have been a cheap source of funding in NBG's loan expansion and income generation.	Although in 2005 deposits are expected to grow on a rate equal with the GDP growth, the loans to deposit ratio for NBG (around 70%) is still below its domestic peers (over 100%) and well below the European average rate (over 120%).

Source: Company Data, Research Department.

COMPANY PROFILE

National Bank of Greece (NBG), the oldest and largest among Greek commercial banks, was founded in 1841 as a commercial bank, and has been listed on the Athens Stock Exchange since the latter's foundation in 1880. Since October 1999, the Bank has been listed on the New York Stock Exchange. Until the establishment, in 1928, of the Bank of Greece, in addition to its commercial banking services, NBG was also responsible for issuing currency in Greece. The Bank expanded its business further, when it merged with the Bank of Athens S.A. in 1953. In 1998, the Bank merged through absorption with its subsidiary "National Mortgage Bank of Greece S.A.", formed as a result of the merger of two former subsidiaries "National Mortgage Bank" and "National Housing Bank of Greece S.A.", in order to provide integrated mortgage lending services to its customers. At the end of 2002, the Bank merged through absorption with its subsidiary "National Bank for Industrial Development SA".

The NBG Group provides a full range of financial products and services, including investment banking services, brokerage, insurance, asset management, leasing and factoring, commanding a satisfactory international presence, particularly in Southeastern Europe and the Eastern Mediterranean.

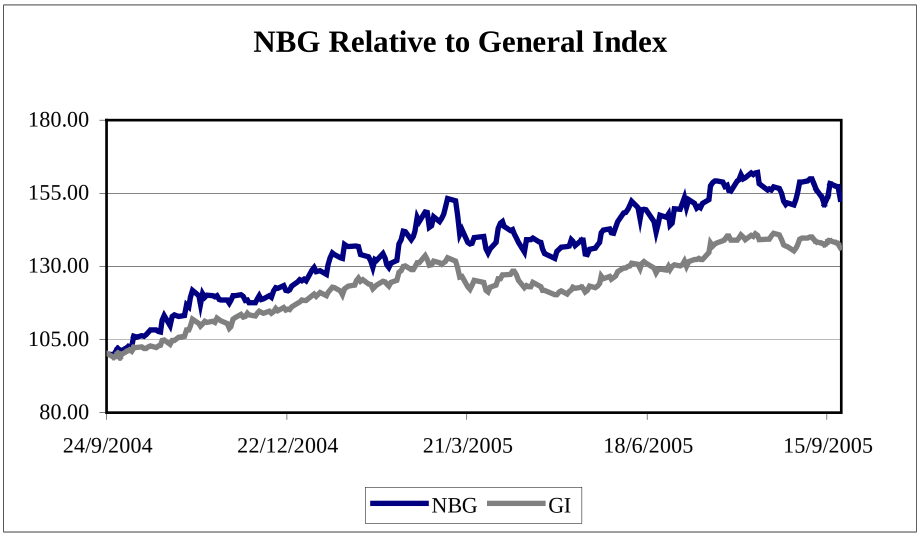
At the end of 2004, NBG had 590 domestic banking units and 1,316 ATMs, 23% of total domestic ATMs, covering the entire geographical area of Greece, while following acquisitions in the Balkans the Group's network overseas includes 290 units having activity in 12 countries. In addition, the customers of NBG hold over 9 million deposit accounts and more than 1 million lending accounts. This resulted to NBG being the largest financial institution in Greece with over € 54 billion of total group assets, commanding 32% of the domestic market in deposits.

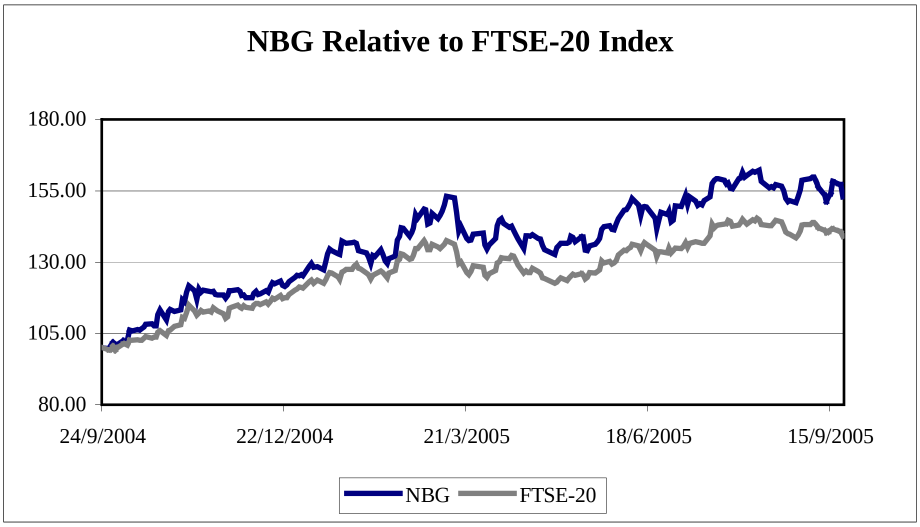
NBG, from a state-controlled company, is now transformed to a widely held company with approximately 30% of its capital in the hands of foreign institutional investors, compared to 17.8% at the end of 2003, while approximately 23% is in the hands of public sector related pension funds and other entities, and 28% in private investors domestically.

The Bank has declared its willingness to become leader in Greek corporate governance and meet internationally best practices. This action is part of a broader effort of the Bank's new management and Board of Directors to improve long-term shareholder value and for this reason in 2005 the Bank adopted a corporate governance improvement plan that will span a period of 18 months and focus on ten key objectives in order to:

- Increase the number of designated independent members of the Bank's Board.
- Upgrade the role of the Board in the development of NBG Group's long-term strategy and risk philosophy.
- Establish a Corporate Governance Committee of the Board, whose main task is to review and upgrade the Bank's current set of corporate governance rules. It is envisaged that the CG Committee will evolve into a Nominations Committee for New Board Members within the next 12 months.
- Establish a Human Resources Committee whose first task is to review management and personnel values and incentives. It is envisaged that the HR Committee will evolve into a Remuneration Committee within the next 12 months.
- Strengthen the Audit Committee's planning and review capacity, in view of the requirements of the Sarbanes - Oxley Act.
- Adopt Corporate Governance Guidelines and Board Charter.
- To strengthen the Bank's compliance and risk functions.
- Strengthen the Board's support and corporate secretary functions.
- Improve communication and consultation with shareholders on corporate governance issues.
- Develop systems for the regular performance review of Board and senior executive management.

Share Price Performance vs. General Index & FTSE / ASE 20 (base=100, 12 months)





Valuation Methodology

Dividend Discount Model

Our fair price for NBG settles at EUR 36.73 based on the dividend discount model. The following assumptions have been made in the model:

- Cost of capital at 9.78%.
- Dividend growth rate of 6.00%.

NATIONAL BANK, Dividend Discount Model

	1st Projected Year 2005	2006	2007	2008	2009	Dividend Growth Rate	Terminal Value End of Period
Dividend per Share (in EUR)	0.91	1.14	1.40	1.60	1.80	6.00%	50.48
Required Return / Cost of Capital	9.78%	9.78%	9.78%	9.78%	9.78%		
Present Values (in EUR)	0.83	0.95	1.06	1.10	1.13		31.66
Dividend Growth Rate (2003 - 2007 CAGR)						21.19%	

Implied Value per Share (Target Price)	**36.73**
Current Share Price	29.68
Upside Potential	**23.74%**

Source: Bank accounts and Research Department's forecasts.

Notes

DISCLOSURE STATEMENT

VALUATION & RESEARCH SPECIALISTS (**VRS**) is an independent firm providing advanced equity research, quality valuations and value-related advisory services to local and international business entities and / or communities. VRS services include valuations of intangible assets, business enterprises, and fixed assets. VRS's focus business is in providing independent equity research to its institutional and retail clients / subscribers.

VRS is not a brokerage firm and does not trade in securities of any kind. VRS is not an investment bank and does not act as an underwriter for any type of securities.

VRS accepts fees from the companies it covers and researches (the "covered companies"), and from major financial institutions. The sole purpose of this policy is to defray the cost of researching small and medium capitalization stocks which otherwise receive little research coverage. In this manner VRS can minimize fees to its clients / subscribers and thus broaden investor's attention to the "covered companies."

VRS analysts are compensated on a per-company basis and not on the basis of their recommendations. Analysts are not allowed to solicit prospective "covered companies" for research coverage by VRS and are not allowed to accept any fees or other consideration from the companies they cover for VRS. Analysts are also not allowed to trade in the shares, warrants, convertible securities, or options of companies they cover for VRS.

Furthermore, VRS, its officers, and directors cannot trade in shares, warrants, convertible securities or options of any of the "covered companies." VRS accepts payment for research only in cash and will not accept payment in shares, warrants, convertible securities or options of "covered companies" by no means.

To ensure complete independence and editorial control over its research, VRS follows certain business practices and compliance procedures, which are also applied internationally. Among other things, fees from "covered companies" are due and payable prior to the commencement of research and, as a contractual right, VRS retains complete editorial control over the research process and the final equity analysis report.

Information contained herein is based on data obtained from recognized statistical services, issue reports or communications, or other sources, believed to be reliable. However, such information has not been verified by VRS, and VRS does not make any representation as to its accuracy and completeness. Opinions, estimates, and statements nonfactual in nature expressed in its research represent VRS's judgment as of the date of its reports, are subject to change without notice and are provided in good faith and without legal responsibility. In addition, there may be instances when fundamental, technical and quantitative opinions, estimates, and statements may not be in concert. Neither the information nor any opinion expressed shall constitute an offer to sell or a solicitation of an offer to buy any shares, warrants, convertible securities or options of "covered companies" by no means.

DISCLOSURE CHECKLIST

Covered Company	Reuters	Price	Price Close	Disclosure
National Bank of Greece	NBGr.AT	€ 29.68	21 September 2005	2, 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.

COMPLIANCE WITH EU DIRECTIVES and GREEK LAWS

VRS prepares its equity research reports in a best effort to comply with the provisions of the EU Directive 2003/6/EK of the European Commission (L 339/73/24.12.2003, L 096/16/2003), the Guidelines 2003/125/EK and the Decision 4/347/12.7.2005 of the Hellenic Capital Markets Committee, as well as with the provisions of article 14, Greek Law 3340/2005, and the relevant clarifications with regard to the legal obligations of equity analysts.

VRS analysts are certified by the Hellenic Capital Markets Committee. The latter may request from VRS analysts to justify their views and conclusions with regard to this research report.

ANALYST CERTIFICATION

The views expressed in this report accurately reflect the personal views of the undersigned analyst(s) about the subject issuer and the securities of the issuer. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this research report.

Please contact **"VALUATION & RESEARCH SPECIALISTS"** for further information on Equity Research Related Fees.