



NATIONAL BANK
OF GREECE

Leading Ahead

a periodical publication for the employees of the NBG Group

K.P. Panagiotopoulos interviews
NBG CEO Takis Arapoglou

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Acquisition of Vojvodanska Banka

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Efforts are rewarded at NBG

**130 BRANCHES
HAVE BEEN REWARDED**

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Leading Ahead

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"Our major goal: Autonomous, Independent Growth"

The Chairman and CEO of National Bank,
Takis Arapoglou, speaks frankly about himself,
airs his views, and looks ahead in
an exclusive interview for *Leading ahead*.



During my long career, I have had the good fortune to interview various important personalities. I must admit, though, that, apart from my interviewees' words, what remains in my mind is their eyes. I've always been apprehensive of people who do not look you straight in the eye. It is as if they want to avoid your gaze and somehow sidetrack you with ready-made answers.

In my interview with the Chairman and CEO of NBG, Takis Arapoglou, I was very fortunate. He received me and Mr. N. Kanellopoulos in his office and was very forthcoming in answering my questions. Moreover, throughout the interview he looked me straight in the eye, revealing the sincerity of his words and convictions...

I tried to imagine what he was like as a child and to find out when he first came across National Bank.

Mr. Arapoglou, as a child when was the first time you came into contact with National Bank? What was your very first impression of the Bank?

The image that I have in my memory is still in existence today: the entrance to the building on Georgiou Stavrou Street in central Athens. At that time, however, I didn't know which bank I was looking at. That was something I found out later. I must have been about 11 at the time. It was summer and there was no school and my grandfather, who had been a bank employee in Alexandria, Egypt, would take me with him every month when he came to collect his pension from the Bank after the whole family had moved to Athens.

Every time I walk into the Bank through this entrance this memory comes back vividly to my mind.



What do you think is National Bank's greatest strength?

Its brand name, its reputation. We have a duty to honour this name and uphold it to the best of our ability.

Its greatest asset is its name.

INTERVIEW

Apart from its strengths, do you feel that there are any weak points?

I do not know if I would describe the attitude of some people as a "weak point", but the fact is that some people have got the wrong idea. Until about 10 or 15 years ago, the Bank operated as if it were a state enterprise, because it was indeed part of the state. It was not fully concerned with making profits, since its principal shareholder conducted its policy through it. Successive governments decided to float its shares on the open market. As of October 2004 the state does not own a single NBG share. The market is now interested in profits, and not government policy, whether social or otherwise.

Nevertheless, this notion that NBG is under state control still remains entrenched in some of the Bank's people. I would therefore say that these two worlds are currently redefining their position vis-a-vis one another and that the Bank is presently in a transitional phase between the present-day reality and the old mindset.

The reality is that we are a private sector company listed on the stock exchange. Business reality demands that we must conform to the principles under which the market operates.

From your position as Chairman and CEO these past years, what do you think is the greatest virtue possessed by the people working for National Bank?

I think the vast majority of our people are very proud of working for and of making a career with NBG. They all feel, quite justifiably, that they are first and foremost "NBG people" and that their other attributes come second.

We should never forget that the Bank has always hired only the best qualified people.

We can see this in practice, even in highly competitive markets such as mutual fund management. Recently, at a conference organized by Diethniki (NBG's subsidiary mutual fund company) in Rhodes, 130 officers from the same number of branches were awarded prizes for meeting their mutual fund sales targets.

What do you consider NBG's core objectives to be?

That National Bank continues to pursue independent and autonomous growth. I firmly believe in the threefold goal of Growth, Autonomy and Independence.

To what extent have doubts regarding the impressive run of acquisitions carried out by National Bank been allayed?

It has never been my wish to silence discussion of the pros and cons of our acquisitions. We laid down a Business Plan, we published it and it was approved by our shareholders two-and-a-half years ago, because we believe that by pursuing this plan we can achieve autonomous, independent growth. We have been faithfully implementing the Business Plan, which has been posted on our website since day one. If you

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study it page by page, you will find that whatever has been done in recent years can be found in the Plan. We have not deviated from the initial plan, and we have not fallen short of its targets.

should make it clear that it is not so much our expansion into wider horizons that is in itself important. Instead what is important are the reasons, the causes, the "why?" behind this expansion. The answer to "why?" is: "survival".

Currently, all over the world there is a lot of money that is seeking placement. There are surplus funds, and the moment you put forward an interesting plan there are people willing to put their money into it. This then is a unique opportunity to draw capital and use it for acquisitions and growth. This is exactly what we have done. If you do not wish to seize the opportunity and do not want to grow you automatically send out a simple message: "I am selling". If your business does not want to grow it means it is offering itself for sale. In other words: if you do not pursue growth, you will very soon lose your independence.

What do you think the role of National Bank is and what do you think it has to offer, beyond purely banking affairs, in the social and cultural contexts?

It is a fact that we have to show more of NBG's real social profile. I should stress that along with the tremendous work that the Historical Archive and the Cultural Foundation offer through their high profile publications and exhibitions, NBG is dynamically and generously addressing various social problems through sponsorship activity on both the large and small scales. In the first eight months of 2006 this support has amounted to over 6 million euros.

INTERVIEW

Among the donations made this year the following are particularly noteworthy:

- Creation of the Patriarchal Library of Alexandria containing 15,000 volumes including incunabula and manuscripts
- Purchase and restoration of the house of the Nobel laureate poet Angelos Sikelianos and its transfer to the Municipality of Lefkada
- Cancellation of debt owed by young people whose parents have died and who are unable to pay off the loans
- Construction of the first residential housing centre for the mentally ill whose parents are no longer alive
- Completion of "Iris", a rehabilitation centre for young people
- Restoration of the church of Agios Georgios and the adjacent two-storey historical building in Ampelakia, Larissa
- Reconstruction of an ancient column at the Temple of Zeus in Nemea, etc.

Of course, numerous other smaller donations have been made that are targeted at people representing a broader cross-section of society.

What more do you think that the people of National Bank would like their CEO to do for them?

If there is something that I feel I could do more of, it is to communicate more at a personal level. Unfortunately, my schedule has been so busy lately that I have not been able to communicate with our people as much as I would have liked. However, this is something I intend to rectify in the near future: I have to communicate with staff more often and on a more substantial basis, to congratulate them on their achievements and to help them better appreciate what our objectives are.

What do you see as being the greatest vindication of your objectives?

The course of our share price and the respect that we have earned from our competitors.

Do you have any small complaint?

It is not exactly a complaint, but rather something that I find slightly puzzling: How it is that some people are still unable to realise that I am not, nor will I ever be, here to serve anyone's political agenda.

Overall, what is your great goal, what is your ultimate vision?

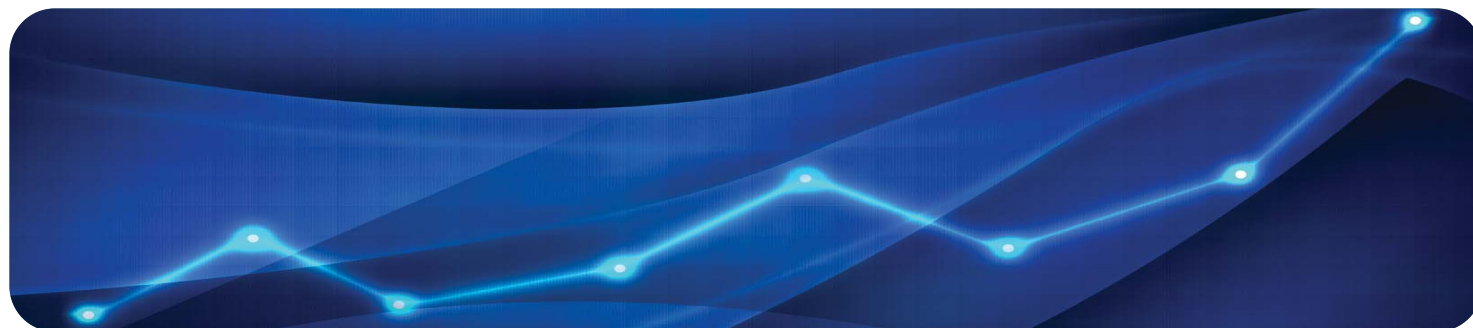
National Bank should not only compare itself with what goes on inside Greece. It has to seek to measure itself against the international environment in order to be able to preserve its identity and be among the leading players beyond the narrow confines of our national borders, while pursuing its independent, autonomous growth in a consistent and creative way.

Kostas P. Panagiotopoulos

At the DIETHNIKI conference in Rhodes, 130 officers who achieved their mutual fund sales targets were awarded prizes



Yet another achievement for National Bank: the acquisition of **Vojvodanska Banka** in Serbia



The completion of the acquisition of Finansbank on 18th August, when the final go-ahead for the deal was given by the Greek and Turkish supervisory authorities, signalled a new era for National Bank. It should be noted that the acquisition, which was effected at a particularly tense economic and political juncture, is of historic importance and indeed a landmark for National Bank.

Moreover, the course of National Bank has been marked by yet another great success, the acquisition of the Serbian banking corporation **Vojvodanska Banka**.

Vojvodanska Banka ranks sixth in the Serbian banking sector in terms of assets and second in terms of distribution networks in the local Serbian market, with an 11% market share in deposits.

The purchase involved the payment of €385 million for the acquisition of 99.4% of

Vojvodanska Banka. This is in fact the largest and most significant sale of a state bank in Serbia. With the absorption of Vojvodanska Banka into the NBG Group our market share in deposits and loans in Serbia amounts now to 8% and 6% respectively. National Bank is thus serving 11 million customers, ranking it among the leading banks in the country. Already, NBG holds a leading position in retail banking in Serbia with 35 sales points and a market share of 5.5% in loans outstanding. Moreover, it has committed itself to further expanding Vojvodanska Banka with a capital investment of €40 million over the next three years.

The successful acquisition of Vojvodanska Banka, for which 11 other European banks had expressed interest, attests once again to NBG's standing, and constitutes one more step towards the implementation of its Business Plan.



With the acquisition of Vojvodanska Banka, National Bank has strengthened its position in the fast growing Serbian market, and has become an agent for growth there. This move also further strengthens its presence in SE Europe more generally, a market that presents exceptional prospects and a two-digit growth rate over the past three years.

FIRST HALF FIGURES		
June 2006	Vojvodanska Banka	National Bank of Serbia
Deposits	€ 342m	€55m
Market share	7%	1%
Loans (after provisions)	€ 215m	€121m
Market share	4%	2%
Assets	€511m	€286m
Branches	175	35
Human Resources	2,425	394

Moreover, by this move National Bank shows its support for the expansion of Greek business in all of the countries of Southeast Europe and plays an active part in promoting their drive to enter new markets.

At the signing of the final agreement the **Serbian Minister for Finance Mr. Dinkic** stated:

"The sale of Vojvodanska is the most important sale of a state-controlled bank in Serbia to date and it follows the successful sale of five smaller financial institutions in the past two years. The acquisition by NBG and its commitment to making significant investments reflect the strong growth potential of the Serbian banking system and of the Serbian economy in general."

In a statement NBG CEO **Mr. Arapoglou** said:

"With the purchase of Vojvodanska we are taking yet another step towards expanding our presence in the region of SE Europe. Through Vojvodanska's extensive network, its leading position in savings deposits in dinars and its wide customer base, combined with National Bank's leading position in Serbia's retail banking market, we are creating an entity that will be a substantial force in the financial services sector of the rapidly growing Serbian market."

RESULTS

High returns and record profitability for the first half of 2006

Net profits up 65%

Return on Equity up 34.5%

"The positive progress of the Group to date is no reason for us to be complacent. Our goal is to make NBG the leading credit institution in Southeast Europe."

Takis Arapoglou



NBG posted record results for the first half of 2006, which rank it among the most profitable banks in Europe. More specifically, Group net profits grew to €546 million, up 65%. At the same time, operating income improved by 20% reaching €1.28 billion while net interest income improved by 17% during this period to €887 million. This impressive increase in income in H1 2006 is further reflected in the improve-

ment in the efficiency (cost-to-income) index, which amounted to 46.7%, surpassing the target set out in the 2005-2007 Business Plan.

At the same time, the Group's return on equity reached 34.5% and total lending came to €32.8 billion, up 17%. Last, mortgage lending was the main driving force behind the Bank's loan portfolio, growing 30% year-on-year.

In his statement, Mr. Arapoglou expressed his satisfaction with these exceptional results, which in essence vindicate the Group's growth drive and prospects in the Southeast European market. These results reflect the systematic effort of the Group to enhance its strong points and forge NBG into the leading credit institution in the region.

(amounts in € millions)	30 June 2006	±%
Net shareholder profit	546.2	+65%
Earnings per share (no. of shares before share capital increase)	1.46	+45%
Return on equity	34.5%	+650 b.p.
Return before extraordinary profit	30.1%	+200 b.p.
Operating income	1280	+20%
Core income	524.7	+32%
SE Europe: pre-tax profits	52.0	+28%
Cost/Income	46.7%	-840 b.p.



Phone Banking:

Banking transactions with a simple phone call

A new revolutionary form of banking service will soon be launched by NBG:

Phone Banking

Shortly, our customers, by just making a simple phone call, will be able to not only receive information but also to carry out banking transactions.

Strange though it may sound, it will not even be necessary to press any buttons since it will be possible to carry out a transaction simply by using voice commands. How is this possible? Those complex and endless telephone calls forcing you to hear over and over again phrases such as "Press x" and "Press 1 and 2" and "Main Menu" will be a thing of the past, or rather will belong only to our competition since what we are now talking about is the most advanced voice recognition technology available.

With this new revolutionary voice recognition service, all customers who have an account with National Bank will be capa-

ble of using our services by submitting a simple application at any of our branches. This system achieves one more of our goals: to create customer-friendly procedures that will gradually lead more people to alternative networks that are not only much easier to use but more economical for the customer as well. Finally, another benefit of this new system is that, since it will gradually relieve our colleagues working in branches from dealing with repetitive and tedious procedures, it will allow them to concentrate on serving the customer and on promoting sales. Let's not forget a very similar past experience that has proved to be extremely successful: ATMs, which are today used in 55% of all transactions carried out on-line.

As part of security policy, we are replacing the TAN list used up to now used for transactions carried out through Internet



The creation of this new delivery channel for customers is part of the new strategy of the Electronic Banking division, which focuses on three key components:

- ***Innovation using cutting-edge technology***
- ***Provision of quality services***
- ***Maintaining a high level of security***

Banking with a new e-Code system, which uses codes that are valid for a limited time span only (tokens time event). These codes are generated by a special device, which we will shortly provide to our customers.

SERVICES

In addition to providing account information and allowing the execution of transactions, Phone Banking will also function as a Call Centre where all the Bank's various telephone lines of communication will be routed. Further, it will provide information on all National Bank products as well as linking up with the other Group companies.

The Call Centre effectively implements the Group's communications strategy through a single service point that will have a single phone number and will operate on a 24/7 basis. Moreover, it will serve not only Greek customers but our foreign customers as well since the Centre's services will also be provided in English. In addition, it will allow all our customers to get a receipt for their transaction as well as other information via fax, SMS or e-mail.

System users will be able to access all available services either through the automated system (IVR) or through agents. Initially, the agents will support transactions that the automated system will not be able to handle. During the first stages of implementation, it is expected that agents will handle about 70% of all transactions. However, as time goes on and as users become more familiar with the automated system, the number is expected to fall to 30%.

The personnel at the Centre will also be making outgoing calls for tele-marketing our retail banking products. This will save the Bank from the additional costs involved in outsourcing the promotion of its products.

The services that will initially be available



Very soon everything will be done **directly and **efficiently** with a simple phone call.**

through the new Phone Banking system will be the same as those that are currently available today through Internet banking.

These include:

- " Information on account balance and movements, credit cards, share and mutual fund prices and new services.
- " Transfers between the customer's own accounts, as well as to accounts belonging to other customers, to other domestic banks through the DIAS-TRANSFER system, or to banks outside Greece through STEP
- " Payment of credit card accounts that have been issued by NBG and other Banks, PPC, OTE, IKA, TEVE, VAT, etc.
- " Ordering of new chequebooks, applications for credit cards, etc.

There are many benefits that the Bank expects from the operation of this service.

Carrying out transactions via phone, which constitutes the most popular means of communication, is expected to increase the penetration of alternative networks into our customer base.

Consequently, the increase should have a positive impact on the Bank's financial results, since transactions via alternative networks imply a much smaller operating cost.

The operation of the service on a pilot basis will be available to bank staff and will have been completed by the end of 2006, at which time the full launch of the system will begin.

The countdown has begun!

Very soon everything will be done directly and efficiently by just picking up the receiver.

For more information, please contact Mr. Georgiou on 210 4806676 (extension 76676).

Establishing a Six-Member Executive Committee of the National Bank Group as its highest executive body



The National Bank Group set up a six-member Executive Committee (EC) as the highest executive body of the Bank.

The Executive Committee is being launched at a crucial period for the Group, given its expansion into Southeast Europe and Turkey as well as its growth at home. It is expected to play a decisive role in attaining the growth targets of the NBG group:

- Improving operating efficiency
- Upgrading and grouping all of the Group's activities at top management level
- Coordinating the integration process of the companies recently acquired by the Bank
- Gradually integrating product teams across the Group
- Upgrading the role of the Group's Risk Management function.

In addition, the successful centralization of executive responsibilities into a single senior-level executive body is expected to significantly improve management practices, simplify executive processes and speed up the adoption of decisions thereby contributing to the Group's smooth operation and growth.

The members of the Executive Committee, and their responsibilities, shall be as follows:

T. Arapoglou & I. Pehlivanidis:

Direct supervision of the Executive Committee as well as of the following functions: Strategic Planning and Economic Analysis, Human Resources, Legal Services, Corporate Governance, Internal Audit and International Operations.

A. Georgitsis: Group Retail Banking, Marketing, Asset Management.

A. Thomopoulos: Group Financial Services, Treasury and Capital Markets, and Support Functions. Responsible for the operational integration of all the new subsidiaries of the Group.

A. Tourkolias: Group Corporate and Investment Banking, Group Brokerage Companies, Private Banking.

D. Lefakis: Risk and Credit Management.

Mr. Lefakis, who joined the Group recently, was a senior-level executive with major international companies outside Greece, specifically in emerging markets. He has many years of experience in the field of Credit and Risk Management.

National Bank honours its retirees

National Bank has taken concrete steps to show how much it values the work and the commitment of its people, and it rewards their loyalty and contribution to the Bank's success.



Despite the passing of time, certain aspects of NBG's business philosophy remain unchanged: people are at its core. This begins first and foremost with the Bank's relationship with its employees.

For this reason, NBG never ceases to respond to the requests and expectations of its people. The latest example of this is its provision of additional financial assistance to those employees that have children with special needs.

In addition to those individuals who are currently employed in the Bank and are therefore eligible to regularly receive the additional benefit that has been effective since 1998,

the Bank's pensioners will also be eligible for this benefit irrespective of the year in which they retired. At the same time, the financial assistance that has been provided for special needs children up until the age of 40 has been extended to cover their entire life even after the death their parents.

According to the Bank's management, from now on an increase will be granted on the limit applicable to personal loans for NBG pensioners. This limit will increase from the current 16% to 20% and is intended to provide even greater assistance for pensioners at the same preferential interest rate of 1.5%.

Furthermore, NBG pensioners are also entitled to a loan of €3,000 at a floating interest rate and there will be no change to the conditions applicable to the granting of this loan.



Your technical e-ducation comes via the intranet

A wide range of training courses are being placed at the disposal of National Bank employees, following an innovative initiative developed by Human Resources Development in cooperation with the departments responsible for the Bank's IT infrastructure.



These courses are offered in e-book form through the intranet and provide useful knowledge on basic products and services, while the person responsible for the course will be available to provide any assistance required. The courses give employees the opportunity to expand and develop their professional skills.

The e-book contents address basic products and services relating to:

1. Deposits - intermediary operations
2. Investment products
3. Stock market products
4. F/X



Enhance your professional profile in an easy, direct and flexible manner.

The e-book goes beyond conventional learning and training methods, thanks to its direct and flexible character. The course schedule can be tailored to your needs allowing you to directly and simply choose the time and the pace that suit you.

The implementation of e-learning on a pilot basis commences in October, and the subject of the first course is Housing Loans.

The course has been developed in cooperation with the Economic University of Athens and its purpose is to replace the old three-day seminar (held in a classroom). Initially, the course is being targeted at a group of 30 employees involved in the promotion of housing loans in the wider Athens region. The pilot phase will be completed in early December 2006, and will then be evaluated in order to identify any points requiring fine-tuning prior to its implementation throughout the network in the coming year. Human Resources Development aims to gradually expand this method to all banking products (starting with at least four cutting-edge products within 2007) so that conventional classroom training will be limited to subjects relating to skills' development.

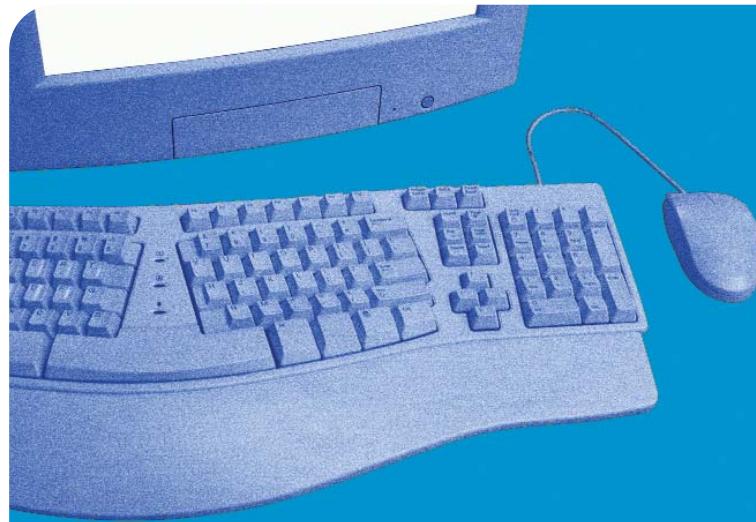
INNOVATIONS



Furthermore, HR has announced the in-house training courses available for the four months September - December, as well as the foreign languages courses available for 2006-2007.

In an intensely competitive market, your knowledge - when it comes to our clients, their needs, market potential and emerging trends - translates into a competitive advantage for National Bank and a career advantage for you.

However, knowledge is something that is dynamic and therefore it is up to you to expand your knowledge and skills, to update and share them with the people you work with. For our part, we are committed to providing you with the appropriate tools, and with the information and support required to enable you to achieve your aims.



For those of you who are interested, the procedure is simple: All you need is a little time, an application form (you will find one on the HR Development intranet page) and the desire to learn!

For information and queries, please call Mrs. Linidou at 210-3340932 (or extension 10932).

Basel II international standards

National Bank is a financial institution of international standing and it occupies a significant position in the European market. Its far-reaching international presence is accompanied by strict adherence to the latest banking rules and regulatory frameworks required for its smooth operation.



The **International Convergence of Capital Measures and Capital Standards**, also known as Basel II (after the Swiss town of the same name), lays down rules for banks' lending policies and higher-risk investment practices so as to coordinate the operations of banks operating internationally, based on their national legislation. Basel II requires banks to publish details of their asset and liability structure as well as the models used to calculate operational risk.

The Accord follows an earlier Basel Accord, widely known as 'Basel I' which was adopted in 1988. 'Basel I' was criticised as too rigid, and this led to the adoption of a more flexible set of rules, i.e. 'Basel II'. This new set of rules shall come into force in January 2007.

National Bank is ready to meet the challenges brought about by all these changes to the European banking system and it has already set up an independent Group Regulatory Compliance Division for this purpose.

At the same time it is well prepared to deal effectively with any impacts resulting from adoption of Basel II and to support enterprises in their financing. Since May of 2006, it has run a nationwide information campaign for its customers.





NATIONAL BANK
OF GREECE

Leading Ahead

Us and the Group

In Greece

ASTIR PALACE SA
DIETHNIKI MUTUAL FUND MANAGEMENT Co SA
ETHNIKI INSURANCE SA
ETHNIKI KEFALAIΟΥ SA
ETHNIKI LEASING SA
ETHNIKI VENTURE CAPITAL SA
NATIONAL SECURITIES SA
P&K INVESTMENT SERVICES SA
NATIONAL MANAGEMENT AND ORGANISATION Co SA (ETHNOCARD)
ETHODATA
TRAINING CENTRE SA
NBG BANCASSURANCE
ETHNOPLAN ERP SERVICES
EKTENEPOL SA
EUROPE INSURANCE SA

Outside Greece

UK :	NBGI INC, LONDON BRANCH
EGYPT:	NBG BRANCH CAIRO
ALBANIA:	NBG BRANCH NETWORK
BULGARIA:	UNITED BULGARIAN BANK (UBB) INTERLEASE AD
CYPRUS:	NATIONAL BANK OF GREECE CYPRUS Ltd, BRANCH NETWORK
SOUTH AFRICA:	THE SOUTH AFRICAN BANK OF ATHENS (SABA)
FYROM:	STOPANSKA BANKA AD
ROMANIA:	BANCA ROMANEASCA EURIAL LEASING GARANTA SA ETEBA ROMANIA
SERBIA & MONTENEGRO:	BRANCH NETWORK
TURKEY:	FINANSBANK REPRESENTATIVE OFFICE
AUSTRALIA:	REPRESENTATIVE OFFICE
SWEDEN:	REPRESENTATIVE OFFICE