EFG Eurobank Ergasias

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PRESS RELEASE

FY 2002 RESULTS

(According to International Accounting Standards)

Market share gain of 1% in Deposits and Loans

Core Profit[1] at € 263 m (+7%) - Net profit at € 184 m (-10%)

€ 0.47 dividend per share – Dividend yield at 4.7%[2]

EFG Eurobank Ergasias announces consolidated financial results for FY 2002 under International Accounting Standards (IAS) and Greek Accounting Standards (GAS). FY 2002 accounts include **Romanian Banc Post** and **Bulgarian Post Bank** for the first time. Differences in the 2002 figures under IAS and GAS are attributable to differences in the valuation of real estate investments and derivatives (IAS40, IAS39). Differences in 2001 were mainly attributable to the fact that according to GAS former Telesis Investment Bank was consolidated from 1Q 2001, while according to IAS it was consolidated from 4Q 2001.

During 2002, EFG Eurobank Ergasias successfully implemented its strategy for enhancing its position in the Greek market, despite the unfavourable domestic and international environment, achieving increases in loans and deposits above the average of the financial system and thus **expanding its markets shares by one percentage point**. This lead to growth in core income, which combined with cost discipline resulted in **organic profits of € 263m, increased by 7%**.

Consolidated net profit after tax attributable to the shareholders of EFG Eurobank Ergasias amounted to € 184 million, compared to € 206 million in 2001, reduced by 10%. Consolidated net profit before tax and after minorities amounted to € 276 m. (-14%). The Board of Directors proposes to shareholders a **dividend per share of € 0.47**, which corresponds to a **dividend yield of 4.7%**[2] and reflects EFG Eurobank Ergasias' strong capital base and rising organic profitability.

Core revenues, comprising net interest and fee income, recorded growth of **13%**, while at the same time cost expansion slowed down, compared to the previous year, to 5% on a comparable basis[3]. The Group, taking into account international developments, increased provision charges by € 30 million, a fact that combined with the high asset quality of the loan portfolio, safeguards the Bank further. Furthermore, financial income was reduced due to the prolonged fall in equity markets, which had a negative effect on equity portfolios, and was only partly offset by gains on bond and real estate investments.

Shareholders' Equity, amounting to **€ 1.9 billion** for the Group, includes all the necessary adjustments on valuations of the various portfolios **as per IAS** (IAS39 and IAS40) and ensures the ability of the Group to maintain strong growth rates.

[1] *NII plus Fees less Operating Expenses and Provisions*
[2] *Market close at 26.02.03*
[3] *Including Telesis for the whole of 2001, excluding Banc Post in 2002*

EVOLUTION OF KEY FIGURES IN 2002

Total Assets[4] increased 29% reaching € 25 billion, compared to € 19 billion at the end of 2001. This reflects robust growth in business volumes and the Group' s enhanced position in the Greek market. More specifically:

- **Customer Loans**[4] grew 22% y.o.y. in 2002, exceeding € 13 billion. Retail and small business lending expanded 34% and wholesale lending 15%. More specifically, **Consumer Credit** expanded by 32% to € 2.7 billion and **Mortgage Credit** by 33% reaching € 2.3 billion. These growth rates are either at par or above the relevant growth rates of the market. At the same time the quality of the loan portfolio was safeguarded, as organic non-performing loans (NPLs) remained below at 3% of the total loan book and are 84% covered by provisions. It should be noted that in 2002, bad debt provision charges increased by € 30 million to € 98 million, representing 0.80% of the average loan portfolio.

- **Customer Deposits**[4], contrary to market trends, increased 11% y.o.y and amounted to € 16.9 billion. Deposits excluding repos increased 15%, reaching € 14.9 billion. Total Customer Funds, including customer deposits, repos, mutual funds and other investment products, rose by 8% to € 23 billion at current prices, in spite of the drop in equity portfolios.

Shareholders' Equity at the end of 2002 stood at € 1.9 billion and remains among the strongest in the sector. The **Capital Adequacy Ratio stands at 11.7%, comprising almost solely Tier 1 capital** and confirming EFG Eurobank Ergasias' ability to maintain its dynamic growth without having to raise additional capital from its shareholders in the foreseeable future.

Net Interest Income recorded a significant increase of 17% and reached € 721 million, on the back of strong lending growth and loan book composition (retail loans), contributing 72% of total operating income. The **net interest margin** (net interest income over avg. total assets) remained above 3%.

Net Fee and Commission Income increased marginally at € 250 million, in an adverse environment, mainly due to the distribution of new products and services through the Group's branch and alternative networks and to market share gains in capital markets and asset management.

As a result **Basic Income**, comprising net interest and net fee income, achieved a healthy rise of 13% in 2002, reaching € 972 million.

Other Income (the aggregate result of Dividend Income, Net trading income, Gains less Losses from other Securities and Other Operating Income) retreated from € 82 million to € 34 million. This was the combined result of lower dividends and bond gains, as well as losses and adjustments in equity positions, which were only partially counterbalanced by adjustments in equity positions and real estate investments. Nevertheless, **Total Operating Income** increased by 7% to € 1,005 million, driven by the growth in net interest income.

Total Operating Expenses, including Banc Post in 2002 and only 4Q for Telesis in 2001, recorded an increase by 11%, while on a comparable basis they recorded a slowdown, as they

[4] *Excluding settlement balances*

expanded 5%[5]. In total, Cost to average Assets Ratio improved from 3.01% to 2.72%. **Cost to Income Ratio** amounted to 60.8% and remains one of the lowest in the Greek market.

Thus **Core Profit** (basic revenues less operating expenses and provisions) **climbed 7% to € 263 million in 2002**, from € 246 million in 2001.

Return on average Equity (ROE) and Return on average Assets (ROA) after tax in 2002 amounted to 9.4% and 0.8% respectively.

MARKET POSITION

EFG Eurobank Ergasias enhanced its market position, increasing its overall market shares in lending and deposits by about 1%. Specifically, the Group captured **13%** of **total loans** and **11.1%** of **total deposits**[6]. Of marked significance was the expansion of the Group's market shares in **consumer lending (26%)**, in the management of **mutual funds (31%)** and in **equity trading (13%)**.

The Group recently launched two major initiatives, which will contribute to the further expansion of its position in the market. The first was the completion of the implementation of the **new, unified IT platform** 'Altamira' across the Bank, offering augmented capabilities to service clients and to utilise the vast cross-selling potential of the Bank's network. Moreover, the Group recently announced a **new organisational structure**, designed in co-operation with Boston Consulting Group, to intensify operational efficiency and to further customise services per client segment. Within the framework of the new organisational structure, all branches have already been consolidated under Retail Banking, under the brand 'Eurobank'.

INTERNATIONAL EXPANSION

EFG Eurobank Ergasias has undertaken strategic initiatives to expand in selected markets in SE Europe and the Mediterranean region. Specifically, in 2002 the Group raised its stake in Banc Post Romania by 17%, currently controlling 36.25% of its share capital, with the option of further raising its total participation to 45%. As a result, since November 2003 EFG Eurobank Ergasias fully consolidates Banc Post Romania. In Bulgaria, EFG Eurobank Ergasias controls 43% of Post Bank, which is consolidated under the equity method since September 2002. Finally, in May 2002 EFG Eurobank Ergasias expressed its interest to purchase 67% of Serbia's Postbanka. The transaction is expected to be completed in the first half of 2003, subject to the approval of the Central Banks of the relevant countries.

ACQUISITION OF ERGOINVEST AND INVESTMENT DEVELOPMENT FUND

In a move to enhance its position in asset management, EFG Eurobank Ergasias announced in November 2002 its intention to acquire **Ergoinvest S.A.** and **Investment Development Fund S.A.**, two closed–end fund management companies listed on the Main Market of the Athens Stock Exchange. EFG Eurobank Ergasias currently controls 32% of the share capital of Ergoinvest and 43% of the share capital of Investment Development Fund. The acquisition is expected to yield multiple positive effects, as it will lead to significant efficiency gains and cost synergies in the area of asset management. Furthermore, the Group will reap the benefits from the considerable trading discount to the net asset values of the two closed - end funds, and will

[5] *Including Telesis for the whole of 2001, excluding Banc Post in 2002*
[6] *Market data as of Sept. 02*

enjoy a tax discount of 5% per year for the financial periods 2003 and 2004. The Group's capital adequacy will also be strengthened.

In accordance to IAS, the acquisition of Ergoinvest is expected to be completed by March 2003 and the acquisition of Investment Development Fund in September 2003. Based on Greek GAAP, the acquisition of Ergoinvest will have an effective accounting reference date on 7.11.2002. Hence, following the typical completion of the merger with Ergoinvest in March, Group EFG Eurobank Ergasias will publish its final financial statements for the year 2002 according to Greek GAAP, consolidating Ergoinvest from 7.11.2002.

GREEK GAAP (GAS) AND INTERNATIONAL ACCOUNTING STANDARDS (IAS)

EFG Eurobank Ergasias *has long opted for reporting its financial results according to IAS and GAS, focusing however the analysis of these results in the statements prepared according to IAS. Financial statements and results based on IAS fully reflect the Group's financial position, and allow for comparisons with other banks worldwide. On the other hand, GAS are restricted by Greek tax legislation. According to Greek Law, the Societes Anonymes whose shares are listed on the Athens Stock Exchange will have to prepare their financial statements according to the International Accounting Standards, for all fiscal years ending from December 31, 2003 onwards.*

According to Greek GAAP, the results for the Group of EFG Eurobank Ergasias in 2002 are as follows:

Total Assets amounted to € 24.5 billion, from € 19.2 billion in 2001. Loans and advances to clients reached € 13.4 billion, from € 11 billion. Customer Deposits reached € 17 billion, from € 15 billion at the end of 2001. Total Shareholders' Equity remained at € 1.9 billion. Net Interest Income (including net interest from leasing operations and excluding bond gains) amounted to € 724 million from € 645 million, while the net interest margin remained above 3%. Basic Income (net interest income and net fee and commission income) reached € 974 million from € 904 million. Total Operating income stood at € 992 million, from € 974 million. Consolidated profit before tax after minorities amounted to € 271 million, from € 322 million. Consolidated net profit after tax and minorities reached € 197 million, from € 201 million the same period a year earlier.

EFG Eurobank Ergasias key figures according to IAS (€ million)	FY 2002	FY 2001	y-o-y %
BALANCE SHEET			
Total Assets[7]	24,723	19,199	+28.8%
Net Loans & Advances to Customers[7]	13,341	10,953	+21.8%
Due to Customers[7]	16,948	15,287	+10.9%
Shareholders Equity	1,899	2,010	-5.5%
INCOME STATEMENT			
Net Interest Income	721	614	+17.4%
Net Commission Income	250	247	+1.3%
Core Banking Revenue	972	861	+13,0%
Total Operating Income	1,005	944	+6,6%
Core Profit	263	246	+6.9%
Profit before tax	276	322	-14.3%
Net profit after tax & minorities	184	206	-10.4%

[7] *excluding settlement balances*