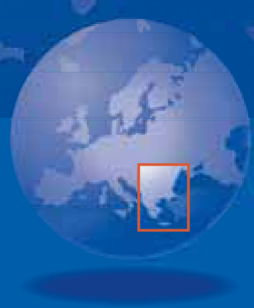
Eurobank EFG

# reliability innovation dynamism

ANNUAL REPORT 2005

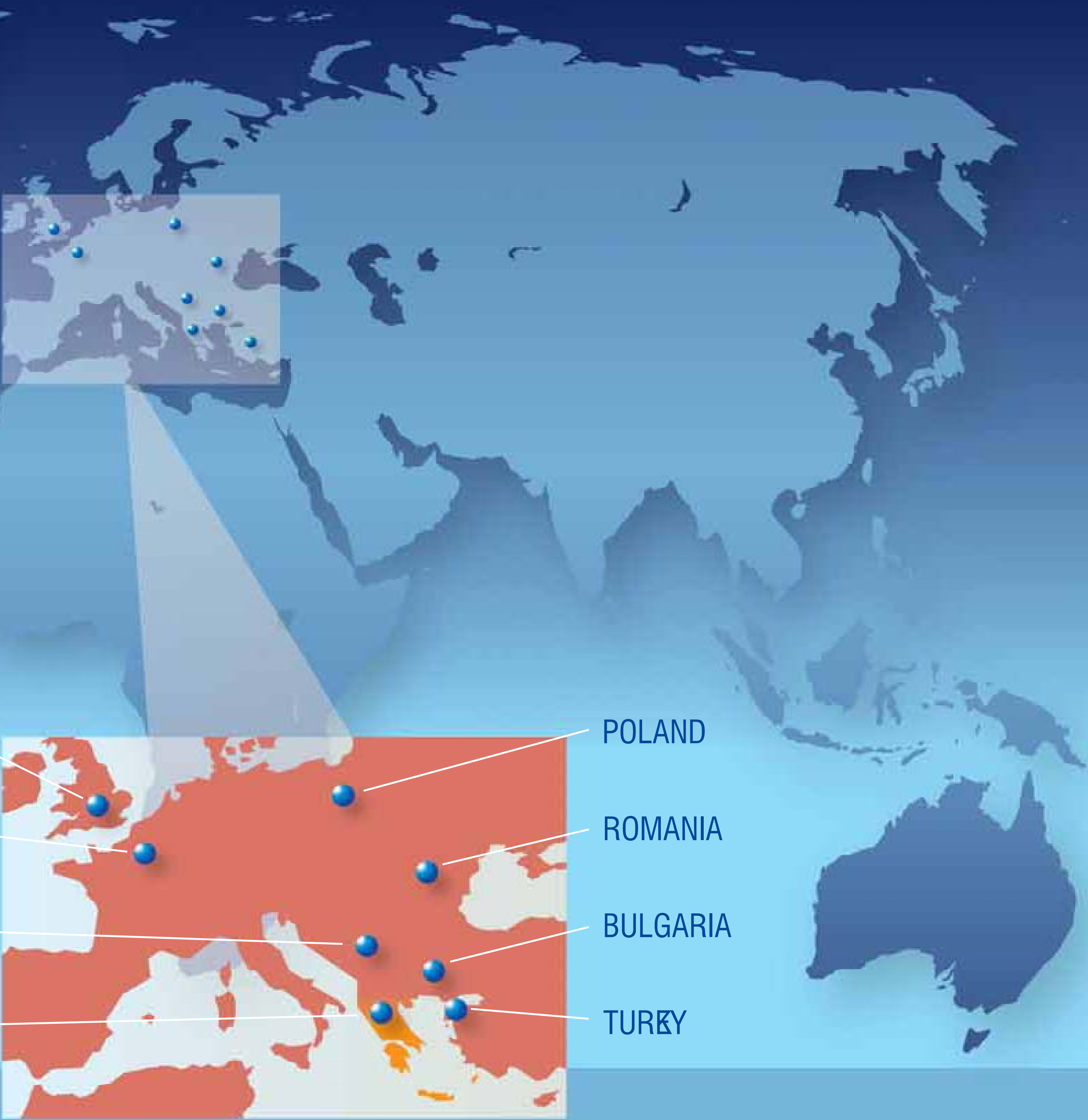


reliability
innovation
dynamism


# EUROBANK EFG GROUP

A force of over 16,200 people and 800 branches in New Europe.

Eurobank EFG



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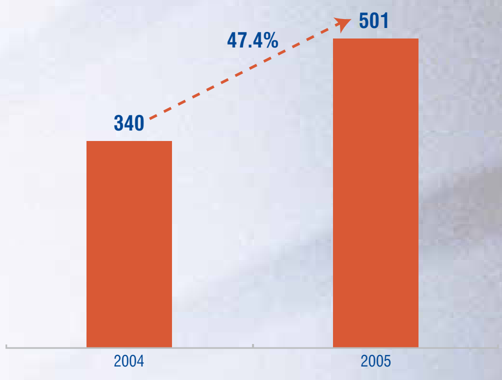
THE YEAR IN REVIEW

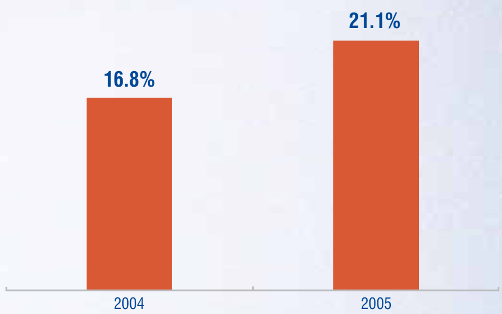
# Financial Highlights

Net profit (in € m.)

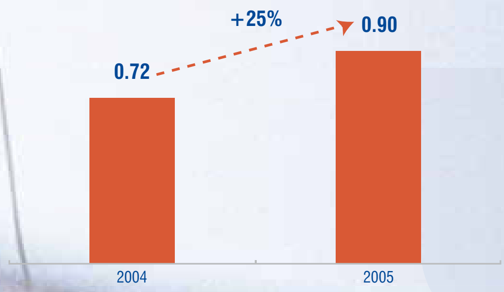



Loan Growth in 2005


ROE after Tax and Minorities




Dividend per Share (€)



# Consolidated Figures of Eurobank EFG

| (Amounts in € million) | 2005 | 2004 | Change |
|---|---|---|---|
| BALANCE SHEET | | | |
| Loans and Advances to Customers | **27,385** | 21,819 | 25.5% |
| Deposits | **19,255** | 18,208 | 5.8% |
| Total Shareholders' Equity | **2,523** | 2,102 | 20.0% |
| Total Assets | **44,464** | 33,046 | 34.6% |
| PROFIT AND LOSS | | | |
| Net Interest Income | **1,372** | 1,094 | 25.4% |
| Net Banking Fee and Commission Income | **355** | 289 | 22.8% |
| Non-Banking Fee and Commission Income | **66** | 45 | 46.5% |
| Core Income[1] | **1,792** | 1,427 | 25.6% |
| Total Operating Income | **1,861** | 1,489 | 25.0% |
| Total Operating Expenses | **891** | 772 | 15.4% |
| Impairment Losses on Loans and Advances | **309** | 223 | 38.3% |
| Core Profit[2] | **592** | 432 | 37.1% |
| Profit before Tax after Minority Interest | **677** | 499 | 35.6% |
| Net Profit for the Year attributable to Shareholders | **501** | 340 | 47.4% |

1. Net Interest Income + Total Net Fee and Commission Income
2. Core Income - Operating Expenses - Provisions

| | 2005 | 2004 |
|---|---|---|
| FINANCIAL RATIOS | | |
| **ROAA (after tax)** | 1.3% | 1.1% |
| **ROE (after tax)** | 21.1% | 16.8% |
| Net Interest Margin | 3.5% | 3.5% |
| Cost/Income Ratio | 47.9% | 51.8% |
| Tier I Ratio | 10.9% | 8.0% |
| Total Capital Adequacy Ratio | 13.5% | 9.9% |
| Non - Performing Loans Ratio | 3.0% | 2.9% |
| Coverage Ratio | 92.0% | 95.0% |
| DATA PER SHARE | | |
| Earnings per Share (€) | 1.55 | 1.10 |
| Dividend per Share (€) | 0.90 | 0.72 |
| Dividend Yield (year-end price) | 3.4% | 2.8% |

# Ratings

| | Long-Term | Financial Strength | Short-Term |
|---|---|---|---|
| Moody's | A2 | C+ | P-1 |
| Standard & Poor's | A- | - | A-2 |
| FITCH * | A- | B/C-2 | F2 |

* Positive Outlook

# Letter to Shareholders

**Dear Shareholders,**

In 2005, the first year of the post-Olympic era, Greece faced new major challenges. The most crucial has been to sustain sufficient growth rates, in order to achieve the gradual real convergence of the economy with those of the Eurozone. Such convergence requires the establishment of a new and advanced operation standard for both the economy and the society in general. And it is now widely understood that this new standard imposes the elevation of private entrepreneurship as the driving force of the economy. This is not only due to the reduction of public investment and, in general, public expenditure caused by the necessary fiscal stabilization. It is also due to the fact that the private sector evidently possesses the skills and conditions that will provide the economy with the necessary flexibility, extroversion, innovation and competitive profile. At the same time, though, it is necessary to continue with structural reform, the opening of closed markets or professions, institutional overhaul and the limitation and rationalization of the state's role within the economy, along with the adoption of modern operation standards for the public sector.

In 2005, the economy grew by approximately 3.7%, exceeding at least twice the European average growth rate, and its prospects continue to be positive. Developments were also rather satisfactory for the domestic banking system, as can be seen by its fundamentals and results. In the new era of transformation and development of the Greek economy, the banks have already assumed an upgraded role, and provide valuable assistance to private enterprise, both in Greece, and in the greater region.

As far as our Banking Group is concerned, 2005 has been a year of new major achievements, international acclaim and general recognition. In the domestic market, Eurobank has established itself as the leading banking group, steadily strengthening and differentiating itself from its competitors. Abroad, the Group implements an insightful and cautious integrated development strategy, turning into a powerful regional player with a major role in the markets of Southeastern and Central Europe (New Europe). Eurobank now addresses a market of more than 100 million residents, providing comprehensive coverage for all their needs for banking services and products.

In the period 2005-2006, we will have established a total of 150 new branches in Greece and in the New Europe countries, in which we are already present, i.e. Bulgaria, Romania, Serbia - Montenegro, and Poland. We are also implementing a wide-ranging program for the operational and technological upgrading of our existing branches and alternative networks, in order to provide our customers with constantly improving services. Poland, the largest new market of the European Union, presents a rather interesting case: building from the ground, in February 2006 we established our first branches in Warsaw. We intend to have 50 branches throughout the country by the end of 2006. In Serbia - Montenegro we strengthened our position by acquiring 62.3% of the Nationalna štedionica banka (NSB), in September 2005. The bank has a network of 70 branches all over the country. We also lay emphasis on enhancing our operations in Turkey, where the brokerage we acquired in 2005 shows large turnover and market share increases.

This dynamic growth is underpinned by solid and sound foundations: our strong capital base, which adheres to the strictest capital adequacy requirements; our sound portfolio; and our constantly improving competitiveness, which enables us to be directly compared with the most efficient international banks. This way we ensure our further growth in all the sectors and countries we are operating in. We continue our reliable efforts to create the best conditions for sustaining our profitability in the future.

This trend is certified by the improvement in both the quantitative and qualitative features of our Group's results for the year 2005. In the past year our Group showed high profitability, recording net profits of € 501 million against a target of €450 million. This bears proof of our ability to increase income by expanding our presence in the market, especially in very profitable sectors. It is worth noting that our Group continues to outgrow the market, and to augment its customer base despite today's harshly competitive environment. The dynamic growth of our operations led to a 25.6% increase in operating income, to € 1.8 billion, which accounts for 96.3% of the Group's total income.

Special mention should be made to the steady growth of our overseas operations, since our subsidiaries abroad contributed 11.3% to our Group's consolidated income for 2005. Our objective is to increase the contribution of our New Europe subsidiaries to the Group's total income and net profits to 30% and 20% respectively by the year 2009.

In Greece, we captured an additional 0.5% of the loan market, by increasing our outstanding balances by 23.4%, as compared to 18.7% for the market overall. Household lending (mortgage and consumer loans) increased by 29.6% and business lending increased by 18.2%. Loans originating abroad increased by 72.5%. Overall, by the end of 2005 our loans amounted to € 27.4 billion, of which € 1.7 billion concerned loans extended abroad.

The quality of our loan portfolio remains high, through an effective and state-of-the-art risk management system, combined with a strict provisioning policy. Therefore, by the end of 2005 non-performing loans amounted to 3.02%, one of the lowest percentages in the Greek banking system.

Assets under management reached € 36.9 billion, registering a dynamic increase of 22.6%. In 2005, we held our leading position in mutual fund management, with funds under management of € 8.6 billion and a market share of 35.9% (excluding money market mutual funds). In insurance, we were ranked first in terms of life insurance premium production, with a market share of 19%. We also remain the leaders in equity brokerage services, with a market share of 17.6%. Our precedence in private banking remains uncontested as well, since assets under management amounted to € 6.3 billion by the end of 2005, registering a 26% year-on-year increase. For a second consecutive year Eurobank EFG received the title of the "Best Bank in Private Banking" in Greece by the internationally acclaimed financial magazine, Euromoney. It is worth noting that, in order to receive this distinction our Bank was compared to both Greek and foreign banks that operate, directly or indirectly, in the Greek private banking sector. This distinction reflects our successful strategy of providing high quality services and products, and affirms the trust of our clients.

In November 2005, the Bank completed the absorption of "The Greek Progress Fund SA", a portfolio investment firm. The stock portfolio of "The Greek Progress Fund" was incorporated to that of the Bank, in order to achieve cost synergies and to enhance the Bank's presence in the capital market. Moreover, the merger increased the Bank's equity by € 132 million.

The dynamic growth of our operations is supported by a comprehensive long-term capital raising plan, involving bond issuance and loan securitization. This way, we are able to finance our expansion in all fields, under the best possible terms, and to provide our customers with competitive products.

Our cost containment efforts were equally successful, despite the fact that our Group's expansion requires large scale investment. Our aim is to keep cost increase rates below income growth. To this end, we sustain our procedure automation exercise and we implement a comprehensive premise reorganization program, which will bear substantial gains. Hence, our cost to income ratio stood at 47.9% for the entire Group and at 42.7% in Greece, one of the lowest among European banks.

Our Group's prevalence in the domestic market and our dynamic expansion are combined with our constantly growing participation in the social process, and our consistent response to the commitments that emanate from the social responsibility that must be demonstrated by every modern and dynamic financial organization.

We constantly expand our involvement in crucial fields, such as Culture, Education, Sports and the Environment. In 2005, the Greek people had the good fortune to see their National Basketball Team - whose exclusive sponsor is Eurobank - become the European Champion, demonstrating once more the nation's ability to achieve international distinction, when working in an ordered and team-spirited manner.

The soundness of our strategy, our dynamic growth, the quality of our results, and, above all, the long-term prospects of a Group with a strong profile in the greater region of New Europe, are acknowledged by the most reliable analysts and the most influential international agencies. Our Group receives the highest ratings among Greek banks.

In 2005, our Bank received new major distinctions by the most highly acclaimed international and local publications: "Best Bank in Greece" by Global Finance, "Bank of the Year" by The Banker, "Best Bank in Private Banking" by Euromoney, "Best Domestic Custodian" by the Global Custodian, along with distinctions for the best Phone Banking and e-Banking services. Moreover, the Bank won the 2005 Social Responsibility Award of the Athens Chamber of Commerce and Industry.

The constantly growing trust to our share is verified by the stability of the Greek shareholders and the steady increase in the participation of foreign institutional investors. In 2005 this participation reached 24%, showing that Eurobank's share has become of the most attractive investment options for international portfolios.

At the end of 2005, Shareholders' Equity amounted to € 2.5 billion, increased by 20%, while average Return on Equity (after taxes and minority interest) improved significantly from 16.8% in 2004 to 21.06%.

The improvement of both our fundamentals and results during 2005 allowed us to distribute an interim dividend of € 0.36. We will recommend to the Annual General Meeting the distribution of a total dividend of € 0.90 per share, equivalent to an increase of 25% as compared with the 2004 dividend, and to a dividend yield of 3.4%, on the basis of the share price at the end of 2005. Moreover, we will recommend the free distribution of 2 new shares to Shareholders for every 10 shares held.

The dynamic course of our Group to date implies increased challenges for the future. The major stake for the years to come is to strengthen our position in a wide geographical area, which now includes, apart from Greece, some of the most important countries of Central and Southeastern Europe. In order to gain customer confidence in a highly competitive market of 100 million citizens, we must intensify our efforts to constantly improve and upgrade our capabilities. This way we will continue to honor the trust of our shareholders.

Our greatest competitive edge in this effort is our own people. Our entire staff, executives and employees alike, contributed to the increase in productivity and the improvement of Eurobank's results, thanks to their high-level expertise, their creativity and their focus on the aims and the strategy of the Group. The personal initiative and creative participation of our staff add value and content to our people- and client-oriented operation model, which has led us to the vanguard of developments and ensures our future prospects. Acknowledging the contribution of its employees, the Bank implements an incentives and benefits program, to ensure that the gains from the Group's achievements are diffused to its staff. On behalf of the Board of Directors, we would like to thank all our employees for their priceless contribution.

Confident in our strategy and people, we will continue to deal successfully with challenges and to sustain our growth, on the basis of the most advanced standards and the vision of a strong financial group, with a leading role in both Greece, and the greater region.

Athens, February 24, 2006

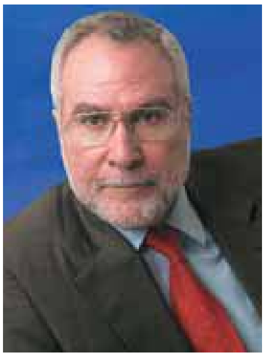
**Xenophon C. Nickitas**
Chairman of the Board of Directors

**Nicholas C. Nanopoulos**
Chief Executive Officer

# Members of the Strategic Planning Committee and the Executive Committee

**Xenophon C. Nickitas***
Chairman of the Board

**George C. Gondicas***
Honorary Chairman of the Board



**Byron N. Ballis**
Deputy Chief Executive Officer - Retail Banking and Board Member

**Nicholas C. Nanopoulos**
Chief Executive Officer and Board Member

**Nikolaos B. Karamouzis**
Deputy Chief Executive Officer - Wholesale Banking and Board Member

**Paula N. Hadjisotiriou**
General Manager Finance & Strategy and Board Secretary

* Strategic Planning Committee Members only

# Members of the Executive Committee

**George N. Alvertis**
General Manager -
Consumer Lending

**Fokion Chr. Karavias**
General Manager -
Global Markets

**Evaggelos I. Kavvalos**
General Manager -
Small Business Banking

**Harry M. Kyrkos**
General Manager -
Risk Management
and Board Member

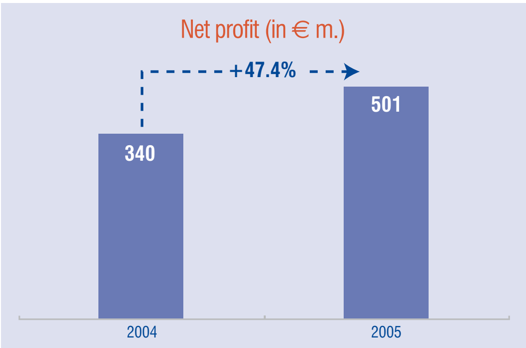
**George P. Marinos**
General Manager -
Corporate Banking

**Nikos K. Pavlides**
General Manager -
Operations, Technology &
Organisation and Board Member

**Michael G. Vlastarakis**
General Manager -
Branch Network

# Financial Review

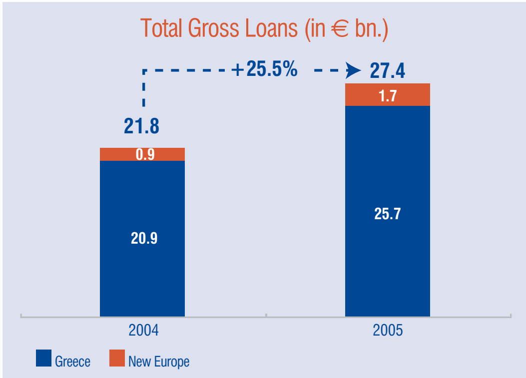
In 2005, the net profits of the Eurobank EFG group increased by 47.4%, to € 501 million, against a target of € 450 million, set by the Bank's management.This resulted from the expansion of the Bank's market share in key banking sectors in Greece and abroad, as well as from efficiency gains.



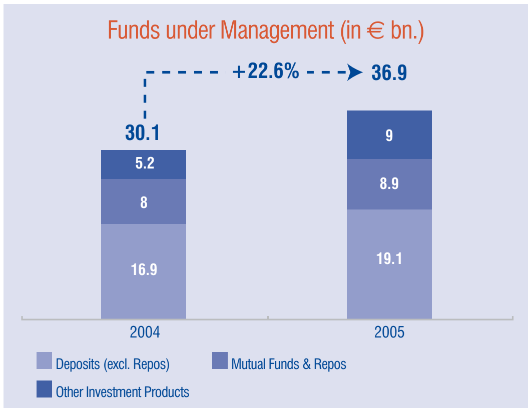

High profitability allows the distribution of a dividend of € 0.90 per share (including the interim dividend of € 0.36 per share), increased by 25% as compared with the dividend for the year 2004.

The increase of Eurobank's net profits by 47.4%, to € 501 million in 2005, resulted from the successful growth of operations in Lending (Retail & Corporate Banking), Wealth Management and Capital Markets, where the Group enhanced its position, gaining market shares.

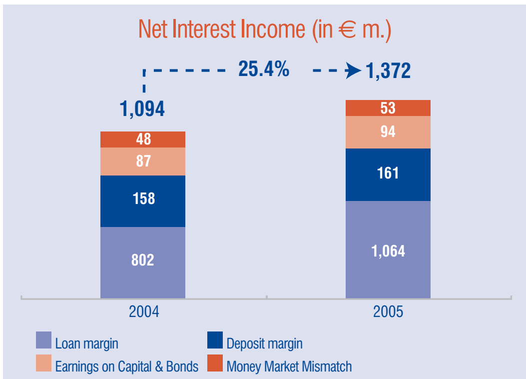
The Group's Total Assets increased by 34.6%, amounting to € 44.5 billion by the end of 2005. During the year, Eurobank enlarged its share in the Lending market by 0.5%, to 15.5%, and increased its outstanding balances by 23.4%, as compared with 18.7% for the market overall. Taking into account the loans extended in New Europe, Gross Loans amounted to € 27.4 billion at Group level, increased by 25.5%. Moreover, loan portfolio quality remains high, since by the end of 2005 the non-performing loans ratio stood at 3.02%, one of the lowest in the Greek banking system.



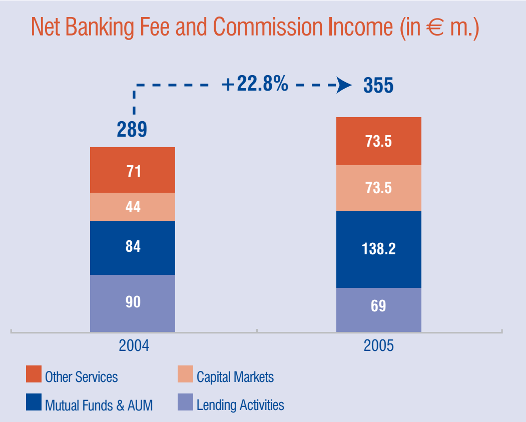

Wealth Management also showed significant results in 2005, since total assets under management increased by 22.6%, reaching € 36.9 billion. Concurrently, Eurobank's capital structure remains strong: by the end of 2005 the Total Capital Adequacy Ratio amounted to 13.5% and Tier I capital amounted to 10.9%.



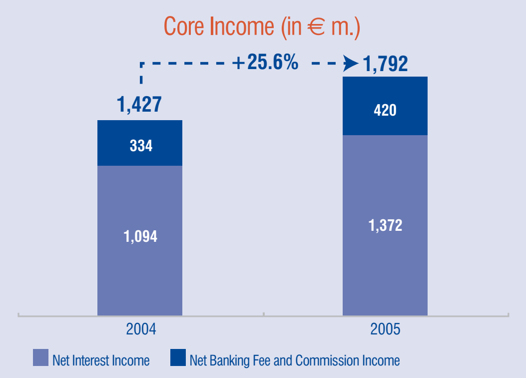

The dynamic growth of the Bank's loan portfolio led to a 25.4% increase in Net Interest Income, which amounted to € 1.4 billion.

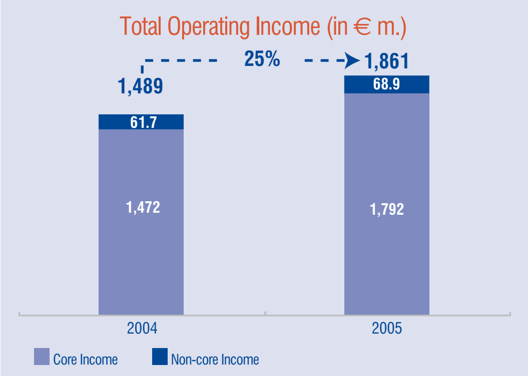


The growth of loans and assets under management, in conjunction with capital market operations, led to a 26% increase in Total Net Fees and Commissions, to € 420 million. More specifically, commissions from banking operations increased by 22.8% to € 354.6 million, while other commissions registered a substantial increase of 46.5%, reaching € 65.8 million.

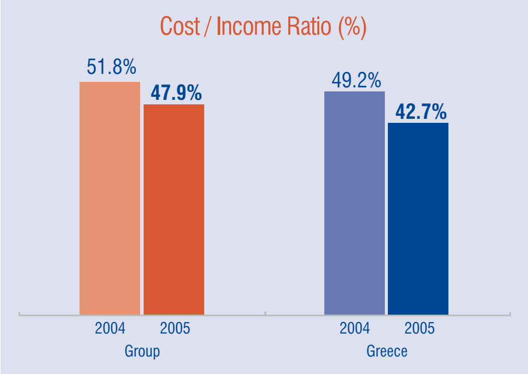



Therefore, the Operating Income of the Group, i.e. net interest and commissions, increased by 25.6% to € 1.8 billion, accounting for 96.3% of Eurobank's Total Income, while Total Income rose from € 1.5 billion in 2004 to € 1.9 billion in 2005, registering a 25% increase.




The efficiency ratio also showed a significant improvement in 2005. More specifically, the Cost to Income ratio regarding domestic operations decreased from 49.2% in 2004 to 42.7% in 2005 and from 51.8% to 47.9% when operations in New Europe are taken into account. In 2005, Operating Expenses increased by 6.7% for domestic operations, and by 12.3% (on a comparative basis) when operations in New Europe are taken into account.



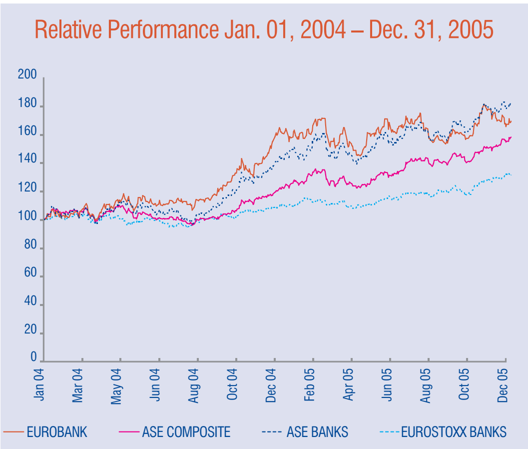

By the end of 2005, average return on Assets (after tax) rose to 1.30%, from 1.14% in 2004, while the average return on Equity (after tax and minority interest) showed a significant improvement to 21.06%, from 16.8% in 2004.

# The Eurobank Share

## Performance

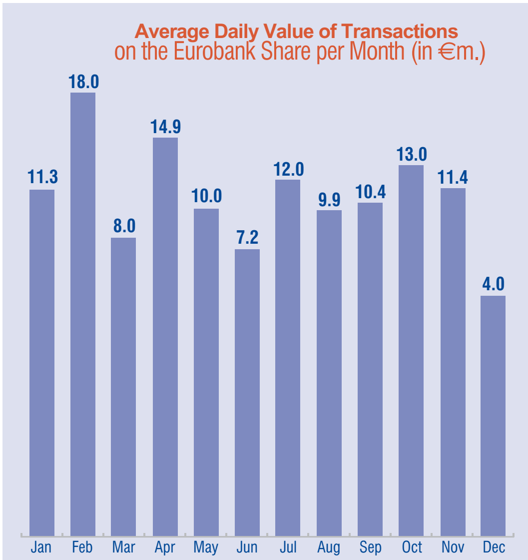
In a year of positive returns for both Greek and international capital markets, Eurobank's share gained 5.7%. It is worth noting that in the previous year the Bank's share had outperformed the market, registering the best performance among all European shares.

Thus, since the beginning of 2004, Eurobank gained 69.5% as compared with 58.4% for the General Index of the Athens Stock Exchange, and 31.7% for the Eurostoxx European banking shares index. These developments are illustrated in the following chart.




## Market Capitalization - Trading Activity

Based on the closing price of December 31st, 2005, the market capitalization of the Bank amounted to € 8.5 billion. The volume of transactions on the share of Eurobank for the year 2005 increased; the average number of shares traded daily rose to 452 thousand shares, from 409 thousand in 2004 and 242 thousand in 2003. The following chart shows the average value of transactions in 2005.



## Dividend Yield

The substantial increase in the profitability of the Eurobank EFG Group allowed the Board of Directors of the Bank to recommend to the Annual General Meeting the distribution of a total dividend of € 0.90 per share (including the € 0.36 interim dividend approved by the Board on November 23rd, 2005), which represents a dividend yield of 3.4% at year 2005-end prices. Total dividends payable account for 57% of consolidated net profits for the fiscal year 2005, and are among the highest in the Greek market.

## Share Buy-Back program

At the same time, the Bank continued its share buy-back program in 2005. On 12.31.2004, Eurobank held 92,739 own shares. By the end of 2005, and including the transactions performed throughout the year, the total number of own shares held by the Bank amounted to 1,885,524, and accounted for 0.6% of the total number of Eurobank shares.

| **Share Data** | **2005** |
|---|---|
| Closing price (year-end) | € 26.72 |
| Highest Price | € 28.60 |
| Lowest Price | € 22.86 |
| Market Capitalization (year-end, in € m.) | € 8,531 |
| Treasury Shares | 1,885,524 |
| **Total Number of Shares** | **319,274,108** |

# reliability

Eurobank EFG

# Retail Banking

The performance of Retail Banking during 2005 was impressive, since the Retail Banking portfolio grew by 32.1% on a year-on-year basis, and accounted for 62.4% of the Bank's consolidated loan portfolio. The Eurobank EFG Group expanded its leadership in Greece, and gained momentum in the countries of New Europe. By the end of 2005, consolidated household loans increased by 32.7%, reaching € 13.1 billion. Small Business Banking performed equally well, since outstanding balances increased by 30.5%, reaching € 4 billion.

The effort to attract and manage retail customers' funds was also effective. In 2005, deposits rose by 6% and amounted to € 19.3 billion, while investment products amounted to € 9 billion, increased by 73% as compared with 2004.

## Branch Network

The branch remains the main point of personal contact between the client and the Bank. In order to satisfy its customers' needs, Eurobank EFG is poised to open 65 new branches in Greece, intent to optimize its geographical coverage, with a total of 370 branches by the end of 2006. The end of the year 2005 marked the successful operation of 31 of these branches, from a total number of 332. The expansion of the Bank's network, and the consequent increase in its market share, is underpinned by a strong foundation: a competent team of specialized Advisors, located in the branches and able to comprehend and meet customer needs. The Advisors played a major role in the dynamic growth of new Retail Banking loan production, and also helped to attract retail customer funds during 2005.

## Alternative Networks

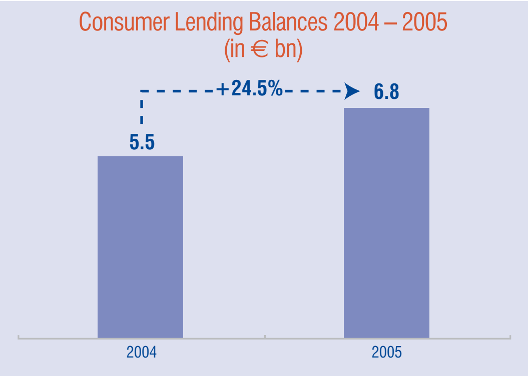
In order to ensure faster and more comprehensive retail customer service, Eurobank EFG has developed a multitude of alternative networks, with constantly growing utilization rates. These include Automatic Payment System machines, ATMs, the Open 24 point-of-sale network, and the EuroPhone Banking service.

By the end of 2005, the Bank had 764 ATMs in Greece, of which 395 were off-site. During the year, almost the entire branch network was fitted with Automatic Payment System machines (APS), thus eliminating queues. Another network comprises the Open 24 points-of-sale, which had a major contribution to the successful promotion of the Bank's retail products. Eighty Open 24 points-of-sale were operating by the end of 2005.

The customers-users of the EuroPhone Banking service in Greece increased by 14.5%. EuroPhone Banking was distinguished for a fourth consecutive year for the top quality services it provides to Eurobank EFG customers, by being presented with the Silver Award at the annual "CRM Grand Prix 2004" competition held by Teleperformance, in the "Large Call Centers" category. It also received the "Gold E-mail Response Award".

## Consumer Lending

In 2005, Eurobank EFG consolidated its dominant position in the Greek consumer lending market, and enhanced its dynamic presence in Central and Southeastern Europe. By the end of the year, consolidated consumer loan and credit card balances amounted to € 6.8 billion, registering a 24.5% year-on-year increase.



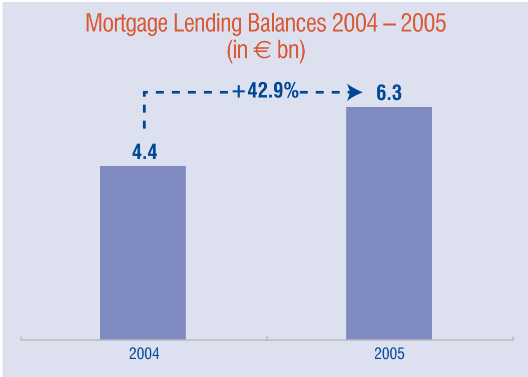

The fast growth rates of consumer lending in Greece was sustained during 2005. The range of loans was supplemented by the "EnTaxi" product, which covered the need of customers to consolidate all their existing consumer debts in a single loan account. Moreover, the "Open Line" revolving loan series introduced a new program, the "Salaried Employees Loan", which provides salaried employees with loans up to 12 times higher than their monthly earnings.

At the same time, the Bank started to reward all "Open Line" holders, who prove punctual with their payments, through monthly interest refunds. In the area of credit cards, Eurobank EFG in 2005 enhanced its leading position in Greece, both in terms of outstanding balances and number of cards, exceeding 2,000,000 cards in circulation.

The performance of consumer lending abroad was equally impressive. In Bulgaria, the Group's market share in credit card issuance exceeded 40%. In Romania, the Group was ranked first in the credit card market, by issuing 400,000 credit cards. In both countries, the launching of the exclusive deal concerning the acquisition and issuance of American Express cards contributed to the growth of the credit card portfolio. In Serbia, the issuance of Visa cards in late 2005, in conjunction with the announcement of a cooperation agreement with the local Dina Card payment system, is expected to boost the Group's position in the local credit card market. In Cyprus, Eurobank's subsidiary, Eurocredit Retail Services (ERS), established its position, since the conclusion of major deals with the largest retail chains of the country was accompanied by a doubling in the number of credit cards.

## Mortgage Lending

In a highly competitive environment, where the main point of reference is the interest rate issue and offering new low installment mortgage packages, Eurobank EFG outperformed once more the Greek market, increasing its market share from 12.6% in the previous year to 13.2% in 2005. In Greece, mortgage loan balances increased by 41% year-on-year, reaching € 6 billion. Consolidated mortgage loans registered an annual increase of 42.9% and amounted to € 6.3 billion, representing 23% of the total loan portfolio.



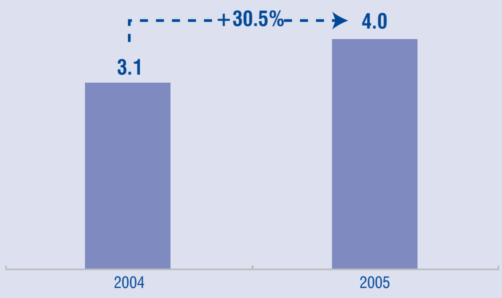

"Flexi Loans" remained a strategic communications vehicle, and an instrument of novel quality service, before and after the sale of the mortgage loan. In the second half of the year, Eurobank EFG offered the "Low Start" program, which enables customers to pay only interest for up to 3 years, ensuring a low installment for the beginning of the loan period. The "Secured Personal Loans" category was expanded, in order to enable the consolidation and repayment of consumer loan and credit card debts under the "EnTaxi" brand, offering customers the option to choose either a Fixed Duration Home Equity Loan, or the Revolving Home Equity Loan.

## Small Business Lending

In 2005, loans to Small Businesses and Free-lance professionals (with turnover up to € 2.5 million) increased by 30.5% year-on-year, and amounted to € 4 billion. The year 2005 was characterized by the successful realization of product and service innovations aiming at providing this market with comprehensive banking services.

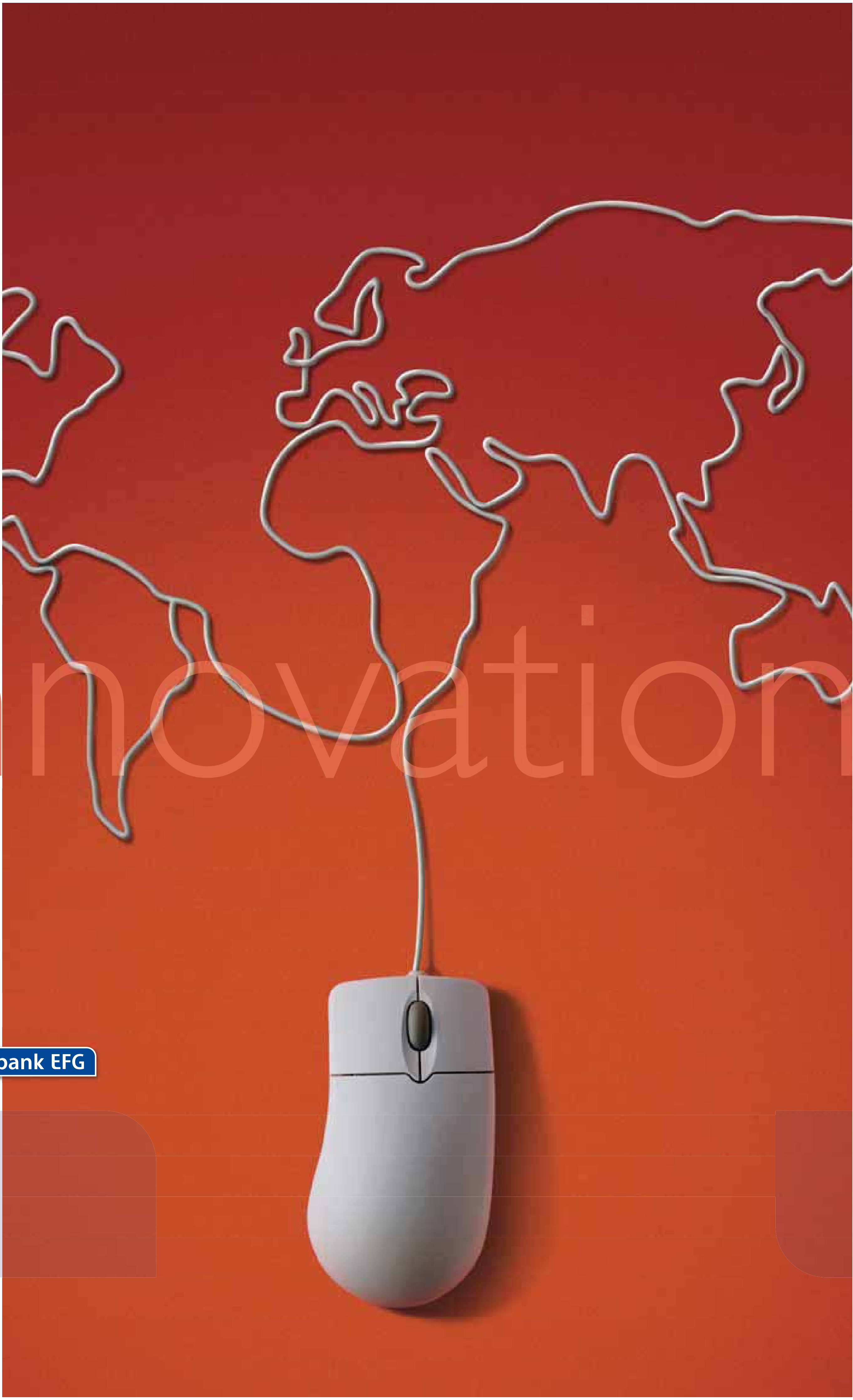
Eurobank EFG responded promptly to the market's demand for speed and quality, enabling the immediate approval of loans, and their disbursement within 2-3 days. Further technological improvement made it possible for customers using post-dated checks to receive full funding at the Branch within 10 minutes of the drafts' deposit. Our customers were offered more service options at the workplace, as the 24h Business Services card became a debit card as well, enabling purchases and transactions through the direct debit of business loan accounts via the Bank's POS terminals.

Loans to Small Businesses 2004 – 2005
(in € bn)




Moreover, in the context of its Environmental Policy, the Bank created a new product for the installation and use of Natural Gas facilities. Finally, Eurobank EFG advanced its interactive relation with its customers, by creating the escalating interest rate option, where the use of the loan leads to automatic reductions in lending costs.

One of the most important developments for 2005 was the expansion of Small Business Banking in New Europe. During the past year, the Group successfully designed, realized and implemented the full functional model for the servicing of Small Businesses and Professionals in Bulgaria, Serbia & Montenegro and Romania, was completed.


innovation

# Corporate Banking

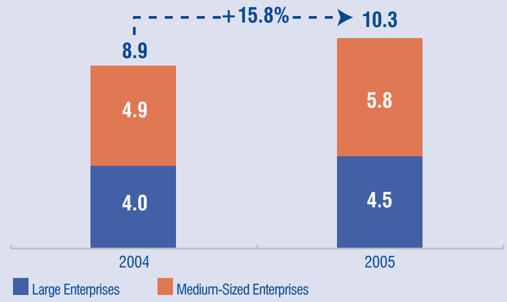
In 2005, Eurobank EFG utilized its know-how in Corporate Banking to design innovative products and provide integrated solutions, adapted to the contemporary business environment. Two typical service packages promoted rather successfully during 2005 are the MELLON Housing Development (a program for financing real estate developers) and MELLON LINE, the first integrated single import-export management, mass payment and internet banking system in Greece. Moreover, aiming at the effective support of Greek enterprises operating, or wishing to operate, in New Europe, the Bank formed a group of specialized executives to facilitate dealings with the local subsidiary banks and firms (leasing, factoring etc).

In 2005, the Management of the Bank continued its successful communications and contacts with representatives from the largest companies, through presentations in various Greek cities. The strategic aim of Eurobank EFG is to offer a comprehensive set of products and services and to help all Greek enterprises realize their strategic vision.

At the same time, the Bank started its adaptation to the requirements of Basel II, aiming to enhance awareness on assumed financial risks and to improve loan portfolio monitoring.

The successful presence of Eurobank EFG in the Corporate Banking segment in 2005, led to a substantial increase of loans to large corporations and medium sized businesses by 15.8%, from € 8.9 billion in 2004 to € 10.3 billion.

Loans to Large and Medium-Sized Enterprises 2004-2005
(in € bn)




## Lending to Large Corporates

In 2005, EFG Eurobank consolidated its presence in the large corporate sector, (enterprises with annual turnover of more than € 25 million), emphasizing on the increase of returns on allocated capital. Additionally, efforts were focused on assisting the corporate clients of Eurobank EFG that operate in Southeastern Europe, encouraging them to establish new banking relations with the subsidiary banks and firms of the Group in the region.

A series of initiatives were launched during the year, based on the adoption of new technologies (e.g. through the MELLON LINE in the fields of imports-exports, electronic payments and electronic payment administration), with the aim of simplifying client dealings and improving productivity. All these initiatives led to an increase of lending balances by 12%, to € 4.5 billion in 2005, and the expansion of the share of Eurobank EFG in large corporate import-export operations by 36%.

## Lending to Medium-Sized Enterprises

In order to finance enterprises with turnover from € 2.5 million to € 25 million, Eurobank EFG has deployed 43 Business Centers, ran by highly competent personnel. During the previous year the Bank continued to develop its technological infrastructure on imports-exports, management information systems, lending and cross-sales. Import-export centralization and the ability to perform certain transactions through the Internet, improved customer service and decreased overall costs. The successful offering of Treasury products (interest rate and f/x risks coverage) provides for a comprehensive relation between the client and the Bank on issues pertaining to cash management, payroll management, insurance and investment services.

In 2005 lending grew by 19%, with outstanding balances of € 5.8 billion, exceeding at least twice the estimated average growth rate for the corresponding market, while income was equally satisfactory, despite the highly competitive environment. These results were achieved through the continuous improvement of relations with existing clients, the attraction of new clients, and the offering of new products and services.

## Shipping

Despite the substantial correction that occurred during the summer, the overall growth of the market was impressive, mainly because of the growth of the Chinese economy. Freight rates in almost all individual sectors remain at lower, albeit still sound, levels, while vessel values quickly adapt to the new equilibrium points.

After 11 years of activity in shipping finance, Eurobank EFG retained its momentum, with a total loan increase of 43%. The Bank's total portfolio for the year 2005 approached € 504 million, as compared with € 353 million in the previous year. The quality of the Bank's portfolio is exceptional, since it contains no bad debts.

In the next year, the relatively high values that prevail in all market sectors are expected to decelerate investment opportunity growth. Taking these developments into account, it is expected that Eurobank EFG will enhance its presence in the Greek shipping market, mainly by financing younger tonnage.

## Leasing

For a fifth consecutive year, the Eurobank EFG group was ranked first in the Greek leasing market, numbering more than 5,500 businesses-clients, through its specialized subsidiary EFG Eurobank Leasing. The total unamortized value of the assets financed till 12.31.2005, exceeded € 1 billion, resulting to a market share of approximately 19%.

Real Estate leasing constituted a large part of new operations during this year as well, while there was great interest for the "real estate leasing investment", which was specifically designed for the real estate market. Co-operation agreements with commercial associates were expanded through vendor leasing programs, covering a wide range of business sectors. By utilizing the capabilities of the investment incentives law, EFG Eurobank Leasing also financed business plans in various sectors of the economy.

Within the scope of the development of the Group's operations abroad, leasing companies were established in Bulgaria, and Romania, while the establishment of a subsidiary company in Serbia - Montenegro has already been scheduled for the first quarter of 2006. These companies provide complete leasing services to enterprises that operate in the local markets.

## Factoring

The Group's involvement in the Factoring market was rather successful, since the turnover of EFG Factors increased in 2005 by 17%, as compared with an increase of just 5% for the overall Greek factoring market. Moreover, the company consolidated its supremacy in SE Europe. In 2005 EFG Factors was ranked 12th in Export Factoring (grade: "Very Good") among 190 member-firms of the FCI, which account for 70% of turnover worldwide. The market share of EFG Factors in International Factoring amounted to 52% of the Greek market for 2005. Always a player in developments abroad, EFG Factors established its presence in Bulgaria, remaining the only Factor in the country.

# dynamism

Eurobank EFG

# Investment Banking & Capital Markets

## Investment Banking

In 2005, the Greek Investment Banking market recovered from the general weakness of the previous year, while the capital markets showed increased activity. This recovery was facilitated by a series of factors, such as the implementation of the privatization program, which, without being as wide as the market might possibly expect, created a bullish sentiment. Moreover, the announcement and materialization of a series of large corporate merger, acquisition and company restructuring deals, fostered expectations for further business initiatives. Against this background, the Eurobank EFG Group retained its leadership in the initial public offering and debt capital sectors, and participated as a financial advisor in most of the large corporate deals.

More specifically, the Group remained the leading underwriter in the field of IPOs and listings in the Athens Stock Exchange, through its specialized subsidiary, EFG Telesis Finance, capturing a market share (in terms of distribution) of 25.4%. The company participated in all eight IPOs for the year, the most important being the public offering of OPAP shares (€ 1.25 billion), in which it attracted the greatest demand (25.7% of the total domestic market), demonstrating the Group's capabilities and alternative networks for stock market products.

In Debt Capital Markets, EFG Telesis Finance retained its leading presence in the traditional field of syndicated and bond loan corporate financing and continued to expand its activities in more complex financing areas. More specifically, the company was the Co-Lead Manager and Advisor to the Provisional Contractors for the projects concerning the construction of the Thessaloniki Underwater By-pass, and the Maliakos-Kleidi Highway, respectively. Moreover, the company is similarly involved in all other outstanding highway concession project tenders. EFG Telesis Finance is also responsible for organizing the first special hospital unit construction project to be implemented through the project financing method. EFG Telesis Finance organized 15 syndicated loan and bond issues in Greece and Southeastern Europe, with a total value of € 3.8 billion.

In the field of advisory services, EFG Telesis Finance advised on the most important financial deals, which were either materialized, or initiated, during the past year in the Greek investment banking market. Some indicative examples: the restructuring of the NIREUS and ELLINIKI TECHNODOMIKI-TEV & AKTOR groups; the sales of DELTA ICE CREAM to Nestle and HELLAS ON LINE to INTRACOM; and the merger between DELTA HOLDING and CHIPITA International, which led to the formation of BRANDCO, the largest Greek food processing company.

## Equity Brokerage

International equity markets continued rising for a third consecutive year. In 2005, the General Index of the Athens Stock Exchange (ASE) rose by 31.5%, while the average daily value of transactions increased by 49%. In such an environment, the Eurobank EFG Group continued to grow and sustained its dominant position in the equity brokerage market, since its specialized subsidiary EFG Eurobank Securities commanded 17.6% of the value of transactions in the ASE. Moreover, in 2005 EFG Eurobank Securities remained the top firm in the Athens Derivatives Exchange, with a market share of 17%.

The International Capital Markets Desk sustained its fast growth rates, despite the mediocre performance of US stock markets, where the bulk of the company's transactions are performed. Thanks to the expansion of direct transactions in the markets of New Europe, the Desk managed to attract new clients, both private and institutional. Equally remarkable was the growth of the brokerage's operations in the Far East, where investors showed a great interest for Japanese shares.

The Research Desk of EFG Eurobank Securities produced rather accurate forecasts for 2005. It is worth noting that, contrary to the year 2004 when medium-sized companies had underperformed, in 2005 the Research Desk increased its outperformance recommendations for medium capitalization shares, with rather positive results.

In the field of mergers & acquisitions, in the past year EFG Eurobank Securities joined forces (merger by absorption) with Attiki Kerdoos Ermis AXEPEY, one of the most historic brokerages in the Greek market. Moreover, EFG Eurobank Securities participated as a co-leader manager in the public offering for the listing of EFG International in the Zurich Stock Exchange, raising almost 10% of the issue, and was also strongly active in the distribution of large blocks of OPAP and OTE shares in the Greek market.

After establishing its leadership in the Greek equity brokerage market, in 2005 the Eurobank EFG Group laid the groundwork for expanding its operations abroad. More specifically, the Group acquired the Turkish firm HC Istanbul Menkul Degerler A.S. The firm is a member of the Istanbul Stock Exchange, actively involved in transactions with European and US institutional investors, and successful in the provision of advice and services in the fields of privatizations, mergers and acquisitions, as well as private placements of listed company shares. HC Istanbul Menkul Degerler A.S. was renamed EFG Istanbul Securities. In Romania, the Group acquired Capital Securities SA, a member of the Bucharest Stock Exchange, which executes transactions for European and US institutional investors, as well as Romanian corporate and private clients, both in the Bucharest Stock Exchange and the Rasdaq. Capital Securities SA was renamed EFG Securities (Romania). Geographical expansion in Southeastern Europe is a major strategic step, which opens new co-operation prospects, providing Greek and foreign investors with a remarkable range of investment options.

# Wealth Management

## Treasury

In 2005, Eurobank EFG sustained its successful involvement in foreign exchange, interest rate, bond and derivative product trading, liquidity management and in the sale of financial and investment products in the Greek market, in the Eurozone, and in regional markets through its Athens and London dealing rooms, and through its subsidiary banks in New Europe.

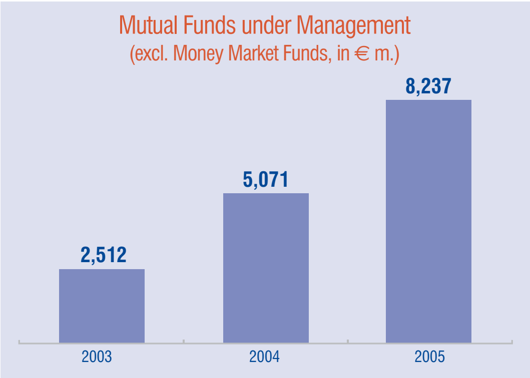
In Greece, a key priority for 2005 was operations growth for the sales department, whose structure is client-oriented in order to service a wide range of clients. The department covers institutional clients in Greece and abroad, large and medium-sized enterprises, shipping companies and private customers of the private banking and retail networks, requiring different products or services. Moreover, interest risk management derivatives, and structured products designed for yield improvement, were successfully placed with corporate and private clients respectively.

The trading department was actively involved in new markets and products, aiming to disperse risks and improve the return to risk ratio. The rather positive results are mainly due to the exploitation of investment opportunities and the proper management of interest rate and credit risks.

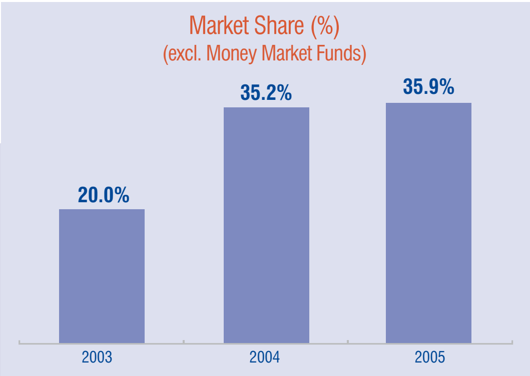
The efforts of the Global Markets Division to raise liquidity and capital from international capital markets proved to be very successful and innovative. In 2005, Eurobank EFG proceeded to the second securitization of Greek mortgage loans, amounting to € 750 million, and to the first securitization of credit card receivables in Greece, amounting to € 750 million, thus improving its liquidity. Moreover, Eurobank EFG enhanced its capital base through three issues of Tier I hybrid capital, totaling € 800 million.

## Mutual Funds

In 2005, the Eurobank EFG Group retained its leading position in the Greek mutual fund market, through the EFG Mutual Fund Management Company, with funds under management of € 8.6 billion. It is worth noting that, barring Money Market Mutual Funds, which are considered as a short-term alternative to time deposits, the increase in funds under management exceeded € 3.1 billion (+62.4%), making the company the only Greek Mutual Fund Management Company that managed to increase its market share for a fourth consecutive year.




These achievements demonstrate the efficiency and capacity of the Bank's infrastructure and network, the consistency and sustainability of delivering investment performance and the ongoing effort to enrich its product range with innovative investment proposals.



Eurobank mutual funds not only sustained their official rating by Standard & Poor's (S&P) for a fourth year in succession, but were also rated by the Morning Star international agency (one of the most reliable Mutual Fund rating agencies worldwide), remaining the only Greek mutual funds to receive a double rating.

## Insurance

The Group's performance in insurance services was remarkable in 2005. The Group's insurance companies, EFG Eurolife Life Insurance and EFG Eurolife General Insurance, which operate under the new brand name EFG Eurolife Insurance, constitute one of the three largest insurance groups in the Greek market, controlling a share of approximately 8.7% and registering strong operations growth as compared with the previous year (+44%).

More specifically, EFG Eurolife Life was ranked first in premium production, with a market share of 19%. The profitability of both companies is among the highest in the Insurance industry, while both carry increased reserves, with investments that outweigh total insurance liabilities. Intrinsic value is high both in terms of existing portfolio and new production.

In the field of Insurance brokerage, EFG Insurance Services is one of the largest insurance brokers in the Greek market, providing integrated insurance solutions to specialized corporate and private client needs. The company is among the best in the market in terms of profitability.

## Asset Management

The year 2005 was exceptional for EFG Eurobank Asset Management, a specialized subsidiary of the Group, whose funds under management increased by 40% as compared with 2004, and exceeded € 1 billion. The growth of assets under management is mainly due to the great performance of the markets during 2005, as well as to the ability of the management team to obtain sufficient returns over time. Therefore, the company enhanced its position in the Greek market for asset management services to institutional and private clients, along with investment advisory services to institutional clients.

**Institutional Clients**

In the field of equity portfolio management for pension funds, the company sustained its leadership, by remaining the advisor to some of the largest Greek insurance funds.

In the field of insurance organization reserve management, EFG Eurobank Asset Management provided for a fourth year sound management services to the Special Fund of the Hellenic Telecommunications Organization Employee Fund, as one of the external managers, with the aim of maximizing returns against a pre-selected benchmark. Moreover, being one of the two external managers for the Mixed Domestic Mutual Fund of the Insurance Organizations Mutual Fund Management Company, the largest mixed domestic fund with total assets of € 500 million, the company achieved high returns that exceeded the benchmark and placed the fund in the top ten of its category.

The company continues to provide efficient management and investment advice services to portfolio investment companies affiliated to the Group, along with the management of the Bank's own portfolio.

**Private Clients**
In the field of discretionary asset management, the company manages 15 distinct types of equity, mixed, and bond portfolios. The returns of these portfolios in 2005 were rather satisfactory; cumulative returns for the past three years exceeded all relevant benchmarks.

As a result of the exceptional returns achieved over time by the management team, discretionary asset management became one of the top choices for both Private Banking advisors, and their clients. This trend is manifest in the impressive growth of assets under management, which in 2005 increased by 160% as compared with 2004. Similarly, the number of clients increased by 92% from the previous year.

## Private Banking

In 2005, Eurobank EFG ascertained its dominance once more and retained its leading position in the Greek Private Banking market, widening its lead from the competition in terms of assets under management. The experienced Private Banking staff of Eurobank EFG, the quality of the services rendered, the level of service and know-how, were the main drivers in the effort to meet the targets for the previous year, as well as in the effort that begins in 2006.

In 2005, demand for Private Banking services soared. A key catalyst to this development was the distinction awarded to the Bank by the Euromoney magazine, which nominated it the Best Bank in Private Banking in Greece for both 2004 and 2005. Moreover, the readiness of EFG Eurobank Private Banking and its initiatives concerning the prompt provision of information to its clients on issues pertaining to capital repatriation, the taxation of investment income from off-shore assets and the relevant exchange of information between EU states, have attracted increased volumes of new client business.

EFG Private Bank, a specialized banking subsidiary based in Luxemburg, had also a major contribution in the Bank's growth for 2005. The subsidiary bank became a hub for the design and provision of services abroad, in accordance with the wishes and needs of Eurobank clients. EFG Private Bank (Luxembourg) possesses advanced know-how on building innovative financing solutions and on financial planning support, emphasizing on international capital markets.

By the end of 2005, total assets under management stood at € 6.3 billion, increased by 26% as compared with 2004, while the client base expanded by 12%. Private Banking collaboration with all product development units within the Bank improved access to capital and money markets, thus allowing for strong client volume turnover increases of 70% in Greece, and 178% abroad, as compared with 2004. This result was facilitated by the good performance of stock exchanges in Europe (including the ASE) and in Asia (mainly Japan), which boosted investor interest and improved investor sentiment regarding exposure to selected securities.

It is the firm ambition of the Private Banking division of the Eurobank EFG Group to become the "trusted advisor" of its clients, while the main concern of the Bank's Management is to keep on improving the quality of services. The most important driver in this effort, and a comparative advantage against competitors, are the Eurobank Private Banking people. Their selection is based on very strict technical knowledge, experience, and personality criteria, and they receive high quality training, in order to ensure that clients receive services that meet their expectations.

# International Presence

Having promptly identified the dynamic growth opportunities presented by the countries of New Europe, the Eurobank EFG Group has been implementing in the past few years a long-term expansion strategy. The Group aims at becoming a model-banking organization both in Greece and abroad, covering a market of more than 100 million citizens. Expansion, both through acquisitions and organic growth, remained strong in 2005; as a result, by the end of the year the Eurobank EFG Group was present in Bulgaria, Romania, Serbia - Montenegro, Turkey and Cyprus, with a total overseas network of 390 branches.

The year 2005 was marked by investments in the restructuring and upgrading of the infrastructure of the Group's banks in New Europe, as well as the development of the financial products and services rendered. This was also made possible by the launching of new subsidiaries in leasing, factoring and real estate management, as well as the acquisition of brokerage firms and the ongoing training and development of human resources in the markets of New Europe.

These efforts, in conjunction with the improved macroeconomic environment of the region, led to a rapid increase of 72.4% in the loans extended by the Eurobank EFG Group abroad, which in 2005 reached € 1.7 billion. Total income from the Group's operations in New Europe amounted to € 210 million, registering a year-on-year increase of 44.5%, and contributing 11.3% of consolidated income, as compared to 9.8% for 2004.

In the business front, in September 2005 the Eurobank EFG Group acquired 62.3% of Nacionalna štedionica – banka (NSB), with a network of 70 branches nationwide, consolidating its presence in Serbia - Montenegro. Moreover, by taking over the HC Istanbul Holdings A.S. brokerage in March 2005, Eurobank EFG gained access to the large, both in population and financial terms, Turkish market, shortly before the initiation of the country's access talks with the European Union.

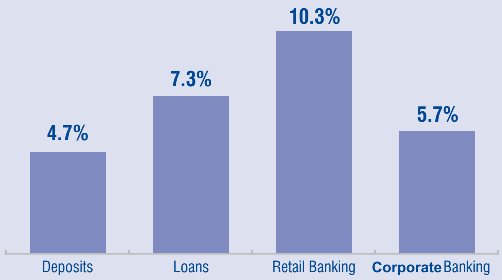
In 2006, the Eurobank EFG Group will proceed to the creation of a 50-branch network in Poland. With a population of 38 million, Poland provides great operation growth prospects, especially in Retail Banking.

## Bulgaria

Placing special emphasis in retail banking, Bulgarian Postbank offered new innovative products in 2005, and was ranked fourth in both consumer, and mortgage lending in Bulgaria. It also captured a leading share in the credit card market, through its subsidiary, Bulgarian Retail Services AD. The range of the services offered in Bulgaria is supplemented by subsidiaries in the fields of leasing, factoring and real estate development.

The dynamic growth of all banking operations, led to a 74% increase of the loans extended in Bulgaria. Business lending increased by 52%, while household lending increased by 121%. The high quality of the Bank's overall portfolio is demonstrated by the fact that Fitch Ratings has raised Postbank's rating to a level comparable to Bulgaria's sovereign debt rating (BBB). Total customer deposits increased by 35.4%.

Bulgaria – Market Shares of the Eurobank EFG Group (2005)




In 2005, the restructuring of Postbank's network continued at a fast pace, since the number of branches increased to 142 from 123 in 2004, supplemented by five business centers, which provide high quality services to large and medium sized enterprises. The year was also marked by the intensive training of personnel at all levels.

Finally, following the share capital increase of € 30 million that took place in 2005, the Eurobank EFG Group raised its participation in the Bulgarian bank to 98.7%.

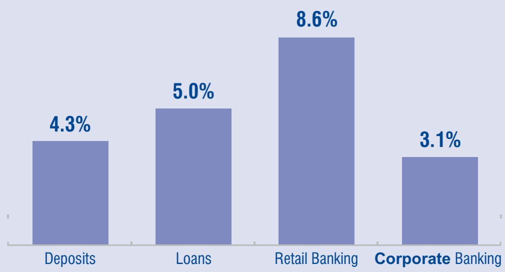
## Romania

Bancpost is the leader among Greek banks that operate in Romania and is ranked sixth among the banks in this country (in terms of assets), with an integrated network of 151 branches. The financial strength of Bancpost was confirmed by the BBB-rating provided by Fitch Ratings, which is comparable to Romania's sovereign debt rating.

Moreover, Euromoney selected Bancpost as "Bank of the Year 2005 in Corporate Governance". The bank continued to launch new successful mortgage and consumer lending products. Moreover, the bank sustained its dynamic growth in the credit card market through the Euroline Retail Service (ERS), and obtained the exclusive right to issue and distribute American Express cards in Romania. The range of products and services offered was further expanded by the establishment of new subsidiaries, such as EFG Eurobank Leasing, EFG Property Services S.A. and EFG Eurobank Mutual Funds Management Romania S.A.I. S.A. Moreover, in 2005 the Group completed the acquisition of Capital S.A. (renamed EFG Eurobank Finance S.A.) and the brokerage firm Capital Securities S.A.

As a result, total assets increased by 56% and loans by 59%, as compared with 2004. Business lending increased by 38%, while household lending increased by 77%. Total customer deposits increased by 44%.

Romania – Market Shares of the Eurobank EFG Group (2005)



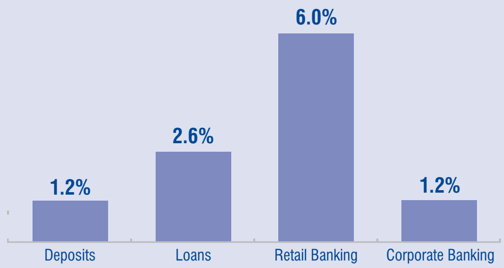
As far as operations are concerned, in 2005 Bancpost restructured, optimized and centralized its systems and internal procedures, which provide a basis for the further successful expansion of its activities. The new Flexcube IT system, which became fully operative all over the bank's network in May, is expected to provide a major assistance to this effort. Also, in 2005 the bank installed and launched its new IT Center. Furthermore, the bank implemented a Voluntary Retirement Program, which involved 620 people.

By acquiring an additional 7.48% from GE Capital, Eurobank EFG increased its stake in Bancpost, which, after the completion of the share capital increase of approximately € 80 million, stood at 62.98%. Moreover, the Eurobank EFG Group intends to exercise its option to acquire the stakes held by EBRD and IFC, which amount to 7.28% for each.

## Serbia - Montenegro

The expansion of the network of EFG Eurobank a.d. Beograd from 11 branches in 2004 to 27 branches in 2005 had a major contribution to the improvement of the bank's results and the consolidation of its market position. Another key development that facilitated this trend was the launching of Small Business Banking units, as well as units covering the housing needs of retail customers. The Group provided additional capital, increasing its stake in EFG Eurobank a.d. Beograd from 93.5% to 98%.

Serbia -Montenegro– Market Shares of the Eurobank EFG Group (2005)




The presence of the Eurobank EFG Group in the Serbian market was further enhanced by the acquisition of 62.3% of the Nacionalna štedionica Banka (NSB). NSB has a 70-branch network, covering the entire country. Along with the 27-branch network of EFG Eurobank a.d. Beograd had 97 branches all over Serbia by the end of 2005, and consolidated its position in the local banking market.

**Key Figures of Eurobank EFG Group activities in New Europe**
(Amounts in € million)

| | 2005 | 2004 | Δ % | Contribution to Consolidated Figures |
|---|---|---|---|---|
| **Balance Sheet** | | | | |
| Total Assets | **2,978** | 1,778 | 67.5% | 6.7% |
| Loans and Advances to Customers | **1,597** | 932 | 71.3% | 6.0% |
| Due to Customers | **1,555** | 984 | 58.1% | 8.1% |
| Shareholders' Equity | **367** | 183 | 12.2% | 14.5% |
| **Income Statement** | | | | |
| Net Interest Income | **148.1** | 93.4 | 58.6% | 10.8% |
| Net Banking Fee and Commission Income | **51.3** | 46.7 | 9.8% | 14.5% |
| Core Income | **199.5** | 140.1 | 42.3% | 11.1% |
| Total Operating Income | **209.7** | 145.2 | 44.5% | 11.3% |
| Operating Expenses | **185.7** | 110.7 | 68% | 20.8% |
| **Profit after Tax and Minority Interest** | **3.6** | **14.3** | **-74.5%** | **0.7%** |
| **Net Profit excl. Romanian voluntary exit scheme and Polish operation** | **16.1** | **14.3** | **12.6%** | **3.1%** |

# Other Activities of the Group

## Securities Services

In 2005, Eurobank EFG retained its leading position - held for the past few years - in the custodian services market for Greek institutional investors, leaving far behind all other banks that operate in this sector. In the previous year, the Bank excelled at the annual Greek custodian services review of the international specialized magazine Global Custodian, receiving the "Top Rated" classification for Greek institutional investors for a second successive year, and the "Commended" classification for foreign institutional investors.

## Payment Services

The Bank developed its relations with major overseas financial institutions, offering Commercial Payments, Low Value Payments, Cash Management and Cash Letters services. Its specialized payment services, part of the FUTURE corporate product series, which are offered through the modern e-banking platform, provide a substantial boost to the growth of the e-payments sector.

## Payroll Services

With the Salary Domiciliation Program, Eurobank Business Services provides salaried employees with a very competitive "package" of retail banking products, with privileges that "increase the value" of their salary. Businesses are offered the option to outsource their payroll administration, through the most technologically advanced system of the market. In 2005, Eurobank Business Services made a remarkable expansion in Southeastern Europe, transferring its know-how on products for salaried employees to the Group's banks in Bulgaria, Romania, and Serbia - Montenegro. Moreover, it developed the necessary software for outsourcing payroll administration in these countries.

## Derivatives Clearing

Eurobank EFG provides clearing services in the Derivatives market of the Athens Stock Exchange to both Greek and foreign institutional investors. The services are rendered through automated applications and solutions, ensuring high quality customer service. A major comparative advantage of the clearing Services is the focus on the provision of value added services, through an integrated quality system (ISO9001:2000), certified by the British Standards Institute since 2000.

## Real Estate

In September 2005, EFG Eurobank Properties SA got clearance from the Hellenic Capital Market Commission for its transformation to a Real Estate Investment Company (R.E.I.C.). Under its new legal form, Eurobank Properties REIC (its new name) is expected to be listed in the Athens Stock Exchange, in accordance with the provisions of the relevant legislation. In Southeastern Europe, the Group expanded its presence through the establishment of real estate services firms in Romania, Bulgaria, Serbia - Montenegro, as well as through a program of indirect investment in real estate.

## e-Commerce

Business Exchanges, a company active in the field of B2B e-commerce services, sustained its steady growth in 2005. During the past year, the company increased its turnover by 59%. More specifically, in the field of e-procurement, the electronic market of Business Exchanges hosted more than 440 businesses and more than 3,500 users, while the value of transactions exceeded € 121 million. In the field of e-payment services to large business groups, the value of transactions cleared exceeded € 900 million, and their number exceeded 80,000. Finally, in the field of procurement out-sourcing, Business Exchanges conducted more than 100 auctions and over 900 market researches. The value of procurements it negotiated and processed on behalf of its clients exceeded € 30 million, and led to substantial cost reductions.

## e-Banking and Internet Services

In 2005, EFG e-Solutions developed new e-banking services. Special emphasis was placed to the further development of services to business, through the addition of information content options (checks, letters of guarantee, POS terminal movements, corporate credit cards etc), as well as to capital transfers (new payments, mass capital transfers in files, shipping remittances etc).

Once more, the e-banking service was distinguished at all annual comparative evaluations by reputable publications and organizations in the sector (RAM "Editor's Choice", PC World "Best Service" and "Money for Value Service", Global Finance "Best Consumer Internet Bank" & "Best Corporate Internet Bank").

# Risk Management

## Credit Risk

Eurobank EFG follows international best practices with a well-defined credit approval process, independent credit reviews and an overall effective risk management function. Segregation of duties dictates independence among staff responsible for the relationship, credit approval, disbursement and credit monitoring over the life of the loan or advance to customers. Eurobank EFG's policies are reviewed formally on an annual basis.

In 2005 the Bank securitised part of its credit cards portfolio (€ 750 million) and implemented the second securisation of its mortgage portfolio (€ 750 million). In both cases, the Bank's relevant loan portfolios received high ratings from Moody's, S&P and Fitch Ratings, a fact that denotes their high quality.

For the evaluation of consumer credit quality and performance, Eurobank EFG uses proper statistical models (application & behavioral scorecards). The approval process is centralized. The portfolio is also monitored through a set of statistical analysis. Provisions are based on delinquency analysis. The Bank's provisioning policy is reviewed semi-annually, while the calculations of provisions are performed on a monthly basis.

In mortgage lending, Eurobank EFG employs centralized approval, along with an application scoring model which, in line with credit policy rules. All valuations of property collateral are performed by independent engineers and checked against values assessed by tax authorities. Loan amounts depend upon the independent appraisal and the borrower's creditworthiness. The quality of the portfolio is also monitored through a set of statistical analysis, such as distribution and bad rates per Loan-To-Value bands, duration of the loans etc.

With respect to small business loans, credit approval is based on the following framework: centralized approval guidelines, clear guidelines on collateral, working capital financing through assignment of credit card receivables and foreign currency lending on a fully collateralized basis.

In wholesale lending, greater use is made of financial analysis. As regards large corporations, liquidity and financial strength are evaluated and unanimous committee approval is required. Most credit facilities are short-term. Collateral in respect of such loans consists mainly of post-dated cheques. It is important to note that the Bank has strict procedures concerning the review, acceptance and monitoring of collaterals. The evaluation of the wholesale lending portfolio is based on a credit rating system that takes into consideration both obligor and collateral characteristics. This system is used also for the calculation of provisions on a quarterly basis for the wholesale lending portfolio. In addition, the Credit Control Sector constantly audits the various segments of the Bank to ensure that the credit rating of obligors is properly depicted.

**Credit Review Policies**

At Eurobank EFG, the credit review process is managed by the Credit Control Sector, which is responsible for post-approval control and inspection of the business credit portfolio. These procedures are conducted in co-operation with the Large Corporates Division and the regional Business Centers. The Credit Control Sector operates independently from any unit that originates loans and markets financial products and reports to the General Manager – Risk Executive.

During 2005 Eurobank continued to use the Moodys Risk Advisor system (MRA) for all eligible corporate / wholesale credits, that evaluates customers based mainly on financial, as well as important qualitative criteria.

It is worth noting that from the beginning of 2005, the Bank keeps track of all delinquent cases, allowing thus future calibration of a model in line with the new Basel II definition of default. With regards to the measurement of the riskiness of client relationship, the Bank has developed a proper transactional system that rates all corporate customers according to their expected loss on a monthly basis (considering both customers borrower rating and any collaterals, guarantees provided as credit risk mitigants). At the beginning of 2006, the system will be enhanced in order to improve further the loan approval process.

The Bank's credit exposure to each borrower is subject to detailed reviews. Each individual case is reviewed at least once per year and, if it enters the watchhlist, it is reviewed at least every six months, or more frequently if necessary. Credit reviews include consideration of the customer's historical and forecast financial performance, balance sheet strength and cash flow, together with relevant industry trends and other external factors. These matters are considered in relation to the size, structure and maturity of the entire lending process.

The Risk Management structure of the Bank is mirrored in its subsidiaries in New Europe. Thus, Risk Management is an independent division, which controls and reviews the activities of the business units.

**Basel II Capital Adequacy Accord**

In line with its strategy to implement best practice risk management methodologies, Eurobank EFG has initiated with effect from 2004 a large-scale project for the adoption of the Internal Ratings Based (IRB) Approach of the revised framework for Capital Adequacy known as Basel II."

Bank of Greece conducted a review of the Bank's Basel II Project in 2005 and noted that significant progress has been made and that the implementation program addresses the requirements of the new Accord in a very satisfactory manner.

## Market Risk

Market Risk is the potential financial loss due to an adverse change in market variables. The Bank has appropriate Market Risk Policies, in order to adequately measure the risk that arises from its activities. These policies:

- set the framework and minimum standard for market risk control and management throughout the Bank and its subsidiaries
- enable compliance with local and Swiss regulation
- establish a framework that enables the Bank to gain competitive advantage through risk-based decision-making

All market risks (interest rate, foreign exchange, equity, commodity, volatility) are monitored and quantified on a daily basis, by the internal VaR model. In 2005, the Bank of Greece approved the VaR model which since September 30, 2005, is being used for calculating the Bank's capital requirements for Market Risk.

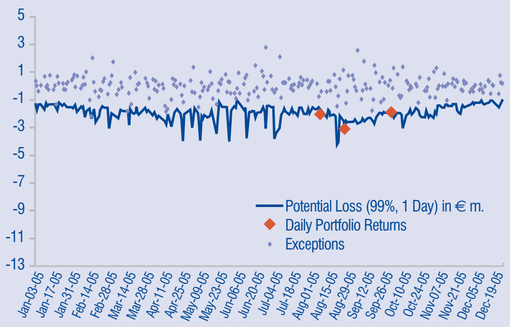
In 2005 the average Total Market VaR of the Bank (Trading and Banking Book, 99% confidence level, 10 day holding period) over Regulatory Capital stood at 0.8% and the average Total Market VaR over Profit before Tax stood at 4.7%.

The Risk Management Division of the Bank monitors the VaR of the subsidiaries such as EFG Eurobank Securities, EFG Insurance and EFG Eurobank Ergasias Leasing. The principles and the methodologies applied for these subsidiaries are identical to the ones used by the Bank. EFG Insurance applies additional risk policies to comply with regulation and legislation concerning Insurance companies.

### Back testing

The Bank has implemented a Back-Testing framework in order to test the risk management system's calibration and predictive power. This test consists of 250 daily readings. Back testing results of 2005 have revealed three exceptions out of 250 business days. According to the regulatory framework this number of violations confirms the accuracy and reliability of the model.

Back-Testing Results of the Bank's Trading Portfolio
(Jan.03, 2005 – Dec. 30, 2005)



### Stress testing

As the VaR approach is not appropriate for exceptional market conditions, the Bank has implemented a variety of stress tests to simulate the effect of many standard deviation moves of the risk factors and of the breakdown of historical correlations.

It is worth noting that none of these stress tests (sensitivity analysis and historical crises) show losses that would significantly affect the Bank's operations.

### Liquidity Risk

Liquidity Risk refers to the risk of the Bank not being able to meet its obligations as they fall due.

Policies have been set in order to satisfy both Bank of Greece and Swiss Federal Banking Commission liquidity rules. The Bank's liquidity policies are designed to ensure that:

- Sufficient liquid assets are maintained to meet liabilities as they arise.
- A prudent proportion of medium-term assets are funded by medium-term liabilities, with similar maturity profile.

The Asset and Liability Committee of the Bank bears the responsibility for liquidity management.

## Operational Risk

The Bank has established a specialised Operational Risk Division, in view of compliance with new Basel II Accord requirements and towards a more efficient management of operational risk stemming from its activities. The Division reports to the Risk Executive of the Bank and comprises of the Operational Risk Unit and the ISO 9001 Quality Manager.

Both the Bank and the Group will apply the Standardised Approach for the calculation of capital adequacy related to Operational Risk, as defined by the new Basel Accord. A database for the collection of operational risk events is being developed. The database is a requirement for the implementation of the Standardised, as well as the Advance Measurement approaches. The aim is to analyse and evaluate operational risk cases and undertake initiatives to minimise operational losses.

Striving to safeguard and constantly improve the quality of services offered, Eurobank EFG operates a quality management system, which is used to define its policies and describe the Bank's operating procedures. The Bank's quality management system is certified by the British Standards Institution, according to the BS ENISO9001: 2000 International.

# Corporate Governance

The Bank has sought to structure its operation on the principles of corporate governance, aware that it could achieve its basic targets only on that basis. These targets include continuous support of the corporate interest, long-term survival and development of the Bank, full transparency in its management, equal protection and promotion of the interests of the parties involved, as well as maintaining and improving the Bank's reliability. The principles of corporate governance constitute an unbroken link to the wider "corporate culture" and include commitments by the management beyond what is imposed by legislation. The management strongly believes that, over and above terms, laws and obligations, good corporate governance should primarily be a frame of mind, as it presupposes respect towards the shareholders who trust the management as well as an understanding of the immediate and long-term benefits of corporate transparency.

## Board of Directors

**Chairman:**
Xenophon C. Nickitas
**Honorary Chairman (Non-Executive Director):**
George C. Gondicas
**Vice-President A'(Non-executive Director):**
Anna Maria Louisa J. Latsis
**Vice-President B'(Non-executive Director):**
Lazaros D. Efraimoglou
**Chief Executive Officer:**
Nicholas C. Nanopoulos
**Deputy Chief Executive Officer:**
Byron N. Ballis
**Deputy Chief Executive Officer:**
Nikolaos B. Karamouzis
**Executive Directors:**
Harry M. Kyrkos,
Nicholas K. Pavlides
**Non-executive Directors:**
Fotis S. Antonatos,
Emmanuel L. Bussetil,
Dr. Spiro J. Latsis,
Antonios G. Bibas,
Dr. Pericles P. Petalas
**Non-executive independent Directors:**
Panagiotis K. Lambropoulos,
Panagiotis B. Tridimas
**Secretary:**
Paula N. Hadjisotiriou

# Board Committees

**Audit Committee**

Consists of the following non-executive directors:
E.Bussetil (Chairman), F.Antonatos, P. Petalas,
T. Tridimas (since December 8, 2005).

**Risk Committee**

Consists of the following directors:
H. Kyrkos (Chairman), X. Nickitas,
N. Nanopoulos, B. Ballis, N. Karamouzis,
E. Bussetil, P. Petalas.

**Remuneration Committee**

Consists of the following directors:
E. Bussetil (Chairman),
N. Nanopoulos, P. Petalas.

# Management Committees

**Executive Committee:**

N. Nanopoulos (Chairman), B. Ballis,
N. Karamouzis, G. Alvertis,
E. Bouloutas (until February 15, 2006),
P. Hadjisotiriou, F. Karavias, E. Kavallos,
H. Kyrkos, G. Marinos, N. Pavlides,
M. Vlastarakis.

**Strategic Planning Committee:**

N. Nanopoulos (Chairman), X. Nickitas,
G. Gondicas, B. Ballis, N. Karamouzis,
P. Hadjisotiriou.

**Credit Committee:**

G. Katsaros (Chairman), G. Marinos,
I. Viga.

**Ethics Committee:**

X. Nickitas, G.Gondicas, Th. Kitsos,
Th. Zambella.

# EFG EUROBANK ERGASIAS S.A.

## CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2005

8, Othonos street, Athens 105 57, Greece
www.eurobank.gr, Tel.: (+30) 210 333 7000
Company Registration No: 6068/06/B/86/07

**Business Outlook**

EFG Eurobank Ergasias SA further enhanced its leading position in the Greek market in 2005 gaining market share in total credit (15.5%), mortgages (13.2%), business lending (13.3%), mutual funds management (35.9%, excluding money market funds), insurance (19%), equity brokerage (17.6%) and investment banking.

Although 2005 was a post-Olympic Games year, GDP growth exceeded initial forecasts and reached 3.7%, while credit expansion remained strong reaching 18.7%. The outlook for 2006 remains positive for the Greek economy with real GDP forecasted growth around 3.5% and inflation easing closer to 3% from 3.5% in 2005. However public finances and structural changes remain key challenges for the government in 2006. The Greek banking sector should grow at healthy rates in 2006, albeit at a slower pace compared to 2005, as Greek households remain under-leveraged compared to the EU average.

EFG Eurobank Ergasias SA also remains focused on expanding its presence in the South Eastern European countries, as this region has significant economic development potential and two countries – Bulgaria and Romania – prepare for EU accession in 2007.

**Acquisitions in Greece**

**Acquisition of Attiki Kerdoos Ermis Securities**

EFG Eurobank Securities SA acquired 100% of Attiki Kerdoos Ermis Securities from Bank of Attika and other shareholders. The deal was announced on February 16, 2005 and concluded in July 2005. Attiki Kerdoos Ermis is one of the oldest firms in the Greek stock market. In 2004, the firm ranked 19th in terms of volume and its market share was 0.81%, with the private client business as its main activity.

The deal enhances the position of EFG Eurobank Securities SA in the Greek capital markets by adding significant portfolios of individual investors that will be able to access the range of products and services offered by Eurobank EFG.

**Absorption of Greek Progress Fund**

EFG Eurobank Ergasias SA and the closed-end investment company Greek Progress Fund SA announced their intention to merge on June 10, 2005. The absorption of Greek Progress Fund by the Bank was approved by the EGM on October 31, 2005.

The Greek Progress Fund, in which EFG Eurobank Ergasias SA stake was 48.4% before the merger, was listed on the Athens Stock Exchange and its portfolio consisted mainly of ASE-listed shares and to a lesser extent of bonds, mutual funds' units and non-listed shares. The share exchange ratio was 1 EFG Eurobank Ergasias SA share for 7.9 Greek Progress Fund shares. As a result of the absorption, Eurobank EFG issued 5,264,571 new ordinary shares for Greek Progress Fund minority shareholders.

The Greek Progress Fund equity portfolio was incorporated within the EFG Eurobank Ergasias SA proprietary equity portfolio, in order to achieve cost synergies. Furthermore, the merger supported Bank's capital adequacy.

**Acquisition of Global Fund Management**

On November 14, 2005 EFG Eurobank Ergasias SA signed a pre-agreement to obtain control of 72.5% of the share capital of Global Fund Management, an investment services provider specialising in emerging markets. The company offers management services to Global New Europe Fund, a portfolio investment company listed on the Athens stock Exchange and investing in the emerging markets of Europe and the Middle East. Completion of the above acquisition is expected in the first half of 2006.

The acquisition is part of EFG Eurobank Ergasias SA strategy aimed at strengthening its position in the asset management market in Greece and at developing the asset management sector in the broader region of New Europe.

**Disposals in Greece**

**Disposal of Hellas on Line**

EFG Eurobank Ergasias SA signed a pre-agreement for the share transfer of its 100% subsidiary "Hellas on Line" to Intracom SA on August 5, 2005. The transaction was completed on January 31st, 2006.

**Funding Program**

**Securitisation**

The Bank securitised €750 million of Residential Mortgages in June 2005 through the SPV Themelion II Mortgage Finance plc with an average funding cost of Euribor plus 17.5bps for seven years. The notes mature in 2040 but are callable as of 2012. S&P, Moody’s and Fitch rated the bonds in three categories with the largest pool (€690 million) being rated AAA/Aaa/AAA.

Furthermore, the Bank securitised €750 million of credit card asset backed securities in July 2005 through the SPV Karta 2005-1 plc with an average funding cost of 3 months Euribor plus 21.7bps. The notes mature in 2010. S&P, Moody's and Fitch rated the bonds in three categories with the largest pool ( €592.5 million) being rated AAA/Aaa/AAA.

Both issues provide long-term funding for the Bank in order to support the strong lending growth and competitive product offerings.

**Preferred securities Hybrid Tier I**

In March 2005 the Bank issued €200 million of Lower Tier I capital in the form of preferred shares through its Jersey-based subsidiary EFG Hellas Funding Limited. The securities are perpetual with a call provision after 5 years and pay fixed annual dividends of 6.75% for the first 2 years and floating interest rate coupons based on the 10-year Euro SWAP rate plus a spread of 0.125% capped at 8% thereafter.

Furthermore, in November 2005, the Bank issued €400 million of Lower Tier I capital in the form of preferred shares through its Jersey-based subsidiary EFG Hellas Funding Limited. The perpetual notes have a call provision after 10 years and pay fixed annual dividends of 4.565% for the first 10 years and quarterly dividends based on the 3-month Euribor plus 2.22% thereafter.

Finally the Bank issued €200 million of Lower Tier I capital in the form of preferred shares through its Jersey-based subsidiary EFG Hellas Funding Limited in November 2005. The perpetual notes have a call provision after 5 years and pay fixed annual dividends of 6.00%.

The Lower Tier I issues enhanced the regulatory capital of Eurobank EFG and its capital adequacy ratios in anticipation of expansion in Greece and New Europe.

**Liabilities evidenced by paper**

Additionally the Bank increased its Liabilities Evidenced by paper to €9bn in 2005. The outstanding medium term and short-term notes under the Euro Medium Term Note (EMTN) and Euro Commercial Paper (ECP) programs reached €5.1bn and €1.4bn respectively on December 31, 2005.

**Regional expansion**

**Acquisition of EFG Istanbul Holding (Turkey)**

On May, 2005 EFG Eurobank Ergasias SA announced an agreement for the control of HC Istanbul Holdings A.S., hence renamed to EFG Istanbul Holding A.S., which is the parent company of the brokerage firm HC Istanbul Menkul Degerler A.S. hence renamed to EFG Istanbul Menkul Degerler A.S. The latter is a member of the Istanbul Stock Exchange. EFG Istanbul Securities has been very successful in the investment banking area and has a strong market share in transaction volume of the Istanbul Stock Exchange on behalf of European and U.S. institutional investors.

Through the acquisition of the brokerage firm, EFG Eurobank Ergasias SA gains access to Turkey, a large market in terms of population and size of economy. At the same time, institutional, corporate and private Greek and international clients will have access to the entire spectrum of products and service offered in the Turkish capital markets.

**Acquisition of Capital S.A. (Romania)**

On May 31, 2005 EFG Eurobank Ergasias SA completed the acquisition of 100% of Capital S.A., later renamed EFG Eurobank Finance S.A., as well as its subsidiary brokerage firm Capital Securies S.A., which is a member of the Bucharest Stock Exchange.

**Participation in Post Bank A.D. (Bulgaria)**

In August 2005 EFG Eurobank Ergasias SA participated in the share capital increase of Bulgarian Post Bank A.D. and its Group shareholding increased to 98.7%

**Acquisition of Nacionalna stedionica Banka (Serbia)**

EFG Eurobank Ergasias SA acquired 52.5% of Nacionalna Stedionica Banka (NSB) though a public offer completed on September 30, 2005. Combined with a 9.8% acquired from the market prior to the public offer, the Group controls 62.3% of NSB.

NSB is a universal bank operating a network of 70 branches in Serbia with total Assets of €122 million at the end of June 2005. Combined with the branch network of EFG Eurobank AD Beograd, EFG Eurobank Ergasias SA has a network of 98 branches throughout the country, thus significantly strengthening its presence in the local banking market.

**Expansion in Poland**

EFG Eurobank Ergasias SA obtained all regulatory approvals and commenced banking operations in Poland under the brand name Polbank EFG in February 2006.

**Share capital changes**

Following the exercise of existing share options issued to directors, executives and staff, 2,924,700 new ordinary shares were listed on the Athens Stock Exchange on January 24, 2005. On the same date 700,000 ordinary shares were also listed on the Athens Stock Exchange, following the distribution of free shares to staff. As a result, the total number of shares of the Bank was raised to 314,009,537.

5,264,571 ordinary shares with a nominal value of € 3.26 each resulting from the share capital increase due to the merger by absorption of Greek Progress Fund SA were listed on the Athens Stock Exchange on December 27, 2005 . The total number of shares of the Bank was raised to 319,321,451 due to the exercise of share options issued to executive directors, management and staff amounting to 47,343. Additionally the nominal value of Eurobank EFG share was raised to € 3.30 as of December 27, 2005, through capitalization of reserves.

**Financial results review and proposed dividend distribution**

At the end of 2005, Total Assets stood at €44.5bn, rising 34.6%. Balance sheet expansion mainly reflects robust growth in business volumes in Greece and in the region. Specifically, Eurobank increased its Total Loans in Greece by 23.4%, against a market growth of 18.7%. Taking into account Loans in New Europe, Total Loans on a consolidated basis amounted to €27.4bn, increasing by 25.5%. The Asset Management Business generated strong results in 2005 as well, as Customer Funds under Management expanded by 22.6% to €36.9 bn.

Consolidated net profit increased by 47.4% to €501m. Based on the group’s satisfactory profitability, the directors propose to the Annual General Meeting the payment of a dividend of €0.90 per share to shareholders, which includes the interim dividend of € 0.36 per share distributed in December 2005. The proposed dividend for 2005 totals €286 million.

## Index to the consolidated financial statements

## AUDITORS' REPORT

**To the Shareholders of EFG EUROBANK ERGASIAS S.A.**

We have audited the accompanying consolidated balance sheet of EFG EUROBANK ERGASIAS S.A. (the "Company") and its subsidiaries (the "Group") as of 31 December 2005, and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements set out on pages 6 to 45 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Greek Auditing Standards, which are based on International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We also assessed the consistency of the information included in the Directors' Report set out on pages 2 to 3, with the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the financial position of the Group as of 31 December 2005, and of the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the information included in the Directors' Report is consistent with the financial statements.

In addition, in our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2005, and of the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the IASB.

Athens, 27 February 2006

PRICEWATERHOUSECOOPERS

## Consolidated Income Statement
## for the year ended 31 December 2005

| | Note | Year ended 31 December 2005 € million | 2004 € million |
|---|---|---|---|
| Interest income | 6 | **2,850** | 2,088 |
| Interest expense | 6 | **(1,478)** | (994) |
| **Net interest income** | | **1,372** | 1,094 |
| | | | |
| Banking fee and commission income | | **498** | 414 |
| Banking fee and commission expense | | **(144)** | (126) |
| **Net banking fee and commission income** | 7 | **354** | 288 |
| | | | |
| Net insurance income | | **36** | 18 |
| Non banking services | | **30** | 27 |
| | | | |
| **Core income** | | **1,792** | 1,427 |
| | | | |
| Dividend income | | **4** | 8 |
| Net trading income/(loss) | | **20** | 12 |
| Gains less losses from investment securities | | **37** | 40 |
| Other operating income | | **7** | 2 |
| | | **68** | 62 |
| | | | |
| **Operating income** | | **1,860** | 1,489 |
| | | | |
| Operating expenses | 8 | **(890)** | (772) |
| Impairment losses on loans and advances | 19 | **(309)** | (223) |
| | | | |
| **Profit from operations** | | **661** | 494 |
| | | | |
| Share of results of associates | 22 | **15** | 6 |
| | | | |
| **Profit before tax** | | **676** | 500 |
| | | | |
| Income tax expense | 10 | **(172)** | (148) |
| | | | |
| **Profit after tax** | | **504** | 352 |
| | | | |
| Minority interest | | **(3)** | (12) |
| | | | |
| **Net profit for the year attributable to shareholders** | | **501** | 340 |

| | Note | € | € |
|---|---|---|---|
| **Earnings per share** | | | |
| - basic | 12 | 1.55 | 1.10 |
| - diluted | 12 | 1.55 | 1.10 |

*Notes on pages 10 to 45 form an integral part of these consolidated financial statements*

## Consolidated Balance Sheet at 31 December 2005

| | Note | At 31 December 2005 € million | 2004 € million |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with central banks | 13 | **1,755** | 1,510 |
| Loans and advances to banks | 15 | **2,993** | 733 |
| Financial instruments at fair-value-through-profit-or-loss | 16 | **1,209** | 2,488 |
| Derivative financial instruments | 17 | **311** | 255 |
| Loans and advances to customers | 18 | **26,624** | 21,231 |
| Available-for-sale investment securities | 20 | **10,024** | 5,485 |
| Investments in associated undertakings | 22 | **35** | 57 |
| Intangible assets | 23 | **154** | 68 |
| Property, plant and equipment | 24 | **827** | 741 |
| Other assets | 25 | **532** | 478 |
| **Total assets** | | **44,464** | 33,046 |
| **LIABILITIES** | | | |
| Due to other banks | 26 | **10,781** | 5,361 |
| Derivative financial instruments | 17 | **736** | 625 |
| Due to customers | 27 | **19,255** | 18,208 |
| Liabilities evidenced by paper | 28 | **9,153** | 5,771 |
| Other liabilities | 29 | **1,140** | 901 |
| **Total liabilities** | | **41,065** | 30,866 |
| **EQUITY** | | | |
| Share capital | 31 | **1,047** | 926 |
| Share premium | 31 | **482** | 501 |
| Other reserves | | **994** | 675 |
| **Ordinary shareholders' equity** | | **2,523** | 2,102 |
| **Preferred securities** | 32 | **762** | - |
| **Minority interest** | | **114** | 78 |
| **Total** | | **3,399** | 2,180 |
| **Total equity and liabilities** | | **44,464** | 33,046 |

*Notes on pages 10 to 45 form an integral part of these consolidated financial statements*

## Consolidated Statement of Changes in Equity
### for the year ended 31 December 2005

| | Note | Attributable to ordinary shareholders of the Bank Share capital €million | Share premium €million | Special reserves €million | Retained earnings €million | Total €million | Preferred securities €million | Minority interest €million | Total €million |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2004** | | 903 | 459 | 784 | (193) | 1,953 | - | 105 | 2,058 |
| Cash flow hedges | | | | | | | | | |
| - net changes in fair value, net of tax | | - | - | (9) | - | (9) | - | - | (9) |
| - transfer to net profit, net of tax | | - | - | 10 | - | 10 | - | - | 10 |
| Available-for-sale securities | | | | | | | | | |
| - net changes in fair value, net of tax | | - | - | 160 | - | 160 | - | - | 160 |
| - transfer to net profit, net of tax | | - | - | (152) | - | (152) | - | - | (152) |
| - net changes in fair value, net of tax - associated undertakings | | - | - | 11 | - | 11 | - | - | 11 |
| - transfer to net profit, net of tax - associated undertakings | | - | - | (4) | - | (4) | - | - | (4) |
| Net income/(expense) recognised directly in equity | | - | - | 16 | - | 16 | - | - | 16 |
| Profit for the year | | - | - | - | 340 | 340 | - | 12 | 352 |
| Total recognised income for the year ended 31 December 2004 | | - | - | 16 | 340 | 356 | - | 12 | 368 |
| Issue of share capital - capitalisation of retained earnings | | 5 | - | - | (5) | - | - | - | - |
| Increase in Group's holding in subsidiaries | | - | - | - | - | - | - | (43) | (43) |
| Minority's share of capital increase of subsidiaries | | - | - | - | - | - | - | 6 | 6 |
| Dividend for 2003 | 46 | - | - | - | (185) | (185) | - | - | (185) |
| Interim dividend for 2004 | 46 | - | - | - | (94) | (94) | - | - | (94) |
| Dividend paid by subsidiaries attributable to minority interest | | - | - | - | - | - | - | (2) | (2) |
| Reserve transfers | | - | - | (213) | 213 | - | - | - | - |
| Purchase of treasury shares | | (10) | (44) | - | - | (54) | - | - | (54) |
| Sale of treasury shares | | 19 | 73 | 12 | - | 104 | - | - | 104 |
| Share capital increase due to share options exercised | | 9 | 13 | - | - | 22 | - | - | 22 |
| | | 23 | 42 | (201) | (71) | (207) | - | (39) | (246) |
| **Balance at 31 December 2004** | | 926 | 501 | 599 | 76 | 2,102 | - | 78 | 2,180 |
| **Balance at 1 January 2005** | | 926 | 501 | 599 | 76 | 2,102 | - | 78 | 2,180 |
| Cash flow hedges | | | | | | | | | |
| - net changes in fair value, net of tax | | - | - | (2) | - | (2) | - | - | (2) |
| - transfer to net profit, net of tax | | - | - | 10 | - | 10 | - | - | 10 |
| Available-for-sale securities | | | | | | | | | |
| - net changes in fair value, net of tax | | - | - | 167 | - | 167 | - | 1 | 168 |
| - transfer to net profit, net of tax | | - | - | (99) | - | (99) | - | - | (99) |
| - net changes in fair value, net of tax - associated undertakings | | - | - | (7) | - | (7) | - | - | (7) |
| Currency translation differences | | - | - | 10 | - | 10 | - | 3 | 13 |
| Net income/(expense) recognised directly in equity | | - | - | 79 | - | 79 | - | 4 | 83 |
| Profit for the year | | - | - | - | 501 | 501 | - | 3 | 504 |
| Total recognised income for the year ended 31 December 2005 | | - | - | 79 | 501 | 580 | - | 7 | 587 |
| Minority's share of capital increase of subsidiaries | | - | - | - | - | - | - | 66 | 66 |
| Acquisitions | 21 | - | - | - | (9) | (9) | - | (36) | (45) |
| Issue of preferred securities | | - | - | - | - | - | 791 | - | 791 |
| Purchase of preferred securities | | - | - | - | - | - | (29) | - | (29) |
| Dividend for 2004 | 46 | - | - | - | (132) | (132) | - | - | (132) |
| Interim dividend for 2005 | 46 | - | - | - | (115) | (115) | - | - | (115) |
| Dividend paid by subsidiaries attributable to minority interest | | - | - | - | - | - | - | (1) | (1) |
| Own shares dividend | | - | - | - | 0 | 0 | - | - | 0 |
| Capitalisation of reserves | | 15 | - | (15) | - | - | - | - | - |
| Purchase of treasury shares | | (14) | (91) | - | - | (105) | - | - | (105) |
| Sale of treasury shares | | 8 | 52 | 8 | - | 68 | - | - | 68 |
| Employee share option scheme: | | | | | | | | | |
| - Value of employee services | | - | - | 3 | - | 3 | - | - | 3 |
| - Share capital increase due to share options exercised | | 0 | 0 | - | - | 0 | - | - | 0 |
| Reserve transfers | | - | - | 239 | (239) | - | - | - | - |
| Merger of Greek Progress Fund S.A. | 22 | 112 | 20 | - | (1) | 131 | - | - | 131 |
| | | 121 | (19) | 235 | (496) | (159) | 762 | 29 | 632 |
| **Balance at 31 December 2005** | | **1,047** | **482** | **913** | **81** | **2,523** | **762** | **114** | **3,399** |
| | | Note 31 | Note 31 | Note 34 | | | Note 32 | | |

*Notes on pages 10 to 45 form an integral part of these consolidated financial statements*

## Consolidated Cash Flow Statement
## for the year ended 31 December 2005

| | | Year ended 31 December | |
|---|---|---|---|
| | | 2005 | 2004 |
| | Note | € million | € million |
| **Cash flows from operating activities** | | | |
| Interest received and net trading receipts | | **2,078** | 1,772 |
| Interest paid | | **(987)** | (1,026) |
| Fee and commission received | | **588** | 490 |
| Fee and commission paid | | **(117)** | (141) |
| Dividend received | | **4** | 8 |
| Other income received | | **39** | 10 |
| Cash payments to employees and suppliers | | **(721)** | (751) |
| Income taxes paid | | **(137)** | (107) |
| Cash flows from operating profits before changes in operating assets and liabilities | | **747** | 255 |
| | | | |
| **Changes in operating assets and liabilities** | | | |
| Net (increase)/decrease in cash and balances with central banks | | **(243)** | (35) |
| Net (increase)/decrease in treasury bills and other eligible bills | | **150** | (235) |
| Net (increase)/decrease in financial instruments at fair-value-through-profit-or-loss | | **812** | 631 |
| Net (increase)/decrease in loans and advances to banks | | **(625)** | 4 |
| Net (increase)/decrease in loans and advances to customers | | **(5,351)** | (4,923) |
| Net (increase)/decrease in other assets | | **123** | 94 |
| Net increase/(decrease) in due to other banks | | **5,413** | (274) |
| Net increase/(decrease) in due to customers | | **804** | 939 |
| Net increase/(decrease) in other liabilities | | **(323)** | 269 |
| **Net cash from operating activities** | | **1,507** | (3,275) |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | | **(77)** | (111) |
| Proceeds from sale of property, plant and equipment | | **27** | 7 |
| Purchases of available-for-sale investment securities | 20 | **(7,527)** | (2,309) |
| Proceeds from sale of available-for-sale investment securities | 20 | **3,439** | 2,230 |
| Acquisition of subsidiary undertakings net of cash acquired | 43 | **(70)** | 5 |
| Acquisition of associated undertakings | | **49** | (9) |
| Participation in capital increase of associated undertakings | 22 | **(1)** | - |
| Proceeds from sale of associated undertakings | | **4** | - |
| Dividend from associated undertakings | 22 | **3** | 4 |
| Net contributions by minority interest | | **65** | - |
| **Net cash from investing activities** | | **(4,088)** | (183) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from liabilities evidenced by paper | | **5,565** | 4,372 |
| Repayments of liabilities evidenced by paper | | **(2,170)** | (1,116) |
| Proceeds from exercise of options | | **0** | 22 |
| Proceeds from the issue of preferred securities | 32 | **791** | - |
| Purchases of preferred securities | | **(29)** | - |
| Dividends paid | 46 | **(242)** | (270) |
| Purchases of treasury shares | | **(105)** | (53) |
| Proceeds from sale of treasury shares | | **68** | 92 |
| **Net cash from financing activities** | | **3,878** | 3,047 |
| | | | |
| Effect of exchange rate changes on cash and cash equivalents | | **24** | 12 |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | **1,321** | (399) |
| Cash and cash equivalents at beginning of year | 14 | **2,247** | 2,646 |
| **Cash and cash equivalents at end of year** | 14 | **3,568** | 2,247 |

*Notes on pages 10 to 45 form an integral part of these consolidated financial statements*

## 1. General information

EFG Eurobank Ergasias S.A. (the “Company” or the “Bank”) and its subsidiaries (the “Group”) are active in retail, corporate and private banking, asset management, insurance, treasury, capital markets and other services. The Company is incorporated in Greece and its shares are listed on the Athens Stock Exchange. The Group operates mainly in Greece and in New Europe.

These consolidated financial statements were approved by the Board of Directors on 24 February 2006.

## 2. Principal accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below:

### (a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with both International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards issued by the IASB and in particular with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements. The consolidated financial statements for the year ended 31 December 2005 are covered by IFRS 1 (First-time Adoption of International Financial Reporting Standards) as they are the Group’s first annual financial statements prepared in accordance with IFRS.

The policies set out below have been consistently applied to the years 2004 and 2005. The Group has early adopted revised IAS 32 (Financial Instruments: Disclosure and Presentation) and revised IAS 39 (Financial Instruments: Recognition and Measurement) from 1 January 2004. The policies applied to financial instruments for 2004 and 2005 are disclosed separately below.

The Group intends to adopt the following new standards, amendments and interpretations to existing standards, which are relevant to its operations and are effective from the accounting periods beginning on 1 January 2006 or later:

- IAS 19 (Amendment), Employee Benefits
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts
- IFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures
- IFRIC 4, Determining whether an Arrangement contains a Lease

The consolidated financial statements were prepared in accordance with Greek Generally Accepted Accounting Principles (GR GAAP) until 31 December 2004. In preparing the 2005 consolidated financial statements, Management has amended certain accounting, valuation and consolidation methods applied in the GR GAAP financial statements to comply with IFRS. The comparative figures in respect of 2004 were restated to reflect these adjustments.

Reconciliations and descriptions of the effect of the transition from GR GAAP to IFRS on the Group’s equity and its net income and cash flow are provided in note 4.

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and of financial assets and financial liabilities (including derivative instruments) at fair-value-through-profit-or-loss.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The Group’s presentation currency is the Euro (€) being the functional currency of the parent Company.

### (b) Consolidation

***(i) Subsidiaries***

Subsidiary undertakings are all entities over which the Group, directly or indirectly, has power to exercise control over the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments or liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the identifiable net assets of the subsidiary acquired (attributable to the Group) is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Increases of the Group's ownership interest in subsidiaries are recorded as equity transactions and any difference between the consideration and the share of the new net assets acquired is recorded directly in equity.
Gain or losses arising from disposals of ownership interest that do not result in loss of control by the Group are also recorded directly in equity.
Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

The Group sponsors the formation of special purpose entities, which may or may not be directly owned subsidiaries for the purpose of asset securitisation (see accounting policy (y) below). The entities may acquire assets directly from the Bank. These companies are bankruptcy-remote entities and are consolidated in the Group's Financial Statements when the substance of the relationship between the Group and the entity indicates that the entity is controlled by the Group.

Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A listing of the Company’s subsidiaries is set out in note 21.

***(ii) Associates***

Investments in associated undertakings are accounted for by the equity method of accounting in the consolidated financial statements. These are undertakings over which the Group exercises significant influence but which are not controlled.

Equity accounting involves recognising in the income statement the Group's share of the associate's profit or loss for the year. The Group's interest in the associate is carried on the balance sheet at an amount that reflects its share of the net assets of the associate and any goodwill identified on acquisition net of any accumulated impairment losses. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses, unless it has incurred obligations or made payments on behalf of the associate. Where necessary the accounting policies used by the associate have been changed to ensure consistency with the policies of the Group.

A listing of the Group's associated undertakings, which are accounted for using the equity method, is shown in note 22.

**2. Principal accounting policies (continued)**

**(b) Consolidation (continued)**

***(iii) Joint ventures***
The Group's interest in jointly controlled entities are accounted for by the equity method of accounting in the consolidated financial statements and are treated as associates.

A listing of the Group's joint ventures is shown in note 22.

**Foreign currencies**

Assets and liabilities of foreign subsidiaries are translated using the closing exchange rate and income statement items at the average exchange rate for the period reported. All resulting exchange differences are recognised as a separate component of equity (cumulative translation adjustment).

Exchange differences arising from the retranslation of the net investment in foreign subsidiaries are taken to shareholders' equity until disposal of the net investments and then released to the income statement.

Assets and liabilities denominated in foreign currencies have been translated into the functional currency at the market rates of exchange ruling at the balance sheet date and exchange differences are accounted for in the income statement.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair-value-through-profit-or-loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

**(d) Derivative financial instruments and hedging**

Derivative financial instruments, including foreign exchange contracts, forward currency agreements and interest rate options (both written and purchased), currency and interest rate swaps, and other derivative financial instruments, are initially recognised in the balance sheet at fair value on the date on which a derivative contract is entered and subsequently are re-measured at their fair value. Fair values are obtained from quoted market prices, including recent market transactions, discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e., the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises profits on day 1.

Certain derivatives, embedded in other financial instruments, are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments (fair value hedge); or, (2) hedges of the exposure to variability in cash flows of recognised assets or liabilities or highly probable forecasted transactions (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

***(i) Fair value hedge***
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. The adjustment to the carrying amount of a hedged item for which the effective interest method is not used remains until the disposal of the equity security.

***(ii) Cash flow hedge***
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

***(iii) Net investment hedge***
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

***(iv) Derivatives that do not qualify for hedge accounting***
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 17.

## 2. Principal accounting policies (continued)

### (e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### (f) Income statement

***(i) Interest income and expenses***
Interest income and expenses are recognised in the income statement for all interest bearing instruments on an accruals basis, using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

***(ii) Fees and commissions***
Fees and commissions are generally recognised on an accruals basis. Commissions and fees relating to foreign exchange transactions, imports-exports, remittances, bank charges and brokerage activities are recognised on the completion of the underlying transaction.

### (g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment are periodically reviewed for impairment, with any impairment charge being recognised immediately in the income statement.

Depreciation is calculated on the straight-line method to write down the cost of property, plant and equipment, to their residual values over their estimated useful life as follows:
- Land: No depreciation
- Freehold buildings: 40-50 years
- Leasehold improvements: over the life of the lease contract or useful life if shorter
- Computer hardware and software: 4-10 years
- Other furniture and equipment: 4-20 years
- Motor vehicles: 5-7 years

Property held for rental yields and/or capital appreciation that is not occupied by the companies in the Group is classified as investment property. Investment property is carried at cost less accumulated depreciation and accumulated impairment losses.

### (h) Intangible assets

***(i) Goodwill***
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired undertaking at the date of acquisition. The cost of acquisition is adjusted for changes in the purchase consideration contingent on future events. Goodwill on acquisitions of subsidiaries is included in ‘intangible assets’. Goodwill on acquisitions of associates is included in ‘investments in associates’. Negative goodwill is recognised in the income statement. The carrying amount of goodwill is re-assessed annually and if found to be impaired it is written down to its recoverable amount.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

***(ii) Computer software***
Costs associated with the in-house maintenance of existing computer software programmes are expensed as incurred. Development costs associated with the production of identifiable and unique products controlled by the Group, that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets and are amortised using the straight-line method over their estimated useful lives.

***(iii) Other intangible assets***
Other intangible assets are assets that are separable or arise from contractual or other legal rights and are amortised over their estimated useful lives. These include intangible assets acquired in business combinations.

### (i) Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair-value-through-profit-or-loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

***(i) Financial assets at fair-value-through-profit-or-loss***
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

***(ii) Loans and receivables***
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the entity upon initial recognition designates as at fair-value through profit-or-loss and those that the entity upon initial recognition designates as available-for-sale. They arise when the Group provides money, goods or services directly to a debtor.

***(iii) Held-to-maturity***
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

***(iv) Available-for-sale***
Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

**2. Principal accounting policies (continued)**

**(i) Financial Assets (continued)**

***(v) Accounting treatment and calculation***

Purchases and sales of financial assets at-fair-value-through-profit-or-loss, held-to-maturity and available-for-sale are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair-value-through-profit-or-loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair-value-through-profit-or-loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair-value-through-profit-or-loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

**(j) Impairment of financial assets**

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

a) significant financial difficulty of the issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments;
c) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
   - adverse changes in the payment status of borrowers in the group; or
   - national or local economic conditions that correlate with defaults on the assets in the group.

***(i) Assets carried at amortised cost***

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have no been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

## 2. Principal accounting policies (continued)

### (j) Impairment of financial assets (continued)

***(ii) Available-for-sale assets***
In case of equity and debt investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity investments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

### (k) Sale and repurchase agreements and securities lending

***(i) Sale and repurchase agreements***
Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks or due to customers, as appropriate. Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances to other banks or customers as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the period of the repo agreements using the effective interest method.

***(ii) Securities lending***
Securities lent to counterparties are retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

### (l) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

If the Group purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of a liability and the consideration paid is included in gains less losses from investment securities.

### (m) Financial liabilities at fair-value-through-profit-or-loss

The Group classifies its financial liabilities in the following categories: financial liabilities held for trading and financial liabilities that are designated by the Group at the time of initial recognition as measured at fair-value-through-profit-or-loss.

From 1 January 2005, the Group has early adopted the amended version of IAS 39: Recognition and Measurement – the Fair Value Option to financial liabilities, or group of financial liabilities managed and evaluated on a fair value basis, in order to reduce accounting inconsistencies and complexities. Specifically, the following liabilities are designated as at fair-value-through-profit-or-loss :

i) liabilities contractually linked to the performance of assets (unit-linked products) and
ii) structured products (customer deposits and notes issued) containing embedded derivatives that are managed using a mix of derivative and non - derivative instruments.

Gains and losses arising from changes in the fair value of the fair-value-through-profit-or-loss liabilities are included in the income statement in the period in which they arise.

### (n) Leases

***(i) Accounting for leases as lessee***
Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

***(ii) Accounting for leases as lessor***
Finance leases:
When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Operating leases:
Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

### (o) Deferred income tax

Deferred income tax is provided, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The expected effective tax rates are used to determine deferred income tax. The principal temporary differences arise from loan impairment, depreciation of fixed assets, pension and other retirement benefits obligations, and revaluation of certain financial assets and liabilities, including derivative instruments.

Deferred tax assets are only recognised to the extent that it is probable that they will crystallise in the future. Deferred tax related to changes in fair values of available-for-sale investments and cash flow hedges which are taken directly to equity is also charged or credited directly to equity, and is subsequently recognised in the income statement together with the deferred gain or loss.

Income tax payable on profits, based on the applicable tax law in each jurisdiction is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

## 2. Principal accounting policies (continued)

### (p) Employee benefits

***(i) Pension obligations***

The Company participates in certain defined contribution pension plans under which the Group pays fixed contributions into a separate entity. The Group has no further payment obligations once the contributions have been paid.

The Group's contributions to defined contribution pension plans are recognised as employee benefit expense in the year to which they relate.

***(ii) Staff retirement leaving indemnities (SRLI)***

In accordance with Greek labour legislation, if employees remain in the employment of a company until normal retirement age, they are entitled to a lump sum payment which is based on the number of years of service and the level of remuneration at the date of retirement. Provision has been made for the actuarial value of the lump sum payable on retirement (SRLI) using the projected unit credit method. Under this method the cost of providing retirement indemnities is charged to the income statement so as to spread the cost over the period of service of the employees, in accordance with actuarial valuations which are performed every year. The SRLI obligation is calculated as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

In addition, the Company has enhanced the above provision by taking into consideration potential separations before normal retirement based on the terms of previous voluntary separation schemes. The Company recognises separation indemnity when it is demonstrably committed to separations either according to detailed formal plans which are announced and cannot be withdrawn or as a result of mutually agreed termination terms. Benefits payable in more than 12 months from the balance sheet date are discounted to present value.

***(iii) Performance-based cash payments***

The Group's management awards high performing employees with bonuses in cash, from time to time, on a discretionary basis. Cash payments requiring only Management approval are recognised as employee benefit expenses on an accrual basis. Cash payments requiring General Meeting approval as distribution of profits to staff are recognised as employee benefit expense in the accounting period that they are approved by the Company's shareholders.

***(iv) Performance-based share-based payments***

The Group's management awards high-performing employees with bonuses in the form of shares and share options, from time to time, on a discretionary basis. The shares vest in the period granted. The fair value of the shares granted is recognised as an employee benefit expense with a corresponding increase in share capital (par value) and share premium.

Following vesting periods of 20 to 32 months, the options are exercisable on alternative dates within a 24 or 36 month period, only if the holders are still employed by the Group. The fair value of the options granted is recognised as an employee benefit expense with a corresponding increase in a non-distributable reserve over the vesting period, until exercised. The proceeds received net of any directly attributable transaction costs are credited to share capital (par value) and share premium when the options are exercised, with a transfer of the non distributable reserve to share premium.

### (q) Insurance activities

***(i) Revenue recognition***

Premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. For long term contracts, revenue is recognised upon issue / receipt. The matching expense is recognised together with the recognition of mathematical provisions. Interest income is recognised on an accrual basis.

***(ii) Provision for insurance liabilities***

Insurance provisions are classified as follows:

*Mathematical provisions*

Mathematical provisions represent insurance provisions for long-term life insurance contracts. They are calculated in accordance with actuarial techniques, after taking into account the technical assumptions imposed by supervisory authorities (mortality table and the technical interest rate in effect at the contract's inception), as the difference between the actuarial present value of the Group's liabilities and the present value of the premiums to be received.

*Unearned premiums' provisions*

Unearned premiums' provisions represent part of net premiums received, regarding contracts with annual commencement and termination dates, which differ from the Group's fiscal year, and they cover proportionately the period from the reporting date to the termination of the period covered by the respective premium.

*Outstanding claims' provisions*

Outstanding claims provisions concern liabilities on claims occurred and reported but not fully settled by the end of the reporting period. The specified liabilities are examined on a case-by-case basis by professional valuers, based on existing information (loss adjustors' reports, medical reports, court decisions etc). The Group recognises additional provisions regarding claims occurred but not reported (IBNR) by the end of the reporting period. The calculation of these provisions is based on statistical methodologies in order to estimate the average cost per claim and the number of claims.

***(iii) Liability adequacy***

At each reporting date, the Group performs tests to assess the adequacy of the recognised insurance provisions, after deducting deferred acquisition costs, in accordance with IFRS 4. In case the assessment results to inadequate provisions, the entire deficiency is recognised in Profit or Loss.

To assess the mathematical provisions for life insurance contracts, the Group compares the recognised provisions with the present values of the estimated liabilities regarding the specified group of contracts. To assess the adequacy of the outstanding claims provisions the triangulation methodology is used, based on statistical data of the last five years.

***(iv) Reinsurance***

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment at each reporting date. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement.

## 2. Principal accounting policies (continued)

### (r) Repossessed properties

Land and buildings repossessed through an auction process to recover impaired loans are, except where otherwise stated, included in "Other Assets". Assets acquired from an auction process are held temporarily for liquidation and are valued at the lower of cost and net realisable value. Any gains or losses on liquidation are included in "Other operating income".

### (s) Related party transactions

Related parties include associates, fellow subsidiaries, directors, their close families, companies owned or controlled by them and companies whose financial and operating policies they can influence. Transactions of similar nature are disclosed on an aggregate basis. All banking transactions entered into with related parties are in the normal course of business and on an arm's length basis.

### (t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimates of the amount of the obligation can be made.

### (u) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment. The Group is organised into five main business segments. Segment revenue, segment expenses and segment performance include transfers between business segments. Such transfers are accounted for at competitive prices in line with charges to unaffiliated customers for similar services.

### (v) Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Dividend distribution on ordinary shares is recognised as a deduction in the Group’s equity when approved by the Company’s shareholders. Interim dividends are recognised as a deduction in the Group's equity when approved by the Board of Directors.

Where any Group company purchases the Company’s equity share capital (treasury shares), the consideration paid including any directly attributable incremental costs (net of income taxes), is deducted from shareholders’ equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders’ equity.

### (w) Preferred Securities

Callable non-voting preferred securities, which have no fixed redemption date and pay non-cumulative dividend are classified as equity.

Incremental costs directly attributable to the issue of new preferred securities are shown in equity as a deduction from the proceeds, net of tax.

Dividend distribution on preferred securities is recognised as a deduction in the Group’s equity on the date it is due.

Where preferred securities, issued by the Group, are repurchased, the consideration paid including any directly attributable incremental costs (net of income taxes), is deducted from shareholders’ equity. Where such securities are subsequently called or sold, any consideration received is included in shareholders’ equity.

### (x) Derecognition

The Group enters into transactions where it transfers assets recognised on its balance sheet, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the Balance Sheet. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset, if control over the asset is lost.

### (y) Securitisations

The Group securitises various financial assets, which generally results in the sale of the assets to special purpose entities (see accounting policy b (i) above), which, in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of subordinated tranches or other residual interests.

### (z) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank drafts.

## 3. Critical accounting estimates and judgements in applying accounting policies

In the process of applying the Group’s accounting policies, the Group’s management makes various judgments, estimates and assumptions that affect the reported amounts of assets and liabilities recognized in the financial statements within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

***(a) Impairment losses on loans and advances***
The Group reviews its loan portfolios to assess impairment continuously. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

***(b) Estimated impairment of goodwill***
The Group tests annually whether goodwill has suffered an impairment in accordance with the accounting policy stated in note 2 h(i). The recoverable amounts of cash-generating units are determined based on value in use calculations. These calculations are based on profitability and cash flow projections, which require the use of estimates such as growth rates for revenues and expenses and profit margins.

## 3. Critical accounting estimates and judgements in applying accounting policies (continued)

***(c) Fair value of financial instruments***
The fair value of financial instruments that are not quoted in an active market are determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the personnel that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

***(d) Impairment of available for sale equity investments***
The Group determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value of the equity investments below their cost. In determining what is significant or prolonged the Group's management exercises judgment. In making this judgement, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

***(e) Securitisations and special purpose entities***
The Group sponsors the formation of special purpose financing entities (SPEs) for various purposes including asset securitisation. The Group may or may not directly own the SPEs and consolidates those SPEs that it controls. In determining whether the Group controls an SPE, it makes judgements about its exposure to the risks and rewards related to the SPE and about its ability to make operational decisions for the SPE in question

***(f) Income taxes***
The Group is subject to income taxes in various jurisdictions and estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

## 4. Transition to IFRS

### 4.1 Basis of transition to IFRS

#### 4.1.1 Application of IFRS 1

The Group's consolidated financial statements for the year ended 31 December 2005 are the Group's first consolidated financial statements that comply with IFRS. These consolidated financial statements have been prepared as described in note 2a. The Group has applied IFRS 1 in preparing these consolidated financial statements.

The Group's transition date to IFRS is 1 January 2004 and the Group prepared its opening IFRS balance sheet at that date. The reporting date of these consolidated financial statements is 31 December 2005. The Group's IFRS adoption date is 1 January 2005.

In preparing these consolidated financial statements in accordance with IFRS 1 the Group has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS as detailed below.

#### 4.1.2 Use of IFRS 1 optional exemptions from full retrospective application of IFRS

The Group has used certain of the IFRS 1 optional exemptions from full retrospective application of IFRS as detailed below:

***(a) Business combinations exemption***
The Group has applied the business combinations exemption in IFRS 1. It has not restated business combinations that took place prior to the 1 January 2004 transition date.

***(b) Fair value as deemed cost exemption***
The Group has elected to measure all own-use properties and one investment property at fair value at 1 January 2004 and retain these values as deemed cost at 1 January 2004. The valuation of own use property performed at 1 January 2004 assessed the fair value of property at € 175 million compared to a carrying amount of € 98 million under Greek GAAP. The valuation of the investment property performed at 1 January 2004 assessed its fair value at € 43 million compared to a carrying amount of € 6 million under Greek GAAP.

***(c) Insurance contracts exemption***
The Group elected to apply this exemption and hence applied the transitional provisions of IFRS 4, according to which comparatives need not be restated.

#### 4.1.3 Exceptions from full retrospective application followed by the Group

The hedge accounting exception from retrospective application, as required by IFRS1, is the only mandatory exception applicable to the Group. The management has applied hedge accounting from 1 January 2004, the IAS 32/IAS 39 transition date, where the hedging relationship met all the hedge accounting criteria under IAS 39.

### 4.2 Reconciliations between IFRS and Greek GAAP

The following reconciliations provide details of the impact of the transition to IFRS on:
- consolidated ordinary shareholders' equity (note 4.2.1),
- consolidated balance sheet at 1 January 2004 (note 4.2.2),
- consolidated balance sheet at 31 December 2004 (note 4.2.3),
- consolidated income statement for the year ended 31 December 2004 (note 4.2.4), and
- consolidated cash flow statement for the year ended 31 December 2004 (note 4.2.5).

## 4. Transition to IFRS (continued)

### 4.2 Reconciliations between IFRS and Greek GAAP (continued)

#### 4.2.1 Summary impact on consolidated ordinary shareholders' equity of transition from Greek GAAP to IFRS

| | 1 Jan 2004<br>€million | 31 Dec 2004<br>€million |
|---|---|---|
| Total consolidated ordinary shareholders' equity under Greek GAAP | 1,793 | 1,940 |
| Effect of fair valuation of available for sale investments net of deferred tax (IAS 39) | 145 | 229 |
| Effect of fair valuation of hedging derivatives and application of hedge accounting net of deferred tax (IAS 39) | (107) | (185) |
| Effect of application of effective interest method net of deferred tax (IAS 18 and IAS 39) | (18) | (22) |
| Effect of application of discounting of expected cash flows in determination of loan impairment net of deferred tax (IAS 39) | (31) | (36) |
| Recognition of goodwill arising from business combinations in 2004 (IFRS 3) | - | 51 |
| Recognition of intangibles from 2004 business combinations (IFRS 3, IAS 38) | - | 17 |
| Recording of impairment of properties, write off of Greek GAAP capitalised expenses, revised depreciation charge according to useful economic lives, and use of fair value as deemed cost for all own use property and one investment property net of deferred tax (IAS 16, IAS 17, IAS 36, IAS 40) | 36 | 28 |
| Recognition of proposed dividends when approved by shareholders (IAS 10) | 185 | 132 |
| Additional employee benefit provisions for possible separations and for potential pension fund obligations net of deferred tax and cash profit distributions (IAS 19) | (39) | (50) |
| Cumulative impact of other items | (11) | (2) |
| **Total consolidated ordinary shareholders' equity under IFRS** | 1,953 | 2,102 |

Major differences between Greek GAAP and IFRS which are relevant to the Group are analysed in sections 4.3 and 4.4.

#### 4.2.2 Consolidated balance sheet reconciliation at 1 January 2004

| | Note 4.3. | GR GAAP<br>€million | Transition Adjustments<br>€million | IFRS<br>€million |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and balances with central banks | a | 1,199 | (40) | 1,159 |
| Loans and advances to banks | b | 886 | 245 | 1,131 |
| Loans and advances to customers | c | 16,333 | 147 | 16,480 |
| Securities (excluding derivatives) | d | 8,008 | 346 | 8,354 |
| Investments in associated undertakings | | 19 | - | 19 |
| Fixed assets (tangible and intangible excluding goodwill) | e | 655 | 80 | 735 |
| Goodwill | f | - | - | - |
| Other assets (including derivatives) | g | 930 | (191) | 739 |
| **Total assets** | | 28,030 | 587 | 28,617 |
| **LIABILITIES AND EQUITY** | | | | |
| Due to other banks | b | 5,224 | 411 | 5,635 |
| Due to customers | b | 17,309 | (38) | 17,271 |
| Liabilities evidenced by paper | h | 2,515 | - | 2,515 |
| Other liabilities (including derivatives) | i | 1,066 | 72 | 1,138 |
| Ordinary shareholders' equity | j | 1,793 | 160 | 1,953 |
| Minority interest | j | 123 | (18) | 105 |
| **Total liabilities and equity** | | 28,030 | 587 | 28,617 |

#### 4.2.3 Consolidated balance sheet reconciliation at 31 December 2004

| | Note 4.3. | GR GAAP<br>€million | Transition Adjustments<br>€million | IFRS<br>€million |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and balances with central banks | a | 1,552 | (42) | 1,510 |
| Loans and advances to banks | b | 614 | 119 | 733 |
| Loans and advances to customers | c | 20,498 | 733 | 21,231 |
| Securities (excluding derivatives) | d | 7,444 | 529 | 7,973 |
| Investments in associated undertakings | | 58 | (1) | 57 |
| Fixed assets (tangible and intangible excluding goodwill) | e | 672 | 86 | 758 |
| Goodwill | f | - | 51 | 51 |
| Other assets (including derivatives) | g | 1,101 | (368) | 733 |
| **Total assets** | | 31,939 | 1,107 | 33,046 |
| **LIABILITIES AND EQUITY** | | | | |
| Due to other banks | b | 5,265 | 96 | 5,361 |
| Due to customers | b | 18,209 | (1) | 18,208 |
| Liabilities evidenced by paper | h | 5,067 | 704 | 5,771 |
| Other liabilities (including derivatives) | i | 1,373 | 153 | 1,526 |
| Ordinary shareholders' equity | j | 1,940 | 162 | 2,102 |
| Minority interest | j | 85 | (7) | 78 |
| **Total liabilities and equity** | | 31,939 | 1,107 | 33,046 |

**4. Transition to IFRS (continued)**

**4.2 Reconciliations between IFRS and Greek GAAP (continued)**

**4.2.4 Consolidated income statement reconciliation for the year ended 31 December 2004**

| | Note 4.4. | GR GAAP €million | Transition Adjustments €million | IFRS €million |
|---|---|---|---|---|
| Net interest income | a | 1,038 | 56 | 1,094 |
| Net banking fee and commission income | a | 362 | (74) | 288 |
| Net insurance income | b | - | 18 | 18 |
| Non banking services | b | - | 27 | 27 |
| **Core income** | | 1,400 | 27 | 1,427 |
| Non core income | c | 84 | (22) | 62 |
| **Operating income** | | 1,484 | 5 | 1,489 |
| Operating expenses | d | (759) | (13) | (772) |
| Impairment losses on loans and advances | e | (198) | (25) | (223) |
| **Profit from operations** | | 527 | (33) | 494 |
| Share of results of associates | | - | 6 | 6 |
| **Profit before tax** | | 527 | (27) | 500 |
| Income tax expense | | (149) | 1 | (148) |
| **Profit after tax** | | 378 | (26) | 352 |
| Minority interest | | (10) | (2) | (12) |
| **Net profit for the year attributable to shareholders** | | 368 | (28) | 340 |

**4.2.5 Consolidated cash flow statement reconciliation for the year ended 31 December 2004**

| | GR GAAP €million | Transition Adjustments €million | IFRS €million |
|---|---|---|---|
| Net cash from operating activities | (2,097) | (1,178) | (3,275) |
| Net cash from investing activities | (163) | (20) | (183) |
| Net cash from financing activities | 2,341 | 706 | 3,047 |
| Effect of exchange rate changes on cash and cash equivalents | - | 12 | 12 |
| Net increase/(decrease) in cash and cash equivalents | 81 | (480) | (399) |
| Cash and cash equivalents at beginning of year | 2,085 | 561 | 2,646 |
| Cash and cash equivalents at end of year | 2,166 | 81 | 2,247 |

The main effects of the transition from GR GAAP to IFRS on the Group's consolidated cash flow statement are the following:

(1) Under GR GAAP cash and cash equivalents include cash and balances with central banks and loans and advances to banks. Under IFRS cash and cash equivalents include cash and balances with central banks, loans and advances to banks and financial instruments at fair-value-through-profit-or-loss when they have less than 90 days maturity. These differences have affected the cash and cash equivalents at the beginning and end of the year and the net cash from operating activities.

(2) The cash flows under IFRS include the effects of consolidation of special purpose vehicles that were not consolidated under GR GAAP.

(3) The cash flows under IFRS reflect, where applicable, other reclassification and presentation differences in relation to the IFRS transition.

**4.3 Explanation of adjustments to consolidated balance sheet items**

The following analysis explains the material adjustments to consolidated balance sheet items at 1 January 2004 and 31 December 2004.

**(a) *Cash and balances with central banks***
The decrease in cash and balances with central banks under IFRS arose due to presentation differences.

**(b) *Loans and advances to banks, Due to other banks and Due to customers***
(1) Under Greek GAAP debt instruments were recognised when settled whereas the accounting policy adopted by the Group under IAS 39 is trade date accounting. The impact of adoption of IAS 39 resulted in the recognition of assets and liabilities based on trade date accounting.

(2) Under IFRS reclassifications have been performed for accrued interest and other presentation differences.

**(c) *Loans and advances to customers***
(1) In June 2004 the Group proceeded with the securitisation of mortgage loans. Under Greek GAAP securitised assets were removed from the balance sheet and securitisation vehicles were not consolidated. Under IAS 39, IAS 27 and SIC 12 securitisation vehicles were consolidated and the consolidation has resulted in an increase in loans and advances.

(2) Under IFRS reclassifications have been performed for accrued interest and other presentation differences.

(3) Under IAS 39 loan impairment is calculated based on loss events and discounted estimated recoverable net cash flows, which has resulted in a decrease in loans and advances.

(4) Under Greek GAAP debt instruments were recognised when settled whereas the accounting policy adopted by the Group under IAS 39 is trade date accounting. The impact of adoption of IAS 39 was an increase in loans and advances to customers as a result of the recognition of assets based on trade date accounting.

**(d) *Securities (excluding derivatives)***
(1) Under Greek GAAP the investment portfolio was carried at the lower of total cost/amortised cost and market value. Under IAS 39 the investment portfolio has been classified as available-for-sale securities which are measured at fair value with fair value gains and losses recorded in equity. This fair valuation has resulted in an increase in the value of available-for-sale securities. Under Greek GAAP the impairment policy of equity instruments was already aligned with IAS 39 requirements.

(2) Under IFRS reclassifications have been performed for accrued interest.

**4. Transition to IFRS (continued)**

**4.3 Explanation of adjustments to consolidated balance sheet items (continued)**

**(e)** ***Fixed assets (tangibles and intangibles excluding goodwill)***

Under Greek GAAP fixed assets were carried at cost less accumulated depreciation and depreciation was calculated using specified tax rates. There is also a legal requirement for revaluation of properties every four years based on tax values. Under IFRS properties that are held for own use have been classified as property, plant and equipment and are accounted for in accordance with IAS 16 and property held to earn rentals and/or capital appreciation is classified as investment property and is accounted for under the cost model under IAS 40. Depreciation is charged over the useful economic life of assets. Expenses capitalised under GR GAAP were written-off and impairment of properties was recorded. The Group has elected to measure all own use properties and one investment property at fair value at 1 January 2004, following the IFRS1 optional exemption for fair value as deemed cost (4.1.2 (b)), and retain these values as deemed cost. The impact of the transition to IFRS in relation to the above items was an increase in fixed assets.

**(f)** ***Goodwill***

Under Greek GAAP business combinations were accounted for using the "pooling of interests method" with the tax reference date being the date of acquisition and any goodwill arising on acquisition was recorded directly in equity. The Group has applied the business combinations exemption in IFRS 1 and it has not restated business combinations that took place prior to the 1 January 2004 IFRS transition date (4.1.2 (a)). The Group's business combinations in 2004 have resulted in the recognition of goodwill during 2004.

**(g)** ***Other assets (including derivatives)***

The movement in other assets was mainly due to accrued interest reclassification differences and the fair valuation of hedging derivatives. Under Greek GAAP trading derivatives were fair valued whereas accrual accounting was used for hedging derivatives. In accordance with IAS 39 all derivatives are carried at fair value. The adjustment regarding the fair valuation of hedging derivatives has resulted in the recognition of hedging derivatives with positive fair value as assets.

**(h)** ***Liabilities evidenced by paper***

Under Greek GAAP securitisation vehicles were not consolidated. Under IAS 39, IAS 27 and SIC 12 securitisation vehicles were consolidated and the consolidation has resulted in an increase in liabilities evidenced by paper.

**(i)** ***Other liabilities (including derivatives)***

(1) Under Greek GAAP trading derivatives were fair valued whereas accrual accounting was used for hedging derivatives. In accordance with IAS 39 all derivatives are carried at fair value. The adjustment regarding the fair valuation of hedging derivatives has resulted in the recognition of hedging derivatives with negative fair value as liabilities.

(2) Under Greek GAAP dividends were recognised when proposed whereas under IAS 10 dividends are recognised when approved by the shareholders. The transition to IFRS has resulted in a reduction in liabilities in relation to proposed dividends that are to be recognised when approved by the shareholders.

(3) Under Greek GAAP provisions for employee benefits were recognised in accordance with the Greek Labour legislation solely for staff retirement indemnity. Under IAS 19 the Group provides for staff retirement indemnity and potential separations before normal retirement which has resulted in an increase in liabilities.

**(j)** ***Shareholders' equity and minority interest***

The above adjustments were recorded, where applicable, against reserves resulting to an increase in equity (table 4.2.1) and a decrease in minority interest.

**4.4 Explanation of adjustments to consolidated income statement items**

The following analysis explains the material adjustments to consolidated income statement items for the year ended 31 December 2004.

**(a)** ***Net interest income and net banking fee and commission income***

(1) Under Greek GAAP fees received and costs incurred in relation to financial assets were recognised on a cash basis as commissions. The treatment of certain fees as an adjustment to the effective interest rate under IAS 18 and IAS 39 has resulted in an increase in net interest income and in a decrease in net banking fee and commission income.

(2) In June 2004 the Group proceeded with the securitisation of mortgage loans. Under GR GAAP securitisation vehicles were not consolidated and net income from retained interests was recorded as non-core income. Under IFRS securitisation vehicles were consolidated and mortgage loans interest was included in interest income.

(3) The net decrease in commission income is also due to presentation differences on the face of the income statement.

**(b)** ***Net insurance income and non banking services***

For the purposes of the presentation of the IFRS income statement net insurance income and income from non banking services has been reclassified out of net banking fee and commission income into separate line items in the income statement.

**(c)** ***Non core income***

Under Greek GAAP the net income of the securitisation vehicles that were not consolidated was recognised in the income statement due to retained interests as non core income. Under IFRS the income statements of the consolidated securitisation vehicles are consolidated on a line by line basis. This has resulted in a reclassification from non-core income into net interest income since the second quarter of 2004.

**(d)** ***Operating expenses***

(1) Under Greek GAAP depreciation was calculated using specified tax rates. Under IFRS depreciation is charged over the useful economic life of assets. This has resulted in a decrease in the depreciation expense.

(2) Under Greek GAAP provisions for employee benefits were recognised in accordance with the Greek Labour legislation solely for staff retirement indemnity. The additional provisions for staff retirement indemnity and potential separations before normal retirement under IAS 19 have resulted in an increase in staff costs.

(3) Under Greek GAAP bonus payments to employees are deducted directly from shareholders equity through the appropriation account when proposed. Under IFRS bonus payments to employees are recorded in the income statement when approved by the shareholders. This has resulted in an increase in operating expenses.

**(e)** ***Impairment losses on loans and advances***

In relation to loan impairment, under Greek GAAP specific loan provisions were established on an individual and portfolio basis against performing and non-performing loans. This has resulted in recording of provisions based on expected losses taking into consideration the value of collateral with no discounting of expected future cash flows. In addition, under Greek GAAP expenses incurred for recoveries were recorded as commission expense. Under IAS 39 the Group has discounted expected cash flows and reclassified in the income statement expenses incurred for recoveries resulting in an increase in the impairment loss on loans and advances and an increase in fee and commission income.

## 5. Financial risk management

### 5.1 Use of financial instruments

By their nature the group's activities are principally related to the use of financial instruments including derivatives. The group accepts deposits from customers, at both fixed and floating rates, and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The group also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers within a range of credit standing. Such exposures include both on-balance sheet loans and advances and off-balance sheet guarantees and other commitments such as letters of credit.

The group also trades in financial instruments where it takes positions in traded and over the counter instruments including derivatives, to take advantage of short-term market movements in the equity and bond markets and in currency and interest rates. The Board of Directors places trading limits on the level of exposure that can be taken in relation to overnight and intra-day market positions as well as limits in longer durations. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally concluded to hedge outstanding positions, thereby controlling the variability in the net cash amounts required to offset market positions.

Fair value hedges
The group hedges a proportion of its existing interest rate risk resulting from any potential decrease in the fair value of fixed rate available-for-sale bonds and any potential increase in the fair value of deposits denominated both in local and foreign currencies using interest rate and cross currency interest rate swaps. The net fair value of these swaps at 31 December 2005 was € 351 million (31 December 2004: € 333 million) (note 17).

Cash flow hedges
The group hedges a proportion of its existing interest rate risk resulting from any cash flow variability associated with future interest rate changes on variable rate assets or liabilities or unrecognised highly probable forecast transactions using interest rate swaps. The net fair value of these swaps at 31 December 2005 was € 17 million (31 December 2004: € 22 million) (note 17).

### 5.2 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk and interest rate risk) and liquidity risk. The Group's overall risk management policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance, financial position and cash flows.

#### 5.2.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are recognised for losses that have been incurred at the balance sheet date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors. The exposure to any one borrower including banks and brokers is further restricted by sub limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored on a daily basis.

As one of the largest private banking groups in Greece, the Group is active in the corporate and retail lending markets. Credit risk is well spread over a diversity of personal and commercial customers. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing the lending limits where appropriate. The Group reduces its credit risk associated with loans and advances to customers by entering into collateralised arrangements. The types of collateral that the Group obtains are cash deposits and other cash equivalents, real estate, securities, vessels and bank guarantees. The value of collateral that the Group has as at 31 December 2005 amounts to 30% (31 December 2004: 27%) of the total aggregate amount of the gross loans and advances to customers.

Economic sector risk concentrations within the Group's customer loan portfolio are analysed in note 18.

***(a) Derivatives***
The Group maintains control limits on net open derivative positions i.e., the difference between purchase and sale contracts, by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e., derivatives with a positive fair value) which in relation to derivatives in only a small proportion of the contract notional amount used to express the volume of instruments outstanding. The credit risk exposure is managed as part of the overall lending limits with customers together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties. Further details of the group's derivative instruments are provided in note 17.

***(b) Master netting arrangements***
The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk is reduced by a master netting agreement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement

***(c) Credit related commitments***
The primary purpose of credit related commitments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans since they represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are secured by the underlying shipment of goods to which they relate and therefore carry less risk than a loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter-term commitments.

***(d) Geographical concentration of assets, liabilities and off balance sheet items***
An analysis of the geographical concentration of assets, liabilities and off-balance sheet items to illustrate the concentrations of credit risk in relation to geographical areas is shown in note 35.

Geographical sector risk concentrations within the Group's customer loan portfolio are analysed in note 18.

## 5. Financial risk management (continued)

### 5.2 Financial risk factors (continued)

#### 5.2.2 Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group applies a ‘value at risk’ (VaR) methodology to estimate the market risk of positions held and the potential economic loss based upon a number of assumptions for various changes in market conditions.

The VaR that the bank measures is an estimate, with a confidence level set at 95% until 31.03.05 and 99% since then, of the potential loss that might arise if the current positions were to be held unchanged for a 10-day horizon (holding period). The measurement is structured so that within a 10-day horizon losses exceeding the VaR figure should occur, on average, not more than once every 4 years. Actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation.

Since VaR constitutes an integral part of the Group's market risk control regime, VaR limits have been established for all (trading and banking book) operations and actual exposure is reviewed daily by management. The average daily VaR for the bank during the year ended 31 December 2005 for a one day holding period was € 8.3 million. The average daily VaR for the bank during the year ended 31 December 2004 for one day holding period, after adjusting the confidence level from 95% to 99%, was € 9.6 million (€ 6.8 million with a confidence level set at 95%). However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

***(a) Currency risk***

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposures which are monitored daily. The table in note 39 summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2005 and 31 December 2004. Included in the table are the Group's assets and liabilities at carrying amounts categorised by currency.

***(b) Interest rate risk***

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored on a daily basis.

The table in note 40 summarises the Group's exposure to interest rate risk. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

The effective average interest rates for monetary financial instruments are summarised in note 40.

#### 5.2.3 Liquidity risk

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs and guarantees and from margin and other calls on cash-settled derivatives. The Group maintains cash resources to meet all of these needs. The Board of Directors sets liquidity limits to ensure that sufficient funds are available to meet such calls.

The table in note 41 analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

### 5.3 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument. However market prices are not available for a significant number of financial assets and liabilities held and issued by the group. Therefore, for financial instruments where no market price is available, the fair values of the group are estimated using present value or other estimation and valuation techniques based on current prevailing market conditions.

The values derived using these techniques are significantly affected by underlying assumptions concerning both the amounts and timing of future cash flows and the discount rates used. The following methods and assumptions indicate that the fair values of financial assets and liabilities approximate their carrying amounts:

a) trading assets, derivatives and other transactions undertaken for trading purposes as well as treasury bills, available for sale securities and liabilities evidenced by paper are measured at fair value (see notes 16, 17, 20 and 28) by reference to quoted market prices when available. If quoted market prices are not available, then the fair values are estimated using valuation techniques based on observable market data.

b) Substantially all of the Group's other financial assets and liabilities are at floating rates of interest, which re-price at frequent intervals. Therefore the group has no significant exposure to fair value fluctuations and the carrying value of the financial assets and liabilities is substantially equivalent to their fair values, unless otherwise stated.

### 5.4 Fiduciary activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties. This involves the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements.

## 6. Net interest income

| | 2005<br>€ million | 2004<br>€ million |
|---|---|---|
| **Interest income** | | |
| Banks and customers | **2,518** | 1,814 |
| Trading securities | **37** | 58 |
| Other securities | **295** | 216 |
| **Total interest income** | **2,850** | 2,088 |
| **Interest expense** | | |
| Banks and customers | **(1,264)** | (879) |
| Liabilities evidenced by paper | **(214)** | (115) |
| **Total interest expense** | **(1,478)** | (994) |
| **Net interest income** | **1,372** | 1,094 |

## 7. Net banking fee and commission income

| | 2005<br>€ million | 2004<br>€ million |
|---|---|---|
| Lending related fees and commissions | **69** | 89 |
| Mutual Funds and Assets under management related fees | **138** | 84 |
| Capital Markets related fees | **73** | 44 |
| Other fees | **74** | 71 |
| **Net banking fee and commission income** | **354** | 288 |

## 8. Operating expenses

| | 2005<br>€ million | 2004<br>€ million |
|---|---|---|
| Staff costs (note 9) | **486** | 425 |
| Administrative expenses | **255** | 222 |
| Amortisation and impairment of intangible assets (note 23) | **5** | - |
| Depreciation and impairment of property, plant and equipment (note 24) | **92** | 82 |
| Operating lease rentals | **52** | 43 |
| | **890** | 772 |

## 9. Staff costs

| | 2005<br>€ million | 2004<br>€ million |
|---|---|---|
| Wages, salaries and staff bonuses | **334** | 285 |
| Social security costs | **72** | 65 |
| Pension costs-defined contribution scheme | **9** | 9 |
| Other | **71** | 66 |
| | **486** | 425 |

The average number of employees of the Group during the year was 14.887 (2004: 13,602).

## 10. Income tax expense

| | 2005<br>€ million | 2004<br>€ million |
|---|---|---|
| Current tax | **176** | 157 |
| Deferred tax (note 11) | **(10)** | (22) |
| Overseas taxes | **6** | 13 |
| **Total tax charge** | **172** | 148 |

The Greek corporate rate of tax in 2005 is 32% (2004: 35%). In accordance with special incentives for mergers, the parent company tax rate for 2005 was 27% (2004: 30%). The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

| | 2005<br>€ million | 2004<br>€ million |
|---|---|---|
| Profit before tax | **676** | 500 |
| Tax at the applicable tax rates of 32% (2004: 35%) | **216** | 175 |
| Tax effect of: | | |
| - Parent company benefit from reduced tax rate in 2005 of 27% (2004: 30%) | **(27)** | (20) |
| - income and expenses not subject to tax | **(23)** | (17) |
| - effect of different tax rates in different countries | **(3)** | 2 |
| - other differences | **9** | 8 |
| **Income tax expense** | **172** | 148 |

## 11. Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method using the expected effective tax rate of 25% (2004: 30%).

The movement on the deferred income tax account is as follows:

| | **2005** **€ million** | 2004 € million |
|---|---|---|
| At 1 January | **60** | 53 |
| Income statement credit | **10** | 22 |
| Available for sale securities: | | |
| - fair value measurement (note 20) | **(10)** | (70) |
| - transfer to net profit (note 20) | **19** | 22 |
| - fair value hedges (note 20) | **(7)** | 31 |
| Cash flow hedges | **(3)** | - |
| Other differences | **7** | 2 |
| At 31 December | **76** | 60 |

Deferred income tax assets and (liabilities) are attributable to the following items:

| | **2005** | 2004 |
|---|---|---|
| Valuation temporary differences accounted directly to special reserves | **(34)** | (40) |
| Valuation temporary differences accounted through the income statement | **11** | 21 |
| Cash flow hedges | **(1)** | 3 |
| Fixed assets temporary differences | **13** | 2 |
| Pensions and other post retirement benefits | **27** | 26 |
| Loan impairment | **68** | 60 |
| Other temporary differences | **4** | (12) |
| **Deferred income tax assets (note 25)** | **88** | 60 |
| | | |
| Valuation temporary differences accounted directly to special reserves | **2** | - |
| Valuation temporary differences accounted through the income statement | **1** | - |
| Fixed assets temporary differences | **1** | - |
| Loan impairment | **2** | - |
| Other temporary differences | **6** | - |
| **Deferred income tax liabilities (note 29)** | **12** | - |
| | | |
| **Net deferred income tax** | **76** | 60 |

The deferred income tax credit in the income statement comprises the following temporary differences:

| | **2005** | 2004 |
|---|---|---|
| Valuation temporary differences | **7** | 5 |
| Fixed assets temporary differences | **(42)** | 3 |
| Pensions and other post retirement benefits | **11** | 1 |
| Loan impairment | **17** | (18) |
| Other temporary differences | **(3)** | (13) |
| **Deferred income tax credit** | **(10)** | (22) |

## 12. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has one category of dilutive potential ordinary shares: share options. In order to adjust the weighted average number of shares for the share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Bank's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is added to the weighted average number of ordinary shares in issue in order to determine the weighted average number of ordinary shares used for the calculation of the diluted earnings per share.

| | | **2005** | 2004 |
|---|---|---|---|
| Net profit for year attributable to ordinary shareholders | *€ million* | **487** | **340** |
| Weighted average number of ordinary shares in issue | *Number of shares* | *313,786,497* | *310,017,242* |
| Weighted average number of ordinary shares for diluted earnings per share | *Number of shares* | *314,128,335* | *310,063,417* |
| | | | |
| Basic earnings per share | € | **1.55** | 1.10 |
| Diluted earnings per share | € | **1.55** | 1.10 |

## 13. Cash and balances with central banks

| | 2005 € million | 2004 € million |
|---|---|---|
| Cash in hand | **382** | 289 |
| Balances with central banks | **1,373** | 1,221 |
| | **1,755** | 1,510 |
| of which: | | |
| Mandatory deposits with central banks | **774** | 530 |

Mandatory deposits with central banks represent the minimum level of average monthly deposits which the Bank is required to maintain. Balances with central banks can be withdrawn at any time provided the average monthly minimum deposits are maintained.

## 14. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprises the following balances with less than 90 days maturity:

| | 2005 € million | 2004 € million |
|---|---|---|
| Cash and balances with central banks | **981** | 980 |
| Loans and advances to banks | **2,386** | 731 |
| Financial instruments at fair-value-through-profit-or-loss | **201** | 536 |
| | **3,568** | 2,247 |

## 15. Loans and advances to banks

| | 2005 € million | 2004 € million |
|---|---|---|
| Items in course of collection from other banks | **748** | 295 |
| Placements with other banks | **2,245** | 438 |
| | **2,993** | 733 |
| Included in loans and advances to banks are unsubordinated amounts due from: | | |
| - fellow subsidiary and associate undertakings | **0** | 29 |
| - settlement balances with banks | **1,116** | 139 |
| - pledged deposits with banks | **606** | 220 |

## 16. Financial instruments at fair-value-through-profit-or-loss (including trading)

| | 2005 € million | 2004 € million |
|---|---|---|
| Issued by public bodies: | | |
| - government | **900** | 1,944 |
| - other public sector securities | **-** | 10 |
| | **900** | 1,954 |
| Issued by other issuers: | | |
| - banks | **59** | 50 |
| - other | **116** | 354 |
| | **175** | 404 |
| **Total trading** | **1,075** | 2,358 |
| Other financial assets at fair-value-through-profit-or-loss | | |
| - unit linked products | **134** | 130 |
| **Total** | **1,209** | 2,488 |
| Equity securities | **112** | 29 |
| Treasury bills | **290** | 514 |
| Other debt securities | **673** | 1,815 |
| Other financial assets at fair-value-through-profit-or-loss | **134** | 130 |
| | **1,209** | 2,488 |
| Pledged with central banks | **526** | 171 |

## 17. Derivative financial instruments

The group utilises the following derivative instruments for both hedging and non-hedging purposes:

Currency forwards represent commitments to purchase or sell foreign and domestic currency. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates or to buy or sell foreign currency or a financial instrument on a future date at a specified price established in an organized financial market. Since future contracts are collateralised by cash or marketable securities and changes in the futures contract value are settled daily with the exchange, the credit risk is negligible.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). Except for certain currency swaps, no exchange of principal takes place. The group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the group assesses counterparties using the same techniques as for its lending activities and/or marks to market with bilateral collateralisation agreements over and above an agreed threshold.

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. In consideration for the assumption of foreign exchange or interest rate risk, the seller receives a premium from the purchaser. Options may be either exchange-traded or negotiated between the group and a customer (OTC). The group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out in the following table:

| | **31 December 2005** | | | 31 December 2004 | | |
|---|---|---|---|---|---|---|
| | **Contract/ notional amount** | **Fair values** | | Contract/ notional amount | Fair values | |
| | | **Assets** | **Liabilities** | | Assets | Liabilities |
| | **€ million** | **€ million** | **€ million** | € million | € million | € million |
| **Derivatives held for trading** | | | | | | |
| *Currency derivatives* | | | | | | |
| - Currency forwards | **501** | **13** | **11** | 595 | 16 | 15 |
| - Currency swaps | **4,015** | **41** | **28** | 2,492 | 8 | 65 |
| - OTC currency options bought and sold | **3,656** | **66** | **61** | 1,596 | 26 | 25 |
| | | **120** | **100** | | 50 | 105 |
| *Interest rate derivatives* | | | | | | |
| - Interest rate swaps | **11,819** | **140** | **204** | 6,472 | 73 | 85 |
| - Cross-currency interest rate swaps | **555** | **26** | **27** | 404 | 67 | 17 |
| - OTC interest rate options | **1,121** | **0** | **0** | 1,267 | 11 | 18 |
| | | **166** | **231** | | 151 | 120 |
| Exchange traded interest rate futures | **2,085** | **1** | **3** | 557 | 1 | 1 |
| Exchange traded interest rate options | **2,954** | **3** | **5** | 3,910 | 5 | 6 |
| | | **170** | **239** | | 157 | 127 |
| *Other derivatives* | | | | | | |
| OTC index options bought and sold | **131** | **11** | **11** | 539 | 42 | 31 |
| Forward security contracts | **458** | **1** | **1** | 526 | 1 | 1 |
| Other derivative contracts (see below) | **725** | **1** | **2** | 265 | 1 | 2 |
| | | **13** | **14** | | 44 | 34 |
| *Other trading liabilities* | | | | | | |
| - Securities sold not yet repurchased | | **-** | **7** | | - | - |
| Total derivative assets/liabilities held for trading | | **303** | **360** | | 251 | 266 |
| **Derivatives designated as fair value hedges** | | | | | | |
| Interest rate swaps | **5,379** | **7** | **335** | 3,291 | 4 | 323 |
| Cross-currency interest rate swaps | **152** | **-** | **23** | 87 | - | 14 |
| | | **7** | **358** | | 4 | 337 |
| **Derivatives designated as cash flow hedges** | | | | | | |
| Interest rate swaps | **690** | **1** | **18** | 336 | - | 22 |
| Total derivatives assets/liabilities used for hedging purposes | | **8** | **376** | | 4 | 359 |
| **Total derivatives assets / liabilities** | | **311** | **736** | | 255 | 625 |

Other derivative contracts include credit default swaps, exchange traded index futures, exchange traded index options bought and sold and commodity swaps.

## 18. Loans and advances to customers

| | 2005 €million | 2004 € million |
|---|---|---|
| Lending to medium size and large corporate entities | 10,285 | 8,892 |
| Consumer lending | 6,811 | 5,471 |
| Mortgage lending | 6,262 | 4,383 |
| Small business lending | 4,027 | 3,088 |
| Less: Provision for impairment losses (note 19) | (761) | (603) |
| | 26,624 | 21,231 |

| | | |
|---|---|---|
| The loans and advances to customers include the following amounts: | | |
| - due from associated undertakings, unsubordinated | 8 | 16 |
| - securitised loans | 2,293 | 700 |

Loans and advances to customers include securitised assets. Analysis of Group's securitisation is presented in note 28.

Loans and advances to customers include finance lease receivables as detailed below:

| | 2005 €million | 2004 € million |
|---|---|---|
| Gross investment in finance leases receivable: | | |
| Not later than 1 year | 238 | 245 |
| Later than 1 year and not later than 5 years | 567 | 535 |
| Later than 5 years | 653 | 407 |
| | 1,458 | 1,187 |
| Unearned future finance income on finance leases | (301) | (250) |
| Net investment in finance leases | 1,157 | 937 |
| Less: provision for impairment losses | (20) | (17) |
| | 1,137 | 920 |
| The net investment in finance leases is analysed as follows: | | |
| Not later than 1 year | 180 | 194 |
| Later than 1 year and not later than 5 years | 430 | 416 |
| Later than 5 years | 547 | 327 |
| | 1,157 | 937 |
| Less: provision for impairment losses | (20) | (17) |
| | 1,137 | 920 |

Economic sector risk concentration within the group's customer loan portfolio were as follows:

| | 2005 % | 2004 % |
|---|---|---|
| Commerce and services | 32% | 36% |
| Private individuals | 49% | 43% |
| Manufacturing | 11% | 14% |
| Shipping | 2% | 2% |
| Construction | 4% | 2% |
| Other | 2% | 3% |
| | 100% | 100% |

Geographic sector risk concentration within the group's customer loan portfolio were as follows:

| | 2005 % | 2004 % |
|---|---|---|
| Greece | 92 | 94 |
| Other Western European countries | 1 | 1 |
| New European countries | 7 | 4 |
| Other countries | - | 1 |
| | 100 | 100 |

## 19. Provision for impairment losses on loans and advances to customers

| | 2005 €million | 2004 € million |
|---|---|---|
| Balance at 1 January | 603 | 516 |
| Arising from acquisitions | 3 | - |
| Impairment losses on loans and advances charged in the year | 309 | 223 |
| Amounts recovered during the year | 34 | 20 |
| Loans written off during the year as uncollectible | (188) | (156) |
| Balance at 31 December | 761 | 603 |

## 20. Available-for-sale investment securities

| | 2005 € million | 2004 € million |
|---|---|---|
| Issued by public bodies: | | |
| - government | **8,269** | 4,508 |
| - other public sector | **167** | - |
| | **8,436** | 4,508 |
| Issued by other issuers: | | |
| - banks | **241** | 174 |
| - other | **1,347** | 803 |
| | **1,588** | 977 |
| Total | **10,024** | 5,485 |
| Listed | **9,455** | 5,209 |
| Unlisted | **569** | 276 |
| | **10,024** | 5,485 |
| Equity | **383** | 266 |
| Debt | **9,641** | 5,219 |
| | **10,024** | 5,485 |
| Unamortised discounts and premiums included above | **168** | 74 |
| Pledged securities with capital market companies | **1** | 1 |
| Credit facility with central banks secured by the above | **546** | 23 |

| | 2005 € million | 2004 € million |
|---|---|---|
| The movement in the account is as follows: | | |
| Net book value at 1 January | **5,485** | 5,121 |
| Arising from acquisitions | **122** | 7 |
| Exchange adjustments | **101** | (34) |
| Additions | **7,527** | 2,388 |
| Disposals and redemptions | **(3,439)** | (2,200) |
| Reclassification to / from associates | **0** | (33) |
| Amortisation of discounts / premiums and interest | **50** | 6 |
| Net gains / (losses) from changes in fair value for the year | **178** | 230 |
| Net book value at 31 December | **10,024** | 5,485 |

**Equity reserve : revaluation of the available-for-sale investments**

Gains and losses arising from the changes in the fair value of available-for-sale investments are recognised in a revaluation reserve for available for sale financial assets in equity. The movement of the reserve is as follows:

| | 2005 € million | 2004 € million |
|---|---|---|
| At 1 January | **103** | 95 |
| Net gains / (losses) from changes in fair value | **178** | 230 |
| Deferred income taxes | **(10)** | (70) |
| Minority share of changes in fair value | **(1)** | - |
| | **167** | 160 |
| Net (gains) / losses transferred to net profit on disposal | **(113)** | (114) |
| Impairment losses transferred to net profit | **13** | 12 |
| Deferred income taxes | **19** | 22 |
| | **(81)** | (80) |
| Net losses / (gains) transferred to net profit from fair value hedges | **(11)** | (103) |
| Deferred income taxes | **(7)** | 31 |
| | **(18)** | (72) |
| Balance at 31 December | **171** | 103 |

## 21. Shares in subsidiary undertakings

The following is a listing of the Bank's subsidiaries at 31 December 2005:

| Name | Note | Percentage Holding | Country of incorporation | Line of business |
|---|---|---|---|---|
| Bulgarian Post Bank A.D. | o | 98.70 | Bulgaria | Bank |
| Bulgarian Retail Services A.D. | | 100.00 | Bulgaria | Credit card management |
| EFG Auto Leasing E.O.O.D. | | 100.00 | Bulgaria | Vehicle leasing and rental |
| EFG Leasing E.A.D. | | 100.00 | Bulgaria | Leasing |
| EFG Property Services Sofia A.D. | k | 80.00 | Bulgaria | Real estate services |

## 21. Shares in subsidiary undertakings (continued)

| Name | Note | Percentage Holding | Country of incorporation | Line of business |
|---|---|---|---|---|
| EFG Hellas (Cayman Islands) Ltd | | 100.00 | Cayman Islands | Special purpose financing vehicle |
| Berberis Investments Limited | | 100.00 | Channel Islands | Holding company |
| EFG Eurobank Ergasias International (C.I.) Ltd | | 100.00 | Channel Islands | Off shore banking |
| EFG Hellas Funding Ltd (Jersey) | | 100.00 | Channel Islands | Special purpose financing vehicle |
| CEH Balkan Holdings Ltd | | 100.00 | Cyprus | Holding company |
| Eurocredit Retail Services Ltd | | 100.00 | Cyprus | Credit card management |
| Autorental S.A. | | 100.00 | Greece | Vehicle leasing and rental |
| Be-Business Exchanges S.A. | a | 71.04 | Greece | Business-to business e-commerce |
| EFG Business Services S.A. | | 100.00 | Greece | Payroll and advisory services |
| EFG Eurobank Asset Management Company S.A. | | 100.00 | Greece | Asset management |
| Eurobank Cards S.A. | | 100.00 | Greece | Credit card management |
| EFG Eurobank Ergasias Leasing S.A. | | 100.00 | Greece | Leasing |
| EFG Eurobank Securities S.A. | | 100.00 | Greece | Capital markets and investment services |
| EFG Eurolife General Insurance S.A. | | 100.00 | Greece | Insurance services |
| EFG Eurolife Life Insurance S.A. | | 100.00 | Greece | Insurance services |
| EFG Factors S.A. | | 100.00 | Greece | Factoring |
| EFG Insurance Services S.A. | | 100.00 | Greece | Insurance brokerage |
| EFG Internet Services S.A. | | 100.00 | Greece | Internet and electronic banking |
| EFG Mutual Funds Co. S.A. | r | 100.00 | Greece | Mutual fund management |
| EFG Telesis Finance S.A. | | 100.00 | Greece | Investment banking |
| Eurobank Properties A.E.E.A.P. | n | 70.88 | Greece | Investment Services |
| Eurobank Property Services S.A. | | 100.00 | Greece | Real estate services |
| Hellas on Line S.A. | | 100.00 | Greece | Internet and telecom services |
| Intertrust Mutual Funds Co S.A. | s | 100.00 | Greece | Mutual fund management |
| OPEN 24 S.A. | | 100.00 | Greece | Sundry services |
| Aristolux Investment Fund Management Company S.A. | | 98.40 | Luxembourg | Investment fund management |
| EFG Private Bank (Luxembourg) S.A. | q | 100.00 | Luxembourg | Bank |
| EFG Express Kredit Spolca Z Organiczona Odpowiedzialnocia | j | 100.00 | Poland | Sundry services |
| Bancpost S.A. | v | 77.31 | Romania | Bank |
| Capital Securities S.A. | d | 100.00 | Romania | Stock brokerage |
| EFG Eurobank Finance S.A. | d | 100.00 | Romania | Investment banking |
| EFG Eurobank Leasing S.A. | e | 100.00 | Romania | Leasing |
| EFG Eurobank Mutual Funds Management Romania S.A.I. S.A. | t | 95.71 | Romania | Mutual fund management |
| EFG Eurobank Property Services S.A. | g | 80.00 | Romania | Real estate services |
| Euroline Retail Service S.A. | | 95.43 | Romania | Credit card management |
| EFG Eurobank A.D. Beograd | l | 97.99 | Serbia | Bank |
| EFG Property Services D.O.O. Beograd | u | 80.00 | Serbia | Real estate services |
| Euroline Retail Services A.D. | | 100.00 | Serbia | Credit card management |
| Nacionalna Stedionica Banka A.D., Beograd | p | 62.31 | Serbia | Bank |
| EFG Istanbul Holding A.S. | c | 100.00 | Turkey | Holding company |
| EFG Istanbul Menkul Degerler A.S. | c | 100.00 | Turkey | Capital market services |
| EFG Hellas Plc. | | 100.00 | United Kingdom | Special purpose financing vehicle |
| Karta 2005 -1 Plc | i | 0.00 | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Karta APC Ltd | i | 0.00 | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Karta Holdings Ltd | i | 0.00 | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Karta LNI 1 Ltd | i | 0.00 | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Karta Options Ltd | i | 0.00 | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Themeleion II Mortgage Finance Plc | h | 0.00 | United Kingdom | Special purpose financing vehicle (SIC 12) |
| Themeleion Mortgage Finance Plc | | 0.00 | United Kingdom | Special purpose financing vehicle (SIC 12) |

**(a) Be-Business Exchanges S.A.**

In April 2005, the Group participated in the share capital increase of Be-Business Exchanges S.A. and its shareholding increased to 71% from 68.66%.

**(b) Attikis Kerdoos Ermis A.E.P.E.Y.**

In April 2005, EFG Eurobank Securities S.A. proceeded with the acquisition of 100% of the share capital of Attikis Kerdoos Ermis A.E.P.E.Y. stock brokerage company. In July 2005, Attikis Kerdoos Ermis A.E.P.E.Y. was absorbed by its parent.

**(c) EFG Istanbul Holding A.S. (formerly HC Istanbul Holding A.S.) and EFG Istanbul Menkul Degerler A.S.**

In May 2005, the Group completed the acquisition of 100% of the share capital of HC Istanbul Holding A.S. (renamed to EFG Istanbul Holding A.S.), a holding company based in Istanbul, Turkey. The Group owns 100% of EFG Istanbul Menkul Degerler A.S., (formerly HC Istanbul Menkul Degerler A.S.). EFG Istanbul Menkul Degerler A.S. is also based in Istanbul, engaging in corporate finance, brokerage, research and other capital market activities in Turkey.

**(d) EFG Eurobank Finance S.A. (formerly Capital S.A.) and Capital Securities S.A.**

In May 2005, the Group completed the acquisition of 100% of the share capital of Capital S.A. (renamed to EFG Eurobank Finance S.A.), a company providing investment banking services based in Romania. EFG Eurobank Finance S.A. fully controls a subsidiary, Capital Securities S.A., which is engaged in stock brokerage activities and is a member of the Romanian Stock Exchange. In August 2005, the Group participated in the share capital increase of EFG Eurobank Finance S.A.

**21. Shares in subsidiary undertakings (continued)**

**(e) EFG Eurobank Leasing S.A.**

In May 2005, the Group proceeded with the incorporation of EFG Eurobank Leasing S.A., an entity operating in the leasing industry in Romania.

**(f) Telesis Direct S.A.**

In June 2005, the Bank absorbed its 100% electronic brokerage subsidiary Telesis Direct S.A.

**(g) EFG Eurobank Property Services S.A.**

In June 2005, the Group, in cooperation with Lamda Development S.A., established EFG Eurobank Property Services S.A., a real estate advisory services company in Romania. The Group controls 80% of the share capital and Lamda Development S.A., a related party, controls the remaining 20% of the share capital of EFG Eurobank Property Services S.A.

**(h) Themeleion II Mortgage Finance Plc**

In June 2005, the Group established Themeleion II Mortgage Finance Plc, a special purpose entity, as part of the second securitisation of mortgage loans.

**(i) Karta SPV's**

In July 2005, the Group established Karta APC Ltd, Karta Holdings Ltd, Karta 2005 -1 Plc, Karta LNI 1 Ltd and Karta Options Ltd, special purpose entities, for the securitisation of part of the credit card loan portfolio.

**(j) EFG Express Kredit Spolca Z Organiczona Odpowiedzialnocia and Branches in Poland**

The Group has obtained the approval from regulatory authorities to establish branches in Poland. The branches commenced operations in Poland on 1.2.06, under the brand name Polbank EFG. In addition, in August 2005, the Group established EFG Express Kredit Spolca Z Organiczona Odpowiedzialnocia, a sundry services company, in Poland. The Group holds 100% of the company's share capital.

**(k) EFG Property Services Sofia A.D.**

In August 2005, the Group, in cooperation with Lamda Development S.A, established EFG Property Services Sofia A.D., a real estate advisory services company in Bulgaria. The Group controls 80% of the share capital and Lamda Development S.A., a related party, controls the remaining 20% of the share capital of EFG Property Services Sofia A.D.

**(l) EFG Eurobank A.D. Beograd**

During the year ended 31 December 2005, the Group increased its shareholding in EFG Eurobank A.D. Beograd to 97.99% from 93.53% through step acquisitions and participation in the company's share capital increase.

**(m) ELDEPA S.A.**

In August 2005, ELDEPA S.A., a 100% subsidiary of Eurobank Properties A.E.E.A.P. was absorbed by its parent.

**(n) Eurobank Properties A.E.E.A.P. (formerly EFG Eurobank Properties A.E.D.A.)**

In August 2005, the Group acquired an additional 16.7% of Eurobank Properties A.E.E.A.P. from Lamda Development S.A., a related party, and also participated in the company's share capital increase. As a result the Group's holding increased to 70.88% from 50.1%. On 29 September 2005, Eurobank Properties A.E.E.A.P. obtained the approval from the Hellenic Capital Market Commission to operate as a real estate investment company of the Law 2778/1999.

**(o) Bulgarian Post Bank A.D.**

In August 2005, the Group participated in the share capital increase of Bulgarian Post Bank A.D. and its shareholding increased to 98.7% from 96.74%.

**(p) Nacionalna Stedionica Banka A.D., Beograd**

On 30 September 2005, the Group acquired 52.5% of the share capital of Nacionalna Stedionica Banka A.D., Beograd through a Take Over Bid. A 9.8% holding had been acquired by the Group during the second quarter of 2005. The Group now controls a 62.3% stake in Nacionalna Stedionica Banka A.D. and the remaining shareholding is held by the Republic of Serbia.

**(q) EFG Private Bank (Luxembourg) S.A.**

In November 2005, the Group acquired the remaining 25% shareholding in EFG Private Bank (Luxembourg) S.A. from EFG Bank European Financial Group. The Group now controls 100% of the company's share capital.

**(r) EFG Mutual Funds Co. S.A.**

Following the acquisition of the remaining 25% shareholding in EFG Private Bank (Luxembourg) S.A. the Group obtained control of 100% of the share capital of EFG Mutual Funds Co. S.A. and transferred the 50% directly to the Bank.

**(s) INTERTRUST Mutual Funds Co S.A.**

On 4 November 2005, the Board of Directors of the Bank and its subsidiary INTERTRUST Mutual Funds Co S.A. approved the merger of the Bank with INTERTRUST Mutual Funds Co S.A. by absorption of the latter by the Bank with a Balance Sheet as at 31 October 2005. The merger is expected to be competed in 2006.

**(t) EFG Eurobank Mutual Funds Management Romania SAI S.A.**

In November 2005, the company EFG Eurobank Mutual Funds Management Romania SAI S.A. was established in Romania and the Group controls 95.71% of the company's share capital.

**(u) EFG Property Services D.O.O. Beograd**

In December 2005, the Group, in cooperation with Lamda Development S.A, established EFG Property Services D.O.O. Beograd, a real estate advisory services company in Serbia-Montenegro. The Group controls 80% of the share capital and Lamda Development S.A., a related party, controls the remaining 20% of the share capital of EFG Property Services D.O.O Beograd.

**21. Shares in subsidiary undertakings (continued)**

**(v) Bancpost S.A.**

In December 2005, Bancpost S.A. initiated the share capital increase process which is expected to be complete in January 2006.

**Post balance sheet event**

**(w) Hellas on Line S.A.**

The share transfer of the 100% of the share capital of Hellas on Line S.A. (HOL) to Intracom Holdings S.A. was concluded on 31 January 2006 at an estimated profit of € 16 million, excluding deferred consideration which depends on the volume of services that HOL will be offering to the Bank during the period from July 2005 to June 2007.

**22. Investments in associated undertakings**

| | **2005** **€ million** | 2004 € million |
|---|---|---|
| At 1 January | **57** | 19 |
| Additions | **37** | 37 |
| Disposal of associated undertakings | **(3)** | - |
| Transfer to subsidiaries fully consolidated / absorbed | **(69)** | (1) |
| Dividends collected | **(3)** | (4) |
| Share capital increase | **1** | - |
| Share of available for sale revaluation reserve | **-** | 1 |
| Share of results for the year | **15** | 5 |
| Balance at 31 December | **35** | 57 |

The following is a listing of the Group's associates and joint ventures as at 31 December 2005:

| Name | Notes | Country of Incorporation | Line of business | Percentage Holding | Assets €million | Liabilities €million | Share of Net Assets €million | Profit / (loss) €million |
|---|---|---|---|---|---|---|---|---|
| Cardlink S.A. | | Greece | POS administration | 50.00 | **1** | **0** | **0** | **1** |
| Dias A.E.E.X. | b | Greece | Closed-end investment fund | 42.04 | **41** | **2** | **16** | **9** |
| Filoxenia S.A. | e | Greece | Hotelier | 22.00 | **-** | **-** | **-** | **-** |
| Global Finance S.A. | g | Greece | Financing company | 49.85 | **18** | **3** | **8** | **4** |
| Global Fund Management S.A. | h | Greece | Investment advisors | 44.44 | **7** | **0** | **3** | **4** |
| Hotel Company of Athens Airport S.A. | | Greece | Hotelier | 20.20 | **15** | **7** | **2** | **(1)** |
| LogicDIS | c | Greece | Software development | 28.17 | **57** | **57** | **0** | **-** |
| Propindex A.E.D.A. | d | Greece | Real estate services | 22.58 | **0** | **0** | **0** | **(0)** |
| Tefin S.A. | | Greece | Motor vehicle sales financing | 50.00 | **12** | **2** | **5** | **0** |
| Unit Finance S.A. | | Greece | Financing company | 40.00 | **5** | **2** | **1** | **2** |
| | | | | | **156** | **73** | **35** | **19** |

As at 31 December 2005, all of the Group's associates are unlisted except for Dias A.E.E.X. and LogicDIS (31 December 2004: Dias A.E.E.X. and Greek Progress Fund S.A.). The fair value of the investments in the Group's associates that are listed based on quoted market prices as at 31 December 2005 was € 15 million (31 December 2004: € 37 million).

Tefin S.A., Cardlink S.A. and Unit Finance S.A are Group's joint ventures.

**(a) The Greek Progress Fund S.A.**

During the six months ended 30 June 2005 the Group increased its shareholding in the Greek progress Fund S.A to 48.4% from 22.7%

On 19 July 2005, the Board of Directors of the Bank and The Greek Progress Fund S.A. (Progress) approved the merger of the Bank with The Greek Progress Fund S.A. by absorption of the latter by the Bank with a Balance Sheet as at 13 July 2005. The Bank issued 5,264,571 new shares in exchange for the remaining 51.6% of the share capital of the absorbed entity. The share exchange ratio was determined at 7.9 Progress Fund shares for each Eurobank share.

The shareholders' Extraordinary General Meetings approved the merger of the Bank with the company Greek Progress Fund S.A. on 31 October 2005, date on which the acquisition was effected as follows:

| | **€million** |
|---|---|
| Greek Progress Fund S.A. fair value of net assets acquired (€ 274 million x 51.6%) | 141 |
| Cost of acquisition (issued shares 5,264,571 at €25.1 per share) | 132 |
| Negative goodwill | 9 |

**22. Investments in associated undertakings (continued)**

**(b) DIAS A.E.E.X.**

During the year ended 31 December 2005, the Group increased its shareholding in DIAS A.E.E.X. to 42.04% from 29.76% through step acquisitions and through the merger by absorption of Greek Progress Fund S.A. by the Bank.

**(c) LogicDIS**

In April 2005, the Group participated in the share capital increase of LogicDIS, increasing its investment from 8.1% to 29.1% and the investment has been transferred from available-for-sale to associated undertakings.
Following LogicDIS transition to IFRS, the release of its interim financial statements prepared in accordance with IFRS for the first half of 2005 revealed that the company's net assets were materially lower than presented under previous GAAP. As a result of the new financial information that became available and the reported losses made by the company for the nine month period ended 30 September 2005, an impairment loss of €8.3 million has been recognised in operating expenses, eliminating the Group's net investment. The Group has discontinued recognition of its share of losses in the associate of € 2 million for the period ended 31 December 2005.

In November 2005, the Group sold a 0.9% holding in LogicDIS reducing its participation in LogicDIS to 28.2%.

**Post balance sheet event**

On 26 January 2006, the Group entered into an agreement with GIT Holdings to sell its participating interest in its associated undertaking, LogicDIS at an estimated small gain, subject to the outcome of the auditors' due diligence review.

**(d) Propindex AEDA**

In July 2005, Eurobank Properties A.E.E.A.P. (a 70.88% subsidiary of the Group) transferred its total holding of Propindex A.E.D.A. to Eurobank Property Services S.A. (a wholly owned subsidiary of the Group). As a result, the Group now holds 22.58% of Propindex A.E.D.A. and consolidates the company as an associated undertaking.

**(e) Filoxenia S.A.**

In July 2005, Eurobank Properties A.E.E.A.P. (a 70.88% subsidiary of the Group) transferred its total holding of Filoxenia S.A. to Eurobank Property Services S.A. (a wholly owned subsidiary of the Group). As a result, the Group now holds 22% of Filoxenia S.A. On 30 June 2005, the General Meeting of Shareholders of Filoxenia S.A. decided the dissolution of the company.

**(f) Zenon Properties S.A.**

In August 2005, Eurobank Properties A.E.E.A.P. (a 70.88% subsidiary of the Group) transferred its participation in Zenon S.A. pro rata to Eurobank Properties A.E.E.A.P's shareholders. The Group's participation (25.05%) did not change as a result of this transaction.

On 9 December 2005, the Group sold its participation in Zenon Properties S.A. to a real-estate investment company.

**(g) Global Finance S.A.**

In November 2005, Berberis Investment Limited (100% subsidiary of the Group) signed a pre-agreement for the sale of 30% of Global Finance S.A. Following the transaction, the Group's participation in Global Finance S.A. will decrease to 19.9%. Completion is expected in the first half 2006.

**(h) Global Fund Management S.A.**

In November 2005, the Bank entered into an agreement to acquire 28.06% shareholding in Global Fund Management S.A. Following that acquisition the Group will control 72.5% of the company's share capital. Completion is expected in the first half 2006.

**23. Intangible assets**

| | Goodwill<br>€ million | Other intangible assets<br>€ million | Total intangible assets<br>€ million |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2004 | - | - | **-** |
| Arising from acquisition of subsidiaries | 51 | 17 | **68** |
| At 31 December 2004 | 51 | 17 | **68** |
| **Cost** | | | |
| At 1 January 2005 | 51 | 17 | **68** |
| Arising from acquisition of subsidiaries (note 43) | 59 | 1 | **60** |
| Additions | - | 26 | **26** |
| Adjustment to goodwill | 4 | - | **4** |
| At 31 December 2005 | 114 | 44 | **158** |
| **Accumulated impairment / amortisation** | | | |
| At 1 January 2005 | - | (0) | **-** |
| Amortisation charge for the year | - | (5) | **(5)** |
| Exchange adjustments | - | 1 | **1** |
| At 31 December 2005 | - | (4) | **(4)** |
| Net book value at 31 December 2005 | 114 | 40 | **154** |
| Net book value at 31 December 2004 | 51 | 17 | **68** |

The adjustment to goodwill relates to contingent purchase consideration in accordance with the provisions of the acquisition agreements for Intertrust Mutual Funds Co S.A. and Bancpost S.A.

## 23. Intangible assets (continued)

The intangible asset arising from the acquisition of Intertrust Mutual Funds Co S.A. in 2004 amounting to € 17 million is included in other intangible assets. It represents the value of the contractual agreement signed between the Bank, EFG AEDAK SA, Interamerican Life S.A. and Intertrust Mutual Funds Co S.A. for the distribution of the Interamerican mutual funds by the Interamerican distribution network of insurance agents. The fair value of the contractual agreement was determined using the discounted expected future cash flow model, which is based on assumptions regarding the discount rate, growth rate and expected cash flows.

Any adverse changes to these elements may result in an impairment of the asset. The intangible asset is carried at cost less accumulated amortization using the straight line method. The useful life of the asset is estimated to be 10 years, according to the term of the contractual agreement.

**Impairment testing of goodwill**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash - generating units (CGUs) that are expected to benefit from that business combination and form part of the Group's primary business segments. The carrying amount of goodwill is allocated as follows:

| | 2005<br>€ million | 2004<br>€ million |
|---|---|---|
| Asset Management, Private Banking & Insurance (AM, PB &INS) | **47** | 45 |
| New Europe (NE) | **67** | 6 |
| **Total goodwill** | **114** | 51 |

Goodwill arising from business combinations that were effected during the period is based on provisional values since the determination of the subsidiaries' identifiable assets, liabilities or contingent liabilities, or the cost of the combinations has not been finalized.

During the year ended 31 December 2005, no impairment losses of the CGUs to which goodwill has been allocated, arise.

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and cash flow projections based on financial budgets approved by Management covering a 5-year period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on respective market growth forecasts. Cash flows beyond the 5-year are extrapolated using growth rates of future changes in the market.

(i) AM, PB & INS segment
The pre-tax discount rate applied to cash flow projections is 10%. The growth rate used to extrapolate cash flows beyond the 5-year period is 3% and does not exceed the average long-term growth rate for the relevant markets.

(ii) New Europe segment
The pre-tax discount rate applied to cash flow projections is 14%. The growth rate used to extrapolate cash flows beyond the 5-year period is 3.5% and does not exceed the average long-term growth rate for the relevant markets.

## 24. Property, plant and equipment

| Cost: | Land, buildings, leasehold improvements<br>€ million | Furniture, equipment motor vehicles<br>€ million | Computer hardware, software<br>€ million | Investment Property<br>€ million | **Total fixed assets<br>€ million** |
|---|---|---|---|---|---|
| Balance at 1 January 2004 | 437 | 160 | 340 | 204 | **1,141** |
| Arising from acquisition of subsidiaries | - | 1 | 3 | - | **4** |
| Transfers | (4) | 2 | 1 | 4 | **3** |
| Additions | 22 | 16 | 53 | 6 | **97** |
| Disposals and write - offs | (16) | (5) | (36) | - | **(57)** |
| Balance at 31 December 2004 | 439 | 174 | 361 | 214 | **1,188** |
| Accumulated depreciation: | | | | | |
| Balance at 1 January 2004 | (94) | (90) | (213) | (10) | **(407)** |
| Arising from acquisition of subsidiaries | - | (1) | (3) | - | **(4)** |
| Transfers | - | - | - | (1) | **(1)** |
| Disposals and write-offs | 13 | 4 | 30 | - | **47** |
| Charge for the year | (16) | (16) | (47) | (3) | **(82)** |
| Balance at 31 December 2004 | (97) | (103) | (233) | (14) | **(447)** |
| Cost: | | | | | |
| Balance at 1 January 2005 | 439 | 174 | 361 | 214 | **1,188** |
| Arising from acquisition of subsidiaries | 5 | 2 | 3 | - | **10** |
| Transfers | (2) | 0 | 4 | (2) | **0** |
| Additions | 84 | 26 | 41 | 27 | **178** |
| Disposals and write - offs | (15) | (5) | (10) | (24) | **(54)** |
| Impairment | (1) | - | - | (0) | **(1)** |
| Exchange adjustments | 14 | 5 | 3 | - | **22** |
| Balance at 31 December 2005 | 524 | 202 | 402 | 215 | **1,343** |
| Accumulated depreciation: | | | | | |
| Balance at 1 January 2005 | (97) | (103) | (233) | (14) | **(447)** |
| Arising from acquisition of subsidiaries | (1) | (1) | (1) | - | **(3)** |
| Transfers | 4 | - | (1) | 0 | **3** |
| Disposals and write-offs | 13 | 3 | 7 | 6 | **29** |
| Charge for the year | (19) | (19) | (51) | (2) | **(91)** |
| Exchange adjustments | (5) | (1) | (1) | - | **(7)** |
| Balance at 31 December 2005 | (105) | (121) | (280) | (10) | **(516)** |
| Net book value at 31 December 2005 | 419 | 81 | 122 | 205 | **827** |
| Net book value at 31 December 2004 | 342 | 71 | 128 | 200 | **741** |

## 24. Property, plant and equipment (continued)

Leasehold improvements relate to premises occupied by the Group for its own activities.

Included in the above as at 31 December 2005 is € 11 million (31 December 2004: € 11 million) relating to assets under construction.

The net book value of finance leases included in property, plant and equipment as at 31 December 2005 was € 42 million (31 December 2004: € 17 million)

**Investment property**

Investment property is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the straight line method over a period of 40-50 years. The fair value of investment property as at 31 December 2005 was € 267 million (31 December 2004: € 255 million). The fair values are open-market values provided by professionally qualified valuers.

During the year ended 31 December 2005 an amount of € 13 million (31 December 2004: € 13 million) was recognised as rental income from investment property in non banking services. There were no capital commitments in relation to investment property as at 31 December 2005 (31 December 2004: € 3 million).

## 25. Other assets

| | 2005<br>€ million | 2004<br>€ million |
|---|---|---|
| Prepaid expenses and accrued income | **115** | 117 |
| Deferred tax asset (note 11) | **88** | 60 |
| Repossessed properties | **56** | 56 |
| Other assets | **273** | 245 |
| | **532** | 478 |

## 26. Due to other banks

| | 2005<br>€ million | 2004<br>€ million |
|---|---|---|
| Items in course of collection | **65** | 42 |
| Deposits from other banks | **10,716** | 5,319 |
| | **10,781** | 5,361 |
| Included in the amounts due to other banks are amounts due to: | | |
| - fellow subsidiary and associate undertakings | **25** | 29 |
| - settlement balances with banks | **1,132** | 102 |

## 27. Due to customers

| | 2005<br>€ million | 2004<br>€ million |
|---|---|---|
| Savings and current accounts | **9,452** | 8,210 |
| Term deposits and repurchase agreements | **9,454** | 9,868 |
| Unit linked products | **349** | 130 |
| | **19,255** | 18,208 |
| Included in the amounts due to customers are amounts due to: | | |
| - parent undertaking | **1** | 1 |
| - fellow subsidiary and associate undertakings | **295** | 426 |

The carrying amount of structured deposits and liabilities of Unit-linked products classified as at fair-value-through-profit-or-loss at 31 December 2005 is € 540 million (31 December 2004: € 389 million). The fair value change as at 31 December 2005 amounts to € 30 million loss (31 December 2004: € 1 million loss), which is attributable to changes in market conditions (changes in fair value attributable to credit risk are immaterial).

The changes in the fair value of structured deposits and liabilities of Unit-linked products are offset in the income statement against changes in the fair value of structured derivatives and assets classified as at fair-value-through-profit-or-loss, respectively.

## 28. Liabilities evidenced by paper

| | 2005<br>€ million | 2004<br>€ million |
|---|---|---|
| **Short-term debt** | | |
| - Commercial Paper (ECP) | **1,394** | 1,677 |
| **Long-term debt** | | |
| - Medium-term notes (EMTN) | **5,059** | 2,981 |
| - Subordinated | **643** | 398 |
| - Securitised | **2,057** | 715 |
| | **7,759** | 4,094 |
| **Total** | **9,153** | 5,771 |

Included above is the carrying amount of structured notes classified as at fair-value-through-profit-or-loss at 31 December 2005 amounting to € 1,296 million (31 December 2004: € 639 million). The fair value change as at 31 December 2005 amounts to € 24 million gain (31 December 2004: € 4 million gain), which is attributable to changes in market conditions (changes in fair value attributable to credit risk are immaterial). The changes in the fair value of structured notes are offset in the income statement against changes in the fair value of structured derivatives.

**28. Liabilities evidenced by paper (continued)**

The Group's funding consists of the following:

**Residential Mortgage Backed Securities (RMBS)**

In June 2004, the Group proceeded with the securitisation of mortgage loans through the transfer of the loans to Themeleion Mortgage Finance Plc, a special purpose entity, which in turn issued residential mortgage backed securities to investors. The total size of the issue amounts to € 750 million at an average funding cost of Euribor plus 19 basis points for seven years. The transaction has been accounted for as collateralised borrowing. The mortgage loans are retained on the balance sheet and the corresponding liability is included within liabilities evidenced by paper.

In June 2005, the Group proceeded with the second securitisation of mortgage loans through the transfer of the loans to Themeleion II Mortgage Finance Plc, a special purpose entity, which in turn issued residential mortgage backed securities to investors. The total size of the issue amounts to € 750 million at an average funding cost of three month Euribor plus 17.5 basis points for seven years. The transaction has been accounted for as collateralised borrowing. The mortgage loans are retained on the balance sheet and the corresponding liability is included within liabilities evidenced by paper.

**Credit Card Asset Backed Securities**

In July 2005, the Group proceeded with the securitisation of part of the credit card loan portfolio and the issue of credit card asset backed securities to investors by Karta 2005-1 Plc, a special purpose entity registered in the United Kingdom. The total size of the issue amounts to € 750 million at an average funding cost of three month Euribor plus 21.7 basis points. The transaction was accounted for as collateralised borrowing where the credit card loans were retained on the consolidated balance sheet and the corresponding liability is included within liabilities evidenced by paper.

**Lower Tier-II**

In June 2004 the bank issued € 400 million unsecured subordinated floating rate notes through its subsidiary EFG Hellas Plc. The notes have a ten year maturity with a call provision after five years. The notes pay floating rate interest quarterly based on a coupon of 3-month Euribor plus 0.50% for the first five years. The notes qualify as lower tier II capital for the Bank and are listed on the Luxembourg Stock Exchange.

In May 2005 the bank issued € 216 million unsecured subordinated fixed rate notes through its subsidiary EFG Hellas Plc. The notes have a thirty year maturity with a call provision after ten years. The notes pay fixed rate interest on a semester basis on a coupon of 2.76% per annum. The notes qualify as lower tier II capital for the Bank and are listed on the Luxembourg Stock Exchange.

In October 2005 the bank issued € 29 million unsecured subordinated fixed rate notes through its subsidiary EFG Hellas Plc, which is consolidated and form a single series with the existing Lower Tier-II of€ 216 million issued in May 2005.

**EMTN and ECP**

The Bank issued medium term and short-term notes through its subsidiaries EFG Hellas Plc and EFG Hellas (Cayman Islands) Ltd under its Euro Medium Term Note (EMTN) and Euro Commercial Paper (ECP) programs respectively.

The following tables analyse the liabilities evidenced by paper by contractual maturity and also into fixed and floating rate.

| | **31 December 2005** | | | |
|---|---|---|---|---|
| | **Within 1 year €million** | **1 - 5 years €million** | **Over 5 years €million** | **Total €million** |
| **EMTN** | | | | |
| Fixed rate | 49 | 307 | 573 | **929** |
| Accrued interest | 27 | - | - | **27** |
| Floating rate | 1,024 | 2,929 | 139 | **4,092** |
| Accrued interest | 11 | - | - | **11** |
| **ECP** | | | | |
| Fixed rate | 1,388 | - | - | **1,388** |
| Accrued interest | 6 | | | **6** |
| **Subordinated** | | | | |
| Fixed rate | - | - | 244 | **244** |
| Accrued interest | 1 | - | - | **1** |
| Floating rate | - | - | 398 | **398** |
| Accrued interest | 0 | - | - | **0** |
| **Securitised** | | | | |
| Fixed rate | 10 | 15 | - | **25** |
| Accrued interest | 1 | - | | **1** |
| Floating rate | - | 750 | 1,277 | **2,027** |
| Accrued interest | 4 | - | - | **4** |
| **Total liabilities evidenced by paper** | **2,521** | **4,001** | **2,631** | **9,153** |

| | 31 December 2004 | | | |
|---|---|---|---|---|
| | Within 1 year € million | 1 - 5 years € million | Over 5 years € million | Total € million |
| **EMTN** | | | | |
| Fixed rate | - | 295 | 257 | **552** |
| Floating rate | 316 | 2,113 | - | **2,429** |
| **ECP** | | | | |
| Fixed rate | 1,677 | - | - | **1,677** |
| **Subordinated** | | | | |
| Floating rate | - | - | 398 | **398** |
| **Securitised** | | | | |
| Fixed rate | 6 | 10 | - | **16** |
| Floating rate | - | - | 699 | **699** |
| **Total liabilities evidenced by paper** | **1,999** | **2,418** | **1,354** | **5,771** |

## 29. Other liabilities

| | 2005<br>€ million | 2004<br>€ million |
|---|---|---|
| Current tax liabilities | **62** | 79 |
| Acquisition obligations | **47** | 30 |
| Deferred income and accrued expenses | **193** | 214 |
| Staff retirement leaving indemnity provision (note 30) | **58** | 50 |
| Insurance liabilities | **302** | 169 |
| Deferred tax liabilities (note 11) | **12** | - |
| Other liabilities | **466** | 359 |
| | **1,140** | 901 |

## 30. Staff retirement leaving indemnity provision (SRLI)

| | 2005<br>€ million | 2004<br>€ million |
|---|---|---|
| At 1 January | **50** | 55 |
| Additions | **22** | 29 |
| Indemnities paid | **(14)** | (34) |
| Balance at 31 December | **58** | 50 |

The staff leaving indemnity provision is determined as described in note 2 (p) (ii). The provision is calculated using an expected future salary increase of 4% and a discount rate of 4.5%.

## 31. Share capital, share premium and treasury shares

The following is an analysis of the movement of share capital, share premium and treasury shares. The par value of the Bank's shares is € 3.30 from € 2.95 per share and all of the Bank's shares are fully paid.

| | Ordinary share capital €million | Treasury shares €million | Net €million | Share premium €million | Treasury shares €million | Net €million |
|---|---|---|---|---|---|---|
| **At 1 January 2004** | **931** | **(28)** | **903** | **560** | **(101)** | **459** |
| Share capital increase from share bonus payments to executive directors, management and staff | 5 | - | 5 | - | - | - |
| Share capital reduction due to cancellation of treasury shares | (18) | 18 | - | (70) | 70 | - |
| Share capital increase due to exercise of share options issued to executives directors, managements and staff | 9 | - | 9 | 13 | - | 13 |
| Purchase of treasury shares | - | (10) | (10) | - | (44) | (44) |
| Sale of treasury shares | - | 19 | 19 | - | 73 | 73 |
| **At 31 December 2004** | **927** | **(1)** | **926** | **503** | **(2)** | **501** |
| **At 1 January 2005** | **927** | **(1)** | **926** | **503** | **(2)** | **501** |
| Share capital issued to Greek Progress Fund S.A. shareholders (exchanged for 1:7.9 shares ) for fair value of assets acquired and increase of nominal value of shares from €2.95 to €3.26 | 112 | - | 112 | 24 | - | 24 |
| Reduction of share premium and write off of consolidation difference related to absorption of Greek Progress Fund S.A. | - | - | - | (4) | - | (4) |
| Capitalisation of fixed assets revaluation reserves for rounding purposes related to the absorption of Greek Progress Fund S.A. | 2 | - | 2 | - | - | - |
| Increase of the nominal value of each ordinary share from €3.26 to € 3.30 by capitalisation of special reserves relating to revaluation of fixed assets. | 13 | - | 13 | - | - | - |
| Share capital increase due to exercise of | | | | | - | - |
| share options issued to executives directors, managements and staff | 0 | - | 0 | 0 | - | 0 |
| Share capital increase expenses due to options exercised | - | - | - | (0) | - | (0) |
| Purchase of treasury shares | - | (14) | (14) | - | (91) | (91) |
| Sale of treasury shares | - | 8 | 8 | - | 52 | 52 |
| **At 31 December 2005** | **1,054** | **(7)** | **1,047** | **523** | **(41)** | **482** |

**31. Share capital, share premium and treasury shares (continued)**

The following is an analysis of the movement in the number of shares issued by the Bank:

| | Number of shares | | |
|---|---|---|---|
| | Issued | Treasury shares | Net |
| **At 1 January 2004** | **315,484,837** | **(9,415,119)** | **306,069,718** |
| Share capital increase from share bonus payments to executive directors, management and staff | 1,600,000 | - | 1,600,000 |
| Share capital reduction due to cancellation of treasury shares | (6,000,000) | 6,000,000 | - |
| Share capital increase due to exercise of share options issued to executives directors, management and staff | 2,924,700 | - | 2,924,700 |
| Purchase of treasury shares | - | (3,171,780) | (3,171,780) |
| Sale of treasury shares | - | 6,400,000 | 6,400,000 |
| **At 31 December 2004** | **314,009,537** | **(186,899)** | **313,822,638** |
| **At 1 January 2005** | **314,009,537** | **(186,899)** | **313,822,638** |
| Share capital issued to Greek Progress Fund S.A. shareholders (exchanged for 1:7.9 shares ) for fair value of assets acquired (note 22) | 5,264,571 | - | 5,264,571 |
| Share capital increase due to exercise of share options issued to executives directors, management and staff | 47,343 | - | 47,343 |
| Purchase of treasury shares | - | (4,192,785) | (4,192,785) |
| Sale of treasury shares | - | 2,494,160 | 2,494,160 |
| **At 31 December 2005** | **319,321,451** | **(1,885,524)** | **317,435,927** |

**Post balance sheet event**

On 7 February 2006, the Board of Directors decided to propose to the Annual General Meeting the distribution of 2 bonus shares for every 10 held.

**Treasury shares special scheme**

In accordance with Greek Company Law, a company may acquire its own shares in order to support the share price of the company. As expressly stated under this specific section of Greek law, this type of action is only allowed when the trading price of the stock, given the prevailing market conditions, the financial standing and the future prospects of the company, is substantially below management's share valuation. This specific section of Greek Company Law is not intended to deal with the reduction of shareholders' equity. Shares acquired should be sold back to investors through the stock market, or may be distributed to employees as part of a bonus programme within three years from the time of their acquisition. Shares still held by the company after the three-year period expires must be cancelled, subject to a General Meeting approval.

**32. Preferred securities**

On 18 March 2005, the Group, through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 200 million preferred securities which represent Lower Tier 1 capital for the Group. The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 18 March 2010 and annually thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative annual dividend of 6.75% for the first two years and non-cumulative annual dividends that are determined based on the ten year EURO swap rate plus a spread of 0.125% capped at 8% thereafter. The preferred dividends may be declared by the directors of the issuer at their sole discretion and paid out of funds legally available to the issuer. The preferred dividend must be declared and paid if the Bank declares a dividend. The preferred securities are listed on the Luxembourg and Frankfurt Stock Exchanges.

On 2 November 2005, the Group, through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 400 million preferred securities which represent Lower Tier 1 capital for the Group. The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 2 November 2015 and quarterly thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative annual dividend of 4.565% for the first ten years and non-cumulative annual dividends that are determined based on the 3month Euribor plus a spread of 2.22% thereafter. The preferred dividends may be declared by the directors of the issuer at their sole discretion and paid out of funds legally available to the issuer. The preferred dividend must be declared and paid if the Bank declares dividend, other than as legally required. The preferred securities are listed on the London Stock Exchange.

On 9 November 2005, the Group, through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 150 million preferred securities which represent Lower Tier 1 capital for the Group. The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 9 January 2011 and quarterly thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative dividend on a quarterly basis at a rate of 6% per annum. The preferred dividends may be declared by the directors of the issuer at their sole discretion and paid out of funds legally available to the issuer. The preferred dividend must be declared and paid if the Bank declares dividend, other than as legally required. The preferred securities are listed on the London, Frankfurt and Euronext Amsterdam Stock Exchanges.

On 21 December 2005, the Group, through its Special Purpose Entity, EFG Hellas Funding Limited, issued € 50 million preferred securities which is consolidated and form a single series with the existing € 150 million preferred securities issued on 9 November 2005.

As at 31 December 2005, the dividend attributable to preferred securities holders amounts to € 14 million.

## 33. Share options

The Group grants share options to executive directors, management and employees. All options are equity-settled and may be exercised wholly or partly and converted into shares, at their owners' option provided that the vesting requirements are met.

The movement in the number of share options outstanding and their related weighted average exercise prices are as follows:

| | **31 December 2005** | | 31 December 2004 | |
|---|---|---|---|---|
| | **Average exercise price in € per share** | **Number of share options** | Average exercise price in € per share | Number of share options |
| At 1 January | **7.76** | **89,522** | 5.57 | 1,480,564 |
| Granted | **18.00** | **1,525,000** | 9.30 | 1,550,000 |
| Adjustment | | | | |
| 2004 | **-** | **-** | 7.97 | (22) |
| 2005 | **5.99** | **67** | 6.00 | (180) |
| 2006 | **5.50** | **3** | 5.51 | (2,459) |
| 2007 | **8.98** | **107** | - | - |
| Exercised | **8.89** | **(47,343)** | 7.47 | (2,924,700) |
| Expired and cancelled | **5.99** | **(39,901)** | 7.97 | (13,681) |
| Balance at 31 December | **17.98** | **1,527,455** | 7.76 | 89,522 |

Share options outstanding and exercisable at the end year have the following expiry dates and exercise prices:

| **Expiry date - 31 December** | **Exercise price in € per share** | **2005** | 2004 |
|---|---|---|---|
| | | **Number of share options** | |
| 2005 | **-** | **-** | 39,834 |
| 2006 | **5.50** | **435** | 1,608 |
| 2007 | **8.98** | **2,020** | 48,080 |
| 2010 | **18.00** | **1,525,000** | - |
| | | **1,527,455** | 89,522 |

On 18 April 2005, the shareholders General Meeting approved the issue of 1,525,000 options on the Bank's shares to the Group's executive directors, management and staff employed by the Group on 31.12.2004. Provided that the holders are still employed by the Group, the options can be exercised in December of 2007, 2008, 2009 and 2010 at € 18 per share.

The fair value of options granted is determined using the Monte Carlo valuation method, which simulates the share price path taking into account the terms and conditions upon which the options were granted. The fair value measurement is based on the assumption that the options will be exercised by the employees on the first possible occasion the options are in-the money.

The fair value of the options granted for the year ended 31 December 2005 was € 6.7. The significant inputs into the model were share price of € 24.7 at the grant date, exercise price of € 18, dividend yield of 3.5%, expected average volatility of 23%, expected option life of 3 years, and risk-free interest rate equal to 3 year swap rate. The expected volatility is measured at the grant date of the options and is based on the average historical volatility of the share price over the last 2 years.

## 34. Special reserves

| | **Statutory reserves € million** | **Non-taxed reserves € million** | **IAS 39 equity € million** | **Treasury shares reserve € million** | **Other reserves € million** | **Total € million** |
|---|---|---|---|---|---|---|
| Balance at 1 January 2004 | 113 | 88 | 88 | 128 | 367 | 784 |
| Transfers between reserves | 21 | 52 | - | (11) | (275) | (213) |
| Available-for-sale securities | | | | | | |
| - net changes in fair value net of tax | - | - | 160 | - | - | 160 |
| - transfer to net profit net of tax | - | - | (152) | - | - | (152) |
| - net changes in fair value net of tax - associated undertaking | - | - | 11 | - | - | 11 |
| - transfer to net profit net of tax - associated undertakings | - | - | (4) | - | - | (4) |
| Cash flow hedges | | | | | | |
| - net changes in fair value net of tax | - | - | (9) | - | - | (9) |
| - transfer to net profit net of tax | - | - | 10 | - | - | 10 |
| Profit/(loss) from sale of treasury shares | - | 12 | - | - | - | 12 |
| At 31 December 2004 | 134 | 152 | 104 | 117 | 92 | 599 |
| Balance at 1 January 2005 | 134 | 152 | 104 | 117 | 92 | 599 |
| Reserve transfers | 17 | 434 | - | (117) | (95) | 239 |
| Available-for-sale securities | | | | | | |
| - net changes in fair value net of tax | - | - | 167 | - | - | 167 |
| - transfer to net profit net of tax | - | - | (99) | - | - | (99) |
| - net changes in fair value net of tax - associated undertaking | - | - | (7) | - | - | (7) |
| Cash flow hedges | | | | | | |
| - net changes in fair value net of tax | - | - | (2) | - | - | (2) |
| - transfer to net profit net of tax | - | - | 10 | - | - | 10 |
| Capitalisation of reserves | - | - | - | - | (15) | (15) |
| Currency translation differences | - | - | - | - | 10 | 10 |
| Value of employee services | - | - | - | - | 3 | 3 |
| Profit/(loss) from sale of treasury shares | - | 8 | - | - | - | 8 |
| At 31 December 2005 | 151 | 594 | 173 | - | (5) | 913 |

The Treasury shares reserve was recognised in accordance with the Law 2190/1920. Upon implementation of IFRS the previous mentioned provision is no longer applicable and as a result all the treasury shares reserve was transferred to other categories of reserves.

Statutory reserves are not distributable. Non-taxed reserves are taxed when distributed. IAS39 reserves are not distributable.

Included in Other reserves as at 31 December 2005 is € 11 million (31 December 2004: € 1 million) relating to currency translation reserve. Included in IAS39 equity reserve as at 31 December 2005 is € 1 million (31 December 2004: € -6 million) relating to Cash flow hedging reserve.

## 35. Geographical concentration of assets, liabilities and off-balance sheet items

| | 31 December 2005 | | | |
|---|---|---|---|---|
| | **Total assets €million** | **Total liabilities €million** | **Credit commitments €million** | **Capital expenditure €million** |
| Greece | **33,028** | **28,691** | **1,032** | **10** |
| Western European countries | **6,216** | **10,171** | **394** | **-** |
| Canada and USA | **691** | **114** | **0** | **-** |
| South Eastern European countries | **3,967** | **1,935** | **92** | **-** |
| Other European countries | **473** | **12** | **-** | **-** |
| Other countries | **89** | **142** | **2** | **-** |
| | **44,464** | **41,065** | **1,520** | **10** |

| | 31 December 2004 | | | |
|---|---|---|---|---|
| | Total assets € million | Total liabilities € million | Credit commitments € million | Capital expenditure € million |
| Greece | 26,811 | 23,888 | 1,019 | 8 |
| Western European countries | 3,024 | 5,604 | 841 | - |
| Canada and USA | 513 | 82 | 1 | - |
| South Eastern European countries | 2,307 | 1,241 | 181 | - |
| Other European countries | 296 | 1 | - | - |
| Other countries | 95 | 50 | 1 | - |
| | 33,046 | 30,866 | 2,043 | 8 |

## 36. Operating lease commitments

The Group leases various assets under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. The future minimum lease payments are as follows:

| | **31 December 2005** | | 31 December 2004 | |
|---|---|---|---|---|
| | **Land and buildings €million** | **Furniture, equipment, vehicles €million** | Land and buildings € million | Furniture, equipment, vehicles € million |
| Operating leases due: | | | | |
| Not later than one year | **58** | **4** | 44 | 3 |
| Later than one year and no later than five years | **179** | **8** | 158 | 6 |
| Later than five years | **148** | **-** | 101 | - |
| | **385** | **12** | 303 | 9 |

## 37. Contingent liabilities and commitments

| | **2005 €million** | 2004 € million |
|---|---|---|
| Contingent liabilities : | | |
| Guarantees | | |
| - guarantees and standby letters of credit | **920** | 1,523 |
| - other guarantees | **528** | 470 |
| | **1,448** | 1,993 |
| Commitments : | | |
| Documentary credits | **72** | 50 |
| Capital expenditure | **10** | 8 |
| | **82** | 58 |
| | **1,530** | 2,051 |

The above amounts as at 31 December 2004 include: a) letter of guarantee that the Bank issued in favor of EFG Ora Funding Limited, amounting to € 461 million, for which the ultimate parent company of the Bank has guaranteed unconditionally and without the right of cancellation and b) letter of guarantee that the Bank issued in favor of EFG Ora Funding Limited II, amounting to € 355 million, for which there was a pledged deposit of Private Financial Investment Holdings Limited.

As at 31 December 2005 a letter of guarantee that the Bank issued in favor of EFG Ora Funding Limited II amounting to € 361 million is included, for which the ultimate parent company of the Bank has guaranteed unconditionally and without the right of cancellation. The letter of guarantee that the Bank issued in favor of EFG Ora Funding Limited amounting to € 461 million expired in 2005.

The unused credit facility as at 31 December 2005 was amounted to € 9,060 million (31 December 2004: € 7,631 million)

**Legal proceedings**

There were a number of legal proceedings outstanding against the Group as at the period end. The Group's management and its legal advisors believe that the outcome of existing lawsuits will not have a significant impact on the Group's financial statements.

## 38. Business segments

The group is organised into five main business segments:

- Retail - incorporating customer current accounts, savings, deposits, investment savings products, credit and debit cards, consumer loans, small business banking and mortgages.
- Corporate - incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products to corporate entities.
- Global and Capital Markets - incorporating investment banking services including corporate finance, merger and acquisitions advice, custody, equity brokerage, financial instruments trading and institutional finance to corporate and institutional entities, as well as, specialised financial advice and intermediation to private and large retail individuals as well as small and large corporate entities.
- Asset Management, Private Banking and Insurance (AM, PB & INS) - incorporating private banking services, including total wealth management, to medium and high net worth individuals, insurance, mutual fund products and institutional asset management.
- New Europe - incorporating operations in Romania, Bulgaria, Serbia, Cyprus, Poland and Turkey.

Other operations of the group comprise mainly investing activities, including property management and investment, electronic commerce and internet services, the management of unallocated capital and the closed-end funds which have been absorbed by the bank.

Transactions between the business segments are on normal commercial terms and conditions.

With the exception of Greece no other individual country contributed more than 10% of consolidated income or assets. Information on geographical concentration of assets, liabilities and off balance sheet items is presented in note 35.

| | 31 December 2005 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Retail** | **Corporate** | **AM, PB & INS** | **Global & Capital Markets** | **Other** | **New Europe** | **Elimination Center** | **Total** |
| | **€ million** | **€ million** | **€ million** | **€ million** | **€ million** | **€ million** | **€ million** | **€ million** |
| **External revenue** | **993** | **236** | **151** | **226** | **39** | **215** | **-** | **1,860** |
| **Inter-segment revenue** | **51** | **33** | **(24)** | **(45)** | **2** | **(0)** | **(17)** | **-** |
| **Total revenue** | **1,044** | **269** | **127** | **181** | **41** | **215** | **(17)** | **1,860** |
| **Profit from operations** | **331** | **123** | **80** | **128** | **(12)** | **11** | **-** | **661** |
| **Profit before tax** | **332** | **123** | **80** | **128** | **2** | **11** | **-** | **676** |
| Income tax expense | | | | | | | | **(172)** |
| **Group Profit after tax** | | | | | | | | **504** |
| Minority interest | | | | | | | | **(3)** |
| **Net profit attributable to shareholders** | | | | | | | | **501** |
| **Segment assets** | **16,179** | **9,349** | **559** | **9,535** | **5,843** | **2,964** | **-** | **44,429** |
| **Associates** | **6** | **-** | **-** | **-** | **29** | **-** | **-** | **35** |
| | **16,185** | **9,349** | **559** | **9,535** | **5,872** | **2,964** | **-** | **44,464** |
| **Segment liabilities** | **10,328** | **2,942** | **2,805** | **13,596** | **9,693** | **1,701** | **-** | **41,065** |

| | 31 December 2004 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Retail | Corporate | AM, PB & INS | Global & Capital Markets | Other | New Europe | Elimination Center | Total |
| | € million | € million | € million | € million | € million | € million | € million | € million |
| **External revenue** | 789 | 223 | 113 | 186 | 32 | 146 | - | 1,489 |
| **Inter-segment revenue** | 31 | 27 | (37) | (24) | 6 | - | (3) | - |
| **Total revenue** | 820 | 250 | 76 | 162 | 38 | 146 | (3) | 1,489 |
| **Profit from operations** | 214 | 122 | 40 | 112 | (12) | 18 | - | 494 |
| **Profit before tax** | 215 | 122 | 40 | 112 | (7) | 18 | - | 500 |
| Income tax expense | | | | | | | | (148) |
| **Group Profit after tax** | | | | | | | | 352 |
| Minority interest | | | | | | | | (12) |
| **Net profit attributable to shareholders** | | | | | | | | 340 |
| **Segment assets** | 12,563 | 8,208 | 599 | 7,757 | 2,086 | 1,776 | - | 32,989 |
| **Associates** | 5 | - | - | - | 52 | - | - | 57 |
| | 12,568 | 8,208 | 599 | 7,757 | 2,138 | 1,776 | - | 33,046 |
| **Segment liabilities** | 9,925 | 2,220 | 2,445 | 8,859 | 5,857 | 1,560 | - | 30,866 |

## 39. Currency risk

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2005 and 31 December 2004. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by currency.

| | 31 December 2005 € million | | | |
|---|---|---|---|---|
| | **Euro** | **USD** | **Other** | **Total** |
| **Assets** | | | | |
| Cash and balances with central banks | 1,434 | 11 | 310 | **1,755** |
| Loans and advances to banks | 2,634 | 272 | 87 | **2,993** |
| Financial instruments at fair-value-through-profit-or-loss | 1,065 | 74 | 70 | **1,209** |
| Derivative financial instruments | 196 | 100 | 15 | **311** |
| Loans and advances to customers | 24,493 | 804 | 1,327 | **26,624** |
| Available-for-sale investment securities | 8,046 | 1,082 | 896 | **10,024** |
| Investments in associated undertakings | 35 | - | - | **35** |
| Intangible assets | 138 | - | 16 | **154** |
| Property, plant and equipment | 647 | - | 180 | **827** |
| Other assets | 488 | 12 | 32 | **532** |
| **Total assets** | **39,176** | **2,355** | **2,933** | **44,464** |
| **Liabilities** | | | | |
| Due to other banks | 8,864 | 985 | 932 | **10,781** |
| Derivative financial instruments | 2,763 | (1,791) | (236) | **736** |
| Due to customers | 14,040 | 3,359 | 1,856 | **19,255** |
| Liabilities evidenced by paper | 8,379 | 410 | 364 | **9,153** |
| Other liabilities | 2,128 | (528) | (460) | **1,140** |
| **Total liabilities** | **36,174** | **2,435** | **2,456** | **41,065** |
| **Net balance sheet position** | **3,002** | **(80)** | **477** | **3,399** |
| Off balance sheet net notional position | **(122)** | **55** | **120** | **53** |
| Contingent liabilities and commitments (note 37) | **1,444** | **79** | **7** | **1,530** |

| | 31 December 2004 € million | | | |
|---|---|---|---|---|
| | Euro | USD | Other | Total |
| **Assets** | | | | |
| Cash and balances with central banks | 1,105 | 82 | 323 | 1,510 |
| Loans and advances to banks | 411 | 231 | 91 | 733 |
| Financial instruments at fair-value-through-profit-or-loss | 2,330 | 28 | 130 | 2,488 |
| Derivative financial instruments | 215 | 33 | 7 | 255 |
| Loans and advances to customers | 19,609 | 597 | 1,025 | 21,231 |
| Available-for-sale investment securities | 4,501 | 559 | 425 | 5,485 |
| Investments in associated undertakings | 57 | - | - | 57 |
| Intangible assets | 68 | - | - | 68 |
| Property, plant and equipment | 605 | - | 136 | 741 |
| Other assets | 439 | 10 | 29 | 478 |
| **Total assets** | 29,340 | 1,540 | 2,166 | 33,046 |
| **Liabilities** | | | | |
| Due to other banks | 4,225 | 635 | 501 | 5,361 |
| Derivative financial instruments | 2,202 | (1,851) | 274 | 625 |
| Due to customers | 13,175 | 2,504 | 2,529 | 18,208 |
| Liabilities evidenced by paper | 5,502 | 188 | 81 | 5,771 |
| Other liabilities | 2,510 | 18 | (1,627) | 901 |
| **Total liabilities** | 27,614 | 1,494 | 1,758 | 30,866 |
| **Net balance sheet position** | 1,726 | 46 | 408 | 2,180 |
| Off balance sheet net notional position | 117 | (34) | (81) | 2 |
| Contingent liabilities and commitments (note 37) | 1,551 | 329 | 171 | 2,051 |

**40. Interest rate risk**

The table below summarises the Group's exposure to interest rate risk. Included in the table are the group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

| | 31 December 2005 | | | | | |
|---|---|---|---|---|---|---|
| | **Up to 3 months €million** | **3 - 12 months €million** | **1 - 5 years €million** | **Over 5 years €million** | **Non-interest bearing €million** | **Total €million** |
| **Assets** | | | | | | |
| Cash and balances with central banks | 1,604 | 0 | - | - | 151 | **1,755** |
| Loans and advances to banks | 2,977 | 1 | 0 | - | 15 | **2,993** |
| Financial instruments at fair-value-through-profit-or-loss | 201 | 200 | 164 | 392 | 252 | **1,209** |
| Derivative financial instruments | - | - | - | - | 311 | **311** |
| Loans and advances to customers | 21,924 | 2,121 | 1,565 | 851 | 163 | **26,624** |
| Available-for-sale investment securities | 885 | 804 | 2,184 | 5,562 | 589 | **10,024** |
| Investments in associated undertakings | - | - | - | - | 35 | **35** |
| Intangible assets | - | - | - | - | 154 | **154** |
| Property, plant and equipment | - | - | - | - | 827 | **827** |
| Other assets | - | - | - | - | 532 | **532** |
| **Total assets** | **27,591** | **3,126** | **3,913** | **6,805** | **3,029** | **44,464** |
| **Liabilities** | | | | | | |
| Due to other banks | 10,303 | 399 | 26 | 21 | 32 | **10,781** |
| Derivative financial instruments | - | - | - | - | 736 | **736** |
| Due to customers | 18,530 | 295 | 21 | 215 | 194 | **19,255** |
| Liabilities evidenced by paper | 7,970 | 624 | 145 | 410 | 4 | **9,153** |
| Other liabilities | - | - | - | - | 1,140 | **1,140** |
| **Total liabilities** | **36,803** | **1,318** | **192** | **646** | **2,106** | **41,065** |
| **On balance sheet interest sensitivity gap** | **(9,212)** | **1,808** | **3,721** | **6,159** | **923** | **3,399** |
| **Off balance sheet interest sensitivity gap** | **290** | **183** | **(382)** | **(216)** | **0** | **(125)** |

| | 31 December 2004 | | | | | |
|---|---|---|---|---|---|---|
| | Up to 3 months € million | 3 - 12 months € million | 1 - 5 years € million | Over 5 years € million | Non-interest bearing € million | Total € million |
| **Assets** | | | | | | |
| Cash and balances with central banks | 1,402 | - | - | - | 108 | 1,510 |
| Loans and advances to banks | 707 | 12 | - | - | 14 | 733 |
| Financial instruments at fair-value-through-profit-or-loss | 556 | 1,238 | 131 | 346 | 217 | 2,488 |
| Derivative financial instruments | - | - | - | - | 255 | 255 |
| Loans and advances to customers | 17,671 | 1,254 | 1,740 | 454 | 112 | 21,231 |
| Available-for-sale investment securities | 574 | 103 | 2,018 | 2,410 | 380 | 5,485 |
| Investments in associated undertakings | - | - | - | - | 57 | 57 |
| Intangible assets | - | - | - | - | 68 | 68 |
| Property, plant and equipment | - | - | - | - | 741 | 741 |
| Other assets | - | - | - | - | 478 | 478 |
| **Total assets** | 20,910 | 2,607 | 3,889 | 3,210 | 2,430 | 33,046 |
| **Liabilities** | | | | | | |
| Due to other banks | 5,001 | 308 | 25 | 25 | 2 | 5,361 |
| Derivative financial instruments | - | - | - | - | 625 | 625 |
| Due to customers | 17,551 | 343 | 109 | 130 | 75 | 18,208 |
| Liabilities evidenced by paper | 5,193 | 330 | 242 | 6 | - | 5,771 |
| Other liabilities | - | - | - | - | 901 | 901 |
| **Total liabilities** | 27,745 | 981 | 376 | 161 | 1,603 | 30,866 |
| **On balance sheet interest sensitivity gap** | (6,835) | 1,626 | 3,513 | 3,049 | 827 | 2,180 |
| **Off balance sheet interest sensitivity gap** | 2,014 | (192) | (198) | (2,148) | 11 | (513) |

The table below summarises the effective average interest rate for monetary financial instruments:

| | **2005** | 2004 |
|---|---|---|
| **Assets** | | |
| Loans and advances to banks | **2.5%** | 2.0% |
| Financial instruments at fair-value-through-profit-or-loss | **2.6%** | 2.4% |
| Loans and advances to customers | **7.0%** | 6.5% |
| Available-for-sale investment securities | **3.0%** | 2.8% |
| **Liabilities** | | |
| Due to other banks | **2.1%** | 2.0% |
| Due to customers | **1.7%** | 1.5% |
| Liabilities evidenced by paper | **2.6%** | 2.6% |

## 41. Maturity of assets and liabilities

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

| | 31 December 2005 | | | | | |
|---|---|---|---|---|---|---|
| | Up to 1 month €million | 1-3 months €million | 3 - 12 months €million | 1 - 5 years €million | Over 5 years €million | Total €million |
| **Assets** | | | | | | |
| Cash and balances with central banks | 1,750 | - | 5 | - | - | **1,755** |
| Loans and advances to banks | 2,818 | 175 | 0 | - | - | **2,993** |
| Financial instruments at fair-value-through-profit-or-loss: | 284 | 15 | 168 | 202 | 540 | **1,209** |
| Derivative financial instruments | 37 | 55 | 42 | 47 | 130 | **311** |
| Loans and advances to customers | 4,486 | 1,981 | 4,845 | 6,765 | 8,547 | **26,624** |
| Available-for-sale investment securities | 290 | 316 | 450 | 2,488 | 6,480 | **10,024** |
| Investments in associated undertakings | - | - | - | - | 35 | **35** |
| Intangible assets | - | - | - | - | 154 | **154** |
| Property, plant and equipment | - | - | - | - | 827 | **827** |
| Other assets | 171 | 16 | 48 | 40 | 257 | **532** |
| **Total assets** | **9,836** | **2,558** | **5,558** | **9,542** | **16,970** | **44,464** |
| **Liabilities** | | | | | | |
| Due to other banks | 6,050 | 4,244 | 414 | 25 | 48 | **10,781** |
| Derivative financial instruments | 24 | 77 | 25 | 141 | 469 | **736** |
| Due to customers | 9,562 | 1,198 | 719 | 7,445 | 331 | **19,255** |
| Liabilities evidenced by paper | 883 | 418 | 1,220 | 4,001 | 2,631 | **9,153** |
| Other liabilities | 285 | 50 | 164 | 5 | 636 | **1,140** |
| **Total liabilities** | **16,804** | **5,987** | **2,542** | **11,617** | **4,115** | **41,065** |
| **Net liquidity gap** | **(6,968)** | **(3,429)** | **3,016** | **(2,075)** | **12,855** | **3,399** |

| | 31 December 2004 | | | | | |
|---|---|---|---|---|---|---|
| | Up to 1 month € million | 1-3 months € million | 3 - 12 months € million | 1 - 5 years € million | Over 5 years € million | Total € million |
| **Assets** | | | | | | |
| Cash and balances with central banks | 1,510 | - | - | - | - | 1,510 |
| Loans and advances to banks | 675 | 56 | 2 | - | - | 733 |
| Financial instruments at fair-value-through-profit-or-loss: | 528 | 8 | 1,056 | 463 | 433 | 2,488 |
| Derivative financial instruments | 24 | 30 | 62 | 107 | 32 | 255 |
| Loans and advances to customers | 728 | 2,546 | 8,870 | 4,819 | 4,268 | 21,231 |
| Available-for-sale investment securities | 408 | 95 | 138 | 1,751 | 3,093 | 5,485 |
| Investments in associated undertakings | - | - | - | - | 57 | 57 |
| Intangible assets | - | - | - | - | 68 | 68 |
| Property, plant and equipment | - | - | - | - | 741 | 741 |
| Other assets | 155 | 19 | 80 | 92 | 132 | 478 |
| **Total assets** | 4,028 | 2,754 | 10,208 | 7,232 | 8,824 | 33,046 |
| **Liabilities** | | | | | | |
| Due to other banks | 3,693 | 1,324 | 262 | 82 | - | 5,361 |
| Derivative financial instruments | 57 | 21 | 75 | 140 | 332 | 625 |
| Due to customers | 14,618 | 2,169 | 859 | 370 | 192 | 18,208 |
| Liabilities evidenced by paper | 972 | 539 | 488 | 2,418 | 1,354 | 5,771 |
| Other liabilities | 295 | 80 | 180 | 133 | 213 | 901 |
| **Total liabilities** | 19,635 | 4,133 | 1,864 | 3,143 | 2,091 | 30,866 |
| **Net liquidity gap** | (15,607) | (1,379) | 8,344 | 4,089 | 6,733 | 2,180 |

## 42. Post balance sheet events

Details of significant post balance sheet events are provided in the following notes:

Note 21: Shares in subsidiary undertakings
Note 22: Investments in associated undertakings
Note 31: Share capital, share premium and treasury shares

## 43. Acquisition of subsidiaries

Details of acquisitions of subsidiaries during the year ended 31 December 2005 that gave rise to goodwill are as follows:

| | Fair value of net assets acquired € million | Consi-deration € million | Goodwill € million |
|---|---|---|---|
| EFG Istanbul Holding AS and its subsidiary EFG Istanbul Menkul Degerler AS | 8 | 27 | 19 |
| Nacionalna Stedionica Banka A.D., Beograd | 10 | 48 | 38 |
| Other acquisitions | 5 | 7 | 2 |
| **Total** | **23** | **82** | **59** |

The other acquisitions consist of the following:
a) Acquisition of 100% of the share capital of EFG Eurobank Finance S.A. and its subsidiary Capital Securities S.A., and
b) Acquisition of 100% of the share capital of Attikis Kerdoos Ermis AEPEY. In July 2005, Attikis Kerdoos Ermis A.E.P.E.Y. was absorbed by its parent, EFG Eurobank Securities S.A.

The above acquisitions have been accounted for by the purchase method of accounting. The acquired companies contributed a net profit of € 5 million to the Group during the period from the date of their acquisition to 31 December 2005. If the acquisitions had been completed on 1 January 2005, the acquired companies would have contributed revenue of € 30 million and net profit of € 7 million for the year ended 31 December 2005.

Included in the € 23 million of fair value of net assets acquired are € 12 million of cash and cash equivalents.

The initial accounting for the business combinations that were effected during the period is presented provisionally since the determination of the subsidiaries' identifiable assets, liabilities or contingent liabilities, or the cost of the combinations has not been finalised.

The goodwill arising from the step acquisitions of Eurobank Properties A.E.E.A.P. and of EFG Private Bank (Luxembourg) S.A. are accounted according to accounting policy 2 b(i).

## 44. Related party transactions

The Bank is a member of the EFG Group, the ultimate parent company of which is EFG Bank European Financial Group, a bank incorporated in Switzerland, which owns 41% of the ordinary shares. The remaining 59% of the shares are widely held. All the voting rights in EFG Bank European Financial Group are held by the Latsis family, the ultimate controlling party of the Group.

A number of banking transactions are entered into with related parties in the normal course of business and are conducted on an arms length basis. These include loans, deposits, letters of guarantee and derivatives. In addition, as part of its normal course of business in investment banking activities, the Group at times may hold positions in debt and equity instruments of related parties. The volume of related party transactions and outstanding balances at the year-end are as follows:

| | **31 December 2005** | | |
|---|---|---|---|
| | **EFG Group € million** | **Key management personnel € million** | **Other € million** |
| Available for sale investment securities | 30 | - | 25 |
| Loans and advances to customers | - | 6 | 128 |
| Other assets | 0 | 0 | 2 |
| Due to other banks | 25 | - | - |
| Due to customers and liabilities evidenced by paper | 290 | 21 | 114 |
| Other liabilities | 0 | - | 0 |
| Net Interest income/(expense) | (7) | (0) | 3 |
| Net banking fee and commission income/(expense) | 1 | - | 3 |
| Operating expenses | (4) | - | - |
| Letters of guarantee issued | 365 | - | 2 |
| Letters of guarantee received | 517 | - | - |

| | 31 December 2004 | | |
|---|---|---|---|
| | EFG Group € million | Key management personnel € million | Other € million |
| Financial instruments at fair-value-through-profit-or-loss | 8 | - | - |
| Available-for-sale investment securities | - | - | 14 |
| Loans and advances to customers | 29 | 7 | 95 |
| Due to other banks | 29 | - | - |
| Due to customers and liabilities evidenced by paper | 421 | 8 | 51 |
| Other liabilities | 2 | - | - |
| Net Interest income/(expense) | (2) | 0 | 2 |
| Net banking fee and commission income/(expense) | (0) | - | 2 |
| Operating expenses | (3) | - | - |
| Letters of guarantee issued | 835 | - | 131 |
| Letters of guarantee received | 574 | - | - |

Key management personnel includes directors and key management personnel of the Group and its parent, and their close family members.

## 44. Related party transactions (continued)

As at 31 December 2004, in relation to the letters of guarantee issued, the Group had received cash collateral € 355 million which is included in due to customers and liabilities evidenced by paper above. The letter of guarantee and collateral expired in May 2005.

No provisions have been recognised in respect of loans given to related parties (2004: nil).

Based on agreements the Group provides the following services to associated undertakings:
(a) Dias AEEX - portfolio management, custodian and share registry services.
(b) The Greek Progress Fund SA - advisory services on investment analysis and management, custodian and share registry services, until 31 October 2005.

**Key management compensation (including directors)**

During the year ended 31 December 2005 the compensation of key management personnel was€ 9 million (year ended 31 December 2004: € 9 million).

## 45. Board of Directors

Other as noted below, the Board of Directors of the Bank since the Bank's Annual General Meeting of 5 April 2004 is the following:

| | | |
|---|---|---|
| X. C. Nickitas | Chairman | |
| G. C. Gondicas | Honorary Chairman (non executive) | |
| Ms A.M.L. Latsis | 1st Vice Chairman (non executive) | |
| L. D. Efraimoglou | 2nd Vice Chairman (non executive) | |
| N. C. Nanopoulos | Chief Executive Officer | |
| B. N. Ballis | Deputy Chief Executive Officer | |
| N. B. Karamouzis | Deputy Chief Executive Officer | |
| H. M. Kyrkos | Executive | |
| N. C. Pavlides | Executive | |
| F. S. Antonatos | Non Executive | |
| A. G. K. Bibas | Non Executive | |
| E. L. Bussetil | Non Executive | |
| S. J. Latsis | Non Executive | |
| P. P. Petalas | Non Executive | |
| S. P. Fafalios | Independent Non Executive | Until 31 October 2005 |
| P. K. Lambropoulos | Independent Non Executive | |
| P. V. Tridimas | Independent Non Executive | From 31 October 2005 |

M. T.von Heydebreck, B.A. von Maltzan, S.G. Papaderos and K.J. Nasikas served as directors during the period from 1 January 2004 to 5 April 2004.

## 46. Dividends

Final dividends are not accounted for until they have been ratified by the Annual General Meeting. On 23 November 2005, the Board of Directors declared the distribution of an interim dividend of €0.36 per share, as part of the dividend for the fiscal year 2005. The dividend for 2005 is subject to the approval of the upcoming Annual General Meeting of Shareholders and totals € 0.90 per share.

The Meeting on 5 April 2005 approved a total dividend in respect of 2004 of € 0.72 per share amounting to a total of € 226 million. Out of this approved dividend an interim dividend of € 0.30 per share amounting to € 94 million had been paid in December 2004 in accordance with the decision of the Board of Directors of 22 October 2004. The remaining dividend of € 0.42 per share amounting to € 132 million was paid in April 2005. The interim dividend of € 0.30 per share has been accounted for in shareholders equity as an appropriation of retained earnings during the period from 1 October 2004 to 31 December 2004. The final dividend of € 0.42 per share has been accounted for in shareholders' equity as an appropriation of retained earnings during the period from 1 April 2005 to 30 June 2005.

The Meeting of 5 April 2004 had approved a dividend in respect of 2003 of € 0.60 per share amounting to a total dividend of € 185 million. This dividend was paid in April 2004 and has been accounted for in shareholders' equity as an appropriation of retained earnings during the period from 1 April 2004 to 30 June 2004.

## 44. Related party transactions (continued)

As at 31 December 2004, in relation to the letters of guarantee issued, the Group had received cash collateral € 355 million which is included in due to customers and liabilities evidenced by paper above. The letter of guarantee and collateral expired in May 2005.

No provisions have been recognised in respect of loans given to related parties (2004: nil).

Based on agreements the Group provides the following services to associated undertakings:
(a) Dias AEEX - portfolio management, custodian and share registry services.
(b) The Greek Progress Fund SA - advisory services on investment analysis and management, custodian and share registry services, until 31 October 2005.

**Key management compensation (including directors)**

During the year ended 31 December 2005 the compensation of key management personnel was€ 9 million (year ended 31 December 2004: € 9 million).

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|---|---|---|
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| L. D. Efraimoglou | 2nd Vice Chairman (non executive) | |
| N. C. Nanopoulos | Chief Executive Officer | |
| B. N. Ballis | Deputy Chief Executive Officer | |
| N. B. Karamouzis | Deputy Chief Executive Officer | |
| H. M. Kyrkos | Executive | |
| N. C. Pavlides | Executive | |
| F. S. Antonatos | Non Executive | |
| A. G. K. Bibas | Non Executive | |
| E. L. Bussetil | Non Executive | |
| S. J. Latsis | Non Executive | |
| P. P. Petalas | Non Executive | |
| S. P. Fafalios | Independent Non Executive | Until 31 October 2005 |
| P. K. Lambropoulos | Independent Non Executive | |
| P. V. Tridimas | Independent Non Executive | From 31 October 2005 |

M. T.von Heydebreck, B.A. von Maltzan, S.G. Papaderos and K.J. Nasikas served as directors during the period from 1 January 2004 to 5 April 2004.

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The Meeting on 5 April 2005 approved a total dividend in respect of 2004 of € 0.72 per share amounting to a total of € 226 million. Out of this approved dividend an interim dividend of € 0.30 per share amounting to € 94 million had been paid in December 2004 in accordance with the decision of the Board of Directors of 22 October 2004. The remaining dividend of € 0.42 per share amounting to € 132 million was paid in April 2005. The interim dividend of € 0.30 per share has been accounted for in shareholders equity as an appropriation of retained earnings during the period from 1 October 2004 to 31 December 2004. The final dividend of € 0.42 per share has been accounted for in shareholders' equity as an appropriation of retained earnings during the period from 1 April 2005 to 30 June 2005.

The Meeting of 5 April 2004 had approved a dividend in respect of 2003 of € 0.60 per share amounting to a total dividend of € 185 million. This dividend was paid in April 2004 and has been accounted for in shareholders' equity as an appropriation of retained earnings during the period from 1 April 2004 to 30 June 2004.

# EUROBANK EFG GROUP
# &
# EFG GROUP

# EUROBANK EFG GROUP

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# EFG GROUP

EFG Group is an international banking group headquartered in Geneva, Switzerland. It is organized into two subgroups:
EFG International, which is a global private banking and asset management group headquartered in Zurich, Switzerland and listed on the SWX Swiss exchange (EFGN).

Eurobank EFG, which is one of the largest banking and financial institutions in Greece, listed on the Athens Stock Exchange (EUROB), offering all universal banking, asset management, insurance and other related services in Greece and Central and South Eastern Europe.

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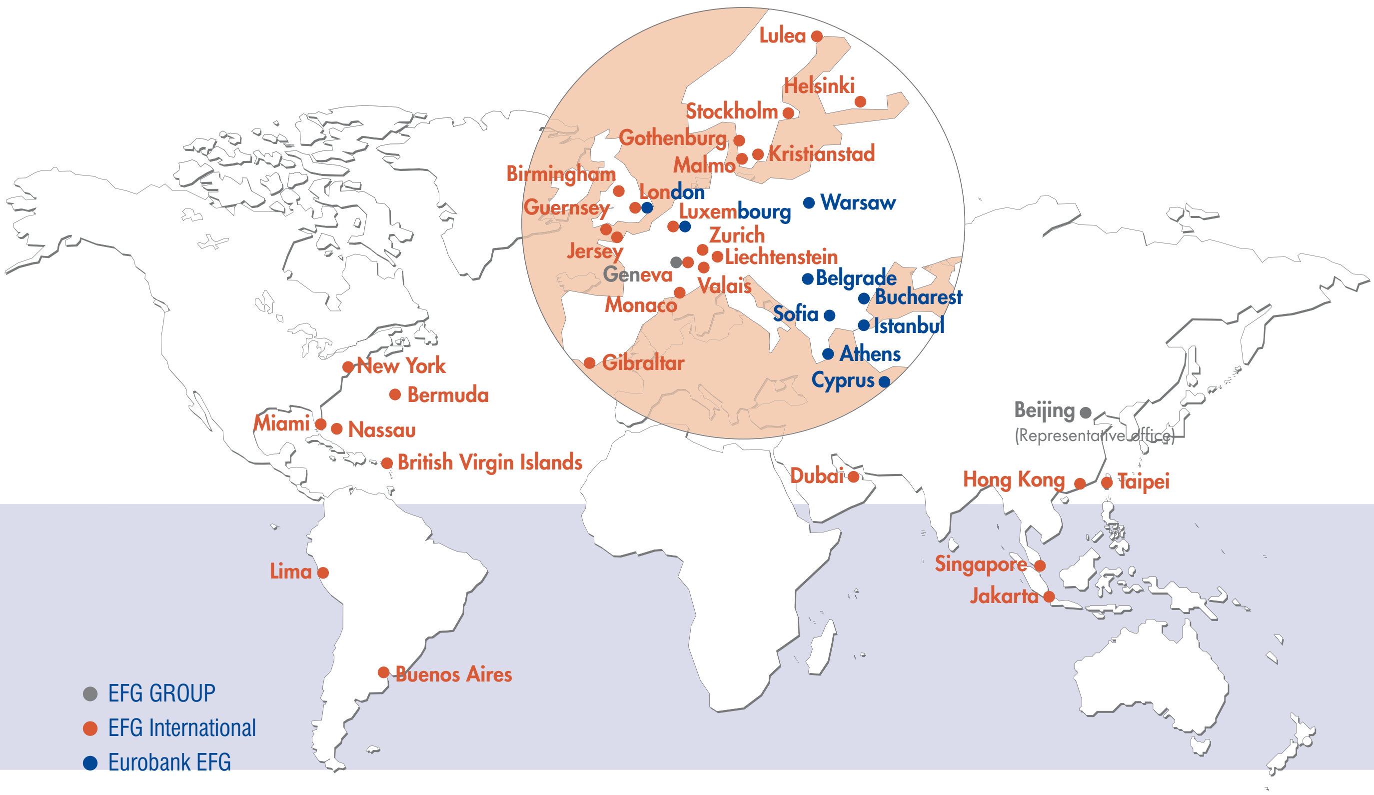

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