



**Proton Investment Bank S.A.**

**ANNUAL REPORT 2005**

IN ACCORDANCE WITH THE PROVISIONS OF HELLENIC CAPITAL MARKETS COMMISSION BOARD OF DIRECTORS'  
DECISION NO. 5/204/14.11.2000 AS IN FORCE

Athens, March 2006

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## 1. MESSAGE FROM OUR CHAIRMAN

Dear Shareholders and Associates,

2005 was a turning point for our Bank. Our listing in the Stock Exchange and merger with three closed-end funds were undoubtedly developments which radically changed the structure of the Group. At the same time, our financials continued to perform satisfactorily and turnover from investment banking activities increased.

Let us not forget that our Bank commenced its activities at a time which has been dubbed as one of the most difficult for the Greek banking system. Despite the difficulties, PROTON managed to win a firm place in the domestic market as a small but reliable bank offering top class investment services, to be transformed in 2005 into a bank with a capital of over € 200 million, and the ability to easily finance new activities.

Given our performance to date, we have every reason to feel satisfied. However, our successful listing in the Stock Exchange and the trust which investors have placed in PROTON leave us no room to look back. We are obliged to move forward, with our vision to retain the trust which our new shareholders have placed in us and to maximise the value of their assets.

Our main objectives for 2006 are a) a smooth merger with OMEGA to maximise synergies and ensure that the result of the merger is 1+1>2, b) the development of our network with the addition of four to five new branches and c) the expansion of our customer and product range. Future aspects of our strategy include selective expansion into other countries in S.E. Europe, expansion of the network and the search for amicable partnerships with other banks. The endeavour we have made with OMEGA is PROTON's first step towards a new age.

Yours faithfully,

Anthony Athanassoglou

Chairman

## 2. SUMMARY OF ANNUAL FINANCIAL INFORMATION

PROTON INVESTMENT BANK S.A.

Condensed financial data and information for the period 1.1.2005 to 31.12.2005

(Published as per Article 135 of Law 2190 for companies preparing annual financial statements in accordance with the IAS)

The financial information and data set out below provide a general presentation of the financial position and results of PROTON INVESTMENT BANK S.A. and its Group. Readers wishing to obtain a full picture of the financial position and results should ensure access to the annual financial statements prepared in accordance with the International Accounting Standards and the Independent Auditor's Report.

Company Information		Board of Directors	
Registered office:	22 Lagoumitzi Street, Kallithea, Athens	Anthony I. Athanassoglou	Chairman and Executive Member
R.N.S.A. :	49841/01/B/01/31	Maria D. Markopoulou	Vice Chairman, Non-Executive Member
Prefecture:	Prefecture of Athens	Elias G. Lianos	Vice Chairman, Managing Director and Executive Member
Approval date of annual financial	16 March 2006	Theodoros P. Mylonas	Deputy Managing Director, Executive Member
Certified Auditor - Accountant:	Nikolaos C. Tsimboulas	Athanasios I. Papaspiliou	General Manager, Executive Member
Auditing Company:	KPMG Kyriakou Certified Auditors S.A.	Epaminondas K. Lambadarios	Independent, Non-Executive Member
Type of Auditor's Report:	Unqualified Opinion – Emphasis of matter	Sotiria S. Theodosi	Independent, Non-Executive Member
Website Address:	<a href="http://www.proton.gr">www.proton.gr</a>		

### BALANCE SHEET

as of December 31st, 2005

	GROUP		BANK	
(amounts expressed in €)	2005	2004	2005	2004
<b>ASSETS</b>				
Cash and balances with central banks	2.251.382	3.590.017	2.249.880	3.585.293
Loans and advances to banks	54.946.193	18.462.240	47.860.053	13.437.184
Trading securities	117.229.028	55.139.285	110.106.900	48.757.518
Derivative financial instruments	7.063	20.032	7.063	20.032
Loans and advances to customers	85.868.000	62.491.606	72.337.594	60.717.093
Investment securities available for sale	734.406	0	734.406	0
Investments in subsidiary undertakings			51.595.038	40.000.000
Property, plant and equipment	1.280.566	1.705.208	1.102.399	1.495.202
Intangible assets	497.641	306.978	92.640	107.727
Deferred income tax assets	450.362	651.235	418.498	581.571
Other assets	<u>8.385.527</u>	<u>5.212.815</u>	<u>3.469.556</u>	<u>2.021.663</u>
<b>TOTAL ASSETS</b>	<b><u>271.650.168</u></b>	<b><u>147.579.416</u></b>	<b><u>289.974.027</u></b>	<b><u>170.723.283</u></b>
<b>LIABILITIES</b>				
Deposits from banks	6.105.942	15.395.949	6.105.942	15.395.949
Due to customers	61.333.431	93.552.130	45.451.296	92.864.647
Derivative financial instruments	635	38.010	635	38.010
Retirement benefit obligations	199.510	172.156	96.293	79.015
Other liabilities	<u>4.698.732</u>	<u>3.037.597</u>	<u>3.423.235</u>	<u>1.109.117</u>
<b>TOTAL LIABILITIES</b>	<b><u>72.338.250</u></b>	<b><u>112.195.842</u></b>	<b><u>55.077.401</u></b>	<b><u>109.486.738</u></b>
<b>EQUITY</b>				
Share capital	202.660.155	35.000.000	202.660.155	35.000.000
Reserves	5.183.496	5.443.587	38.409.516	27.669.661
Retained earnings (losses)	-8.573.165	-5.074.160	-6.173.045	-1.433.116
Minority interest	41.432	14.147		
<b>TOTAL EQUITY</b>	<b><u>199.311.918</u></b>	<b><u>35.383.574</u></b>	<b><u>234.896.626</u></b>	<b><u>61.236.545</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>271.650.168</u></b>	<b><u>147.579.416</u></b>	<b><u>289.974.027</u></b>	<b><u>170.723.283</u></b>

**INCOME STATEMENT**

Year Ended 31 December, 2005

(amounts expressed in €)	GROUP		BANK	
	2005	2004	2005	2004
Interest and similar income	3.959.665	3.167.008	3.427.186	2.773.493
Interest expense and similar charges	<u>(3.244.235)</u>	<u>(2.510.390)</u>	<u>(2.811.232)</u>	<u>(2.543.188)</u>
<b>Net interest income</b>	<b>715.430</b>	<b>656.618</b>	<b>615.954</b>	<b>230.305</b>
Fee and commission income	12.096.301	13.911.718	3.684.105	3.827.719
Fee and commission expense	<u>(131.786)</u>	<u>(3.196.647)</u>	<u>(303.729)</u>	<u>(775.590)</u>
<b>Net fee and commission income</b>	<b>11.964.515</b>	<b>10.715.071</b>	<b>3.380.376</b>	<b>3.052.129</b>
Trading income	6.271.106	4.613.479	4.709.420	3.687.795
Gains less losses from investment securities	11.246.276	(1.055.239)	10.134.640	(842.054)
Dividend income	1.273.289	411.129	1.937.824	879.667
Other operating income	<u>521.811</u>	<u>433.701</u>	<u>506.176</u>	<u>477.889</u>
<b>Operating income</b>	<b>31.992.427</b>	<b>15.774.759</b>	<b>21.284.390</b>	<b>7.485.731</b>
Gain from negative goodwill arising from acquisition (Note 33)	10.301.270	0	10.301.270	0
Personnel Expenses	(5.053.397)	(4.285.231)	(1.610.819)	(996.647)
General Overheads	(8.545.666)	(4.516.192)	(3.350.138)	(2.379.604)
Depreciation Expenses	(721.554)	(859.783)	(458.988)	(546.256)
Impairment losses on loans and advances	<u>(3.303.750)</u>	<u>0</u>	<u>(3.303.750)</u>	<u>0</u>
<b>Profit before income tax</b>	<b>24.669.330</b>	<b>6.113.553</b>	<b>22.861.965</b>	<b>3.563.224</b>
Income tax expense	<u>(2.606.144)</u>	<u>(1.805.810)</u>	<u>(2.042.734)</u>	<u>(606.510)</u>
<b>Profit for the Year</b>	<b>22.063.186</b>	<b>4.307.743</b>	<b>20.819.231</b>	<b>2.956.714</b>
<b>Attributable to:</b>				
Equity holders of the Company	22.090.628	4.306.392		
Minority interest	(27.442)	1.351		
<b>Company during the year</b> (expressed in € per share):				
- basic	0,48	0,31	0,46	0,21
Proposed dividend per share			0,28	

**STATEMENT OF CHANGES IN EQUITY**

		GROUP		BANK	
		2005	2004	2005	2004
Equity at beginning of period	(1.1.2005 and 1.1.2004 respectively)	35.383.574	31.075.831	61.236.545	53.280.424
Profit for the Period After Tax		<u>22.063.186</u>	<u>4.307.743</u>	<u>20.819.231</u>	<u>2.956.714</u>
		<u>57.446.760</u>	<u>35.383.574</u>	<u>82.055.776</u>	<u>56.237.138</u>
Share capital increase		141.747.952	-	141.747.952	-
Net income recognized directly in equity		<u>117.206</u>	-	<u>11.092.898</u>	<u>4.999.407</u>
Equity at the end of period (31.12.2005 and 31.12.2004 respectively)		<u>199.311.318</u>	<u>35.383.574</u>	<u>234.896.626</u>	<u>61.236.545</u>

## CASH FLOW STATEMENT

	GROUP		BANK	
	2005	2004	2005	2004
Cash Inflows / (Cash Outflows) from operating activities (a)	(138.856.835)	3.243.068	(138.449.190)	3.205.718
Cash Inflows / (Cash Outflows) from investing activities (b)	(4.229.752)	(215.807)	(4.634.175)	(178.014)
Cash Inflows / (Cash Outflows) from financing activities (c)	141.747.952		141.747.952	
<b>Total Cash Inflows / (Cash Outflows) for the period</b>	<b>(1.338.635)</b>	<b>3.027.261</b>	<b>(1.335.413)</b>	<b>3.027.704</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>3.590.017</b>	<b>562.756</b>	<b>3.585.293</b>	<b>557.589</b>
<b>Cash and cash equivalents at end of period</b>	<b>2.251.382</b>	<b>3.590.017</b>	<b>2.249.880</b>	<b>3.585.293</b>

## COMPANIES UNDER THE FULL CONSOLIDATION METHOD

In addition to the parent company, PROTON INVESTMENT BANK S.A., the following companies were included in the consolidation on 31.12.2005 using the full consolidation method:

	Participation	Tax Unaudited Periods
1. Proton Asset Management S.A. (Greece)	99.90%	2005
2. Proton Securities S.A. (Greece)	99.90%	2005
3. Proton Mutual S.A. (Greece)	99.90%	2005
4. Arrow Asset Finance S.A. (Greece)	99.90%	2005
5. First Global Brokers AD (Serbia)	82.49%	2005

The company First Global Brokers AD, which was acquired in April 2005, was taken into account in the consolidation for the period ended for the first time.

## Notes:

1. The accounting principles adopted by the Group in accordance with the IFRS have been complied with.
2. The Bank and companies in the Group have been audited by the tax authorities up to and including the 2004 accounting period.
3. There are no liens on the real estate property of the companies included in the consolidation.
4. All manner of judicial or arbitral disputes and pending court actions are not expected to have a significant impact on the Group's financial status.
5. The Group loans and deposit balances with its related parties as defined in IAS 24 amounted to € 27.933.818 and € 10.434.110 respectively on 31.12.2005.
6. The number of staff employed at the end of the year (2005) was 118 for the Group, and 42 for the Bank compared to 106 for the Group and 23 for the Bank in 2004.
7. The Board of Directors of the Bank dated 26.1.2006 resolved to commence procedures to merge PROTON INVESTMENT BANK with OMEGA BANK S.A. and Proton Securities S.A. and the transformation balance sheet date was set at 31.3.2006.
8. The Bank was listed in the ATHEX and its merger with the closed-end funds Arrow, Eurodynamiki and Exeliki by absorption by the Bank was completed. As a result of the merger, profit after tax and equity rose by € 10.301.270 and € 160.697.238 respectively.
9. The Emphasis of matter in the audit report relates to contingent liabilities from unaudited tax period of 2005 for both the Bank and the other Group companies.

Athens, March 20<sup>th</sup>, 2006

The Chairman of the Board of Directors	The Vice Chairman & Managing Director	The General Manager	The Financial Services Manager
Anthony I. Athanassoglou ID Card No. X 214152	Elias G. Lianos ID Card No. K 038877	Athanasios I. Papaspiliou ID Card No. Φ 008527	Georgios S. Nikiforakis ID Card. No. Ξ 107 181

### 3. GENERAL INFORMATION ABOUT THE ANNUAL REPORT

#### Information about the preparation of the annual report and the Bank's auditors

This Annual Report contains all the financial and other information necessary for investors and their investment advisors to be able to make a proper evaluation of the assets, financial position, results and prospects of PROTON INVESTMENT BANK S.A. (hereinafter PROTON BANK S.A. or the Company or the Bank) and the rights deriving from its ordinary registered shares.

Investors interested in more information can contact the company during business hours at the offices of PROTON INVESTMENT BANK S.A., 22 Saki Karagiorga St. & 1 Har. Trikoupi St. Kallithea 17671, tel. 210 9005555, contact Messrs. Athanassios Papaspiliou, General Manager and Ioannis Stefanidis, Investor Relations Manager.

This Annual Report was drawn up and distributed in accordance with current legal requirements.

The Company and members of the Board of Directors are responsible for the content of the annual report and for all financial statements which have been posted to the Company's website and which form part of this annual report.

The natural persons in charge of this Annual Report are:

- ❖ Mr. Elias Lianos, Vice Chairman and Managing Director, 22 Saki Karagiorga St. & 1 Har. Trikoupi St., Kallithea, 17671, Tel. 210 9005555.
- ❖ Mr. Athanassios Papaspiliou, General Manager and Executive Member of the Board of Directors, 22 Saki Karagiorga St. & 1 Har. Trikoupi St., Kallithea, 17671, Tel. 210 9005555.
- ❖ Mr. Georgios Nikiforakis, Financial Services Manager, 22 Saki Karagiorga St. & 1 Har. Trikoupi St., Kallithea, 17671, Tel. 210 9005555.

The members of the Board of Directors and the natural persons in charge of this Document on behalf of the Bank state that they have taken cognisance of and agree with the content of this Annual Report and solemnly confirm that, having taken every reasonable measure to this end, the information contained in it, is to the best of their knowledge, true and does not contain omissions which affect its content.

#### Statutory Audit

##### Statutory Audit of PROTON INVESTMENT BANK S.A.

The audit of the separate and consolidated published financial statements of the Bank for 2005 which were prepared in accordance with the IAS/IGRS was carried out by the certified auditor-accountant Mr. Nikolaos C. Tsimboukas (ICAA (IFRS) Reg No. 17151) from the company KPMG Kyriakou Certified Auditors S.A, 3 Stratigou Tombra St., Agia Paraskevi, GR-15342, Tel. 210 6062100.

The financial statements for 2005 of the subsidiaries PROTON SECURITIES S.A., PROTON MUTUAL FUND MANAGEMENT COMPANY S.A. and ARROW ASSET FINANCE S.A. have been audited by the certified auditor - accountant Mr. Vassilios K. Pappas (ICAA(GR) Reg. No. 14381) from the company SOL S.A. The financial statements for 2005 of the subsidiaries PROTON ASSET MANAGEMENT S.A. have been audited by the certified auditor - accountant Mr. Phaeton Tzoras (ICAA(GR) Reg. No. 14911) from the company SOL S.A.

The financial statements for 2005 of the subsidiary FIRST GLOBAL BROKERS A.D. have been audited by the certified auditor - accountant Mr. Bogoljub Aleksic from the company MGI AUDITING AND ACCOUNTING, Makenzijevo 41/II, 11000 Belgrade, Serbia and Montenegro.



## Documents referred to

- ❖ The separate and consolidated financial statements and the audit reports for the 2005 accounting period prepared in accordance with the International Financial Reporting Standards are available at the Bank's offices, 22 Saki Karagiorga St. & 1 Har. Trikoupi St., Kallithea, GR-17671, and on the website <https://www.proton.gr>.
- ❖ The consolidated financial statements dated 30.9.2005 and the audit reports prepared in line with the International Financial Reporting Standards are available at the Bank's offices, 22 Saki Karagiorga St. & 1 Har. Trikoupi St., Kallithea, GR-17671, and on the website <https://www.proton.gr/ipo>.
- ❖ The separate and consolidated financial statements dated 30.6.2005 and the audit reports prepared in accordance with the International Financial Reporting Standards are available at the Bank's offices 22 Saki Karagiorga St. & 1 Har. Trikoupi St., Kallithea, GR-17671, and on the website <https://www.proton.gr/ipo>.

## Documents available to the public

- ❖ The financial statements for the 2005 accounting period and the subsidiaries PROTON SECURITIES S.A., PROTON ASSET MANAGEMENT S.A., PROTON MUTUAL FUNDS S.A., ARROW ASSET FINANCE S.A. and FIRST GLOBAL BROKERS A.D. and the audit reports prepared in accordance with the International Financial Reporting Standards are available at the Bank's offices, 22 Saki Karagiorga St. & 1 Har. Trikoupi St., Kallithea, GR-17671, and on the website <https://www.proton.gr>.
- ❖ The prospectus for listing the shares in the Bank on the Athens Exchange is available at the Bank's offices, 22 Saki Karagiorga St. & 1 Har. Trikoupi St., Kallithea, GR-17671, and on the website <https://www.proton.gr/ipo>.
- ❖ The document required by Article 4 of Law 3401/2005 on the merger of PROTON INVESTMENT BANK S.A. with the Closed End Funds ARROW Portfolio Investment S.A., EUROODYNAMIKI Portfolio Investment S.A. and EXELIXI Portfolio Investment S.A. are available at the Bank's offices, of 22 Saki Karagiorga St. & 1 Har. Trikoupi St., Kallithea, GR-17671, and on the website <https://www.proton.gr/ipo>.

## 4. BOARD OF DIRECTORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

BOARD OF DIRECTORS REPORT OF  
PROTON INVESTMENT BANK S.A.  
FOR FISCAL YEAR ENDING DECEMBER 31, 2005

Dear shareholders,

We are pleased to submit for your approval the annual financial statements of PROTON Investment Bank, which include the Balance Sheet, the Income Statement, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Financial Statements, presenting with clarity and accuracy the Bank's capital structure and operating results for Fiscal Year 2005. The Bank's financial statements are drawn up for the first time according to the International Financial Reporting Standards, as these were adapted by the European Union. The financial statements also present comparative figures for Fiscal Year 2004.

2005 brought about many important positive developments for our Bank, changing its character and broadening its horizon. The Bank's capital base was significantly strengthened through the merger with the three listed investment companies ARROW, EURODYNAMICS and EXELIXI which was completed on December 30, 2005. The listing of the Bank on the ATHEX and its trading debut on December 22, 2005, transformed the Bank from a company owned by a few private individuals, to a listed, publicly owned company, with over 18.000 shareholders.

Gross revenue for the Bank reached € 24.4 mil. in 2005, versus €10.8 mil. in 2004, and profit before tax amounted to € 22.9 mil., versus € 3.6 mil. in 2004. Depreciation reached € 0.459 mil., as compared to € 0.546 mil. in 2004, whereas loan loss provisions reached € 3.3 mil., versus zero in 2004. Profit after tax for the Bank for 2005 was €20.8 mil., as compared to € 3.0 mil. in 2004.

Consolidated gross revenues for 2005 were € 35.4 mil., versus € 21.5 mil. in 2004 and consolidated profit before tax reached € 24.7 mil., versus € 6.1 mil. in 2004. Depreciation for the Group was € 0.722 mil., as compared to € 0.860 mil. in 2004, whereas loan loss provisions reached € 3.3 mil., versus zero in 2004. Consolidated profit after tax for 2005 was € 22.1 mil., as compared to €4.3 mil. in 2004.

The Bank has been audited by the relevant tax authorities up until and including Fiscal Year 2004 and its financials were declared final and accurate. The audit of the Bank, together with the audit of its consolidated subsidiaries, by the tax authorities, was completed in July 2005.

On March 11, 2004, the Bank was awarded the arrangement and placement of a corporate bond issue by EMPHASIS S.A. The issue amounted to € 6.007.500, divided to 6.750 bonds, each carrying a nominal value of € 890, with a 3-year maturity. Following the financial difficulties of EMPHASIS and the respective decision of PROTON's General Assembly, the Bank proceeded in July 2005 to make a buy-back offer to all bond holders, which was accepted at a total cost to the Bank of € 3.003.750. According to International Financial Reporting Standards, PROTON made a provision for the whole amount of the purchase, amounting to € 3.003.750.

Total assets for the Bank for 2005 reached € 290.0 mil., versus € 170.7 mil. in 2004, whereas trading securities amounted to € 110.1 mil., versus € 48.8 mil. in 2004. Loans and advances to customers reached € 72.3 mil. in 2005, versus € 60.7 mil. in 2004, while deposits from customers stood at € 45.5 mil., versus € 92.9 mil. in 2004. The ratio of non-equity liabilities to equity for the Bank stood at 0.23 in 2005, versus 1.79 in 2004, while the Bank's Regulatory Capital stood at € 171.2 mil. in 2005, versus € 25.5 mil. in 2004 and the Capital Adequacy Ratio was 47.66%, versus 16.23% in 2004.

Consolidated total assets reached € 271.7 mil. in 2005, versus € 147.6 in 2004, whereas the Group's trading securities amounted to € 117.2 mil., versus € 55.1 mil. in 2004. Loans and advances to customers on a consolidated basis reached € 85.9 mil. in 2005, versus € 62.5 mil. in 2004, while deposits from customers were € 61.3 mil., versus € 93.6 mil. in 2004. The ratio of non-equity liabilities to equity for the Group stood at 0.36 in 2005, versus 3.17 in 2004, while the Group's Regulatory Capital reached € 154.1 mil. in 2005, versus € 20.7 mil. in 2004 and the Capital Adequacy Ratio stood at 45,56%, versus 12,32% in 2004.

All other information pertaining to the financial statements are included in the Notes to the Financial Statements.

Notwithstanding a number of problems, the general macroeconomic environment is by and large positive. The Greek economy remains in an expanding trajectory, with economic activity being supported by the consumer sector, which remains strong, as well as by a slow but systematic process of structural reforms. Following a two-year period of strong profitability, the Greek banking sector focused on expanding the range of service and product offerings, combined with cost containment. Nevertheless, credit expansion in general and mortgages and consumer loans in particular, still remain the major growth areas in the banking sector. Under this frame of reference, the ongoing restructuring of the Greek economy and of the Greek corporate sector, offers a competitive edge to small niche banking players, capable of flexible response to a wide range of client needs, both in investment and in corporate banking.

The significant expansion of the Bank's capital base in 2005, unavoidably leads to a new strategy, with a dynamic policy of balanced expansion. While the bank will maintain investment banking focus where a competitive advantage has been obtained, it will also direct its efforts towards strengthening core banking activities.

The Bank will continue offering a wide range of investment banking products and services, while focusing on the development of a branch network and the penetration of niche segments such as Small-to-Medium Enterprises lending. At the same time, the bank will continue participating in the consolidation of the sector through strategic co-operations/mergers with other banks, on a friendly basis only.

The first step was already made, with the absorption of OMEGA BANK. More specifically, the Board of Directors decided on January 26, 2006 to commence merger procedures with OMEGA BANK S.A. and PROTON SECURITIES S.A., through the absorption of these two companies by the Bank. In this manner, the Bank is implementing in the best possible way its policy of balanced expansion.

Athens, March 20, 2006

The Chairman

Anthony I. Athanassoglou

## **5. AUDIT REPORT ON THE ANNUAL FINANCIAL STATEMENTS**

### **Independent Auditor's Report**

(Translated from the original in Greek)

To the Shareholders of

PROTON BANK

We have audited the accompanying financial statements of PROTON BANK (the "Bank") which comprise the balance sheet as of 31 December 2005 and the related statements of income, changes in equity and cash flows for the year then ended and the summary of significant accounting policies and other explanatory notes. These financial statements are the responsibility of the Bank'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 in accordance with the 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, evaluating the overall financial statement presentation as well as assessing the consistency of the Board of Directors' Report with the financial statements. We believe that our audit provides a reasonable basis for our opinion.

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

Without qualifying our opinion we draw attention to note 16 to the financial statements that explains that the tax obligations of the Bank for the year 2005 have not yet been audited by the tax authorities and accordingly its tax obligations for this year are not considered final. The outcome of a tax audit cannot at present be determined.

Athens, 20 March 2006

KPMG Kyriacou Certified Auditors AE

Nick Tsiboukas

Certified Auditor Accountant

AM SOEL 17151

## 6. ANNUAL FINANCIAL STATEMENTS

### Annual Financial Statements

The following financial statements were approved by the Board of Directors of PROTON INVESTMENT BANK on 20 March 2006 and are available through the company website ([www.proton.gr](http://www.proton.gr)).

The notes on pages 19 to 63 constitute an integral part of these separate financial statements.

#### INCOME STATEMENT

For the year ended 31 December 2005

(Amounts in Euro)

	Note	2005	2004
Interest and similar income		3.427.186	2.773.493
Interest and similar expense		(2.811.232)	(2.543.188)
<b>Net interest income</b>	<b>8</b>	<b>615.954</b>	<b>230.305</b>
Fee and commission income	<b>9</b>	3.684.105	3.827.719
Fee and commission expense		(303.729)	(775.590)
<b>Net fee and commission income</b>		<b>3.380.376</b>	<b>3.052.129</b>
Net income from financial transactions	<b>10</b>	4.709.420	3.687.795
Net gain/(loss) from trading financial instruments	<b>10</b>	10.134.640	(842.054)
Dividend income	<b>11</b>	1.937.824	879.667
Other operating income	<b>12</b>	506.176	477.889
<b>Operating income</b>		<b>21.284.390</b>	<b>7.485.731</b>
Combination difference	<b>35</b>	10.301.270	-
Impairment losses	<b>13</b>	(3.303.750)	-
Operating expenses	<b>14</b>	(5.419.945)	(3.922.507)
<b>Profit before tax</b>		<b>22.861.965</b>	<b>3.563.224</b>
Income tax expense	<b>16</b>	(2.042.734)	(606.510)
<b>Profit after tax</b>		<b>20.819.231</b>	<b>2.956.714</b>
Basic and diluted earnings per share (expressed in Euro per share)	<b>17</b>	<b>0.46</b>	<b>0,21</b>

**BALANCE SHEET****For the year ended 31 December 2005****(Amounts in Euro)**

	Note	2005	2004
<b>Assets</b>			
Cash and balances with the Central Bank	18	2.249.880	3.585.293
Loans and advances to banks	19	47.860.053	13.437.184
Trading securities	20	110.106.900	48.757.518
Derivatives financial instruments	21	7.063	20.032
Loans and advances to customers	22	72.337.594	60.717.093
Available-for-sale securities	23	734.406	-
Investments in subsidiaries and associates	24	51.595.038	40.000.000
Property, plant and equipment	25	1.102.399	1.495.202
Intangible assets	26	92.640	107.727
Deferred tax asset	27	418.498	581.571
Other assets	28	3.469.556	2.021.663
<b>Total assets</b>		<b>289.974.027</b>	<b>170.723.283</b>
<b>Liabilities</b>			
Deposits from banks	29	6.105.942	15.395.949
Deposits from customers	30	45.451.296	92.864.647
Derivatives financial instruments	21	635	38.010
Provision for employee benefits	31	96.293	79.015
Other liabilities	32	3.423.235	1.109.117
<b>Total liabilities</b>		<b>55.077.401</b>	<b>109.486.738</b>
<b>Equity</b>			
Share capital	33	202.660.155	35.000.000
Reserves	34	38.409.516	27.669.661
Accumulated deficit		(6.173.045)	(1.433.116)
<b>Total equity</b>		<b>234.896.626</b>	<b>61.236.545</b>
<b>Total equity and liabilities</b>		<b>289.974.027</b>	<b>170.723.283</b>

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2005

(Amounts in Euro)

	Share capital	Revaluation on investments in subsidiaries and associates	Other Reserves	Accumulated deficit	Total equity
<b>Balance at 1 January 2004</b>	<b>35.000.000</b>	<b>18.391.999</b>	<b>1.136.687</b>	<b>(1.248.260)</b>	<b>53.280.426</b>
Profit for the year	-	-	-	2.956.712	2.956.712
Revaluation on investments in subsidiaries and associates	-	4.999.407	-	-	4.999.407
Transfer to reserves	-	-	3.141.568	(3.141.568)	-
<b>Balance at 31 December 2004</b>	<b>35.000.000</b>	<b>23.391.406</b>	<b>4.278.255</b>	<b>(1.433.116)</b>	<b>61.236.545</b>
Cost of acquisition	141.747.952	-	-	-	141.747.952
Transfer of Bank's Valuation surplus to share capital	25.652.058	-	-	(25.652.058)	-
Transfer of reserves to share capital	260.145	-	(260.145)	-	-
Revaluation on investments in subsidiaries and associates	-	11.000.000	-	-	11.000.000
Profit for the year	-	-	-	20.819.231	20.819.231
Other combination adjusting entries	-	-	-	92.898	92.898
<b>Balance at 31 December 2005</b>	<b>202.660.155</b>	<b>34.391.406</b>	<b>4.018.110</b>	<b>(6.173.045)</b>	<b>234.896.626</b>

**STATEMENT OF CASH FLOWS****For the year ended 31 December 2005**

<b>(Amounts in Euro)</b>	<b>2005</b>	<b>2004</b>
<b>Operating activities</b>		
Profit before tax	22.861.965	3.563.224
<b>Adjustment for non-cash items</b>		
Depreciation and amortization	458.988	546.256
Impairment of available-for-sale securities	3.003.750	-
Changes in provisions	300.000	-
Change in fair value of trading investments	(10.134.640)	842.054
	<b>16.490.063</b>	<b>4.951.534</b>
<b>Changes in operating assets and liabilities</b>		
Net (increase)/decrease in loans and advances to banks	(34.422.869)	(692.609)
Net (increase)/decrease in trading securities	(51.214.742)	(2.938.622)
Net (increase)/decrease in derivative financial instruments	12.969	592.979
Net (increase)/decrease in loans and advances to customers	(11.620.501)	(29.215.859)
Net (increase)/decrease in other assets	(1.284.820)	(1.434.329)
Net increase/(decrease) in deposits from banks	(9.290.007)	8.423.574
Net increase/(decrease) in deposits from customers	(47.413.351)	27.235.239
Net increase/(decrease) in derivative financial instruments	(37.375)	(873.176)
Net increase/(decrease) in other liabilities	331.443	(2.843.013)
<b>Cash flows from operating activities</b>	<b>(154.939.253)</b>	<b>(1.745.816)</b>
<b>Investing activities</b>		
Acquisition of intangible assets, property and equipment	(301.214)	(178.014)
Proceeds from the sale of intangible, property and equipment	233	-
Purchase of investments	(3.738.156)	-
Purchase of subsidiaries	(595.038)	-
<b>Cash flows from investing activities</b>	<b>(4.634.175)</b>	<b>(178.014)</b>
<b>Financing activities</b>		
Net proceeds from share capital increase	141.747.952	-
<b>Cash flows from financing activities</b>	<b>141.747.952</b>	<b>-</b>
<b>Net increase/ (decrease) in cash flows</b>	<b>(1.335.413)</b>	<b>3.027.704</b>
<b>Cash and cash equivalents at 1 January</b>	<b>3.585.293</b>	<b>557.589</b>
<b>Cash and cash equivalents at 31 December</b>	<b>2.249.880</b>	<b>3.585.293</b>



## Notes to the Annual Financial Statements

### 1. GENERAL INFORMATION

The Bank operates as a Societe Anonyme under the brand name “ PROTON INVESTMENT BANK” ( the Bank thereon) and it mainly operates in investment banking. For its operations abroad the Bank uses the brand name “ PROTON INVESTMENT BANK S.A.”.

The Bank's registered office is in Saki Karagiorga and Harilaou Trikoupi 1 in the municipality of Kallithea while the duration of the Bank is 99 years, that is until 2100. The Bank has one branch in order to carry out its activities which is located in the above mentioned address.

The Bank is registered on the Register of Societe Anonym of the Prefecture of Athens with registration number 49841/06/B/01/31 and has permission of operation from the Commission of Banking and Credit Matters of the Bank of Greece (TrE) Approval Number : 104/1/18.6.2001. During the current financial year the Bank was listed in the Athens Stock Exchange offering to the public twenty-five percent (25%) of its existing stocks. At the same time it absorbed the listed investment companies of portfolio investment , ARROW S.A., EURODINAMIKI S.A. and EXELIXI S.A..

The merging procedure was completed on 30 December 2005. Analytical presentation of the information from the merging procedure is reported in note 35.1.

The Bank's Financial Statements were approved by the Board of Directors on 20 March 2006.

In the General Assembly of the shareholders on 23 September 2005 appointed a new Board of Directors and at the same time it determined executive and non executive members on it. The BoD was elected for 3 years starting from the above mentioned date of the General Assembly.

The structure of the board of Directors as of 31 December 2005 is the following:

Name	Position
1. Anthony Athanassoglou	Chairman of the BOD and executive member
2. Maria Markopoulou	Vice President and non executive member
3. Elias Lianos	Vice President, Managing Director and executive member
4. Theodoros Milonas	Deputy Managing Director and executive member
5. Athanasios Papaspiliou	Executive member
6. Epaminondas Lampadarios	Independent non executive member
7. Kostantinos Chrisogonos	Independent non executive member

Within January 2006 the BoD of the Bank decided to replace the member of BoD Mr K. Chrisogonos member of the Board by Mrs Sotiria Theodosi as independent non executive member.

## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS.

The Financial Statements of the Bank have been prepared for the first time in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The date of transition for the Bank to IFRS was 1 January 2004, when the opening balance sheet was prepared in accordance with IFRS 1.

The preparation of the financial statements in accordance to the IFRS is obligatory by the clauses of article 135 of law 2190/1920 that dictates that the listed companies in the stock market are obliged to prepare their financial statements according to the International Financial Reporting Standards as adopted by the European Union.

Up until 31 December 2004 the financial statements of the Bank were prepared in accordance to the Greek Accounting Standards that constitute the whole set of clauses of Commercial Law 2190/1920, the Greek Chart of Accounts, the Accounting Policies for Banks and part of tax clauses that differ in many cases from the IFRSs.

The effect on the Bank's financial position of the transition from the Greek GAAP to the IFRS are reported in note 39.

The financial statements have been prepared on the historic cost basis, except for financial instruments classified as available-for-sale securities, participations to subsidiary companies, financial assets and financial liabilities held at fair value through the income statement and derivatives which are valued at fair value.

### 2.1 Currency Presentation

Financial Statements are presented in Euro unless otherwise indicated.

### 2.2 Use of Estimates

The preparation of financial statements in conformity with IFRS, requires the use of estimates and assumptions that affect the reported amount of assets and liabilities, the required disclosures for potential receivables and liabilities at the date of preparation of financial statements and the income and expense which have been recognized during the accounting period. The application of available information and the use of subjective judgment is an integral part in determining the estimates. The actual results may differ from these estimates and it is possible that these differences may have a material effect on the financial statements.

### 2.3 Comparative Figures

The Bank prepares the financial statements with comparative figures. For the preparation of the financial statements for the year ended 31 December 2005 as comparative were used those of the financial statements as of 31 December 2004 figures and the relevant notes. The bank as is reported in more detail on note 35.1 merged with three investment companies and the date that it took over control of these companies was on 30 December 2005. Consequently in some cases the figures of the current financial year cannot be compared with figures of the prior year since they include amounts from the three investment companies that were absorbed. The effect on the Balance Sheet accounts and the Profit and Loss accounts are reported on note 35.1.4..

### 2.4 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the financial statements when there is a legal right to offset and there is intention to settle on a net basis, to realize the asset and settle the liability simultaneously.

### 2.5 Derecognition of a financial instrument from the financial statements

A financial instrument is derecognized from the Banks financial statements when the Bank loses control of the contractual rights that comprise the financial instrument. The Bank loses such control if it realizes the rights to benefits specified in the contract, the rights expire, or the enterprise surrenders those rights.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set below. These policies have been consistently applied to all years presented.

#### 3.1 Foreign currency transactions

The functional currency of the Bank is Euro.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies, are translated at the foreign exchange rates on balance sheet date. Translation differences are recognized in the income statement.

Differences arising from the translation of non-monetary assets and liabilities denominated in foreign currencies, are part of the changes in their fair value. Differences arising from the translation of non-monetary assets, such as securities held at fair value through profit or loss, are recognized in the consolidated income statement. Differences arising from the translation of non-monetary assets, such as an available-for-sale financial asset, are recognized in equity until the sale of this non-monetary asset.

#### 3.2 Investments in debt and equity securities

The Bank classifies its investments as held for trading, held-to-maturity or available-for-sale. The classification is decided upon at initial recognition.

Initially, all investments are recorded on the trade date at fair value. Transaction costs are capitalized, if they are available-for-sale and held-to-maturity investments, whereas they are recorded directly to the income statement if they are held-for-trading.

Trading securities: This category includes investments which are acquired in order to generate short term profit and include securities such as stocks, bonds, and mutual fund units. After initial recognition, investments held for trading are stated at fair value. The gains or losses arising from the changes in the fair value of these investments are included in the income statement.

Available-for-sale securities: This category includes financial assets that are intended to be held for on indefinite period of time, to maturity or sold in response to needs for liquidity or to gain from the changes in interest rates or foreign currency exchange rates. After initial recognition, the investments classified as available-for-sale are carried at fair value. Gains and losses arising from changes in fair value of these investments are recognized directly in equity. These gains are removed from equity and recognized in the income statement when they are sold or there is objective evidence of impairment.

#### Fair value of financial instruments

Fair value is the value that a financial instrument can be traded ( purchase/sale) between two parties that are aware of the market and this trade is executed for commercial reasons. The financial instruments of the Bank, as indicated by the IFRS, are included on balance sheet captions and on off balance accounts in cases that these concern letters of guarantee of the Bank.

Short term positions of the Bank as well as short term deposits from clients are reported on cost value since these financial instruments have short term expirations and are turned into cash or redeem without significant transaction costs.

Loans to clients and letters of guarantee are reported at their cost value minus estimated impairment.

Trading Portfolio and available for sale securities are reported at their fair value, which is determined by their market price on the balance sheet date.

#### Trade Date

All regular purchases or sales of a financial asset are recognized on the trade date which is the date that the Bank commits itself to purchase or sell an asset. The term "regular" transactions requires that the delivery of a financial

asset is realized within the time period specified by either the responsible committee or is established by the existing practice.

### 3.4 Participation in subsidiaries and associates

The Bank has significant investments in subsidiaries that cover almost all the aspects of the financial sector. The Bank in order to report in the financial statements the fair value of its subsidiaries, valued these at their fair value according to the clauses of the respective IFRSs ( IFRS 27 paragraph 37 and IFRS 39 paragraph 46). The fair value of the subsidiaries was determined by an independent valuator using general accepted methods according to relevant reports conducted especially for this purpose. Specifically these subsidiaries were valued as of 31 December 2003, 31 December 2004 and 31 December 2005. From these valuations a surplus value was arose which was recorded directly to equity.

The subsidiary abroad that was acquired during April 2005 ( Serbia – Montenegro) is reported on the financial statements at cost value.

### 3.5 Repurchase agreements

Securities that are sold subject to a repurchase agreement (Repos) are presented in the financial statements either as available-for-sale investments or held-to maturity investments, while the respective liability is presented, depending on the counterparty, as amounts due to banks, to customers or other deposits. Securities purchased under agreements to resell (Reverse Repos) are presented in the financial statements as amounts due from banks. The difference between the sales price and repurchase price is recorded in the income statement as interest income and is accrued over the term of the agreement using the effective interest rate method.

### 3.6 Derivative financial instruments and hedging

The Bank uses derivative financial instruments on its own behalf in order to gain profits and in order to cover its clients needs. Derivative financial instruments include forward foreign exchange contracts, interest rate swaps, foreign exchange swaps and other derivative financial instruments.

**Derivatives for trading purposes:** Derivatives that do not qualify for hedging purposes are considered as entered into for trading purposes. Initially, derivatives are recognized at fair value (which is essentially the transaction cost) on the date on which the contract is entered into. Subsequently they are remeasured at fair value. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

**Embedded Derivatives:** A derivative may be embedded in another financial instrument. The combined financial instrument includes both a host contract and the derivative and is known as embedded derivative. An embedded derivative should be separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and c) the hybrid (combined) instrument is not measured at fair value with changes in fair value reported in the income statement.

Changes in the fair value of derivatives are recorded in the income statement.

**Hedging:** For the purposes of hedge accounting, hedging is designated as a fair value hedge, when the exposure to changes in the fair value of a recognized asset or liability is hedged or as cash flow hedge when the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability is hedged. For the derivatives that are used for hedging purposes the Bank applies hedge accounting which includes a description of the hedged item, of the hedging instrument, the nature of the risk being hedged and the enterprise's risk management strategy. Furthermore, it documents whether or not the hedging is effective at inception and throughout the life of the hedge. That is whether or not fair value changes derived from the hedged exposure are offset by the changes of the hedging instrument and are within a range of 80% to 125%.

In fair value hedge transactions which meet the criteria for hedge accounting, gains or losses which are due to the valuation of the hedging instrument to fair value are recorded in the income statement. The hedged item is valued at fair value and the gains or losses are recorded in the income statement.

Changes in the fair value of the effective portion of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk, are recognized in the hedge reserve in equity. Otherwise, gains and losses which refer to the ineffective portion of the hedge are recorded in the income statement.

When the criteria for hedge accounting are no longer met, due to the hedging being no longer effective or due to the fact that the hedged exposure has been derecognized, then the related accumulated gains or losses recognized in equity are transferred to the income statement.

### 3.7 Property, plant and equipment

Land and buildings are used by the Bank either for operational purposes of the Bank or for administrative purposes. Fixed assets include land, buildings, leasehold improvements, furniture and other equipment and vehicles. Fixed assets are stated at cost less accumulated depreciation and impairment losses.

**Depreciation:** Depreciation on the other assets is calculated using the straight-line method over their expected useful life, which is reviewed annually, as follows:

Furniture and other equipment	5 – 8 years
Machinery	7 – 14 years
Vehicles	7 – 9 years

Leasehold improvements are depreciated over either the useful life of the improvement or the duration of the lease whichever is the shorter.

**Impairment:** The Bank reviews annually its fixed assets in order to find any indications of impairment. If there are indications of impairment the carrying value of the fixed asset is reduced to its recoverable amount with the respective decrease in the operating results.

### 3.8 Intangible Assets

Intangible assets include software and other intangible assets. Software which is acquired and can be clearly identified is capitalized at the cost of acquisition. Subsequently, they are carried at cost less any accumulated amortization and any impairment losses. Software is amortized over 3 years. Bank management, on an annual basis, examines the fair value of intangible assets so as to conclude whether there exists an indication of impairment or whether the useful life should be amended. In the case when the carrying value of an intangible assets exceeds its recoverable value, a corresponding impairment is charged to the income statement.

### 3.9 Cash and cash equivalents

Cash and cash equivalents include monetary assets with less than three months to maturity.

### 3.10 Loans and advances to customers and provision for loan losses

Loans and advances are recorded on the disbursement date at cost, which is the fair value of the capital, including the direct expenses and income which relate to the loan. Subsequent to initial recognition, loans and advances are carried at amortized cost using the effective interest rate method. Loans and advances are carried on the balance sheet after deducting provisions for losses.

The recoverability of loans and advances is reviewed on an individual basis for those loans which the Bank considers as significant. The evaluation takes into account the financial position, past repayment pattern, the credit worthiness of guarantors and the realisable value of collaterals.

When a loan is considered as doubtful, its carrying value is reduced to its recoverable amount.

Reversal of provision for loan losses is conducted only in the case that the credibility of the client has improved to such extent as to consider the collectibility of capital and interest according to the terms of the loan contract possible or without delay.

Loans and advances are written off against the related provision, when it is considered uncollectible.

#### Leases

##### a) Operating Leases

The Bank has entered into operating lease contracts where risks and rewards of ownership of the assets remain with the lessor. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

##### b) Finance Leases

The Bank has entered into finance lease contracts where risks and rewards of ownership of the leased assets have been assumed by the Bank.

Finance leases are carried at the lower between the fair value of the lease payments and the present value of the minimum lease payments.

The leased assets are depreciated over the shorter period between the length of the contract and the useful life unless it is almost certain that the Bank will assume the property of the asset upon the termination of the contract. If the lease transfers the ownership of the asset upon the termination of the contract or if there is the option of purchase at a lower price, then the depreciable period is the asset's useful life.

Lease payments are distinguished in the amount referring to capital repayment and interest repayment. The distinction is made in order to achieve a fixed repayment schedule. Interest payments are charged to the income statement.

#### 3.12 Interest income and expense

For all financial assets and liabilities, interest income and expense are recognized in the income statement using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of the financial asset or financial liability and of allocating the interest income or expense over the relevant period.

The effective interest rate is the rate that exactly discounts the future cash receipts or payments through the expected estimated life of the financial instrument.

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

#### 3.13 Fee and commission income

Fees and commissions are recognized in the income statement in the period that the service has been provided. Commission and fees arising from third party transactions, are recognized in the income statement upon the completion of the underlying transaction. Asset management fees and other management advisory and service fees are recognized in the income statement according to the applicable service contracts , usually on a proportional basis.

### 3.14 Provisions

The Bank recognizes a provision when, there exists a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

### 3.15 Income Tax

Income tax is calculated on the profit of the year according to the applicable tax law and is recognized as an expense in the income statement. Tax losses which are carried forward for offsetting are recognized as an asset when it is probable that future taxable profits will be materialized.

Deferred income tax is calculated using the liability method, based on the temporary timing differences arising between the carrying value of assets and liabilities included in the financial statements and their tax values determined by the current tax legislation.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted.

The Bank recognizes deferred tax assets when it is probable that sufficient taxable profit will be available against which the deferred tax asset can be utilized.

Deferred income tax is also recognized in cases that temporary differences arise from investments in subsidiaries and associates, except when the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not be reversed in the foreseeable future.

Deferred tax asset or liability arising from the recalculation of fair value of assets and cash flow hedges, which are debited or credited directly to equity is also recorded directly in equity.

### 3.16 Pension Benefits

The Bank participates both to defined benefit and defined contribution plans.

For the defined contribution plans the Bank is obliged to pay on a regular basis specific amounts to the pension funds.

A defined benefit plan is essentially a pension plan according to which the Bank obligation is determined by the compensation amount determined by Law 2112/1920, that the employee will receive at retirement date based on his or her age, years of employment and salary. The liability in respect of a defined benefit pension plan reported on the Balance Sheet is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

Accumulated actuarial gains and losses which arises due to the deviation from the estimated amounts and the realized amounts as well as variations of the used actuarial assumptions, for the portion that is in excess of 10% of accrued obligations, are charged to the income statement over the service lives of the related employees.

### 3.17 Segment reporting

A Business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments of operating in other economic environments. The Business segment activity is the prior source of information for the Bank.

### 3.18 Cost of Borrowing

The cost of borrowing, according to IFRS 23, is recognized as an expense in the income statement.

### 3.19 Custodian Services

The Bank offers custodian services to its subsidiary that manages mutual funds. The value of securities that the Bank holds through this activity is not included in the attached financial statements as they are not considered assets of the Bank as of 31 December 2005. As of 31 December 2005 the value of these securities is approximately EUR 99 million (31 December 2004: EUR 181,5 million)

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## 4 REGULATION AND SUPERVISION OF BANKS IN GREECE

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The Bank of Greece (BOG), aiming at maintaining the stability of the banking system and the protection of the parties involved, is responsible for the supervision of the financial system in Greece. For this reason it issues rules and regulations for the operation of credit institutions, their capital adequacy, the risk that they undertake and their investment activities.

All regulations related to the control and supervision of credit institutions set by the European Union have been incorporated in the Greek legislation.

The Bank of Greece is authorized of auditing the books and records of credit institutions for possible violations in the framework of preventive and detective audit. In the case that a credit institution does not adhere, the Bank of Greece is entitled to impose all the necessary measures in order to comply with the legislative framework of credit institutions as well as imposing penalties, to appoint an administrator and finally (where there is non-compliance or in case of incredibility) revoke the license of the credit institution and place it into special liquidation under the supervision of the Bank of Greece. In case of insufficient liquidity of the credit institution, the Bank of Greece may order a mandatory extension of that institution's due and payable obligations for a period not exceeding two months (which can be extended for a further one month period) and appoint an administrator under its supervision.

The Bank, following the Bank's of Greece instruction, submits to BOG at regular intervals all the necessary reports. More specifically reports on capital adequacy, adequacy of provisions and various risk analysis.

The Bank as a listed company on the Athens Stock exchange is subject to all the obligations of reporting set by the Capital Market Committee (CMC) and information to the public.

The Bank is subject to all the clauses of law 2190/1920 for Societe Anonym Companies while the Bank are supervised by the Ministry of Development and CMC.



## 5 CAPITAL ADEQUACY

The Bank's capital adequacy is measured according to the directives of the Bank of Greece 2397/36 and 2494/2002, which are in accordance to the instructions set by the European Union for the capital adequacy of financial institutions. The capital adequacy ratio should be at least 8%. This ratio includes credit risk, exchange rate risk and interest rate risk.

According to the financial statements as of 31 December 2005, the capital adequacy ratio for the Bank, is estimated to be 58,76%.

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## 6 RISK MANAGEMENT

The Bank has established the Risk Management Division, which is responsible for the recognition, evaluation and management of banking and operational risks, by applying traditional and modern methods of evaluation and quantification of risks. In order to cover these needs an updated risk management system has been established.

### 6.1 Credit Risk

The Bank takes an exposure to credit risk, which is the risk that a counterparty will be unable to pay an amount in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date. Furthermore credit risk is also considered in scenario analysis of counterparty behavior and stress testing in order to monitor the particular risk more precisely.

Significant changes in the economy or in the health of a particular industry segment that represents a concentration in the Bank's portfolio, could result in losses that are different provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

The Bank monitors the level of credit risk it undertakes, which is subject to changes in the economy and macroeconomic changes by structuring the level of credit risk it undertakes by placing limits or the amount of risk accepted in relation to a borrower and type of transaction. These limits as well their invoicing of the loans are approved by the Credit Risk Committee after the proposition of the relevant departments of the Bank or the BoD of the Bank. Those limits are subject to revision and are monitored by the respective department.

Credit risk estimation is conducted based on the internal system and the credit risk ranking methodology of the Bank and based on relevant analysis the necessary collaterals are determined.

Credit risk ranking is the procedure carried in order to rank borrowers according to the financial, qualitative and transaction behavior criteria set to one of the eight categories of credit risk and is an integral part of the risk management system that the Bank faces through its activities.

Ranking is not a statutory procedure, as the data used alter continuously according to the borrower and the economic environment in which he operates. Hence ranking is revised annually, unless some extraordinary event occurs, and the ranking is altered in accordance to the new conditions.

### 6.2 Market Risk

Market risk is determined as the result in profits that may rise from unfavorable fluctuations in prices of interest rates, currency, equity and derivative products which represent part either of the trading portfolio or a mean of managing assets and liabilities.

The Bank applies a methodology of measuring risk through the variation of the valuation of the present value based on the scenario of parallel or non parallel changes in the interest rate curve (but with less significant variations from the prices that may prevail in the market) of stress testing that the Bank of Greece has adopted. Besides the regular measurements of market risk that are conducted, periodically the behavior of the trading portfolio and the total of assets and liabilities of the Bank based on hypothetical variations in market parameters (scenario analysis) as well as extreme variations (stress testing) are tested.

In the risk management scope that Bank follows trading limits have been established by the ALCO Committee per product or per transaction that may bear market risk.

Specifically limits have been established for the following:

Trading position

Open positions in Bonds

Open positions in derivative products

Open positions in Stocks (Both in local and foreign markets)

The transactions of these products are monitored daily in order to control that the limits set are not over exceeded and also to manage significant changes in the position of the Bank.

### 6.3 Liquidity Risk

Liquidity risk is related with the ability of the Bank to fulfill its financial obligations when they become due.

The monitoring of liquidity risk is concentrated on the monitoring of the liquidation ability of the Bank in order to cover its obligations.

In order to monitor the liquidity ability of the Bank, assets and liabilities that the Bank has are included and the relevant cash flows are ranked in time periods depending on when they are expected to be realized. The monitoring of the liquidation ability of the Bank as well as the limits set are monitored by ALCO Committee which follows the instructions given by the Bank of Greece (BOG).

Following the BoG Directive that increases the obligation for monitoring the liquidity of Banks and the establishment of new limits and liquidity indices, the ALCO Committee adopted properly the methodology for the daily monitoring of liquidity. Hence the software was upgraded in order to adjust to the new limits. Furthermore the Treasury department devolved to take precautionary measures by increasing the liquidity limits of the Bank, as well as to make corrective adjustments if the internal limits set by the Bank, which are stricter than those set by BoG, are altered or violated

## LIQUIDITY RISK

2005

(Amounts in Euro)

DESCRIPTION	Up to 1 month	1 – 3 months	3 -6 months	6 - 12 months	Over 1 year	Total
Cash and balances with Central Bank	2.249.880	-	-	-	-	2.249.880
Loans and advances to banks	47.768.053	92.000	-	-	-	47.860.053
Trading securities	74.385.900	-	-	-	35.721.000	110.106.900
Derivative financial instruments	7.063	-	-	-	-	7.063
Loans and advances to customers	7.671.594	2.297.000	1.049.000	44.194.000	17.126.000	72.337.594
Available-for-sale securities	-	-	-	-	734.406	734.406
Investments in subsidiaries and associates	-	-	-	-	51.595.038	51.595.038
Property, plant and equipment	-	-	-	-	1.102.399	1.102.399
Intangible assets	-	-	-	-	92.640	92.640
Deferred tax asset	-	-	-	-	418.498	418.498
Other assets	-	-	-	-	3.469.556	3.469.556
<b>Total assets</b>	<b>132.082.490</b>	<b>2.389.000</b>	<b>1.049.000</b>	<b>44.194.000</b>	<b>110.259.537</b>	<b>289.974.027</b>
Deposits from banks	6.105.942	-	-	-	-	6.105.942
Deposits from customers	21.684.296	10.244.000	928.000	-	12.595.000	45.451.296
Derivative financial instruments	635	-	-	-	-	635
Provision for employee benefits	-	-	-	-	96.293	96.293
Other liabilities	1.182	-	-	-	3.422.053	3.423.235
<b>Total liabilities</b>	<b>27.792.055</b>	<b>10.244.000</b>	<b>928.000</b>	<b>-</b>	<b>16.113.346</b>	<b>55.077.401</b>
<b>Equity</b>						<b>234.896.626</b>
<b>At 31 December 2004</b>						
Total assets	71.573.188	4.515.081	1.305.414	13.210.096	80.119.504	170.723.283
Total liabilities	102.109.606	508.000	5.656.000	19.000	1.194.132	109.486.738
<b>Equity</b>						<b>61.236.545</b>

## 6.4. Exchange rate risk

The table below summarizes the Bank's exposure to foreign exchange risk at 31 December 2005.

**CURRENCY RISK****2005**

(Amounts in Euro)

DESCRIPTION	EUR	USD	GBP	JPY	OTHER	Total
Cash and balances with Central Bank	2.249.880	-	-	-	-	2.249.880
Loans and advances to banks	40.108.827	7.129.289	343.775	23.416	254.746	47.860.053
Trading securities	98.571.342	5.048.619	541.690	-	5.945.249	110.106.900
Derivative financial instruments	7.063	-	-	-	-	7.063
Loans and advances to customers	72.195.606	153.218	-	67.980	(79.210)	72.337.594
Available-for-sale securities	734.406	-	-	-	-	734.406
Investments in subsidiaries and associates	51.030.149	-	-	-	564.889	51.595.038
Property, plant and equipment	1.102.399	-	-	-	-	1.102.399
Intangible assets	92.640	-	-	-	-	92.640
Deferred tax asset	418.498	-	-	-	-	418.498
Other assets	3.333.388	132.583	2.705	41	839	3.469.556
<b>Total assets</b>	<b>269.844.198</b>	<b>12.463.709</b>	<b>888.170</b>	<b>91.437</b>	<b>6.686.513</b>	<b>289.974.027</b>
Deposits from banks	6.046.813	59.129	-	-	-	6.105.942
Deposits from customers	42.927.420	2.105.981	389.256	10.508	18.131	45.451.296
Derivative financial instruments	635	-	-	-	-	635
Provision for employee benefits	96.293	-	-	-	-	96.293
Other liabilities	3.408.472	14.763	-	-	-	3.423.235
<b>Total liabilities</b>	<b>52.479.633</b>	<b>2.179.873</b>	<b>389.256</b>	<b>10.508</b>	<b>18.131</b>	<b>55.077.401</b>
<b>Equity</b>						<b>234.896.626</b>
<b>At 31 December 2004</b>						
Total assets	162.139.378	5.707.976	579.826	609.978	1.686.125	170.723.283
Total liabilities	56.739.780	5.918.746	580.698	46.206.584	40.930	109.486.738
<b>Equity</b>						<b>61.236.545</b>

### 6.5. Interest rate risk

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets, including investments, and interest bearing liabilities mature or reprice at different times or amounts. In the table below the balances of assets and liabilities of the Bank are presented and classified by their maturity date. In the cases that no contractual expiration date exists (overdraft accounts) or there is no changes in interest rates (deposit accounts) for assets and liabilities, they are classified in the category of up to one month.

#### INTEREST RATE RISK

2005

(Amounts in Euro)

(Amounts in Euro)

DESCRIPTION	Up to 1 month	1 – 3 months	3 -12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with Central Bank	2.249.880	-	-	-	-	-	2.249.880
Loans and advances to banks	47.768.053	92.000	-	-	-	-	47.860.053
Trading securities	110.089.423	6.111	-	-	11.366	-	110.106.900
Derivative financial instruments	-	-	-	-	-	7.063	7.063
Loans and advances to customers	58.546.420	9.902.546	3.888.628	-	-	-	72.377.594
Available-for-sale securities	-	-	-	-	-	734.406	734.406
Investments in subsidiaries and associates	-	-	-	-	-	51.595.038	51.595.038
Property, plant and equipment	-	-	-	-	-	1.102.399	1.102.399
Intangible assets	-	-	-	-	-	92.640	92.640
Deferred tax asset	-	-	-	-	-	418.498	418.498
Other assets	-	-	-	-	-	3.469.556	3.469.556
<b>Total assets</b>	<b>218.653.776</b>	<b>10.000.657</b>	<b>3.888.628</b>	<b>-</b>	<b>11.366</b>	<b>57.419.600</b>	<b>289.974.027</b>
Deposits from banks	6.105.942	-	-	-	-	-	6.105.942
Deposits from customers	37.315.244	7.207.071	928.981	-	-	-	45.451.296
Derivative financial instruments	-	-	-	-	-	635	635
Provision for employee benefits	-	-	-	-	-	96.293	96.293
Other liabilities	-	-	-	-	-	3.423.235	3.423.235
<b>Total liabilities</b>	<b>43.421.186</b>	<b>7.207.071</b>	<b>928.981</b>	<b>-</b>	<b>-</b>	<b>3.520.163</b>	<b>55.077.401</b>
<b>Equity</b>	<b>234.896.626</b>						
<b>At 31 December 2004</b>							
Total assets	98.407.909	18.520.846	416.119	9.058.169	114.077	44.206.163	170.723.283
Total liabilities	102.072.114	508.124	5.674.539	5.819	-	1.226.142	109.486.738
<b>Equity</b>	<b>61.236.545</b>						

## 7. SEGMENT REPORTING

Considering the management structure of the Bank and the business activities it undertakes as well as the fact the greater percentage of its income comes from activities in the Greek market, the Bank considers the business segment as the primary segment and specifically the following segments:

**Investment Banking:** it includes investment portfolio management, brokerage services, consulting and intermediary services that are related with the stock market and Dealing Room activities in the Interbank Market ( FX Swaps, Futures, IRS, Bonds, Interbank open positions-borrowings).

**Banking Activities:** it includes the usual banking activities as lending, deposits, letters of guarantee, custodial services etc.

**BUSINESS SEGMENT ANALYSIS**

(Amounts in Euro)

2005

DESCRIPTION	Investment Banking	Banking Activities	Total
Interest and similar Income	436.471	2.990.715	3.427.186
Interest Expense	(433.183)	(2.378.049)	(2.811.232)
<b>Net Interest Income</b>	<b>3.288</b>	<b>612.666</b>	<b>615.954</b>
Fee and Commission income	3.396.710	287.395	3.684.105
Fee and Commission expense	(227.051)	(76.678)	(303.729)
<b>Net Fee and Commission income</b>	<b>3.169.659</b>	<b>210.717</b>	<b>3.380.376</b>
Net trading income	4.689.900	19.520	4.709.420
Net gain/(loss) on disposal of trading financial instruments	10.134.640	-	10.134.640
Dividend income	1.937.824	-	1.937.824
Other operating income	-	506.176	506.176
<b>Operating income</b>	<b>19.935.311</b>	<b>1.349.079</b>	<b>21.284.390</b>
Combination Difference	10.301.270	-	10.301.270
Impairment losses	(3.303.750)	-	(3.303.750)
Operating expenses	(3.789.665)	(1.630.280)	(5.419.945)
<b>Profit before tax</b>	<b>23.143.166</b>	<b>(281.201)</b>	<b>22.861.965</b>
Income tax expense	(1.634.187)	(408.547)	(2.042.734)
<b>Profit after tax</b>	<b>21.508.979</b>	<b>(689.748)</b>	<b>20.819.231</b>
Total Assets per Segment	150.878.649	139.095.378	<b>289.974.027</b>
Total equity and liabilities per Segment	232.017.620	57.956.407	<b>289.974.027</b>

**8. NET INTEREST INCOME****(Amounts in Euro)**

<b>DESCRIPTION</b>	<b>2005</b>	<b>2004</b>
Loans and advances to customers	2.759.666	1.799.010
Bonds	365.254	516.021
Loans to banks	236.186	189.535
Interest rate swaps	28.594	245.410
Deposits in Central Bank	37.111	23.517
Other interest income	375	-
<b>Total interest income</b>	<b>3.427.186</b>	<b>2.773.493</b>
Customers deposits	2.445.864	2.318.686
Banks' deposits	362.939	216.961
Loan received	2.429	7.541
<b>Total interest expense</b>	<b>2.811.232</b>	<b>2.543.188</b>
	<b>615.954</b>	<b>230.305</b>

**9. FEE AND COMMISSION INCOME****(Amounts in Euro)**

<b>DESCRIPTION</b>	<b>2005</b>	<b>2004</b>
Financial Advisory Fees	1.310.550	2.087.262
Investment Banking Fees	934.753	213.000
Stock exchange transactions	789.000	405.971
Commission from bonds underwriting	-	360.451
Custody services	181.826	141.987
Letters of guarantee	167.465	302.132
Loans and advances to customers	123.272	64.306
Money transfers	19.480	13.653
Other	157.759	238.957
	<b>3.684.105</b>	<b>3.827.719</b>

**10. NET INCOME FROM FINANCIAL TRANSACTIONS**

(Amounts in Euro)

DESCRIPTION	2005	2004
<b>TRADING SECURITIES</b>		
<b>Profits less losses</b>		
Derivative Financial instruments	(2.780.576)	(1.150.867)
Foreign currency	108.446	(101.983)
	<b>(2.672.130)</b>	<b>(1.252.850)</b>
<b>Sales</b>		
Equities	7.381.550	4.940.645
<b>Net income from financial transactions</b>	<b>4.709.420</b>	<b>3.687.795</b>
<b>Valuation</b>		
Equities	10.128.211	(842.054)
Derivative Financial instruments	6.429	-
<b>Total</b>	<b>10.134.640</b>	<b>(842.054)</b>

**11. DIVIDEND INCOME**

(Amounts in Euro)

DESCRIPTION	2005	2004
PROTON AEPEY	803.196	575.424
ARROW AEEX	363.415	52.683
INTERFUND	145.195	-
EURODINAMIKH AEEX	143.489	-
COSMOTE	90.000	1.000
BANK OF GREECE	85.500	68.425
NIREAE	51.398	-
FEEDUS	47.027	-
BENROUBI S.A.	40.125	20.125
PIREAEUS BANK	37.000	-
DIAS AEEX	27.000	-
EGNATIA BANK	22.336	-
GREEK PETROLEUM S.A.	13.000	-
INTRACOM	12.000	-
OTHER	57.143	162.010
	<b>1.937.824</b>	<b>879.667</b>



**12. OTHER OPERATING INCOME**

(Amounts in Euro)

DESCRIPTION	2005	2004
Lease income	397.895	408.690
Other	108.281	69.199
	<b>506.176</b>	<b>477.889</b>

**13. IMPAIRMENT LOSSES**

(Amounts in Euro)

DESCRIPTION	2005	2004
Loans and advances to customers (Note 22.2)	300.000	-
Available for sale securities (Note 23)	3.003.750	-
<b>Total</b>	<b>3.303.750</b>	<b>-</b>

**14. OPERATING EXPENSES**

(Amounts in Euro)

DESCRIPTION	2005	2004
Staff costs (Note 15)	1.610.819	996.647
Third party fees	1.264.867	749.535
Rentals	649.548	730.676
Other taxes	414.379	12.783
Depreciation (fixed assets)	403.815	423.760
Subscription – Contribution	214.653	166.429
Amortization (intangible assets)	204.230	368.635
Publishing expenses	165.948	-
Telecommunication expenses	103.285	113.612
Travel	86.146	24.201
Repair and maintenance	83.056	142.915
Depreciation (intangible assets)	55.173	122.496
Advertising and promotion expenses	35.992	18.761
Stationery	35.833	22.078
Insurance fees	21.058	20.982
Other	71.143	8.997
	<b>5.419.945</b>	<b>3.922.507</b>

**15. STAFF COSTS**

(Amounts in Euro)

DESCRIPTION	2005	2004
Wages and salaries	1.359.708	841.736
Social security contributions	196.515	135.676
Cost for defined benefit plans	54.596	19.235
	<b>1.610.819</b>	<b>996.647</b>

**NUMBER OF EMPLOYEES**

The number of employees of the Bank as of 31 December 2005 was 42 ( 2004: 23).

The increase of the account “ Wages and Salaries” is mainly due to the increase in the number of employees during 2005 and the bonuses that the company gave to its employees for their effort during the year which had as a result

the Bank to be listed in the Athens Stock Exchange and the completion of the merger procedure with three open- end funds.

The significant increase in third party fees relate to fees paid to underwriters, lawyers, auditors, consultants etc for the introduction of the Bank's shares in the Athens Stock Exchange. According to the IFRS these expenses are recorded in the income statement as existing shares were distributed and didn't incur Share Capital increase.

## 16. INCOME TAX EXPENSE

(Amounts in Euro)

DESCRIPTION	2005	2004
Current tax	1.879.661	-
Deferred tax	163.073	606.510
<b>Total</b>	<b>2.042.734</b>	<b>606.510</b>

According to the Greek Tax law the income tax rate as of 31 December 2004 was 35%. According to law 3296/2004, the tax rate for profits has decreased to 32% for 2005, 29% for 2006 and 25% for 2007 and thereafter.

The Bank used the tax incentives for companies that merge other companies ( Law 2992/2002), and calculated income tax using the current tax rate reduced by 10 percentage points, that is using 22%. Income tax for 2006 will be calculated using 24% as the reduction of the tax rate will be restricted to 5 percentage points.

The reconciliation of income tax for the year is presented on the table below

Calculation of income tax	2005	2004
Profit before tax	<b>22.861.965</b>	<b>3.563.224</b>
Income tax at 32% (2004: 35%)	5.029.632	1.247.128
Settlement of losses carry forward	(134.099)	(28.063)
Non taxable income (corresponding tax)	(4.868.667)	(1.226.948)
Non-deductible expenses (corresponding tax)	28.051	7.883
Tax on profits	228.880	-
Tax on profits of absorbed companies that are not included in income statement	1.693.774	-
Additional tax	11.937	-
Difference of tax rates for the calculation of deferred tax	(109.847)	-
Effect of deferred tax on income statement	163.073	606.510
<b>Total</b>	<b>2.042.734</b>	<b>606.510</b>

The income tax statements are submitted to the tax authorities on an annual basis but the gains and losses that are declared for tax purposes remain temporarily pending until the tax authorities audit the tax statements and books of the taxpayer and according to these audits, finalize the tax obligations. Tax losses that are recognized by the tax authorities, can be used to offset gains in the next five financial years.

The Bank during the current fiscal year was audited by the tax authorities for all the unaudited tax years ( up until the year 2004) and additional taxed of amount EUR 334.313 arose, that were paid in July 2005. Given that the bank had already recorded a provision of EUR 350.000 in prior years for this purpose, the net effect in the income statement for the current year was zero. The Management of the Bank judge that no significant amounts from additional taxation will rise for the unaudited fiscal year 2005 hence they didn't record a provision for this purpose for the current year.

**17. BASIC AND DILUTED EARNINGS PER SHARE**

(Amounts in Euro)

DESCRIPTION	2005	2004
Earnings after tax	20.819.231	2.956.714
Number of shares	45.135.892	14.000.000
Earnings per share	0,46	0,21
<b>Basic and diluted earnings per share</b>	<b>0,46</b>	<b>0,21</b>

**18. CASH AND BALANCES WITH CENTRAL BANK**

(Amounts in Euro)

DESCRIPTION	2005	2004
Cash in hand	40.140	23.020
Balances with Central Bank	2.209.740	3.562.273
	<b>2.249.880</b>	<b>3.585.293</b>

The mandatory deposits at the Central Bank for the period ending 31 December 2005 should be on average EUR 807.120 while respectively, for the period ending 31 December 2004 on average should be EUR 1.830.420.

**19. LOANS AND ADVANCES TO BANKS**

(Amounts in Euro)

DESCRIPTION	2005	2004
Sight Deposits	953.236	3.345.878
Term Deposits	46.906.817	10.091.306
	<b>47.860.053</b>	<b>13.437.184</b>

**20. TRADING SECURITIES**

(Amounts in Euro)

DESCRIPTION	2005 Fair value	2004 Fair value
Listed Securities	83.140.828	26.742.213
Mutual funds	14.005.905	11.378.806
Government Bonds	12.960.167	10.636.499
	<b>110.106.900</b>	<b>48.757.518</b>

The Bank includes to its trading portfolio, securities that were acquired for the purpose of short term profit arising from price variations, and it consists of shares, bonds and mutual fund units. The trading securities portfolio is measured at fair value, which is the current market price as at the balance sheet date for shares, the market value for bonds and the net price per unit at balance sheet date for mutual funds. Any gain or loss is recorded in the income statement.

The significant increase of the accounts for the fiscal year is mainly due to the incorporation of the trading portfolio of the three investment companies that were absorbed by the Bank.

**21. DERIVATIVE FINANCIAL INSTRUMENTS**

(Amounts in Euro)

DESCRIPTION	2005		2004	
	Nominal Value	Fair Value	Nominal Value	Fair Value
<b>Foreign exchange derivatives</b>				
Options	11.600.000	-	18.201.076	-
Options	1.128.000	(635)	-	-
Options	2.464.000	1.969	-	-
Options	1.084.174	1.252	-	-
Forwards	-	-	1.430.641	(37.680)
Swaps	1.000.000	3.842	605.600	20.032
Swaps	-	-	500.330	(330)
<b>Total</b>	<b>17.276.174</b>	<b>6.428</b>	<b>20.737.647</b>	<b>(17.978)</b>

The derivative financial instruments include forward agreements and currency swaps.

Derivatives are measured at fair value and are presented on the balance sheet as an asset or a liability.

**22. LOANS AND ADVANCES TO CUSTOMERS**

(Amounts in Euro)

2005		2004
<b>22.1 Loans analysis</b>		
Consumer – Investment loans	36.424.561	29.709.709
Loans to companies	1.345.015	1.675.414
<b>Loan to private individuals</b>	<b>37.769.576</b>	<b>31.385.123</b>
Construction sector	4.617.384	7.325.756
Insurance sector	1.350.000	1.350.000
Brokerage sector	1.930.783	1.654.911
Commercial sector	-	2.071.310
Other	5.387.705	1.798.972
<b>Loans to corporate entities</b>	<b>13.285.872</b>	<b>14.200.949</b>
Related entities	15.918.295	13.494.085
<b>Loans and advances to customers</b>	<b>66.973.743</b>	<b>59.080.157</b>
Other advances	6.116.531	2.089.616
Less: allowance for uncollectibility	(752.680)	(452.680)
	<b>72.337.594</b>	<b>60.717.093</b>

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. A loan loss provision is recognized when there is an indication that amounts will not be collected.

The Bank has set out acceptable credit risk level for each customer, which is reviewed on a regular basis.

Specifically the Bank on balance sheet date examines whether there are significant indications for loan impairments. When there are such indications the recoverable amount of the loan is calculated and a relevant provision is recorded. The provision is recorded in the income statement. Significant indications that a loan has impaired are considered the following:

Significant financial difficulty of the borrower

Violation of the loan terms

Possibility of bankruptcy or financial restructuring of the borrower

The bank for financial and legal reasons that are in direct relation with the financial condition of the borrower agrees with the borrower a restructure of the loan that the Bank would not otherwise accept.

In order to secure its lending, the Bank requires collaterals. The collaterals that the Bank requires are the following:

Mortgages over real estate

## Pledges

## Assignment of receivables

<b>22.2 Allowance for uncollectibility</b>	<b>2005</b>	<b>2004</b>
<b>Balance as at 1 January</b>	<b>452.680</b>	<b>452.680</b>
Provision for impairment	300.000	-
<b>Balance as at 31 December</b>	<b>752.680</b>	<b>452.680</b>

**23. AVAILABLE-FOR-SALE SECURITIES**

(Amounts in Euro)

<b>DESCRIPTION</b>	<b>2005 Fair value</b>	<b>2004 Fair value</b>
Corporate bonds EMPHASIS (a)	3.003.750	-
Less: Impairment losses	(3.003.750)	-
Equity Fund (b)	130.866	-
Non listed shares (c)	603.540	-
	<b>734.406</b>	<b>-</b>

In the investments available for sale portfolio the Bank recognises investments which are not included in the trading portfolio and do not have the features of securities held to maturity. After initial posting, investments classed as such are valued at fair value. Profits or losses arising from valuation of investments available for sale are posted in a separate equity account until sold, or collected or it is ascertained that their value is impaired in which case they are carried forward to the income statement.

(a) The corporate bonds of the company EMPHASIS IT Systems S.A. which were acquired by the Bank in July 2005 in implementation of a decision of the General Meeting of Shareholders to that effect.

In October 2005 the Bank rescinded the corporate bond agreement and lodged a main intervention in an action for interim relief which has been lodged by one of the bondholders and a credit and requested seizure of all moveable and immovable assets of EMPHASIS and members of its Board of Directors. At the same time it also commenced other legal proceedings (to have a payment order and compulsory seizure order issued, etc.) in order to satisfy its claims to the greatest extent possible.

Having assessed the current situation, Bank management decided that in preparing the annual financial statements it needed to form a provision for impairment which would cover the total value of the EMPHASIS corporate bond which had been entered in the Bank's books, imputing this amount to the results of the period ended while at the same time continuing its legal action to satisfy its claims.

Any inputs from liquidation of EMPHASIS at a later point in time will be added to the results of the period in which those inputs arise.

(b) Shares of companies not listed on the stock exchange and company participation in equity funds have been valued at acquisition cost and a check has been made to ensure there is no possible impairment.

(c) The shares not listed on the Stock Exchange can be broken down as follows:

<b><u>Name</u></b>	<b>Number of shares</b>	<b>Cost value</b>
PROBANK S.A.	100.000	349.000
VLAXOPOULOS S.A. (information system company)	2.880	253.209
VODAFONE HELLAS S.A	250	1.330
LEON ENGINEERING	52.500	1
<b>Total</b>		<b>603.540</b>

**24. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES**

(Amounts in Euro)

2005							
NAME	Country of Incorporation	Direct Participation %	Share Capital	Cost Price	Surplus Value	Impairment	Book Value
PROTON AEPEY	GREECE	99,90%	6.107.400	9.545.664	12.454.336	-	22.000.000
PROTON AXEPEY	GREECE	99,90%	8.190.042	5.864.130	21.135.870	-	27.000.000
PROTON AEDAK ARROW ASSET FINANCE	GREECE	99,90%	1.258.740	1.198.800	801.200	-	2.000.000
FIRST GLOBAL BROKERS S.A	GREECE	99,90%	2.399	369.630	-	(369.630)	-
	SERBIA	82,49%	118.007	595.038	-	-	595.038
				<b>15.676.588</b>	<b>17.573.262</b>	<b>34.391.406</b>	<b>(369.630)</b>
							<b>51.595.038</b>

2004							
NAME	Country of Incorporation	Direct Participation %	Share Capital	Cost Price	Surplus Value	Impairment	Book Value
PROTON AEPEY	GREECE	99,90%	5.514.568	9.545.664	11.454.336	-	21.000.000
PROTON AXEPEY	GREECE	99,90%	7.418.657	5.864.130	11.135.870	-	17.000.000
PROTON AEDAK ARROW ASSET FINANCE	GREECE	99,90%	1.190.825	1.198.800	801.200	-	2.000.000
	GREECE	99,90%	22.585	369.630	-	(369.630)	-
				<b>14.146.635</b>	<b>16.978.224</b>	<b>23.391.406</b>	<b>(369.630)</b>
							<b>40.000.000</b>

The BoD of the Bank considers its subsidiaries as an integral part of its activities and according to the relevant clauses of IFRS ( IAS 39 paragraph 46) decided to record these in the Bank Statements at fair value.

The fair value of the subsidiaries was determined by an independent consultant using general accepted methods. From the reports that were prepared especially for this purpose a goodwill was arose that increased their cost value and consequently the equity of the Bank.

Any future increase or decrease of the value of subsidiaries will increase or decrease respectively the equity of the Bank.

Estimates and assumptions used for the valuation of subsidiaries

In order to determine the fair value of the subsidiaries of the Bank three (3) globally accepted methods were used and in order to determine the final result the suitability of each method was considered. More particularly the following methods were examined: Discounted Free Cash Flows Method, Comparable Companies Multiples Method and the Comparable Transactions Multiples Method.

For the implementation of the Discounted Free Cash Flows Method the expectations and the estimations of the companies' management were examined in terms of reasonability in the existing operating environment. The future cash flows were discounted using as discount factor an interest rate that reflects both the time value of money and the risk from the estimated operation of the valued companies. Further more sensitivity analysis was conducted in core parameters of the financial models used so as to examine the sensitivity of the estimated fair value in cases of variations of the chosen parameters.

The samples taken for the implementation of the Comparable Companies Multiples Method companies were chosen that were comparable to the companies in question and had stocks listed in organized markets. For each company of the sample a number indices were calculated that usually include the ratios value/profits, value /gross revenue, value/ total assets, etc. After the calculation of the average of these ratios, the results was applied on the financial figures of the companies in question, providing an estimate of the fair value.

For the implementation of the Comparable Transactions Multiples Method the price given to recent transactions of similar companies was taken into consideration, and ratios were calculated and applied as in the application of

Comparable Companies Multiples Method. The application of this methodology is highly dependant to a great extend to the availability and the credibility of the data that relate to the transactions of the comparable companies.

#### Acquisition of First Global Brokers

In 8 April 2005 the acquisition procedure of First Global Brokers S.A. (FGB) by the Bank was completed. The participation of the Bank amounted to 82,49%. The total cost of the acquisition was EUR 595.038. Further details for the information are given in note 35.2.

#### Arrow Asset Finance

Arrow Asset Management was in remission for a long time and it is estimated that the value of the participation has been fully impaired. For this reason the Bank recorded a relevant provision on its opening balance sheet.

The main captions of its Balance Sheet as of 31 December 2005 are given below:

Assets:	10.002
Liabilities:	(7.603)
Share Capital:	(293.000)
Accumulated Losses	290.601

**25. PROPERTY, PLANT AND EQUIPMENT**

(Amounts in Euro)

DESCRIPTION	Leasehold Improvement	Plant	Motor Vehicles	Furniture and other Equipment	Total
<b>At 1 January 2004</b>					
Cost	1.152.704	22.597	166.366	1.158.335	2.500.002
Accumulated Depreciation	(204.127)	(10.169)	(6.442)	(538.315)	(759.053)
<b>Net book value</b>	<b>948.577</b>	<b>12.428</b>	<b>159.924</b>	<b>620.020</b>	<b>1.740.949</b>
<b>2004</b>					
Opening net book value	<b>948.577</b>	<b>12.428</b>	<b>159.924</b>	<b>620.020</b>	<b>1.740.949</b>
Additions	-	-	-	178.013	178.013
Disposals	-	-	-	-	-
Depreciation Charge	(96.020)	(4.519)	(24.955)	(298.266)	(423.760)
<b>Net book value</b>	<b>852.557</b>	<b>7.909</b>	<b>134.969</b>	<b>499.768</b>	<b>1.495.202</b>
<b>At 31 December 2004</b>					
Cost	1.152.704	22.597	166.366	1.336.348	2.678.015
Accumulated Depreciation	(300.147)	(14.688)	(31.397)	(836.581)	(1.182.813)
<b>Net book value</b>	<b>852.557</b>	<b>7.909</b>	<b>134.969</b>	<b>499.768</b>	<b>1.495.202</b>
<b>2005</b>					
Opening net book value	<b>852.557</b>	<b>7.909</b>	<b>134.969</b>	<b>499.768</b>	<b>1.495.202</b>
Additions	41.529	-	3.181	197.077	241.787
Disposals	-	-	(53)	(180)	(233)
Depreciation Charge	(137.549)	(4.519)	(25.033)	(467.257)	(634.357)
<b>Net book value</b>	<b>756.537</b>	<b>3.390</b>	<b>113.064</b>	<b>229.408</b>	<b>1.102.399</b>
<b>At 31 December 2005</b>					
Cost	1.194.233	22.597	169.494	1.533.245	2.919.569
Accumulated Depreciation	(437.696)	(19.207)	(56.430)	(1.303.837)	(1.817.170)
<b>Net book value</b>	<b>756.537</b>	<b>3.390</b>	<b>113.064</b>	<b>229.408</b>	<b>1.102.399</b>

The Bank on its establishment leased the building that it uses as headquarters and beard a significant cost in order to restructure it in order to cover its needs. The building has 5 floors and all the companies of the Bank operate there. The improvement costs are amortized during the term of the lease contract in equal installments (Note 36.3).

In account " Furniture" amount EUR 327.536 that concerns assets that have been acquired through leasing are included. The abovementioned assets mainly concern PCs , printers etc, and are amortized in equal installments during the term of the lease contract ( Note 36.3).

The remaining self used fixed assets are recorded at cost value minus accumulated depreciation.

**26. INTANGIBLE ASSETS**

(Amounts in Euro)

DESCRIPTION	Software
Cost	433.004
Accumulated Depreciation	(325.277)
<b>Net Book Value 31/12/2004</b>	<b>107.727</b>
Cost	469.775
Accumulated Depreciation	(377.135)
<b>Net Book Value 31/12/2004</b>	<b>92.640</b>



The outstanding balance of the account concerns the net book value of the Bank's software. Software is depreciated within 3 years.

## 27. DEFERRED TAX ASSET

(Amounts in Euro)

DESCRIPTION	2005	2004
Movement of deferred tax is as follow:		
Deferred tax asset at 1 January	581.571	1.188.081
Recognised in income (Note 16)	(163.073)	(606.510)
	<b>418.498</b>	<b>581.571</b>

The deferred tax asset has been arisen from deductible temporary differences between outstanding balances of assets and liabilities according to IFRS and of the differences that arise following the implementation of the current tax legislation. Deferred tax was calculated using the future tax rates according to the Bank's estimations for the recognition of tax gains.

The debited outstanding deferred tax balance was derived as follows:

	2005	2004
<b>Deferred tax asset:</b>		
Intangible assets	374.515	483.182
Employee benefits	24.073	19.754
Commission for loans	19.202	53.774
Additional depreciation for software	-	19.600
Financial derivative instruments	184	-
Other items	2.572	5.261
<b>Total</b>	<b>420.546</b>	<b>581.571</b>
<b>Deferred tax liability:</b>		
Financial derivative instruments	(2.048)	-
<b>Total</b>	<b>(2.048)</b>	<b>-</b>
<b>Net deferred tax asset</b>	<b>418.498</b>	<b>581.571</b>

**28. OTHER ASSETS**

(Amounts in Euro)

DESCRIPTION	2005	2004
Clearing accounts of securities	1.331.536	418.464
Accrued interest and commissions	1.263.546	1.199.315
Tax advances and other tax receivables	381.588	37.783
Commissions and other expenses of following years	157.953	130.732
Guarantees	108.032	96.813
Receivables from dividends	83.611	20.125
Prepaid expenses	42.658	10.093
Receivables from subsidiaries	6.547	2.613
Suppliers	4.341	80.473
Other	89.744	25.252
	<b>3.469.556</b>	<b>2.021.663</b>

The securities clearing account operates as an intermediary account when financial instruments are purchased and sold and is cleared within reasonable time limits.

**29. DEPOSITS FROM BANKS**

(Amounts in Euro)

DESCRIPTION	2005	2004
Term deposits	3.000.000	14.500.000
Current deposits	3.105.942	807.623
Other	-	88.326
	<b>6.105.942</b>	<b>15.395.949</b>

**30. DEPOSITS FROM CUSTOMERS**

(Amounts in Euro)

DESCRIPTION	2005	2004
Term deposits	4.953.249	8.434.292
Current accounts	3.434.285	1.258.903
<b>Deposits from individuals</b>	<b>8.387.534</b>	<b>9.693.195</b>
Term deposits	24.663.294	63.281.941
Current accounts	11.957.863	9.667.326
Other deposits	442.605	3.082.949
<b>Deposits from private sector legal entities</b>	<b>37.063.762</b>	<b>76.032.216</b>
Repos from private sector legal entities	-	6.207.425
Repos from individuals	-	931.811
<b>Total Repos</b>	<b>-</b>	<b>7.139.236</b>
<b>Total deposits from customers</b>	<b>45.451.296</b>	<b>92.864.647</b>

Deposits from customers as of 31/12/2004 include deposits of the three investment companies (ARROW, EUTODINAMIKI, EXELIXI) which were absorbed by the Bank during 2005. This had resulted in a respective decrease in the Bank's deposit account.

**31. PROVISION FOR EMPLOYEE BENEFITS**

(Amounts in Euro)

DESCRIPTION	2005	2004
Present value of unfunded obligations	96.293	79.015
Unrecognised actuarial gains and losses	-	-
<b>Recognized liability for defined benefit obligations</b>	<b>96.293</b>	<b>79.015</b>

**Movements in the net liability for defined benefit obligations recognized in the balance sheet:**

	2005	2004
Net liability for defined benefit obligations at 1 January	79.015	72.136
Expense recognized in the income statement	19.278	6.879
Contributions received	(2.000)	-
<b>Net liability for defined benefit obligations at 31 December</b>	<b>96.293</b>	<b>79.015</b>

**Expense recognized in the income statement**

Current service costs	15.956	3.994
Interest on obligation	3.322	2.885
<b>Total</b>	<b>19.278</b>	<b>6.879</b>

The provision for employees retirement benefit plans that is recorded on the attached financial statements according to IFRS 19 was derived from the actuarial study conducted by an independent appraiser.

The core estimations/assumption of the actuarial studies are the following:

ACTUARIAL STUDY	2005	2004
	Non-financed	
Discount rate	3,72%	4,00%
% of future salary increases	4,70%	4,70%

Under IFRS post-employment benefit plans are classified either as a “defined contribution” plan or a “defined benefit” plan. For defined contribution plans, the Bank has no further payment obligations once the contributions have been paid while for defined benefit plans the obligation of the Bank is determined when due.

According to the Greek labor law employees are entitled to receive compensation in case they are dismissed or retire the amount of which is related to their salary, the years of employment and the reason of exit (retirement or dismissal). The employees that are dismissed or resign for a reason are not eligible to receive compensation. The compensation they will receive in case they retire is equal to 40% of the amount they would receive in case they were dismissed without a reason. The amount that is paid by the bank depends on the age of the employee that receives it, his years of employment in the Bank and his salary.

An obligation is classified as a “defined contribution” plan if the contributions to the plan are accounted for on an accrual basis, which is similar with the accounting treatment under the Greeks GAAP, that is contributions paid to Pension Funds by the employer for the service the company receives from its employees.

With respect to a plan that is classified as a “defined benefit” plan, IFRS establishes requirements regarding the basis of valuation as well as principles regarding the actuarial assumptions that should be used in valuing defined benefits. The obligation recorded is based on the projected unit credit method which determines the present value of the defined benefit obligation, less the fair value plan assets, if any.

**32. OTHER LIABILITIES**

(Amounts in Euro)

DESCRIPTION	2005	2004
Taxes and duties payable	2.297.830	105.842
Creditors and suppliers	549.810	274.418
Dividends payable	139.004	-
Prepaid expenses and deferred income	138.447	320.549
Fees and payroll payable	111.695	12.978
Social security contributions	78.419	35.330
Other provisions	30.250	360.000
Other liabilities	77.780	-
	<b>3.423.235</b>	<b>1.109.117</b>

**33. SHARE CAPITAL**

(Amounts in Euro)

DESCRIPTION	2005	2004
Number of ordinary shares	45.135.892	14.000.000
Paid in capital	202.660.155	35.000.000
<b>Share capital</b>	<b>202.660.155</b>	<b>35.000.000</b>

The increase in share capital and the issue of shares was induced from the merging procedure that took place. More details on the particular issue are given in Note 35.1.3.

**34. RESERVES**

(Amounts in Euro)

DESCRIPTION	2005	2004
Reserves from valuation of investments	34.391.406	23.391.406
Tax free reserves	3.804.197	4.064.342
Statutory reserve	213.913	213.913
	<b>38.409.516</b>	<b>27.669.661</b>

**34.1 Reserves from the adjustment in the value of participations**

The Bank has formed reserves from the adjustments in the value of its participations. Those reserves concern the surplus value that arose from the valuation of the participations conducted by an independent valuator and analyzed in more details in Note 24.

**34.2 Tax Free reserves**

In accordance with Greek tax law certain types of income and profits are not taxed if retained and recorded to a specific reserve account. In the event that these reserves are distributed or capitalized they will be taxed at the rate applicable on the date of distribution or capitalization.

### 34.3 Statutory Reserves

According to company Law the Bank is required to transfer at least 5% of its net annual profits to a legal reserve which is used to even up the debited outstanding balance of the profit and loss account before dividend is paid.

## 35. MERGERS AND ACQUISITIONS

### 35.1 Bank's merger with three investment companies.

#### 35.1.1 General Information

The Board of Directors of the companies PROTON INVESTMENT BANK S.A. ( the absorber company or the Bank), ARROW Asset Finance, EURODINAMIKI Asset Finance and EXELIXI Asset Finance (the companies that were absorbed by the Bank) decided on 30 March 2005, to merge into one company according to the clauses of articles 68 paragraph 1, 69 of law 2190/1920, articles 1-5 of law 2166/1993 of Law 2992/2002 and article 16 of Law 2515/1997. The date of the legal merger was set the 31 March 2006 and a Transformation Balance Sheets was prepared by all the companies that participate in the merger. The companies' Bod decisions set that the three investment companies will be absorbed with the Bank.

For this purpose a " Draft Merger Agreement" was prepared, which was approved by the companies' Board of Directors on 30 June 2005 and was signed by the respective authorized representatives of the companies.

The final decision for the merge was taken by the shareholders Meetings of the companies on 23 December 2005 while the final decision for the Bank was taken at the shareholders Meeting of the Bank on 28 December 2005.

#### 35.1.2 Accounting of the Combination

For the preparation of the Bank's financial statements IFRS 3 " Business Combinations" was taken into account that applies for all merges taking place from 31 March 2004 onwards. The abovementioned standard was adopted by the European Union on 29 December 2004.

According to IFRS 3 all business combinations within scope must be accounted for using the Purchase Method. This method assumes that one party of the merge is the stronger and acquires the other parties. The acquirer is the combining entity that its shareholders have biggest percentage of the shares than the remaining shareholders or the entity that obtains control of the other combining entities or the company that in the case of exchange of equity interests issues the new shares.

In the combination the Bank was considered the acquirer since it fulfilled two of the abovementioned conditions (obtained control and exchange of equity interest).

**The Acquisition Cost** according to IFRS, 3 is the cost that the shareholders of the Bank would pay in order to acquire the financial assets ( assets minus liabilities) of the other entities. Thus there was an exchange of the New company's shares for the equity of the absorbed companies as of 31 March 2005 according to the IFRS. Due to the nature of operation of the investment companies their determined net equity is equal to their fair value.

The fair value of the acquirer, in order to achieve a fair exchange of shares was determined by an independent valuator by using general accepted methods of valuation that are used internationally.

The acquisition date of the three open-end funds according to IFRS 3 is the date that the Bank obtains control of the companies. According to the " Draft Merger Agreement" the combination is considered complete and the control is taken over by the Bank when the affirmative decision for the combination from the relative authority is registered in the Societe Anonyme Register. Consequently beforehand the Shareholders General Meeting of the companies have assembled and approved the Merger Agreement that had been prepared and signed by the Boards of Directors of the merging firms. The date that the decision K2-16707 of the Ministry of Development was recorded in the Societe Anonyme Register was on 30 December 2005 and thus this is considered to be the date the three investment companies were absorbed by the Bank.

The financial statements have been prepared according to the clauses of IFRS 3 that require the date of acquisition to be the date that the acquirer takes over control of the other entities. Thus the income statements for the period from 1 January 2005 to 30 December 2005 of the investment companies have been included in the net equity of the acquirer. The income statement of the Bank includes the remaining excess that has risen from the business combination procedure.

Specifically from the combination as of 30 December 2005 the remaining excess between the acquisition cost and the value of assets arose of amount EUR 10.301.270 that was included in the Bank's income statement for the year ended.

## Financial Information of the Merger

## Fair Value of merger and merged companies

The fair value of the companies that combined was determined based to the value of their financial assets and liabilities as of 31 March 2005 that is the date that the companies legally merged. Relevant analysis is provided on the table below:

	Fair value (NAV)	No. of shares	Fair value per share
PROTON	63.700.000	14.000.000	4,55
ARROW	83.475.809	32.600.000	2,56
EURODYNAMIKI	18.528.079	7.565.000	2,45
EXELIXI	80.602.680	85.050.000	0,95

## Share capital composition after the combination

<u>Name</u>	Number of shares after the redemption of treasury shares	Exchange ratio	Number of shares in new company	Participation %
PROTON	14.000.000	1	14.000.000	31.02%
ARROW	25.248.930	0,56277	14.209.364	31.48%
EURODYNAMIKI	4.958.390	0,53828	2.669.013	5.91%
EXELIXI	68.451.040	0,20829	14.257.515	31.59%
			<b>45.135.892</b>	<b>100%</b>
Nominal value per share			<b>4,49</b>	
Share capital of new company			<b>202.660.155</b>	

## Acquisition Cost

The acquisition cost was determined based on the fair value of the acquirer as of 31 March 2005 and the number of stocks that are going to be given to the new shareholders. The fair value of the acquirer was determined to EUR 63.700.000 or EUR 4,55 per share (14.000.000 number of shares). The acquisition cost was determined as follows:

## Determination of Acquisition Cost

	Number of new shares exchanged with old shares	Fair value of exchanged share	Repurchase value
ARROW	14.209.364	4,55	64.652.606
EURODYNAMIKI	2.669.013	4,55	12.144.009
EXELIXI	<u>14.257.515</u>	<u>4,55</u>	<u>64.871.693</u>
Total	<b>31.135.892</b>	<b>4,55</b>	<b>141.668.308</b>
Merger expenses			79.644
Total			<b>141.747.952</b>

## Financial Information for the companies that merged

The effect on the Balance Sheet captions of the Bank due to the merge with the three asset management companies is analyzed on the table below:

**BALANCE SHEET AS OF 29 DECEMBER 2005**

<b>(Amounts in Euro)</b>							
	<b>ARROW</b>	<b>EURODYNAMIKI</b>	<b>EXELIXI</b>	<b>TOTAL</b>	<b>Note</b>	<b>ADJUSTMENTS</b>	<b>EFFECT IN PROTON BANK BALANCE SHEET AT 31.12.2005</b>
<b>ASSETS</b>						<b>Increase / (Decrease)</b>	
Cash and balances with the Central Bank	60	1.400	1.527	2.987		-	2.987
Loans and advances to banks	50.439.075	10.797.430	45.476.422	106.712.927	(a)	(103.712.804)	3.000.123
Trading securities	45.007.653	10.112.424	47.048.886	102.168.963	(b)	(48.361.302)	53.807.661
Property, plant and equipment	1	2.830	1.770	4.601		-	4.601
Other assets	162.399	38.289	63.294	263.982	(c)	191.989	455.970
<b>Total assets</b>	<b>95.609.188</b>	<b>20.952.373</b>	<b>92.591.899</b>	<b>209.153.460</b>		<b>(151.882.118)</b>	<b>57.271.342</b>
<b>LIABILITIES</b>							
Deposits from customers					(a)	(103.712.804)	(103.712.804)
Suppliers	519	2.855	3.087	6.461		-	6.461
Tax obligations	23.041	17.552	80.231	120.824		-	120.824
Provision for employee benefits	6.765		10.283	17.049			17.049
Other liabilities	462	4.586	137.437	142.484		-	142.484
<b>Total liabilities</b>	<b>30.787</b>	<b>24.993</b>	<b>231.038</b>	<b>286.818</b>		<b>(103.712.804)</b>	<b>(103.425.986)</b>
<b>EQUITY</b>							
Share capital	72.698.000	17.021.250	124.173.000	213.892.250	(d)	(46.232.095)	167.660.155
Share premium	-	-	69.332	69.332	(d)	(69.332)	
Reserves	7.152.619	-	-	7.152.619	(d)	(7.152.619)	-
Valuation differences according Law 2992/2002	-	1.023.329	-	1.023.329	(d)	(1.023.329)	-
Special reserve from the conversion of shares in Euro	-	20.354	-	20.354	(d)	(20.354)	-
Accumulated earnings/(deficit)	15.727.782	2.862.447	(31.881.471)	(13.291.242)	(d)	6.328.415	(6.962.827)
<b>Total equity</b>	<b>95.578.401</b>	<b>20.927.380</b>	<b>92.360.861</b>	<b>208.866.642</b>		<b>(48.169.314)</b>	<b>160.697.328</b>
<b>Total equity and liabilities</b>	<b>95.609.188</b>	<b>20.952.373</b>	<b>92.591.899</b>	<b>209.153.460</b>		<b>(151.882.118)</b>	<b>57.271.342</b>

- a) Elimination of deposits in foreign currency and term deposits in Proton Investment Bank
- b) Elimination of the participations of Proton Investment Bank in the merged companies and elimination of intercompany transactions between the companies that got merged
- c) Transfer of withheld tax from the income statements of the three asset management companies to the assets of the Bank.
- d) Elimination of equity of the three companies that merged with the Bank.

The effect on the income statements of the Bank for the year ended due to the merger is analyzed per merged company as follows:

**Combination differences**

ARROW	5.197.050
EURODYNAMIKI	77.295
EXELIXI	<u>4.914.580</u>
	<b>10.188.925</b>

**Revenues / Expenses that affect merger differences**

Reversal of withholding tax that had affected the income statement of the three portfolio management companies and will set off from Bank in the subsequent periods	191.989
Merger expenses	<u>(79.644)</u>
Total	<b>10.301.270</b>

35.2 Acquisition of first Global A.D.

On 8 April 2005 the Bank decided to buy out 82,49% of the share capital of the breakage company First Global A.D. ( FGB) which has its headquarters in Belgrade ( Serbia- Montenegro)

The company is member of the Belgrade stock market and has been authorized from the respective authorities to offer the whole range of brokerage activities. Furthermore it offers a wide range of consulting services and has a number of clients from the local market and abroad. The company has the 5<sup>th</sup> place in the Bond market and the 27<sup>th</sup> in the equity out of 73 brokerage companies.

According to the business plan for the period from 2005 to 2009 the company is expected to have continuous and stable profit.

The decision of the Bank to participate in the share capital of FGB is based on the fact that the Serbian market is developing in a quick pace and business opportunities are prominent. FGB with the experience and know how that it has can offer significant support to the Greek companies that operate in Serbia- Montenegro.

36. CONTINGENT LIABILITIES

36.1 Litigation

The Bank is a defendant in certain claims and legal actions arising in the ordinary course of business.

Specifically the Bank has a number of pending legal cases against third parties of amount EUR 607.117 while there are no legal cases pending against the Bank.

Details for the case relatively to EMPHASIS and the legal actions taken are given to Note 23.

In the opinion of management, the ultimate disposition of these matters is not expected to have a material adverse effect on the financial condition of the Bank.



### 36.2 Letters of Guarantee

The Bank in the normal course of business has issued a number of letters of guarantee for its customers of amount EUR 464.247. it has also issued a number of letters of guarantee for associate companies of amount approximately EUR 37.9 million that is EUR 37,6 million for PROTON Brokerage, and EUR 234,776 million for PROTON Asset Management ( Note 37).

For the issuance of letters of guarantee to third parties the usual procedure of approval of the credit limit is followed and the respective collaterals are taken. No collaterals are required for issuance of letters of guarantee for associate companies.

### 36.3 Contractual Commitments

The Bank has signed a number of contracts with third parties. The most significant ones are the following:

Lease contract for the building: The Bank has a lease contract for the building it operates of total surface 2.547 square meters, with monthly adjusted rental of approximately EUR 43.300. The term of the contract is 12 years ( until 30 June 2013) with the option to be extended for 8 more years.

On 28 November 2004 the terms of the lease contract were altered reducing the monthly rental to EUR 40.000 plus the legal additional expenses set by the initial contract.

The total amount of the rental up until the expiration of the contract amount to EUR 3.840.000 and out of this amount, amount of EUR 480.000 are due within 2006.

The Bank has sublease contracts with all its subsidiaries that use the leased building.

Financial Lease of Equipment: The bank has signed a lease contract with a leasing company for the lease of equipment ( computers, printers etc) of amount EUR 327.536. The term of the contract is 48 months and expires on 9 January 2006.

On expiration date the ownership of abovementioned equipment will be transferred to the Bank with no extra cost.

Rental of cars: The Bank has signed long term rental contracts with a car rental company for 5cars that have been given to the management staff of the Bank.

Two of these contract expire within 2006, one within 2008 and the remaining two within 2009. The total amount of the rentals due until expiration amount to EUR 216.100 million out of which amount of EUR 69.776 is due within 2006. The abovementioned amounts include VAT.

Insurance contracts: The Bank has signed an insurance contract with the insurance company AIG HELLAS S.A. on the building that the Bank and its subsidiaries use for a number of risks on the improvements done and on the equipment. The total insured capital amounts to approximately EUR 1.5 million.

The insurance contact is annual and is renewed on its expiration. The next renewal is on the 12 October 2006.

## 37. RELATED PARTY TRANSACTIONS

A number of related party transactions have been carried out in the course of business. These transactions are carried out with normal market conditions and terms and are approved by authorized personnel.

The transactions between related parties are presented on the table below:

	<b>Board of Directors &amp;Key Management Personnel</b>	<b>Related companies</b>	<b>Board of Directors &amp;Key Management Personnel</b>	<b>Related companies</b>
	<b>2005</b>		<b>2004</b>	
<b>Loans</b>	12.323.428	16.079.705	14.642.712	13.804.085
<b>Deposits</b>	1.558.354	8.901.007	5.514.940	8.758.425
<b>Loan interests</b>	468.836	626.675	542.013	193.859
<b>Deposit interests</b>	31.560	156.961	83.424	124.943
<b>Other revenues-commissions</b>	-	1.515.264	1.767	620.287
<b>Other expenses</b>	-	1.059.028	-	520.472
<b>Key Management Personnel Fees</b>	932.061	-	762.950	-
<b>Letters of guarantee</b>	117.000	37.931.576	117.000	15.626.038

Provision for loan losses from loans granted to related parties has not been recorded.

## 38. SUBSEQUENT EVENTS

## 38.1 Merger with OMEGA BANK S.A. and PROTON SECURITIES.

The Board of Directors meeting on 26 January of 2006 decided the merger of the Bank with OMEGA BANK S.A. (or OMEGA) and PROTON SECURITIES with the joint acquisition of these companies by the Bank.

The BoD decision was based on the strategy of the Bank to extend its activities and to the fact that both Banks present an intrinsic completeness. The following were taken under consideration:

The bank can extend its activities to retail banking through the 17 branches that OMEGA has.

The strengthening of the Bank's position in investment banking

The strengthening of the Bank's position against competition

To ensure and improve management of human resources

The flexibility that the new company will have after the merger for better effectiveness in developing new opportunities for co operations and their exploitation

The suggested exchange ratio for the shares of the merged companies is : 1 share of OMEGA per 0,9 shares of the Bank. The merger will take place according to the clauses of laws 2190/1920, 2166/1993 and 2515/1997 while the acquisition date was set on 31 March 2006.

Finally it should be noted that the suggested acquisition is subject to the authorization of the Bank of Greece and the respective authorities imposed by law as well as the Shareholders General Meetings of the three companies. The merger is estimated to be completed by September 2006.

### 38.2 Subordinated loan granted to OMEGA BANK S.A.

The BoD of the Bank decided on 23 January 2006 to grant a subordinated loan (Tier II Capital) of amount EUR 30.000.000 to OMEGA BANK. The term of the loan is 10 years.

The purpose of the loan is the strengthening of the interest capital of OMEGA and its recognition as an additional element in the share capital so as to increase its capital adequacy.

There are no other significant events as of 31 December 2005 worth to be mentioned.

### Distribution of Dividend

The BoD of the Bank according to paragraph 2 of article 44 of Law 2190/1920 intends to suggest to the Shareholders General Meeting distribution of dividend of amount EUR 12.638.049,76, that is EUR 0,28 per share.

This dividend arises, amount EUR 10.000.000 from the net gains of 2005 and amount EUR 2.638.049,76 from prior years reserves. The financial statements include provision for the income tax that will rise from the gains of the fiscal year.

## 39. EFFECTS OF TRANSITION TO IFRS

As stated in note 2, these are the Bank's first financial statements prepared in accordance with IFRSs.

The accounting policies set out have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information presented in these financial statements for the year ended 31 December 2004 and in the preparation of an opening IFRS balance sheet at 1 January 2004.

In preparing its opening IFRS balance sheet, the Bank has adjusted amounts reported previously in financial statement prepared in accordance with Greek generally accepted accounting principles (Greek GAAP).

An explanation of how the transition from Greek GAAP to IFRSs has affected the Bank's financial position and financial performance is set out in the following tables and notes that accompany the tables.

## ASSETS

(amounts in euro)

DESCRIPTION	Note	1/1/2004			31/12/2004		
		Previous Accounting Standards	Impact of change	International Accounting Standards	Previous Accounting Standards	Impact of change	International Accounting Standards
Cash and cash assets with the central bank		557.589	-	557.589	3.585.293	-	3.585.293
Receivables from credit institutions		12.744.575	-	12.744.575	13.437.184	-	13.437.184
Commercial papers	(a)	46.359.016	302.528	46.661.544	49.271.767	(514.249)	48.757.518
Derivatives	(b)	-	613.011	613.011	-	20.032	20.032
Loans and advances to customers	(c)	30.414.868	1.086.365	31.501.233	59.715.554	1.001.539	60.717.093
Participations in subsidiaries & affiliates	(d)	16.977.630	18.022.370	35.000.000	16.978.224	23.021.776	40.000.000
Tangible assets	(e)	1.577.181	163.768	1.740.949	1.413.319	81.883	1.495.202
Intangible assets	(f)	1.637.995	(1.407.771)	230.224	1.945.381	(1.837.654)	107.727
Other assets	(g)	975.806	(388.472)	587.334	1.890.930	130.733	2.021.663
Deferred tax assets	(h)	-	1.188.081	1.188.081	-	581.571	581.571
<b>Total assets</b>		<b>111.244.660</b>	<b>19.579.880</b>	<b>130.824.540</b>	<b>148.237.652</b>	<b>22.485.631</b>	<b>170.723.283</b>

**LIABILITIES - OWNERS' EQUITY**

(amounts in euro)

DESCRIPTION	Note	1/1/2004		31/12/2004			
		Previous Accounting Standards	Impact of change	International Accounting Standards	Previous Accounting Standards	Impact of change	International Accounting Standards
Liabilities to credit institutions	(i)	6.800.000	172.375	6.972.375	15.307.623	88.326	15.395.949
Customer deposits		65.629.408	-	65.629.408	92.864.647	-	92.864.647
Derivatives	(b)	-	911.186	911.186	-	38.010	38.010
Post-employment benefits	(j)	-	72.136	72.136	-	79.015	79.015
Other liabilities	(k)	2.678.565	1.280.444	3.959.009	787.127	321.990	1.109.117
<b>Total liabilities</b>		<b>75.107.973</b>	<b>2.436.141</b>	<b>77.544.114</b>	<b>108.959.397</b>	<b>527.341</b>	<b>109.486.738</b>
Share capital		35.000.000	-	35.000.000	35.000.000	-	35.000.000
Adjusted value of holdings reserve	(d)	-	18.391.999	18.391.999	-	23.391.406	23.391.406
Reserves		1.136.687	-	1.136.687	4.278.255	-	4.278.255
Prior period accumulated profit/ (losses)		-	(1.248.260)	(1.248.260)	-	(1.433.116)	(1.433.116)
<b>Total equity</b>	(l)	<b>36.136.687</b>	<b>17.143.739</b>	<b>53.280.426</b>	<b>39.278.255</b>	<b>21.958.290</b>	<b>61.236.545</b>
<b>Total owners' equity and liabilities</b>		<b>111.244.660</b>	<b>19.579.880</b>	<b>130.824.540</b>	<b>148.237.652</b>	<b>22.485.631</b>	<b>170.723.283</b>

**Notes on effect of transition to IFRS in Balance Sheet**

- a) Concerns the surplus value from the valuation of Bank's portfolio with closing prices as of 31 December.
- b) Concerns the valuation of derivatives.
- c) Concerns the reclassification of Corporate Bond from the trading portfolio to loans and advances to customers as well as the allocation of commissions.
- d) Concerns the goodwill of Bank's subsidiaries (PROTON M/F, PROTON FINANCE, PROTON ASSET MANAGEMENT). Further explanation is given in note 24.
- e) Recognition of the value of leased equipment and the relative depreciation
- f) Under Greek GAAP certain types of expenses relating to establishment and formation expenses were capitalized, as an intangible asset. These types of expenses do not qualify in accordance to IFRS for recognition as an intangible asset. On transition to IFRS the net intangible asset recognized under Greek GAAP was written-off with a corresponding decrease in equity.
- g) Allocation of commissions received from loans to customers in the respective periods.
- h) As of 31 December 2004 the Bank, for IFRS reporting purposes, recorded a net deferred tax asset of € 581.571 with a corresponding increase in equity. The deferred tax asset has been arisen from deductible temporary differences according to IFRS. Under Greek GAAP the accounting for deferred taxation is not acceptable.
- i) Concerns the Bank's liability for the payment of financial leasing.
- j) According to the actuarial study performed the Bank recorded a liability EUR 72.136 thousand relating to its employee defined benefit obligations with a respective decrease in equity.
- k) Concerns a provision for the reversion of commission due to the Bank's contractually liability as well as the reclassification of the valuation of derivatives from other liabilities to derivatives financial instruments.

I) The change in equity from previous standards to the IAS is broken down in the following table:

<b>(Amounts in Euro)</b>		
<b>DESCRIPTION</b>	<b>1/1/2004</b>	<b>31/12/2004</b>
Valuation of subsidiaries	18.391.999	23.391.406
Valuation of portfolio	1.677.806	835.751
Provision for commission return	(1.634.000)	-
Intangible assets write off	(1.407.771)	(1.837.655)
Provision for devaluation of Arrow Asset Finance	(369.630)	(369.630)
Provision for unaudited tax years	(350.000)	(350.000)
Commission income deferral	(262.004)	(197.698)
Provision for pension liability	(72.136)	(79.015)
Other	(18.606)	(16.440)
Deferred tax asset	1.188.081	581.571
<b>Total</b>	<b>17.143.739</b>	<b>21.958.290</b>

**INCOME STATEMENT**  
**(Amounts in Euro)**

DESCRIPTION	2004		
	Previous GAAP	Effects of transition to IFRS	IFRS
Interest income	2.773.493	-	2.773.493
Interest expense	(2.536.516)	(6.672)	(2.543.188)
<b>Net interest income</b>	<b>236.977</b>	<b>(6.672)</b>	<b>230.305</b>
Fee and commission income	3.763.413	64.306	3.827.719
Fee and commission expense	(2.409.590)	1.634.000	(775.590)
<b>Net fee and commission income</b>	<b>1.353.823</b>	<b>1.698.306</b>	<b>3.052.129</b>
Net income from financial transactions	3.687.795	-	3.687.795
Net gain/(loss) on disposal of trading financial instruments	-	(842.054)	(842.054)
Dividend Income	879.667	-	879.667
Other operating income	477.807	82	477.889
<b>Operating Income</b>	<b>6.636.069</b>	<b>849.662</b>	<b>7.485.731</b>
<b>Operating expenses</b>	<b>(3.494.541)</b>	<b>(427.966)</b>	<b>(3.922.507)</b>
<b>Profit from operations</b>	<b>3.141.528</b>	<b>421.696</b>	<b>3.563.224</b>
Extraordinary income	82	(82)	-
Extraordinary expense	(41)	41	-
	<b>3.141.569</b>	<b>421.655</b>	<b>3.563.224</b>
<b>Profit before tax</b>	<b>3.141.569</b>	<b>421.655</b>	<b>3.563.224</b>
Merger differences	-	-	-
Income tax expense	-	(606.510)	(606.510)
<b>Profit after tax</b>	<b>3.141.569</b>	<b>(184.855)</b>	<b>2.956.714</b>

**Reconciliation of income statement**

For the period ended as of 31 December 2004 the significant changes in profit and loss account arise from the valuation of trading portfolio, the certain types of expenses relating to fees and commission income which has been recorded in previous period and from the increase in operation expenses.

It is noted that the profit and loss account of 2004 was affected from the recognition of deferred tax which, under Greek GAAP is not acceptable.

## **7. AUDIT REPORT ON THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

### **Independent Auditor's Report**

(Translated from the original in Greek)

To the Shareholders of

PROTON BANK

We have audited the accompanying consolidated financial statements of PROTON BANK (the "Bank") which comprise the consolidated balance sheet as of 31 December 2005 and the related consolidated statements of income, changes in equity and cash flows for the year then ended and the summary of significant accounting policies and other explanatory notes. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Greek Auditing Standards which are in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, evaluating the overall consolidated financial statement presentation as well as assessing the consistency of the Board of Directors' Report with the consolidated 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 PROTON BANK Group as of 31 December 2005 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards that have been adopted by the European Union and that the Board of Directors' Report is consistent with the accompanying consolidated financial statements.

Without qualifying our opinion we draw attention to note 15 to the consolidated financial statements that explains that the tax obligations of the Bank and its subsidiaries for the year 2005 have not yet been audited by the tax authorities and accordingly their tax obligations for those years are not considered final. The outcome of the tax audits cannot at present be determined.

Athens, 20 March 2006

KPMG Kyriacou Certified Auditors AE

Nick Tsiboukas

Certified Auditor Accountant

AM SOEL 17151



## 8. ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated financial statements

The following financial statements were approved by the Board of Directors of PROTON INVESTMENT BANK on 20 March 2006 and have been posted to the internet at [www.proton.gr](http://www.proton.gr).

The notes on pages 60 to 102 constitute an integral part of these financial statements.

#### INCOME STATEMENT

For the year ended 31 December 2005

(Amounts in Euro)

	Note	2005	2004
Interest and similar income	8	3.959.665	3.167.008
Interest and similar expense	8	(3.244.235)	(2.510.390)
<b>Net interest income</b>	<b>8</b>	<b>715.430</b>	<b>656.618</b>
Fee and commission income	9	12.096.300	13.911.718
Fee and commission expense		(131.785)	(3.196.647)
<b>Net fee and commission income</b>		<b>11.964.515</b>	<b>10.715.071</b>
Net income from financial transactions	10	6.271.106	4.613.479
Net gain/(loss) on disposal of trading financial instruments	10	11.246.276	(1.055.239)
Dividend income	11	1.273.289	411.129
Other operating income		521.811	433.701
<b>Operating income</b>		<b>31.992.427</b>	<b>15.774.759</b>
Combination Difference	33	10.301.270	-
Impairment losses	12	(3.303.750)	-
Operating expenses	13	(14.320.617)	(9.661.206)
<b>Profit before tax</b>		<b>24.669.330</b>	<b>6.113.553</b>
Income tax expense	15	(2.606.144)	(1.805.810)
<b>Profit after tax</b>		<b>22.063.186</b>	<b>4.307.743</b>
Attributed to:			
<b>Equity Holder of the Parent</b>		22.090.628	4.306.392
<b>Minority interest</b>		(27.442)	1.351
<b>Basic and Diluted Earnings per share</b>	<b>16</b>	<b>0.48</b>	<b>0.31</b>

**BALANCE SHEET****For the year ended 31 December 2005****(Amounts in Euro)**

	<b>Note</b>	<b>2005</b>	<b>2004</b>
<b>Assets</b>			
Cash and balances with the Central Bank	<b>17</b>	2.251.382	3.590.017
Loans and advances to banks	<b>18</b>	54.946.193	18.462.240
Trading securities	<b>19</b>	117.229.028	55.139.285
Derivatives financial instruments	<b>20</b>	7.063	20.032
Loans and advances to customers	<b>21</b>	85.868.000	62.491.606
Available-for-sale securities	<b>22</b>	734.406	-
Property, plant and equipment	<b>23</b>	1.280.566	1.705.208
Intangible assets	<b>24</b>	497.641	306.978
Deferred tax asset	<b>25</b>	450.362	651.235
Other assets	<b>26</b>	8.385.527	5.212.815
<b>Total assets</b>		<b>271.650.168</b>	<b>147.579.416</b>
<b>Liabilities</b>			
Deposits from banks	<b>27</b>	6.105.942	15.395.949
Deposits from customers	<b>28</b>	61.333.431	93.552.130
Derivatives financial instruments	<b>20</b>	635	38.010
Provision for employee benefits	<b>29</b>	199.510	172.156
Other liabilities	<b>30</b>	4.698.732	3.037.597
<b>Total liabilities</b>		<b>72.338.250</b>	<b>112.195.842</b>
<b>Equity</b>			
Share capital	<b>31</b>	202.660.155	35.000.000
Reserves	<b>32</b>	5.183.496	5.443.587
Accumulated deficit		(8.573.165)	(5.074.160)
<b>Equity attributed to the parent</b>		<b>199.270.486</b>	<b>35.369.427</b>
Minority interests		41.432	14.147
<b>Total equity and minority interest</b>		<b>199.311.918</b>	<b>35.383.574</b>
<b>Total shareholders' equity and liabilities</b>		<b>271.650.168</b>	<b>147.579.416</b>

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2005

(Amounts in Euro)

	Share capital	Reserves	Accumulated deficit	Equity attributed to parent	Minority interest	Total equity
Balance at 1 January 2004	35.000.000	1.137.281	(5.074.246)	31.063.035	12.796	31.075.831
Profit for the year	-	-	4.306.392	4.306.392	1.351	4.307.743
Transfer to reserves	-	4.306.306	(4.306.306)	-	-	-
Balance at 31 December 2004	35.000.000	5.443.587	(5.074.160)	35.369.427	14.147	35.383.574
Cost of acquisition	141.747.952	-	-	141.747.952	-	141.747.952
Transfer of Bank's valuation surplus to Share Capital	25.652.058	-	(25.652.058)	-	-	-
Transfer of reserves to share capital	260.145	(260.145)	-	-	-	-
Other combination adjusting entries	-	54	89.867	89.921	-	89.921
Profit for the year	-	-	22.063.186	22.063.186	27.285	22.090.471
Balance at 31 December 2005	202.660.155	5.183.496	(8.573.165)	199.270.486	41.432	199.311.918

**STATEMENT OF CASH FLOWS**

<b>For the year ended 31 December 2005</b>		
<b>(Amounts in Euro)</b>	<b>2005</b>	<b>2004</b>
<b>Operating activities</b>		
Profit before tax	24.669.330	6.113.553
<b>Adjustment for non-cash items</b>		
Depreciation and amortization	721.554	859.783
Impairment of available-for-sale securities	3.003.750	-
Changes in provisions	300.000	-
Change in fair value of trading investments	(11.246.276)	1.055.239
	<b>17.448.358</b>	<b>8.028.575</b>
<b>Changes in operating assets and liabilities</b>		
Net (increase)/decrease in loans and advances to banks	(36.483.953)	(2.066.039)
Net (increase)/decrease in trading securities	(50.843.467)	(3.447.191)
Net (increase)/decrease in derivative financial instruments	12.969	592.979
Net (increase)/decrease in loans and advances to customers	(23.798.820)	(15.421.264)
Net (increase)/decrease in other assets	(2.929.056)	(2.213.357)
Net increase/(decrease) in deposits from banks	(9.290.007)	5.126.821
Net increase/(decrease) in deposits from customers	(32.218.699)	16.055.373
Net increase/(decrease) in derivative financial instruments	(37.375)	(873.176)
Net increase/(decrease) in other liabilities	(716.785)	(2.539.653)
<b>Cash flows from operating activities</b>	<b>(156.305.193)</b>	<b>(4.785.507)</b>
<b>Investing activities</b>		
Acquisition of intangible assets, property and equipment	(491.829)	(219.297)
Proceeds from the sale of intangible, property and equipment	233	3.490
Purchase of investments	(3.738.156)	-
Purchase of subsidiaries		
<b>Investing activities</b>	<b>(4.229.752)</b>	<b>(215.807)</b>
<b>Financing activities</b>		
Net proceeds from share capital increase	141.747.952	-
<b>Cash flows from financing activities</b>	<b>141.747.952</b>	<b>-</b>
<b>Net increase/ (decrease) in cash flows</b>	<b>(1.338.635)</b>	<b>3.027.261</b>
<b>Cash and cash equivalents at 1 January</b>	<b>3.590.017</b>	<b>562.756</b>
<b>Cash and cash equivalents at 31 December</b>	<b>2.251.382</b>	<b>3.590.017</b>

## Notes to the Consolidated Financial Statements

### 1. GENERAL INFORMATION

The Group of PROTON BANK ( the Group thereon) includes companies that cover almost the whole spectrum of the financial sector. Specifically the Group primarily operates in investment banking that includes asset management, brokerage and financial services and secondarily it covers the remaining banking activities that include granting loans to corporations and individuals, deposits, custodial services etc. The mother company of the Group is PROTON INVESTMENT BANK S.A.(the Bank thereon). For its operations abroad the Bank uses the brand name “ PROTON INVESTMENT BANK S.A.”.

The Bank is registered on the Register of Societe Anonym of the Prefecture of Athens with registration number 49841/06/B/01/31 and has permission of operation from the Commission of Banking and Credit Matters of the Bank of Greece (TτΕ) Approval Number : 104/1/18.6.2001. All the Group's companies have a common register office Saki Karagiorga and Harilaou Trikoupi 1 in the municipality of Kallithea

During the current financial year the Bank was listed in the Athens Stock Exchange offering to the public twenty-five percent (25%) of its existing stocks. At the same time it merged with the listed companies of portfolio investment , ARROW Portfolio Investment S.A., EURODINAMIKI Portfolio Investment S.A. and EXELIXI Portfolio Investment S.A..

The merging procedure was completed on 30 December 2005. Analytical presentation of the information from the merging procedure are reported in note 3The Group apart from the parent company PROTON BANK includes the following subsidiary companies:

(amounts in euro)

Name of subsidiary	Activity	Total assets	% holding	
		31/12/2005	31/12/2005	31/12/2004
Financial Sector				
PROTON SECURITIES S.A.	Brokerage Services	47.575.842	99,90%	99,90%
PROTON ASSET MANAGEMENT S.A.	Asset Management	6.816.823	99,90%	99,90%
PROTON MUTUAL FUND MANAGEMENT COMPANY	Mutual Funds Management	1.328.949	99,90%	99,90%
FIRST GLOBAL BROKERS AD (FGB)	Brokerage Services	271.553	82,49%	-
ARROW ASSET FINANCE S.A.	Consulting	10.003	99,90%	99,90%

The aforementioned annual consolidated financial statements were approved by the Board of Directors on 20.3.2006.

The Group is run by a 7-member Board of Directors which was elected by the Extraordinary General Meeting of shareholders on 23.9.2005 and named the executive and non-executive directors. This Board of Directors will serve for three years commencing from the date of the said Extraordinary General Meeting.

On 31.12.2005 the Board of Directors consisted of:

Name-Surname	Post
1. Anthony Athanassoglou	Chairman and executive member
2. Maria Markopoulou	Vice Chairman – non-executive member

3. Elias Lianos	Vice Chairman, Managing Director and executive member
4. Theodoras Mylonas	Asst. Managing Director and executive member
5. Athanasios Papaspiliou	General Manager and executive member
6. Epaminondas Lambadarios	Independent non-executive member
7. Konstantinos Chrysogonos	Independent non-executive member

During January 2006 the Bank's Board of Directors issued a decision (11.1.2006) replacing Board Member K. Chrysogonos with Sotiria Theodosi as independent non-executive member.

## BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Group have been prepared for the first time in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The date of transition for the Bank to IFRS was 1 January 2004, when the opening balance sheet was prepared in accordance with IFRS 1.

The preparation of the financial statements in accordance to the IFRS is obligatory by the clauses of article 135 of law 2190/1920 that dictates that the listed companies in the stock market are obliged to prepare their financial statements according to the International Financial Reporting Standards as adopted by the European Union.

Up until 31 December 2004 the financial statements of the Group were prepared in accordance to the Greek Accounting Standards that constitute the whole set of clauses of Commercial Law 2190/1920, the Greek Chart of Accounts, the Accounting Policies for Banks and part of tax clauses that differ in many cases from the IFRSs.

The effect on the Group's financial position of the transition from the Greek GAAP to the IFRS are reported in note 38.

The financial statements have been prepared on the historic cost basis, except for financial instruments classified as available-for-sale securities, participations to subsidiary companies, financial assets and financial liabilities held at fair value through the income statement and derivatives which are valued at fair value.

### 2.1 Currency Presentation

Financial Statements are presented in Euro unless otherwise indicated.

### 2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiaries and hereafter referred to as 'Group'. Subsidiaries are entities, which the Bank holds either directly or indirectly more than 50% of the voting power or has significant influence and control the business decisions taken. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries have been prepared according to the parent company's balance sheet date. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Bank.

All subsidiaries are consolidated according to the method of full consolidation. Subsidiaries are included in the consolidated financial statements from the date that control commences until that control ceases. In the income statement the proportion of the subsidiaries is included from the day of their acquisition.

### Elimination of Intercompany Transactions

Intercompany balances as well as gains or losses, income or expenses from intercompany transactions are eliminated from the consolidated financial statements.

### 2.3 Use of Estimates

The preparation of financial statements in conformity with IFRS, requires the use of estimates and assumptions that affect the reported amount of assets and liabilities, the required disclosures for potential receivables and liabilities at the date of preparation of financial statements and the income and expense which have been recognized during the accounting period. The application of available information and the use of subjective judgment is an integral part in determining the estimates. The actual results may differ from these estimates and it is possible that these differences may have a material effect on the financial statements.

### 2.4 Comparative Figures

The Group prepares the financial statements with comparative figures. For the preparation of the financial statements for the year ended 31 December 2005 as comparative were used those of the financial statements as of 31 December 2004 figures and the relevant notes. The Bank as is reported in more detail on note 33 merged with three investment companies and the date that it took over control of these companies was on 30 December 2005. Consequently in some cases the figures of the current financial year cannot be compared with figures of the prior year since they include amounts from the three investment companies that were absorbed. The effect on the Balance Sheet accounts and the Profit and Loss accounts are reported on note 33.2.

The consolidated financial statements as of 31 December 2005 include the financial data of the foreign subsidiary which was acquired on 8 April 2005. Contrarily the financial statements as of 31 December 2004 do not include these data.

### 2.5 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the financial statements when there is a legal right to offset and there is intention to settle on a net basis, to realize the asset and settle the liability simultaneously.

### 2.6 Derecognition of a financial instrument from the financial statements

A financial instrument is derecognized from the Banks financial statements when the Bank loses control of the contractual rights that comprise the financial instrument. The Bank loses such control if it realizes the rights to benefits specified in the contract, the rights expire, or the enterprise surrenders those rights.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set below. These policies have been consistently applied to all years presented.

#### 3.1 Foreign currency transactions

The functional currency of the Bank is Euro.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies, are translated at the foreign exchange rates on balance sheet date. Translation differences are recognized in the income statement.

Differences arising from the translation of non-monetary assets and liabilities denominated in foreign currencies, are part of the changes in their fair value. Differences arising from the translation of non-monetary assets, such as securities held at fair value through profit or loss, are recognized in the consolidated income statement. Differences arising from the translation of non-monetary assets, such as an available-for-sale financial asset, are recognized in equity until the sale of this non-monetary asset.

For the preparation the Consolidated Financial Statements, the assets and the liabilities of foreign companies are translated to Euro at foreign exchange rates ruling at the balance sheet date, whereas income and expenses are translated by using the weighted average of the period's exchange rates. Specifically for the consolidation of the subsidiary that operates in Serbia Montenegro the exchange rate used as of 31 December 2005 was 1 EUR= 85,500 CSD while for the income statements the weighted exchange average was used (1 EUR = 83,1940 CSD).

The difference between the foreign exchange rates ruling at the balance sheet date and the weighted average of the period's exchange rates are recorded in a separate account in the equity. Upon the sale of a foreign company the accumulated exchange rate differences recorded in equity, are recognized in the consolidated income statement as part of the gain or loss from the sale

#### 3.2 Investments in debt and equity instruments

The Group classifies its investments as held for trading, held-to-maturity or available-for-sale. The classification is decided upon at initial recognition.

Initially, all investments are recorded on the trade date at fair value. Transactions costs are capitalized, if they are available-for-sale and held-to-maturity investments, whereas they are recorded directly to the income statement if they are held-for-trading.

**Trading securities:** This category includes investments which are acquired in order to generate short term profit and include securities such as stocks, bonds, and mutual fund units. After initial recognition, investments held for trading are stated at fair value. The gains or losses arising from the changes in the fair value of these investments are included in the income statement.

**Available-for-sale securities:** This category includes financial assets that are intended to be held for on indefinite period of time, to maturity or sold in response to needs for liquidity or to gain from the changes in interest rates or foreign currency exchange rates. After initial recognition, the investments classified as available-for-sale are carried at fair value. Gains and losses arising from changes in fair value of these investments are recognized directly in equity. These gains or losses are removed from equity and recognized in the income statement when they are sold or there is objective evidence of impairment.



#### Fair value of financial instruments

Fair value is the value that a financial instrument can be traded (purchase/sale) between two parties that are aware of the market and this trade is executed for commercial reasons. The financial instruments of the Group, as indicated by the IFRS, are included on balance sheet captions and on off balance accounts in cases that these concern letters of guarantee of the Bank.

Short term positions of the Group as well as short term deposits from clients are reported on cost value since these financial instruments have short term expirations and are turned into cash or redeemed without significant transaction costs.

Loans to clients and letters of guarantee are reported at their cost value minus estimated impairment.

Trading Portfolio and available for sale securities are reported at their fair value, which is determined by their market price on the balance sheet date.

#### Trade Date

All regular purchases or sales of a financial asset are recognized on the trade date which is the date that the Group commits itself to purchase or sell an asset. The term "regular" transactions requires that the delivery of a financial asset is realized within the time period specified by either the responsible committee or is established by the existing practice.

### 3.3 Repurchase agreements

Securities that are sold subject to a repurchase agreement (Repos) are presented in the financial statements either as available-for-sale investments or held-to-maturity investments, while the respective liability is presented, depending on the counterparty, as amounts due to banks, to customers or other deposits. Securities purchased under agreements to resell (Reverse Repos) are presented in the financial statements as amounts due from banks. The difference between the sales price and repurchase price is recorded in the income statement as interest income and is accrued over the term of the agreement using the effective interest rate method.

### 3.4 Derivative financial instruments and hedging

The Group uses derivative financial instruments on its own behalf in order to gain profits and in order to cover its clients' needs. Derivative financial instruments include forward foreign exchange contracts, interest rate swaps, foreign exchange swaps and other derivative financial instruments.

**Derivatives for trading purposes:** Derivatives that do not qualify for hedging purposes are considered as entered into for trading purposes. Initially, derivatives are recognized at fair value (which is essentially the transaction cost) on the date on which the contract is entered into. Subsequently they are remeasured at fair value. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

**Embedded Derivatives:** A derivative may be embedded in another financial instrument. The combined financial instrument includes both a host contract and the derivative and is known as an embedded derivative. An embedded derivative should be separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and c) the hybrid (combined) instrument is not measured at fair value with changes in fair value reported in the income statement.

Changes in the fair value of derivatives are recorded in the income statement.

**Hedging:** For the purposes of hedge accounting, hedging is designated as a fair value hedge, when the exposure to changes in the fair value of a recognized asset or liability is hedged or as a cash flow hedge when the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability is hedged. For the derivatives that are used for hedging purposes the Group applies hedge accounting which includes a description of the hedged item, of the hedging instrument, the nature of the risk being hedged and the enterprise's risk management strategy. Furthermore, it documents whether or not the hedging is effective at inception and throughout the life of the hedge. That is whether or not fair value changes derived from the hedged exposure are offset by the changes of the hedging instrument and are within a range of 80% to 125%.

In fair value hedge transactions which meet the criteria for hedge accounting, gains or losses which are due to the valuation of the hedging instrument to fair value are recorded in the income statement. The hedged item is valued at fair value and the gains or losses are recorded in the income statement.

Changes in the fair value of the effective portion of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk, are recognized in the hedge reserve in equity. Otherwise, gains and losses which refer to the ineffective portion of the hedge are recorded in the income statement.

When the criteria for hedge accounting are no longer met, due to the hedging being no longer effective or due to the fact that the hedged exposure has been derecognized, then the related accumulated gains or losses recognized in equity are transferred to the income statement.

### 3.5 Property, plant and equipment

Land and buildings are used by the Group either for operational purposes of the Group or for administrative purposes. Fixed assets include land, buildings, leasehold improvements, furniture and other equipment and vehicles. Fixed assets are stated at cost less accumulated depreciation and impairment losses.

Depreciation: Depreciation on the other assets is calculated using the straight-line method over their expected useful life, which is reviewed annually, as follows:

Furniture and other equipment	5 – 8 years
Machinery	7 – 14 years
Vehicles	7 – 9 years

Leasehold improvements are depreciated over either the useful life of the improvement or the duration of the lease whichever is the shorter.

Impairment: The Group reviews annually its fixed assets in order to find any indications of impairment. If there are indications of impairment the carrying value of the fixed asset is reduced to its recoverable amount with the respective decrease in the operating results.

### Intangible Assets

**Goodwill:** Acquisitions of subsidiaries are recorded in the mother company's books according to the purchase method. The difference between the cost value of the subsidiaries and the fair value of their net assets is considered to be goodwill and is recorded in a separate account in the intangible assets caption.

In the financial statement of the mother company prepared in accordance to the IFRS goodwill from the acquisition of subsidiaries resulted in prior years according to IFRS 1 "First Time Adoption" was recorded in equity in the caption "Accumulated Losses". This application is set by appendix B of IFRS 1 that concerns consolidation and can be used for companies that adopt the IFRS for the first time as long as this amount is also included under Greek GAAP negatively in equity.

Relatively to the goodwill that rose from the acquisition of the foreign subsidiary (Serbia- Montenegro) during the first semester of 2005, the clauses of IFRS 3 were followed that provides the difference between cost value and fair value is recorded as goodwill.

**Software:** Software which is acquired and can be clearly identified is capitalized at the cost of acquisition. Subsequently, they are carried at cost less any accumulated amortization and any impairment losses. Software is amortized over 3 years.

The Group on an annual basis, examines the fair value of intangible assets so as to conclude whether there exists an indication of impairment or whether the useful life should be amended. In the case when the carrying value of an intangible assets exceeds its recoverable value, a corresponding impairment is charged to the income statement.

### 3.7 Cash and cash equivalents

Cash and cash equivalents include monetary assets with less than three months to maturity.

### 3.8 Loans and advances to customers and provision for loan losses

Loans and advances are recorded on the disbursement date at cost, which is the fair value of the capital, including the direct expenses and income which relate to the loan. Subsequent to initial recognition, loans and advances are carried at amortized cost using the effective interest rate method. Loans and advances are carried on the balance sheet after deducting provisions for losses.

The recoverability of loans and advances is reviewed on an individual basis for those loans which the Group considers as significant. The evaluation takes into account the financial position, past repayment pattern, the credit worthiness of guarantors and the realisable value of collaterals.

When a loan is considered as doubtful, its carrying value is reduced to its recoverable amount.

Reversal of provision for loan losses is conducted only in the case that the credibility of the client has improved to such extent as to consider the collectibility of capital and interest according to the terms of the loan contract possible or without delay.

Loans and advances are written off against the related provision, when it is considered uncollectible.

### 3.9 Leases

#### a) Operating Leases

The Group has entered into operating lease contracts where risks and rewards of ownership of the assets remain with the lessor. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

#### b) Finance Leases

The Group has entered into finance lease contracts where risks and rewards of ownership of the leased assets have been assumed by the Group.

Finance leases are carried at the lower between the fair value of the lease payments and the present value of the minimum lease payments.

The leased assets are depreciated over the shorter period between the length of the contract and the useful life unless it is almost certain that the Group will assume the property of the asset upon the termination of the contract. If the lease transfers the ownership of the asset upon the termination of the contract or if there is the option of purchase at a lower price, then the depreciable period is the asset's useful life.

Lease payments are distinguished in the amount referring to capital repayment and interest repayment. The distinction is made in order to achieve a fixed repayment schedule. Interest payments are charged to the income statement.

### 3.10 Interest income and expense

For all financial assets and liabilities, interest income and expense are recognized in the income statement using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of the financial asset or financial liability and of allocating the interest income or expense over the relevant period.

The effective interest rate is the rate that exactly discounts the future cash receipts or payments through the expected estimated life of the financial instrument.

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

### 3.11 Fee and commission income

Fees and commissions are recognized in the income statement in the period that the service has been provided. Commission and fees arising from third party transactions, are recognized in the income statement upon the completion of the underlying transaction. Asset management fees and other management advisory and service fees are recognized in the income statement according to the applicable service contracts, usually on a proportional basis.

### 3.12 Provisions

The Group recognizes a provision when, there exists a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

### 3.13 Income Tax

Income tax is calculated on the profit of the year according to the applicable tax law and is recognized as an expense in the income statement. Tax losses which are carried forward for offsetting are recognized as an asset when it is probable that future taxable profits will be materialized.

Deferred income tax is calculated using the liability method, based on the temporary timing differences arising between the carrying value of assets and liabilities included in the financial statements and their tax values determined by the current tax legislation.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted.

The Bank recognizes deferred tax assets when it is probable that sufficient taxable profit will be available against which the deferred tax asset can be utilized.

Deferred tax asset or liability arising from the recalculation of fair value of assets and cash flow hedges, which are debited or credited directly to equity is also recorded directly in equity.

### 3.14 Pension Benefits

The Group participates both to defined benefit and defined contribution plans.

For the defined contribution plans the Group is obliged to pay on a regular basis specific amounts to the pension funds.

A defined benefit plan is essentially a pension plan according to which the Group obligation is determined by the compensation amount determined by Law 2112/1920, that the employee will receive at retirement date based on his or her age, years of employment and salary. The liability in respect of a defined benefit pension plan reported on the Balance Sheet is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

Accumulated actuarial gains and losses which arises due to the deviation from the estimated amounts and the realized amounts as well as variations of the used actuarial assumptions, for the portion that is in excess of 10% of accrued obligations, are charged to the income statement over the service lives of the related employees.

### 3.15 Segment reporting

A Business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments of operating in other economic environments. The Business segment activity is the primer source of information for the Group.

### 3.16 Cost of Borrowing

The cost of borrowing, according to IFRS 23, is recognized as an expense in the income statement.

### 3.17 Custodian Services

The Bank offers custodian services to its subsidiary that manages mutual funds. The value of securities that the Bank holds through this activity is not included in the attached financial statements as they are not considered assets of the Bank as of 31 December 2005. As of 31 December 2005 the value of these securities is approximately EUR 99 million (31 December 2004: EUR 181,5 million)

#### 4. REGULATION AND SUPERVISION OF BANKS IN GREECE

The Bank of Greece (BOG), aiming at maintaining the stability of the banking system and the protection of the parties involved, is responsible for the supervision of the financial system in Greece. For this reason it issues rules and regulations for the operation of credit institutions, their capital adequacy, the risk that they undertake and their investment activities.

All regulations related to the control and supervision of credit institutions set by the European Union have been incorporated in the Greek legislation.

The Bank of Greece has the authority to audit the books and records of credit institutions for possible violations in the framework of preventive and detective audit. In the case that a credit institution does not adhere, the Bank of Greece is entitled to impose all the necessary measures in order to comply with the legislative framework of credit institutions as well as imposing penalties, to appoint an administrator and finally (where there is non-compliance or in case of incredibility) revoke the license of the credit institution and place it into special liquidation under the supervision of the Bank of Greece. In case of insufficient liquidity of the credit institution, the Bank of Greece may order a mandatory extension of that institution's due and payable obligations for a period not exceeding two months (which can be extended for a further one month period) and appoint an administrator under its supervision.

Stock Exchange Committee (SEC) is the supervision of the subsidiaries of the Bank which include Proton finance, Proton Mutual Fund and Proton Asset Management.

The Group, following the Bank's of Greece instruction, submits to BOG at regular intervals all the necessary reports. More specifically reports on capital adequacy, adequacy of provisions and various risk analysis.

The Bank as a listed company on the Athens Stock exchange is subject to all the obligations of reporting set by the Capital Market Committee (CMC) and information to the public.

The consolidated companies as Societe Anonyme Companies are subject to all the clauses of law 2190/1920, while the Group are supervised by the Ministry of Development and CMC.

#### 5. CAPITAL ADEQUACY

The Group's capital adequacy is measured according to the directives of the Bank of Greece 2397/36 and 2494/2002, which are in accordance to the instructions set by the European Union for the capital adequacy of financial institutions. The capital adequacy ratio should be at least 8%. This ratio includes credit risk, exchange rate risk and interest rate risk.

According to the financial statements as of 31 December 2005, the capital adequacy ratio for the Bank, is estimated to be 57,33%.

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#### 6. RISK MANAGEMENT

The Group has established the Risk Management Division, which is responsible for the recognition, evaluation and management of banking and operational risks, by applying traditional and modern methods of evaluation and quantification of risks. In order to cover these needs an updated risk management system has been established.

## 6.1 Credit Risk

The Group takes an exposure to credit risk, which is the risk that a counterparty will be unable to pay an amount in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date. Furthermore credit risk is also considered in scenario analysis of counterparty behavior and stress testing in order to monitor the particular risk more precisely.

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 provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

The Group monitors the level of credit risk it undertakes, which is subject to changes in the economy and macroeconomic changes by structuring the level of credit risk it undertakes by placing limits or the amount of risk accepted in relation to a borrower and type of transaction. These limits as well their invoicing of the loans are approved by the Credit Risk Committee after the proposition of the relevant departments of the Group or the BoD of the Group. Those limits are subject to revision and are monitored by the respective department.

Credit risk estimation is conducted based on the internal system and the credit risk ranking methodology of the Group and based on relevant analysis the necessary collaterals are determined.

Credit risk ranking is the procedure carried in order to rank borrowers according to the financial, qualitative and transaction behavior criteria set to one of the eight categories of credit risk and is an integral part of the risk management system that the Bank faces through its activities.

Ranking is not a statutory procedure, as the data used alter continuously according to the borrower and the economic environment in which he operates. Hence ranking is revised annually, unless some extraordinary event occurs, and the ranking is altered in accordance to the new conditions .

## 6.2 Market Risk

Market risk is determined as the result in profits that may rise from unfavorable fluctuations in prices of interest rates, currency , equity and derivative products which represent part either of the trading portfolio or a mean of managing assets and liabilities.

The Group applies a methodology of measuring risk through the variation of the valuation of the present value based on the scenario of parallel or non parallel changes in the interest rate curve ( but with less significant variations from the prices that may prevail in the market) of stress testing that the Bank of Greece has adopted. Besides the regular measurements of market risk that are conducted, periodically the behavior of the trading portfolio and the total of assets and liabilities of the Group based on hypothetical variations in market parameters ( scenario analysis) as well as extreme variations ( stress testing) are tested.

In the risk management scope that Group follows trading limits have been established by the ALCO Committee per product or per transaction that may bear market risk.

Specifically limits have been established for the following:

Trading position

Open positions in Bonds

Open positions in derivative products

Open positions in Stocks ( Both in local and foreign markets)

The transactions of these products are monitored daily in order to control that the limits set are not over exceeded and also to manage significant changes in the position of the Bank.

### 6.3 Liquidity Risk

Liquidity risk is related with the ability of the Group to fulfill its financial obligations when they become due. The monitoring of liquidity risk is concentrated on the monitoring of the liquidation ability of the Group in order to cover its obligations.

The analysis of monitoring the liquidation ability of the Bank includes all the assets and liabilities that the Bank has are included and the relevant cash flows are ranked in time periods depending on when they are expected to be realized. The monitoring of the liquidation ability of the Group as well as the limits set are monitored by ALCO Committee which follows the instructions given by the Bank of Greece (BOG).

Following the BoG Directive that increases the obligation for monitoring the liquidity of Group and the establishment of new limits and liquidity indices, the ALCO Committee adopted properly the methodology for the daily monitoring of liquidity. Hence the software was upgraded in order to adjust to the new limits. Furthermore the Treasury department devolved to take precautionary measures by increasing the liquidity limits of the Group, as well as to make corrective adjustments if the internal limits set by the Group, which are stricter than those set by BoG are altered or violated.

## LIQUIDITY RISK

2005

(Amounts in Euro)

Amounts in Euro)

DESCRIPTION	Up to 1 month	1 – 3 months	3 -12 months	1 to 5 years	Over 5 years	Total
Cash and balances with Central Bank	2.251.382	-	-	-	-	2.251.382
Loans and advances to banks	54.854.193	92.000	-	-	-	54.946.193
Trading securities	76.796.474	-	-	-	40.432.554	117.229.028
Derivative financial instruments	7.063	-	-	-	-	7.063
Loans and advances to customers	37.281.705	2.297.000	1.049.000	28.114.295	17.126.000	85.868.000
Available-for-sale securities	-	-	-	-	734.406	734.406
Property, plant and equipment	-	-	-	-	1.280.566	1.280.566
Intangible assets	-	-	-	-	497.641	497.641
Deferred tax asset	-	-	-	-	450.362	450.362
Other assets	-	-	-	-	8.385.527	8.385.527
<b>Total assets</b>	<b>171.190.817</b>	<b>2.389.000</b>	<b>1.049.000</b>	<b>28.114.295</b>	<b>68.907.056</b>	<b>271.650.168</b>
Deposits from banks	6.105.942	-	-	-	-	6.105.942
Deposits from customers	37.566.431	10.244.000	928.000	-	12.595.000	61.333.431
Derivative financial instruments	-	-	-	-	199.510	199.510
Provision for employee benefits	635	-	-	-	-	635
Other liabilities	1.271.164	-	-	-	3.427.568	4.698.732
<b>Total liabilities</b>	<b>44.944.172</b>	<b>10.244.000</b>	<b>928.000</b>	<b>-</b>	<b>16.222.078</b>	<b>72.338.250</b>
<b>Equity</b>						<b>199.311.918</b>
<b>At 31 December 2004</b>						
Total assets	83.589.479	4.515.081	1.305.414	13.210.097	44.959.345	147.579.416
Total liabilities	102.797.089	508.000	5.656.000	19.000	3.215.753	112.195.842
<b>Equity</b>						<b>35.383.574</b>



## 6.4 Currency Risk

The table below summarizes the Group's exposure to currency risk at 31 December 2005.

**CURRENCY RISK****2005****(Amounts in Euro)**

<b>DESCRIPTION</b>	<b>EUR</b>	<b>USD</b>	<b>GBP</b>	<b>JPY</b>	<b>OTHER</b>	<b>Total</b>
Cash and balances with Central Bank	2.246.064	1.257			4.061	2.251.382
Loans and advances to banks	47.194.967	7.129.289	343.775	23.416	254.746	54.946.193
Trading securities	105.693.470	5.048.619	541.690	-	5.945.249	117.229.028
Derivative financial instruments	7.063	-	-	-	-	7.063
Loans and advances to customers	85.726.011	153.219	-	67.980	(79.210)	85.868.000
Available-for-sale securities	734.406	-	-	-	-	734.406
Property, plant and equipment	1.280.566	-	-	-	-	1.280.566
Intangible assets	497.641	-	-	-	-	497.641
Deferred tax asset	450.362	-	-	-	-	450.362
Other assets	8.210.428	133.584	2.705	40	38.770	8.385.527
<b>Total assets</b>	<b>252.040.978</b>	<b>12.465.968</b>	<b>888.170</b>	<b>91.436</b>	<b>6.163.616</b>	<b>271.650.168</b>
Deposits from banks	6.046.813	59.129	-	-	-	6.105.942
Deposits from customers	58.809.555	2.105.982	389.256	10.508	18.130	61.333.431
Derivative financial instruments	199.510	-	-	-	-	199.510
Provision for employee benefits	635	-	-	-	-	635
Other liabilities	4.683.969	14.763	-	-	-	4.698.732
<b>Total liabilities</b>	<b>69.740.482</b>	<b>2.179.874</b>	<b>389.256</b>	<b>10.508</b>	<b>18.130</b>	<b>72.338.250</b>
<b>Equity</b>						<b>199.311.918</b>
<b>At 31 December 2004</b>						
Total assets	138.620.637	6.067.554	580.000	613.101	1.698.124	147.579.416
Total liabilities	59.425.872	5.941.758	580.698	46.206.584	40.930	112.195.842
<b>Equity</b>						<b>35.383.574</b>

## 6.5 Interest Rate Risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets, including investments, and interest bearing liabilities mature or reprice at different times or amounts. In the table below the balances of assets and liabilities of the Group are presented and classified by their maturity date. In the cases that no contractual expiration date exists (overdraft accounts) or there is no changes in interest rates (deposit accounts) for assets and liabilities, they are classified in the category of up to one month.

**INTEREST RATE RISK****2005**

(Amounts in Euro)

DESCRIPTION	Up to 1 month	1 – 3 months	3 -12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with Central Bank	2.251.382	-	-	-	-	-	2.251.382
Loans and advances to banks	54.854.193	92.000	-	-	-	-	54.946.193
Trading securities	117.211.551	6.111	-	-	11.366	-	117.229.028
Loans and advances to customers	72.076.826	9.902.546	3.888.628	-	-	-	85.868.000
Available-for-sale securities	-	-	-	-	-	734.406	734.406
Derivative financial instruments	-	-	-	-	-	7.063	7.063
Property, plant and equipment	-	-	-	-	-	1.280.566	1.280.566
Intangible assets	-	-	-	-	-	497.641	497.641
Deferred tax asset	-	-	-	-	-	450.362	450.362
Other assets	-	-	-	-	-	8.385.527	8.385.527
<b>Total assets</b>	<b>246.393.952</b>	<b>10.000.657</b>	<b>3.888.628</b>	<b>-</b>	<b>11.366</b>	<b>11.355.565</b>	<b>271.650.168</b>
Deposits from banks	6.105.942	-	-	-	-	-	6.105.942
Deposits from customers	53.197.379	7.207.071	928.981	-	-	-	61.333.431
Derivative financial instruments	-	-	-	-	-	199.510	199.510
Provision for employee benefits	-	-	-	-	-	635	635
Other liabilities	-	-	-	-	-	4.698.732	4.698.732
<b>Total liabilities</b>	<b>59.303.321</b>	<b>7.207.071</b>	<b>928.981</b>	<b>-</b>	<b>-</b>	<b>4.898.877</b>	<b>72.338.250</b>
<b>Equity</b>							<b>199.311.918</b>
<b>At 31 December 2004</b>							
Total assets	111.593.968	18.520.846	416.119	9.058.170	114.077	7.876.236	147.579.416
Total liabilities	102.759.597	508.124	5.674.539	5.819	-	3.247.763	112.195.842
<b>Equity</b>							<b>35.383.574</b>

## 7. SEGMENT REPORTING

Considering the management structure of the Group and the business activities it undertakes as well as the fact the greater percentage of its income comes from activities in the Greek market, the Bank considers the business segment as the primary segment and specifically the following segments:

**Investment Banking:** it includes investment portfolio management, brokerage services, consulting and intermediary services that are related with the stock market and Dealing Room activities in the Interbank Market ( FX Swaps, Futures, IRS, Bonds, Interbank open positions-borrowings).

**Banking Activities:** it includes the usual banking activities as lending, deposits, letters of guarantee, custodial services etc.

**BUSINESS SEGMENT ANALYSIS**

(Amounts in Euro)

2005

DESCRIPTION	Investment Banking	Banking Activities	Total
Interest and Similar Income	968.950	2.990.715	3.959.665
Interest Expense	(866.186)	(2.378.049)	(3.244.235)
<b>Net Interest Income</b>	<b>102.764</b>	<b>612.666</b>	<b>715.430</b>
Fee and Commission income	11.128.596	967.704	12.096.300
Fee and Commission expense	(98.839)	(32.946)	(131.785)
<b>Net Fee and Commission income</b>	<b>11.029.757</b>	<b>934.758</b>	<b>11.964.515</b>
Net trading income	6.208.655	62.451	6.271.106
Net gain/(loss) on disposal of trading financial instruments	11.246.276	-	11.246.276
Dividend income	1.273.289	-	1.273.289
Other operating income	-	521.811	521.811
<b>Operating income</b>	<b>29.860.741</b>	<b>2.131.686</b>	<b>31.992.427</b>
Combination difference	10.301.270	-	10.301.270
Impairment losses	(3.303.750)	-	(3.303.750)
Operating expenses	(10.304.111)	(4.016.506)	(14.320.617)
<b>Profit before tax</b>	<b>26.554.150</b>	<b>(1.884.820)</b>	<b>24.669.330</b>
Income tax expense	(1.876.105)	(730.039)	(2.606.144)
<b>Profit after tax</b>	<b>24.678.045</b>	<b>(2.614.859)</b>	<b>22.063.186</b>
<b>Total Assets per Segment</b>	<b>142.845.998</b>	<b>128.804.170</b>	<b>271.650.168</b>
<b>Total equity and liabilities per Segment</b>	<b>218.446.053</b>	<b>53.204.115</b>	<b>271.650.168</b>

**8. NET INTEREST INCOME**

(Amounts in Euro)

ΠΕΡΙΓΡΑΦΗ	2005	2004
Loans and advances to customers	2.081.728	1.799.026
Bonds	365.254	518.418
Other interest income	1.276.497	679.720
Loans to banks	236.186	169.844
<b>Total interest income</b>	<b>3.959.665</b>	<b>3.167.008</b>
Customers deposits	2.159.851	1.409.968
Bank's deposits	566.049	573.324
Synthetic Swaps	35.651	240.828
Other	482.684	286.270
<b>Total interest expense</b>	<b>3.244.235</b>	<b>2.510.390</b>
	<b>715.430</b>	<b>656.618</b>

**9. FEE AND COMMISSION INCOME**

(Amounts in Euro)

DESCRIPTION	2005	2004
Stock exchange transactions	9.691.601	8.720.940
Fees for consulting	789.000	405.970
Management commission	312.182	654.327
Custody services	181.826	3.558.181
Letters of guarantee	167.465	302.740
Money transfers	19.480	14.706
Other	934.746	254.854
	<b>12.096.300</b>	<b>13.911.718</b>

**10. NET INCOME FROM FINANCIAL TRANSACTIONS**

(Amounts in Euro)

DESCRIPTION	2005	2004
<b>TRADING SECURITIES</b>		
<b>Profits less losses</b>		
Derivative Financial instruments	(857.473)	(1.831.296)
Foreign currency	108.446	(101.983)
	<b>(749.027)</b>	<b>(1.933.279)</b>
<b>Sales</b>		
Equities	7.020.133	6.546.758
<b>Net income from financial transactions</b>	<b>6.271.106</b>	<b>4.613.479</b>
<b>Valuation</b>		
Equities	11.239.847	(1.055.239)
Derivative Financial instruments	6.429	-
<b>Total</b>	<b>11.246.276</b>	<b>(1.055.239)</b>

**11. DIVIDEND INCOME**

(Amounts in Euro)

DESCRIPTION	2005	2004
Trading securities	1.273.289	411.129
	<b>1.273.289</b>	<b>411.129</b>

**12. IMPAIRMENT LOSSES**

(Amounts in Euro)

DESCRIPTION	2005	2004
Loans and advances to customers (Note 21.2)	300.000	-
Available for sale securities (Note 22)	3.003.750	-
<b>Total</b>	<b>3.303.750</b>	<b>-</b>

**13. OPERATING EXPENSES**

(Amounts in Euro)

DESCRIPTION	2005	2004
Staff costs (Note 14)	5.053.397	4.285.231
Third party fees	4.558.770	1.487.429
Subscription – Contribution	1.724.432	744.924
Other taxes	465.516	54.809
Depreciation (fixed assets)	527.407	545.295
Repair and maintenance	279.120	327.495
Rentals	253.334	819.680
Publishing expenses	239.623	95.351
Telecommunication expenses	218.187	177.772
Intangibles write off	204.230	368.635
Amortization (intangible assets)	194.147	314.488
Light-water expenses	103.802	102.362
Travel	99.924	36.833
Stationery	56.055	33.916
Insurance fees	39.591	105.173
Other	303.082	161.813
	<b>14.320.617</b>	<b>9.661.206</b>

**14. STAFF COSTS**

(Amounts in Euro)

DESCRIPTION	2005	2004
Wages and salaries	4.205.895	3.623.380
Social security contributions	713.454	612.678
Cost for defined benefit plans	134.048	49.173
	<b>5.053.397</b>	<b>4.285.231</b>

## NO. OF EMPLOYEES

The total number of employees on 31.12.2005 was 118 compared to 99 in 2004.

The increase of the account " Wages and Salaries" is mainly due to the increase in the number of employees during 2005 and the bonuses that the company gave to its employees for their effort during the year which had as a result the Bank to be listed in the Athens Stock Exchange and the completion of the merger procedure with three open-end funds.

The significant increase in third party fees relate to fees paid to underwriters, lawyers, auditors, consultants etc for the introduction of the Bank's shares in the Athens Stock Exchange. According to the IFRS these expenses are recorded in the income statement as existing shares were distributed and didn't incur Share Capital increase.

**15. INCOME TAX EXPENSE**

(Amounts in Euro)

DESCRIPTION	2005	2004
Current tax	2.169.227	1.108.434
Tax audit differences	236.044	38.315
Deferred tax ( Note 25)	200.873	659.061
<b>Total</b>	<b>2.606.144</b>	<b>1.805.810</b>

According to the Greek Tax law the income tax rate as of 31 December 2004 was 35%. According to law 3296/2004, the tax rate for profits has decreased to 32% for 2005, 29% for 2006 and 25% for 2007 and thereafter.

The Bank used the tax incentives for companies that merge other companies ( Law 2992/2002), and calculated income tax using the current tax rate reduced by 10 percentage points, that is using 22%. Income tax for 2006 will be calculated using 24% as the reduction of the tax rate will be restricted to 5 percentage points.

It is noted that the other subsidiaries have calculated income tax using the respective tax rate which is in accordance with the law.

The reconciliation of income tax for the year is presented on the table below:

	2005	2004
Earnings before tax	24.669.330	6.113.553
Tax calculated at current rates	5.923.018	2.183.328
Tax losses to be offset	(134.099)	(28.063)
Non-taxable income (applicable tax)	(5.483.875)	(1.639.096)
Non-deductible expenses (applicable tax)	36.762	387.996
Tax on profits of companies absorbed not included in period income	1.693.774	-
Tax on distributed dividends	228.880	201.600
Different from tax rates for calculating deferred taxation	(109.847)	2.880
Impact of deferred tax on results	200.873	659.061
Tax audit adjustments	236.044	38.315
Supplementary tax	14.614	2.669
<b>Total</b>	<b>2.606.144</b>	<b>1.805.810</b>

The income tax statements are submitted to the tax authorities on an annual basis but the gains and losses that are declared for tax purposes remain temporarily pending until the tax authorities audit the tax statements and books of the taxpayer and according to these audits, finalize the tax obligations. Tax losses that are recognized by the tax authorities, can be used to offset gains in the next five financial years.

Tax audit differences which are referred above derived from subsidiaries which, are audited by the tax authorities during the fiscal period of 2005 finalized in this way all the tax obligations. Given that the subsidiaries audited by tax authorities during the fiscal period of 2005 as well as the unaudited tax years (up until the year 2004) of the Bank, all the subsidiaries of the Group has been audited by the tax authorities up until the year 2004.

The Bank during the current fiscal year was audited by the tax authorities for all the unaudited tax years ( up until the year 2004) and additional taxed of amount EUR 334.313 arose, that were paid in July 2005. Given that the bank had already recorded a provision of EUR 350.000 in prior years for this purpose, the net effect in the income statement for the current year was zero. The Managements of the Group judge that no significant amounts from additional taxation will rise for the unaudited fiscal year 2005 hence they didn't record a provision for this purpose for the current year.

#### 16. BASIC AND DILUTED EARNINGS PER SHARE

(Amounts in Euro)

DESCRIPTION	2005	2004
Earnings after tax	22.063.186	4.307.743
Number of shares	45.135.892	14.000.000
Earnings per share	0,48	0,31
<b>Basic and diluted earnings per share</b>	<b>0,48</b>	<b>0,31</b>

**17. CASH AND BALANCES WITH CENTRAL BANK**

(Amounts in Euro)

DESCRIPTION	2005	2004
Cash in hand	41.644	27.744
Balances with Central Bank	2.209.738	3.562.273
	<b>2.251.382</b>	<b>3.590.017</b>

The mandatory deposits at the Central Bank for the period ending 31 December 2005 should be on average EUR 807.120 while respectively, for the period ending 31 December 2004 on average should be EUR 1.830.420.

**18. LOANS AND ADVANCES TO BANKS**

(Amounts in Euro)

DESCRIPTION	2005	2004
Sight Deposits	7.121.379	4.518.451
Term Deposits	47.824.814	13.943.789
	<b>54.946.193</b>	<b>18.462.240</b>

**19. TRADING SECURITIES**

(Amounts in Euro)

DESCRIPTION	2005	2004
Listed Securities	89.751.690	32.721.978
Mutual funds	14.474.762	11.780.808
Government Bonds	13.002.576	10.636.499
	<b>117.229.028</b>	<b>55.139.285</b>

The Group includes to its trading portfolio, securities that were acquired for the purpose of short term profit arising from price variations, and it consists of shares, bonds and mutual fund units. The trading securities portfolio is measured at fair value, which is the current market price as at the balance sheet date for shares, the market value for bonds and the net price per unit at balance sheet date for mutual funds. Any gain or loss is recorded in the income statement.

The significant increase of the accounts for the fiscal year is mainly due to the incorporation of the trading portfolio of the three investment companies that were absorbed by the Bank.

**20. DERIVATIVE FINANCIAL INSTRUMENTS**

(Amounts in Euro)

DESCRIPTION	2005		2004	
	Nominal Value	Fair Value	Nominal Value	Fair Value
<b>Foreign exchange derivatives</b>				
Options	11.600.000	-	18.201.076	-
Options	1.128.000	(635)	-	-
Options	2.464.000	1.969	-	-
Options	1.084.174	1.252	-	-
Forwards	-	-	1.430.641	(37.680)
Swaps	1.000.000	3.842	605.600	20.032
Swaps	-	-	500.330	(330)
<b>Total</b>	<b>17.276.174</b>	<b>6.428</b>	<b>20.737.647</b>	<b>(17.978)</b>



The derivative financial instruments include forward agreements and currency swaps.

Derivatives are measured at fair value and are presented on the balance sheet as an asset or a liability.

## 21. LOAN AND ADVANCES TO CUSTOMERS

(Amounts in Euro)

<b>21.1 Loans analysis</b>	<b>2005</b>	<b>2004</b>
Consumer –Investment loans	36.424.561	29.709.709
Mortgages	1.345.015	1.675.414
<b>Loan to private individuals</b>	<b>37.769.576</b>	<b>31.385.123</b>
Construction sector	4.617.384	7.325.756
Insurance sector	1.350.000	1.350.000
Brokerage sector	1.930.783	1.654.911
Commercial sector	-	2.071.310
Other	5.387.705	1.798.972
<b>Loans to corporate entities</b>	<b>13.285.872</b>	<b>14.200.949</b>
<b>Loans and advances to customers (before provision)</b>	<b>51.055.448</b>	<b>45.586.072</b>
Claims from brokerage	29.605.209	15.605.310
Other claims	5.960.023	1.752.904
Less: allowance for uncollectibility (21.2)	(752.680)	(452.680)
	<b>85.868.000</b>	<b>62.491.606</b>

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. A loan loss provision is recognized when there is an indication that amounts will not be collected.

The Group has set out acceptable credit risk level for each customer, which is reviewed on a regular basis. .

Specifically the Group on balance sheet date examines whether there are significant indications for loan impairments. When there are such indications the recoverable amount of the loan is calculated and a relevant provision is recorded. The provision is recorded in the income statement. Significant indications that a loan has impaired are considered the following:

Significant financial difficulty of the borrower

Violation of the loan terms

Possibility of bankruptcy or financial restructuring of the borrower

The Group for financial and legal reasons that are in direct relation with the financial condition of the borrower agrees with the borrower a restructure of the loan that the Group would not otherwise except.

In order to secure its lending, the Group requires collaterals. The collaterals that the Group requires are the following:

Mortgages over real estate

Pledges

Assignment of receivables

The Bank generally requires the value of collaterals to amount to at least 100% of the loan in order to minimize its credit risk

The claims of the Group from financial transactions concern claims from clients' margin accounts which are covered by financial instruments, hence there is no reason for a provision to be recorded.

**21.2 ALLOWANCE FOR UNCOLLECTIBILITY**

	<b>2005</b>	<b>2004</b>
<b>Balance as at 1 January</b>	<b>452.680</b>	<b>452.680</b>
Provision for impairment	300.000	-
<b>Balance as at 31 December</b>	<b>752.680</b>	<b>452.680</b>

**22. AVAILABLE-FOR-SALE SECURITIES**

(Amounts in Euro)

		<b>2005</b>	<b>2004</b>
Corporate bonds EMPHASIS	(a)	3.003.750	-
Less: Impairment losses		(3.003.750)	-
Non listed shares	(b)	603.540	-
Equity Fund	(c)	130.866	-
		<b>734.406</b>	<b>-</b>

In the available for sale portfolio the Group recognized investments that were not included in the trading portfolio and didn't have the characteristics of held to maturity securities. Following their initial recognition, the available-for-sale investments are measured at their fair value. The gains or losses generated from the valuation are recorded in a separate component of equity until they are either sold, collected or impaired at which time the gain or loss recognized in equity is recognized in the income statement.

(a) The corporate bonds of the company " EMPHASIS SOFTWARE SYSTEMS S.A." that were acquired by the Bank in July 2005 after the relevant decision taken in the General Shareholders Meeting.

Within October 2005 the Bank terminated the bond loan and filed a third party intervention to pending proceedings for interim measures that had been filed by a bond holder and a creditor and requested the conservative seizure of any movable and immovable property against EMPHASSIS as well as against the members of its Board of Directors. At the same time it proceeded with other legal proceedings (issuance of an order for payment, imposition of compulsory seizure etc.) in order to satisfy to the most possible extent its claims.

The BoD of the Bank using the existing information decided to record an impairment loss that covers the total value of the corporate bonds of EMPHASIS and which is recognized in the income statement of the period ended while at the same time legal actions are taken in order to cover as much as possible its claims. The possible inflows that may be actualized in a latter period will be recognized and increase the income statement of that period.

(b) non listed shares and the participation in the Equity Fund have been valued at cost while an audit for possible impairment has been conducted.

(c) Non listed shares are analyzed as follows:

<u>Name</u>	<b>Number of shares</b>	<b>Cost value</b>
PROBANK S.A.	100.000	349.000
VLAXOPOULOS S.A. (information system company)	2.880	253.209
VODAFONE HELLAS S.A	250	1.330
LEON ENGINEERING	52.500	1
<b>Total</b>		<b>603.540</b>

**23. PROPERTY, PLANT AND EQUIPMENT**

(Amounts in Euro)

DESCRIPTION	Leasehold Improvement	Plant	Motor Vehicles	Furniture and other Equipment	Total
<b>At 1 January 2004</b>					
Cost	1.208.117	22.597	166.365	1.705.052	3.102.131
Accumulated Depreciation	(214.781)	(10.168)	(6.442)	(836.044)	(1.067.435)
<b>Net book value</b>	<b>993.336</b>	<b>12.429</b>	<b>159.923</b>	<b>869.008</b>	<b>2.034.696</b>
<b>2004</b>					
Opening net book value	<b>993.336</b>	<b>12.429</b>	<b>159.923</b>	<b>869.008</b>	<b>2.034.696</b>
Additions				219.296	219.297
Disposals	(3.490)	-	-		(3.490)
Depreciation Charge	(97.127)	(4.519)	(24.954)	(418.694)	(545.295)
<b>Net book value</b>	<b>892.719</b>	<b>7.910</b>	<b>134.969</b>	<b>669.610</b>	<b>1.705.208</b>
<b>At 31 December 2004</b>					
Cost	1.204.627	22.597	166.365	1.924.348	3.317.938
Accumulated Depreciation	(311.908)	(14.687)	(31.396)	(1.254.738)	(1.612.730)
<b>Net book value</b>	<b>892.719</b>	<b>7.910</b>	<b>134.969</b>	<b>669.610</b>	<b>1.705.208</b>
<b>2005</b>					
Opening net book value	<b>892.719</b>	<b>7.910</b>	<b>134.969</b>	<b>669.610</b>	<b>1.705.208</b>
Additions	41.529	-	3.181	287.559	332.269
Disposals	-	-	(53)	(180)	(233)
Depreciation Charge	(142.148)	(4.519)	(25.033)	(584.978)	(756.678)
<b>Net book value</b>	<b>792.100</b>	<b>3.391</b>	<b>113.064</b>	<b>372.011</b>	<b>1.280.566</b>
<b>At 31 December 2005</b>					
Cost	1.246.156	22.597	169.493	2.211.727	3.649.974
Accumulated Depreciation	(454.056)	(19.206)	(56.429)	(1.839.716)	(2.369.408)
<b>Net book value</b>	<b>792.100</b>	<b>3.391</b>	<b>113.064</b>	<b>372.011</b>	<b>1.280.566</b>

The Bank on its establishment leased the building that it uses as headquarters and beard a significant cost in order to restructure it in order to cover its needs. The building has 5 floors and all the companies of the Bank operate there. The improvement costs are amortized during the term of the lease contract in equal installments (Note 34.3).

In account " Furniture" amount EUR 327.536 that concerns assets that have been acquired through leasing are included. The abovementioned assets mainly concern PCs , printers etc, and are amortized in equal installments during the term of the lease contract ( Note 34.3).

The remaining self used fixed assets are recorded at cost value minus accumulated depreciation

**24. INTANGIBLE ASSETS****(Amounts in Euro)**

<b>DESCRIPTION</b>	<b>Goodwill</b>	<b>Software</b>	<b>Total</b>
Cost	-	1.092.931	1.092.931
Accumulated Depreciation	-	(785.953)	(785.953)
<b>Net Book Value 31/12/2004</b>	<b>-</b>	<b>306.978</b>	<b>306.978</b>
Cost	-	1.154.360	1.154.360
Additions (goodwill FGB)	333.742	-	333.742
Accumulated Depreciation	-	(990.461)	(990.461)
<b>Net Book Value 31/12/2004</b>	<b>333.742</b>	<b>163.899</b>	<b>497.641</b>

The goodwill of amount Euro 333.742 is from the consolidation of FGB acquired at 8 April 2005 (Note 33.3) and analysed as follows:

<b>Cost</b>	<b>595.038</b>
<b>Less:</b> Fair value of balance sheet as of 30 June 2005 according to I.F.R.S.	
Short term assets	363.260
Long term assets	78.074
Short term liabilities	(156.814)
Loss for period 09/04/2005-30/06/2005	32.241
<b>Total</b>	<b>278.277</b>
Minority interest (17,51%)	55.465
<b>Goodwill</b>	<b>333.742</b>

The goodwill according the Greek GAAP that had derived from the purchase of subsidiaries of total amount Euro 5.705.628 is recorded during the transition date (1 January 2004) at the equity caption "Accumulated deficit" as I.F.R.S. 1 sets.

**25. DEFERRED TAX ASSET****(Amounts in Euro)**

	<b>2005</b>	<b>2004</b>
Movement of deferred tax is as follow:		
Deferred tax asset at 1 January	651.235	1.310.295
Recognised in income (Note 15)	(200.873)	(659.060)
	<b>450.362</b>	<b>651.235</b>

The deferred tax asset has arisen from deductible temporary differences between outstanding balances of assets and liabilities according to IFRS and of the differences that arise following the implementation of the current tax legislation. Deferred tax was calculated using the future tax rates according to the Group's estimations for the recognition of tax gains.

The debited outstanding deferred tax balance was derived as follows:

	2005	2004
<b>Deferred tax asset:</b>		
Intangible assets	378.357	525.485
Employee benefits	49.797	43.039
Commission for loans	19.202	53.773
Additional depreciation for software	-	19.600
Provision for receivables	3.795	
Financial derivative instruments	184	-
Other items	2.572	9.338
<b>Total</b>	<b>453.907</b>	<b>651.235</b>
<b>Deferred tax liability:</b>		
Financial derivative instruments	(2.048)	-
Reversal of provision	(1.497)	-
<b>Total</b>	<b>(3.545)</b>	<b>-</b>
<b>Net deferred tax asset</b>	<b>450.362</b>	<b>651.235</b>

## 26. OTHER ASSETS

(Amounts in Euro)

	2005	2004
Contribution to Co-Guarantee Fund	2.957.768	1.512.741
Clearing accounts of securities	1.331.536	435.412
Accrued interest and commissions	1.295.873	1.199.315
Tax advances and other tax receivables	1.033.099	508.937
Contribution to Supplementary Fund	707.830	674.291
Commissions and other expenses of following years	423.355	130.732
Guarantees	145.049	130.528
Receivables from dividends	83.611	20.125
Suppliers	4.341	80.473
Other	403.065	520.261
<b>Total</b>	<b>8.385.527</b>	<b>5.212.815</b>

The clearing account of securities is an intermediate account for the purchase or sale of stocks, derivatives etc. and clearing within a reasonable time period.

The contribution in the Συνεγγυητικό Κεφάλαιο is mandatory for the financial services companies and calculated according the turnover of the transactions. The amount as at 31 December 2005 is analysed as follows:

COMPANY (Amounts in Euro)	Contribution
PROTON SECURITIES S.A.	2.488.215
PROTON ASSET MANAGEMENT S.A.	469.553
<b>Total</b>	<b>2.957.768</b>

The contribution to the Supplementary Fund is mandatory for the brokerage company and calculated according the turnover of the transactions.

Both the contribution in the Co-Guarantee Fund and at Supplementary Fund are returned in case of cease of their operations, deducted with any payments in customers for the guarantee of their transactions.

## 27. DEPOSITS FROM BANKS

(Amounts in Euro)

	2005	2004
Term deposits	3.000.000	14.500.000
Current deposits	3.105.942	807.623
Other	-	88.326
	<b>6.105.942</b>	<b>15.395.949</b>

## 28. DEPOSITS FROM CUSTOMERS

(Amounts in Euro)

ΠΕΡΙΓΡΑΦΗ	2005	2004
Term deposits	4.953.249	6.617.402
Current accounts	3.434.285	3.041.427
<b>Deposits from individuals</b>	<b>8.387.534</b>	<b>9.658.829</b>
Term deposits	11.957.863	8.110.674
Current accounts	36.751.028	70.656.323
Other deposits	677.006	42.100
<b>Deposits from private sector legal entities</b>	<b>49.385.897</b>	<b>78.809.097</b>
Repos from private sector legal entities	-	931.812
Repos from individuals	3.560.000	4.152.392
<b>Total deposits from customers</b>	<b>61.333.431</b>	<b>93.552.130</b>

Deposits from customers as of 31/12/2004 include deposits of the three investment companies (ARROW, EUTODINAMIKI, EXELIXI) that were absorbed by the Bank during 2005. This had resulted in a respective decrease in the Group's deposit account.

**29. PROVISION FOR EMPLOYEE BENEFITS**

(Amounts in Euro)

	2005	2004
Present value of unfunded obligations	199.510	172.156
Unrecognised actuarial gains and losses		
<b>Recognized liability for defined benefit obligations</b>	<b>199.510</b>	<b>172.156</b>

**Movements in the net liability for defined benefit obligations recognized in the balance sheet:**

	2005	2004
Net liability for defined benefit obligations at 1 January	172.156	174.305
Expense recognized in the income statement	29.354	20.774
Contributions received	(2.000)	(22.923)
<b>Net liability for defined benefit obligations at 31 December</b>	<b>199.510</b>	<b>172.156</b>

<b>Expense recognized in the income statement</b>	<b>2005</b>	<b>2004</b>
Current service costs	25.824	13.803
Interest on obligation	3.530	6.971
<b>Total</b>	<b>29.354</b>	<b>20.774</b>

The provision for employees retirement benefit plans that is recorded on the attached financial statements according to IFRS 19 was derived from the actuarial study conducted by an independent appraiser.

The core estimations/assumption of the actuarial studies are the following:

Under IFRS post-employment benefit plans are classified either as a “defined contribution” plan or a “defined benefit” plan. For defined contribution plans, the Group has no further payment obligations once the contributions have been paid while for defined benefit plans the obligation of the Group is determined when due.

According to the Greek labor law employees are entitled to receive compensation in case they are dismissed or retire the amount of which is related to their salary, the years of employment and the reason of exit (retirement or dismissal). The employees that are dismissed or resign for a reason are not eligible to receive compensation. The compensation they will receive in case they retire is equal to 40% of the amount they would receive in case they were dismissed without a reason. The amount that is paid by the bank depends on the age of the employee that receives it, his years of employment in the Group and his salary.

An obligation is classified as a “defined contribution” plan if the contributions to the plan are accounted for on an accrual basis, which is similar with the accounting treatment under the Greek GAAP, that is contributions paid to Pension Funds by the employer for the service the company receives from its employees.

With respect to a plan that is classified as a “defined benefit” plan, IFRS establishes requirements regarding the basis of valuation as well as principles regarding the actuarial assumptions that should be used in valuing defined benefits. The obligation recorded is based on the projected unit credit method which determines the present value of the defined benefit obligation, less the fair value plan assets, if any.

Regarding the Group’s foreign subsidiary it should be noted that according to law the company has no obligation to give compensation for retirement.

### 30. OTHER LIABILITIES

(Amounts in Euro)

DESCRIPTION	2005	2004
Taxes and duties payable	2.587.777	1.967.862
Other liabilities	1.617.539	579.318
Prepaid expenses and deferred income	275.349	320.549
Social security contributions	187.819	159.868
Other provisions	30.248	10.000
	<b>4.698.732</b>	<b>3.037.597</b>

### 31. SHARE CAPITAL

(Amounts in Euro)

DESCRIPTION	2005	2004
Number of ordinary shares	45.135.892	14.000.000
Paid in capital	202.660.155	35.000.000
<b>Share capitals</b>	<b>202.660.155</b>	<b>35.000.000</b>

The increase in share capital and the issue of shares was induced from the merging procedure that took place. More details on the particular issue are given in Note 33.

### 32. RESERVES

(Amounts in Euro)

DESCRIPTION	2005	2004
Statutory reserve	330.130	330.130
Tax free reserves	4.853.366	5.113.457
	<b>5.183.496</b>	<b>5.443.587</b>

### 33. MERGERS AND ACQUISITIONS

#### 33.1 Bank’s merger with three investment companies.

##### 33.1.1 General Information

The Board of Directors of the companies PROTON INVESTMENT BANK S.A. ( the absorber company or the Bank), ARROW Asset Finance, EURODINAMIKI Asset Finance and EXELIXI Asset Finance ( the companies that absorbed by the Bank) decided on 30 March 2005, to merge into one company according to the clauses of articles 68 paragraph 1, 69 of law 2190/1920, articles 1-5 of law 2166/1993 of Law 2992/2002 and article 16 of Law 2515/1997. The date of the legal merger was set on 31 March 2006 and Transformation Balance Sheet was prepared by all the companies that participate in the merger. The companies’ Bod decisions set that the investment companies will be absorbed by the Bank.



For this purpose a “ Draft Merger Agreement” was prepared, which was approved by the companies’ Board of Directors on 30 June 2005 and was signed by the respective authorized representatives of the companies.

The final decision for the merger was taken by the Shareholders Meetings of the companies on 23 December 2005 while the final decision for the Bank was taken at the Shareholders Meeting of the Bank on 28 December 2005.

### 33.1.2 Accounting of the Combination

For the preparation of the Bank’s financial statements IFRS 3 “ Business Combinations” was taken into account that applies for all merges taking place from 31 March 2004 onwards. The abovementioned standard was adopted by the European Union on 29 December 2004.

According to IFRS 3 all business combinations within scope must be accounted for using the **Purchase Method**. This method assumes that one party of the merger is the stronger and acquires the other parties. The acquirer is the combining entity that its shareholders have biggest percentage of the shares than the remaining shareholders or the entity that obtains control of the other combining entities or the company that in the case of exchange of equity interests issues the new shares.

In the combination the Bank was considered the acquirer since it fulfilled two of the abovementioned conditions (obtained control and exchange of equity interest).

**The Acquisition Cost** according to IFRS, 3 is the cost that the shareholders of the Bank would pay in order to acquire the financial assets ( assets minus liabilities) of the other entities. Thus there was an exchange of the New company’s shares for the equity of the absorbed companies as of 31 March 2005 according to the IFRS. Due to the nature of operation of the investment companies their determined net equity is equal to their fair value.

The fair value of the acquirer, in order to achieve a fair exchange of shares was determined by an independent valuator by using general accepted methods of valuation that are used internationally..

**The Acquisition Date** of the three open- end funds according to IFRS 3 is the date that the Bank obtains control of the companies. According to the “ Draft Merger Agreement” the combination is considered complete and the control is taken over by the Bank when the affirmative decision for the combination from the relative authority is registered in the Societe Anonyme Register. Consequently beforehand the Shareholders’ General Meeting of the companies have assembled and approved the Merger Agreement that had been prepared and signed by the Boards of Directors of the merging firms. The date that the decision K2-16707 of the Ministry of Development was recorded in the Societe Anonyme Register was on 30 December 2005 and thus this is considered to be the date the three investment companies merged with the Bank.

The financial statements have been prepared according to the clauses of IFRS 3 that require the date of acquisition to be the date that the acquirer takes over control of the other entities. Thus the income statements for the period from 1 January 2005 to 30 December 2005 of the three investment companies have been included in the net equity of the acquirer. The income statement of the Bank includes the remaining excess that has risen from the business combination procedure.

Specifically from the combination as of 30 December 2005 the remaining excess between the acquisition cost and the value of assets arose of amount EUR 10.301.270 that was included in the Bank’s income statement for the year ended.

### 33.1.3 Financial Information of the Merger

#### Fair Value of merger and merged companies

The fair value of the companies that combined was determined based to the value of their financial assets and liabilities as of 31 March 2005 that is the date that the companies legally merged. Relevant analysis is provided on the table below:

	<b>Fair value (NAV)</b>	<b>Number of shares</b>	<b>Fair value/ share</b>
PROTON	63.700.000	14.000.000	4,55
ARROW	83.475.809	32.600.000	2,56
EURODYNAMIKI	18.528.079	7.565.000	2,45
EXELIXI	80.602.680	85.050.000	0,95

## Share capital composition after the merger

<b><u>Name</u></b>	<b>Number of shares after the redemption of treasury shares</b>	<b>Exchange ratio</b>	<b>Number of shares in new company</b>	<b>Participation %</b>
PROTON	14.000.000	1	14.000.000	31.02%
ARROW	25.248.930	0,56277	14.209.364	31.48%
EURODYNAMIKI	4.958.390	0,53828	2.669.013	5.91%
EXELIXI	68.451.040	0,20829	14.257.515	31.59%
			<b>45.135.892</b>	<b>100%</b>
Nominal value per share			<b>4,49</b>	
Share capital of new company			<b>202.660.155</b>	

## Acquisition Cost

The acquisition cost was determined based on the fair value of the acquirer as of 31 March 2005 and the number of stocks that are going to be given to the new shareholders. The fair value of the acquirer was determined to EUR 63.700.000 or EUR 4,55 per share (14.000.000 number of shares). The acquisition cost was determined as follows:

## Determination of Acquisition Cost:

	<b>Number of new shares exchanged with old shares</b>	<b>Fair value of exchanged share</b>	<b>Repurchase value</b>
ARROW	14.209.364	4,55	64.652.606
EURODYNAMIKI	2.669.013	4,55	12.144.009
EXELIXI	<u>14.257.515</u>	<u>4,55</u>	<u>64.871.693</u>
Total	<b>31.135.892</b>	<b>4,55</b>	<b>141.668.308</b>
Merger expenses			79.644
Total			<b>141.747.952</b>

**33.2. Financial statements of merged companies**

The effect on the Balance Sheet captions of the Bank due to the merger with the three asset management companies is analyzed on the table below:

<b>BALANCE SHEET AS OF 29 DECEMBER 2005</b>							
<b>(Amounts in Euro)</b>							
	<b>ARROW</b>	<b>EURODYNAMIKI</b>	<b>EXELIXI</b>	<b>TOTAL</b>	<b>Note</b>	<b>ADJUSTMENTS</b>	<b>EFFECT IN PROTON BANK BALANCE SHEET AT 31.12.2005</b>
<b>ASSETS</b>						<b>Increase / (Decrease)</b>	
Cash and balances with the Central Bank	60	1.400	1.527	2.987		-	2.987
Loans and advances to banks	50.439.075	10.797.430	45.476.422	106.712.927	(a)	-103.712.804	3.000.123
Trading securities	45.007.653	10.112.424	47.048.886	102.168.963	(b)	-48.361.302	53.807.661
Property, plant and equipment	1	2.830	1.770	4.601		-	4.601
Other assets	162.399	38.289	63.294	263.982	(c)	191.989	455.970
<b>Total assets</b>	<b>95.609.188</b>	<b>20.952.373</b>	<b>92.591.899</b>	<b>209.153.460</b>		<b>-151.882.118</b>	<b>57.271.342</b>
<b>LIABILITIES</b>							
Deposits from customers					(a)	-103.712.804	-103.712.804
Suppliers	519	2.855	3.087	6.461		-	6.461
Tax obligations	23.041	17.552	80.231	120.824		-	120.824
Provision for employee benefits	6.765		10.283	17.049		-	17.049
Other liabilities	462	4.586	137.437	142.484		-	142.484
<b>Total liabilities</b>	<b>30.787</b>	<b>24.993</b>	<b>231.038</b>	<b>286.818</b>		<b>-103.712.804</b>	<b>-103.425.986</b>
<b>EQUITY</b>							
Share capital	72.698.000	17.021.250	124.173.000	213.892.250	(d)	-46.232.095	167.660.155
Share premium	-	-	69.332	69.332	(d)	-69.332	-
Reserves	7.152.619	-	-	7.152.619	(d)	-7.152.619	-
Valuation differences according Law 2992/2002	-	1.023.329	-	1.023.329	(d)	-1.023.329	-
Special reserve from the conversion of shares in Euro	-	20.354	-	20.354	(d)	-20.354	-
Accumulated earnings/(deficit)	15.727.782	2.862.447	-31.881.471	-13.291.242	(d)	6.328.415	-6.962.827
<b>Total equity</b>	<b>95.578.401</b>	<b>20.927.380</b>	<b>92.360.861</b>	<b>208.866.642</b>		<b>-48.169.314</b>	<b>160.697.328</b>
<b>Total equity and liabilities</b>	<b>95.609.188</b>	<b>20.952.373</b>	<b>92.591.899</b>	<b>209.153.460</b>		<b>-151.882.118</b>	<b>57.271.342</b>

- a) Elimination of deposits in foreign currency and term deposits in Proton Investment Bank
- b) Elimination of the participations of Proton Investment Bank in the merged companies and elimination of intercompany transactions between the companies that got merged
- c) Transfer of withheld tax from the income statements of the three asset management companies to the assets of the Bank.
- d) Elimination of equity of the three companies that merged with the Bank.

The effect on the income statements of the Bank for the year ended due to the merge is analysed per merged company as follows:

**Combination differences**

ARROW	5.197.050
EURODYNAMIKI	77.295
EXELIXI	<u>4.914.580</u>
	<b>10.188.925</b>

**Revenues / Expenses that affect merge differences**

Reversal of withholding tax that had affected the income statement of the three portfolio management companies and will set off from Bank in the subsequent periods	191.989
Merger expenses	<u>(79.644)</u>
Total	<b>10.301.270</b>

33.3 Acquisition of first Global A.D.

On 8 April 2005 the Bank decided to buy out 82,49% of the share capital of the breakage company First Global A.D. ( FGB) which has its headquarters in Belgrade ( Serbia- Montenegro)

The company is member of the Belgrade stock market and has been authorized from the respective authorities to offer the whole range of brokerage activities. Furthermore it offers a wide range of consulting services and has a number of clients from the local market and abroad. The company has the 5<sup>th</sup> place in the Bond market and the 27<sup>th</sup> in the equity out of 73 brokerage companies.

According to the business plan for the period from 2005 to 2009 the company is expected to have continuous and stable profit.

The decision of the Bank to participate in the share capital of FGB is based on the fact that the Serbian market is developing in a quick pace and business opportunities are prominent. FGB with the experience and know how that it has can offer significant support to the Greek companies that operate in Serbia- Montenegro.

34. CONTINGENT LIABILITIES

34.1 Litigation

The Group is a defendant in certain claims and legal actions arising in the ordinary course of business.

Specifically the Group has a number of pending legal cases against third parties of amount EUR 607.117 while there are no legal cases pending against the Group.

Details for the case relatively to EMPHASIS and the legal actions taken are given to Note 22.

In the opinion of management, the ultimate disposition of these matters is not expected to have a material adverse effect on the financial condition of the Group.

### 34.2 Letters of Guarantee

The Group in the normal course of business has issued a number of letters of guarantee for its customers of amount EUR 464.247. it has also issued a number of letters of guarantee for associate companies of amount approximately EUR 37.9 million that is EUR 37,6 million for PROTON Brokerage, and EUR 234,776 million for PROTON Asset Management ( Note 35).

For the issuance of letters of guarantee to third parties the usual procedure of approval of the credit limit is followed and the respective collaterals are taken. No collaterals are required for issuance of letters of guarantee for associate companies.

### 34.3 Contractual Commitments

The Group has signed a number of contracts with third parties. The most significant ones are the following:

Lease contract for the building: The Bank has a lease contract for the building it operates of total surface 2.547 square meters, with monthly adjusted rental of approximately EUR 43.300. The term of the contract is 12 years ( until 30 June 2013) with the option to be extended for 8 more years.

On 28 November 2004 the terms of the lease contract were altered reducing the monthly rental to EUR 40.000 plus the legal additional expenses set by the initial contract.

The total amount of the rental up until the expiration of the contract amount to EUR 3.840.000 and out of this amount, amount of EUR 480.000 are due within 2006.

The Bank has sublease contracts with all its subsidiaries that use the leased building. Upon preparation of the financial statements the profits from the sublease have been offset.

Financial Lease of Equipment: The bank has signed a lease contract with a leasing company for the lease of equipment ( computers, printers etc) of amount EUR 327.536. The term of the contract is 48 months and expires on 9 January 2006.

On expiration date the ownership of abovementioned equipment will be transferred to the Bank with no extra cost.

Rental of cars: The Bank has signed long term rental contracts with a car rental company for 5cars that have been given to the management staff of the Bank.

Two of these contract expire within 2006, one within 2008 and the remaining two within 2009. The total amount of the rentals due until expiration amount to EUR 216.100 million out of which amount of EUR 69.776 is due within 2006. The abovementioned amounts include VAT.

Insurance contracts: The Bank has signed an insurance contract with the insurance company AIG HELLAS S.A. on the building that the Group use for a number of risks on the improvements done and on the equipment. The total insured capital amounts to approximately EUR 1.5 million.

The insurance contract is annual and is renewed on its expiration. The next renewal is on the 12 October 2006.

## 35. RELATED PARTY TRANSACTIONS

A number of related party transactions have been carried out in the course of business. These transactions are carried out with normal market conditions and terms and are approved by authorized personnel.

The transactions between related parties are presented on the table below:

	<b>Board of Directors &amp;Key Management Personnel</b>	<b>Related companies</b>	<b>Board of Directors &amp;Key Management Personnel</b>	<b>Related companies</b>
	<b>31.12.2005</b>		<b>31.12.2004</b>	
<b>Loans</b>	11.854.113	16.079.705	14.642.712	13.804.085
<b>Deposits</b>	1.533.103	8.901.007	5.514.940	8.758.425
<b>Loan interests</b>	452.884	626.675	542.013	193.859
<b>Deposit interests</b>	31.008	156.961	83.424	124.943
<b>Other revenues-commissions</b>	2.821	-	1.767	620.287
<b>Other expenses</b>	-	-	-	520.472
<b>Other liabilities</b>	1.346	-	2.195	-
<b>Key Management Personnel Fees</b>	1.595.290	-	762.950	-
<b>Letters of guarantee</b>	117.000	37.931.576	117.000	15.626.038

Provision for loan losses from loans granted to related parties has not been recorded.

## 36. SUBSEQUENT EVENTS

## 36.1 Merger with OMEGA BANK S.A. and PROTON A.X.E.P.Y.

The Board of Directors meeting on 26 January of 2006 decided the merger of the Bank with OMEGA BANK S.A. (or OMEGA) and PROTON AXEPEY with the joint acquisition of these companies by the Bank. The BoD decision was based on the strategy of the Bank to extend its activities and to the fact that both Banks present an intrinsic completeness. The following were taken under consideration:

The bank can extend its activities to retail banking through the 17 branches that OMEGA has.

The strengthening of the Bank's position in investment banking

The strengthening of the Bank's position against competition

To ensure and improve management of human resources

The improvement of asset management

The flexibility that the new company will have after the merger for better effectiveness in developing new opportunities for cooperations and their exploitation

The suggested exchange ratio for the shares of the merged companies is : 1 share of OMEGA per 0,9 shares of the Bank. The merger will take place according to the clauses of laws 2190/1920, 2166/1993 and 2515/1997 while the acquisition date was set on 31 March 2006.

Finally it should be noted that the suggested acquisition is subject to the authorization of the Bank of Greece and the respective authorities imposed by law as well as the Shareholders General Meetings of the three companies. The merger is estimated to be completed by September 2006.

## 36.2 Subordinated loan granted to OMEGA BANK S.A.

The BoD of the Bank decided on 23 January 2006 to grant a subordinated loan (Tier II Capital) of amount EUR 30.000.000 to OMEGA BANK. The term of the loan is 10 years.

The purpose of the loan is the strengthening of the interest capital of OMEGA and its recognition as an additional element in the share capital so as to increase its capital adequacy.

There are no other significant events as of 31 December 2005 worth to be mentioned.

### 36.3 Treasury shares

Proton AEPEY at 31 December 2005 had in its trading portfolio shares of 2 companies that merged with the Bank. More specific the shares that had was:

Company	Number of shares	Value at 31.12.2005
EXELIXI	1.549.150	2.091.352
EURODINAMIKI	101.880	<u>354.542</u>
		<u>2.445.894</u>

At 9 January this shares converted to 377.509 shares of Proton Bank in agreement with exchange ratio (Note 33.1.3). At 31 March 2006 the total of the above mentioned shares sold in stock market and the arisen gain of Euro 121.449 will affect directly the equity of the Group.

### 36.4 Distribution of Dividend

The BoD of the Bank according to paragraph 2 of article 44 of Law 2190/1920 intends to suggest to the Shareholders General Meeting distribution of dividend of amount EUR 12.638.049,76, that is EUR 0,28 per share.

This dividend arises, amount EUR 10.000.000 from the net gains of 2005 and amount EUR 2.638.049,76 from prior years reserves. The financial statements include provision for the income tax that will rise from the gains of the fiscal year.

## 37. OTHER INFORMATION

### 37.1 Mutual Funds

The company of the Group that deals with mutual funds management, manages three mutual funds which assets are as follows:

<u>Name</u>	Total assets	Total assets
	<u>2005</u>	<u>2004</u>
PROTON MEGA TRENDS FOREIGN SHARES	8.434.036	9.583.718
PROTON HIGH INCOME FOREIGN BONDS	4.366.985	3.421.125
PROTON COMPOUNTING DOMESTIC	3.642.983	2.587.289
<b>Total</b>	<b>16.444.004</b>	<b>15.592.132</b>

The Bank serves as custodian for these funds.

### 37.2 Brokerage services

The brokerage company of the Group in Greece provide a hole range of brokerage transactions (purchase/sales of stocks, bonds, derivatives) both in the Athens Stock Exchange and in foreign Exchanges.

Moreover the above company provides services of Special Dealer in listed companies in Athens Stock Exchange.

The brokerage company of the Group abroad (Serbia-Montenegro) also provides to its customers a hole range of brokerage and investment transactions.

## 38. EFFECTS OF TRANSITION TO IFRS

As stated in note 2, these are the Bank's first financial statements prepared in accordance with IFRSs.

The accounting policies set out have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information presented in these financial statements for the year ended 31 December 2004 and in the preparation of an opening IFRS balance sheet at 1 January 2004.

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statement prepared in accordance with Greek generally accepted accounting principles (Greek GAAP).

An explanation of how the transition from Greek GAAP to IFRSs has affected the Bank's financial position and financial performance is set out in the following tables and notes that accompany the tables.

**ASSETS**

ASSETS		1/1/2004			31/12/2004		
DESCRIPTION	Note.	Previous GAAP	Effects of transition to IFRS	IFRS	Previous GAAP	Effects of transition to IFRS	IFRS
(Amounts in Euro)							
Cash and balances with the Central Bank		562.756	-	562.756	3.590.017	-	3.590.017
Loans and advances to banks		16.386.201	-	16.386.201	18.462.240	-	18.462.240
Trading securities	(a)	54.022.808	(1.275.475)	52.747.333	57.795.191	(2.655.906)	55.139.285
Derivatives financial instruments	(b)	-	613.011	613.011	-	20.032	20.032
Loans and advances to customers	(c)	45.993.989	1.086.353	47.080.342	61.503.057	988.549	62.491.606
Property, plant and equipment	(d)	1.870.927	163.769	2.034.696	1.623.324	81.884	1.705.208
Intangible assets	(e)	2.235.548	(1.654.788)	580.760	2.313.880	(2.006.902)	306.978
Other assets	(f)	1.553.858	1.445.600	2.999.458	2.894.099	2.318.716	5.212.815
Deferred tax asset	(g)	-	1.310.296	1.310.296	-	651.235	651.235
Total assets		122.626.087	1.688.766	124.314.853	148.181.808	(602.392)	147.579.416

**LIABILITIES & EQUITY**

(Amounts in Euro)		1/1/2004			31/12/2004		
DESCRIPTION	Note	Previous GAAP	Effects of transition to IFRS	IFRS	Previous GAAP	Effects of transition to IFRS	IFRS
Deposits from banks	(h)	6.800.000	3.379.128	10.179.128	15.307.623	88.326	15.395.949
Deposits from customers	(h)	80.703.510	(3.206.753)	77.496.757	93.552.130	-	93.552.130
Other liabilities	(i)	3.196.497	1.281.148	4.477.645	2.714.182	323.415	3.037.597
Provision for employee benefits	(j)	-	174.306	174.306	-	172.156	172.156
Derivatives financial instruments	(b)	-	911.186	911.186	-	38.010	38.010
Total liabilities		90.700.007	2.539.015	93.239.022	111.573.935	621.907	112.195.842
Share capital		35.000.000	-	35.000.000	35.000.000	-	35.000.000
Reserves		1.214.899	(77.618)	1.137.281	5.521.799	(78.212)	5.443.587
Accumulated deficit		(4.391.766)	(682.480)	(5.074.246)	(3.928.233)	(1.145.927)	(5.074.160)
Minority Interest		102.947	(90.151)	12.796	14.307	(160)	14.147
Total equity	(k)	31.926.080	(850.249)	31.075.831	36.607.873	(1.224.299)	35.383.574
Total equity and liabilities		122.626.087	1.688.766	124.314.853	148.181.808	(602.392)	147.579.416



## Notes on effect of transition to IFRS in Balance Sheet

- a) Concerns the surplus value from the valuation of Bank's portfolio with closing prices as of 31 December.
- b) Concerns the valuation of derivatives.
- c) Concerns the reclassification of Corporate Bond from the trading portfolio to loans and advances to customers as well as the allocation of commissions.
- d) Recognition of the value of leased equipment and the relative depreciation
- e) Under Greek GAAP certain types of expenses relating to establishment and formation expenses were capitalized, as an intangible asset. These types of expenses do not qualify in accordance to IFRS for recognition as an intangible asset. On transition to IFRS the net intangible asset recognized under Greek GAAP was written-off with a corresponding decrease in equity.
- f) Allocation of commissions received from loans to customers in the respective periods and transfer of valuation of derivatives from other assets to derivative financial instruments
- g) As of 31 December 2004 the Group, for IFRS reporting purposes, recorded a net deferred tax asset of € 651.235 with a corresponding increase in equity. The deferred tax asset has been arisen from deductible temporary differences according to IFRS. Under Greek GAAP the accounting for deferred taxation is not acceptable.
- h) Concerns the Bank's liability for the payment of financial leasing and transfer of term deposits of banks to the deposits banks
- i) Concerns a provision for the reversion of commission due to the Bank's contractually liability
- j) According to the actuarial study performed the Bank recorded a liability EUR 72.136 thousand relating to its employee defined benefit obligations with a respective decrease in equity.
- k) The reconciliation of equity from the Greek GAAP to IFRS is analyzed in the following table:

<b>(Amounts in Euro)</b>		
<b>DESCRIPTION</b>	<b>1/1/2004</b>	<b>31/12/2004</b>
Valuation of portfolio	1.933.160	881.127
Intangible assets write off	(1.654.789)	(2.006.307)
Provision for commission return	(1.634.000)	-
Provision for unaudited tax years	(350.000)	(350.000)
Commission income deferral	(262.004)	(197.699)
Provision for pension liability	(174.306)	(172.157)
Other	(18.606)	(30.498)
Deferred tax asset	1.310.296	651.235
<b>Total</b>	<b>(850.249)</b>	<b>(1.224.299)</b>

**INCOME STATEMENT**  
**(Amounts in Euro)**

DESCRIPTION	31/12/2004		
	Previous GAAP	Effects of transition to IFRS	IFRS
Interest income	3.167.008	-	3.167.008
Interest expense	(2.503.717)	(6.673)	(2.510.390)
<b>Net interest income</b>	<b>663.291</b>	<b>(6.673)</b>	<b>656.618</b>
Fee and commission income	13.847.412	64.306	13.911.718
Fee and commission expense	(4.828.886)	1.632.239	(3.196.647)
<b>Net fee and commission income</b>	<b>9.018.526</b>	<b>1.696.545</b>	<b>10.715.071</b>
Net income from financial transactions	4.610.270	3.209	4.613.479
Net gain/(loss) on disposal of trading financial instruments	-	(1.055.239)	(1.055.239)
Dividend Income	411.705	(576)	411.129
Other operating income	354.775	78.926	433.701
<b>Operating Income</b>	<b>15.058.567</b>	<b>716.192</b>	<b>15.774.759</b>
<b>Operating expenses</b>	<b>(9.169.046)</b>	<b>(492.160)</b>	<b>(9.661.206)</b>
<b>Profit from operations</b>	<b>5.889.521</b>	<b>224.032</b>	<b>6.113.553</b>
Extraordinary income	78.927	(78.927)	-
Extraordinary expense	(139.329)	139.329	-
	<b>5.829.119</b>	<b>284.434</b>	<b>6.113.553</b>
<b>Profit before tax</b>	<b>5.829.119</b>	<b>284.434</b>	<b>6.113.553</b>
Income tax expense	(1.146.749)	(659.061)	(1.805.810)
<b>Profit after tax</b>	<b>4.682.370</b>	<b>(374.627)</b>	<b>4.307.743</b>
Minority interest	(2.116)	765	(1.351)
<b>Profit after tax</b>	<b>4.680.254</b>	<b>(373.862)</b>	<b>4.306.392</b>

**Reconciliation of income statement**

For the period ended as of 31 December 2004 the significant changes in profit and loss account arise from the valuation of trading portfolio, the certain types of expenses relating to fees and commission income which has been recorded in previous period and from the increase in operation expenses and the decrease of tax rates which decreased the already accounted debit defer tax.

## 9. IMPORTANT INFORMATION ABOUT THE COMPANY

### Listing in the Athens Exchange

The Extraordinary General Meeting of Shareholders of PROTON INVESTMENT BANK S.A. on 1.7.2005, decided the listing of the Bank in the Athens Exchange (ATHEX) Main Market and sale of existing shares. The Board of Directors of the ATHEX and the Hellenic Capital Markets Commission on 29.11.2005 and 8.12.2005 respectively, approved the Bank's application for admission to trade in the ATHEX equities market. The shares were listed in the Mid- to Small- Cap category of the Equities Market and began trading on 22.12.2005.

The said shares were sold through a Public Offering in Greece to specialised and general investors. The total number of shares offered was 3.500.000 ordinary registered shares which belonged to previous shareholders of the Bank, namely Messrs. Anthony Athanassoglou, Elias Lianos and the heirs of Ioannis Markopoulos.

PUBLIC OFFERING OF EXISTING SHARES OF PROTON INVESTMENT BANK S.A. WITH A NOMINAL VALUE OF €2.50 PER SHARE FOR LISTING IN THE MID- TO SMALL-CAP CATEGORY OF THE ATHENS EXCHANGE	
NO. OF EXISTING SHARES	14.000.000 common registered shares.
SALE OF EXISTING SHARES	
- Anthony Athanassoglou	875.000 common registered shares.
- Elias Lianos	875.000 common registered shares.
- Heirs of Ioannis Markopoulos*	1.750.000 common registered shares.
TOTAL PUBLIC OFFERING	3.500.000 common registered shares.
TOTAL SHARES AFTER LISTING	14.000.000 common registered shares.
The nominal value of each share is € 2,50.	
The shares offered are entitled to receive dividends from the profits for the 2005 accounting period.	
Trading unit on the ATHEX:	1 share certificate

\* The holding of the deceased I. Markopoulos devolved to his heirs by the following indivisible shares: 2/8 to Maria Markopoulou and 3/8 to each of his 2 children.

The prospectus for listing of the shares is available at the Bank's offices and on the website <https://www.proton.gr/ipo>.

Given that the company's shares were listed for trading in the ATHEX on 22.12.2005 we consider that any comparison of the share performance for 2005 with the relevant stock exchange indices is not indicative and may be misleading.

It is noted that after the merger between the Bank and the companies Arrow, Eurodynamiki and Exelixa with the latter three being absorbed by the Bank, the total number of shares of the Bank is 45.135.892 ordinary shares with a nominal value of € 4.49 per share, as described in more detail in the following section.

## Merger by absorption of Arrow, Exelixa and Eurodynamiki Investment Companies

One of the most important developments for the Bank was its merger with the portfolio investment companies Arrow (Companies Reg. No. 45360/06/B/00/16), Eurodynamiki (Companies Reg. No. 45870/06/B/00/37) and Exelixa (Companies Reg. No. 24749/06/B/91/48) which were all absorbed at the same time by the Bank in line with the provisions of Articles 68, 69 to 77 of Codified Law 2190/1920 as in force, Articles 1 to 5 of Law 2166/1993, Article 9 of Law 2992/2002 and Article 16 of Law 2515/1997. This merger was approved by the Extraordinary General Meetings of Shareholders of the three portfolio investment companies on 23.12.2005 and the Extraordinary General Meeting of shareholders of PROTON INVESTMENT BANK on 28.12.2005 which approved the draft merger agreement. The Banking and Credit Affairs Committee of the Bank of Greece had approved the draft merger agreement under the condition that the said merger would be completed after the listing of the Bank's shares in the Athens Exchange. This condition was met since the Board of Directors of ATHEX decided to admit the Bank's shares to trade in the ATHEX with the first day of trading being 22.12.2005.

The transaction was approved by all relevant authorities and was recorded in the Companies Register (Decision No. k2-16707/30.12.2005 of the Deputy Minister of Development). The new shares resulting from the merger began to trade in the ATHEX on 9.1.2006.

The table below shows in summary form general information about the merger and share capital of PROTON INVESTMENT BANK before and after absorption of the portfolio investment companies Arrow, Eurodynamiki and Exelixa.

<b>Issuer : PROTON INVESTMENT BANK S.A.</b>	
<b>Share capital information before and after the merger by absorption of the companies Arrow, Eurodynamiki and Exelixa</b>	
<b>I. Share capital of PROTON INVESTMENT BANK before the merger</b>	35.000.000
Share nominal value	2,50
Number of shares before the merger	14.000.000
<b>II. Change in share capital due to merger</b>	167.400.010
<b>II.a. With Arrow Portfolio Investment S.A.</b>	56.305.113,90
Capital increase due to share capital of Arrow contributed	72.698.000,00
(Less): Deletion of current holding of the acquirer PROTON INVESTMENT BANK and other two absorbed companies in the share capital of Arrow (to avoid confusion)	16.392.886,10
<b>II.b. With Eurodynamiki Portfolio Investment S.A.</b>	11.156.377,50
Capital increase due to share capital of Eurodynamiki contributed	17.021.250,00
(Less): Deletion of current holding of the acquirer PROTON INVESTMENT BANK and other two absorbed companies in the share capital of Eurodynamiki (to avoid confusion)	5.864.872,50
<b>II.c. With Exelixa Portfolio Investment S.A.</b>	99.938.518,40
Capital increase due to share capital of Exelixa contributed	124.173.000,00
(Less): Deletion of current holding of the acquirer PROTON INVESTMENT BANK and other two absorbed companies in the share capital of Exelixa (to avoid confusion)	24.234.481,60
<b>II.d. Capitalisation of reserves</b>	
Capital increase with capitalisation of reserves for rounding purposes	260.145,28
<b>Total capital increase</b>	167.660.155,08
<b>Share capital of PROTON INVESTMENT BANK after the merger (I + II)</b>	202.660.155,08
Share nominal value	4,49
<b>Number of shares after the merger</b>	45.135.892

The document required by Article 4 of Law 3401/2005 on the merger is available at the Bank's offices and on the website <https://www.proton.gr/ipo>.

## 10. BANK ACTIVITIES

### Background

The Bank was established in September 2001 with the original corporate name ARROW INVESTMENT BANK S.A. (Government Gazette 8262/19.9.2001). By means of decision of the Extraordinary General Meeting on 7.11.2001 the corporate name was changed to PROTON INVESTMENT BANK trading as PROTON INVESTMENT BANK and that name remains today (Government Gazette 170/9.1.2002). The Bank is registered in the Companies Register of the Prefecture of Athens (Reg. No. 49841/06/B/01/31) and holds an operating permit from the Banking and Credit Issues Committee of the Bank of Greece (Decision No. 104/1/18.6.2001).

The Bank has one branch which is located in the Municipality of Kallithea, Attica, where its registered offices are located. In particular the Bank's registered offices are in the Municipality of Kallithea, Attica, 22 Saki Karagiorga St. & 1 Har. Trikoupi St., Kallithea, GR-17671, Tel. 210 90 05 555. The Bank has obtained authorisation from the Bank of Greece's Banking and Credit Affairs Committee (Decision No. 206/16.9.2005) to establish four branches during the first half of 2006.

PROTON INVESTMENT BANK S.A. commenced full operations in February 2002. The founding shareholders of the Bank were the now deceased Ioannis Markopoulos, and Antonios Athanasologou and Elias Lianos, leading executives in the financial sector. The latter, together with the heirs of Ioannis Markopoulos, held 100% of the Bank's shares before listing of the Bank the ATHEX.

At the same time the Bank established a subsidiary PROTON Securities S.A. while in January 2003 its subsidiary Proton Mutual Funds Management Company commenced operations. In 2002 Proton Asset Management S.A. joined the Proton Group followed by First Global Brokers A.D. in 2005.

Proton operates in the investment banking sector and offers corporate, institutional and retail clients a wide range of investment products and services. A focus on purely investment banking services was part of the initial strategic choices made by Management. This choice resulted in:

- ❖ Limited credit risk
- ❖ High solvency and capital adequacy ratios
- ❖ A focus for activities in fields where the founders and main body of Group executives had a competitive advantage
- ❖ Low operating costs.

In December 2005 the Bank was listed in the ATHEX. The public offering was a major success and demand was 7.5 times more than supply, attracting around 8.000 investors. Immediately after the successful public offering, the Bank merged with the three portfolio investment companies Arrow, Exelixi and Eurodynamiki.

### Bank business activity

PROTON INVESTMENT BANK provides a wide range of investment banking products and services either on its own or via its subsidiaries Proton Securities, Proton Asset Management, Proton Mutual Funds, Arrow Asset Finance and First Global Brokers AD.

To date, apart from traditional banking services -an area into which it has not expanded greatly- the Bank has focused more on providing services in the wider investment banking sector.

All investment services in Greece and in international markets are provided by Proton Securities which also provides services related to the scope of investment firms stipulated by law such as market making, margin accounts, etc. First Global Brokers AD provides brokerage services in the emerging neighbouring market of Serbia-Montenegro. The subsidiaries Proton Mutual Funds and Proton Asset Management are involved in asset and fund management.

Finally, Arrow Asset Finance S.A. is a consultancy firm which is currently inactive since its business activities are now fully provided by the Bank. Given the direct overlap between the Bank's activities to those of Asset Arrow Finance PROTON INVESTMENT BANK Management intends to liquidate the said company.

The table below shows the Bank's operating income for the 2004 and 2005 accounting periods based on the IAS/IFRS:

<b>BREAKDOWN OF OPERATING INCOME</b>				
<b>In thousands of €)</b>	<b>2005</b>		<b>2004</b>	
<b>Gross income</b>	<b>Amounts</b>	<b>%</b>	<b>Amounts</b>	<b>%</b>
Interest and related income	3.427,19	14,05%	2.773,49	25,67%
Income from fees/commission	3.684,11	15,10%	3.827,72	35,43%
Profits/ (losses) from financial transactions (1)	4.709,42	19,30%	3.687,79	34,13%
Profits/ (losses) from trading portfolio transactions (2)	10.134,64	41,54%	-842,05	-7,79%
Income from dividends	1.937,82	7,94%	879,67	8,14%
Other operating income	506,18	2,07%	477,89	4,42%
<b>Total</b>	<b>24.399,36</b>	<b>100%</b>	<b>10.804,51</b>	<b>100%</b>

(1) This account records profits and losses made from financial transactions, in other words the purchase and sale of securities and other financial products.

(2) This account records profits and losses from the valuation of investments in securities and other financial products at current values at the end of the relevant period.

NOTE: Any differences in the totals are due to rounding

The table below shows the Proton Group's operating income for the 2004 and 2005 accounting periods based on the IAS/IFRS:

<b>BREAKDOWN OF CONSOLIDATED OPERATING INCOME</b>				
<b>In thousands of €)</b>	<b>2005</b>		<b>2004</b>	
<b>Gross income</b>	<b>Amounts</b>	<b>%</b>	<b>Amounts</b>	<b>%</b>
Interest and related income	3.959,66	11,20%	3.167,01	14,74%
Income from fees/commission	12.096,30	34,20%	13.911,72	64,76%
Profits/ (losses) from financial transactions (1)	6.271,11	17,73%	4.613,48	21,48%
Profits/ (losses) from trading portfolio transactions (2)	11.246,28	31,80%	(1.055,24)	(4,91%)
Income from dividends	1.273,29	3,60%	411,13	1,91%
Other operating income	521,82	1,47%	433,70	2,02%
<b>Total</b>	<b>35.368,46</b>	<b>100%</b>	<b>21.481,80</b>	<b>100%</b>

(1) This account records profits and losses made from financial transactions, in other words the purchase and sale of securities and other financial products.

(2) This account records profits and losses from the valuation of investments in securities and other financial products at current values at the end of the relevant period.

NOTE: Any differences in the totals are due to rounding off

The sections that follow describe further Bank activities in the context of the activities of PROTON Group .

## Investment banking

### Consultancy services

Proton Bank's Investment Banking Division provides a series of specialised consultancy services offering total support in sectors such as:

Mergers/Acquisitions

Financing and financial restructuring

Strategic and business planning

Corporate reengineering and reorganisation

Large project financing

## Capital Markets

The bank offers issue consultancy and underwriting services for share issues and private placements and placements with Greek and foreign institutional investors.

Moreover, the Bank provides issue consultancy and administration services in the context of corporate bond issues (ordinary corporate bonds, convertible and swappable bonds, etc.) and in the context of Greek bond issue schemes (Greek treasury bonds, corporate bonds, foreign currency clause bonds) and international bond issues (international organisation or foreign company bonds).

## Treasury

A main source of income for every investment bank is management of its cash and customer service via the products it offers. The Bank focuses on investments in equities, carefully hedging the relevant investment risk of this exposure via derivatives.

Moreover, the Bank retains a bond portfolio applying professional portfolio management and interest rate risk management techniques using suitable hedging tools.

The current value of Group placements in bonds on 31.12.2005 was as follows:

Bonds (amounts in €)	31.12.2005
Treasury bonds	4.613.295
Other issuers	8.389.281
<b>Total</b>	<b>13.002.576</b>

Total Group placements on the interbank market on 31.12.2004 on 31.12.2005 was as follows:

Interbank Market (amounts in €)	31.12.2005	31.12.2004
Receivables from credit institutions	54.946.193	18.462.240
Liabilities to credit institutions	6.105.942	15.395.949

Moreover, the current value of Group placements on 31.12.2005 in shares and mutual funds are shown in the following tables:

<b>Equity investments (amounts in €)</b>	<b>31.12.2005</b>
Portfolio investment companies	7.061.886
Banks	18.865.685
IT Companies	6.140.057
Other companies	43.360.178
International equities	14.323.884

<b>Mutual Fund investments (amounts in €)</b>	<b>31.12.2005</b>
PROTON MEGA TRENDS EQUITY GLOBAL FUND	7.716.252
PROTON HIGH INCOME BOND GLOBAL FUND	1.002.902
PROTON BALANCED DOMESTIC FUND	1.865.360
Global mutual funds	3.890.248

### **Asset Management**

In the context of an intensely competitive environment, the Bank focused its efforts on gradually building up its customer base. The design of the Bank's investment policy was based (a) on rational asset management bearing in mind the investment and financial needs of its clients and (b) on the line-up and development of alternative forms of investment given the particularly variable domestic and international capital market environment. Bank activities in the asset management sector relate to the design and sale of asset management products, asset management consultancy services for private individuals, mutual fund management and institutional portfolio management.

In addition to a series of deposit and asset management products, the Bank both as an independent company and within the Group offers private customers solutions when it comes to financial planning which start from simple placements of their assets in commercial papers and go as far as discretionary asset management which offers wide-ranging investment choices not only in relation to geographical spread but also in relation to diversity.

### **Investment products offered by the Bank**

Seeking to protect the assets it manages and at the same time provide a better return on them compared to standard savings programmes, the Bank, among other things, offers innovative, flexible investment products which fall into three categories.

#### **A. General Asset Management**

The Bank offers tailor-made portfolio services for private investors. Managers develop investor portfolios depending on the desired degree of risk and return they are willing to assume, in line with the prevailing market conditions.

#### **B. Platinum Portfolios**

This is a portfolio management service for private investors who wish to join the Bank's model portfolio which differ depending on the desired level of risk / return they are willing to assume.

#### **C. Mutual fund portfolio management**

This service develops portfolios comprised exclusively of mutual funds. The aim is to achieve medium to long-term return via the diversity offered by mutual funds.

### **Sale of investment products in cooperation with international financial houses**

In cooperation with specialist international financial houses, PROTON INVESTMENT BANK offers services covering the development, sale and management of complex, structured financial products. These products are primarily aimed at Greek institutional investors offering solutions for investments in specific markets, financial or credit risk



assumption or avoidance via structured products which usually take the form of bonds with a complete or partial capital guarantee. Proton's service cover both the development of suitable investment structures based on market data and institutional investor needs and the sale of these investment products on the Greek market.

### Mutual Funds

PROTON INVESTMENT BANK is primarily involved in the MF sector via its subsidiary Proton Mutual Funds S.A. The Group's mutual funds are specialised products which reflect specific investment needs. In particular Proton Mutual Funds S.A. offers the following three different mutual fund products on the Greek market:

- ❖ PROTON BALANCED DOMESTIC FUND
- ❖ PROTON MEGA TRENDS EQUITY GLOBAL FUND
- ❖ PROTON HIGH INCOME BOND GLOBAL FUND

The total assets, return for each mutual fund and asset rating on 31.12.2005 was as follows:

Mutual Fund category	Total net assets (€)	Accumulated return 1.1 - 31.12.2005	Ranking on 31.12.2005
PROTON BALANCED DOMESTIC FUND	3.642.983,31	16,09%	11 <sup>(1)</sup>
PROTON MEGA TRENDS EQUITY GLOBAL FUND	8.434.036,09	18,34%	17 <sup>(2)</sup>
PROTON HIGH INCOME BOND GLOBAL FUND	4.366.985,24	1,06%	23 <sup>(3)</sup>
<b>Total</b>	<b>16.444.004,64</b>		

Source: Association of Institutional Investors, Statistical data

Accumulated return assumptions: a) Net price on 1/ 1 of each accounting period is the net price on 31/12 for the previous period after dividends and b) Reinvestment of dividends is calculated as occurring on 1/1 each year.

(1) Rating for balanced domestic funds.

(2) Rating for global equity funds.

(3) Rating for global bond funds.

The Proton Mutual Funds S.A. mutual funds:

- ❖ offer investors the option to choose the desired combination of risk and return by opting for a specific fund or combination of them.
- ❖ offer major opportunities for hedging investment risk via the recommended degree of portfolio spread and diversity and via the supplementary use of derivatives and hedging tools.
- ❖ offer the option to constantly reallocate assets to various categories of portfolio so that the investment strategy remains consistent with the financial goals and at all time covers the investment needs.

Via a suitable mutual fund, investors acquire the ability to make international investment placements in countries and markets where it is difficult for them to invest on their own due to the lack of information and know-how.

Note that the Bank markets its mutual funds via its subsidiary at its branch and via alternative sales networks.

### Institutional asset management

PROTON INVESTMENT BANK manages institutional assets primarily via its subsidiaries Proton Asset Management S.A.

Since commencing business, PAM has set a market standard particularly in the field of asset management. Within a short time Proton managed to develop a strong track record since the three institution portfolios it managed (Arrow, Exelixi and Eurodynamiki until the recent merger) while under Proton Management managed to achieve accumulated returns visibly better than the market return, or that of the competition.

## Banking activities

### Deposit products

The Bank has developed a customer-focused deposit system adapted to the trends and needs of the market with competitive interest rates for private individuals and corporate clients. It should be noted that the Bank does not place emphasis on deposits given the specific nature of its activities which are focused on investment banking.

The deposit products include sight and time deposits. Total deposits on 31.12.2005 stood at € 61,333,430 compared to € 93,552,130 on 31.12.2004 and can be broken down as follows:

Loans (amounts in €)	31.12.2005	31.12.2004
Sight Deposits	16.069.154	11.194.201
Time deposits	45.264.277	82.357.929
<b>Total</b>	<b>61.333.431</b>	<b>93.552.130</b>

### Loans

The Bank's main strategic choice was not to base its development on a loan portfolio. The loans extended are limited and strictly controlled since PROTON INVESTMENT BANK focuses at the present time on investment banking. Note that lending in the context of the Bank's investment banking activities is used to cover the needs of select clients.

Total Group loans on 31.12.2005 to private individuals and businesses stood at € 51,055,450 compared to € 45,586,090 on 31.12.2004 and can be broken down as follows:

Loans (amounts in €)	31.12.2005	31.12.2004
Corporates	13.285.872	14.200.949
Individuals	37.769.576	31.385.123
<b>Total</b>	<b>51.055.448</b>	<b>45.586.072</b>

### Custodian services

The Bank provides custodian services safeguarding securities or entering into agreements with foreign custodians where the securities are from abroad. Moreover, it provides transaction clearing and settlement services which relate to domestic and international market securities. Bank custodian services all for all manner of corporate transactions and special business to be conducted (share capital increases, collection or payment of dividends, pledges, security transfers, share blockage for General Meetings, etc.).

### Brokerage services

The Bank offers brokerage services via Proton Securities S.A. and First Global Brokers AD ensuring synergies with other activities and responding the current demand for a fully integrated spectrum of financial and investment services.

More information about the activities of these companies is contained in the section of this Report entitled Subsidiaries.

## Solvency and capital adequacy ratios

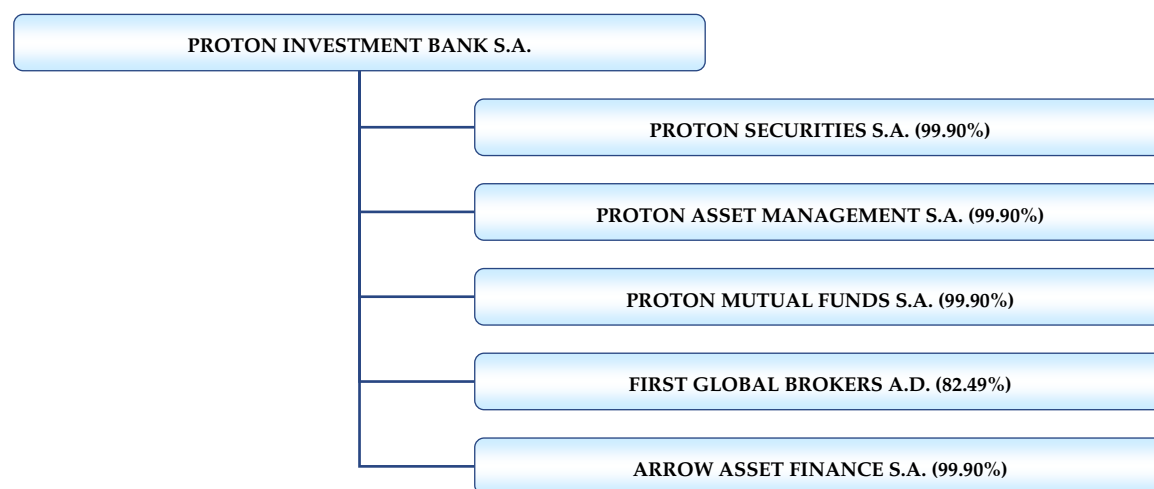
The table below shows the solvency and capital adequacy ratios for the Bank and Group for the period 2004 - 2005:

SOLVENCY AND CAPITAL ADEQUACY RATIOS		
	2005	2004
Bank solvency ratio	89,21%	22,27%
Group solvency ratio	95,82%	24,62%
Bank capital adequacy ratio	47,66%	16,23%
Group capital adequacy ratio	45,56%	12,32%

Note that the solvency and capital adequacy ratios are calculated on the basis of the provisions of Acts of the Governor of the Bank of Greece.

## Group organisational structure

The PROTON INVESTMENT BANK Group's organisational structure on 30.12.2005 is shown in the diagram below:



## Subsidiaries

### PROTON Securities S.A.

PROTON INVESTMENT BANK has a 99.90% holding in the share capital of Proton Securities S.A.

The Company was established in 2001 and began operations at the start of 2002 trading as Proton Securities Investment Services Co. S.A. based on decision No. 3/219/5.7.2001 of the Board of Directors of the Hellenic Capital Market Commission and is the Group's brokering arm.

Company registered offices are in the Municipality of Kallithea, 22 Saki Karagiorga St. and 1 Har. Trikoupi St.

The company provides all investment services which a securities and investment firm can provide under law and is a member of ATHEX, ADEX and EUREX. Proton Securities S.A. offers the following specific products and services:

- ❖ Trading shares of ATHEX and international stock exchanges
- ❖ Trading derivatives of ATHEX and international derivatives exchanges
- ❖ Margin accounts
- ❖ Trading bonds in Greece and abroad
- ❖ Underwriting public offerings and share capital increases
- ❖ Market making on ATHEX equity markets
- ❖ Type B market making for derivatives

Company share capital stands at € 5,870,000.00 divided into 1,000,000 common registered shares with a nominal value of € 5.87. The shareholder structure of the Company is as follows:

SHAREHOLDER STRUCTURE		
Shareholder	No. of shares	% holding:
PROTON INVESTMENT BANK S.A.	999.000	99,90%
Elias Lianos	1.000	0,10%
<b>Total</b>	<b>1.000.000</b>	<b>100%</b>

Within a short time Proton Securities has manage to develop a significant volume of activities and to build up a strong customer base comprised of institutional and private investments, which has permitted it to become firmly established on the Greek market with major market shares in all Greek capital market sectors in which it operates. In addition to the Greek capital market, Proton Securities has also invested and continues to invest in supporting its operations on foreign capital markets via executives and technologies. The Company is a member of EUREX and at the same time its international transactions department uses online interfaces to engage in trading on all international markets while they are on session thus covering the needs of its ever-increasing range of institutional and private investors.

At its meeting on 26.1.2006 the Bank's Board of Directors decide to merge Proton Securities with the Bank. More information about this corporate transaction is contained in section 13.2. of this Report.

The table below shows the key financials of the company based on the IAS/IFRS for the 2004 and 2005 accounting periods:

(in €)	2005	2004
Total equity	8.190.041,73	7.418.657,34
Turnover	7.451.633,87	7.582.733,62
Gross Profit	2.553.364,81	2.980.469,24
Earnings before tax	1.041.454,05	1.419.423,84
Earnings net of tax	771.384,39	775.892,33

## PROTON Asset Management S.A.

PROTON INVESTMENT BANK has a 99.90% holding in the share capital of Proton Asset Management S.A.

The Company was established in 2000, initially trading as Arrow Asset Management Investment Services Co. S.A. and operates on the basis of authorisation from the Hellenic Capital Market Commission (Board of Directors decision No. 4/181/18.1.2000). At the General Meeting of shareholders on 28.6.2002 it was decided to change the corporate name to Proton Asset Management Investment Services Co. S.A. and this name remains to this day. The Company is the Groups asset management and investment arm.

The company's original seat was in the Municipality of Athens. The Extraordinary General Meeting of shareholders decided on 16.10.2002 to move the company's registered offices to the Municipality of Kallithea, 22 Saki Karagiorga St. and 1 Har. Trikoupi St.

Company activities in 2005 related to managing the portfolios of three portfolio investment companies listed on ATHEX, namely Arrow, Eurodynamiki and Exelixa, but this activity was lost after merger of these three companies by the Bank. Management of the first two was assigned to Proton Asset Management when it was incorporated while management of the Exelixa portfolio was taken up on June 2001.

Today the company has a customer base to whom it provides investment advice while attracting new assets to be managed by the Group is a clear aim of Management and is based on utilising the management experience and know-how of its executives and the company's strong track record in the institutional portfolio management sector.

Company share capital stands at € 3,600,000.00 divided into 1,200,000 common registered shares with a nominal value of € 3.00. The shareholder structure of the Company is as follows:

SHAREHOLDER STRUCTURE		
Shareholder	No. of shares	% holding:
PROTON INVESTMENT BANK S.A.	1.198.000	99,90%
Antonios Athanasoglou	1.200	0,10%
<b>Total</b>	<b>1.200.000</b>	<b>100%</b>

The table below shows the key financials of the company based on the IAS/IFRS for the 2004 and 2005 accounting periods:

(in €)	2005	2004
Total equity	6.107.399,83	5.514.367,52
Turnover	2.561.345,34	2.983.064,39
Gross Profit	701.077,71	1.516.879,78
Earnings before tax	1.654.859,85	1.822.488,80
Earnings net of tax	1.397.032,31	1.271.332,08

## ARROW ASSET FINANCE S.A.

PROTON INVESTMENT BANK has a 99.90% holding in the share capital of Arrow Asset Finance S.A.

The Company was established in 2001 as ARROW ASSET FINANCE BUSINESS CONSULTANCY, FINANCIAL SERVICES AND HOLDING COMPANY S.A. trading as ARROW ASSET FINANCE S.A.

The company's original seat was in the Municipality of Athens. In January 2003, the company registered offices were moved to the Municipality of Kallithea, 22 Saki Karagiorga St. and 1 Har. Trikoupi St.

The objective of the company is to provide investment banking services. Note that this activity is now carried on by PROTON INVESTMENT BANK's Investment Banking Division and thus the said company has no business activities and its currently inoperative. PROTON INVESTMENT BANK's Management intends to liquidate this company in 2006.

Company share capital stands at € 293,000.00 divided into 100,000 common registered shares with a nominal value of € 2.93. The shareholder structure of the Company is as follows:

SHAREHOLDER STRUCTURE		
Shareholder	No. of shares	% holding:
PROTON INVESTMENT BANK S.A.	99.900	99,90%
Elias Lianos	100	0,10%
<b>Total</b>	<b>100.000</b>	<b>100%</b>

The table below shows the key financials of the company based on the IAS/IFRS for the 2004 and 2005 accounting periods:

(in €)	2005	2004
Total equity	2.399,49	22.585,02
Turnover	40.000,00	-
Gross Profit	40.000,00	-
Losses before tax	-12.273,31	-125.118,84
Losses net of tax	-20.185,53	-122.195,84

## PROTON Mutual Funds

PROTON INVESTMENT BANK has a 99.90% holding in the share capital of Proton Mutual Funds S.A.

The company was established in 2002 as PROTON MUTUAL FUNDS MANAGEMENT COMPANY S.A. This company is the final part of the puzzle in the Group's asset management services.

Company registered offices are in the Municipality of Kallithea , 22 Saki Karagiorga St. and 1 Har. Trikoupi St.

The company is involved in the sale and management of mutual fund products which invest in domestic and foreign markets. In particular Proton Mutual Funds S.A. offers the following three different mutual fund products on the Greek market:

### ❖ PROTON BALANCED DOMESTIC FUND

This fund is aimed at investors who have capital adequacy, experience and time to ensure the desired spread of their investment in alternative tools offered by the international capital and money market. It is recommended for medium-term investors who wish to assume a medium degree of risk, clearly lower than that entailed by purely equity investments and higher returns than ordinary savings accounts.

### ❖ PROTON MEGA TRENDS EQUITY GLOBAL FUND

This is aimed at investors who wish to place their assets in large global-range companies which set social trends and determine technological changes and seeks to achieve high added value by assuming high investment risk. The objective of this fund is to achieve long-term return which exceeds the return on the MSCI World Index which is the benchmark for international markets.

### ❖ PROTON HIGH INCOME BOND GLOBAL FUND

This is aimed at investments with a medium-term investment who wish to achieve higher returns from placements in state and corporate bonds on the European capital markets by assuming average investment risk. As a benchmark for return on this fund the Lehman Euro Aggregate 550MM is used 65% and the MSCI Europe plus Emerging Europe TR(EUR) is used 35%.

Company share capital stands at € 1,200,000 divided into 120,000 common registered shares with a nominal value of € 10.00. The shareholder structure of the Company is as follows:

SHAREHOLDER STRUCTURE		
Shareholder	No. of shares	% holding:
PROTON INVESTMENT BANK S.A.	119.880	99,90%
Elias Lianos	120	0,10%
<b>Total</b>	<b>120.000</b>	<b>100%</b>

The table below shows the key financials of the company based on the IAS/IFRS for the 2004 and 2005 accounting periods:

In thousands of €	2005	2004
Total equity	1.258.739,70	1.190.824,58
Turnover	346.162,40	294.830,63
Gross Profit	273.040,87	196.928,98
Earnings before tax	95.515,48	8.942,41
Earnings net of tax	67.915,12	1.407,43

## FIRST GLOBAL BROKERS AD

PROTON INVESTMENT BANK has a 82.49% holding in the share capital of First Global Brokers AD.

The Company was established in 2002 with the corporate name First Global Brokers AD and is the Group's brokering services arm in Serbia-Montenegro. In April 2005 PROTON INVESTMENT BANK participated in the share capital increase of this company by rights issue acquiring 82.49% of the share capital for the sum of 48,298,000 dinar which at the euro/dinar exchange rate on 31.12.2005 corresponded to € 562,249.93.

The company's registered offices are in Belgrade in Serbia-Montenegro at Vuka Karadzica 6.

This company operates in the equities and bond market but is unable to manage client assets due to the statutory framework applicable to the capital market in Serbia-Montenegro. Moreover the company is a member of the Belgrade Exchange and the country's central depository.

The shareholder structure of the Company is as follows:

SHAREHOLDER STRUCTURE		
Shareholder	No. of shares	% holding:
PROTON INVESTMENT BANK S.A.	4.712	82,49%
Ioannis Holevas	1.000	17,51%
<b>Total</b>	<b>5.712</b>	<b>100%</b>

This company operates in a market developing at a rapid rate and the business opportunities are significant. In particular the rate of growth in GDP in Serbia-Montenegro was 7% in 2004 while there are strong prospects for accession to the EU. Via the company the Bank acquired a presence in the wider Balkans area.

The table below shows the key financials of the company based on the IAS/IFRS for the 2004 and 2005 accounting periods:

In thousands of €)*	2005	2004**
Share capital	684,77	129,99
Total equity	118,01	0,00
Turnover	189,00	134,56
Earnings before tax	(231,02)	(261,61)
Earnings net of tax	(231,02)	(261,61)

\* Based on the euro/dinar exchange on 31.12.2005 and 31.12.2004.

\*\* The company prepared its financial statements for the first time based on the IAS/IFRS for 2004, the year in which the company was obliged to prepare IAS/IFRS-compliant financial statements.



## 11. TRANSACTIONS WITH RELATED PARTIES

In the context of implementing Article 2(4) of Law 3016/2002 on Corporate Governance, the tables below present transactions in 2004 between the parent company, PROTON INVESTMENT BANK, and related parties as defined in Article 42e of Codified Law 2190/1920:

2005	(amounts in €)	Income of					
	Company	PROTON INVESTMENT BANK S.A.	PROTON Securities S.A.	PROTON Asset Management S.A.	ARROW ASSET FINANCE S.A.	PROTON Mutual Funds	FIRST GLOBAL BROKERS AD
Expenses of	PROTON INVESTMENT BANK S.A.	-	961.185,87	55.966,96	20.046,42	21.828,49	8,813,00
	PROTON Securities S.A.	1.134.083,44	-	18.395,52	-	-	-
	PROTON Asset Management S.A.	280.700,32	335.925,40	-	20.000,00	-	-
	ARROW ASSET FINANCE S.A.	1.728,56	-	-	-	-	-
	PROTON Mutual Funds	26.615,72	890,50	3.778,85	-	-	-
	FIRST GLOBAL BROKERS AD	-	-	-	-	-	-

2005	(amounts in €)	Liabilities of					
	Company	PROTON INVESTMENT BANK S.A.	PROTON Securities S.A.	PROTON Asset Management S.A.	ARROW ASSET FINANCE S.A.	PROTON Mutual Funds	FIRST GLOBAL BROKERS AD
Receivables of	PROTON INVESTMENT BANK S.A.	-	16.079.704,71	-	-	9.864,74	-
	PROTON Securities S.A.	2.150.000,00	-	399.824,28	-	222,75	-
	PROTON Asset Management S.A.	3.268.797,04	-	-	-	982,51	-
	ARROW ASSET FINANCE S.A.	6.404,15	-	-	-	-	-
	PROTON Mutual Funds	1.149.933,91	-	-	-	-	-
	FIRST GLOBAL BROKERS AD	-	-	-	-	-	-

## 12. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR EXECUTIVES

### Board of Directors

In line with Article 9 of the Bank's Articles of Association, the Board of Directors is comprised of between 5 and 11 members. Members of the Board of Directors are elected by the General Meeting of Shareholders. The General Meeting determines from time to time the precise number of Board of Directors members.

Following the decision of the Extraordinary General Meeting of shareholders which took place on 23.9.2005, as amended at the meeting of the Board of Directors on 11.1.2006 (Minutes No. 63) the structure of the Board of Directors is as follows:

**Antonios Athanasoglou**, Chairman of the Board of Directors, Executive Member

Born in Athens in 1966. One of the founders of PROTON INVESTMENT BANK. He holds a degree in mathematics from the University of Athens and a postgraduate degree in business research and computers from the same university. He has worked as an executive for Midland Bank Plc (now HSBC) in the treasury sector as General Manager of Sigma Securities S.A.

**Maria Markopoulou**, Vice Chairman of the Board, Non-executive member

Born in 1954 in Athens, wife of the founder of the Bank, the now deceased Ioannis Markopoulos. She holds a Bachelor of Science in Business Administration from the American College of Greece, Deree. Mrs. Markopoulou is a professional painter and has taken part in a range of exhibitions in Greece and abroad.

**Elias Lianos**, Vice Chairman of the Board and Managing Director, Executive member

Born in Athens in 1964. One of the founders of PROTON INVESTMENT BANK. He holds a degree in mathematics (Bachelor of Science in Applied Mathematics) from the Brown University of the USA and a postgraduate degree in business administration (MBA) from Columbia University, USA. He has significant international experience in the financial sector having worked as a senior executive for the companies IRVING TRUST INTERNATIONAL LTD, INVESTMENTS & FINANCE LTD., BANK OF TOKYO MITSUBISHI and PIRAEUS PRIME BANK.

**Theodoros Mylonas**, Asst. Managing Director and executive member

Born in Athens in 1947. He holds two degrees in political science and public administration from the Panteion University. He has more than 40 years of banking experience, 29 of which are with American Express Bank and 13 with Piraeus Bank, where he began as Network Branch Manager and for the last 7 years has been General Manager. As General Manager has been a member of the Executive Committee of the Loan Approvals Committee and the ALCO and supervised the Major Accounts, Shipping, Credit, Risk Management and Arrears Divisions. He was also chairman of the Board of leasing subsidiaries and board member on subsidiary banks and companies in the Piraeus Bank Group. He began collaborating with Proton Bank in September 2005 and holds the position of Credit Division manager.

**Athanasios Papaspilou**, Board Member - Executive Member

Born in Vyziki, Arcadia in 1951. He holds a degree in economics from the Athens Economic University. He worked with Piraeus Bank as a senior executive from 1970 to 2001 in various key posts with the most recent being Operations Division manager. He has been employed with Proton Bank since its establishment as General Manager.

**Epaminondas Lambadarios**, Board Member, independent, non-executive member

Born in Athens in 1944. He holds a degree from the University of Athens Law School and a postgraduate degree from the University of Harvard Law School, USA. He has worked with the law firm Cleary Gottlieb, Steen & Hamilton in New York. He is administrator and partner in the law firm Lambadarios and Partners, one of the oldest and largest law firms in Greece.

**Sotiria Massaveta-Theodosi**, Board Member, independent, non-executive member

Born in Athens in 1947. She holds a PhD and degree from the University of Athens Faculty of Economics. She has significant experience in banking having worked as a senior executive in banking and financial institutions in Greece such as the Bank of Greece, ETBANK, Interbank and EFG Eurobank Ergasias. She worked with the Bank of Attica Group from November 2000 with the most recent position being held being Managing Director of Attica Mutual Funds S.A.

## Committees - Supervisory Bodies

The following committees operate within the bank and under its bylaws ensure the problem-free, effective operation of the Bank and its subsidiaries, set a uniform strategy and policy implemented by divisions and units, coordinate work, set uniform guidelines and operating methods, and ensure the exchange of information between divisions and other companies in the group when required. These committees are as follows:

- ❖ Executive Committee
- ❖ Audit Committee
- ❖ Credit Committee
- ❖ Assets-Liabilities Management Committee (ALCO)

## Corporate Governance

The Bank has adopted corporate governance principles as outlined in Law 3016/2002 and also complies with the provisions of Hellenic Capital Market Commission Decision No. 5/204/2000 and other relevant provisions.

Board members are divided into executive and non-executive members. Executive members are the Chairman, Vice-Chairman and Managing Director and two other members.

By means of decision of the Board of Directors dated 23.9.2005 the Bank approved its bylaws which laid down the Bank's organisational structure, the duties of committees, divisions and departments and relationship with Management and among themselves. The bylaws also lay down the duties of the audit committee and the internal audit division. A corporate reporting service and shareholder relations department has been established. The same decision also approved the corporate reporting, transaction monitoring, annual reporting, staff and executive recruitment and evaluation procedures. Note that pursuant to a decision of the Bank's Board of Directors dated 26.10.2004 the internal auditor is Mr. Kountourakis. The head of the corporate reporting service is Ms. Azniv Haronian and the head of the shareholder relations department is Mr. Ioannis Stefanidis.

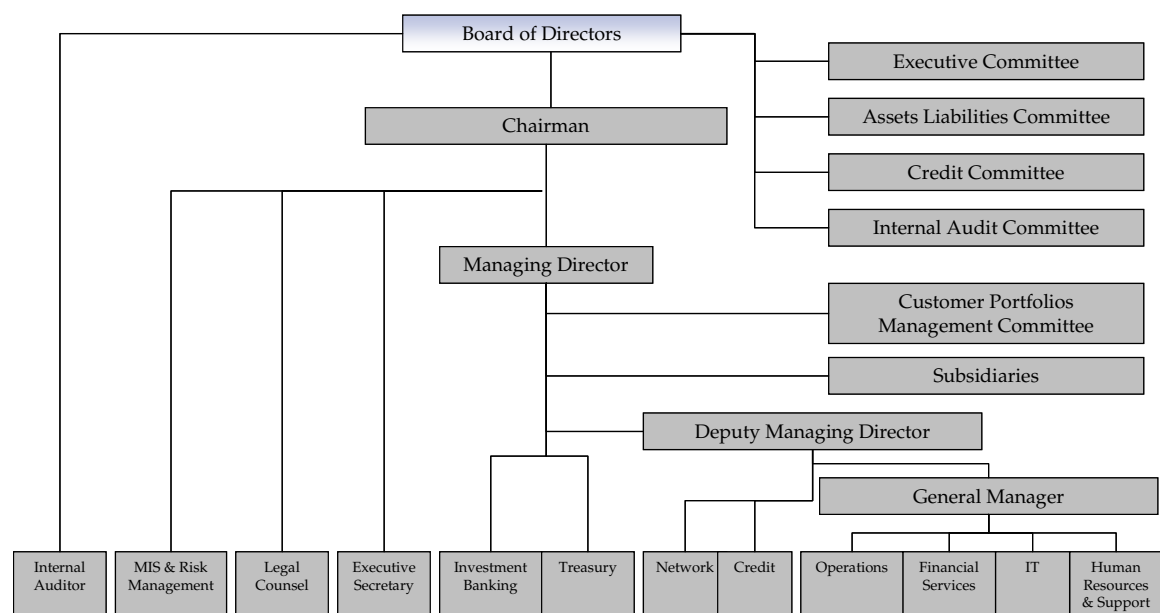
## Supervisory bodies - Internal Audit System

The Bank is supervised by external and internal supervisory bodies. External supervisory bodies are:

- ❖ The Bank of Greece
- ❖ The Hellenic Capital Market Commission
- ❖ The Ministry of Development
- ❖ The Ministry of Economy & Finance
- ❖ The External Auditors

The internal supervisory body is the Audit Committee.

## Organisational Chart



## Staff

The table below shows the number of Bank and Group staff at the end of the 2004 and 2005 accounting periods:

Average staff level:*		
Staff	2005	2004
PROTON INVESTMENT BANK S.A.	42	23
PROTON GROUP	118	99

\*As stated in the notes to the financial statements.

Bank Management attaches particular importance to utilising human resources. The Bank ensures that good working conditions are provided and uses meritocratic criteria to select and reward employees while attempting to ensure the best career advancement opportunities for its staff.

The Bank covers all contributions for the group insurance plans for its employees for life insurance in line with policy no. 00009078 which has been signed with Allianz S.A.

## Share capital

### Paid-up share capital

Bank paid-up share capital stood at € 202,660,155.08 on 31.12.2005 divided into 45,135,892 ordinary shares with a nominal value of € 4.49 each.

### Development of share capital

The change in the Bank's SC over time was as follows:

At incorporation Bank share capital was € 35 million divided into 1.4 million ordinary registered shares with voting rights with a nominal value of € 25 each.

By means of decision of the Extraordinary General Meeting of shareholders in the Bank the nominal value of shares was reduced from € 25 to € 2.50 and the number of shares increased from 1.4 million to 14 million ordinary registered shares.

By means of decision of the Extraordinary General Meeting of shareholders in the Bank joint, parallel merger between PROTON INVESTMENT BANK and the portfolio investment companies Arrow, Eurodynamiki, and Exelixi was approved along with approval of the draft merger agreement which set the Bank's share capital at € 202,660,155.08 and the nominal value of each share at € 4.49 and the total number of shares at 45,135,892.

SHARE CAPITAL DEVELOPMENT in €					
DATE OF GENERAL MEETING or BOARD OF DIRECTORS MEETING	Government Gazette No,	Amount of Increase	Total No. of shares	Share capital after increase	Share nominal value
Original capital	8262/19.9.20 01	35.000.000	1.400.000	35.000.000	25,00
01.04.2005	2656/27.4.20 05	Decrease of nominal value	14.000.000	35.000.000	2,50
28.12.2005	13289/30.12. 2005	167.660.155,08 *	45.135.892	202.660.155,08	4,49

\* From merger of the Bank with three portfolio investment companies

## Shareholders

❖ The Bank's shareholder structure based on the Company shareholder register on 10.3.2006 was as follows:

	Shares	%
Anthony Athanassoglou (1)	6.787.467	15,04%
Elias Lianos (1)	4.359.479	9,66%
Heirs of Ioannis Markopoulos* (1)	2.363.897	5,24%
Investors	31.625.049	70,06%
<b>Total</b>	<b>45.135.892</b>	<b>100,00%</b>

\* The holding of the deceased I. Markopoulos devolved to his heir by the following indivisible shares: 2/8 to Maria Markopoulou and 3/8 to each of his children.

NOTE: Shareholders holding more than 5% are mentioned.

## 13. COMPANY DEVELOPMENTS AND PROSPECTS

### Objectives and Strategy

#### The general macroeconomic environment

Despite the unavoidable slow down in the rate of growth of economic activity after the 2004 Olympic Games, in 2005 the Greek economy remained the fastest growing economy in the Euro area: the rate of growth in real GDP was estimated at 3.7% for 2005. This increase was primarily due to private consumption which continued to increase at a rate of around 4% while the performance of the exports sector was also noteworthy with an estimated increase in exports in the order of 3.1%. On the other hand, inflation increased to 3.5% in 2005 compared to 2.9% in 2004 reflecting higher energy costs and at the same time worsening the competitiveness problems faced by the Greek economy.

The macro-economic environment is positive for the Greek economy for 2006 since consumption remains robust while economic activity is being bolstered by continuing inputs from the Community Support Framework where Greece has secured € 20 billion for the 2007-2013 period. An additional factor supporting the expansion of economic activity are structural changes which although progressing slowly do indicate a systematic effort to reorganise the wider public sector and deregulate markets. Consequently, GDP is expected to continue to increase at a rate of over 3.5% in 2006 and over the years up to 2009. In all events, the major challenge for the Greek economy in 2006 remains fiscal adjustments where the government deficit must be limited to below 3% of GDP and continue to be reduced over the years to come since the excessive public sector debt does not permit an expansive fiscal policy to be followed.

In general terms 2005 was a quite difficult year for the international economy with a significant rise in oil prices which rose as high as \$70 per barrel. The international economy responded satisfactorily both to this unfavourable development and to the extensive losses from poor weather conditions and it is noteworthy that neither the increase in the energy cost or the increase in interest rates (primarily in the USA) were harmful for economic growth. On the contrary, the increase in oil prices helped quite a few of the less-developed oil producing countries to face some of their structural problems. 2006 has started quite optimistically for the international economy and the Euro area economy with the rate of economic growth expected to stand at 2% compared to 1.3% in 2005 while in the USA a relative slowdown is expected with the rate of growth in actual GDP remaining at just over 3% compared to 3.5% in 2005. Inflationary pressure from the increase in energy costs was clearly lower compared to initial concerns but in every case was sufficient to the rate in interest rates to continue both in America and Europe where it started in the last quarter of 2005.

#### Trends in the banking sector

The wider trends and prospects for the European credit systems combined with the fact of a gradual phasing out of their specific features in the context of the European Union have already highlighted the need for Greek banks to develop new, compatible strategies and thus Greek banks operated with the following context:

- a) Providing an extended range of banking services either directly or via subsidiaries.
- b) Reducing operating costs and exploiting both economics of scope and of scale.
- c) Expanding into the bancassurance sector by utilising the opportunity for cross selling in complex deposit/investment products and simultaneous use of joint distribution network with insurance companies.
- d) Penetrating into new emerging markets, particularly in the Balkans where the expected cost of operations is comparatively lower and the expected returns higher. Penetration can be achieved either via mergers and acquisitions or via further investments in developing networks.

Having already moved in this direction with a greater or lesser degree of success, the next steps for the domestic banking market are set by the restrictions imposed by the economy and the market.

Despite their major expansion over recent year, Greek banks are significantly lagging behind in size compared to large European banks and expansion abroad is thus limited to neighbouring countries and the results of this expansion can only be assessed over a reasonable time frame. With credit expansion, particularly in terms of consumer and housing loans having proven to be the main field of competition between banks, banking system liquidity will continue to be limited since there would not appear to be any prospect for an increase in deposits in the near future with at rate of expansion higher than that for loans, in relation to and alternative forms of raising capital (interbank lending, corporate bonds, etc.) it can be noted that other than the fact that they do not affect the overall liquidity of the system (with few exceptions) they are visibly more expensive compared to deposits. Additional pressures on liquidity are expected to arise from the so-called real economy since the problems of quite a few companies are intensifying. These facts mark the maximum possible limitations on investment banking over the years to come, a phenomenon which has also been noted in other economies in the Euro Area.



This landscape leaves considerable room and offers major advantages to small, specialised banks which can offer a wide range of services and cover all financial needs of a corporate client both in terms of investment banking and bank financing.

## Bank strategy

Having successfully completed the first phase of development, which was to set up and establish itself on the Greek market, Proton is now moving into its next development phase. The new reality for the Bank after the major boost of new capital it received from merger by absorption of the portfolio investment companies Arrow, Exeliki and Eurodynamiki will necessarily lead to an adjustment in its strategy with the adoption of a dynamic policy of balanced development and expansion in its activities. The Bank's objectives for the future are:

- ❖ To expand into new activities in the SME sector by developing new products and services.
- ❖ To develop a nationwide network of branches.
- ❖ To expand into other countries in the with SE-Europe area via partnerships.
- ❖ To develop friendly partnerships with other banks or merge with them.

At the same time the Bank retains its emphasis on investment banking since it has a comparative advantage in that field. An integral part of Proton's strategy is to intensify and bolster its activities in the fields of investment banking, asset management and capital market services.

However, to further develop the Bank, it is necessary to expand into new sectors in which to date the Bank had a small presence and which will guarantee recurring income. Particular emphasis will now be placed on the backbone of the Greek economy, SMEs. Besides, the greatest need to restructure and modernise in the private sector of the economy lies in the field of SMEs and the self-employed. In these sectors it is expected that there will be major needs not only for corporate restructuring but also for investment financing in the future. The Bank's philosophy in the financing sector will be based on a correlation to the cost of bank lending.

An integral part of the Bank's expansionist strategy is also an expansion of its activities into foreign markets. Such expansion will be achieved via selective, conservative moves and partnerships with similar local banks or investment firms with the primary focus being the Balkans and countries of Eastern Europe where Proton is already operating via its subsidiary FGB in Serbia-Montenegro.

In relation to friendly partnerships / mergers with other banks, Proton has already begun the process of merging with OMEGA (more information is contained in the relevant section). This merger is the first step in implementing the Bank's strategy and the benefits are expected to be multiple both for PROTON and OMEGA. A key priority for the bank for 2006 is the problem-free merger with OMEGA to maximise the synergies and ensure that the results of the merger are 1+1>2.

In parallel with the OMEGA merger, the Bank is also seeking to develop a network of branches which is a necessary condition for developing a sufficient degree of recurring income. PROTON has already obtain permission from the Bank of Greece's Banking and Credit Affairs Committee to set up 4 branches and its endeavour to develop a network will be significantly boosted by the merger with OMEGA since it already has a network of 17 branches.

## Forthcoming merger between PROTON INVESTMENT BANK, OMEGA BANK S.A. and PROTON SECURITIES S.A. by absorption.

At its meeting on 26.1.2006 the Bank's Board of Directors decided to:

1. Commence procedures to merger PROTON INVESTMENT BANK with the bank OMEGA BANK S.A. (hereinafter OMEGA and when referred to together with PROTON INVESTMENT BANK, the banks) and the securities firm PROTON SECURITIES S.A. (hereinafter PROTON Securities) via joint and parallel absorption of OMEGA and PROTON Securities by PROTON INVESTMENT BANK pursuant to the provisions of (i) Articles 68 et seq. of Codified Law 2190/1920 read in conjunction with the provisions of Article 16 of Law 2515/1997 as in force for the merger of PROTON INVESTMENT BANK and OMEGA by consolidating the assets and liabilities of the Banks in implementation of Article 16(5) and (ii) Articles 68(2) and 78 of Codified Law 2190/1920 read in conjunction with the provisions of Article 16 of Law 2515/1997 and Articles 1 to 5 of Law 2166/1993 as in force for the merger of PROTON INVESTMENT BANK and PROTON Securities by consolidating the assets and liabilities of PROTON INVESTMENT BANK and PROTON Securities (hereinafter both referred to as the Merger).
2. Set 21.3.2006 as the date of the BS prepared for the purposes of the Merger in line with the provisions of Article 16(5) of Law 2515/1997 and Article 2(1) of Law 2166/1993.
3. Assign an international auditors' firm the task of carrying out an audit to determine the book value of the Banks' assets, to audit the draft merger agreement (DMA) and to form an opinion on whether the share swap ratio to be included in the DMA is fair and reasonable and to make a recommendation to the General Meetings of shareholders in the Banks in accordance with the provisions of Article 16(5) of Law 2515/1997.

4. Authorise members to continue negotiations with OMEGA in order to prepare the DMA and the special report of the Board of Directors required by Article 69(4) of Codified Law 2190/1920 and all other transactions and acts required to promote the Merger.

Moreover, subject to the opinion from the certified auditors, and subject to capital restructuring by OMEGA entailing a simultaneous decrease and increase in its share capital -a condition to be met by the transformation balance sheet date- the Banks were to use the following share swap ratio: 1 share in OMEGA for 0.90 shares in PROTON based on the value of shares in PROTON INVESTMENT BANK to those in OMEGA being 2.572 to 1.

In addition, the Banks agreed that only the shareholders in PROTON INVESTMENT BANK before the Merger would be entitled to a dividend from the profits of the Bank for the period which ended on 31.12.2005.

Furthermore, PROTON INVESTMENT BANK would carry out a special financial and legal audit of OMEGA and its subsidiaries whose findings would be disclosed to the auditing firms expressing their opinion on the propose share swap ratio and would be taken into account in preparing their reports.

Note that the Merger requires approval from (i) the Bank of Greece, (ii) the General Meetings of shareholders in PROTON INVESTMENT BANK and OMEGA and the competent body of PROTON Securities, (iii) the Ministry of Development and (v) where necessary, the Hellenic Competition Commission.

Lastly, subject to obtaining such approvals, it is estimated that the Merger will have been completed by the end of September 2006.

These points were included in a MoU signed by PROTON INVESTMENT BANK and OMEGA BANK S.A. following approval by the Boards of both Banks.

The merger between PROTON INVESTMENT BANK and OMEGA is based on the innate complementarity of the two Banks, a factor which played a definitive role in the two management teams approaching each other. This complementarity arises in almost all fields of activity of the two banks, and in particular in relation to:

- ❖ the culture of niche organisations offering specialised products and services
- ❖ the lack of overlap in the sales network
- ❖ complementarity in terms of customers with institutional/corporate and SME/private individual customers.
- ❖ complementarity in terms of products and services with investment banking and retail banking/insurance products.

In addition, immediate acquisition of a network of OMEGA's 17 branches in effect accelerates implementation of PROTON's expansionist business plan. However, that aside, the combination/merger of the two Banks is expected to lead to a new organisation whose financials permit it to go after a larger share of the market and to create a larger volume of recurring income. All the conditions exist to ensure that the outcome of the merger is 1+1>2, which is a key objective of Management in pursuing this venture.

This English text is an exact translation of the photocopy of the original Greek document received by our company

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