

ANNUAL REPORT

OF GENERAL BANK OF GREECE S.A.



In accordance with the CAPITAL'S MARKET COMMITTEE provision decision No.5/204/14.11.2000

YEAR 2006

CONTENTS

1) Management Commentary (Consolidated Accounts)

The Management Commentary (Consolidated Accounts) for the year 2006 is incorporated in the Consolidated Financial Statements for the year ended 31/12/2006 which are attached as Appendix A.

2) Explanatory Report of the Board of Directors

The Explanatory Report of the Board of Directors to the Ordinary General Meeting of the Shareholders providing the additional information stipulated by the Article 11a of Law 3371/2005, is attached as Appendix F.

3) Independent Auditor's Report for the Consolidated Financial Statements

The Independent Auditor's Report for the Consolidated Financial Statements for the year ended 31/12/2006, is incorporated in the Consolidated Financial Statements for the year ended 31/12/2006 which are attached as Appendix A.

4) Consolidated Financial Statements

The Consolidated Financial Statements for the year ended 31/12/2006 are attached as Appendix A.

5) Independent Auditor's Report for the Financial Statements

The independent Auditor's Report for the Financial Statements for the year ended 31/12/2006 is incorporated in the Financial Statements for the year ended 31/12/2006 which are attached as Appendix B.

6) Financial Statements

The Financial Statements for the year ended 31/12/2006 are attached as Appendix B.

7) Information stipulated by the article 10 of Law 3401/2005 published from the Bank during the year 2006

The Information stipulated by the article 10 of Law 3401/2005 are attached as Appendix D.

8) Related Parties Transactions Bank's Report

The Related Parties Transactions Bank's Report is analytically presented in Note 41 of the Consolidated Financial Statements for the year ended 31/12/2006 which are attached as Appendix A.

9) Summarized Bank's & Group's Financial Figures and Informations

The summarized Bank's & Group's Financial Figures and Informations are attached as Appendix C.

10) Availability of Financial Statements (Group & Single basis)

The availability of Financial Statements (Group & Single basis) is attached as Appendix E.

APPENDIX A



**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2006**

Geniki Group: Management commentary (consolidated accounts) for the year 2006

1. Summary of Group financial results and financial position

Financial results for 2006

Group	1 January to 31 December	1 January to 31	<i>Amounts in € million</i>	
	2005	December 2006		% change
Operating income	178.2	168,5		-5,4%
Operating expenses	-154.5	-169		9.40%
Operating results before provisions	23.7	-0,5		
Provisions	-39.4	-72.1		
Profit (Loss) before income tax	-15.7	-72,6		
Net profit (loss) - Geniki Group	-14.1	-78,8		
Net profit (loss) - Geniki Bank	-16	-79,4		

	Dec-05	Dec-06	% change
Loans and advances to customers, net	2 647	2 940	11,1%

Total operating income for 2006 amounted to EUR 168,5m, lower -1.6% (on a like-for-like basis) than the same period of 2005, after excluding one-off capital gains on the disposal of securities holdings booked in Q2-05.

Costs in 2006 showed an increase (+9.4%) versus the same period of the last year, at EUR 169m, reflecting the opening of *18 new branches between end of 2005 and end of 2006*, the development of new alternative distribution channels (internet banking, mobile sales force, call center) and continued investments in human resources. At the same time the bank maintained a strict control on its costs.

Operating results before provisions amounted to EUR -0,5m in comparison with EUR 23.7m for the same period of 2005.

During the year the bank continued the **re-assessment of its credit portfolio** and booked an additional EUR 72.1m in provisions. These additional charges are attributable to the application of stricter credit-worthiness criteria in the assessment of retail customers and the increase of the bad debt coverage ratio for certain corporate loans.

As a consequence, Geniki Group suffered a loss before tax of EUR 72,6m for 2006.

For accounting reasons the Bank has decided to de-recognize the deferred tax asset corresponding to the accumulated tax losses, which led to a tax charge of -21m. This treatment does not imply that the Bank has lost the right to set-off the accumulated tax losses against future tax profits.

Finally, the net Group result after tax is a loss at EUR -78,8m for the year 2006. The contribution of the Bank to this loss was EUR 79,4m.

In total, **net loans** increased by 11.1%. **Customer deposits** increased to EUR 2.6 billion, up 7% from December 2005.

Finally, the net equity of the Group as at 31 December 2006 amounted to EUR 131,9m.

2. Management actions

The **new organizational structure** of Geniki Bank has been implemented during 2006 and all customers, individuals, small, large businesses have been assigned with dedicated account officers.

As at the end of December 2006, the retail banking segment, following its restructuring, showed **substantial growth in consumer and mortgage loans**, which increased 23% and 29% year-on-year, respectively and acquired 31 800 new customers. Small and Medium Enterprises and professionals market segments also benefited from growth by gaining 3 800 new customers. Due to the strong competition, the interest margin was lower on the new production.

Geniki Bank will take all appropriate actions for complying with all the statutory and regulatory ratios.

3. Financial risk management

The main risks incurred on banking activities are the following:

- (a) credit risk: risk of loss arising from a counterparty's inability to meet its financial commitments;
- (b) market risk: risk of loss resulting from changes in market prices and interest rates, in correlations between these elements and their volatility;
- (c) structural risk: risk of loss in the bank's balance sheet arising from variations in interest or exchange rates;
- (d) liquidity risk: the risk of the Group not being able to meet its commitments at their maturities.

Financial derivatives and hedge accounting

All financial derivatives are recognized at fair value in the balance sheet as financial assets or financial liabilities. Changes in the

Derivatives are divided into two categories:

(i) Trading financial derivatives

Derivative instruments are considered to be trading financial derivatives by default, unless they are designated as hedging instruments for accounting purposes. They are booked in the balance sheet. Changes in fair value are recorded in the income statement. Derivatives used for economic hedges are included in this category (e.g. cases for which hedging accounting is not necessary for reducing income statement volatility because gains and losses arising on the hedging and hedged positions are recognised consistently in the income statement).

(ii) Derivative hedging instruments

To designate an instrument as a derivative hedging instrument (i.e. for implementing hedging accounting rules) the Group must document the hedging relationship at the inception of the hedge, specifying the asset, liability, or future transaction hedged, the risk to be hedged, the type of financial derivative used and the valuation method applied to measure the effectiveness of the hedge. The derivative designated as a hedging instrument must be highly effective in offsetting the variation in fair value or cash flows arising from the hedged risk, both when the hedge is first set up and throughout its life.

Index to the consolidated financial statements

Note	Note
Auditor's Report	20
Consolidated income statement	21
Consolidated balance sheet	22
Consolidated statement of changes in equity	23
Consolidated cash flow statement	24
1 General Information	25
2 Principal accounting policies	26
3 Fair value of financial instruments	27
4 Financial risk management	28
5 Estimations and judgements	29
6 Net interest income	30
7 Fee income and expenses	31
8 Net income on financial operations	32
9 Operating expenses	33
10 Staff costs	34
11 Income tax expense	35
12 Earnings / (losses) per share	36
13 Cash and balances with central bank	37
14 Cash and cash equivalents	38
15 Due from banks	39
16 Derivative financial instruments	40
17 Loans and advances to customers	41
18 Available for sale investment securities	42
19 Investments in subsidiaries	43
	Investment in associates
	Intangible assets
	Property, plant and equipment
	Other assets
	Due to other banks
	Due to customers
	Subordinated debt
	Provisions
	Staff leaving indemnity provision
	Other liabilities
	Deferred income tax
	Share capital, share premium
	Geographical concentration of assets, liabilities and off-balance sheet items
	Operating lease commitments
	Contingent liabilities and commitments
	Business segments
	Currency risk
	Interest rate risk
	Maturity of assets and liabilities
	Post balance sheet events
	Reclassification
	Related parties transactions
	Regulatory ratios
	Board of directors

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of GENERAL ("GENIKI") BANK OF GREECE S.A.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of General ("Geniki") Bank of Greece S.A. ("The Bank") and its subsidiaries (on a consolidated basis "The Group"), which comprise the stand alone and consolidated balance sheet as at December 31, 2006, and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as these were adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Greek Auditing Standards which are harmonised with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as these were adopted by the European Union.

Without qualifying our opinion we draw your attention to the fact that :

- (a) The equity of the Bank on December 31, 2006 fell below one half of its paid-in share capital and, therefore, the provisions of (Greek) Company Law 2190/1920 are applicable. Further, the capital adequacy and liquidity ratios fell below the minimums required by applicable legislation and the (Central) Bank of Greece. The management of the Bank has confirmed that remedial action, including the increase in share capital has already been initiated in order to comply with all regulatory and supervisory ratios and rules.
- (b) The income tax returns of the individual consolidated entities for the corresponding tax periods which are stated in note 11 to the consolidated financial statements, have not yet been examined by the tax authorities. Therefore, there is a possibility that additional taxes and penalties thereon may be assessed upon the corresponding future tax inspections, which can not presently be determined.

Report on Other Legal and Regulatory Requirements

The content of Directors Report is consistent with the above financial statements.

Athens, 27 February 2007
The Certified Public Accountant

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Consolidated income statement

	<u>Notes</u>	<u>Year ended 31 December</u>	
		<u>2006</u>	<u>2005</u>
		<u>€ 000</u>	<u>€ 000</u>
Interest and similar income		206,388	191,656
Interest expense and similar charges		(73,257)	(50,475)
Net interest income	6	133,131	141,181
Fee and commission income		34,457	33,244
Fee and commission expense		(2,073)	(1,792)
Net fee and commission income	7	32,384	31,452
Dividend income		79	73
Financial operations results	8	(1,421)	1,321
Other operating income		4,281	4,177
Gross Operating income		168,454	178,204
Provisions for loans	17	(76,117)	(41,185)
Provisions for other risks		4,040	1,818
Staff costs and related expenses	10	(100,052)	(89,039)
Administration expenses	9	(55,134)	(51,256)
Depreciation and amortization	9,21,22	(13,774)	(14,159)
Operating expenses		(241,037)	(193,821)
Net operating profit (loss)		(72,583)	(15,617)
Share of profit (loss) of associates	20	-	(123)
Profit / (loss) before income tax		(72,583)	(15,740)
Income tax expense	11	(6,257)	1,658
Profit / (loss) for the year		(78,840)	(14,082)
Attributable to:			
Equity holders of the parent		(78,840)	(14,082)
Earnings per share (in euros)			
- Basic and diluted	12	(1.35)	(0.29)

Consolidated balance sheet

	Note	Year ended	
		31 December	
		2006	2005
		€ 000	€ 000
Assets			
Cash and balances with central bank	13	98,209	106,692
Due from banks	15	180,888	286,403
Derivative financial instruments	16	12,027	7,592
Loans and advances to customers, net	17	2,939,570	2,646,756
Investment securities - available for sale	18	361,251	186,057
Investment in associate undertakings	20	743	1,143
Intangible assets	21	12,855	12,804
Property, plant and equipment	22	131,578	124,743
Deferred income tax assets	30	64,841	67,017
Other assets	23	37,737	62,131
Total assets		3,839,699	3,501,338
Liabilities			
Due to banks	24	853,417	622,107
Due to customers	25	2,631,608	2,457,351
Derivative financial instruments	16	6,008	3,574
Subordinated debt	26	125,201	99,883
Provisions for staff benefits	28	20,557	20,759
Risks & charges provisions	27	9,749	18,325
Deferred income tax liabilities	30	6,285	8,004
Other liabilities	29	54,986	60,788
Total liabilities		3,707,811	3,290,791
Equity			
Share capital	31	336,898	336,898
Share premium	31	62,620	62,620
Other reserves and retained earnings		(267,630)	(188,971)
Total equity		131,888	210,547
Total equity and liabilities		3,839,699	3,501,338

Consolidated statement of changes in equity

Year ended 31 December 2005	Share capital €'000	Share premium €'000	Fair value reserve €'000	Statutory reserves €'000	Non-Taxed reserves €'000	Retained earnings €'000	Treasury shares €'000	Total equity €'000
Balance at 01.01.2005	240,642	59,643	-	5,866	15,395	(141,131)	(773)	179,642
First application of IAS 39 from 01.01.2005	-	-	5,134	-	-	(55,618)	-	(50,484)
Share capital increase	96,256	2,977	-	-	-	-	-	99,233
Sale of treasury shares	-	-	-	-	-	383	773	1,156
Revaluation of AFS securities	-	-	(4,973)	-	-	-	-	(4,973)
Transfer of reserves	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	(14,082)	-	(14,082)
Other	-	-	-	-	-	55	-	55
Balance at 31.12.2005	336,898	62,620	161	5,866	15,395	(210,393)	-	210,547

Year ended 31 December 2006	Share capital €'000	Share premium €' 000	Fair value reserve €000	Statutory reserves €'000	Non-Taxed reserves €'000	Retained earnings € 000	Treasury shares € 000	Total equity € 000
Balance at 01.01.2006	336,898	62,620	161	5,866	15,395	(210,393)	-	210,547
Revaluation of AFS securities	-	-	(70)	-	-	-	-	(70)
Deferred tax on revaluation of AFS securities	-	-	55	-	-	-	-	55
Cash flow hedges	-	-	533	-	-	-	-	533
Recycled to P & L	-	-	(337)	-	-	-	-	(337)
Transfer	-	-	-	-	(14,957)	14,957	-	-
Loss for the period	-	-	-	-	-	(78,840)	-	(78,840)
Balance at 31.12.2006	336,898	62,620	342	5,866	438	(274,276)	-	131,888

Consolidated cash flow statement

	Note	Year ended 31 December	
		2006 € 000	2005 € 000
Cash flow from operating activities			
Profit / (loss) after tax		(78,840)	(14,082)
<i>Adjustment for:</i>			
Depreciation of property plant and equipment	9, 22	10,841	10,619
Depreciation of intangible assets	9, 21	2,934	3,540
Impairment of loans and advances to customers	17	77,599	41,185
Provisions for staff benefits	28	(204)	1,756
Other provisions	27	(8,475)	(1,818)
Deferred income tax	11	510	(3,235)
(Profit) / loss from financial operations		731	(12,982)
(Profit) / loss from sales of fixed assets		(98)	(153)
Share of (Profit) / loss from subsidiaries		-	123
Foreign exchange (profit) / loss on cash and cash equivalents		(14)	(858)
		4,984	24,095
Net (increase) / decrease of assets relating to operating activities			
Due from banks		34,260	(26,027)
Derivatives		(1,468)	(4,551)
Loans and advances to customers		(370,413)	(266,128)
Other assets		24,607	14,784
Net increase / (decrease) of liabilities relating to operating activities			
Due to banks		231,310	181,119
Due to customers		174,257	(253,546)
Other liabilities		(127)	9,135
		-	-
Income tax paid		(5,676)	-
		91,734	(321,119)
Net cash flow from operating activities after taxes			
Cash flow from investing activities			
Purchase of available for sale securities		(245,541)	(206,407)
Purchase of property, plant and equipment	22	(18,683)	(31,969)
Purchase of intangible assets	21	(2,985)	(2,179)
Proceeds from sale/ liquidation of investment in associates and subsidiaries		239	-
Proceeds from sale of available for sale portfolio		89,324	655,599
Proceeds from sale of fixed assets		1,105	13,008
		(176,541)	428,052
Cash flow from financing activities			
Capital increase			99,233
Issue of subordinated loan	26	125,000	-
Payments on subordinated loan	26	(100,000)	54
Proceeds from sale of treasury shares			1,156
		25,000	100,443
Net Cash flow from financing activities			
Foreign exchange (profit) loss on cash and cash equivalents		14	858
		(59,793)	208,234
Net increase (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period	14	337,207	128,973
Cash and cash equivalents at the end of the period	14	277,414	337,207

Notes to the consolidated financial statements

1. General Information

Geniki Bank S.A. (the "Bank") and its subsidiaries (the "Group") are active in retail and corporate banking, insurance brokerage services, finance leasing and other services. The Bank is incorporated in Greece and its shares are listed on the Athens Stock Exchange. The Group operates mainly in Greece. Its registered office is located in Greece (109-111 Messogion Avenue 115 10 Athens)

These consolidated financial statements were approved by the Board of Directors on 27 February 2007.

The consolidated financial statements of the Group are included in the consolidated financial statements of SOCIETE GENERALE GROUP, which is the ultimate parent entity that has a direct holding of 52.32% to the Bank.

2. Principal accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and of financial assets and financial liabilities (including derivative instruments) at fair-value-through-profit-or-loss.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

The Group's presentation currency is the Euro (€) being the functional currency of the parent Company. All figures are presented in thousand Euros, unless otherwise stated.

The application of the amendments and interpretations listed below did not result in substantial changes to the Group's accounting policies:

- IAS 19 Amendment – Actuarial Gains and Losses, Group Plans and Disclosures;
- IAS 21 Amendment – Net Investment in a Foreign Operation;
- IAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 Amendment – The Fair Value Option;
- IAS 39 and IFRS 4 Amendment – Financial Guarantee Contracts;
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards, and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- IFRS 6, Exploration for and Evaluation of Mineral Resources;
- IFRIC 4, Determining whether an Arrangement contains a Lease;
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

• IAS 19 Amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment only impacts the format and extent of disclosures presented in the accounts.

• IAS 21 Amendment, IAS 39 Amendment – Cash flow hedge accounting of forecasted intragroup transactions, IFRS 1, IFRS 6, IFRIC 4 and IFRIC 5 are not relevant to the Group's operating activities and therefore have no material effect on the Group's policies.

• IAS 39 Amendment – The Group meets the new criteria in the amendment and therefore continues to designate certain financial assets and financial liabilities at fair value through profit and loss.

• IAS 39 and IFRS 4 Amendment – Financial Guarantee Contracts. These types of contract are now accounted for under IAS 39 and no longer accounted for under IFRS 4, as previously required under IFRS. The measurement and disclosure requirements under IAS 39 have not resulted in a material change to the Group's policies.

The Group has chosen not to early adopt the following standard and interpretations that were issued but not yet effective for accounting periods beginning on 1 January 2006:

- IFRS 7, Financial instruments: Disclosures, and Amendment to IAS 1 – Capital disclosures. IFRS 7 supersedes IAS 30 and the disclosure requirements of IAS 32 (effective 1 January 2007);
- IFRS 8, Operating Segments (effective 1 January 2008);
- IFRIC 7, Applying the Restatement Approach under IAS 29 (effective 1 March 2006);
- IFRIC 8, Scope of IFRS 2 (effective 1 May 2006);
- IFRIC 9, Reassessment of embedded derivative (effective 1 June 2006);
- IFRIC 10, Interim Financial Reporting and Impairment (effective 1 November 2006);
- IFRIC 11, IFRS 2 – Group Treasury Share Transactions (effective 1 March 2007); and
- IFRIC 12, Service Concession Arrangements (effective 1 January 2009).

The application of these new interpretations will not have a material impact on the entity's financial statements in the period of initial application.

(b) Consolidation methods**(i) Full Consolidation**

This method is applied to entities over which Geniki Bank exercises sole control. Sole control over a subsidiary is defined as the power to govern the financial and operating policies of the said subsidiary so as to obtain benefits from its activities. It is exercised: (a) either by directly or indirectly holding the majority of voting rights in the subsidiary; (b) or by holding the power to appoint or remove the majority of the members of the subsidiary's governing, management or supervisory bodies, or to command the majority of the voting rights at meetings of these bodies; (c) or by the power to exert a controlling influence over the subsidiary through an agreement or provisions in the company's charter or bylaws.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

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

A listing of the Bank's subsidiaries is set out in note 19.

(ii) Equity method

Companies over which the Group exercises significant influence are accounted for under the equity method. Significant influence is the power to influence the financial and operating policies of a subsidiary without exercising control over the said subsidiary. In particular, significant influence can result from Geniki Bank being represented on the board of directors or supervisory board, from involvement in strategic decisions, from the existence of significant intercompany transactions, from the exchange of management staff, or from the company's technical dependency on Geniki Bank. The Group is assumed to exercise significant influence over the financial and operating policies of a subsidiary when it holds directly or indirectly at least 20% of the voting rights in this subsidiary.

A listing of the Group's associate undertakings, accounted for with the equity method, is set out in note 20.

(c) Transactions denominated in foreign currencies

At period-end, monetary assets and liabilities denominated in foreign currencies are converted into euros (the Group's functional currency) at the prevailing spot exchange rate. Realized or unrealized foreign exchange losses or gains are recognized in the income statement under the line "Financial operations results".

Forward foreign exchange transactions are recognized at fair value based on the forward exchange rate for the remaining maturity. Spot foreign exchange positions are revalued using official spot rates applying at the end of the period. Unrealized gains and losses are recognized in the income statement under the line "Financial operations results".

Non-monetary assets denominated in foreign currencies, including shares and other variable income securities that are not part of the trading portfolio, are converted into euros at the exchange rate applying at the end of the period. Currency differences arising on these assets are only recognized in the income statement under the line "Financial operations results" when sold or impaired or where the currency risk is fair value hedged.

(d) Determining the fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value of financial instruments traded in active markets is determined from quoted prices. If the instrument is not traded in an active market, fair value is determined using valuation techniques.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

2. Principal accounting policies (continue)**(d) Determining the fair value of financial instruments (continue)**

When the financial instrument is traded in several markets to which the Group has immediate access, the fair value is the price at which a transaction would occur in the most advantageous active market. Where no price is quoted for a particular instrument but its components are quoted, the fair value is the sum of the various quoted components incorporating bid or asking prices for the net position as appropriate.

If the market for a financial instrument is not active, its fair value is established using a valuation technique (in-house valuation models). Depending on the instrument under consideration, these valuation models may use data derived from recent transactions, from the fair value of substantially similar instruments, from discounted cash flow or option pricing models. Where necessary, these valuations are adjusted to take certain factors into account, depending on the instruments in question and the associated risks, particularly the bid or asking price of the net position and the modelling risk in the case of complex products.

If the valuation parameters used are observable market data the fair value is taken as the market price, and any difference between the transaction price and the price given by the in-house valuation model, i.e. the sales margin, is immediately recognized in the income statement. However, if valuation parameters are not observable or the valuation models are not recognized by the market, the fair value of the financial instrument at the time of the transaction is deemed to be the transaction price and the sales margin is then generally recognized in the income statement over the lifetime of the instrument, except for some complex financial instruments for which it is recognized at maturity or in the event of early sale.

(e) Financial assets and liabilities

Purchases and sales of non-derivative financial assets at fair value through profit or loss, financial assets held to maturity and available-for-sale financial assets (see below) are recognized in the balance sheet on the settlement date while derivatives are recognized on the trade date. Changes in fair value between the trade and settlement dates are booked in the income statement or to shareholders' equity depending on the relevant accounting category. Customer loans are recorded in the balance sheet on the date they are paid.

When initially recognized, financial assets and liabilities are measured at fair value including transaction cost (except for financial instruments recognized at fair value through profit or loss) and are classified under one of the following categories.

ASSETS**(i) Loans and receivables**

Loans and receivables neither held for trading purposes nor intended for sale from the time they are originated or contributed are recognized in the balance sheet under the Due from banks or Loans and advances to customers and there after carried at their amortized cost. An impairment loss may be recorded if appropriate.

(ii) Financial assets and liabilities at fair value through profit and loss

These are financial assets and liabilities held for trading purposes. They are booked at fair value at the balance sheet date and recognized in the balance sheet under Derivative financial instruments. Changes in fair value are recorded in the income statement for the period as Financial operations results.

This category also includes non-derivative financial assets and liabilities designated by the Group upon initial recognition to be carried at fair value through profit or loss in accordance with the option available under IAS 39. The Group's aim in using the fair value option is:

- first to eliminate or significantly reduce discrepancies in the accounting treatment of certain financial assets and liabilities.
- secondly, the Group can book certain compound financial instruments at fair value so avoiding the need to separate out embedded derivatives that would otherwise have to be booked separately.

(iii) Held-to-maturity financial assets

These are non-derivative fixed income assets with a fixed maturity, which the Group has the positive intention and the ability to hold to maturity. They are valued after acquisition at their amortized cost and may be subject to impairment, if appropriate.

The amortized cost includes premiums and discounts as well as transaction costs and they are recognized in the balance sheet under Held-to-maturity financial assets.

(iv) Investment in securities - Available for sale

These are non-derivative financial assets held for an indefinite period which the Group may sell at any time. By default, these are any assets that do not fall into one of the above three categories. These financial assets are recognized in the balance sheet under Investment in securities - Available for sale and measured at their fair value at the balance sheet date. Interest accrued or paid on fixed-income securities is recognized in the income statement using the effective interest rate method under Interest and similar income. Changes in fair value other than income are recorded in shareholders' equity under Fair value reserves. The Group only records these changes in fair value in the income statement when the asset is sold or impaired, in which case they are reported as Financial operations results. Dividends on variable income securities classified as available for sale are recorded in the income statement under Dividend income.

DEBT

Group borrowings that are not classified as financial liabilities recognized through profit or loss are initially recognized at cost, measured as the fair value of the amount borrowed net of transaction fees. These liabilities are valued at the period end, at amortized cost and are recognized in the balance sheet as due to banks or due to customers.

(i) Amounts due to banks, due to banks

Amounts due to banks and due to customers are classified according to their initial maturity and type into: demand (demand deposits and current accounts) and time deposits and borrowings in the case of banks; and into savings accounts and other deposits in the case of customers. They also include securities sold to banks and customers under repurchase agreements.

(ii) Securitised debt payables

These liabilities are classified by type of security: loan notes, interbank market certificates, negotiable debt instruments, bonds and other debt securities; with the exemption of subordinated notes which are classified under Subordinated debt.

Bond issuance and redemption premiums are amortized at the effective interest rate over the life of the related borrowings. The resulting charge is recognized under Interest expenses in the income statement.

Subordinated debt

This item includes all dated or undated borrowings, whether or not in the form of securitized debt, which in the case of liquidation of the borrowing company may only be redeemed after all other creditors have been paid.

Derecognition of financial assets and liabilities

The Group derecognizes all or part of a financial asset (or group of similar assets) when the contractual rights to the cash flows on the asset expire or when the Group has transferred the contractual rights to receive the cash flows and substantially all of the risks and rewards of ownership of the asset.

Where the Group has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all the risks and rewards of its ownership and has not retained control of the financial asset, the Group derecognizes it and recognizes separately as asset or liability any rights and obligations created or retained as a result of the asset's transfer. If the Group has retained control of the asset, it continues to recognize it in the balance sheet to the extent of its continuing involvement in that asset.

When a financial asset is derecognized in its entirety, a gain or loss on disposal is recorded in the income statement for the difference between the carrying value of the asset and the payment received for it, adjusted where necessary for any unrealized profit or loss previously recognized directly inequity.

The Group only derecognizes all or part of a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

(f) Financial derivatives and hedge accounting

All financial derivatives are recognized at fair value in the balance sheet as financial assets or financial liabilities. Changes in the fair value of financial derivatives, except those designated as cash-flow hedges (see below), are recognized in the income statement for the period.

Derivatives are divided into two categories:

(i) Trading financial derivatives

Derivative instruments are considered to be trading financial derivatives by default, unless they are designated as hedging instruments for accounting purposes. They are booked in the balance sheet under Derivative financial instruments. Changes in fair value are recorded in the income statement as Net gains or losses on financial transactions. Derivatives used for economic hedges are included in this category (e.g. cases for which hedging accounting is not necessary for reducing income statement volatility because gains and losses arising on the hedging and hedged positions are recognised consistently in the income statement).

(ii) Derivative hedging instruments

To designate an instrument as a derivative hedging instrument (i.e. for implementing hedging accounting rules) the Group must document the hedging relationship at the inception of the hedge, specifying the asset, liability, or future transaction hedged, the risk to be hedged, the type of financial derivative used and the valuation method applied to measure the effectiveness of the hedge. The derivative designated as a hedging instrument must be highly effective in offsetting the variation in fair value or cash flows arising from the hedged risk, both when the hedge is first set up and throughout its life. Derivative hedging instruments are recognized in the balance sheet under Derivative financial instruments.

2. Principal accounting policies (continue)**(f) Financial derivatives and hedge accounting (continue)**Fair value hedge

In a fair value hedge, the book value of the hedged item is adjusted for gains or losses attributable to the hedged risk which are reported under Financial operations results. As the hedging is highly effective, changes in the fair value of the hedged item are faithfully reflected in the fair value of the derivative hedging instrument. Accrued interest income or expenses on hedging derivatives are booked to the income statement under Interest income and expense at the same time as the interest income or expense related to the hedged item.

If it becomes apparent that the derivative has ceased to meet the effectiveness criteria for hedge accounting or is sold, hedge accounting is prospectively discontinued. Thereafter, the carrying amount of the hedged asset or liability ceases to be adjusted for changes in fair value and the cumulative adjustments previously recognized under the hedge accounting are amortized over its remaining life. Hedge accounting is discontinued automatically if the hedged item is sold before maturity.

Cash flow hedge

In a cash flow hedge, the effective portion of the changes in fair value of the hedging derivative instrument is recognized in a specific equity account, while the ineffective portion is recognized in the income statement under Net gains or losses on financial instruments.

Amounts directly recognized in equity under cash flow hedge accounting are reclassified in interest income and expenses in the income statement at the same time as the cash flows being hedged. Accrued interest income or expense on hedging derivatives is booked to the income statement under Interest income and expense at the same time as the interest income or expense related to the hedged item.

Whenever the hedging derivative ceases to meet the effectiveness criteria for hedge accounting or is terminated or sold, hedge accounting is prospectively discontinued. Amounts previously recognized directly in equity are reclassified to Interest income and expense in the income statement over the periods where the interest margin is affected by cash flows arising from the hedged item. If the hedged item is sold earlier than expected or if the forecast transaction hedged ceases to be highly probable, unrealized gains and losses booked to equity are immediately reclassified in the income statement.

Macro fair value hedge

In this type of hedge, financial derivatives are used to hedge on an overall basis structural interest rate risks usually arising from Retail Banking activities. In accounting for these transactions, the Group applies the IAS 39 "carve-out" standard as adopted by the European Union, which facilitates: (a) the application of fair value hedge accounting to macro hedges used for asset-liability management including customer demand deposits in the fixed-rate positions being hedged; (b) the carrying out of effectiveness tests required by the standard.

The accounting treatment for financial derivatives designated as a macro fair value hedge is similar to that for other fair value hedging instruments. Changes in fair value of the portfolio of macro-hedged instruments are reported in the balance sheet under Derivative financial instruments.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument. If this hybrid instrument is not valued at fair value through profit and loss the Group separates out the embedded derivative from its host contract if, at the inception of the operation, the economic characteristics and risks of the derivative are not closely related to the economic characteristics and risk profile of the host contract and it would separately meet the definition of a derivative. Once separated out, the derivative is recognized at its fair value in the balance sheet under Derivative financial instruments and accounted for as above. There are no such cases in the financial statements for 2006.

(g) Impairment of financial assets*(i) Financial assets valued at amortized cost*

At each balance sheet date, the Group assesses whether there is objective evidence that any financial asset or group of financial assets has been impaired as a result of one or more events occurring since they were initially recognized (a "loss event") and whether that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that loans or other receivables, or financial assets classified as held-to-maturity financial assets are impaired, an impairment loss is booked for the difference between the carrying amount and the present value of estimated future recoverable cash flows, taking into account any guarantees, discounted at the financial assets' original effective interest rate. This loss is booked to Cost of risk in the income statement and the value of the financial asset is reduced accordingly. Allocations to and reversals of impairments are recorded under Cost of risk. The impaired loans / receivables are debited with interest reflecting the unwinding of their discounting to present value, which is recorded under Interest income in the income statement.

As soon as a credit risk is incurred in a homogenous portfolio / group of financial instruments, impairment loss is recognized without waiting for the risk to individually affect one or more receivables. The amount of impairment is determined on the basis of historical loss experience for assets with credit risk characteristics similar to those in the portfolio, or using hypothetical extreme loss scenarios or, if necessary, ad-hoc studies, adjusted to reflect any relevant current economic conditions.

Where a loan is restructured, the Group books a loss in Cost of risk representing the change in terms of the loan if the present value of expected recoverable future cash flows, discounted at the loan's original effective interest rate, is less than the amortized cost of the loan.

(ii) Available-for-sale financial assets

Where there is objective evidence of long-term impairment to a financial asset available for sale, an impairment loss is recognized through profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in the shareholders' equity account under Unrealized or deferred capital gains or losses and subsequent objective evidence of impairment emerges, the Group recognizes the total accumulated unrealized loss previously booked to shareholders' equity in the income statement – under Cost of risk for debt instruments and under Net gains or losses on available-for-sale financial assets for equity securities.

This cumulative loss is measured as the difference between acquisition cost (net of any repayments of principal and amortization) and the current fair value, less any loss of value on the financial asset that has already been booked through profit or loss.

Impairment losses recognized through profit and loss on an equity instrument classified as available for sale are only reversed through profit and loss when the instrument is sold. Once a shareholders' equity instrument has been recognized as impaired, any further loss of value is booked as an additional impairment loss. For debt instruments, however, an impairment loss is reversed through profit and loss if they subsequently recover in value.

(h) Lease financing and similar agreements

Leases are classified as finance leases if they transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Otherwise they are classified as operating leases.

Lease finance receivables are recognized in the balance sheet under loans and advances to customers and represent the Group's net investment in the lease, calculated as the present value of the minimum payments to be received from the lessee, plus any unguaranteed residual value, discounted at the interest rate implicit in the lease.

Interest included in the lease payments is booked under Interest and similar income in the income statement such that the lease generates a constant periodic rate of return on the lessor's net investment. If there has been a reduction in the estimated unguaranteed residual value used to calculate the lessor's gross investment in the finance lease, an expense is recorded to adjust the financial income already recorded.

Fixed-assets arising from operating lease activities are presented in the balance sheet under Tangible and intangible fixed assets. In the case of buildings, they are booked under Investment Property. Lease payments are recognized in the income statement on a straight-line basis over the life of the lease under Income from other activities.

2. Principal accounting policies (continue)**(i) Tangible and intangible fixed assets**

Operating and investment fixed assets are booked in the balance sheet at cost. Investment subsidies received are deducted from the cost of the relevant assets.

Software designed in-house is booked as an asset in the balance sheet at its direct cost of development, calculated as spending on external supplies and services and personnel costs directly attributable to producing the asset and making it ready for use.

As soon as they are fit for use, fixed assets are depreciated over their useful life. Any residual value of the asset is deducted from its depreciable amount.

Where one or several components of a fixed asset are used for different purposes or to generate economic benefits over a different time period from the combined (whole) asset, these components are depreciated over their individual useful lives, through profit and loss under amortization, depreciation and impairment of tangible and intangible fixed assets.

The Group applied this approach to its operating and investment property, breaking down its assets into at least the following components with their corresponding depreciation periods:

Infrastructure

Major structures	50 years
Doors and windows, roofing	20 years
Façades	30 years

Technical installations

Elevators	} 10-30 years
Electrical installations	
Electricity generators	
Air conditioning, extractors	
Technical wiring	
Security and surveillance installations	
Plumbing	

Fixtures and fittings

Finishing, surroundings	10 years
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Depreciation periods for fixed assets other than buildings depend on their useful life, usually estimated in the following ranges:

Plant and equipment	5 years
Transport	5-7 years
Furniture	10-20 years
Office equipment	5-10 years
IT equipment	3-5 years
Software, developed or acquired	3-5 years
Concessions, patents, licenses, etc.	5-20 years

Fixed assets are tested for impairment whenever there is any indication that their value might have been diminished. Evidence of a loss in value is assessed at every balance sheet date. Where a loss is established, an impairment loss is booked to the income statement under Amortization, depreciation and impairment of tangible and intangible fixed assets. This impairment loss will reduce the depreciable amount of the asset and so also affect its future depreciation schedule.

Realized capital gains or losses on operating fixed assets are recognized under Net income on other assets, while profits or losses on investment real estate are booked as Net Banking Income under Income from other activities.

(j) Provisions

Provisions, other than those for credit risk or employee benefits, represent liabilities whose timing or amount cannot be accurately determined. Provisions may be booked where, by virtue of a commitment to a third-party, the Group will probably or certainly incur an outflow of resources to this third-party without receiving at least equivalent value in exchange.

The expected outflows are then discounted to present value to determine the amount of the provision, where this discounting has a significant impact. Allocations to and reversals of provisions are booked through profit and loss under the items corresponding to the future expense.

(k) Loan commitments

The Group initially recognizes loan commitments that are not considered as financial derivatives, at fair value. Thereafter, these commitments are provisioned, as necessary, in accordance with the accounting principles for Provisions.

(l) Liabilities/shareholders' equity distinction

Financial instruments issued by the Group are classified in whole or in part to debt or to equity depending on whether or not they contractually oblige the issuer to remunerate the holders of the security in cash. The Group has analyzed the substance of these instruments considering the implicit obligation to reimburse the holders.

(m) Interest income and expense

Interest income and expense are booked to the income statement for all financial instruments valued at amortized cost using the effective interest rate method.

The effective interest rate is taken to be the rate that discounts the future cash inflows and outflows over the expected life of the instrument to the book value of the financial asset or liability. To calculate the effective interest rate the Group estimates future cash flows as the product of all the contractual provisions of the financial instrument without taking account of possible future loan losses. This calculation includes commissions paid or received between the parties where these are interest related, transaction costs and all types of premiums and discounts.

When a financial asset or group of similar financial assets have been impaired following an impairment of value, subsequent interest income is booked through profit or loss under Interest and similar income using the same interest rate that was used to discount the future cash flows when measuring the loss of value. Provisions that are booked as balance sheet liabilities, except for those related to employee benefits, generate interest expense for accounting purposes. This expense is calculated using the same interest rate as was used to discount to present value the expected outflow of resources that gave rise to the provision.

(n) Net fees for services

The Group recognizes fee income and expense for services provided and received in different ways depending on the type of service.

Fees for recurring services, such as some payment services, custody fees, or telephone subscriptions are booked as income over the lifetime of the service. Fees for one-off services, such as fund transfers, finder's fees received, arbitrage fees, or penalties following payment incidents are booked to income when the service is provided under Fees paid for services provided and other.

In syndication deals, underwriting fees and participation fees proportional to the share of the issue placed are booked to income at the end of the syndication period provided that the effective interest rate for the share of the issue retained on the Group's balance sheet is comparable to that applying to the other members of the syndicate. Arrangement fees are booked to income when the placement is legally complete. These fees are recognized in the income statement under Fee income – Primary market transactions.

(o) Personnel expenses

Personnel expenses include all expenses related to personnel, notably the cost of the legal employee profit sharing and incentive plans for the year as well as the costs of the various Group pension and retirement schemes and expenses arising from the application of IFRS 2 "Share-based payments"

(p) Employee benefits**(i) post-employment benefits**

Defined contribution plans limit the Group's liability to the subscriptions paid into the plan but do not commit the Group to a specific level of future benefits. Contributions paid are booked as an expense for the year in question.

Defined benefit plans commit the Group, either formally or constructively, to pay a certain amount or level of future benefits, and the company therefore bears the medium- or long-term risk.

Provisions are booked to cover the whole of these retirement obligations. This is assessed regularly by independent actuaries using the projected unit credit method. This valuation technique incorporates assumptions about demographics, early retirement, salary rises and discount and inflation rates.

When these plans are financed from external funds classed as plan assets, the fair value of these funds is subtracted from the provision to cover the obligations.

2. Principal accounting policies (continue)**(p) Employee benefits (continue)**

Differences arising from changes in the calculation assumptions (early retirements, discount rates, etc.) or from differences between actuarial assumptions and real performance (return on plan assets) are booked as actuarial gains or losses. They are amortized in the income statement according to the "corridor" method: i.e. over the expected average remaining working lives of the employees participating in the plan, as soon as they exceed the greater of: (a) 10% of the present value of the defined benefit obligation (before deducting plan assets); (b) 10% of the fair value of the assets at the end of the previous financial year.

Where a new or amended plan comes into force the cost of past services is spread over the remaining period until vesting.

An annual charge is booked under Personnel expenses for defined benefit plans, consisting of: (a) additional entitlements vested by each employee (current service cost); (b) the financial expense resulting from the discount rate; (c) expected return on plan assets (gross return); (d) amortization of actuarial gains and losses and past service cost; (e) settlement or curtailment of plans.

(ii) Long-term benefits

These are benefits paid to employees more than 12 months after the end of the period in which they provided the related services. Long-term benefits are measured in the same way as post employment benefits, except for the treatment of actuarial gains and losses and past service costs which are booked immediately to income.

(q) Cost of risk

The Cost of risk account is limited to allocations, net of reversals, to impairment charge for counterparty risks and provisions for legal disputes.

(r) Deferred Tax

Deferred taxes are recognized whenever the Group identifies a temporary difference between the book value and tax value of balance sheet assets and liabilities that will affect future tax payments. Deferred tax assets and liabilities are measured based on the tax rate enacted or substantively enacted which is expected to apply when the asset is realized or the liability settled. The impact of changes to tax rates is booked in the income statement under Deferred taxes. Net deferred tax assets are not recognised unless it is probable that the deferrer tax asset will be used.

For 2006 and following years, the tax rate applied for deferred tax calculation is 25%.

Deferred taxes are not discounted to present value.

3. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

For financial instruments recognized at fair value through profit and loss, fair value is determined, wherever possible, after prices quoted on an actively-traded market, adjusted if no price is available at the balance sheet date. However, for many of the financial instruments held or issued by the group no actively traded market exists. In these cases, fair value is determined through valuation techniques (in-house valuation models) using valuation parameters that reflect market conditions at the balance sheet date and which are heavily influenced by assumptions on issues such as the amount and timing of estimated future cash flows, discount rates, volatility or credit risk. The Group's in-house valuation models are based on current valuation techniques used by market participants to value financial instruments, such as discounted future cash flows for swaps or Black & Scholes valuation for some options.

For financial instruments that are not recognized at fair value in the balance sheet, the figures given in the notes should not be taken as an estimate of the amount that would be realized if all such financial instruments were to be settled immediately.

The fair values of financial instruments include, if applicable, any accrued interest.

(a) Loans and lease financing receivables

The fair value of loans and lease financing receivables is determined, in the absence of an actively traded market for these loans, by discounting the related future cash flows to present value at market rates in force at the balance sheet date for each type of loan and each maturity. For all floating-rate loans and lease financing receivables and fixed-rate loans with an initial maturity of less than one year, fair value is assumed to be the same as book value.

(b) Shares and other variable income securities

For listed shares, fair value is taken to be the quoted price at the balance sheet date.

(c) Debt (fixed-income) instruments held in portfolio measured at fair value and financial derivatives

The fair value of all these financial instruments is determined based on the quoted price at the balance sheet date or prices provided by brokers at the same date, where available. For unlisted financial instruments, fair value is determined using valuation techniques (in-house valuation models) as described in note 2 on Principal accounting policies

(d) Customers deposits

The fair value of retail customers deposits, mainly individuals or small or medium-sized companies, is assumed to correspond, as there is no actively-traded market in these liabilities, to the value of future cash flows discounted to present value at the market rate prevailing on the balance sheet date.

For floating-rate deposits, demand deposits and borrowings with an initial maturity of less than one year, fair value is assumed to be the same as book value.

(e) Other debt and subordinated debt

For listed financial instruments, fair value is taken as their quoted price at the balance sheet date. For unlisted financial instruments, fair value is determined by discounting future cash flows to present value at market rates.

4. Financial risk management

This note describes the main risks linked to financial instruments and the way in which they are managed by the Group.

The main risks incurred on banking activities are the following: credit risks: (a) risk of loss arising from a counterparty's inability to meet its financial commitments; (b) market risks: risk of loss resulting from changes in market prices and interest rates, in correlations between these elements and their volatility; (c) structural risks: risk of loss in the bank's balance sheet arising from variations in interest or exchange rates; (d) liquidity risk: the risk of the Group not being able to meet its commitments at their maturities.

(a) Organization procedures and methods

Risks are inherent to all banking activities and must therefore to be taken into account from the inception of a transaction through to its completion. As such, responsibility for risk management lies first with the operating divisions.

Geniki Bank's Risk Division is responsible for: (a) defining and validating the methods used to analyze, assess, approve and monitor risks; (b) the critical review of sales strategies for high-risk areas; (c) contributing to the independent assessment of credit risks by commenting on transactions proposed by sales units and monitoring them from start to finish; (d) identifying all Group risks and monitoring the adequacy and consistency of risk management information systems.

A systematic review of the bank's key risk management issues is carried out during the quarterly Risk Committee meetings, which bring together the members of the Executive Committee and Risk Division managers.

This Committee meets to review all core strategic issues: risk-taking policies, measuring methods, material and human resources, analyses of portfolios and the cost of risk, market and credit concentration limits.

All new products and activities or products under development must be submitted to the New Product Committee. This New Product Committee aims to ensure that, prior to the launch of a new activity or product, all associated risks are fully understood, measured, approved and subjected to adequate procedures and controls, using the appropriate information systems and processing chains.

(b) Credit risk**(i) Risk-taking - General principles**

Approval of a credit risk must be based on sound knowledge of the customer, the Group's risk strategy, the purpose, nature and structure of the transaction and the sources of repayment.

The risk approval process is based on four core principles: (a) all transactions giving rise to a counterparty risk (debtor risk, non-settlement or non-delivery risk, issuer risk) must be authorized in advance; (b) all requests for authorizations relating to a specific client or client group must be handled centrally by a single operating division. The central division is designated on a case by-case basis in order to ensure a consistent approach to risk management and permanent control of the Group's potential exposure to major clients; (c) responsibility for analyzing and approving risk is delegated to the most appropriate section of the business lines or credit risk units; (d) risk assessment departments are fully independent at each decision-making level.

(ii) Credit risk mitigation**Guarantees and collateral**

Guarantees or collateral are used by the bank to partially or fully protect against the risk of debtor insolvency (e.g. mortgage).

Master netting agreements

In order to reduce its credit risk exposure, Geniki Bank Group has signed a number of master netting agreements with various counterparties (ISDA contracts governing financial derivatives transactions). In the majority of cases, these agreements do not result in any netting of assets or liabilities on the books, but the credit risk attached to the financial assets covered by a master netting agreement is reduced insofar as, in the event of a default, the amounts due are settled on the basis of their net value.

4. Financial risk management (continue)**(b) Credit risk (continue)**Depreciation

Decisions to book individual provisions on certain counterparties are taken where there is objective evidence of impairment. The amount of the depreciation depends on the probability of recovering the sums due. Depreciation is then booked based on the financial position of the counterparty, its economic prospects and the guarantees called up or which may be called up.

The Risk Division draws up portfolio-based provisions which are reviewed each quarter. The aim of these provisions is to factor in any credit risks incurred on portfolio basis before any depreciation at an individual level.

(c) Market risks linked to trading activities

The organization of market risk management has been continually adjusted with a view to harmonizing existing procedures within the Group and guaranteeing that risk management team remain independent from the operating divisions.

At the proposal of this department, the Group's Risk Committee sets the levels of authorized risk by type of activity and takes the main decisions concerning Group risk management.

(d) Structural interest rate and exchange rate risks

Structural interest rate and exchange rate risks are incurred in commercial and proprietary activities (transactions involving shareholders' equity, investments, bond issues).

The general principle is to concentrate structural interest rate and exchange rate risks for monitoring and controlling using market risk methods, and to reduce structural interest rate and exchange rate as much as possible.

Wherever possible, commercial transactions are hedged against interest rate and exchange rate risks, either through micro hedging (individual hedging of each commercial transaction) or macro-hedging techniques (hedging of portfolios of similar commercial transactions within the treasury department).

Interest rate and exchange rate risks on proprietary transactions are hedged to the extent possible.

Consequently, structural interest rate and exchange rate risks are only borne on the residual positions remaining after this hedging.

(i) organization of the management of structural interest rate and exchange rate risks

The responsibility for managing structural risks lies with the Asset Liabilities Committee (ALCO), which is supported by the Asset and Liability Management Department (ALM Department).

The Group's ALCO Committee, chaired by the General Management and attended by members of the Executive Committee and Finance Department: validates the basic principles for the organization and management of the Group's structural risks; sets the limits; examines the reports on these risks provided by the ALM Department; validates the hedging programs implemented by Treasury.

The ALM Department, which is part of the Group Finance Department: defines standards for the management of structural risks (organization, monitoring methods); validates the models used by the entities; informs the entities of their respective limits; centralizes, consolidates and reports on structural risk exposure, and carries out controls.

(ii) structural interest rate risks

Structural interest rate risk arises from residual gaps in fixed-rate positions with future maturities.

Objective of the Group

The Group's principal aim is to reduce each entity's exposure to interest rate risk as much as possible.

Any residual structural interest rate risk exposure must comply with the sensitivity limits set by the ALCO. This sensitivity defines the variation in the net present value of future residual fixed-rate positions (surplus or deficits on assets and liabilities) for a 1% parallel shift in the yield curve (i.e. this sensitivity does not relate to the sensitivity of annual net interest income). The limit for the overall Group is set at EUR 15m.

Measurement and monitoring of structural interest rate risk

In order to quantify its exposure to structural interest rate risks, the Group analyzes all fixed-rate assets and liabilities with future maturities to identify any gaps.

Assets and liabilities are generally analyzed independently, without any prior matching. Maturities on outstanding positions are determined on the basis of the contractual terms governing transactions, assumptions of client behaviour patterns (savings and sight accounts, early repayments etc.), as well as conventional assumptions relating to certain aggregates (principally shareholders' equity).

Once the Group has identified the gaps in its fixed rate positions (surplus or deficit), it calculates their sensitivity (as defined above) to variations in interest rates. The current sensitivity used considers an immediate parallel shift of 1% in the yield curve.

(iii) structural exchange rate risks

Structural exchange rate risks essentially arise from investments made in a currency other than the base currency of the Group (EUR)

Measurement and monitoring of structural exchange rate risk

The Group quantifies its exposure to structural exchange rate risk by analyzing all assets and liabilities denominated in foreign currencies, arising from commercial and proprietary transactions.

As commercial transactions are hedged against exchange rate risk, the Group's residual exposure results primarily from proprietary transactions.

The Group's Finance Department monitors structural exchange rate positions.

(e) Hedging interest rate and exchange rate risk

In order to hedge certain market risks, the Group has set up hedges which, in accounting terms, are referred to as fair value hedges or cash flow hedges depending on the risks and/or financial instruments hedged.

In order to qualify these transactions as hedges for IFRS accounting purposes, the Group documents such hedge transactions in detail, specifying the risk covered, the risk management strategy and the method used to measure the effectiveness of the hedge from its inception. This effectiveness is verified when changes in the fair value or cash flow of the hedged instrument are almost entirely offset by changes in the fair value or cash flow of the hedging instrument— the expected ratio between the two changes in fair value being within the range 80%-125%. Effectiveness is measured each quarter on a prospective and retrospective basis. Where the effectiveness falls outside the range specified above, hedge accounting is discontinued. However, economic hedges may continue to be in place, irrespective to the IFRS accounting treatment.

(i) fair value hedge

Within the framework of its activities and in order to hedge its fixed-rate financial assets and liabilities against variations in long interest rates (essentially loans/borrowings, securities issues and fixed-rate securities), the Group uses fair value hedges primarily in the form of interest rate swaps and interest rate options.

Prospective effectiveness is assessed via a sensitivity analysis based on probable market trends between certain components of the hedged and hedging instruments.

Retrospective effectiveness is assessed by comparing any changes in the fair value of the hedging instrument with any changes in the fair value of the hedged instrument.

(ii) cash flow hedge

Cash flow hedges on interest rates are used to hedge against the risk that the future cash flow of a floating rate financial instrument fluctuate in line with market interest rates.

The aim of such a hedge is to protect against unfavourable changes in future cash flow that are liable to impact on the income statement.

(f) Liquidity risk

Liquidity risk management covers all areas of Geniki Bank's business, from market transactions to structural transactions (commercial or proprietary transactions).

The Group manages this exposure using a system designed to manage liquidity risk under normal day-to-day conditions.

(i) organization of the management of liquidity risk

The ALM Department manages liquidity for the overall Group, in conjunction with the treasury department.

The Group's ALCO, chaired by the General Management and attended by members of the Executive Committee and Finance Department: (a) validates the basic principles for the organization and management of the

The ALM Department, which is part of the Group Finance Sector (a) defines the standards for the management of liquidity risks; (b) centralizes, consolidates and reports on liquidity risk exposure (c) defines the Group's financing programs.

Treasury is responsible for managing short-term liquidity (less than one year).

Objective of the Group

The Group's objective is to finance its activities at the best possible rate under normal conditions of operation, and to ensure it can meet its obligations in the event of a crisis.

The main principles of the Group's liquidity management are as follows: (a) central management of liquidity to the extent possible (b) diversification of sources of funding, both in terms of geographical regions and sectors of activity (c) management of short-term liquidity in accordance with the regulatory framework; issuance of financial instruments to achieve the target solvency capital ratio.

Notes to the consolidated financial statements

4. Financial risk management (continue)

(f) Liquidity risk (continue)

Measurement and monitoring of liquidity risk

The Group's liquidity management system assess the Group's financing requirements on the basis of budget forecasts in order to plan appropriate funding solutions

The risk analysis is conducted with reports for on and off-balance sheet items per currency and residual maturity. Maturities on outstanding assets and liabilities are determined on the basis of the contractual terms of the transactions, assumptions for client behaviour patterns (savings and sight accounts, early repayments, etc.), as well as conventional assumptions relating to certain aggregates (principally shareholders' equity).

5. Estimations and judgements

The Group makes estimates and assumptions that affect the reported amounts recognised in the financial statements. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that appear to be reasonable under the circumstances.

(a) Impairment of loans and advances

The Group reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recognised in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a decrease in the estimated future cash flows from outstanding loans and advances.

The individual provisions relate to loans and advances separately examined for impairment and their calculation is based on the best possible estimation of the present value of the related recoverable future cash flows. For estimating the cash flows, the management estimates the financial position of each customer and the recoverable amount from the foreclosure of assets with fixed charges (e.g. pre-notation of property) or guarantees. Each case is evaluated separately, whereas the followed methodology and the estimation of recoverable cash flows are reviewed by independent parties.

Provisions for losses on aggregated positions take into consideration factors such as credit quality, portfolio size etc. For estimating the required provisions, assumptions are made in respect of models and parameters, adjusted for past experience and prevailing financial conditions.

Accuracy of provisions is dependent on the quality of the estimation of expected cash flows, at individual and aggregate level. Although the above estimations involve subjective judgments, the management believes that recognized provisions are adequately and sufficiently justified.

(b) Fair value of derivatives (including embedded derivatives)

The fair value of financial instruments not quoted in active markets are determined by using valuation techniques. To the extent practical models use only observable data.

(c) Income tax

The Group is subject to income tax according to the Greek Tax Legislation. The calculation of income tax expense requires the exercise of significant subjective judgment. In the context of the usual Group activity, there are many transactions and calculations for which the final tax assessment is not certain. The management of the Group has taken into consideration income tax expense that may arise from a future tax audit. In case the final level of income tax that will be assessed, differs from the estimates, the difference may affect the income tax in the period of assessment or it may reduce the amount of the contingent asset relating to the tax losses carried forward.

6. Net interest income

	Year ended	
	31 December	
	2006	2005
	€ 000	€ 000
(a) Interest income		
Banks	6,964	4,849
Customers	179,525	161,727
Financial instruments		
<i>Available for sale</i>	8,043	15,821
<i>Hedging instruments</i>	4,614	3,703
Financial leases	7,242	5,556
Total interest income	206,388	191,656

	Year ended	
	31 December	
	2006	2005
	€ 000	€ 000
(b) Interest expense		
Banks	(23,632)	(9,618)
Customers	(41,894)	(33,773)
Financial instruments		
<i>Subordinated Debt</i>	(4,891)	(4,139)
<i>Hedging instruments</i>	(2,840)	(2,945)
Total interest expense	(73,257)	(50,475)

7. Fee income and expenses

	Year ended	
	31 December	
	2006	2005
	€ 000	€ 000
(a) Fee income		
Customer transactions	8,625	9,825
Securities transactions	2,643	1,731
Investment and guarantees	6,514	6,088
Credit card fee income	8,710	8,616
Other service fees income	7,965	6,984
Total fee income	34,457	33,244

	Year ended	
	31 December	
	2006	2005
	€ 000	€ 000
(b) Fee expenses		
Credit institutions transactions	(281)	(259)
Financial instruments operations	(1)	(12)
Financial services	(214)	(201)
Other service fee expenses	(1,577)	(1,320)
Total fee expenses	(2,073)	(1,792)

8. Net income on financial operations

	Year ended	
	31 December	
	2006	2005
	€ 000	€ 000
Derivative financial instruments	(1,851)	(11,651)
Available for sale financial instruments	(592)	12,114
Foreign exchange transactions	1,022	858
Total net income on financial operations	(1,421)	1,321

9. Operating expenses

	Year ended	
	31 December	
	2006	2005
	€ 000	€ 000
Staff costs (note 10)	100,052	89,039
Taxes	1,403	1,608
Advertising expenses	12,221	8,897
Computer equipment & software maintenance	10,769	11,150
Consulting and other legal expenses	3,583	3,635
Building rental and maintenance	12,145	11,021
Other administrative expenses	15,013	14,945
Depreciation and amortisation	13,774	14,159
Total operating expenses	168,960	154,454

10. Staff costs

	Year ended	
	31 December	
	2006	2005
	€ 000	€ 000
Wages and salaries	77,768	66,970
Social security costs	15,729	15,757
Defined contribution plans	4,178	4,323
Defined benefit plans (note 28)	2,377	1,989
Total staff costs	100,052	89,039

The number of employees of the Group as at 31 December 2006 was 2,303 (2,284 for 2005)

Share-based payments

The employees of the Group are entitled to participate in a Societe Generale (SG) supported share-based payment scheme. The scheme is presented in summary below.

- Employees are eligible to buy SG shares at a discount of 20% on the price of the share prevailing at the announcement date

- Participation per employee is limited to EUR 20 000

- Employees should hold the shares for a period of five years. However, they are entitled to sell them in certain occasions such as marriage, resignation, purchase of new home etc.

So far the participation of Group employees to this plan has been very limited

11. Income tax expense

	Year ended	
	31 December	
	2006	2005
	€ 000	€ 000
Current income tax	(5,747)	(1,577)
Deferred tax	(510)	3,235
Total income tax expense	(6,257)	1,658

Further information about deferred income tax is presented in note 30. The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the parent as follows:

	2006	2005
<i>Profit before tax</i>	(72,583)	(15,740)
Tax calculated at a statutory tax rate of 29% (2005 32%)	21,049	5,037
Adjustments due to tax ratio change		(4,081)
Income not subject to tax (perm. diff.)	23	493
Expenses not deductible for tax purposes (perm. Diff.)	(233)	(636)
One-off taxation of special reserves	(2,394)	-
Tax withheld on bond interest - not recoverable	(1,760)	-
De-recognition of deferred tax asset on the tax loss c/f	(21,748)	-
Other	(1,194)	845
Income tax expense	(6,257)	1,658

Group entities have been audited by the tax authorities as presented below.

- Geniki Bank SA up to 2004 (included)
- General Cards SA up to 2001 (included)
- General Finance SA up to 2002 (included)
- General Insurance Brokerage up to 2002 (included)
- General Leasing SA up to 2002 (included)
- GBG Finance PLC (tax resident in the United Kingdom) has not been audited for the years 2001 to 2004 (included)
- § General Securities (AXEPEY), merged in 2004 with the Bank, has been tax audited up to the year 2001 (included).
- § Gaiognomon SA which has been liquidated, has been tax audited up to 2001 (included).
- § Genap SA which under liquidation, has been tax audited up to 2001 (included).

Due to the fact that a tax audit may disallow some expenses, it is possible that additional taxes may be assessed; it is estimated that these taxes are not going to have a significant impact on the financial position of the Group.

Notes to the consolidated financial statements

12. Earnings / (losses) per share

Basic earnings per share is calculated by dividing the net profit or loss attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

<i>Measurement unit</i>	Year ended 31 December	
	2006	2005
Net profit (loss) for period attributable to ordinary shareholders	€ ' 000	(78,840) (14,082)
Weighted average number of ordinary shares in issue	Number of shares	58,387,939 48,601,982
Basic and diluted earnings per share	€	(1.35) (0.29)

13. Cash and balances with central bank

	Year ended 31 December	
	2006 € 000	2005 € 000
Cash in hand	38,355	43,354
Balances with central banks	59,854	63,338
Total cash and balances with central banks	98,209	106,692
Included in cash and cash equivalents (note 14)	98,209	106,692
	-	-

14. Cash and cash equivalents

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

	Year ended 31 December	
	2006 € 000	2005 € 000
Cash and balances with central banks	98,209	106,692
Loans and advances to banks	159,255	230,515
Availabel for sale investement securities	19,950	-
	277,414	337,207

15. Due from banks

	Year ended 31 December	
	2006 € 000	2005 € 000
Items in course of collection from other banks	123,071	80,083
Placements with other banks	57,817	206,320
Total due from other banks	180,888	286,403
Included in cash and cash equivalents (note 14)		
Loans and advances to other banks	159,255	230,515

16. Derivative financial instruments

	Year ended 31 December 2006			Year ended 31 December 2005		
	<i>Contract amount</i>	Fair values		<i>Contract amount</i>	Fair values	
		Assets	Liabilities		Assets	Liabilities
(a) Derivatives held for trading (incl. economic hedging)						
<i>(i) Foreign exchange derivatives</i>						
Currency swaps	187,790	545	5,282	229,030	673	1,506
<i>Total foreign exchange derivatives</i>		545	5,282		673	1,506
<i>(ii) Interest rate derivatives</i>						
Interest rate swaps	175,000	477	428			
Interest rate options				322,900	6,627	-
<i>Total interest rate derivatives</i>		477	428		6,627	-
<i>(ii) Other financial derivatives</i>						
Forward instruments		-	-	17,500	-	144
<i>Total other financial derivatives</i>		-	-		-	144
Total recognized derivative held for trading		1,022	5,710		7,299	1,650
(b) Derivatives held for hedging (accounting hedging)						
<i>(i) Derivatives designated as fair value hedges</i>						
Interest rate swaps	73,000	2,311	298	73,000	214	1,285
Interest rate options	436,050	8,693	-			
<i>Total derivatives designated as fair value hedges</i>		11,004	298		214	1,285
<i>(ii) Derivatives designated as cash flow hedges</i>						
Interest rate swaps		-	-	50,000	79	638
<i>Total derivatives designated as cash flow hedges</i>		-	-		79	638
Total recognized derivative held for hedging (accounting hedging)		11,004	298		293	1,924
Total recognized derivative assets/(liabilities)		12,027	6,008		7,592	3,574

17. Loans and advances to customers

	Year ended 31 December	
	2006 € 000	2005 € 000
Loans to individuals	1,453,074	1,211,835
Loans to corporate entities	1,650,036	1,591,850
Leasing	133,082	115,371
Gross loans and advances	3,236,192	2,919,056
Revaluation of hedged items - macro-hedge	2,228	-
Revaluation of hedged items - micro-hedge	(2,065)	954
Less: allowance for losses on loans and advances	(288,836)	(266,184)
Less: allowance for losses on finance leases	(7,949)	(7,070)
Total loans and advances to customers, net	2,939,570	2,646,756

Housing loans with embedded interest rate guarantees are macro-hedged (collar). The above mentioned amount has been reflected in the Income statement under Financial operations results.

17. Loans and advances to customers (conitnue)

Allowance for losses on loan and advances	Year ended 31 December	
	2006 € 000	2005 € 000
Balance at 1 January	273,254	206,853
First adoption of IFRS (IAS 39)	-	68,331
Impairment losses on loans and advances charged in the year	76,117	41,185
Loans written off during the year as uncollectible	(52,586)	(43,115)
Balance at 31 December	296,785	273,254

18. Available for sale investment securities

	Year ended 31 December	
	2006 € 000	2005 € 000
Debt securities-at fair value		
-listed	355,895	182,628
-unlisted	-	-
Equity securities-at fair value		
-listed	-	128
-unlisted	5,356	3,301
Total available for sale investment securities	361,251	186,057
Included in cash and cash equivalents (note 14)		
Available for sale investment securities	19,950	-
Of which pledged	65,000	20,000
Of which used for repo collaterals	97,714	81,932

The movement of available for sale investment securities is summarised as follows:

	Year ended 31 December	
	2006 € 000	2005 € 000
Balance at 1 January	186,057	640,190
Additions	269,820	193,408
Disposals	(94,219)	(648,383)
Revaluation adjustments	(70)	842
Recyclement to P&L	(337)	-
Balance at 31 December	361,251	186,057

19. Investment in subsidiaries

The following is a listing of the Bank's subsidiaries as at 31 December 2006:

	Year ended 31 December			
	2006		2005	
	Direct holding	Indirect holding	Direct holding	Indirect holding
General Cards & Financial Services S.A.	100%		89%	11%
General Finance S.A.	100%		100%	
General Insurance Agency S.A.	80%	20%	80%	20%
General Leasing S.A.	100%		65%	35%
Gbg Finance Plc	99%	1%	99%	1%
Genap S.A.	100%		100%	

20. Investment in associates

	Year ended 31 December	
	2006 € 000	2005 € 000
Beginning of the year	1,143	1,266
Share of results	-	(123)
Disposal	(400)	
At the end of the period	743	1,143

Genap S.A. has been consolidated with the net equity method and has been presented in the Investment in associates line in the Balance sheet because the figures are immaterial and there is no commercial activity of any kind. Also the entity is under liquidation.

Notes to the consolidated financial statements

21. Intangible assets

	Computer software € 000	Other € 000	Total intangible assets € 000
Cost			
Balance at 1 January 2005	26,794	11,152	37,946
Transfers	-	-	-
Additions	1,853	-	1,853
Disposals and write - offs	-	-	-
Balance at 31 December 2005	28,647	11,152	39,799
Accumulated depreciation			
Balance at 1 January 2005	23,261	-	23,261
Transfers	-	-	-
Additions	-	-	-
Disposals and write - offs	-	-	-
Charge of the year	2,443	1,291	3,734
Balance at 31 December 2005	25,704	1,291	26,995
Net book value at 31 December 2005	2,943	9,861	12,804
Cost			
Balance at 1 January 2006	28,647	11,152	39,799
Transfers	-	-	-
Additions	2,971	16	2,987
Disposals and write - offs	(3)	-	(3)
Balance at 31 December 2006	31,615	11,168	42,783
Accumulated depreciation			
Balance at 1 January 2006	25,704	1,291	26,995
Transfers	-	-	-
Additions	-	-	-
Disposals and write - offs	-	-	-
Charge of the year	1,821	1,112	2,933
Balance at 31 December 2006	27,525	2,403	29,928
Net book value at 31 December 2006	4,090	8,765	12,855

22. Property, plant and equipment

	Land, buildings, leasehold improvements € 000	Leasehold land and buildings € 000	Furniture, equipment, motor vehicles € 000	Computer hardware € 000	Under construction € 000	Total fixed assets € 000
Cost						
Balance at 1 January 2005	117,864	7,555	19,365	29,759	1,860	176,403
Transfers	10,944	-	705	335	(11,984)	-
Additions	122	-	1,735	3,200	15,230	20,287
Disposals and write - offs	(1,041)	-	(2,709)	(1,817)	(481)	(6,048)
Balance at 31 December 2005	127,889	7,555	19,096	31,477	4,625	190,642
Accumulated depreciation						
Balance at 1 January 2005	23,968	259	13,486	22,154	-	59,867
Transfers	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals and write - offs	(311)	-	(2,639)	(1,443)	-	(4,393)
Charge of the year	4,837	169	1,703	3,716	-	10,425
Balance at 31 December 2005	28,494	428	12,550	24,427	-	65,899
Net book value at 31 December 2005	99,395	7,127	6,546	7,050	4,625	124,743
Cost						
Balance at 1 January 2006	127,889	7,555	19,096	31,477	4,625	190,642
Transfers	5,215	-	2,131	154	(7,500)	-
Additions	2,071	-	1,427	3,723	11,462	18,683
Disposals and write - offs	(825)	-	(1,243)	(2,633)	-	(4,701)
Balance at 31 December 2006	134,350	7,555	21,411	32,721	8,587	204,624
Accumulated depreciation						
Balance at 1 January 2006	28,494	428	12,550	24,427	-	65,899
Transfers	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals and write - offs	(183)	-	(996)	(2,515)	-	(3,694)
Charge of the year	6,040	169	1,936	2,696	-	10,841
Balance at 31 December 2006	34,351	597	13,490	24,608	-	73,046
Net book value at 31 December 2006	99,999	6,958	7,921	8,113	8,587	131,578

Notes to the consolidated financial statements

23. Other assets	Year ended 31 December	
	2006 € 000	2005 € 000
Prepaid expenses and accrued income	4,053	7,317
Auction (repossed) items	9,456	10,083
Other assets	24,228	44,731
Total other assets	37,737	62,131

Auction (repossed) items

Auction (repossed) items are accounted as stocks in accordance with IAS 2.

	31 December	
	2006 € 000	2005 € 000
Balance at 1 January	10,083	9,716
Additions	821	2,342
Impairment	(100)	-
Disposals and write - offs	(1,348)	(1,975)
Balance at 31 December	9,456	10,083

24. Due to other banks	Year ended 31 December	
	2006 € 000	2005 € 000
Items in course of payment	65,452	44,148
Deposits from other banks	787,965	577,959
	853,417	622,107
Included in the amounts due to other banks are amounts due to:		
- Parent, fellow subsidiary and affiliate undertakings	729,062	311,030

25. Due to customers	Year ended 31 December	
	2006 € 000	2005 € 000
Savings and current accounts	1,482,324	1,465,715
Term deposits and repurchase agreements	1,149,284	991,636
	2,631,608	2,457,351

26. Subordinated debt

GBG Finance PLC, a wholly owned subsidiary of the Group, redeemed on 18 December 2006 its outstanding Subordinated Guaranteed Step up Callable Floating Rate Notes loan amounting to 100m Euros, that was guaranteed by Geniki Bank SA.

For replacing the redeemed subordinated loan, the Bank issued on 18 December 2006 a new subordinated (bonded) loan amounting to 125m Euros. The (bonded) loan has been wholly placed to Societe Generale. The tenor of the loan is 10 years with fixed interest rate of 4.46% for the first five years and floating rate for the remaining years. The loan is callable after five years.

27. Provisions

<i>Provisions for litigations and risks</i>	Year ended 31 December	
	2006 € 000	2005 € 000
At 1 January	3,126	3,190
Additions	1,202	-
Utilised during the year	(308)	(64)
Write off	-	-
Other	(1,423)	-
Balance at 31 December	2,597	3,126

<i>Provisions for impairment</i>	Year ended 31 December	
	2006 € 000	2005 € 000
At 1 January	1,012	1,012
Additions	-	-
Utilised during the year	(675)	-
Write off	(337)	-
Balance at 31 December	-	1,012

<i>Other provisions</i>	Year ended 31 December	
	2006 € 000	2005 € 000
At 1 January	14,187	15,781
Additions	880	2,585
Utilised during the year	(5,827)	(4,179)
Write off	(488)	-
Other	(1,600)	-
Balance at 31 December	7,152	14,187

Notes to the consolidated financial statements

28. Staff leaving indemnity provision	Year ended 31 December	
	2006	2005
	€ 000	€ 000
At 1 January	20,759	20,874
Current cost	1,315	1,819
Interest expense (unwinding of discount)	951	875
Recognised actuarial losses	82	-
Indemnities paid	(2,550)	(2,809)
Balance at 31 December	20,557	20,759

The amount recognised in the balance sheet are determined as follows:

Present value of unfunded obligations	28,098	24,490
Unrecognised actuarial losses liability in the balance sheet	(7,541)	(3,731)
	20,557	20,759

Staff leaving indemnity provision is calculated in accordance with the stipulations of law 2112/20. The Group considers all benefits of employees with over than 15 years of service as vested.

Demographic and financial assumptions	2006		2005	
	Bank	Subsidiaries	Bank	Subsidiaries
Long term inflation rate	3.30%	2.00%	3.38%	2.16%
Employee turnover	1.42%	1.42%	1.42%	1.42%
Discount rate	4.69%	5.03%	3.71%	4.46%

29. Other liabilities	Year ended 31 December	
	2006	2005
	€ 000	€ 000
Current tax liabilities	1,953	44
Deferred income and accrued expenses	10,907	4,964
Other liabilities	42,126	55,780
	54,986	60,788

Finance leasing

The future minimum lease payments and unguaranteed residual values from finance leases where the Group is the lessee (including sale and leaseback transactions) are analyzed as follows:

	Present value of minimum lease payments		Present value of minimum lease payments	
	Minimum lease payments	Minimum lease payments	Minimum lease payments	Minimum lease payments
	2006	2005	2006	2005
- not later than one year	776	457	748	453
- later than one year and not later than five years	3,851	2,723	3,880	2,558
- later than five years	3,008	2,808	3,754	3,430
Total	7,635	5,988	8,382	6,441
Less future finance charges	1,647	-	1,941	-
Present value of minimum lease payments	5,988	5,988	6,441	6,441

30. Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method using effective tax rate of 25%.

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

	Year ended 31 December	
	2006	2005
	€ 000	€ 000
At 1 January	59,013	39,122
First application of IFRS	-	17,078
Income statement credit	(510)	3,235
Available for sale securities	55	(1,711)
Other differences	(2)	1,289
Balance at 31 December	58,556	59,013

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

Deferred income tax assets

Tax loss carried forward	-	18,086
Allowance for impairment on loans & advances to customers	51,975	36,465
Defined benefits obligations	5,098	4,907
Loans commissions and claims to customers	3,696	3,107
Provisions for other risks	2,376	3,413
Available for sale portfolio	(142)	374
Other differences	1,838	665
	64,841	67,017

Deferred income tax liabilities

Derivatives and financial instruments	(516)	330
Fixed assets	6,801	7,674
	6,285	8,004

Since 2006 is the third consecutive year with tax losses, the deferred tax asset corresponding to the tax benefit resulting from the carry forward of the tax losses that can be set-off against future taxable profits cannot continue to be recognised in accordance with IFRS. This treatment does not imply that the Bank has lost the right to set-off the accumulated tax losses against future tax profits. Tax losses can be carried forward for 5 years. For example, the tax loss of 2004, which is the earliest tax loss, can be carried forward until 2009.

As a result the Group has a contingent asset amounting to EUR 21 million approximately. This figure represents the ceiling of this contingent asset.

Tax loss year	Carried forward untill	Amount	Contingent asset
2004	2009	29,882	7,471
2005	2010	40,721	10,180
2006	2011	16,390	4,098
		86,993	21,748

31. Share capital, share premium

The following is an analysis of the movement of share capital and share premium. The par value of the Bank's shares is € 5.77 per share and all of the Bank's shares are fully paid.

Ordinary share capital	Year ended 31 December			
	2006		2005	
	Number of shares	€ 000	Number of shares	€ 000
At 1 January	58,387,939	336,898	41,705,671	240,642
Share capital increase paid in cash			16,682,268	96,256
Balance at 31 December	58,387,939	336,898	58,387,939	336,898
Share premium				
At 1 January	-	62,620	-	59,643
Rights issue (paid in cash)	-	-	-	3,838
Less: Rights issue expenses, net of tax	-	-	-	(861)
Balance at 31 December	-	62,620	-	62,620

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

As geographical concentration risk is concerned, the Group is mainly active in Greece. For management information purposes Greece as a whole is considered as one geographical region.

33. Operating lease commitments

The obligations of the Group (as lessee) from leases relate to the occupancy of premises used for its operations. The duration of leases varies from 9 to 12 years with an option to renew or extend their duration at the agreement of both counterparties. Lease payments are usually adjusted annually on the basis of the consumer inflation index. Group policy is to renew such contracts.

The future minimum lease payments for operating leases are as follows:

	Year ended 31 December			
	2006		2005	
	Land and buildings	Furniture, equipment, vehicles	Land and buildings	Furniture, equipment, vehicles
- not later than one year	8,099	209	8,065	166
- later than one year and not later than five years	26,561	296	26,362	326
- later than five years	16,563	-	19,823	-
Total	51,223	505	54,250	492

The total expenses of the Group for real estate leases for 2006 amount to 8,718 (2005: 7,651) thousands euro and are included in administration expenses.

34. Contingent liabilities and commitments

	Year ended 31 December	
	2006 € 000	2005 € 000
Contingent liabilities :		
Guarantees		
- guarantees and standby letters of credit	368,917	461,848
- other guarantees low and medium risk	357,769	173,303
Documentary credits	12,044	13,605
	738,730	648,756
Commitments :		
Capital expenditure	21,065	22,173

Legal cases

Pending litigation cases against the Group are not expected to have a significant impact on its financial position and future operation.

Tax issues

See note 11 on income tax and note 5c "Estimations and judgments".

Social security issues

The employees of Geniki Bank are socially secured in IKA (main fund) and therefore, the stipulations of the Law 3371/2005 relating to the transfer of employees to IKA-ETAM will not have an effect to the Group. The employees of the Bank have set up - without any participation of the Bank in the set-up, management and administration – a supplementary fund for pensions and lump-sum payments at retirement. The only obligation of the Bank in respect of the supplementary fund is the payment of contributions. In accordance with the provisions of Law 3371/2005, the employees can decide to dissolve and transfer their fund to IKA – ETEAM - ETAT. The effect on the contributions payable by the Bank in future periods or other impact from the introduction of the Law 3371/2005 cannot be assessed.

35. Business segments

Retail banking comprises private individuals and free-lancers. It includes all products offered to such clients, namely deposits, term deposits, Repos, Swaps, loans (housing and consumer), custody, debit and credit cards.

Corporate banking comprises all businesses (solo practitioners and legal entities of the public and private sector). Product offering includes deposits, term deposits, Repos, Swaps, loans, letters of guarantee, bond loans, derivatives, funds transfer, foreign exchange transactions.

	Year ended 31 December 2006						
	Retail € 000	Corporate € 000	Insurance € 000	Leasing € 000	Other € 000	Inter-segment eliminations € 000	Total € 000
Revenue	77,677	86,053	1,050	3,395	687	(408)	168,454
Expenses	(65,995)	(86,370)	(770)	(1,485)	(974)	408	(155,186)
Provisions	(30,840)	(40,214)	8	(1,031)	-	-	(72,077)
Depreciation	(6,074)	(7,595)	(7)	(83)	(15)	-	(13,774)
Net results	(25,232)	(48,126)	281	796	(302)	-	(72,583)
Income tax							(6,257)
Net Profit after tax							(78,840)
Segment assets	1,459,930	2,389,457	2,300	139,561	-	(151,549)	3,839,699
Associates	-	-	-	-	-	-	-
Segment liabilities	1,889,359	1,960,028	2,300	139,561	-	(151,549)	3,839,699
Capital expenditure	8,493	12,572	-	-	-	-	21,065

Notes to the consolidated financial statements

35. Business segments (continue)

Year ended 31 December 2005

	Retail € 000	Corporate € 000	Insurance € 000	Leasing € 000	Other € 000	Inter-segment eliminations € 000	Total € 000
Revenue	77,734	95,985	905	2,927	732	(79)	178,204
Expenses	(56,268)	(82,882)	(573)	(827)	175	79	(140,296)
Provisions	(15,468)	(22,336)	(178)	(1,385)	-	-	(39,367)
Depreciation	(5,873)	(8,236)	(16)	(12)	(22)	-	(14,159)
Net results	125	(17,469)	138	703	885	-	(15,618)
Loss on associates	-	-	-	-	(123)	-	(123)
Income tax	-	-	-	-	-	-	1,658
Net Profit after tax	-	-	-	-	-	-	(14,083)
Segment assets	1,211,700	2,300,474	1,700	113,743	-	(126,279)	3,501,338
Associates	-	-	-	-	-	-	-
Segment liabilities	1,657,746	1,854,428	1,700	113,743	-	(126,279)	3,501,338
Capital expenditure	7,883	14,067	-	223	-	-	22,173

36. Currency risk

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2006 and 31 December 2005. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by currency.

	Year ended 31 December 2006			
	Euro € 000	USD € 000	Other € 000	Total € 000
Assets				
Cash and balances with central bank	97,772	222	215	98,209
Due from banks	131,282	20,062	29,544	180,888
Derivative financial instruments	12,015	11	1	12,027
Loans and advances to customers, net	2,885,870	50,757	2,943	2,939,570
Investment securities - available for sale	331,613	29,638	-	361,251
Investment in associate undertakings	743	-	-	743
Intangible assets	12,855	-	-	12,855
Property, plant and equipment	131,578	-	-	131,578
Deferred income tax assets	64,841	-	-	64,841
Other assets	37,433	295	9	37,737
Total assets	3,706,002	100,985	32,712	3,839,699
Liabilities				
Due to banks	828,046	22,439	2,932	853,417
Due to customers	2,370,194	73,636	187,778	2,631,608
Derivative financial instruments	5,894	84	30	6,008
Subordinated debt	125,201	-	-	125,201
Provisions for staff benefits	20,557	-	-	20,557
Risks & charges provisions	9,749	-	-	9,749
Deferred income tax liabilities	6,285	-	-	6,285
Other liabilities	54,978	4	4	54,986
Total liabilities	3,420,904	96,163	190,744	3,707,811
Net on balance sheet position	285,098	4,822	(158,032)	131,888
Off balance sheet net notional position	7,282	(5,715)	157,602	159,169
Contingent liabilities and commitments (note 34)	669,288	27,532	41,910	738,730

	Year ended 31 December 2006			
	Euro € 000	USD € 000	Other € 000	Total € 000
Net currency position	205,277	(20)	5,290	210,547

37. Interest rate risk

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

	Year ended 31 December 2006						Total € 000
	Up to 1 month € 000	1-3 months € 000	3-12 months € 000	1-5 years € 000	Over 5 years € 000	Non- interest bearing € 000	
Assets							
Cash and balances with central bank	-	-	-	-	-	98,209	98,209
Due from banks	162,005	11,236	7,227	-	-	420	180,888
Derivative financial instruments	-	-	-	-	-	12,027	12,027
Loans and advances to customers, net	1,894,643	355,322	458,306	198,755	31,904	640	2,939,570
Investment securities - available for sale	334,516	15,468	504	-	-	10,763	361,251
Investment in associate undertakings	-	-	-	-	-	743	743
Intangible assets	-	-	-	-	-	12,855	12,855
Property, plant and equipment	-	-	-	-	-	131,578	131,578
Deferred income tax assets	-	-	-	-	-	64,841	64,841
Other assets	-	-	-	-	-	37,737	37,737
Total assets	2,391,164	382,026	466,037	198,755	31,904	369,813	3,839,699
Liabilities							
Due to banks	418,279	243,977	186,846	-	-	4,315	853,417
Due to customers	2,232,216	260,545	134,612	62	-	4,173	2,631,608
Derivative financial instruments	-	-	-	-	-	6,008	6,008
Subordinated debt	-	-	-	125,000	-	201	125,201
Provisions for staff benefits	-	-	-	-	-	20,557	20,557
Risks & charges provisions	-	-	-	-	-	9,749	9,749
Deferred income tax liabilities	-	-	-	-	-	6,285	6,285
Other liabilities	-	-	-	-	-	54,986	54,986
Total liabilities	2,650,495	504,522	321,458	125,062	-	106,274	3,707,811
Total interest sensitivity gap	(259,331)	(122,496)	144,579	73,693	31,904	263,539	

37. Interest rate risk (continue)

	Year ended 31 December 2005						
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	
Total assets	2,123,473	346,155	536,246	140,508	35,591	319,365	3,501,338
Total liabilities	1,854,299	478,709	786,698	63,210	-	107,875	3,290,791
Total interest sensitivity gap	269,174	(132,554)	(250,452)	77,298	35,591	211,490	

38. Maturity of assets and liabilities

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

	Year ended 31 December 2006					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Assets						
Cash and balances with central bank	98,209					98,209
Due from banks	162,221	11,365	7,280	-	22	180,888
Derivative financial instruments	903	47	73	1,829	9,175	12,027
Loans and advances to customers, net	1,216,110	239,917	282,660	506,422	694,461	2,939,570
Investment securities - available for sale	104,379	9,957	6,846	6,330	233,739	361,251
Investment in associate undertakings					743	743
Intangible assets					12,855	12,855
Property, plant and equipment					131,578	131,578
Deferred income tax assets			3,130	37,872	23,839	64,841
Other assets	37,737					37,737
Total assets	1,619,559	261,286	299,989	552,453	1,106,412	3,839,699
Liabilities						
Due to banks	420,293	243,993	189,131	-	-	853,417
Due to customers	2,233,962	261,719	135,865	62	-	2,631,608
Derivative financial instruments	3,900	1,810	-	168	130	6,008
Subordinated debt	-	-	201	125,000	-	125,201
Provisions for staff benefits	-	-	1,290	5,171	14,096	20,557
Risks & charges provisions	-	-	-	9,749	-	9,749
Deferred income tax liabilities	-	-	(516)	-	6,801	6,285
Other liabilities	54,986	-	-	-	-	54,986
Total liabilities	2,713,141	507,522	325,971	140,150	21,027	3,707,811
Net liquidity gap	(1,093,582)	(246,236)	(25,982)	412,303	1,085,385	

	Year ended 31 December 2005					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Total assets	872,718	612,375	575,869	467,694	972,682	3,501,338
Total liabilities	2,453,797	278,068	317,943	210,307	30,676	3,290,791
Net liquidity gap	(1,581,079)	334,307	257,926	257,387	942,006	

Financial leases operations of the Group are included in Loans and advances to customers and are analysed in maturity groupings as follows.

	Present value of minimum lease payments		Present value of minimum lease payments	
	2006	2005	2006	2005
	- not later than one year	29,204	21,912	24,076
- later than one year and not later than five years	69,700	50,395	53,739	40,276
- later than five years	79,832	60,775	71,383	56,116
Total	178,736	133,082	149,198	115,371
Less future finance charges	45,654	-	33,827	-
Present value of minimum lease payments	133,082	133,082	115,371	115,371

39. Post balance sheet events

There are no post balance sheets events for the reporting period.

40. Reclassification

Certain figures of the previous period have been reclassified for comparability.

41. Related parties transactions

Parent and ultimate controlling party

The ultimate controlling party of the Group is Societe Generale S.A. which is incorporated in France. Societe Generale Group holds 52,32% of the ordinary shares of the Bank.

Related party transactions

	Year ended 31 December	
	2006	2005
	€ 000	€ 000
Assets		
Due from banks	21,793	156,634
Derivative financial instruments	5,155	3,514
Total	26,948	160,148
Liabilities		
Due to banks	729,062	311,030
Subordinated Debt	125,201	-
Total	854,263	311,030
Income		
Interest and similar income	1,913	1,183
Total	1,913	1,183
Expenses		
Interest and similar expenses	18,739	1,463
Total	18,739	1,463

Guarantees issued to related parties as 31.12.2006 were amounting to € 79,827 thousands.

Guarantees received by related parties as 31.12.2006 were amounting to € 8,665 thousands.

41. Related parties transactions (continued)**Transactions with key management personnel**

The remuneration of the Board of Directors (BoD) members and General Managers of the Bank for the period ended 31 December 2006 amounted to € 940 thousand.

There were no outstanding loans granted to BoD members or to General Managers of the Bank; their deposits amounted to € 262 thousand as at 31 December 2006

42. Regulatory ratios

	<u>2006</u>	<u>2005</u>
Capital adequacy ratio	5.89%	10.77%
Liquidity ratio	n/a	n/a

The liquidity ratio of the Bank is 15.40% (2006).

The Bank will proceed to a share capital increase for complying with all statutory and regulatory ratios.

43. Board of directors

The Board of Directors of the Bank is the following:

Koutalidis Tryfon	Chairman (Non Executive)
Rokas Meletios	Vice chairman (Non Executive)
Jacques Tournebize	Chief Executive Officer
Patrick Couste	Deputy Chief Executive Officer
Patrick Debaene	Executive Director
Jean Didier Reigner	Non Executive
Marc Breillout	Non Executive
Jean Louis Mattei	Non Executive
Kalyvas Elias	Non Executive
Akkas Christos	Independent Non-Executive Member
Gouloussis Dimitrios	Independent Non-Executive Member

In the absence of the Chairman of the Board of Directors, the
Managing Director

The Deputy Managing Director

Head of Financial Services Division

JACQUES C. TOURNEBIZE

PATRICK COUSTE

EVAGELLOS E. SKALIDIS

APPENDIX B



**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2006**

Index to the financial statements

Note		Note	
	Auditor's Report	20	Investment in associates
	Income statement	21	Intangible assets
	Balance sheet	22	Property, plant and equipment
	Statement of changes in equity	23	Other assets
	Cash flow statement	24	Due to other banks
1	General Information	25	Due to customers
2	Principal accounting policies	26	Subordinated debt
3	Fair value of financial instruments	27	Provisions
4	Financial risk management	28	Staff leaving indemnity provision
5	Estimations and judgements	29	Other liabilities
6	Net interest income	30	Deferred income tax
7	Fee income and expenses	31	Share capital, share premium
8	Net income on financial operations	32	Geographical concentration of assets, liabilities and off-balance sheet items
9	Operating expenses	33	Operating lease commitments
10	Staff costs	34	Contingent liabilities and commitments
11	Income tax expense	35	Business segments
12	Earnings / (losses) per share	36	Currency risk
13	Cash and balances with central bank	37	Interest rate risk
14	Cash and cash equivalents	38	Maturity of assets and liabilities
15	Due from banks	39	Post balance sheet events
16	Derivative financial instruments	40	Reclassification
17	Loans and advances to customers	41	Related parties transactions
18	Available for sale investment securities	42	Regulatory ratios
19	Investments in subsidiaries	43	Board of directors

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of GENERAL ("GENIKI") BANK OF GREECE S.A.

Report on the Financial Statements

We have audited the accompanying financial statements of General ("Geniki") Bank of Greece S.A. ("The Bank"), which comprise the balance sheet as at December 31, 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as these were adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Greek Auditing Standards which are harmonised with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as these were adopted by the European Union.

Without qualifying our opinion we draw your attention to the fact that:

- (a) The equity of the Bank fell on December 31, 2006, below one half of the paid-in capital and, therefore, the provisions of article 47 of (Greek) Company Law 2190/1920 are applicable. Further, the capital adequacy and liquidity ratios fell below the minimum required by the applicable legislation and (Central) Bank of Greece. The management of the Bank has confirmed that remedial action has already been initiated, including the increase of share capital, in order to comply with all the regulatory and supervisory ratios and rules.
- (b) The income tax returns of the Bank for 2005 and 2006 have not yet been examined by the tax authorities and, therefore, it is possible that additional taxes and penalties thereon may be imposed upon a future tax inspection. The outcome of such a tax inspection cannot be presently determined.

Report on Other Legal and Regulatory Requirements

The content of Directors' Report which is presented in the consolidated financial statements is consistent with the above financial statements.

Athens, 27 February 2007
The Certified Public Accountant

Nikolaos C. Sofianos
RN SOEL 12231

Deloitte

Hadjipavlou, Sofianos &
Cambanis S.A.
Assurance & Advisory Services
RN SOEL E120
250 - 254 Kifissias Ave.
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Athens

Income statement

	<u>Notes</u>	<u>Year ended 31 December</u>	
		<u>2006</u>	<u>2005</u>
		<u>€ 000</u>	<u>€ 000</u>
Interest and similar income		203,340	189,212
Interest expense and similar charges		(73,438)	(50,880)
Net interest income	6	129,902	138,332
Fee and commission income		34,362	33,411
Fee and commission expense		(1,996)	(1,775)
Net fee and commission income	7	32,366	31,636
Dividend income		79	1,541
Financial operations results	8	(1,417)	1,322
Other operating income		2,549	1,231
Gross Operating income		163,479	174,062
Provisions for loans	17	(75,020)	(39,877)
Provisions for other risks		3,966	2,072
Staff costs and related expenses	10	(95,768)	(85,212)
Administration expenses	9	(56,839)	(54,466)
Depreciation and amortization	9, 21, 22	(13,420)	(13,940)
Operating expenses		(237,081)	(191,423)
Profit / (loss) before income tax		(73,602)	(17,361)
Income tax expense	11	(5,764)	1,329
Profit / (loss) for the year		(79,366)	(16,032)
Attributable to:			
Equity holders of the parent		(79,366)	(16,032)
Earnings per share (in euros)			
- Basic & diluted	12	(1.36)	(0.33)

Balance sheet

	Note	Year ended 31 December	
		2006 € 000	2005 € 000
Assets			
Cash and balances with central bank	13	98,194	105,438
Due from banks	15	180,776	286,322
Derivative financial instruments	16	12,027	7,592
Loans and advances to customers, net	17	2,940,553	2,654,486
Investment securities - available for sale	18	361,251	185,928
Investment in Subsidiaries	19	12,369	8,490
Investment in associate undertakings	20	990	1,390
Intangible assets	21	12,557	13,076
Property, plant and equipment	22	130,045	124,253
Deferred income tax assets	30	62,690	65,651
Other assets	23	31,079	57,488
Total assets		3,842,531	3,510,114
Liabilities			
Due to banks	24	853,419	623,552
Due to customers	25	2,644,443	2,470,868
Derivative financial instruments	16	6,008	3,574
Subordinated debt	26	125,201	99,883
Provisions for staff benefits	28	20,391	20,596
Risks & charges provisions	27	9,289	17,695
Deferred income tax liabilities	30	6,285	8,004
Other liabilities	29	46,732	55,993
Total liabilities		3,711,768	3,300,165
Equity			
Share capital	31	336,898	336,898
Share premium	31	62,620	62,620
Other reserves and retained earnings		(268,755)	(189,569)
Total equity		130,763	209,949
Total equity and liabilities		3,842,531	3,510,114

Statement of changes in equity

Year ended 31 December 2005	Share capital €'000	Share premium €'000	Fair value reserves €'000	Statutory reserves €'000	Non-Taxed reserves €'000	Retained earnings €'000	Treasury shares €'000	Total equity €'000
Balance at 01.01.2005	240,642	59,643	-	5,477	14,961	(138,931)	(724)	181,068
First application of IAS 39 from 01.01.2005	-	-	5,134	-	-	(55,619)	-	(50,485)
Share capital increase	96,256	2,977	-	-	-	-	-	99,233
Sale of treasury shares	-	-	-	-	-	383	724	1,107
Revaluation of AFS securities	-	-	(4,973)	-	-	-	-	(4,973)
Transfer of reserves	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	(16,032)	-	(16,032)
Other	-	-	-	-	-	31	-	31
Balance at 31.12.2005	336,898	62,620	161	5,477	14,961	(210,168)	-	209,949

Year ended 31 December 2006	Share capital €'000	Share premium €' 000	Fair value reserves €000	Statutory reserves €000	Non-Taxed reserves € 000	Retained earnings € 000	Treasury shares € 000	Total equity € 000
Balance at 01.01.2006	336,898	62,620	161	5,477	14,961	(210,168)	-	209,949
Revaluation of AFS securities	-	-	(70)	-	-	-	-	(70)
Deferred Tax on AFS securities	-	-	54	-	-	-	-	54
Cash flow hedges	-	-	533	-	-	-	-	533
Recycled to P & L	-	-	(337)	-	-	-	-	(337)
Transfer	-	-	-	-	(14,957)	14,957	-	-
Loss for the period	-	-	-	-	-	(79,366)	-	(79,366)
Balance at 31.12.2006	336,898	62,620	341	5,477	4	(274,577)	-	130,763

Cash flow statement

	Notes	Year ended	
		31 December	
		2006	2005
		€ 000	€ 000
Cash flow from operating activities			
Profit / (loss) after tax		(79,366)	(16,032)
<i>Adjustment for:</i>			
Depreciation of property plant and equipment	9, 22	10,627	10,427
Depreciation of intangible assets	9, 21	2,793	3,513
Impairment of loans and advances to customers	17	76,502	39,877
Provisions for staff benefits	28	(206)	1,715
Other provisions	27	(8,305)	(2,072)
Deferred income tax	11	1,294	(2,622)
Dividends from subsidiaries		-	(1,468)
(Profit) / loss from financial operations		727	1,322
(Profit) / loss from sales of fixed assets		(98)	(153)
Share of (Profit) / loss from subsidiaries		-	-
Foreign exchange (profit) / loss on cash and cash equivalents		(14)	(858)
		3,954	33,649
Net (increase) / decrease of assets relating to operating activities			
Due from banks		34,180	(25,946)
Derivatives		(1,467)	(4,551)
Loans and advances to customers		(362,570)	(258,195)
Other assets		26,621	(303)
Net increase / (decrease) of liabilities relating to operating activities		-	
Due to banks		229,867	180,224
Due to customers		173,575	(257,642)
Other liabilities		(3,585)	8,568
		-	
Income tax paid		(5,676)	-
		94,899	(324,196)
Net cash flow from operating activities after taxes			
Cash flow from investing activities			
Purchase of available for sale securities		(245,541)	(206,407)
Purchase of property, plant and equipment	22	(17,228)	(31,771)
Purchase of intangible assets	21	(2,274)	(2,163)
Investment in associates and subsidiaries		(3,879)	(119)
Proceeds from sale/ liquidation of investment in associates and subsidiaries		239	816
Proceeds from dividends from subsidiaries		-	1,468
Proceeds from sale of available for sale portfolio		89,200	655,443
Proceeds from sale of fixed assets		907	12,726
Net cash flow from investing activities		(178,576)	429,993
Cash flow from financing activities			
Capital increase		-	99,233
Issue of subordinated loan	26	125,000	
Payments on subordinated loan	26	(100,000)	54
Proceeds from sale of treasury shares		-	1,107
Net Cash flow from financing activities		25,000	100,394
Foreign exchange (profit) loss on cash and cash equivalents		14	858
Net increase (decrease) in cash and cash equivalents		(58,663)	207,049
Cash and cash equivalents at the beginning of the period	14	335,952	128,903
Cash and cash equivalents at the end of the period	14	277,289	335,952

Notes to the financial statements

1. General Information

Geniki Bank S.A. (the "Bank") is active in retail and corporate banking. The Bank is incorporated in Greece and its shares are listed on the Athens Stock Exchange. The Bank operates mainly in Greece. Its registered office is located in Greece (109-111 Messogion Avenue 115 10 Athens)

These financial statements were approved by the Board of Directors on 27 February 2007.

The financial statements of the Bank are included in the consolidated financial statements of SOCIETE GENERALE Group, which is the ultimate parent entity that has a direct holding of 52.32% to the Bank.

2. Principal accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and of financial assets and financial liabilities (including derivative instruments) at fair-value-through-profit-or-loss.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

The Bank's presentation currency is the Euro (€) being the functional currency of the parent Company. All figures are presented in thousand Euros, unless otherwise stated.

The application of the amendments and interpretations listed below did not result in substantial changes to the Bank's accounting policies:

- IAS 19 Amendment – Actuarial Gains and Losses, Group Plans and Disclosures;
- IAS 21 Amendment – Net Investment in a Foreign Operation;
- IAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 Amendment – The Fair Value Option;
- IAS 39 and IFRS 4 Amendment – Financial Guarantee Contracts;
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards, and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- IFRS 6, Exploration for and Evaluation of Mineral Resources;
- IFRIC 4, Determining whether an Arrangement contains a Lease;
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

• IAS 19 Amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements. As the Bank does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment only impacts the format and extent of disclosures presented in the accounts.

• IAS 21 Amendment, IAS 39 Amendment – Cash flow hedge accounting of forecasted intraBank transactions, IFRS 1, IFRS 6, IFRIC 4 and IFRIC 5 are not relevant to the Bank's operating activities and therefore have no material effect on the Bank's policies.

• IAS 39 Amendment – The Bank meets the new criteria in the amendment and therefore continues to designate certain financial assets and financial liabilities at fair value through profit and loss.

• IAS 39 and IFRS 4 Amendment – Financial Guarantee Contracts. These types of contract are now accounted for under IAS 39 and no longer accounted for under IFRS 4, as previously required under IFRS. The measurement and disclosure requirements under IAS 39 have not resulted in a material change to the Bank's policies.

The Bank has chosen not to early adopt the following standard and interpretations that were issued but not yet effective for accounting periods beginning on 1 January 2006:

- IFRS 7, Financial instruments: Disclosures, and Amendment to IAS 1 – Capital disclosures. IFRS 7 supersedes IAS 30 and the disclosure requirements of IAS 32 (effective 1 January 2007);
- IFRS 8, Operating Segments (effective 1 January 2008);
- IFRIC 7, Applying the Restatement Approach under IAS 29 (effective 1 March 2006);
- IFRIC 8, Scope of IFRS 2 (effective 1 May 2006);
- IFRIC 9, Reassessment of embedded derivative (effective 1 June 2006);
- IFRIC 10, Interim Financial Reporting and Impairment (effective 1 November 2006);
- IFRIC 11, IFRS 2 – Group Treasury Share Transactions (effective 1 March 2007); and
- IFRIC 12, Service Concession Arrangements (effective 1 January 2009).

The application of these new interpretations will not have a material impact on the entity's financial statements in the period of initial application.

(b) Transactions denominated in foreign currencies

At period-end, monetary assets and liabilities denominated in foreign currencies are converted into euros (the Bank's functional currency) at the prevailing spot exchange rate. Realized or unrealized foreign exchange losses or gains are recognized in the income statement under the line "Financial operations results".

Forward foreign exchange transactions are recognized at fair value based on the forward exchange rate for the remaining maturity. Spot foreign exchange positions are revalued using official spot rates applying at the end of the period. Unrealized gains and losses are recognized in the income statement under the line "Financial operations results".

Non-monetary assets denominated in foreign currencies, including shares and other variable income securities that are not part of the trading portfolio, are converted into euros at the exchange rate applying at the end of the period. Currency differences arising on these assets are only recognized in the income statement under the line "Financial operations results" when sold or impaired or where the currency risk is fair value hedged.

(c) Determining the fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value of financial instruments traded in active markets is determined from quoted prices. If the instrument is not traded in an active market, fair value is determined using valuation techniques.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When the financial instrument is traded in several markets to which the Bank has immediate access, the fair value is the price at which a transaction would occur in the most advantageous active market. Where no price is quoted for a particular instrument but its components are quoted, the fair value is the sum of the various quoted components incorporating bid or asking prices for the net position as appropriate.

If the market for a financial instrument is not active, its fair value is established using a valuation technique (in-house valuation models). Depending on the instrument under consideration, these valuation models may use data derived from recent transactions, from the fair value of substantially similar instruments, from discounted cash flow or option pricing models. Where necessary, these valuations are adjusted to take certain factors into account, depending on the instruments in question and the associated risks, particularly the bid or asking price of the net position and the modelling risk in the case of complex products.

If the valuation parameters used are observable market data the fair value is taken as the market price, and any difference between the transaction price and the price given by the in-house valuation model, i.e. the sales margin, is immediately recognized in the income statement. However, if valuation parameters are not observable or the valuation models are not recognized by the market, the fair value of the financial instrument at the time of the transaction is deemed to be the transaction price and the sales margin is then generally recognized in the income statement over the lifetime of the instrument, except for some complex financial instruments for which it is recognized at maturity or in the event of early sale.

(d) Financial assets and liabilities

Purchases and sales of non-derivative financial assets at fair value through profit or loss, financial assets held to maturity and available-for-sale financial assets (see below) are recognized in the balance sheet on the settlement date while derivatives are recognized on the trade date. Changes in fair value between the trade and settlement dates are booked in the income statement or to shareholders' equity depending on the relevant accounting category. Customer loans are recorded in the balance sheet on the date they are paid.

When initially recognized, financial assets and liabilities are measured at fair value including transaction cost (except for financial instruments recognized at fair value through profit or loss) and are classified under one of the following categories.

ASSETS**(i) Loans and receivables**

Loans and receivables neither held for trading purposes nor intended for sale from the time they are originated or contributed are recognized in the balance sheet under the Due from banks or Loans and advances to customers and there after carried at their amortized cost. An impairment loss may be recorded if appropriate.

2. Principal accounting policies (continue)**(d) Financial assets and liabilities (continue)****(ii) Financial assets and liabilities at fair value through profit and loss**

These are financial assets and liabilities held for trading purposes. They are booked at fair value at the balance sheet date and recognized in the balance sheet under Derivative financial instruments. Changes in fair value are recorded in the income statement for the period as Financial operations results.

This category also includes non-derivative financial assets and liabilities designated by the Bank upon initial recognition to be carried at fair value through profit or loss in accordance with the option available under IAS 39. The Bank's aim in using the fair value option is:

- first to eliminate or significantly reduce discrepancies in the accounting treatment of certain financial assets and liabilities.
- secondly, the Bank can book certain compound financial instruments at fair value so avoiding the need to separate out embedded derivatives that would otherwise have to be booked separately.

(iii) Held-to-maturity financial assets

These are non-derivative fixed income assets with a fixed maturity, which the Bank has the positive intention and the ability to hold to maturity. They are valued after acquisition at their amortized cost and may be subject to impairment, if appropriate.

The amortized cost includes premiums and discounts as well as transaction costs and they are recognized in the balance sheet under Held-to-maturity financial assets.

(iv) Investment in securities - Available for sale

These are non-derivative financial assets held for an indefinite period which the Bank may sell at any time. By default, these are any assets that do not fall into one of the above three categories. These financial assets are recognized in the balance sheet under Investment in securities - Available for sale and measured at their fair value at the balance sheet date. Interest accrued or paid on fixed-income securities is recognized in the income statement using the effective interest rate method under Interest and similar income. Changes in fair value other than income are recorded in shareholders' equity under Fair value reserves. The Bank only records these changes in fair value in the income statement when the asset is sold or impaired, in which case they are reported as Financial operations results. Dividends on variable income securities classified as available for sale are recorded in the income statement under Dividend income.

DEBT

Bank borrowings that are not classified as financial liabilities recognized through profit or loss are initially recognized at cost, measured as the fair value of the amount borrowed net of transaction fees. These liabilities are valued at the period end, at amortized cost and are recognized in the balance sheet as due to banks or due to customers.

(i) Amounts due to banks, due to customers

Amounts due to banks and due to customers are classified according to their initial maturity and type into: demand (demand deposits and current accounts) and time deposits and borrowings in the case of banks; and into savings accounts and other deposits in the case of customers. They also include securities sold to banks and customers under repurchase agreements.

(ii) Securitised debt payables

These liabilities are classified by type of security: loan notes, interbank market certificates, negotiable debt instruments, bonds and other debt securities; with the exemption of subordinated notes which are classified under Subordinated debt.

Bond issuance and redemption premiums are amortized at the effective interest rate over the life of the related borrowings. The resulting charge is recognized under Interest expenses in the income statement.

Subordinated debt

This item includes all dated or undated borrowings, whether or not in the form of securitized debt, which in the case of liquidation of the borrowing company may only be redeemed after all other creditors have been paid.

Derecognition of financial assets and liabilities

The Bank derecognizes all or part of a financial asset (or Bank of similar assets) when the contractual rights to the cash flows on the asset expire or when the Bank has transferred the contractual rights to receive the cash flows and substantially all of the risks and rewards of ownership of the asset.

Where the Bank has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all the risks and rewards of its ownership and has not retained control of the financial asset, the Bank derecognizes it and recognizes separately as asset or liability any rights and obligations created or retained as a result of the asset's transfer. If the Bank has retained control of the asset, it continues to recognize it in the balance sheet to the extent of its continuing involvement in that asset.

When a financial asset is derecognized in its entirety, a gain or loss on disposal is recorded in the income statement for the difference between the carrying value of the asset and the payment received for it, adjusted where necessary for any unrealized profit or loss previously recognized directly inequity.

The Bank only derecognizes all or part of a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

(e) Financial derivatives and hedge accounting

All financial derivatives are recognized at fair value in the balance sheet as financial assets or financial liabilities. Changes in the fair value of financial derivatives, except those designated as cash-flow hedges (see below), are recognized in the income statement for the period.

Derivatives are divided into two categories:

(i) Trading financial derivatives

Derivative instruments are considered to be trading financial derivatives by default, unless they are designated as hedging instruments for accounting purposes. They are booked in the balance sheet under Derivative financial instruments. Changes in fair value are recorded in the income statement as Net gains or losses on financial transactions. Derivatives used for economic hedges are included in this category (e.g. cases for which hedging accounting is not necessary for reducing income statement volatility because gains and losses arising on the hedging and hedged positions are recognised consistently in the income statement).

(ii) Derivative hedging instruments

To designate an instrument as a derivative hedging instrument (i.e. for implementing hedging accounting rules) the Bank must document the hedging relationship at the inception of the hedge, specifying the asset, liability, or future transaction hedged, the risk to be hedged, the type of financial derivative used and the valuation method applied to measure the effectiveness of the hedge. The derivative designated as a hedging instrument must be highly effective in offsetting the variation in fair value or cash flows arising from the hedged risk, both when the hedge is first set up and throughout its life. Derivative hedging instruments are recognized in the balance sheet under Derivative financial instruments.

Fair value hedge

In a fair value hedge, the book value of the hedged item is adjusted for gains or losses attributable to the hedged risk which are reported under Financial operations results. As the hedging is highly effective, changes in the fair value of the hedged item are faithfully reflected in the fair value of the derivative hedging instrument. Accrued interest income or expenses on hedging derivatives are booked to the income statement under Interest income and expense at the same time as the interest income or expense related to the hedged item.

If it becomes apparent that the derivative has ceased to meet the effectiveness criteria for hedge accounting or is sold, hedge accounting is prospectively discontinued. Thereafter, the carrying amount of the hedged asset or liability ceases to be adjusted for changes in fair value and the cumulative adjustments previously recognized under the hedge accounting are amortized over its remaining life. Hedge accounting is discontinued automatically if the hedged item is sold before maturity.

Cash flow hedge

In a cash flow hedge, the effective portion of the changes in fair value of the hedging derivative instrument is recognized in a specific equity account, while the ineffective portion is recognized in the income statement under Net gains or losses on financial instruments.

Amounts directly recognized in equity under cash flow hedge accounting are reclassified in interest income and expenses in the income statement at the same time as the cash flows being hedged. Accrued interest income or expense on hedging derivatives is booked to the income statement under Interest income and expense at the same time as the interest income or expense related to the hedged item.

Whenever the hedging derivative ceases to meet the effectiveness criteria for hedge accounting or is terminated or sold, hedge accounting is prospectively discontinued. Amounts previously recognized directly in equity are reclassified to Interest income and expense in the income statement over the periods where the interest margin is affected by cash flows arising from the hedged item. If the hedged item is sold earlier than expected or if the forecast transaction hedged ceases to be highly probable, unrealized gains and losses booked to equity are immediately reclassified in the income statement.

Macro fair value hedge

In this type of hedge, financial derivatives are used to hedge on an overall basis structural interest rate risks usually arising from Retail Banking activities. In accounting for these transactions, the Bank applies the IAS 39 "carve-out" standard as adopted by the European Union, which facilitates: (a) the application of fair value hedge accounting to macro hedges used for asset-liability management including customer demand deposits in the fixed-rate positions being hedged; (b) the carrying out of effectiveness tests required by the standard.

The accounting treatment for financial derivatives designated as a macro fair value hedge is similar to that for other fair value hedging instruments. Changes in fair value of the portfolio of macro-hedged instruments are reported in the balance sheet under Derivative financial instruments.

2. Principal accounting policies (continue)**(f) Financial derivatives and hedge accounting (continued)***Embedded derivatives*

An embedded derivative is a component of a hybrid instrument. If this hybrid instrument is not valued at fair value through profit and loss the Bank separates out the embedded derivative from its host contract if, at the inception of the operation, the economic characteristics and risks of the derivative are not closely related to the economic characteristics and risk profile of the host contract and it would separately meet the definition of a derivative. Once separated out, the derivative is recognized at its fair value in the balance sheet under Derivative financial instruments and accounted for as above. There are no such cases in the financial statements for 2006.

(g) Impairment of financial assets**(i) Financial assets valued at amortized cost**

At each balance sheet date, the Bank assesses whether there is objective evidence that any financial asset or Bank of financial assets has been impaired as a result of one or more events occurring since they were initially recognized (a "loss event") and whether that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Bank of financial assets that can be reliably estimated.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Bank of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that loans or other receivables, or financial assets classified as held-to-maturity financial assets are impaired, an impairment loss is booked for the difference between the carrying amount and the present value of estimated future recoverable cash flows, taking into account any guarantees, discounted at the financial assets' original effective interest rate. This loss is booked to Cost of risk in the income statement and the value of the financial asset is reduced accordingly. Allocations to and reversals of impairments are recorded under Cost of risk. The impaired loans / receivables are debited with interest reflecting the unwinding of their discounting to present value, which is recorded under Interest income in the income statement.

As soon as a credit risk is incurred in a homogenous portfolio / group of financial instruments, impairment loss is recognized without waiting for the risk to individually affect one or more receivables. The amount of impairment is determined on the basis of historical loss experience for assets with credit risk characteristics similar to those in the portfolio, or using hypothetical extreme loss scenarios or, if necessary, ad-hoc studies, adjusted to reflect any relevant current economic conditions.

Where a loan is restructured, the Bank books a loss in Cost of risk representing the change in terms of the loan if the present value of expected recoverable future cash flows, discounted at the loan's original effective interest rate, is less than the amortized cost of the loan.

(ii) Available-for-sale financial assets

Where there is objective evidence of long-term impairment to a financial asset available for sale, an impairment loss is recognized through profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in the shareholders' equity account under Unrealized or deferred capital gains or losses and subsequent objective evidence of impairment emerges, the Bank recognizes the total accumulated unrealized loss previously booked to shareholders' equity in the income statement – under Cost of risk for debt instruments and under Net gains or losses on available-for-sale financial assets for equity securities.

This cumulative loss is measured as the difference between acquisition cost (net of any repayments of principal and amortization) and the current fair value, less any loss of value on the financial asset that has already been booked through profit or loss.

Impairment losses recognized through profit and loss on an equity instrument classified as available for sale are only reversed through profit and loss when the instrument is sold. Once a shareholders' equity instrument has been recognized as impaired, any further loss of value is booked as an additional impairment loss. For debt instruments, however, an impairment loss is reversed through profit and loss if they subsequently recover in value.

(h) Lease financing and similar agreements

Leases are classified as finance leases if they transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Otherwise they are classified as operating leases.

Lease finance receivables are recognized in the balance sheet under loans and advances to customers and represent the Bank's net investment in the lease, calculated as the present value of the minimum payments to be received from the lessee, plus any unguaranteed residual value, discounted at the interest rate implicit in the lease.

Interest included in the lease payments is booked under Interest and similar income in the income statement such that the lease generates a constant periodic rate of return on the lessor's net investment. If there has been a reduction in the estimated unguaranteed residual value used to calculate the lessor's gross investment in the finance lease, an expense is recorded to adjust the financial income already recorded.

Fixed-assets arising from operating lease activities are presented in the balance sheet under Tangible and intangible fixed assets. In the case of buildings, they are booked under Investment Property. Lease payments are recognized in the income statement on a straight-line basis over the life of the lease under Income from other activities.

(i) Tangible and intangible fixed assets

Operating and investment fixed assets are booked in the balance sheet at cost. Investment subsidies received are deducted from the cost of the relevant assets.

Software designed in-house is booked as an asset in the balance sheet at its direct cost of development, calculated as spending on external supplies and services and personnel costs directly attributable to producing the asset and making it ready for use.

As soon as they are fit for use, fixed assets are depreciated over their useful life. Any residual value of the asset is deducted from its depreciable amount.

Where one or several components of a fixed asset are used for different purposes or to generate economic benefits over a different time period from the combined (whole) asset, these components are depreciated over their individual useful lives, through profit and loss under amortization, depreciation and impairment of tangible and intangible fixed assets.

The Bank applied this approach to its operating and investment property, breaking down its assets into at least the following components with their corresponding depreciation periods:

Infrastructure

Major structures	50 years
Doors and windows, roofing	20 years
Façades	30 years

Technical installations

Elevators	} 10-30 years
Electrical installations	
Electricity generators	
Air conditioning, extractors	
Technical wiring	
Security and surveillance installations	
Plumbing	
Fire safety equipment	

Fixtures and fittings

Finishing, surroundings	10 years
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Depreciation periods for fixed assets other than buildings depend on their useful life, usually estimated in the following ranges:

Plant and equipment	5 years
Transport	5 - 7 years
Furniture	10-20 years
Office equipment	5-10 years
IT equipment	3-5 years
Software, developed or acquired	3-5 years
Concessions, patents, licenses, etc.	5-20 years

Fixed assets are tested for impairment whenever there is any indication that their value might have been diminished. Evidence of a loss in value is assessed at every balance sheet date. Where a loss is established, an impairment loss is booked to the income statement under Amortization, depreciation and impairment of tangible and intangible fixed assets. This impairment loss will reduce the depreciable amount of the asset and so also affect its future depreciation schedule.

Realized capital gains or losses on operating fixed assets are recognized under Net income on other assets, while profits or losses on investment real estate are booked as Net Banking Income under Income from other activities.

(j) Provisions

Provisions, other than those for credit risk or employee benefits, represent liabilities whose timing or amount cannot be accurately determined. Provisions may be booked where, by virtue of a commitment to a third-party, the Bank will probably or certainly incur an outflow of resources to this third-party without receiving at least equivalent value in exchange.

The expected outflows are then discounted to present value to determine the amount of the provision, where this discounting has a significant impact. Allocations to and reversals of provisions are booked through profit and loss under the items corresponding to the future expense.

2. Principal accounting policies (continue)**(k) Loan commitments**

The Bank initially recognizes loan commitments that are not considered as financial derivatives, at fair value. Thereafter, these commitments are provisioned, as necessary, in accordance with the accounting principles for Provisions.

(l) Liabilities/shareholders' equity distinction

Financial instruments issued by the Bank are classified in whole or in part to debt or to equity depending on whether or not they contractually oblige the issuer to remunerate the holders of the security in cash. The Bank has analyzed the substance of these instruments considering the implicit obligation to reimburse the holders.

(m) Interest income and expense

Interest income and expense are booked to the income statement for all financial instruments valued at amortized cost using the effective interest rate method.

The effective interest rate is taken to be the rate that discounts the future cash inflows and outflows over the expected life of the instrument to the book value of the financial asset or liability. To calculate the effective interest rate the Bank estimates future cash flows as the product of all the contractual provisions of the financial instrument without taking account of possible future loan losses. This calculation includes commissions paid or received between the parties where these are interest related, transaction costs and all types of premiums and discounts.

When a financial asset or group of similar financial assets have been impaired following an impairment of value, subsequent interest income is booked through profit or loss under Interest and similar income using the same interest rate that was used to discount the future cash flows when measuring the loss of value. Provisions that are booked as balance sheet liabilities, except for those related to employee benefits, generate interest expense for accounting purposes. This expense is calculated using the same interest rate as was used to discount to present value the expected outflow of resources that gave rise to the provision.

(n) Net fees for services

The Bank recognizes fee income and expense for services provided and received in different ways depending on the type of service.

Fees for recurring services, such as some payment services, custody fees, or telephone subscriptions are booked as income over the lifetime of the service. Fees for one-off services, such as fund transfers, finder's fees received, arbitrage fees, or penalties following payment incidents are booked to income when the service is provided under Fees paid for services provided and other.

In syndication deals, underwriting fees and participation fees proportional to the share of the issue placed are booked to income at the end of the syndication period provided that the effective interest rate for the share of the issue retained on the Bank's balance sheet is comparable to that applying to the other members of the syndicate. Arrangement fees are booked to income when the placement is legally complete. These fees are recognized in the income statement under Fee income – Primary market transactions.

(o) Personnel expenses

Personnel expenses include all expenses related to personnel, notably the cost of the legal employee profit sharing and incentive plans for the year as well as the costs of the various Bank pension and retirement schemes and expenses arising from the application of IFRS 2 "Share-based payments"

(p) Employee benefits**(i) post-employment benefits**

Defined contribution plans limit the Bank's liability to the subscriptions paid into the plan but do not commit the Bank to a specific level of future benefits. Contributions paid are booked as an expense for the year in question. Defined benefit plans commit the Bank, either formally or constructively, to pay a certain amount or level of future benefits, and the company therefore bears the medium- or long-term risk.

Provisions are booked to cover the whole of these retirement obligations. This is assessed regularly by independent actuaries using the projected unit credit method. This valuation technique incorporates assumptions about demographics, early retirement, salary rises and discount and inflation rates.

When these plans are financed from external funds classed as plan assets, the fair value of these funds is subtracted from the provision to cover the obligations.

Differences arising from changes in the calculation assumptions (early retirements, discount rates, etc.) or from differences between actuarial assumptions and real performance (return on plan assets) are booked as actuarial gains or losses. They are amortized in the income statement according to the "corridor" method: i.e. over the expected average remaining working lives of the employees participating in the plan, as soon as they exceed the greater of: (a) 10% of the present value of the defined benefit obligation (before deducting plan assets); (b) 10% of the fair value of the assets at the end of the previous financial year.

Where a new or amended plan comes into force the cost of past services is spread over the remaining period until vesting.

An annual charge is booked under Personnel expenses for defined benefit plans, consisting of: (a) additional entitlements vested by each employee (current service cost); (b) the financial expense resulting from the discount rate; (c) expected return on plan assets (gross return); (d) amortization of actuarial gains and losses and past service cost; (e) settlement or curtailment of plans.

(i) Long-term benefits

These are benefits paid to employees more than 12 months after the end of the period in which they provided the related services. Long-term benefits are measured in the same way as post employment benefits, except for the treatment of actuarial gains and losses and past service costs which are booked immediately to income.

(q) Cost of risk

The Cost of risk account is limited to allocations, net of reversals, to impairment charge for counterparty risks and provisions for legal disputes.

(r) Deferred Tax

Deferred taxes are recognized whenever the Bank identifies a temporary difference between the book value and tax value of balance sheet assets and liabilities that will affect future tax payments. Deferred tax assets and liabilities are measured based on the tax rate enacted or substantively enacted which is expected to apply when the asset is realized or the liability settled. The impact of changes to tax rates is booked in the income statement under Deferred taxes. Net deferred tax assets are not recognised unless it is probable that the deferred tax asset will be used.

For 2006 and following years, the tax rate applied for deferred tax calculation is 25%.

Deferred taxes are not discounted to present value.

3. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

For financial instruments recognized at fair value through profit and loss, fair value is determined, wherever possible, after prices quoted on an actively-traded market, adjusted if no price is available at the balance sheet date. However, for many of the financial instruments held or issued by the Bank no actively traded market exists. In these cases, fair value is determined through valuation techniques (in-house valuation models) using valuation parameters that reflect market conditions at the balance sheet date and which are heavily influenced by assumptions on issues such as the amount and timing of estimated future cash flows, discount rates, volatility or credit risk. The Bank's in-house valuation models are based on current valuation techniques used by market participants to value financial instruments, such as discounted future cash flows for swaps or Black & Scholes valuation for some options.

For financial instruments that are not recognized at fair value in the balance sheet, the figures given in the notes should not be taken as an estimate of the amount that would be realized if all such financial instruments were to be settled immediately.

The fair values of financial instruments include, if applicable, any accrued interest.

(a) Loans and lease financing receivables

The fair value of loans and lease financing receivables is determined, in the absence of an actively traded market for these loans, by discounting the related future cash flows to present value at market rates in force at the balance sheet date for each type of loan and each maturity. For all floating-rate loans and lease financing receivables and fixed-rate loans with an initial maturity of less than one year, fair value is assumed to be the same as book value.

(b) Shares and other variable income securities

For listed shares, fair value is taken to be the quoted price at the balance sheet date.

(c) Debt (fixed-income) instruments held in portfolio measured at fair value and financial derivatives

The fair value of all these financial instruments is determined based on the quoted price at the balance sheet date or prices provided by brokers at the same date, where available. For unlisted financial instruments, fair value is determined using valuation techniques (in-house valuation models) as described in note 2 on Principal accounting policies

(d) Customers deposits

The fair value of retail customers deposits, mainly individuals or small or medium-sized companies, is assumed to correspond, as there is no actively-traded market in these liabilities, to the value of future cash flows discounted to present value at the market rate prevailing on the balance sheet date.

For floating-rate deposits, demand deposits and borrowings with an initial maturity of less than one year, fair value is assumed to be the same as book value.

(e) Other debt and subordinated debt

For listed financial instruments, fair value is taken as their quoted price at the balance sheet date. For unlisted financial instruments, fair value is determined by discounting future cash flows to present value at market rates.

4. Financial risk management

This note describes the main risks linked to financial instruments and the way in which they are managed by the Bank.

The main risks incurred on banking activities are the following: credit risks: (a) risk of loss arising from a counterparty's inability to meet its financial commitments; (b) market risks: risk of loss resulting from changes in market prices and interest rates, in correlations between these elements and their volatility; (c) structural risks: risk of loss in the bank's balance sheet arising from variations in interest or exchange rates; (d) liquidity risk: the risk of the Bank not being able to meet its commitments at their maturities.

(a) Organization procedures and methods

Risks are inherent to all banking activities and must therefore to be taken into account from the inception of a transaction through to its completion. As such, responsibility for risk management lies first with the operating divisions.

Geniki Bank's Risk Division is responsible for: (a) defining and validating the methods used to analyze, assess, approve and monitor risks; (b) the critical review of sales strategies for high-risk areas; (c) contributing to the independent assessment of credit risks by commenting on transactions proposed by sales units and monitoring them from start to finish; (d) identifying all Bank's risks and monitoring the adequacy and consistency of risk management information systems.

A systematic review of the bank's key risk management issues is carried out during the quarterly Risk Committee meetings, which bring together the members of the Executive Committee and Risk Division managers.

This Committee meets to review all core strategic issues: risk-taking policies, measuring methods, material and human resources, analyses of portfolios and the cost of risk, market and credit concentration limits and crisis management.

All new products and activities or products under development must be submitted to the New Product Committee. This New Product Committee aims to ensure that, prior to the launch of a new activity or product, all associated risks are fully understood, measured, approved and subjected to adequate procedures and controls, using the appropriate information systems and processing chains.

(b) Credit risk

(i) Risk-taking - General principles

Approval of a credit risk must be based on sound knowledge of the customer, the Bank's risk strategy, the purpose, nature and structure of the transaction and the sources of repayment.

The risk approval process is based on four core principles: (a) all transactions giving rise to a counterparty risk (debtor risk, non-settlement or non-delivery risk, issuer risk) must be authorized in advance; (b) all requests for authorizations relating to a specific client or client Bank must be handled centrally by a single operating division. The central division is designated on a case by-case basis in order to ensure a consistent approach to risk management and permanent control of the Bank's potential exposure to major clients; (c) responsibility for analyzing and approving risk is delegated to the most appropriate section of the business lines or credit risk units; (d) risk assessment departments are fully independent at each decision-making level.

(i) Credit risk mitigation

Guarantees and collateral

Guarantees or collateral are used by the bank to partially or fully protect against the risk of debtor insolvency (e.g. mortgage).

Master netting agreements

In order to reduce its credit risk exposure, Geniki Bank has signed a number of master netting agreements with various counterparties (ISDA contracts governing financial derivatives transactions). In the majority of cases, these agreements do not result in any netting of assets or liabilities on the books, but the credit risk attached to the financial assets covered by a master netting agreement is reduced insofar as, in the event of a default, the amounts due are settled on the basis of their net value.

Depreciation

Decisions to book individual provisions on certain counterparties are taken where there is objective evidence of impairment. The amount of the depreciation depends on the probability of recovering the sums due. Depreciation is then booked based on the financial position of the counterparty, its economic prospects and the guarantees called up or which may be called up.

The Risk Division draws up portfolio-based provisions which are reviewed each quarter. The aim of these provisions is to factor in any credit risks incurred on portfolio segments before any depreciation at an individual level.

(c) Market risks linked to trading activities

The organization of market risk management has been continually adjusted with a view to harmonizing existing procedures within the Bank and guaranteeing that risk management team remain independent from the operating divisions.

At the proposal of this department, the Bank's Risk Committee sets the levels of authorized risk by type of activity and takes the main decisions concerning Bank risk management.

(d) Structural interest rate and exchange rate risks

Structural interest rate and exchange rate risks are incurred in commercial and proprietary activities (transactions involving shareholders' equity, investments, bond issues).

The general principle is to concentrate structural interest rate and exchange rate risks for monitoring and controlling using market risk methods, and to reduce structural interest rate and exchange rate to the extend possible.

Wherever possible, commercial transactions are hedged against interest rate and exchange rate risks, either through micro hedging (individual hedging of each commercial transaction) or macro-hedging techniques (hedging of portfolios of similar commercial transactions within the treasury department).

Interest rate and exchange rate risks on proprietary transactions must also be hedged as far as possible.

Consequently, structural interest rate and exchange rate risks are only borne on the residual positions remaining after this hedging.

(i) organization of the management of structural interest rate and exchange rate risks

The responsibility for managing structural risks lies with the Asset Liabilities Committee (ALCO), which is supported by the Asset and Liability Management Department (ALM Department).

The Bank's ALCO Committee, chaired by the General Management and attended by members of the Executive Committee and Finance Department: validates the basic principles for the organization and management of the Bank's structural risks; sets the limits; examines the reports on these risks provided by the ALM Department; validates the hedging programs implemented by Treasury.

The ALM Department, which is part of the Bank Finance Department: defines standards for the management of structural risks (organization, monitoring methods); validates the models used by the entities; informs the entities of their respective limits; centralizes, consolidates and reports on structural risk exposure, and carries out second level controls (independently of the operating divisions supervising the entities).

(ii) structural interest rate risks

Structural interest rate risk arises from residual gaps in fixed-rate positions with future maturities.

Objective of the Bank

The Bank's principal aim is to reduce each entity's exposure to interest rate risk as much as possible.

Any residual structural interest rate risk exposure must comply with the sensitivity limits set by ALCO. This sensitivity defines the variation in the net present value of future residual fixed-rate positions (surplus or deficits on assets and liabilities) for a 1% parallel shift in the yield curve (i.e. this sensitivity does not relate to the sensitivity of annual net interest income). The limit for the overall Bank is set at EUR 15m.

Measurement and monitoring of structural interest rate risk

In order to quantify its exposure to structural interest rate risks, the Bank analyzes all fixed-rate assets and liabilities with future maturities to identify any gaps.

Assets and liabilities are generally analyzed independently, without any prior matching. Maturities on outstanding positions are determined on the basis of the contractual terms governing transactions, assumption for client behaviour patterns (savings and sight accounts, early repayments etc.), as well as conventional assumptions relating to certain aggregates (principally shareholders' equity).

Once the Bank has identified the gaps in its fixed rate positions (surplus or deficit), it calculates their sensitivity (as defined above) to variations in interest rates. The current sensitivity analysis corresponds to an immediate parallel shift of 1% in the yield curve.

(iii) structural exchange rate risks

Structural exchange rate risks essentially arise from investments made in a currency other than the base currency of the Bank (EUR)

Measurement and monitoring of structural exchange rate risk

The Bank quantifies its exposure to structural exchange rate risk by analyzing all assets and liabilities denominated in foreign currencies, arising from commercial and proprietary transactions.

As commercial transactions are hedged against exchange rate risk, the Bank's residual exposure results primarily from proprietary transactions.

The Bank's Finance Department monitors structural exchange rate positions.

4. Financial risk management (continue)**(e) Hedging interest rate and exchange rate risk**

In order to hedge certain market risks, the Bank has set up hedges which, in accounting terms, are referred to as fair value hedges or cash flow hedges depending on the risks and/or financial instruments hedged.

In order to qualify these transactions as hedges for IFRS accounting purposes, the Bank documents such hedge transactions in detail, specifying the risk covered, the risk management strategy and the method used to measure the effectiveness of the hedge from its inception. This effectiveness is verified when changes in the fair value or cash flow of the hedged instrument are almost entirely offset by changes in the fair value or cash flow of the hedging instrument – the expected ratio between the two changes in fair value being within the range 80%-125%. Effectiveness is measured each quarter on a prospective and retrospective basis. Where the effectiveness falls outside the range specified above, hedge accounting is discontinued. However, economic hedges may continue to be in place, irrespective to the IFRS accounting treatment.

(i) fair value hedge

Within the framework of its activities and in order to hedge its fixed-rate financial assets and liabilities against variations in long interest rates (essentially loans/borrowings, securities issues and fixed-rate securities), the Bank uses fair value hedges primarily in the form of interest rate swaps and interest rate options.

Prospective effectiveness is assessed via a sensitivity analysis based on probable market trends between certain components of the hedged and hedging instruments.

Retrospective effectiveness is assessed by comparing any changes in the fair value of the hedging instrument with any changes in the fair value of the hedged instrument.

(ii) cash flow hedge

Cash flow hedges on interest rates are used to hedge against the risk that the future cash flow of a floating rate financial instrument fluctuate in line with market interest rates.

The aim of such a hedge is to protect against unfavourable changes in future cash flow that are liable to impact on the income statement.

(f) Liquidity risk

Liquidity risk management covers all areas of Geniki Bank's business, from market transactions to structural transactions (commercial or proprietary transactions).

The Bank manages this exposure using a system designed to manage liquidity risk under normal day-to-day conditions.

(i) organization of the management of liquidity risk

The ALM Department manages liquidity for the overall Bank, in conjunction with the treasury department.

The Bank's ALCO, chaired by the General Management and attended by members of the Executive Committee and Finance Department: (a) validates the basic principles for the organization and management of the Bank's

The ALM Department, which is part of the Bank Finance Sector (a) defines the standards for the management of liquidity risks; (b) centralizes, consolidates and reports on liquidity risk exposure (c) defines the Bank's financing programs.

Treasury is responsible for managing short-term liquidity (less than one year).

Objective of the Bank

The Bank's objective is to finance its activities at the best possible rate under normal conditions of operation, and to ensure it can meet its obligations in the event of a crisis.

The main principles of the Bank's liquidity management are as follows: (a) central management of liquidity to the extent possible (b) diversification of sources of funding, both in terms of geographical regions and sectors of activity (c) management of short-term liquidity in accordance with the regulatory framework; issuance of financial instruments to achieve the target solvency capital ratio.

Measurement and monitoring of liquidity risk

The Bank's liquidity management system assess the Bank's financing requirements on the basis of budget forecasts in order to plan appropriate funding solutions

The risk analysis is conducted with reports for on and off-balance sheet items per currency and residual maturity. Maturities on outstanding assets and liabilities are determined on the basis of the contractual terms of the transactions, assumptions for client behaviour patterns (savings and sight accounts, early repayments, etc.), as well as conventional assumptions relating to certain aggregates (principally shareholders' equity).

5. Estimations and judgements

The Bank makes estimates and assumptions that affect the reported amounts recognised in the financial statements. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that appear to be reasonable under the circumstances.

(a) Impairment of loans and advances

The Bank reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recognised in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a decrease in the estimated future cash flows from outstanding loans and advances.

The individual provisions relate to loans and advances separately examined for impairment and their calculation is based on the best possible estimation of the present value of the related recoverable future cash flows. For estimating the cash flows, the management estimates the financial position of each customer and the recoverable amount from the foreclosure of assets with fixed charges (e.g. pre-notation of property) or guarantees. Each case is evaluated separately, whereas the followed methodology and the estimation of recoverable cash flows are reviewed by independent parties.

Provisions for losses on aggregated positions take into consideration factors such as credit quality, portfolio size etc. For estimating the required provisions, assumptions are made in respect of models and parameters, adjusted for past experience and prevailing financial conditions.

Accuracy of provisions is dependent on the quality of the estimation of expected cash flows, at individual and aggregate level. Although the above estimations involve subjective judgments, the management believes that recognized provisions are adequately and sufficiently justified.

(b) Fair value of derivatives (including embedded derivatives)

The fair value of financial instruments not quoted in active markets are determined by using valuation techniques. To the extent practical models use only observable data.

(c) Income tax

The Bank is subject to income tax according to the Greek Tax Legislation. The calculation of income tax expense requires the exercise of significant subjective judgment. In the context of the usual Bank activity, there are many transactions and calculations for which the final tax assessment is not certain. The management of the Bank has taken into consideration income tax expense that may arise from a future tax audit. In case the final level of income tax that will be assessed, differs from the estimates, the difference may affect the income tax in the period of assessment or it may reduce the amount of the contingent asset relating to the tax losses carried forward.

6. Net interest income

	Year ended	
	31 December	
	2006	2005
	€ 000	€ 000
(a) Interest income		
Banks	6,963	4,849
Customers	183,720	161,727
Financial instruments		
<i>Available for sale</i>	8,043	18,933
<i>Hedging instruments</i>	4,614	3,703
Total interest income	203,340	189,212
	Year ended	
	31 December	
	2006	2005
	€ 000	€ 000
(b) Interest expense		
Banks	(23,677)	(9,692)
Customers	(42,030)	(34,104)
Financial instruments		
<i>Subordinated Debt</i>	(4,891)	(4,139)
<i>Hedging instruments</i>	(2,840)	(2,945)
Total interest expense	(73,438)	(50,880)

Notes to the financial statements

7. Fee income and expenses

	Year ended 31 December	
	2006	2005
	€ 000	€ 000
(a) Fee income		
Customer transactions	8,624	9,824
Securities transactions	2,643	1,731
Investment and guarantees	6,514	6,088
Financial instruments operations	8,711	8,616
Other service fees income	7,870	7,152
Total fee income	34,362	33,411

	Year ended 31 December	
	2006	2005
	€ 000	€ 000
(b) Fee expenses		
Credit institutions transactions	(281)	(259)
Financial instruments operations	(1)	(12)
Financial services	(214)	(201)
Other service fee expenses	(1,500)	(1,303)
Total fee expenses	(1,996)	(1,775)

8. Net income on financial operations

	Year ended 31 December	
	2006	2005
	€ 000	€ 000
Derivative financial instruments	(1,850)	(11,652)
Available for sale financial instruments	(589)	12,116
Foreign exchange transactions	1,022	858
Total net income on financial operations	(1,417)	1,322

9. Operating expenses

	Year ended 31 December	
	2006	2005
	€ 000	€ 000
Staff costs (note 10)	95,768	85,212
Taxes	668	1,226
Advertising expenses	10,741	7,355
Computer equipment & software maintenance	18,346	20,661
Consulting and other legal expenses	1,223	882
Building rental and maintenance	11,714	10,960
Other administrative expenses	14,147	13,384
Depreciation and amortisation	13,420	13,940
Total operating expenses	166,027	153,620

10. Staff costs

	Year ended 31 December	
	2006	2005
	€ 000	€ 000
Wages and salaries	74,319	63,920
Social security costs	14,987	15,061
Defined contribution plans	4,141	4,287
Defined benefit plans	2,321	1,944
Total staff costs	95,768	85,212

The number of employees of the Bank as at 31 December 2006 was 2,127 (2,139 for 2005)

Share-based payments

The employees of the Bank are entitled to participate in a Societe Generale (SG) supported share-based payment scheme. The scheme is presented in summary below.

- Employees are eligible to buy SG shares at a discount of 20% on the price of the share prevailing at the announcement date

- Participation per employee is limited to EUR 20 000

- Employees should hold the shares for a period of five years. However, they are entitled to sell them in certain occasions such as marriage, resignation, purchase of new home etc.

So far the participation of Bank employees to this plan has been very limited

11. Income tax expense

	Year ended 31 December	
	2006	2005
	€ 000	€ 000
Current income tax	(4,470)	(1,293)
Deferred tax	(1,294)	2,622
Total income tax expense	5,764	(1,329)

Further information about deferred income tax is presented in note 30. The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2006	2005
<i>Profit before tax</i>	(73,602)	(17,361)
Tax calculated at a statutory tax rate of 29% (2005 32%)	21,345	5,556
Adjustments due to tax ratio change	-	(4,251)
Income not subject to tax (perm diff)	23	493
Expenses not deductible for tax purposes (perm diff)	(233)	(636)
One - off taxation of reserves	(2,394)	
Tax withheld on bond interest-not recoverable	(1,760)	
De-recognition of deferred tax asset on tax loss c/f	(21,748)	
Other	(997)	167
Income tax expense	5,764	(1,329)

Due to the fact that a tax audit may disallow some expenses, it is possible that additional taxes may be assessed; it is estimated that these taxes are not going to have a significant impact on the financial position of the Bank.

12. Earnings / (losses) per share

Basic earnings per share is calculated by dividing the net profit or loss attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

<i>Measurement unit</i>	Year ended 31 December		
	2006	2005	
Net profit (loss) for period attributable to ordinary shareholders	€ '000	(79,366)	(16,032)
Weighted average number of ordinary shares in issue	Number of shares	58,387,939	48,603,110
Basic and diluted earnings per share	€	(1.36)	(0.33)

13. Cash and balances with central bank

	Year ended 31 December	
	2006 € 000	2005 € 000
Cash in hand	38,340	42,100
Balances with central banks	59,854	63,338
Total cash and balances with central banks	98,194	105,438
Included in cash and cash equivalents (note 14)	98,194	105,438

14. Cash and cash equivalents

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

	Year ended 31 December	
	2006 € 000	2005 € 000
Cash and balances with central banks	98,194	105,438
Loans and advances to banks	159,147	230,514
Available for sale investment securities	19,948	-
	277,289	335,952

15. Due from banks

	Year ended 31 December	
	2006 € 000	2005 € 000
Items in course of collection from other banks	122,959	80,002
Placements with other banks	57,817	206,320
Total due from other banks	180,776	286,322
Included in cash and cash equivalents (note 14)		
Loans and advances to other banks	159,147	230,514

16. Derivative financial instruments

	Contract amount	Year ended 31 December 2006		Contract amount	Year ended 31 December 2005	
		Fair values			Fair values	
		Assets	Liabilities		Assets	Liabilities
(a) Derivatives held for trading (incl. economic hedging)						
<i>(i) Foreign exchange derivatives</i>						
Currency swaps	187,790	545	5,282	229,030	673	1,506
<i>Total foreign exchange derivatives</i>		545	5,282		673	1,506
<i>(ii) Interest rate derivatives</i>						
Interest rate swaps	175,000	478	428			
Interest rate options				322,900	6,626	-
<i>Total interest rate derivatives</i>		478	428		6,626	-
<i>(ii) Other financial derivatives</i>						
Forward instruments		-	-	17,500	-	144
<i>Total other financial derivatives</i>		-	-		-	144
Total recognized derivatives held for trading		1,023	5,710		7,299	1,650
(b) Derivatives held for hedging (accounting hedging)						
<i>(i) Derivatives designated as fair value hedges</i>						
Interest rate swaps	73,000	2,311	298	73,000	214	1,285
Interest rate options	436,050	8,693	-			
<i>Total derivatives designated as fair value hedges</i>		11,004	298		214	1,285
<i>(ii) Derivatives designated as cash flow hedges</i>						
Interest rate swaps		-	-	50,000	79	638
<i>Total derivatives designated as cash flow hedges</i>		-	-		79	638
Total recognized derivatives held for hedging (accounting hedging)		11,004	298		293	1,924
Total recognized derivative assets/(liabilities)		12,027	6,008		7,592	3,574

Notes to the financial statements

17. Loans and advances to customers

	Year ended 31 December	
	2006 € 000	2005 € 000
Loans to individuals	1,453,074	1,211,836
Loans to corporate entities	1,776,152	1,707,880
Gross loans and advances	3,229,226	2,919,716
Revaluation of hedged items - macro-hedge	2,228	-
Revaluation of hedged items - micro-hedge	(2,065)	954
Less: allowance for losses on loans and advances	(288,836)	(266,184)
Total loans and advances to customers, net	2,940,553	2,654,486

Housing loans with embedded interest rate guarantees are macro-hedged (collar). The above mentioned amount has been reflected in the Income statement under Financial operations results.

Allowance for losses on loan and advances

Balance at 1 January	266,184	201,000
First adoption of IFRS (IAS 39)	-	68,331
Impairment losses on loans and advances charged in the year	75,020	39,877
Loans written off during the year as uncollectible	(52,368)	(43,024)
Balance at 31 December	288,836	266,184

18. Available for sale investment securities

	Year ended 31 December	
	2006 € 000	2005 € 000
Debt securities-at fair value		
-listed	355,895	182,628
-unlisted	-	-
Equity securities-at fair value		
-listed	-	-
-unlisted	5,356	3,300
Total available for sale investment securities	361,251	185,928
Included in cash and cash equivalents (note 14)		
Available for sale investment securities	19,948	-
	19,948	-
Of which pledged	65,000	20,000
Of which used for repo collaterals	97,714	81,932

The movement of available for sale investment securities is summarised as follows:

	Year ended 31 December	
	2006 € 000	2005 € 000
Balance at 1 January	185,929	640,061
Additions	269,820	193,407
Disposals	(94,091)	(648,382)
Revaluation adjustments	(70)	842
Recyclement to P&L	(337)	-
Balance at 31 December	361,251	185,928

19. Investment in subsidiaries

	Year ended 31 December	
	2006 € 000	2005 € 000
Beginning of the year	8,490	11,672
Additions	3,879	-
Disposals	-	(3,182)
At the end of the period	12,369	8,490

The subsidiaries of the Bank are listed below.

	Year ended 31 December			
	2006		2005	
	Direct holding	Indirect holding	Direct holding	Indirect holding
General Cards & Financial Services S.A.	100%		89%	11%
General Finance S.A.	100%		100%	
General Insurance Agency S.A.	80%	20%	80%	20%
General Leasing S.A.	100%		65%	35%
Gbg Finance Plc	99%	1%	99%	1%
Genap S.A.	100%		100%	

20. Investment in associates

	Year ended 31 December	
	2006 € 000	2005 € 000
Beginning of the year	1,390	1,271
Addition	-	119
Disposal	(400)	-
At the end of the period	990	1,390

Notes to the financial statements

21. Intangible assets

	Computer software € 000	Other € 000	Total intangible assets € 000
Cost			
Balance at 1 January 2005	26,192	10,957	37,149
Transfers	-	-	-
Additions	2,163	-	2,163
Disposals and write - offs	-	-	-
Balance at 31 December 2005	28,355	10,957	39,312
Accumulated depreciation			
Balance at 1 January 2005	22,723	-	22,723
Transfers	-	-	-
Additions	-	-	-
Disposals and write - offs	-	-	-
Charge of the year	2,417	1,096	3,513
Balance at 31 December 2005	25,140	1,096	26,236
Net book value at 31 December 2005	3,215	9,861	13,076

	Computer software € 000	Other € 000	Total intangible assets € 000
Cost			
Balance at 1 January 2006	28,355	10,957	39,312
Transfers	-	-	-
Additions	2,274	-	2,274
Disposals and write - offs	-	-	-
Balance at 31 December 2006	30,629	10,957	41,586
Accumulated depreciation			
Balance at 1 January 2006	25,140	1,096	26,236
Transfers	-	-	-
Additions	-	-	-
Disposals and write - offs	-	-	-
Charge of the year	1,697	1,096	2,793
Balance at 31 December 2006	26,837	2,192	29,029
Net book value at 31 December 2006	3,792	8,765	12,557

22. Property, plant and equipment

	Land, buildings, leasehold improvements € 000	Leasehold land and buildings € 000	Furniture, equipment, motor vehicles € 000	Computer hardware € 000	Under construction € 000	Total fixed assets € 000
Cost						
Balance at 1 January 2005	117,720	7,555	18,503	28,595	1,860	174,233
Transfers	10,944	-	705	335	(11,984)	-
Additions	122	-	1,826	3,089	15,230	20,267
Disposals and write - offs	(1,041)	-	(2,660)	(1,401)	(481)	(5,583)
Balance at 31 December 2005	127,745	7,555	18,374	30,618	4,625	188,917
Accumulated depreciation						
Balance at 1 January 2005	23,937	259	12,938	21,321	-	58,455
Transfers	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals and write - offs	(311)	-	(2,624)	(1,283)	-	(4,218)
Charge of the year	4,823	169	1,760	3,675	-	10,427
Balance at 31 December 2005	28,449	428	12,074	23,713	-	64,664
Net book value at 31 December 2005	99,296	7,127	6,300	6,905	4,625	124,253
Cost						
Balance at 1 January 2006	127,745	7,555	18,374	30,618	4,625	188,917
Transfers	5,215	-	2,131	154	(7,500)	-
Additions	1,287	-	898	3,581	11,462	17,228
Disposals and write - offs	(685)	-	(531)	(2,105)	-	(3,321)
Balance at 31 December 2006	133,562	7,555	20,872	32,248	8,587	202,824
Accumulated depreciation						
Balance at 1 January 2006	28,449	428	12,074	23,713	-	64,664
Transfers	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals and write - offs	(143)	-	(394)	(1,975)	-	(2,512)
Charge of the year	5,993	169	1,828	2,637	-	10,627
Balance at 31 December 2006	34,299	597	13,508	24,375	-	72,779
Net book value at 31 December 2006	99,263	6,958	7,364	7,873	8,587	130,045

Notes to the financial statements

23. Other assets	Year ended 31 December	
	2006 € 000	2005 € 000
Prepaid expenses and accrued income	3,821	7,157
Auction (repossed) items	9,456	10,083
Other assets	17,802	40,248
Total other assets	31,079	57,488

Auction (repossed) items

Auction (repossed) items are accounted as stocks in accordance with IAS 2.

	Year ended 31 December	
	2006 € 000	2005 € 000
Balance at 1 January	10,083	9,716
Additions	821	2,342
Impairment	(100)	-
Disposals and write - offs	(1,348)	(1,975)
Balance at 31 December	9,456	10,083

24. Due to other banks

	Year ended 31 December	
	2006 € 000	2005 € 000
Items in course of payment	65,452	44,147
Deposits from other banks	787,967	579,405
	853,419	623,552
Included in the amounts due to other banks are amounts due to:		
- Parent, fellow subsidiary and affiliate undertakings	729,064	311,030

25. Due to customers

	Year ended 31 December	
	2006 € 000	2005 € 000
Savings and current accounts	1,492,658	1,473,784
Term deposits and repurchase agreements	1,151,785	997,084
	2,644,443	2,470,868

26. Subordinated debt

GBG Finance PLC, a wholly owned subsidiary of the Bank, redeemed on 18 December 2006 its outstanding Subordinated Guaranteed Step up Callable Floating Rate Notes loan amounting to 100m Euros, that was guaranteed by Geniki Bank SA.

For replacing the redeemed subordinated loan, the Bank issued on 18 December 2006 a new subordinated (bonded) loan amounting to 125m Euros. The (bonded) loan has been wholly placed to Societe Generale. The tenor of the loan is 10 years with fixed interest rate of 4.46% for the first five years and floating rate for the remaining years. The loan is callable after five years.

27. Provisions

Provisions for litigations and risks	Year ended 31 December	
	2006 € 000	2005 € 000
At 1 January	2,950	3,014
Additions	1,200	-
Utilised during the year	(210)	(64)
Write off	-	-
Other	(1,423)	-
Balance at 31 December	2,517	2,950

Provisions for impairment	Year ended 31 December	
	2006 € 000	2005 € 000
At 1 January	1,012	1,012
Additions	-	-
Utilised during the year	(675)	-
Write off	(337)	-
Balance at 31 December	-	1,012

Other provisions	Year ended 31 December	
	2006 € 000	2005 € 000
At 1 January	13,733	15,681
Additions	785	2,331
Utilised during the year	(5,658)	(4,340)
Write off	(488)	61
Other	(1,600)	-
Balance at 31 December	6,772	13,733

28. Staff leaving indemnity provision

	Year ended 31 December	
	2006 € 000	2005 € 000
At 1 January	20,596	20,717
Current cost	1,292	1,819
Interest expense (unwinding of discount)	942	869
Recognised actuarial losses	82	-
Indemnities paid	(2,521)	(2,809)
Balance at 31 December	20,391	20,596

Present value of unfunded obligations	27,897	24,334
Unrecognised actuarial losses liability in the balance sheet	(7,506)	(3,738)
	20,391	20,596

Notes to the financial statements

28. Staff leaving indemnity provision (continue)

Staff leaving indemnity provision is calculated in accordance with the stipulations of law 2112/20. The Bank considers all benefits of employees with over than 15 years of service as vested.

	2006	2005
<i>Demographic and financial assumptions</i>		
Long term inflation rate	3.30%	3.38%
Employee turnover	1.42%	1.42%
Discount rate	4.69%	3.71%

29. Other liabilities

Year ended

31 December

	2006	2005
	€ 000	€ 000
Current tax liabilities	4	4
Deferred income and accrued expenses	10,754	4,826
Other liabilities	35,974	51,163
	46,732	55,993

Finance leasing

The future minimum lease payments and unguaranteed residual values from finance leases where the Bank is the lessee (including sale and leaseback transactions) are analyzed as follows:

	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	2006	2005	2006	2005
- not later than one year	776	457	748	453
- later than one year and not later than five years	3,851	2,723	3,880	2,558
- later than five years	3,008	2,808	3,754	3,430
Total	7,635	5,988	8,382	6,441
Less future finance charges	1,647	-	1,941	-
Present value of minimum lease payments	5,988	5,988	6,441	6,441

30. Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method using effective tax rate of 25%.

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

Year ended

31 December

	2006	2005
	€ 000	€ 000
At 1 January	57,647	38,415
First application of IFRS	-	17,078
Income statement credit	(1,294)	2,622
Available for sale securities	55	(1,711)
Other differences	(2)	1,243
Balance at 31 December	56,406	57,647

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

Deferred income tax assets

Tax loss carried forward	-	18,086
Allowance for impairment on loans & advances to customers	49,870	35,099
Defined benefits obligations	5,098	4,907
Loans commissions and claims to customers	3,696	3,107
Provisions for other risks	2,330	3,413
Available for sale portfolio	(142)	374
Other differences	1,838	665
	62,690	65,651

Deferred income tax liabilities

Derivatives and financial instruments	(516)	2,630
Fixed assets	6,801	5,374
	6,285	8,004

Since 2006 is the third consecutive year with tax losses, the deferred tax asset corresponding to the tax benefit resulting from the carry forward of the tax losses that can be set-off against future taxable profits cannot continue to be recognised in accordance with IFRS. This treatment does not imply that the Bank has lost the right to set-off the accumulated tax losses against future tax profits. Tax losses can be carried forward for 5 years. For example, the tax loss of 2004, which is the earliest tax loss, can be carried forward until 2009.

As a result the Bank has a contingent asset amounting to EUR 21 million approximately. This figure represents the ceiling of this contingent asset.

Carried forward		Amount	Contingent asset
Tax loss year	untill		
2004	2009	29,882	7,471
2005	2010	40,721	10,180
2006	2011	16,390	4,097
		86,993	21,748

31. Share capital, share premium

The following is an analysis of the movement of share capital and share premium. The par value of the Bank's shares is € 5.77 per share and all of the Bank's shares are fully paid.

Ordinary share capital

Year ended 31 December

	2006		2005	
	Number of shares	€ 000	Number of shares	€ 000
At 1 January	58,387,939	336,898	41,705,671	240,642
Share capital increase paid in cash			16,682,268	96,256
Balance at 31 December	58,387,939	336,898	58,387,939	336,898

Share premium

At 1 January	-	62,620	-	59,643
Rights issue (paid in cash)	-	-	-	3,838
Less: Rights issue expenses, net of tax	-	-	-	(861)
Balance at 31 December	-	62,620	-	62,620

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

As geographical concentration risk is concerned, the Bank is mainly active in Greece. For management information purposes Greece as a whole is considered as one geographical region.

33. Operating lease commitments

The obligations of the Bank (as lessee) from leases relate to the occupancy of premises used for its operations. The duration of leases varies from 9 to 12 years with an option to renew or extend their duration at the agreement of both counterparties. Lease payments are usually adjusted annually on the basis of the consumer inflation index. Bank policy is to renew such contracts.

The future minimum lease payments for operating leases are as follows:

	Year ended 31 December			
	2006 € 000		2005 € 000	
	Land and buildings	Furniture, equipment, vehicles	Land and buildings	Furniture, equipment, vehicles
- not later than one year	8,099	209	8,065	166
- later than one year and not later than five years	26,561	296	26,362	326
- later than five years	16,563	-	19,823	-
Total	51,223	505	54,250	492

The total expenses of the Bank for real estate leases for 2006 amount to 8,718 (2005: 7,651) thousands euro and are included in administration expenses.

34. Contingent liabilities and commitments

	Year ended 31 December	
	2006 € 000	2005 € 000
Contingent liabilities :		
Guarantees		
- guarantees and standby letters of credit	368,917	461,848
- other guarantees low and medium risk	357,769	173,303
Documentary credits	6,050	5,245
	732,736	640,396
Commitments :		
Capital expenditure	19,616	21,950

34. Contingent liabilities and commitments (continue)**Legal cases**

Pending litigation cases against the Bank are not expected to have a significant impact on its financial position and future operation.

Tax issues

See note 11 on income tax and note 5c "Estimations and judgments".

Social security issues

The employees of Geniki Bank are socially secured in IKA (main fund) and therefore, the stipulations of the Law 3371/2005 relating to the transfer of employees to IKA-ETAM will not have an effect to the Bank. The employees of the Bank have set up - without any participation of the Bank in the set-up, management and administration – a supplementary fund for pensions and lump-sum payments at retirement. The only obligation of the Bank in respect of the supplementary fund is the payment of contributions. In accordance with the provisions of Law 3371/2005, the employees can decide to dissolve and transfer their fund to IKA – ETEAM - ETAT. The effect on the contributions payable by the Bank in future periods or other impact from the introduction of the Law 3371/2005 cannot be assessed.

35. Business segments

Retail banking comprises private individuals and free-lancers. It includes all products offered to such clients, namely deposits, term deposits, Repos, Swaps, loans (housing and consumer), custody, debit and credit cards.

Corporate banking comprises all businesses, solo practitioners and legal entities of the public and private sector. Product offering includes deposits, term deposits, Repos, Swaps, loans, letters of guarantee, bond loans, derivatives, funds transfer, foreign exchange transactions.

	Year ended 31 December 2006		
	Retail € 000	Corporate € 000	Total € 000
Revenue	77,423	86,056	163,479
Expenses	(66,237)	(86,370)	(152,607)
Provisions	(30,840)	(40,214)	(71,054)
Depreciation	(5,825)	(7,595)	(13,420)
Net results	(25,479)	(48,123)	(73,602)
Income tax			(5,764)
Net profit after tax			(79,366)
Segment assets	1,453,074	2,389,457	3,842,531
Segment liabilities	1,882,503	1,960,028	3,842,531
Capital expenditure	7,044	12,572	19,616
	Year ended 31 December 2005		
	Retail € 000	Corporate € 000	Total € 000
Revenue	78,077	95,985	174,062
Expenses	(56,798)	(82,880)	(139,678)
Provisions	(15,468)	(22,337)	(37,805)
Depreciation	(5,704)	(8,236)	(13,940)
Net results	107	(17,468)	(17,361)
Income tax			1,329
Net profit after tax			(16,032)
Segment assets	1,211,836	2,298,278	3,510,114
Segment liabilities	1,660,592	1,849,522	3,510,114
Capital expenditure	7,882	14,068	21,950

Notes to the financial statements

36. Currency risk

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2006 and 31 December 2005. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by currency.

Year ended 31 December 2006

	Euro € 000	USD € 000	Other € 000	Total € 000
Assets				
Cash and balances with central bank	97,756	222	216	98,194
Due from banks	131,170	20,062	29,544	180,776
Derivative financial instruments	12,015	11	1	12,027
Loans and advances to customers, net	2,886,853	50,757	2,943	2,940,553
Investment securities - available for sale	331,613	29,638	-	361,251
Investment in Subsidiaries	12,369	-	-	12,369
Investment in associate undertakings	990	-	-	990
Intangible assets	12,557	-	-	12,557
Property, plant and equipment	130,045	-	-	130,045
Deferred income tax assets	62,690	-	-	62,690
Other assets	30,773	296	10	31,079
Total assets	3,708,831	100,986	32,714	3,842,531
Liabilities				
Due to banks	828,048	22,439	2,932	853,419
Due to customers	2,383,028	73,636	187,779	2,644,443
Derivative financial instruments	5,894	84	30	6,008
Subordinated debt	125,201	-	-	125,201
Provisions for staff benefits	20,391	-	-	20,391
Risks & charges provisions	9,289	-	-	9,289
Deferred income tax liabilities	6,285	-	-	6,285
Other liabilities	46,726	4	2	46,732
Total liabilities	3,424,862	96,163	190,743	3,711,768
Net on balance sheet position	283,969	4,823	(158,029)	130,763
Off balance sheet net notional position	7,282	(5,715)	157,602	159,169
Contingent liabilities and commitments (note 34)	663,294	27,532	41,910	732,736

Year ended 31 December 2005

	Euro € 000	USD € 000	Other € 000	Total € 000
Net currency position	204,679	(19)	5,288	209,948

37. Interest rate risk

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

Year ended 31 December 2006

	Up to 1 month € 000	1-3 months € 000	3-12 months € 000	1-5 years € 000	Over 5 years € 000	Non- interest bearing € 000	Total € 000
Assets							
Cash and balances with central bank	-	-	-	-	-	98,194	98,194
Due from banks	161,893	11,236	7,227	-	-	420	180,776
Derivative financial instruments	-	-	-	-	-	12,027	12,027
Loans and advances to customers, net	1,895,624	355,322	458,306	198,755	31,904	642	2,940,553
Investment securities - available for sale	334,516	15,468	504	-	-	10,763	361,251
Investment in Subsidiaries	-	-	-	-	-	12,369	12,369
Investment in associate undertakings	-	-	-	-	-	990	990
Intangible assets	-	-	-	-	-	12,557	12,557
Property, plant and equipment	-	-	-	-	-	130,045	130,045
Deferred income tax assets	-	-	-	-	-	62,690	62,690
Other assets	-	-	-	-	-	31,079	31,079
Total assets	2,392,033	382,026	466,037	198,755	31,904	371,776	3,842,531
Liabilities							
Due to banks	418,281	243,977	186,846	-	-	4,315	853,419
Due to customers	2,245,049	260,545	134,613	62	-	4,174	2,644,443
Derivative financial instruments	-	-	-	-	-	6,008	6,008
Subordinated debt	-	-	-	125,000	-	201	125,201
Provisions for staff benefits	-	-	-	-	-	20,391	20,391
Risks & charges provisions	-	-	-	-	-	9,289	9,289
Deferred income tax liabilities	-	-	-	-	-	6,285	6,285
Other liabilities	-	-	-	-	-	46,732	46,732
Total liabilities	2,663,330	504,522	321,459	125,062	-	97,395	3,711,768
Total interest sensitivity gap	(271,297)	(122,496)	144,578	73,693	31,904	274,381	

Year ended 31 December 2005

	Up to 1 month € 000	1-3 months € 000	3-12 months € 000	1-5 years € 000	Over 5 years € 000	Non- interest bearing € 000	Total € 000
Total assets	2,015,254	456,155	541,987	140,508	35,591	320,619	3,510,114
Total liabilities	1,863,814	484,155	786,698	63,210	-	102,289	3,300,166
Total interest sensitivity gap	151,440	(28,000)	(244,711)	77,298	35,591	218,330	

Notes to the financial statements

38. Maturity of assets and liabilities

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

	Year ended 31 December 2006					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Assets						
Cash and balances with central bank	98,194					98,194
Due from banks	162,109	11,365	7,280	-	22	180,776
Derivative financial instruments	903	47	73	1,829	9,175	12,027
Loans and advances to customers, net	1,347,748	235,609	267,483	456,027	633,686	2,940,553
Investment securities - available for sale	104,379	9,957	6,846	6,330	233,739	361,251
Investment in Subsidiaries					12,369	12,369
Investment in associate undertakings					990	990
Intangible assets					12,557	12,557
Property, plant and equipment					130,045	130,045
Deferred income tax assets			3,084	37,171	22,435	62,690
Other assets	31,079					31,079
Total assets	1,744,412	256,978	284,766	501,357	1,055,018	3,842,531
Liabilities						
Due to banks	420,295	243,993	189,131	-	-	853,419
Due to customers	2,246,797	261,719	135,865	62	-	2,644,443
Derivative financial instruments	3,900	1,810	-	168	130	6,008
Subordinated debt	-	-	201	125,000	-	125,201
Provisions for staff benefits	-	-	1,290	5,171	13,930	20,391
Risks & charges provisions	-	-	-	9,289	-	9,289
Deferred income tax liabilities	-	-	-	-	6,285	6,285
Other liabilities	46,732	-	-	-	-	46,732
Total liabilities	2,717,724	507,522	326,487	139,690	20,345	3,711,768
Net liquidity gap	(973,312)	(250,544)	(41,721)	361,667	1,034,673	130,763
Year ended 31 December 2005						
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Total assets	871,383	608,331	569,638	471,009	989,753	3,510,114
Total liabilities	2,468,759	278,068	317,943	205,661	29,735	3,300,166
Net liquidity gap	(1,597,376)	330,263	251,695	265,349	960,017	209,948

39. Post balance sheet events

There are no post balance sheets events for the reporting period.

40. Reclassification

Certain figures of the previous period have been reclassified for comparability.

41. Related parties transactions

Parent and ultimate controlling party

The ultimate controlling party of the Bank is Societe Generale S.A. which is incorporated in France. Societe Generale Bank holds 52,32% of the ordinary shares of the Bank.

Related party transactions

	Year ended 31 December	
	2006 € 000	2005 € 000
Assets		
Due from banks	21,793	156,634
Loans and advances to customers	126,116	116,030
Derivative financial instruments	5,155	3,514
Other assets	176	123
Total	153,240	276,301
Liabilities		
Due to banks	729,064	311,030
Due to customers	12,835	13,517
Subordinated debt	125,201	100,000
Other liabilities	958	1,287
Total	868,058	425,834
Income		
Interest and similar income	6,106	4,295
Commissions income	591	273
Dividend Income	0	1,468
Other operating income	274	448
Total	6,971	6,484
Expenses		
Interest and similar expenses	23,611	5,963
Other administrative expenses	7,792	9,557
Total	31,403	15,520

Guarantees issued to related parties as 31.12.2006 were amounting to € 79,827 thousands.

Guarantees received by related parties as 31.12.2006 were amounting to € 8,665 thousands.

Transactions with key management personnel

The remuneration of the Board of Directors (BoD) members and General Managers of the Bank for the period ended 31 December 2006 amounted to € 940 (2005 € 764) thousand.

There were no outstanding loans granted to BoD members or to General Managers of the Bank; their deposits amounted to € 262 thousand as at 31 December 2006

Notes to the financial statements

42. Regulatory ratios

	<u>2006</u>	<u>2005</u>
Capital adequacy ratio	5.59%	10.36%
Liquidity ratio	15.40%	

The Bank will proceed to a share capital increase for complying with all statutory and regulatory ratios.

43. Board of directors

The Board of Directors of the Bank is the following:

Koutalidis Tryfon	Chairman (Non Executive)
Rokas Meletios	Vice chairman (Non Executive)
Jacques Tournebize	Chief Executive Officer
Patrick Couste	Deputy Chief Executive Officer
Patrick Debaene	Executive Director
Jean Didier Reigner	Non Executive
Marc Breillout	Non Executive
Jean Louis Mattei	Non Executive
Kalyvas Elias	Non Executive
Akkas Christos	Independent Non-Executive Member
Gouloussis Dimitrios	Independent Non-Executive Member

In the absence of the Chairman of the Board of Directors, the
Managing Director

The Deputy Managing Director

Head of Financial Services Division

JACQUES C. TOURNEBIZE

PATRICK COUSTE

EVAGELLOS E. SKALIDIS

APPENDIX C

SUMMARIZED FINANCIAL FIGURES AND INFORMATIONS for the year from 1 January yyyy till dd mmmm yyyy39082.
 (published in accordance with legislation applicable to entities preparing annual financial statements, consolidated or not, according to IFRS)
 (amounts in '000 euro)

The Company

Registered Office: 109-111 Messogion Avenue, Athens
 Societe Anonyme Register Number (A.R.M.A.E.): 6073/06/B/86/12
 Prefecture of Athens
 Date of BoD approval: 27 Φεβρουαρίου 2007
 Chartered Auditor Accountant: Nikolaos K. Sofianos (No. Reg. SOEL 12231)
 Audit Company: Deloitte Hadjipavlou, Sofianos, Cambanis S.A. Assurance & Advisory Services
 Type of audit report: Unqualified Opinion-Emphasis of Matter
 Audit report date: 27 Φεβρουαρίου 2007
 Internet address: www.geniki.gr

Elements of balance sheet

	GROUP		BANK	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
ASSETS				
Cash and balances with central bank	98,209	106,692	98,194	105,438
Due from banks	180,888	286,403	180,776	286,322
Derivative financial instruments	12,027	7,592	12,027	7,592
Loans and advances to customers, net	2,939,570	2,646,756	2,940,553	2,654,486
Investment securities - available for sale	361,251	186,057	361,251	185,928
Investment to subsidiaries	-	-	12,369	8,490
Investment in associate undertakings	743	1,143	990	1,390
Intangible assets	12,855	12,804	12,557	13,076
Property, plant and equipment	131,578	124,743	130,045	124,253
Deferred income tax assets	64,841	67,017	62,690	65,651
Other assets	37,737	62,131	31,079	57,488
TOTAL ASSETS	3,839,699	3,501,338	3,842,531	3,510,114
LIABILITIES				
Due to banks	853,417	622,107	853,419	623,552
Due to customers	2,631,408	2,457,751	2,644,443	2,470,868
Derivative financial instruments	6,008	2,574	6,008	3,574
Subordinated debt	125,201	99,883	125,201	99,883
Provisions for staff benefits	20,557	20,759	20,391	20,596
Risks & charges provisions	9,749	18,325	9,289	17,695
Deferred income tax liabilities	6,285	8,004	6,285	8,004
Other liabilities	54,986	60,788	46,732	55,993
TOTAL LIABILITIES	3,707,811	3,290,791	3,711,768	3,300,165
EQUITY				
Share capital	336,898	336,898	336,898	336,898
Share premium	62,620	62,620	62,620	62,620
Other reserves and retained earnings	(267,630)	(188,971)	(268,755)	(189,569)
Total equity	131,888	210,547	130,763	209,949
TOTAL EQUITY AND LIABILITIES	3,839,699	3,501,338	3,842,531	3,510,114

Year Elements of income statement

	GROUP		BANK	
	01.01-31.12.2006	01.01-31.12.2005	01.01-31.12.2006	01.01-31.12.2005
Interest and similar income	206,388	191,656	203,340	189,212
Interest expense and similar charges	(73,257)	(50,475)	(73,438)	(50,880)
Net interest income	133,131	141,181	129,902	138,332
Fee and commission income	34,457	33,244	34,362	33,411
Fee and commission expense	(2,073)	(1,792)	(1,996)	(1,775)
Net fee and commission income	32,384	31,452	32,366	31,636
Dividend income	79	73	79	1,541
Financial operations results	(1,421)	1,321	(1,417)	1,322
Other operating income	4,281	4,177	2,549	1,231
Gross Operating income	168,454	178,204	163,479	174,062
Risk & charges provisions	(76,117)	(41,185)	(75,020)	(39,877)
Provisions for other risks	4,040	1,818	3,966	2,072
Staff costs and related expenses	(100,052)	(89,039)	(95,768)	(85,212)
Administration expenses	(55,134)	(51,256)	(56,839)	(54,466)
Depreciation and amortization	(13,774)	(14,159)	(13,420)	(13,940)
Operating expenses	(241,037)	(193,821)	(237,081)	(191,423)
Net Operating Income	(72,583)	(15,617)	(73,602)	(17,361)
Share of profit (loss) of associates	-	(123)	-	-
Profit / loss for the year before income taxes	(72,583)	(15,740)	(73,602)	(17,361)
Income Tax Expense	(6,257)	1,658	(5,764)	1,329
Profit / loss for the year after taxes	(78,840)	(14,082)	(79,366)	(16,032)
Earnings per share	(1.35)	(0.29)	(1.36)	(0.33)

Financial information presented below provide a summary picture of the financial position and results of Geniki Bank and its Group. So, we advise the reader, before proceeding to any kind of investment decision or other transaction with the Bank or the Group, to visit the site of Geniki Bank (www.geniki.gr) where the IFRS financial statements for the twelve month year ended December 2006 are posted, together with the auditors report (where such report is required.)

Members of the Board of Directors
Non-Executive Members

Koutalidis Tryfon
 Rokas Melelios
 Marc Breillout
 Jean Louis Mattei
 Jean Didier Reignier
 Kalyvas Elias

Chairman of the Board of Directors
 Vice chairman

Executive Members

Jacques Tournebeize
 Patrick Couste
 Patrick Debaene

Managing Director
 Deputy Managing Director from 25.05.2006
 Executive Director

Independent non-executive members

Akkas Christos
 Gouloussis Dimitrios

Consolidated companies

Full consolidation method:	HQs	%participation	Non tax audited years
GENERAL INSURANCE AGENCY S.A.	GREECE	100%	2003-2005
GENIKI FINANCE S.A.	GREECE	100%	2003-2005
GENERAL CARDS & FINANCIAL SERVICES S.A.	GREECE	100%	2002-2005
GENIKI LEASING S.A.	GREECE	100%	2003-2005
GBG FINANCE P.L.C. (S.F.V.)	UNITED KINGDOM	100%	2001-2005

Equity consolidation method:

	GROUP	BANK
GENAP S.A. (under liquidation)	GREECE	100%
	2002-2005	

Year Statement of changes in equity

	GROUP		BANK	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Shareholders equity at beginning of the year	210,547	179,642	209,949	181,068
First application of IAS 39 from 1.1.2005	-	(50,484)	-	(50,485)
Adjusted shareholders equity at beginning of the year	210,547	129,158	209,949	130,583
Year movements	-	-	-	-
Share capital increase	-	99,233	-	99,233
Revaluation of AFS securities	181	(4,973)	180	(4,973)
Sale of treasury shares	-	1,156	-	1,107
Profit/loss for the year after taxes	(78,840)	(14,082)	(79,366)	(16,032)
Other	-	55	-	31
Shareholders equity at the end of the year	131,888	210,547	130,763	209,949

Year Elements of cash flow statement

	GROUP		BANK	
	01.01-31.12.2006	01.01-31.12.2005	01.01-31.12.2006	01.01-31.12.2005
Net cash flow from operating activities after taxes	91,734	(321,119)	94,899	(324,196)
Net cash flow from investing activities	(176,541)	428,052	(178,576)	429,993
Net Cash flow from financing activities	25,000	100,443	25,000	100,394
Foreign exchange (profit) loss on cash and cash equivalents	14	858	14	858
Net increase (decrease) in cash and cash equivalents	(59,793)	208,234	(58,663)	207,049
Cash and cash equivalents at the beginning of the year	337,207	128,973	335,952	128,903
Cash and cash equivalents at the end of the year	277,414	337,207	277,289	335,952

NOTES

- The applied accounting principles, are in compliance with IFRS.
- Geniki Bank is tax audited up to 2004 (inclusive).
- Encumbrances on the assets of the Group did not exist as at 31.12.2006.
- Pending litigation or arbitration, judicial decisions or decisions of arbitration are not expected to have significant impact on financial position or operation of the Bank or the Group.
- The number of the employees of the Bank and the Group on 31.12.2006 was 2,127 and 2,303 respectively. On 31.12.2005 was 2,139 and 2,284 respectively.
- The balances of the transactions and the related results between the Bank or Group and the associated companies, as they are defined by IAS 24 are as follows:

	GROUP	BANK
Total receivables on 31.12.2006	26,948	153,240
Total liabilities on 31.12.2006	854,263	868,058
Total income from 01.01 to 31.12.2006	1,913	6,971
Total expenses from 01.01 to 31.12.2006	18,739	31,403
- The remuneration of the Board of Directors (BoD) members and General Managers of the Group and the Bank for the year ended 31 Decemt 2006 amounted to € 940 thousand and € 940 thousand respectively.
 There were no outstanding loans granted to BoD members or to General Managers of the Bank their deposits amounted to € 262 thousand as at 31 December 2006.
- The company ADVANCED INFORMATION SYSTEMS (AIS) S.A. was sold on 31.01.2005. Net results for the one month year ended 31.01.2005 have been included in the consolidated financial statements. There is no significant impact on the position of results of the Group in relation to this disposal.
- The financial statements of the Geniki Group are included in the consolidated financial statements of the Societe Generale Group S.A., with registered offices in France. Societe Generale is participating in the equity of Geniki Bank with a percentage of 52.32%.
- Several figures of the previous year have been revised for comparability reasons.

Athens, 27 February 2007

On the absence of the Chairman of the Board of Directors
 the Managing Director

The Deputy Managing Director

Head of the Financial Services Division

APPENDIX D

News - Press Releases of Geniki Bank 2006

Subject	Date	Site
Schedule of Intended Corporate Actions	25/1/2006	www.geniki.gr
Clarification of publications	26/1/2006	www.geniki.gr
Clarification of publications	30/1/2006	www.geniki.gr
Intended Corporate action: Announcement of FY05 Financial results	20/2/2006	www.geniki.gr
Clarification of publications	27/2/2006	www.geniki.gr
Intended Corporate Actions	7/3/2006	www.geniki.gr
Intended Corporate action: Announcement of FY05 Financial results	13/3/2006	www.geniki.gr
Results at end of December 2005	21/3/2006	www.geniki.gr
Clarification of publications	5/4/2006	www.geniki.gr
Amendment of intended corporate actions	5/4/2006	www.geniki.gr
Amendment of intended corporate actions	13/4/2006	www.geniki.gr
Invitation to the ordinary General Meeting of the Shareholders	23/5/2006	www.geniki.gr
Invitation to a meeting with the analysts	25/5/2006	www.geniki.gr
New Composition of the Board of Directors	25/5/2006	www.geniki.gr
Financial results for the 3 months period ended 31 March 2006	25/5/2006	www.geniki.gr
Meeting with the analysts, 6 June 2006	7/6/2006	www.geniki.gr
Resolutions of the Annual Ordinary General Meeting	16/6/2006	www.geniki.gr
Announcement concerning the sale of paper-based registered share titles	19/6/2006	www.geniki.gr
New Composition of the Board of Directors	21/6/2006	www.geniki.gr
Announcement concerning the extension of sale of paper-based registered share titles	27/6/2006	www.geniki.gr
Société Générale named " Bank of the Year" and "Best Bank in France" in Euromoney Awards for Excellence	21/7/2006	www.geniki.gr
Financial results for the 6 months period ended 30 June 2006	30/8/2006	www.geniki.gr
Readjustment of the interest rates	5/9/2006	www.geniki.gr
New Products and services for students	6/9/2007	www.geniki.gr
Invitation to the extra - ordinary General Meeting of the Shareholders	28/9/2006	www.geniki.gr
Announcement: GENIKI Xtra Small	2/10/2006	www.geniki.gr
Geniki Bank' s Loan agreement with the European Investment Bank	20/10/2006	www.geniki.gr
Resolutions of the extra-ordinary General Meeting	23/10/2006	www.geniki.gr
Geniki Bank' s Loan agreement with the European Investment Bank	23/10/2006	www.geniki.gr
Subordinated loan	23/10/2006	www.geniki.gr
GENIKI Bank's readjustment of the interest rates	24/10/2006	www.geniki.gr
Change in management positions	13/11/2006	www.geniki.gr
New management team	13/11/2006	www.geniki.gr
Changes in interest rates of fixed-interest rate housing loans	20/11/2006	www.geniki.gr
Financial results for the 9 months period ended 30 September 2006	29/11/2006	www.geniki.gr
Meeting Day: "Funds"	29/11/2006	www.geniki.gr
Moodys' rating on Geniki Bank	5/12/2006	www.geniki.gr
Readjustment of the interest rates	13/12/2006	www.geniki.gr
The BoD decides the Share of Capital Increase	14/12/2006	www.geniki.gr
Société Générale once again named "Bank of the year" in France	14/12/2006	www.geniki.gr
New Fixed Interest Rate Subordinated Loan	19/12/2006	www.geniki.gr

APPENDIX E

AVAILABILITY FINANCIAL STATEMENTS (Group & Single Basis)

The annual Financial Statements (Group & Single Basis), the Independent Auditor's Report, the Management Commentary (Consolidated Accounts) and the Explanatory Report of the Board of Directors are available in the internet site www.geniki.gr.

APPENDIX F

**EXPLANATORY REPORT OF THE BOARD OF DIRECTORS
FOR THE YEAR 2006**

We hereby provide the additional information stipulated by the Article 11a of Law 3371/2005, Government Gazette Issue A-18 "CAPITAL MARKET ISSUES:

Share capital is amounting to € 336,898,408.03 and is divided into 58,387,939 ordinary nominal shares with a par value of € 5.77, listed on the Athens Stock Exchange and there are no restrictions to their transfer.

In accordance with the provisions of Presidential Decree 51/92, the most important participations in the Bank's Share Capital are:

- SOCIETE GENERALE PARIS - Shares 30,547,034.- 52.32% &**
- ARMY PENSION FUND - Shares 5,996,484.- 10.27%**

The Bank, to its best knowledge, is not aware of any special audit rights to shareholders or shares or restrictions to voting rights and agreements among shareholders resulting in restrictions in the transfer of shares or the exercising of voting rights.

The rules for appointing and replacing Members of the Board of Directors are in accordance with the provisions of Article 18 (3) of Codified Law 2190/1920; more specifically Article 17 § (1) pas. (1) of the Bank's Articles of Incorporation, stipulates the right of the Army Pension Fund (APF) to appoint three members in the Bank's Board of Directors, provided the ARF are shareholders of the Bank.

The rules regarding amendments to the Articles of Incorporation and the authority of the Board of Directors to issue new shares or acquire treasury shares are in accordance with the provisions of Codified Law 2190/1920, as amended and currently in force.

There are no agreements that are triggered, modified or expiring in case of changes in the controlling structure of the Bank resulting from a public share acquisition bids.

There are no agreements between the Bank and members of its Board of Directors or its personnel providing for the indemnities payable in case of resignation or dismissal on no serious grounds or termination of term or employment as a result of a public share acquisition bid. -