



EFG EUROBANK ERGASIAS S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2005

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Directors' Report**Business Outlook**

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

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

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

Acquisitions in Greece**Acquisition of Attiki Kerdoos Ermis Securities**

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

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

Absorption of Greek Progress Fund

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

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

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

Acquisition of Global Fund Management

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

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

Disposals in Greece**Disposal of Hellas on Line**

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

Funding Program**Securitisation**

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

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

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

Preferred securities Hybrid Tier I

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

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

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

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

Directors' Report

Liabilities evidenced by paper

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

Regional expansion

Acquisition of HC Istanbul Holding (Turkey)

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

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

Acquisition of Capital S.A. (Romania)

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

Participation in Post Bank A.D. (Bulgaria)

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

Acquisition of Nacionalna stedionica Banka (Serbia)

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

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

Expansion in Poland

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

Share capital changes

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

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

Financial results review and proposed dividend distribution

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

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

Consolidated Financial Statements for the
year ended 31 December 2005

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AUDITORS' REPORT

To the Shareholders of EFG EUROBANK ERGASIAS S.A.

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

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

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

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

Athens, 27 February 2006

PRICEWATERHOUSECOOPERS 

EFG EUROBANK ERGASIAS SA
Consolidated Income Statement
for the year ended 31 December 2005

	Note	Year ended 31 December	
		2005	2004
		€ million	€ million
Interest income	6	2,850	2,088
Interest expense	6	(1,478)	(994)
Net interest income		1,372	1,094
Banking fee and commission income		498	414
Banking fee and commission expense		(144)	(126)
Net banking fee and commission income	7	354	288
Net insurance income		36	18
Non banking services		30	27
Core income		1,792	1,427
Dividend income		4	8
Net trading income/(loss)		20	12
Gains less losses from investment securities		37	40
Other operating income		7	2
		68	62
Operating income		1,860	1,489
Operating expenses	8	(890)	(772)
Impairment losses on loans and advances	19	(309)	(223)
Profit from operations		661	494
Share of results of associates	22	15	6
Profit before tax		676	500
Income tax expense	10	(172)	(148)
Profit after tax		504	352
Minority interest		(3)	(12)
Net profit for the year attributable to shareholders		501	340
	Note	€	€
Earnings per share			
- basic	12	1.55	1.10
- diluted	12	1.55	1.10

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

EFG EUROBANK ERGASIAS SA
Consolidated Balance Sheet at 31 December 2005

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

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EFG EUROBANK ERGASIAS SA

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

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

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

EFG EUROBANK ERGASIAS SA

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

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

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

EFG EUROBANK ERGASIAS SA

Notes to the Consolidated Financial Statements

1. General information

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

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

2. Principal accounting policies

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

(a) Basis of preparation

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

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

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

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

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

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

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

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

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

(b) Consolidation

(i) Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments or liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the identifiable net assets of the subsidiary acquired (attributable to the Group) is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Increases of the Group's ownership interest in subsidiaries are recorded as equity transactions and any difference between the consideration and the share of the new net assets acquired is recorded directly in equity.

Gain or losses arising from disposals of ownership interest that do not result in loss of control by the Group are also recorded directly in equity.

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

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

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

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

(ii) Associates

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

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

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

Notes to the Consolidated
Financial Statements

2. Principal accounting policies (continued)

(b) Consolidation (continued)

(iii) Joint ventures

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

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

Foreign currencies

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

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

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

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

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

(d) Derivative financial instruments and hedging

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

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

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

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

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

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

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

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

(iii) Net investment hedge

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

(iv) Derivatives that do not qualify for hedge accounting

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

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

**Notes to the Consolidated
Financial Statements**

2. Principal accounting policies (continued)**(e) Offsetting financial instruments**

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

(f) Income statement**(i) Interest income and expenses**

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

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

(ii) Fees and commissions

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

(g) Property, plant and equipment

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

Depreciation is calculated on the straight-line method to write down the cost of property, plant and equipment, to their residual values over their estimated useful life as follows:

- Land: No depreciation
- Freehold buildings: 40-50 years
- Leasehold improvements: over the life of the lease contract or useful life if shorter
- Computer hardware and software: 4-10 years
- Other furniture and equipment: 4-20 years
- Motor vehicles: 5-7 years

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

(h) Intangible assets**(i) Goodwill**

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

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

(ii) Computer software

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

(iii) Other intangible assets

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

(i) Financial Assets

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

(i) Financial assets at fair-value-through-profit-or-loss

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

(ii) Loans and receivables

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

(iii) Held-to-maturity

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

(iv) Available-for-sale

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

**Notes to the Consolidated
Financial Statements**

2. Principal accounting policies (continued)**(i) Financial Assets (continued)****(v) Accounting treatment and calculation**

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

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

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

(j) Impairment of financial assets

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

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

(i) Assets carried at amortised cost

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

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

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

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

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

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

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

Notes to the Consolidated
Financial Statements**2. Principal accounting policies (continued)****(j) Impairment of financial assets (continued)****(ii) Available-for-sale assets**

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

(k) Sale and repurchase agreements and securities lending**(i) Sale and repurchase agreements**

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

(ii) Securities lending

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

(l) Borrowings

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

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

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

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

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

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

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

(n) Leases**(i) Accounting for leases as lessee**

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

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

(ii) Accounting for leases as lessor

Finance leases:

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

Operating leases:

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

(o) Deferred income tax

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

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

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

Notes to the Consolidated
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2. Principal accounting policies (continued)

(p) Employee benefits

(i) Pension obligations

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

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

(ii) Staff retirement leaving indemnities (SRLI)

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

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

(iii) Performance-based cash payments

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

(iv) Performance-based share-based payments

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

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

(q) Insurance activities

(i) Revenue recognition

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

(ii) Provision for insurance liabilities

Insurance provisions are classified as follows:

Mathematical provisions

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

Unearned premiums' provisions

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

Outstanding claims' provisions

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

(iii) Liability adequacy

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

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

(iv) Reinsurance

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

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

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

**Notes to the Consolidated
Financial Statements**

2. Principal accounting policies (continued)**(r) Repossessed properties**

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

(s) Related party transactions

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

(t) Provisions

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

(u) Segment reporting

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

(v) Share Capital

Ordinary shares are classified as equity.

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

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

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

(w) Preferred Securities

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

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

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

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

(x) Derecognition

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

(y) Securitisations

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

(z) Cash and cash equivalents

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

3. Critical accounting estimates and judgements in applying accounting policies

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

(a) Impairment losses on loans and advances

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

(b) Estimated impairment of goodwill

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

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3. Critical accounting estimates and judgements in applying accounting policies (continued)**(c) Fair value of financial instruments**

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

(d) Impairment of available for sale equity investments

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

(e) Securitisations and special purpose entities

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

(f) Income taxes

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

4. Transition to IFRS**4.1 Basis of transition to IFRS****4.1.1 Application of IFRS 1**

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

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

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

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

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

(a) Business combinations exemption

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

(b) Fair value as deemed cost exemption

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

(c) Insurance contracts exemption

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

4.1.3 Exceptions from full retrospective application followed by the Group

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

4.2 Reconciliations between IFRS and Greek GAAP

The following reconciliations provide details of the impact of the transition to IFRS on:

- consolidated ordinary shareholders' equity (note 4.2.1),
- consolidated balance sheet at 1 January 2004 (note 4.2.2),
- consolidated balance sheet at 31 December 2004 (note 4.2.3),
- consolidated income statement for the year ended 31 December 2004 (note 4.2.4), and
- consolidated cash flow statement for the year ended 31 December 2004 (note 4.2.5).

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4. Transition to IFRS (continued)

4.2 Reconciliations between IFRS and Greek GAAP (continued)

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

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

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

4.2.2 Consolidated balance sheet reconciliation at 1 January 2004

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

4.2.3 Consolidated balance sheet reconciliation at 31 December 2004

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

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4. Transition to IFRS (continued)

4.2 Reconciliations between IFRS and Greek GAAP (continued)

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

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

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

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

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

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

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

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

4.3 Explanation of adjustments to consolidated balance sheet items

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

(a) Cash and balances with central banks

The decrease in cash and balances with central banks under IFRS arose due to presentation differences.

(b) Loans and advances to banks, Due to other banks and Due to customers

(1) Under Greek GAAP debt instruments were recognised when settled whereas the accounting policy adopted by the Group under IAS 39 is trade date accounting. The impact of adoption of IAS 39 resulted in the recognition of assets and liabilities based on trade date accounting.

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

(c) Loans and advances to customers

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

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

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

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

(d) Securities (excluding derivatives)

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

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

Notes to the Consolidated
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4. Transition to IFRS (continued)

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

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

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

(f) *Goodwill*

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

(g) *Other assets (including derivatives)*

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

(h) *Liabilities evidenced by paper*

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

(i) *Other liabilities (including derivatives)*

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

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

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

(j) *Shareholders' equity and minority interest*

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

4.4 Explanation of adjustments to consolidated income statement items

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

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

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

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

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

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

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

(c) *Non core income*

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

(d) *Operating expenses*

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

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

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

(e) *Impairment losses on loans and advances*

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

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5. Financial risk management**5.1 Use of financial instruments**

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

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

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

Fair value hedges

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

Cash flow hedges

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

5.2 Financial risk factors

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

5.2.1 Credit risk

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

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

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

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

(a) Derivatives

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

(b) Master netting arrangements

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

(c) Credit related commitments

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

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

(d) Geographical concentration of assets, liabilities and off balance sheet items

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

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

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5. Financial risk management (continued)**5.2 Financial risk factors (continued)****5.2.2 Market risk**

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

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

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

(a) Currency risk

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

(b) Interest rate risk

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

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

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

5.2.3 Liquidity risk

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

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

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

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

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

5.3 Fair values of financial assets and liabilities

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

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

- a) trading assets, derivatives and other transactions undertaken for trading purposes as well as treasury bills, available for sale securities and liabilities evidenced by paper are measured at fair value (see notes 16, 17, 20 and 28) by reference to quoted market prices when available. If quoted market prices are not available, then the fair values are estimated using valuation techniques based on observable market data.
- b) Substantially all of the Group's other financial assets and liabilities are at floating rates of interest, which re-price at frequent intervals. Therefore the group has no significant exposure to fair value fluctuations and the carrying value of the financial assets and liabilities is substantially equivalent to their fair values, unless otherwise stated.

5.4 Fiduciary activities

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

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6. Net interest income

Interest income

Banks and customers

Trading securities

Other securities

Total interest income

Interest expense

Banks and customers

Liabilities evidenced by paper

Total interest expense

Net interest income

2005 € million	2004 € million
2,518	1,814
37	58
295	216
2,850	2,088
(1,264)	(879)
(214)	(115)
(1,478)	(994)
1,372	1,094

7. Net banking fee and commission income

Lending related fees and commissions

Mutual Funds and Assets under management related fees

Capital Markets related fees

Other fees

Net banking fee and commission income

2005 € million	2004 € million
69	89
138	84
73	44
74	71
354	288

8. Operating expenses

Staff costs (note 9)

Administrative expenses

Amortisation and impairment of intangible assets (note 23)

Depreciation and impairment of property, plant and equipment (note 24)

Operating lease rentals

2005 € million	2004 € million
486	425
255	222
5	-
92	82
52	43
890	772

9. Staff costs

Wages, salaries and staff bonuses

Social security costs

Pension costs-defined contribution scheme

Other

2005 € million	2004 € million
334	285
72	65
9	9
71	66
486	425

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

10. Income tax expense

Current tax

Deferred tax (note 11)

Overseas taxes

Total tax charge

2005 € million	2004 € million
176	157
(10)	(22)
6	13
172	148

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

Profit before tax

Tax at the applicable tax rates of 32% (2004: 35%)

Tax effect of:

- Parent company benefit from reduced tax rate in 2005 of 27% (2004: 30%)

- income and expenses not subject to tax

- effect of different tax rates in different countries

- other differences

Income tax expense

2005 € million	2004 € million
676	500
216	175
(27)	(20)
(23)	(17)
(3)	2
9	8
172	148

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11. Deferred income taxes

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

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

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

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

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

Valuation temporary differences accounted directly to special reserves	2	-
Valuation temporary differences accounted through the income statement	1	-
Fixed assets temporary differences	1	-
Loan impairment	2	-
Other temporary differences	6	-
Deferred income tax liabilities (note 29)	12	-

Net deferred income tax	76	60
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The deferred income tax credit in the income statement comprises the following temporary differences:

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

12. Earnings per share

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

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

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

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13. Cash and balances with central banks

Cash in hand
Balances with central banks

2005 € million	2004 € million
382	289
1,373	1,221
1,755	1,510
774	530

of which:

Mandatory deposits with central banks

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

14. Cash and cash equivalents

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

Cash and balances with central banks
Loans and advances to banks
Financial instruments at fair-value-through-profit-or-loss

2005 € million	2004 € million
981	980
2,386	731
201	536
3,568	2,247

15. Loans and advances to banks

Items in course of collection from other banks
Placements with other banks

2005 € million	2004 € million
748	295
2,245	438
2,993	733

Included in loans and advances to banks are unsubordinated amounts due from:

- fellow subsidiary and associate undertakings
- settlement balances with banks
- pledged deposits with banks

0	29
1,116	139
606	220

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

Issued by public bodies:
- government
- other public sector securities

2005 € million	2004 € million
900	1,944
-	10
900	1,954

Issued by other issuers:

- banks
- other

59	50
116	354
175	404

Total trading

1,075	2,358
-------	-------

Other financial assets at fair-value-through-profit-or-loss
- unit linked products

134	130
-----	-----

Total

1,209	2,488
-------	-------

Equity securities
Treasury bills
Other debt securities
Other financial assets at fair-value-through-profit-or-loss

112	29
290	514
673	1,815
134	130
1,209	2,488

Pledged with central banks

526	171
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17. Derivative financial instruments

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

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

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

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

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

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

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

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18. Loans and advances to customers

Lending to medium size and large corporate entities
Consumer lending
Mortgage lending
Small business lending
Less: Provision for impairment losses (note 19)

2005 € million	2004 € million
10,285	8,892
6,811	5,471
6,262	4,383
4,027	3,088
(761)	(603)
26,624	21,231
8	16
2,293	700

The loans and advances to customers include the following amounts:

- due from associated undertakings, unsubordinated
- securitised loans

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

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

Gross investment in finance leases receivable:

Not later than 1 year
Later than 1 year and not later than 5 years
Later than 5 years

2005 € million	2004 € million
238	245
567	535
653	407
1,458	1,187
(301)	(250)
1,157	937
(20)	(17)
1,137	920

Unearned future finance income on finance leases

Net investment in finance leases

Less: provision for impairment losses

The net investment in finance leases is analysed as follows:

Not later than 1 year
Later than 1 year and not later than 5 years
Later than 5 years

180	194
430	416
547	327
1,157	937
(20)	(17)
1,137	920

Less: provision for impairment losses

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

Commerce and services
Private individuals
Manufacturing
Shipping
Construction
Other

2005 %	2004 %
32%	36%
49%	43%
11%	14%
2%	2%
4%	2%
2%	3%
100%	100%

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

Greece
Other Western European countries
New European countries
Other countries

2005 %	2004 %
92	94
1	1
7	4
-	1
100	100

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

Balance at 1 January
Arising from acquisitions
Impairment losses on loans and advances charged in the year
Amounts recovered during the year
Loans written off during the year as uncollectible
Balance at 31 December

2005 € million	2004 € million
603	516
3	-
309	223
34	20
(188)	(156)
761	603

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20. Available-for-sale investment securities

Issued by public bodies:
- government
- other public sector

Issued by other issuers:
- banks
- other

Total

Listed
Unlisted

Equity
Debt

Unamortised discounts and premiums included above

Pledged securities with capital market companies

Credit facility with central banks secured by the above

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

The movement in the account is as follows:

Net book value at 1 January
Arising from acquisitions
Exchange adjustments
Additions
Disposals and redemptions
Reclassification to / from associates
Amortisation of discounts / premiums and interest
Net gains / (losses) from changes in fair value for the year
Net book value at 31 December

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

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

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

At 1 January

Net gains / (losses) from changes in fair value
Deferred income taxes
Minority share of changes in fair value

Net (gains) / losses transferred to net profit on disposal
Impairment losses transferred to net profit
Deferred income taxes

Net losses / (gains) transferred to net profit from fair value hedges
Deferred income taxes

Balance at 31 December

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

21. Shares in subsidiary undertakings

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

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

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21. Shares in subsidiary undertakings (continued)

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

(a) Be-Business Exchanges S.A.

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

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

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

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

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

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

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

21. Shares in subsidiary undertakings (continued)

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

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

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

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

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

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

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

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

(i) **Karta SPV's**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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21. Shares in subsidiary undertakings (continued)

(v) Bancpost S.A.

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

Post balance sheet event

(w) Hellas on Line S.A.

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

22. Investments in associated undertakings

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

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

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

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

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

(a) The Greek Progress Fund S.A.

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

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

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

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

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22. Investments in associated undertakings (continued)

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

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

(c) LogicDIS

In April 2005, the Group participated in the share capital increase of LogicDIS, increasing its investment from 8.1% to 29.1% and the investment has been transferred from available-for-sale to associated undertakings.

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

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

Post balance sheet event

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

(d) Propindex AEDA

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

(e) Filoxenia S.A.

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

(f) Zenon Properties S.A.

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

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

(g) Global Finance S.A.

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

(h) Global Fund Management S.A.

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

23. Intangible assets

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

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

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23. Intangible assets (continued)

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

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

Impairment testing of goodwill

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

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

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

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

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

(i) AM, PB & INS segment

The pre-tax discount rate applied to cash flow projections is 10%. The growth rate used to extrapolate cash flows beyond the 5-year period is 3% and does not exceed the average long-term growth rate for the relevant markets.

(ii) New Europe segment

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

24. Property, plant and equipment

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

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24. Property, plant and equipment (continued)

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

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

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

Investment property

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

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

25. Other assets

Prepaid expenses and accrued income
Deferred tax asset (note 11)
Reposessed properties
Other assets

2005	2004
€ million	€ million
115	117
88	60
56	56
273	245
532	478

26. Due to other banks

Items in course of collection
Deposits from other banks

2005	2004
€ million	€ million
65	42
10,716	5,319
10,781	5,361
25	29
1,132	102

Included in the amounts due to other banks are amounts due to:

- fellow subsidiary and associate undertakings
- settlement balances with banks

27. Due to customers

Savings and current accounts
Term deposits and repurchase agreements
Unit linked products

2005	2004
€ million	€ million
9,452	8,210
9,454	9,868
349	130
19,255	18,208
1	1
295	426

Included in the amounts due to customers are amounts due to:

- parent undertaking
- fellow subsidiary and associate undertakings

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

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

28. Liabilities evidenced by paper

Short-term debt

- Commercial Paper (ECP)

2005	2004
€ million	€ million
1,394	1,677

Long-term debt

- Medium-term notes (EMTN)
- Subordinated
- Securitised

5,059	2,981
643	398
2,057	715
7,759	4,094
9,153	5,771

Total

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

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28. Liabilities evidenced by paper (continued)

The Group's funding consists of the following:

Residential Mortgage Backed Securities (RMBS)

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

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

Credit Card Asset Backed Securities

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

Lower Tier-II

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

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

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

EMTN and ECP

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

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

	31 December 2005			
	Within 1 year €million	1 - 5 years €million	Over 5 years €million	Total €million
EMTN				
Fixed rate	49	307	573	929
Accrued interest	27	-	-	27
Floating rate	1,024	2,929	139	4,092
Accrued interest	11	-	-	11
ECP				
Fixed rate	1,388	-	-	1,388
Accrued interest	6	-	-	6
Subordinated				
Fixed rate	-	-	244	244
Accrued interest	1	-	-	1
Floating rate	-	-	398	398
Accrued interest	0	-	-	0
Securitised				
Fixed rate	10	15	-	25
Accrued interest	1	-	-	1
Floating rate	-	750	1,277	2,027
Accrued interest	4	-	-	4
Total liabilities evidenced by paper	2,521	4,001	2,631	9,153
	31 December 2004			
	Within 1 year € million	1 - 5 years € million	Over 5 years € million	Total € million
EMTN				
Fixed rate	-	295	257	552
Floating rate	316	2,113	-	2,429
ECP				
Fixed rate	1,677	-	-	1,677
Subordinated				
Floating rate	-	-	398	398
Securitised				
Fixed rate	6	10	-	16
Floating rate	-	-	699	699
Total liabilities evidenced by paper	1,999	2,418	1,354	5,771

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29. Other liabilities

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

30. Staff retirement leaving indemnity provision (SRLI)

	2005	2004
	€million	€million
At 1 January	50	55
Additions	22	29
Indemnities paid	(14)	(34)
Balance at 31 December	58	50

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

31. Share capital, share premium and treasury shares

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

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

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

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

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

Post balance sheet event

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

Treasury shares special scheme

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

32. Preferred securities

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

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

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

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

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

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33. Share options

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

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

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

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

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

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

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

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

34. Special reserves

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

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

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

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

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

Greece
Western European countries
Canada and USA
South Eastern European countries
Other European countries
Other countries

31 December 2005			
Total assets	Total liabilities	Credit commitments	Capital expenditure
€ million	€ million	€ million	€ million
33,028	28,691	1,032	10
6,216	10,171	394	-
691	114	0	-
3,967	1,935	92	-
473	12	-	-
89	142	2	-
44,464	41,065	1,520	10

Greece
Western European countries
Canada and USA
South Eastern European countries
Other European countries
Other countries

31 December 2004			
Total assets	Total liabilities	Credit commitments	Capital expenditure
€ million	€ million	€ million	€ million
26,811	23,888	1,019	8
3,024	5,604	841	-
513	82	1	-
2,307	1,241	181	-
296	1	-	-
95	50	1	-
33,046	30,866	2,043	8

36. Operating lease commitments

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

Operating leases due:
Not later than one year
Later than one year and no later than five years
Later than five years

31 December 2005		31 December 2004	
Land and buildings	Furniture, equipment, vehicles	Land and buildings	Furniture, equipment, vehicles
€ million	€ million	€ million	€ million
58	4	44	3
179	8	158	6
148	-	101	-
385	12	303	9

37. Contingent liabilities and commitments

Contingent liabilities :
Guarantees
- guarantees and standby letters of credit
- other guarantees

Commitments :
Documentary credits
Capital expenditure

2005	2004
€ million	€ million
920	1,523
528	470
1,448	1,993
72	50
10	8
82	58
1,530	2,051

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

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

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

Legal proceedings

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

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38. Business segments

The group is organised into five main business segments:

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

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

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

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

	31 December 2005							
	Retail €million	Corporate €million	AM, PB & INS €million	Global & Capital Markets €million	Other €million	New Europe €million	Elimination Center €million	Total €million
External revenue	993	236	151	226	39	215	-	1,860
Inter-segment revenue	51	33	(24)	(45)	2	(0)	(17)	-
Total revenue	1,044	269	127	181	41	215	(17)	1,860
Profit from operations	331	123	80	128	(12)	11	-	661
Profit before tax	332	123	80	128	2	11	-	676
Income tax expense								(172)
Group Profit after tax								504
Minority interest								(3)
Net profit attributable to shareholders								501
Segment assets	16,179	9,349	559	9,535	5,843	2,964	-	44,429
Associates	6	-	-	-	29	-	-	35
	16,185	9,349	559	9,535	5,872	2,964	-	44,464
Segment liabilities	10,328	2,942	2,805	13,596	9,693	1,701	-	41,065
	31 December 2004							
	Retail € million	Corporate € million	AM, PB & INS € million	Global & Capital Markets € million	Other € million	New Europe € million	Elimination Center € million	Total € million
External revenue	789	223	113	186	32	146	-	1,489
Inter-segment revenue	31	27	(37)	(24)	6	-	(3)	-
Total revenue	820	250	76	162	38	146	(3)	1,489
Profit from operations	214	122	40	112	(12)	18	-	494
Profit before tax	215	122	40	112	(7)	18	-	500
Income tax expense								(148)
Group Profit after tax								352
Minority interest								(12)
Net profit attributable to shareholders								340
Segment assets	12,563	8,208	599	7,757	2,086	1,776	-	32,989
Associates	5	-	-	-	52	-	-	57
	12,568	8,208	599	7,757	2,138	1,776	-	33,046
Segment liabilities	9,925	2,220	2,445	8,859	5,857	1,560	-	30,866

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39. Currency risk

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

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

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

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40. Interest rate risk

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

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

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

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

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

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41. Maturity of assets and liabilities

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

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

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

42. Post balance sheet events

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

Note 21: Shares in subsidiary undertakings

Note 22: Investments in associated undertakings

Note 31: Share capital, share premium and treasury shares

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43. Acquisition of subsidiaries

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

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

The other acquisitions consist of the following:

- Acquisition of 100% of the share capital of EFG Eurobank Finance S.A. and its subsidiary Capital Securities S.A., and
- Acquisition of 100% of the share capital of Attikis Kerdoos Ermis AEPEY. In July 2005, Attikis Kerdoos Ermis A.E.P.E.Y. was absorbed by its parent, EFG Eurobank Securities S.A.

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

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

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

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

44. Related party transactions

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

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

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

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

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

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44. Related party transactions (continued)

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

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

Based on agreements the Group provides the following services to associated undertakings:

- (a) Dias AEEX - portfolio management, custodian and share registry services.
- (b) The Greek Progress Fund SA - advisory services on investment analysis and management, custodian and share registry services, until 31 October 2005.

Key management compensation (including directors)

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

45. Board of Directors

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

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

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

46. Dividends

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

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

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