

**INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

**AS AT 30-9-2005**

**In accordance with International Financial Reporting Standards**



**ATHENS 28 NOVEMBER 2005**

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## Consolidated Interim Income Statements

	Note	1/1- 30/09/2005	1/1- 30/09/2004	1/7- 30/09/2005	1/7- 30/09/2004
Interest & similar income		716.780	651.865	252.598	228.159
Interest expense & similar charges		(245.665)	(220.987)	(88.486)	(80.201)
<b>Net interest income</b>	<b>6</b>	<b>471.115</b>	<b>430.878</b>	<b>164.112</b>	<b>147.958</b>
Fee & commission income		118.244	112.946	42.841	38.324
Fee & commission expense		(7.974)	(11.652)	(2.976)	(5.541)
<b>Net commission income</b>	<b>7</b>	<b>110.270</b>	<b>101.294</b>	<b>39.865</b>	<b>32.783</b>
Net premiums from insurance contracts		135.231	157.289	38.613	49.801
Net claims and benefits on insurance contracts		(115.654)	(128.329)	(36.748)	(42.659)
<b>Net income from insurance operations</b>	<b>11</b>	<b>19.577</b>	<b>28.960</b>	<b>1.865</b>	<b>7.142</b>
Dividend income	<b>8</b>	2.996	9.129	208	2.252
Net trading results	<b>9</b>	11.182	19.477	5.610	3.749
Gains less losses from investment securities	<b>10</b>	7.321	(3)	2.645	2.309
Other operating income		14.098	18.206	5.170	5.234
<b>Net operating income</b>		<b>636.559</b>	<b>607.941</b>	<b>219.475</b>	<b>201.427</b>
Staff costs	<b>12</b>	(302.056)	(315.989)	(109.211)	(107.286)
Depreciation & amortization		(29.079)	(29.503)	(9.078)	(11.610)
Impairment losses on loans and advances	<b>21</b>	(81.336)	(102.679)	(25.896)	(26.529)
Other operating expenses	<b>13</b>	(126.497)	(142.677)	(42.277)	(42.897)
<b>Total operating expenses</b>		<b>(538.968)</b>	<b>(590.848)</b>	<b>(186.462)</b>	<b>(188.322)</b>
Share of loss of associates		(2.334)	(10.267)	(2.844)	(4.926)
Reclassification of earnings from assets held for sale		0	-	(31)	-
<b>PROFIT/ (LOSS) BEFORE INCOME TAX</b>		<b>95.257</b>	<b>6.826</b>	<b>30.138</b>	<b>8.179</b>
Income tax expense	<b>14</b>	(29.112)	(10.182)	(9.183)	1.251
<b>PROFIT/ (LOSS) AFTER INCOME TAX</b>		<b>66.145</b>	<b>(3.356)</b>	<b>20.955</b>	<b>9.430</b>
Attributable to:					
Equity holders of the Bank		67.372	1.918	21.377	11.707
Minority interest		(1.227)	(5.274)	(422)	(2.277)
Basic earnings per share (in Euro)	<b>15</b>	0,74	0,02	0,21	0,15

Notes on pages 5 to 46 form an integral part of these financial statements.

## Consolidated Interim Balance Sheet

	Note	30 September 2005	31 December 2004
<b>ASSETS</b>			
Cash and balances with Central Bank	16	601.202	644.778
Treasury bills	17	43.416	33.869
Due from other banks	18	1.197.077	918.441
Trading securities	19	1.385.894	2.229.924
Derivative financial instruments	20	23.782	249
Loans and advances to customers (net of allowance)	21	14.695.151	13.532.528
Available for sale securities	22	80.166	99.840
Held-to-maturity securities	23	28.741	32.603
Investments in non consolidated subsidiaries	24	2.693	4.991
Investments in associates	25	22.462	21.286
Intangible assets	26	20.153	26.465
Property, plant and equipment	27	373.240	375.710
Investment property	28	117.471	128.899
Deferred tax assets	38	257.167	262.937
Income tax advance		3.266	16.906
Other assets	29	528.173	444.783
<b>TOTAL ASSETS</b>		<b>19.380.054</b>	<b>18.774.209</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Due to other banks	30	589.389	806.512
Derivative financial instruments	20	29.355	53.024
Due to customers	31	15.389.774	14.928.224
Debt securities in issue	32	399.226	396.421
Other borrowed funds	33	348.523	347.087
Due to State pension funds	34	712.000	712.000
Personnel leaving indemnities	35	32.963	32.122
Insurance reserves	36	538.247	477.673
Current income tax liabilities		24.355	12.932
Deferred tax liabilities	38	5.236	5.469
Other liabilities	37	522.388	446.055
<b>Total liabilities</b>		<b>18.591.456</b>	<b>18.217.519</b>
<b>Equity</b>			
Share Capital	40	582.522	485.435
Share premium		126.184	272.183
Less: Own shares		(1.223)	(132.793)
Other reserves		677.393	685.584
Accumulated deficit		(681.805)	(682.953)
Results for the period		67.372	(103.997)
		<b>770.443</b>	<b>523.459</b>
<b>Minority interests</b>		<b>18.155</b>	<b>33.231</b>
<b>TOTAL EQUITY</b>		<b>788.598</b>	<b>556.690</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>19.380.054</b>	<b>18.774.209</b>

Notes on pages 5 to 46 form an integral part of these financial statements.

## Consolidated Interim Statement of Changes in Equity

	Share capital	Share premium	Own shares	Currency translation differences	Other reserves	Accumulated deficit	TOTAL	Minority interests	TOTAL
<b>Balance as at 1 January 2004</b>	<b>429.658</b>	<b>278.392</b>	<b>-140.737</b>	<b>-14.627</b>	<b>729.302</b>	<b>-669.740</b>	<b>612.248</b>	<b>69.339</b>	<b>681.587</b>
Available-for-sale valuation					-26.880		-26.880		-26.880
Results for the period 1/1/04-30/09/04						1.918	1.918	-5.274	-3.356
Prior year (2003) dividends						-40.683	-40.683		-40.683
Other 2003 appropriations					14.270	-14.352	-82		-82
Currency translation differences				1.073			1.073	377	1.450
Change in percentage holdings of subsidiaries							0	958	958
Transfers between reserves				2.121	43.875	-45.996	0		0
Adjustments through reserves					1.022		1.022	308	1.330
Sale of own shares			10.953				10.953		10.953
<b>Balance as at 30 September 2004</b>	<b>429.658</b>	<b>278.392</b>	<b>-129.784</b>	<b>-11.433</b>	<b>761.589</b>	<b>-768.853</b>	<b>559.569</b>	<b>65.708</b>	<b>625.277</b>
<b>Balance as at 1 January 2005</b>	<b>485.435</b>	<b>272.183</b>	<b>-132.793</b>	<b>-5.300</b>	<b>690.884</b>	<b>-786.950</b>	<b>523.459</b>	<b>33.231</b>	<b>556.690</b>
Available-for-sale valuation					4.953	498	5.451		5.451
Results for the period 1/1/2005-30/09/2005						67.372	67.372	-1.227	66.145
Currency translation differences				5.642			5.642	90	5.732
Change in accounting treatment of Credicom and Emporiki Life							0	-13.867	-13.867
Adjustments through reserves					566		566	-72	494
Transfers between reserves				2.552	-2.886	334	0		0
Share Capital increase through capitalisation of reserves	97.087	-1.147			-12.850	-84.539	-1.449		-1.449
Losses set-off against share premium		-144.852				144.852	0		0
Sale of own shares			131.570		-6.168	44.000	169.402		169.402
<b>Balance as at 30 September 2005</b>	<b>582.522</b>	<b>126.184</b>	<b>-1.223</b>	<b>2.894</b>	<b>674.499</b>	<b>-614.433</b>	<b>770.443</b>	<b>18.155</b>	<b>788.598</b>

Notes on pages 5 to 46 form an integral part of these financial statements.

## Consolidated Interim Cash Flow Statement

	<b>1 January – 30 September 2005</b>	<b>1 January – 30 September 2004</b>
<b>Cash flows from operating activities</b>		
Profit after tax	67.372	1.918
Board of Directors fees paid	-	(83)
<b><u>Adjustment to net result for net inflows/(outflows) of operating activities</u></b>		
<b><u>Adjustments for non cash items included in profit and loss for the period:</u></b>		
Depreciation and amortization	29.079	29.503
Impairment for losses on loans and advances	81.336	102.679
Currency translation differences	5.642	1.073
Amortization of issuance expenses of debt securities and other borrowed funds	591	-
Share of loss of associates	2.334	10.267
	<b>118.982</b>	<b>143.522</b>
<b><u>Net (increase)/ decrease of operating assets:</u></b>		
Obligatory with central banks	53.903	(105.350)
Due from other banks	(76.292)	103.363
Trading securities (less government bonds)	211.623	815.867
Derivative financial instruments	(23.533)	(36.669)
Loans and advances to customers (net of write-offs)	(1.243.959)	(1.115.214)
Deferred tax assets	5.770	(8.885)
Other assets	(83.390)	(23.100)
	<b>(1.155.878)</b>	<b>(369.988)</b>
<b><u>Net increase/(decrease) operating liabilities:</u></b>		
Due to other banks	(217.123)	104.218
Derivative financial instruments	(23.669)	(73.491)
Due to customers	461.550	540.341
Current tax liabilities	25.063	(15.364)
Deferred tax liabilities	(233)	1.778
Other liabilities	137.748	326.415
Minority interests	(15.076)	(3.631)
	368.260	880.266
<b>Total cash flows from operating activities</b>	<b>(601.264)</b>	<b>655.635</b>
<b>Cash flows from investing activities</b>		
Changes in participations in subsidiaries and adjustments of associates' equity	(1.212)	11.972
Adjustments through equity	566	1.022
Net change in property, plant and equipment, intangible assets and investment property	(8.869)	(50.608)
Decrease of held to maturity securities	3.862	128.965
Decrease / (increase) of available-for-sale investments	25.126	(3.461)
<b>Total cash flows from investing activities</b>	<b>19.473</b>	<b>87.890</b>
<b>Cash flows) from financing activities</b>		
Proceeds from sale of own shares	169.402	10.952
Payment of prior year' s dividend (2003)	-	(40.683)
Proceeds from issuance of subordinated debt	-	348.237
Proceeds from disposal of own debt securities	3.650	-
Tax on share capital increase	(1.450)	-
<b>Total cash flows from financing activities</b>	<b>171.602</b>	<b>318.506</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(410.189)</b>	<b>1.062.031</b>
Cash and cash equivalents, at beginning of period (Note 41)	2.767.546	2.303.028
<b>Cash and cash equivalents, at end of period (Note 41)</b>	<b>2.357.357</b>	<b>3.365.059</b>

Notes on pages 5 to 46 form an integral part of these financial statements

## **Notes to the interim consolidated financial statements**

### **1. General information**

EMPORIKI BANK GROUP ("Emporiki Bank" or "Group") provides inter alia retail, corporate and investment banking services,, asset management and other financial services. The Group offers services in Greece through its network of 380 branches and abroad through its branch in London and its subsidiaries in Germany, Cyprus, Bulgaria, Albania, Romania and Georgia.

Emporiki Bank was established in Greece in 1907 and its shares are listed in the Athens Stock Exchange since 1909. Emporiki Bank's shares participates in the Athens General Index and the FTSE 20.

Emporiki Bank's web site address is [www.emporiki.gr](http://www.emporiki.gr).

These financial statements have been presented to the Board of Directors of the Bank on 28 November 2005.

### **2. Summary of significant accounting policies**

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

#### **2.1 Basis of preparation**

These interim consolidated financial statements of Emporiki Bank for 30 September 2005 are for the nine month period ended 30 September 2005 have been prepared in accordance with International Financial Reporting Standards (IFRS). They have been prepared in accordance IAS 34, "Interim Financial Reporting", and are covered by IFRS 1, "First-time Adoption of IFRS", because they are part of the period covered by the Group's first IFRS financial statements for the year ended 31 December 2005. These interim financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (April – June and September 2005). The policies applied to financial instruments for all the periods are disclosed separately below.

The Group's consolidated financial statements were prepared in accordance with Greek Generally Accepted Accounting Principles (Greek GAAP) until 31 December 2004. Greek GAAP differs in some areas from IFRS. In preparing the consolidated interim financial statements, management has amended certain accounting, valuation and consolidation methods applied in the Greek 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 Greek GAAP to IFRS on the Group's equity and its net income and cash flows are provided in Note 4.

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

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. Its also requires management to exercise judgment in the process of applying the Group's accounting policies.

## 2.2 Consolidation

### (a) Subsidiaries

Subsidiaries are all entities over which the Group has the power directly or indirectly to govern the financial and operating policies. 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. They are de-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 as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, 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 Group's share of the identifiable net assets acquired 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 recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (c) Proportionate consolidation

The Group applied proportional consolidation for the first time in these financial statements, with regards to its share in the jointly controlled entities Emporiki Life AE and Emporiki Credicom AE. IAS 31 (interests in joint ventures) defines proportionate consolidation as a method of accounting whereby a venture's share of each of the assets, liabilities, income and expenses of a jointly controlled entity is combined line by line with similar items in the venturer's financial statements. IAS 31 asserts that this method of accounting is necessary in order to capture the substance and economic reality of a venturer's interest in a jointly controlled entity.

The application of proportionate consolidation means that the balance sheet of the venturer includes its share of the assets that it controls jointly and its share of liabilities for which it is jointly responsible. The

income statement of the venturer includes its share of the income and expenses of the jointly controlled entity.

### **2.3 Foreign currency translation**

#### **(a) Functional and presentation currency**

The consolidated financial statements are presented in the functional and presentation currency of the Group, the Euro.

#### **(b) Transactions and balances**

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 recognized in the income statement. 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 as of 1 January 2004.

#### **(c) Group companies**

The results and financial position of all the group entities (none of which has the currency of hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (3) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### **2.4 Derivative financial instruments and hedge accounting**

The Group uses derivative financial instruments either for hedging purposes or for trading purposes and on behalf of customers. The Group uses the following derivatives: OTC and exchange traded options, futures, interest rate and currency swaps and forwards.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, if market prices are not available. Changes in the fair value of derivatives are recorded in the income statement.

The Group designates certain derivatives as either hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedge) or, hedges of highly probable future cash flows attributable to a recognized asset or liability, or a forecasted transaction (cash flow hedge) or for a net investment in a foreign subsidiary.

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 derivative that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

## **2.5 Interest income and expense**

Interest income and expense are recognized in the income statement for all instruments measured at amortised cost using the effective interest method and 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.

The Group does not recognize interest income on non-performing loans . Interest income for these loans are recorded in off balance sheet accounts until they are considered performing.

## **2.6 Fee and commission income**

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loans.

## **2.7 Financial assets**

The Group classifies its financial assets in the following 4 categories. Management determines the classification of its investments at initial recognition and reassess at reporting period.

### **(a) 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 categorized as held for trading unless they are designated as hedges.

### **(b) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans include originated loans and do not include acquired loans.

### **(c) 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. As of September 30, 2005 the Group had limited held to maturity securities which primarily concerned state bonds.

### **(d) 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.

Purchases and sales of financial assets in categories (a), (c), (d) above are recognized on trade date – the date on which the Group commits to purchase or sell the asset at fair value which for held for sale assets and available for sale securities includes transaction costs. Loans and advances (category b) are recognized when cash is advanced to the borrowers.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial assets is derecognized or impaired at which time the cumulative gain or loss previously recognised in equity should be recognized in profit or loss.

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.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method less impairment losses. These assets are examined for impairment losses which is when the present value of expected cash flows discounted at the effective rate is less than book value.

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, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

The Group assesses at each reporting period if there are indications of impairment. For equity instruments classified as available-for-sale such indications exist when the hedge is a prolong decline in the fair value compared to cost. If such impairment exists the remaining amount in equity is transferred to the income statement.

## **2.8 Off setting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when:

- a) there is a legally enforceable right to offset the recognized amounts and
- b) there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

## **2.9 Sale and repurchase agreements**

Securities sold subject to repurchase agreements ("repos") remain as assets in the financial statements; the counterparty liability is included in "amounts due to other banks" or "deposits 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 and the securities are not shown in the financial statement. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

## **2.10 Impairment of financial assets**

Assets with an infinite useful life and are not depreciated are assessed for impairment losses annually or whenever there is an indication that the reporting balance is non recoverable. Assets that are depreciated are tested for impairment loss when there is evidence that the book value is not recoverable. The recoverable amount is the largest amount between fair value less selling costs and book value. In estimating the recoverable amount assets are classified in smaller cash generating units. Impairment loss when incurred is recorded to the income statement.

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:

- (i) significant financial difficulty of the issuer or obligor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) 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;
- (iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (v) the disappearance of an active market for that financial asset because of financial difficulties;
- (vi) 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

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 recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on an asset or a group of assets has occurred, then the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized 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.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics for Group exposure. These characteristics (financial, historical, geographical sector) 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.

If, in a subsequent period, the expected cash flows change then these are recorded as a gain or loss to the income statement.

## **2.11 Intangible assets - Software**

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful lives (three to five years). Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

## **2.12 Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

<b>Description</b>	<b>Years</b>
Buildings and leasehold improvements	40 to 50
Computer Hardware	3 to 4
Vehicles	5 to 7
Furniture and equipment	5 to 7

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount.

These are included in the income statement.

On transition date to IFRS (1 January 2004) the Group valued land and buildings at fair value based on professional valuations. This fair value was considered as deemed cost.

### **2.13 Investment property**

The Group classifies land and buildings that are not used for operational purposes or are held for investment purposes (rental income or capital appreciation) as investment property and records them at amortized cost less impairment losses. The Group depreciates investment property during its useful life which is estimated at 40 to 50 years. On transition date to IFRS (1 January 2004) the Group classified investment property at fair value as determined by professional valuers. Fair value was considered as their deemed cost.

### **2.14 Leases**

#### **(a) The Group 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 capitalized 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 corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period.

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 incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

#### **(b) The Group as lessor**

When assets are leased out under a finance lease, the present value of the lease payments is recognized 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 recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return. 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 recognized on a straight-line basis over the lease term.

## **2.15 Insurance activities**

### **a) Provision for insurance claim**

#### *Provision for unsettled claims*

As a result of normal operations obligations or outstanding claims occur, most of which are delayed due to their nature or are under legal proceedings. Specialists along with legal council where considered necessary determine the settlement of these claims and based on the fair value of any provisions.

This provision is determined on a file by file basis, based on supporting evidence and taken into account direct claims and third party fees such as lawyers, court and judicial expenses.

### **b) Recognition of income**

Insurance premium fees are recognized as income:

1. Upon issue for long term life contracts
2. Upon the term of the contract for short term life contracts
3. Based on the insurance period for settlement of claims.

### **c) Reinsurance contracts**

Reinsurance contracts are contracts issued by one insurer to compensate losses on one or more contracts issued by and the insurer.

### **d) Unbundling of components**

The company issues investment contracts on a unit linked basis or a defined acquisition fund – DAF. The fair value of a unit link fund is determined by the current net price of a unit which reflects the fair value of the asset linked to the fund time, the number of the funds held by the issuer on a balance sheet date.

The fair value of the liability of DAF is determined by the contributions made less acquisitions or amounts settled plus investment income from the use of the asset during the period.

### **e) Assessment of provision**

Provisions are accounted for in accordance with IFRS 4 based on the level of provisions less defined acquisition costs (DAC). Current discounted cash flows are used less direct expenses. Future cash flows are discounted using yield curves. Any amounts that are insufficient are deducted from DAC and a corresponding liability for the risk is determined. Any DAC deducted cannot be replaced.

## **2.16 Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including: cash and non-restricted balances with the Bank of Greece, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

## **2.17 Provisions**

Provisions for restructuring costs and legal claims are recognized when:

- (1) the Group has a present legal or constructive obligation as a result of past events;
- (2) it is more likely than not that an outflow of resources will be required to settle the obligation;  
and
- (3) the amount has been reliably estimated.

## **2.18 Employee benefits**

### **(a) Short-term obligations**

Short-term obligations to employees in cash or other non-monetary items are recognised as an expense on an accrual basis.

### **(b) Post employment benefits**

The Group has both defined benefit and defined contribution plans. The contributions are recognized as employee benefit expense when they are due.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Greek Government bonds.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives based on the corridor approach for 10% of defined benefit obligations. Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Upon the date of publishing these financial statements the Bank is auxiliary fund (TEAPETE) is still in force. The Bank, as described in note 34, intends to conform with Lae 3371/2005 "Capital markets and other regulations" ..

### **(c) Employee termination benefits**

Employee termination benefits are paid when employees leave prior to retirement. The Group records a liability when it is obliged to pay an amount according to a detailed employee scheme or when there are motives for voluntary termination. Long-term employment schemes are discounted.

In case the amount is not known precisely, termination benefits are recognized as a contingent liability.

## **2.19 Deferred tax**

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary difference can be utilized. Deferred taxes are presented separately as assets and liabilities and are not offset.

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

## **2.20 Debt securities and other issues**

Debt securities and subordinated debts of the Group are recognized initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. These are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption

value is recognized in the income statement over the period of the borrowings using the effective interest method.

## **2.21 Share capital and own shares**

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

Consideration paid for own shares is deducted from total shareholders' equity until they are cancelled or sold. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

## **2.22 Fiduciary activities**

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

## **2.23 Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

# **3 Financial risk Management**

## **3.1 Financial risk factors**

The Group's activities are related with financial instrument risks and risks from derivatives. The Group receives deposits from customers for different time intervals offering fixed and floating rates. The Bank invests these funds to achieve higher than the average offer rate. To expand this spread the Group receives short term deposits and offers higher rates for long term liabilities maintaining an adequate liquidity coverage for all possible obligations that may occur.

The Group is exposed to various risks such as credit, liquidity, cash flow and fair value risk from the change in rates. The general risk management policy for the Group is focused on confronting the uncertainties of financial markets and tries to minimize any negative effects to the profits for the Group. The Group uses financial derivatives such as futures/forwards and interest rate swaps to hedge these risks.

Risk management apart from credit risk is maintained at a central level adopting to regulations and decisions made by the Asset Liability Committee (ALCO). Credit risk management is governed by the Credit Committee that defines the credit risk strategy and monitors its progress. Risk Management defines, estimates and confronts all financial risks in cooperation with the departments that are involved with these risks. The Management gives instructions and guidelines for central risk management and special instructions for confronting special risks such as foreign exchange, interest and credit risk.

### **Cash flow hedging and fair value hedging for changes in interest rates.**

Operating income and cash flows of the Group are affected by the change in interest rates. The Group in several cases is exposed to floating rates loans and enters into a interest rate swap (IRS) to hedge cash flows on future interest payments that result in transferring floating loans to fixed.

Interest rate risk is from long term loans. Floating rate loans expose the Group to cash flow risks. Fixed rate loans expose the Group to fair value risks. It is the Groups policy to have approximately all of their loan portfolio with floating rates.

### **3.2 Credit risk**

Credit risk is the loss from the risk that the counterparty will be unable to pay amounts in full when due. In accordance with its credit scoring policy the Group can estimate the credit risk for each loan category and estimate the exposure to credit risk.

From experience, management is able to carefully manage the credit risk it is exposed to by issuing credit policies.

It applies an internal credit grading for corporate entities, small and medium size entities. This model has been expanded and improved and will apply in 2005 for improving credit risk management. The new model is based on classifying loans in delays by collateral coverage.

Based on the same model the Group already connects the customer grading with the credit risk exposed within a year by industry.

Apart from credit risk, the Group also monitors market risk by monitoring loan concentration per business sector. In addition it develops practices to evaluate and approve credit risk exposed by the Group and Bank. It also monitors shifts in the quality of the loan portfolio in order to confront any risks incurred.

For retail loans the Group has developed a credit scoring system to estimate precisely the credit risk by customer and minimizing credit risk. This is done through monitoring payment behaviors of customers.

In addition the Group has developed a system for allocating impairment losses for portfolio loans that gives a statistical estimate on the possible loss for the following year based on historic trends and is used to evaluate the quality of the credit portfolio. Impairment losses recorded cover all losses for the Group.

Emporiki Bank is in the process of developing new risk management policies to adopt to the new Basle II framework.

### **3.3 Market risk**

In 2004 the Group developed and improved its internal risk management policy. The maximum value at risk (VaR) for the trading portfolio is estimated through historical simulation on a daily basis. In addition it uses the Monte-Carlo methodology. This analysis is done for each market risk (interest, foreign currency and equity) and is confirmed through backtesting controls and stress testing. In 2004 it adopted an investment strategy in high quality international corporate securities.

The average credit rating of this portfolio by the end of 2004 was A according to Standard & Poor's.

For 2005 the Group considers as its top priority to cover the risk management policy for all its subsidiaries. In addition, it will start reporting to regulatory authorities using standardized methodologies.

### 3.4 Foreign currency

Foreign currency risk is the risk from the change in value of a financial instrument asset or liability as a result of changes in currency rates. Foreign currency risk from transactions in foreign currency is a result of a long or short open position exposing the Group to foreign exchange risks. These risks may also result by funding assets in one currency with a different currency or through forward contracts or by option derivatives. This risk is also driven by the net equity of subsidiaries with a presentation currency other than the Euro. The Group covers this risk as its funding is to a large extent the same currency. The Group does transactions in foreign currencies to cover customer needs or to hedge its open positions. The Group's risk management monitors transactions based on limits approved. The Group maintains limits in order to control the following:

- (a) Open positions in a currency (long or short per currency).
- (b) Total negative exposures.
- (c) Maximum losses (On a daily/monthly or annual basis).

The following tables show the foreign currency exposure of the Group. These tables present assets and liabilities per currency. In addition the notional amount used to hedge the currency risk is also shown.

**30 September 2005**

<b>ASSETS</b>	<b>EUR</b>	<b>USD</b>	<b>GBP</b>	<b>CHF</b>	<b>JPY</b>	<b>Other</b>	<b>Total</b>
Cash and balances with Central Bank	562.976	1.933	1.093	71	9	35.120	<b>601.202</b>
Treasury bills	34.702	-	-	-	-	8.714	<b>43.416</b>
Due from other banks	738.848	249.910	54.469	2.086	3.855	147.909	<b>1.197.077</b>
Trading securities	1.377.239	8.602	-	-	-	53	<b>1.385.894</b>
Derivative financial instruments	23.782	-	-	-	-	-	<b>23.782</b>
Loans and advances to customers (net of allowance)	13.573.519	718.657	38.490	108.129	53.954	202.402	<b>14.695.151</b>
Available for sale securities	45.886	23.553	-	-	-	10.727	<b>80.166</b>
Held-to-maturity securities	28.741	-	-	-	-	-	<b>28.741</b>
Investments in non consolidated subsidiaries	2.675	-	18	-	-	-	<b>2.693</b>
Investments in associates	22.395	67	-	-	-	-	<b>22.462</b>
Intangible assets	12.947	-	8	-	-	7.198	<b>20.153</b>
Property, plant and equipment	362.201	487	46	-	-	10.506	<b>373.240</b>
Investment property	117.471	-	-	-	-	-	<b>117.471</b>
Deferred tax assets	257.122	-	-	-	-	45	<b>257.167</b>
Income tax advance	3.095	-	-	-	-	171	<b>3.266</b>
Other assets	520.601	2.071	814	142	1	4.544	<b>528.173</b>
<b>Total assets</b>	<b>17.684.200</b>	<b>1.005.280</b>	<b>94.938</b>	<b>110.428</b>	<b>57.819</b>	<b>427.389</b>	<b>19.380.054</b>

**LIABILITIES**

	<b>EUR</b>	<b>USD</b>	<b>GBP</b>	<b>CHF</b>	<b>JPY</b>	<b>Other</b>	<b>Total</b>
Due to other banks	353.853	108.884	2.486	103.876	9.235	11.055	<b>589.389</b>
Derivative financial instruments	29.321	-	-	-	-	34	<b>29.355</b>
Due to customers	13.718.948	852.186	95.039	7.637	346.008	369.956	<b>15.389.774</b>
Debt securities in issue	399.226	-	-	-	-	-	<b>399.226</b>
Other borrowed funds	348.523	-	-	-	-	-	<b>348.523</b>
Due to State pension funds	712.000	-	-	-	-	-	<b>712.000</b>
Personnel leaving indemnities	29.615	-	-	-	-	3.348	<b>32.963</b>
Insurance reserves	538.247	-	-	-	-	-	<b>538.247</b>
Current income tax liabilities	24.186	-	-	-	-	169	<b>24.355</b>
Deferred tax liabilities	5.163	-	-	-	-	73	<b>5.236</b>
Other liabilities	504.984	8.698	1.446	-	-	7.260	<b>522.388</b>
<b>Total liabilities</b>	<b>16.664.066</b>	<b>969.768</b>	<b>98.971</b>	<b>111.513</b>	<b>355.243</b>	<b>391.895</b>	<b>18.591.456</b>

<b>Net equity</b>	<b>1.020.134</b>	<b>35.512</b>	<b>(4.033)</b>	<b>(1.085)</b>	<b>(297.424)</b>	<b>35.494</b>	<b>788.598</b>
<b>Off balance sheet items</b>	<b>(278.002)</b>	<b>(1.095)</b>	<b>-</b>	<b>-</b>	<b>286.681</b>	<b>(8.769)</b>	<b>(1.185)</b>

**31 December 2004**

	<b>EUR</b>	<b>USD</b>	<b>GBP</b>	<b>CHF</b>	<b>JPY</b>	<b>Other</b>	<b>Total</b>
Total assets	<b>17.269.887</b>	<b>948.496</b>	<b>99.431</b>	<b>82.567</b>	<b>68.673</b>	<b>305.155</b>	<b>18.774.209</b>
Total liabilities	<b>16.250.306</b>	<b>901.870</b>	<b>107.730</b>	<b>91.639</b>	<b>518.686</b>	<b>347.289</b>	<b>18.217.519</b>
<b>Net equity</b>	<b>1.019.581</b>	<b>46.626</b>	<b>(8.299)</b>	<b>(9.072)</b>	<b>(450.013)</b>	<b>(42.134)</b>	<b>556.689</b>
<b>Off balance sheet items</b>	<b>(427.421)</b>	<b>(1.670)</b>	<b>9.219</b>	<b>(84.257)</b>	<b>461.230</b>	<b>45.794</b>	<b>2.895</b>

### 3.5 Interest rate risk

Interest rate risk is the risk for changes in the fair value of financial instruments and to net interest income for the Group as a result of changes in interest rates. Interest rate risk is a result of the deferral in adjusting assets and liability items to interest rate changes.

The Group uses the PVBP methodology (Present Value of a Basis Point) to measure control and manage interest rate. PVBP measures the effect to the fair value of financial instruments and to the profitability of the Group for every change by 1 basis point (0,01%) to the yield curve.

The Group's interest rate risk is from retail banking and is usually funded by the money market. There is though a small volume of transactions in fixed rate bonds and interest rate forwards compared to the size of the Group's balance sheet.

The Group uses PVBP as a measurement of exposures in order to control:

- (a) Total interest rate exposure by period.
- (b) Total interest rate exposure per currency (mainly Euro, GBP, USD and Australian Dollar).
- (c) Total interest rate exposure.

The Group measures its interest rate exposure as the maximum loss as a result of changes in interest rates. These changes are based on historic data and through stress scenarios. It should be noted that the Group measures its interest rate exposure to count the maximum loss within a reasonable interval.

The following tables show the interest rate exposure. These tables present the book value of asset and liability items for the Group categorized by the minimum between the date that rates change or when the financial asset or liability matures.

### 30 September 2005

#### Interest risk

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non interest bearing	Total
<b>ASSETS</b>							
Cash and balances with Central Bank	326.839	-	-	-	-	274.363	<b>601.202</b>
Treasury bills	20.430	939	22.047	-	-	-	<b>43.416</b>
Due from other banks	714.080	173.293	110.636	39.435	958	158.675	<b>1.197.077</b>
Trading securities	60.989	127.186	104.527	535.946	185.893	371.353	<b>1.385.894</b>
Derivative financial instruments	640	-	-	-	-	23.142	<b>23.782</b>
Loans and advances to customers (net of	9.192.767	2.977.532	1.862.558	873.311	470.182	(681.199)	<b>14.695.151</b>
Available for sale securities	443	6.857	14.651	365	-	57.850	<b>80.166</b>
Held-to-maturity securities	-	72	351	-	28.318	-	<b>28.741</b>
Investments in non consolidated subsidiaries	-	-	-	-	-	2.693	<b>2.693</b>
Investments in associates	-	-	-	-	-	22.462	<b>22.462</b>
Intangible assets	-	-	-	-	-	20.153	<b>20.153</b>
Property, plant and equipment	-	-	-	-	-	373.240	<b>373.240</b>
Investment property	-	-	-	-	-	117.471	<b>117.471</b>
Deferred tax assets	21	-	40	-	-	257.106	<b>257.167</b>
Income tax advance	-	-	-	-	-	3.266	<b>3.266</b>
Other assets	4.655	3.177	952	-	-	519.389	<b>528.173</b>
<b>Total assets</b>	<b>10.320.864</b>	<b>3.289.056</b>	<b>2.115.762</b>	<b>1.449.057</b>	<b>685.351</b>	<b>1.519.964</b>	<b>19.380.054</b>
<b>LIABILITIES</b>							
Due to other banks	325.870	178.109	69.943	1.394	1.303	12.770	<b>589.389</b>
Derivative financial instruments	18.327	-	-	-	-	11.028	<b>29.355</b>
Due to customers	11.714.120	1.370.368	2.159.352	46.366	-	99.568	<b>15.389.774</b>
Debt securities in issue	-	399.226	-	-	-	-	<b>399.226</b>
Other borrowed funds	-	348.372	-	-	-	151	<b>348.523</b>
Due to State pension funds	-	-	-	-	-	712.000	<b>712.000</b>
Personnel leaving indemnities	83	-	-	-	-	32.880	<b>32.963</b>
Insurance reserves	-	-	-	-	-	538.247	<b>538.247</b>
Current income tax liabilities	-	-	-	-	-	522.388	<b>522.388</b>
Deferred tax liabilities	-	-	-	-	-	24.355	<b>24.355</b>
Other liabilities	-	-	-	-	-	5.236	<b>5.236</b>
<b>Total liabilities</b>	<b>12.058.400</b>	<b>2.296.075</b>	<b>2.229.295</b>	<b>47.760</b>	<b>1.303</b>	<b>1.958.623</b>	<b>18.591.456</b>
<b>Net interest rate exposure</b>	<b>(1,737,536)</b>	<b>992,981</b>	<b>(113,533)</b>	<b>1,401,297</b>	<b>684,048</b>		

**31 December 2004**

	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Non interest bearing</b>	<b>Total</b>
<b>ASSETS</b>							
Cash and balances with Central Bank	442.924	-	-	-	-	201.854	<b>644.778</b>
Treasury bills	12.076	1.213	20.580	-	-	-	<b>33.869</b>
Due from other banks	9.101	124.377	127.097	39.832	140	617.894	<b>918.441</b>
Trading securities	158.924	282.590	155.877	711.611	477.895	443.027	<b>2.229.924</b>
Derivative financial instruments	249	-	-	-	-	-	<b>249</b>
Loans and advances to customers (net of allowance)	8.614.739	2.037.176	2.179.341	799.420	514.460	(612.607)	<b>13.532.528</b>
Available for sale securities	19.173	4.552	6.069	602	31.461	37.983	<b>99.840</b>
Held-to-maturity securities	-	-	-	-	30.087	2.516	<b>32.603</b>
Investments in non consolidated subsidiaries	-	-	-	-	-	4.991	<b>4.991</b>
Investments in associates	-	-	-	-	-	21.286	<b>21.286</b>
Intangible assets	-	-	-	-	-	26.465	<b>26.465</b>
Property, plant and equipment	-	-	-	-	-	375.710	<b>375.710</b>
Investment property	-	-	-	-	-	128.899	<b>128.899</b>
Deferred tax assets	846	-	-	-	-	262.091	<b>262.937</b>
Income tax advance	-	-	-	-	-	16.906	<b>16.906</b>
Other assets	1.262	3.948	-	-	-	439.573	<b>444.783</b>
<b>Total assets</b>	<b>9.259.294</b>	<b>2.453.856</b>	<b>2.488.964</b>	<b>1.551.465</b>	<b>1.054.043</b>	<b>1.966.588</b>	<b>18.774.209</b>
<b>LIABILITIES</b>							
Due to other banks	418.255	215.199	136.672	5.081	16.646	14.659	<b>806.512</b>
Derivative financial instruments	53.024	-	-	-	-	-	<b>53.024</b>
Due to customers	11.510.429	1.081.177	2.129.196	70.124	3.885	133.413	<b>14.928.224</b>
Debt securities in issue	-	396.421	-	-	-	-	<b>396.421</b>
Other borrowed funds	-	347.087	-	-	-	-	<b>347.087</b>
Due to State pension funds	-	-	-	712.000	-	-	<b>712.000</b>
Personnel leaving indemnities	71	-	-	-	-	32.051	<b>32.122</b>
Insurance reserves	-	-	-	-	-	477.673	<b>477.673</b>
Current income tax liabilities	5.623	9.488	13	914	-	430.017	<b>446.055</b>
Deferred tax liabilities	-	-	-	-	-	12.932	<b>12.932</b>
Other liabilities	-	-	-	-	-	5.469	<b>5.469</b>
<b>Total liabilities</b>	<b>11.987.402</b>	<b>2.049.372</b>	<b>2.265.881</b>	<b>788.119</b>	<b>20.531</b>	<b>1.106.214</b>	<b>18.217.519</b>
<b>Net interest rate exposure</b>	<b>(2.728.108)</b>	<b>404.484</b>	<b>223.083</b>	<b>763.346</b>	<b>1.033.512</b>		

**3.6 Liquidity risk**

Liquidity risk is the risk from the gap between the maturity of asset and liability items. Liquidity risk expresses the danger that the Group can not fulfill its obligations in the future from gaps between financial instruments or transactions.

The Group measures this risk and controls it by using a developed liquidity management that has various controls. The Group adheres to liquidity restraints authorized by the regulatory authorities locally and abroad as well as to internal limits.

The Group controls and manages liquidity risk throughout the period by using the following:

- (a) Minimum reserve balance as defined by the Bank of Greece.

(b) Liquidity indexes defined by the regulatory authority (Bank of Greece) and internally.

The Group's operations abroad adhere to liquidity rules defined by the Bank of Greece and local regulatory decisions.

The following tables depict the assets and liability items of the Group by maturity as at the reporting date.

**30 September 2005**

	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Cash and balances with Central Bank	601.202	-	-	-	-	<b>601.202</b>
Treasury bills	413	2.097	40.906	-	-	<b>43.416</b>
Due from other banks	1.068.705	14.136	26.724	72.416	15.096	<b>1.197.077</b>
Trading securities	916.965	297.850	171.079	-	-	<b>1.385.894</b>
Derivative financial instruments	23.782	-	-	-	-	<b>23.782</b>
Loans and advances to customers (net of allowance)	1.639.623	1.713.998	2.554.432	4.012.671	4.774.427	<b>14.695.151</b>
Available for sale securities	30.996	-	23.597	25.573	-	<b>80.166</b>
Held-to-maturity securities	28.741	-	-	-	-	<b>28.741</b>
Investments in non consolidated subsidiaries	-	-	-	-	2.693	<b>2.693</b>
Investments in associates	-	-	-	-	22.462	<b>22.462</b>
Intangible assets	-	-	-	-	-	<b>-</b>
Property, plant and equipment	1.264	-	2	595	18.292	<b>20.153</b>
Investment property	2.303	-	17	21.085	349.835	<b>373.240</b>
Deferred tax assets	0	4.003	-	4.546	108.922	<b>117.471</b>
Income tax advance	-	46	43	256.356	722	<b>257.167</b>
Other assets	45	3.095	126	-	-	<b>3.266</b>
<b>Total assets</b>	<b>209.810</b>	<b>124.630</b>	<b>172.413</b>	<b>16.863</b>	<b>4.457</b>	<b>528.173</b>
	<b>4.523.849</b>	<b>2.159.855</b>	<b>2.989.339</b>	<b>4.410.105</b>	<b>5.296.906</b>	<b>19.380.054</b>
<b>LIABILITIES</b>						
Due to other banks	220.905	106.444	102.196	78.823	81.021	<b>589.389</b>
Derivative financial instruments	29.321	-	34	-	-	<b>29.355</b>
Due to customers	3.948.825	1.286.199	2.371.434	7.783.123	193	<b>15.389.774</b>
Debt securities in issue	-	-	-	399.226	-	<b>399.226</b>
Other borrowed funds	-	-	-	-	348.523	<b>348.523</b>
Due to State pension funds	-	-	-	712.000	-	<b>712.000</b>
Personnel leaving indemnities	68	-	569	28.553	3.773	<b>32.963</b>
Insurance reserves	-	-	-	538.247	-	<b>538.247</b>
Current income tax liabilities	179.807	76.607	84.936	180.071	967	<b>522.388</b>
Deferred tax liabilities	170	20.074	1.244	2.867	-	<b>24.355</b>
Other liabilities	-	1.146	787	234	3.069	<b>5.236</b>
<b>Total liabilities</b>	<b>4.379.096</b>	<b>1.490.470</b>	<b>2.561.200</b>	<b>9.723.144</b>	<b>437.546</b>	<b>18.591.456</b>
<b>Net equity</b>	<b>144.753</b>	<b>669.385</b>	<b>428.139</b>	<b>(5.313.039)</b>	<b>4.859.360</b>	<b>788.598</b>
	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>31 December 2004</b>						
Total assets	5.121.156	1.999.898	2.828.818	5.393.412	3.430.926	<b>18.774.209</b>
Total liabilities	4.622.574	1.190.368	2.401.810	7.823.027	2.179.741	<b>18.217.519</b>
<b>Net equity</b>	<b>498.582</b>	<b>809.530</b>	<b>427.008</b>	<b>(2.429.615)</b>	<b>1.251.185</b>	<b>556.690</b>

## **4. Transition to IFRS**

### **4.1 Application of IFRS 1**

The Group's financial statements for the year ending 31 December 2005 will be the first annual financial statements that comply with IFRS. These interim consolidated financial statements have been prepared as described in note 2.1. The Group has applied IFRS 1 for the preparation of these interim consolidated financial statements.

Emporiki Bank's transition date is 1 January 2004. The Group prepared its IFRS opening balance sheet at that date. The reporting date of these consolidated financial statements is 30 September 2005.

For the preparation of these interim consolidated financial statements the Group has applied the mandatory exceptions and certain of the optional exceptions from full retrospective application of IFRS.

#### **4.1.1 Exemptions from full retrospective application of IFRS, elected by the Group**

The Group has elected to apply the following optional exemptions from full retrospective application:

- a) Business combinations: exception Emporiki Bank has applied the business combinations exception in IFRS 1. It has not restated business combinations that took place prior to the 1<sup>st</sup> January 2004 transition date.
- b) Fair value deemed cost :exception Emporiki Bank has elected to measure its properties at fair value as at 1 January 2004.

### **4.2 Reconciliation between IFRS and Greek GAAP**

The following reconciliation tables provide a quantification of the transition to IFRS. The first reconciliation provides an overview of the impact on equity of the transition at 1 January 2004, 30 September 2004 and 31 December 2004, while the following five reconciliation tables provide details of the impact of the transition on:

- Balance sheet items 1 January 2004
- Balance sheet items 30 September 2004
- Balance sheet items 31 December 2004
- Nine month profit and loss items for the period up to 30 September 2004
- Annual profit and loss accounts as at 31 December 2004

#### 4.2.1. Reconciliation net equity

	<b>1 January 2004</b>	<b>30 September 2004</b>	<b>31 December 2004</b>
<b>Consolidated Net Equity (Greek GAAP)</b>	<b>1,199,703</b>	<b>1,232,845</b>	<b>1,273,166</b>
Less: Minority interests	(59,382)	(66,389)	(27,550)
<b>Total net equity attributable to shareholders of the Bank (Greek GAAP)</b>	<b>1,140,321</b>	<b>1,166,456</b>	<b>1,245,616</b>
Reversal of 2003 appropriations	41.664	-	-
Intangible assets write-off	(22.411)	(24.955)	(25.071)
Revaluation of property at fair value	199.996	197.416	(15.514)
Impairment losses on loans and advances	(104.597)	(110.995)	(89.745)
Provision related to State pension funds	(712.000)	(712.000)	(712.000)
Effective interest rate for commission on loans (IAS 39)	(21.957)	(36.106)	(40.757)
Effective interest rate method for interest on loans (IAS 39)	3.175	6.620	7.998
Impairment loss of available for sale assets	(20.874)	(20.874)	-
Impairment loss on trading securities	(6.537)	6.128	3.308
Derivative financial assts at fair value	142	109	(386)
Change in depreciation rates	-	989	1.184
Revaluation of available-for-sale securities	(25)	36	29
Financial leases	14.410	14.774	15.531
Personnel indemnities	(16.804)	(19.200)	(18.240)
Property taxes	(7.641)	(8.466)	-
Income tax provision	-	(15.538)	-
Impairment of non consolidated subsidiaries (under liquidation)	(30.478)	(30.474)	-
Adjustments related to subsidiaries previously not consolidated	(30.662)	(52.565)	(44.618)
Adjustments related to associated undertakings	(22.786)	(33.637)	(12.419)
Restatement of own shares at cost	15.783	17.112	13.409
Write-off of own shares (at cost)	(52.033)	(40.850)	(43.859)
Deferred tax assets recognition	265.875	278.081	260.870
Deferred tax liabilities recognition	(5.691)	(7.784)	(5.044)
Other adjustments	(14.622)	(14.708)	(16.833)
<b>Total adjustments</b>	<b>(528.073)</b>	<b>(606.887)</b>	<b>(722.157)</b>
<b>Consolidated net equity (IFRS)</b>	<b>612.248</b>	<b>559.569</b>	<b>523.459</b>

#### 4.2.2 Balance Sheet reconciliation 1 January 2004

	<b>Greek GAAP</b>	<b>Effect on transition to IFRS</b>	<b>IFRS</b>
<b>ASSETS</b>			
Cash and balances with Central Bank	432.483	(2.562)	429.921
Treasury bills	15.641	779	16.420
Due from other banks	646.008	17.959	663.967
Trading securities	-	2.595.326	2.595.326
Derivative financial instruments	-	142	142
Loans and advances to customers (net of allowance)	12.030.355	215.031	12.245.386
Bonds and other fixed income securities	2.154.300	(2.154.300)	-
Shares and other variable income securities	382.662	(382.662)	-
Available-for-sale securities	-	159.622	159.622
Held-to-maturity securities	-	160.263	160.263
Investments in non-consolidated subsidiaries	93.424	(72.619)	20.805
Investment in associates	109.249	(87.694)	21.555
Intangible assets	61.406	(28.982)	32.424
Property, plant and equipment	529.037	(161.339)	367.698
Investment property	-	105.865	105.865
Deferred tax asset	-	269.196	269.196
Income tax advances	-	18.957	18.957
Other assets	433.398	105.270	538.668
<b>Total assets</b>	<b>16.887.963</b>	<b>758.252</b>	<b>17.646.215</b>
<b>LIABILITIES</b>			
Due to other banks	1,290,514	32,805	1,323,319
Derivative financial instruments – liabilities	-	76,221	76,221
Due to customers	14,042,682	(19,382)	14,023,300
Debt securities in issue	73	-	73
Due to State pension funds	-	712,000	712,000
Personnel leaving indemnities	-	34,806	34,806
Insurance reserves	14,889	460,865	475,754
Other liabilities	340,102	(62,725)	277,377
Current income tax liabilities	-	35,772	35,772
Deferred tax liabilities	-	6,006	6,006
<b>Total liabilities</b>	<b>15,688,260</b>	<b>1,276,368</b>	<b>16,964,628</b>
<b>Equity</b>			
Share capital	429,658	-	429,658
Share premium	278,392	-	278,392
Less: Own shares	(88,935)	(51,802)	(140,737)
Other reserves	524,415	190,260	714,675
Consolidation differences	(3,470)	3,470	-
Retained profit/ (loss)	261	(670,001)	(669,740)
<b>Total equity</b>	<b>1,140,321</b>	<b>(528,073)</b>	<b>612,248</b>
Minority interests	59,382	9,957	69,339
<b>Total equity and minority interests</b>	<b>1,199,703</b>	<b>(518,116)</b>	<b>681,587</b>
<b>Total liabilities and equity</b>	<b>16,887,963</b>	<b>758,252</b>	<b>17,646,215</b>

#### 4.2.3 Balance Sheet reconciliation 30 September 2004

	<b>Greek GAAP</b>	<b>Effect on transition to IFRS</b>	<b>IFRS</b>
<b>ASSETS</b>			
Cash and balances with Central Bank	748.047	566	748.613
Treasury bills	19.501	(126)	19.375
Due from other banks	654.990	11.376	666.366
Trading securities	-	2.519.431	2.519.431
Derivative financial instruments	-	36.811	36.811
Loans and advances to customers (net of allowance)	13.094.215	163.706	13.257.921
Bonds and other fixed income securities	2.174.430	(2.174.430)	-
Shares and other variable income securities	142.690	(142.690)	-
Available-for-sale securities	-	136.203	136.203
Held-to-maturity securities	-	31.298	31.298
Investments in non-consolidated subsidiaries	88.013	(85.903)	2.110
Investment in associates	88.214	(70.201)	18.013
Intangible assets	61.778	(30.519)	31.259
Property, plant and equipment	543.310	(149.251)	394.059
Investment property	-	101.774	101.774
Deferred tax asset	-	278.081	278.081
Income tax advances	-	16.917	16.917
Other assets	457.561	104.207	561.768
<b>Total assets</b>	<b>18.072.749</b>	<b>747.250</b>	<b>18.819.999</b>
<b>LIABILITIES</b>			
Due to other banks	1.385.251	42.286	1.427.537
Derivative financial instruments – liabilities	-	2.730	2.730
Due to customers	14.616.339	(52.698)	14.563.641
Debt securities in issue	350.096	(349.927)	169
Other borrowed funds	-	348.141	348.141
Due to State pension funds	-	712.000	712.000
Personnel leaving indemnities	4.276	30.186	34.462
Insurance reserves	14.683	497.816	512.499
Other liabilities	469.260	98.130	567.390
Current income tax liabilities	-	18.368	18.368
Deferred tax liabilities	-	7.784	7.784
<b>Total liabilities</b>	<b>16.839.905</b>	<b>1.354.817</b>	<b>18.194.722</b>
<b>Equity</b>			
Share capital	429.658	-	429.658
Share premium	278.392	-	278.392
Less: Own shares	(88.935)	(40.849)	(129.784)
Other reserves	601.367	148.789	750.156
Consolidation differences	(3.401)	3.401	-
Retained loss	(50.626)	(718.227)	(768.853)
<b>Total equity</b>	<b>1.166.455</b>	<b>(606.886)</b>	<b>559.569</b>
Minority interests	66.389	(681)	65.708
<b>Total equity and minority interests</b>	<b>1.232.844</b>	<b>(607.567)</b>	<b>625.277</b>
<b>Total liabilities and equity</b>	<b>18.072.749</b>	<b>747.250</b>	<b>18.819.999</b>

#### 4.2.4 Balance Sheet reconciliation 31 December 2004

	Greek GAAP	Effect on transition to IFRS	IFRS
<b>ASSETS</b>			
Cash and balances with Central Bank	644,168	610	644,778
Treasury bills	35,547	(1,678)	33,869
Due from other banks	879,623	38,818	918,441
Trading securities	-	2,229,924	2,229,924
Derivative financial instruments	-	249	249
Loans and advances to customers (net of allowance)	13,327,524	205,004	13,532,528
Bonds and other fixed income securities	1,882,174	(1,882,174)	-
Shares and other variable income securities	109,067	(109,067)	-
Available-for-sale securities	-	99,840	99,840
Held-to-maturity securities	-	32,603	32,603
Investments in non-consolidated subsidiaries	40,163	(35,172)	4,991
Investment in associates	47,062	(25,776)	21,286
Intangible assets	64,130	(37,665)	26,465
Property, plant and equipment	745,968	(370,258)	375,710
Investment property	-	128,899	128,899
Deferred tax asset	-	262,937	262,937
Income tax advances	-	16,906	16,906
Other assets	460,262	(15,479)	444,783
<b>Total assets</b>	<b>18,235,688</b>	<b>538,521</b>	<b>18,774,209</b>
<b>LIABILITIES</b>			
<b>Liabilities</b>			
Due to other banks	806,735	(223)	806,512
Derivative financial instruments – liabilities	-	53,024	53,024
Due to customers	14,960,983	(32,759)	14,928,224
Debt securities in issue	397,573	(1,152)	396,421
Other borrowed funds	348,850	(1,763)	347,087
Due to State pension funds	-	712,000	712,000
Personnel leaving indemnities	15,595	16,527	32,122
Insurance reserves	33,398	444,275	477,673
Other liabilities	399,388	46,667	446,055
Current income tax liabilities	-	12,932	12,932
Deferred tax liabilities	-	5,469	5,469
<b>Total liabilities</b>	<b>16,962,522</b>	<b>1,254,997</b>	<b>18,217,519</b>
<b>Equity</b>			
Share capital	485,435	-	485,435
Share premium	361,137	(88,954)	272,183
Less: Own shares	(88,935)	(43,858)	(132,793)
<b>Total liabilities</b>	<b>18,072,749</b>	<b>743,650</b>	<b>18,816,399</b>
Other reserves	666,659	18,925	685,584
Consolidation differences	(1,768)	1,768	-
Retained loss	(176,912)	(610,038)	(786,950)
<b>Total equity</b>	<b>1,245,616</b>	<b>(722,157)</b>	<b>523,459</b>
Minority interests	27,550	5,681	33,231
<b>Total equity and minority interests</b>	<b>1,273,166</b>	<b>(716,476)</b>	<b>556,690</b>
<b>Total liabilities and equity</b>	<b>18,235,688</b>	<b>538,521</b>	<b>18,774,209</b>

#### 4.2.5 Reconciliation of income statement 30 September 2004

	<b>Greek GAAP</b>	<b>Effect on transition to IFRS</b>	<b>IFRS</b>
Interest & similar income	706.533	(54.668)	651.865
Interest expense & similar charges	(222.594)	1.607	(220.987)
<b>Net interest income</b>	<b>483.939</b>	<b>(53.061)</b>	<b>430.878</b>
Fee & commission income	127.571	(14.625)	112.946
Fee & commission expense	(11.450)	(202)	(11.652)
<b>Net commission income</b>	<b>116.121</b>	<b>(14.827)</b>	<b>101.294</b>
Net premiums from insurance contracts	-	157.289	157.289
Net claims and benefits on insurance contracts	-	(128.329)	(128.329)
<b>Net income from insurance operations</b>	<b>-</b>	<b>28.960</b>	<b>28.960</b>
Dividend income	6.796	2.333	9.129
Net trading results	18.269	1.208	19.477
Gains less losses from investment securities	(2.654)	2.651	(3)
Other operating income	9.943	8.263	18.206
<b>Net operating income</b>	<b>632.414</b>	<b>(24.473)</b>	<b>607.941</b>
Staff costs	(291.525)	(24.464)	(315.989)
Depreciation & amortization	(100.964)	71.461	(29.503)
Impairment losses on loans and advances	(97.825)	(4.854)	(102.679)
Other operating expenses	(95.550)	(47.127)	(142.677)
<b>Total operating expenses</b>	<b>(585.864)</b>	<b>(4.984)</b>	<b>(590.848)</b>
Share of loss of associates	574	(10.841)	(10.267)
<b>PROFIT/ (LOSS) BEFORE TAXES</b>	<b>47.124</b>	<b>(40.298)</b>	<b>6.826</b>
Income tax expense	-	(10.182)	(10.182)
<b>PROFIT/ (LOSS) AFTER TAXES</b>	<b>47.124</b>	<b>(50.480)</b>	<b>(3.356)</b>
Attributable to:			
Equity holders of the Bank	49.451	(47.533)	1.918
Minority interest	(2.327)	(2.947)	(5.274)

#### 4.2.6 Reconciliation of income statement 31 December 2004

	<b>Greek GAAP</b>	<b>Effect on transition to IFRS</b>	<b>IFRS</b>
Interest & similar income	956,131	(85,233)	870,898
Interest expense & similar charges	(306,588)	7,440	(299,148)
<b>Net interest income</b>	<b>649,543</b>	<b>(77,793)</b>	<b>571,750</b>
Fee & commission income	162,636	(11,495)	151,141
Fee & commission expense	(13,995)	1,300	(12,695)
<b>Net commission income</b>	<b>148,641</b>	<b>(10,195)</b>	<b>138,446</b>
Net premiums from insurance contracts	-	228,077	228,077
Net claims and benefits on insurance contracts	-	(149,315)	(149,315)
<b>Net income from insurance operations</b>	<b>0</b>	<b>78,762</b>	<b>78,762</b>
Dividend income	5,881	735	6,616
Net trading results	16,509	4,049	20,558
Gains less losses from investment securities	(30,879)	20,049	(10,830)
Other operating income	13,886	19,100	32,986
<b>Net operating income</b>	<b>803,581</b>	<b>34,707</b>	<b>838,288</b>
Staff costs	(424,677)	(35,678)	(460,355)
Depreciation & amortization	(129,706)	89,822	(39,884)
Impairment losses on loans and advances	(161,349)	21,263	(140,086)
Other operating expenses	(139,634)	(144,133)	(283,767)
<b>Total operating expenses</b>	<b>(855,366)</b>	<b>(68,726)</b>	<b>(924,092)</b>
Extraordinary results	3,033	(3,033)	-
<b>LOSS BEFORE TAXES</b>	<b>(48,752)</b>	<b>(37,052)</b>	<b>(85,804)</b>
Share of loss of associates	-	(8,226)	(8,226)
<b>Loss before taxes</b>	<b>(48,752)</b>	<b>(45,278)</b>	<b>(94,030)</b>
Tax	(23,452)	4,292	(19,160)
<b>LOSS AFTER TAXES</b>	<b>(72,204)</b>	<b>(40,986)</b>	<b>(113,190)</b>
Attributable to:			
Equity holders of the Bank	(67,043)	(36,954)	(103,997)
Minority interest	(5,161)	(4,032)	(9,193)

## 5. Segment results

<u>From 1/1 to 30/9/2005</u>	Group	Retail	Non retail	Insurance and Asset management	Investment Banking & Treasury	Other
Net interest income	471,115	380,111	63,754	1,542	25,576	132
Net commission income	110,270	79,302	17,350	9,407	4,058	153
Net fee and income from insurance activities	19,577			19,577		
Other income	35,597	2,851	117	15,102	8,446	9,081
<b>TOTAL NET INCOME</b>	<b>636,559</b>	<b>462,264</b>	<b>81,221</b>	<b>45,628</b>	<b>38,080</b>	<b>9,366</b>
Employee benefits	302,056	207,183	41,272	22,352	4,064	27,185
Other administration expense	155,576	96,163	17,797	15,566	13,269	12,781
Impairment loans and advances	81,336	63,876	17,460			
<b>TOTAL OPERATING EXPENSES</b>	<b>538,968</b>	<b>367,222</b>	<b>76,529</b>	<b>37,918</b>	<b>17,333</b>	<b>39,966</b>
<b>PROFIT (LOSSES) BEFORE TAXES</b>	<b>97,591</b>	<b>95,042</b>	<b>4,692</b>	<b>7,710</b>	<b>20,747</b>	<b>(30,600)</b>

<u>From 1/1 to 30/9/2004</u>	Group	Retail	Non retail	Insurance and Asset management	Investment Banking & Treasury	Group
Net interest income	430,878	340,118	57,268	876	32,570	46
Net commission income	101,294	68,347	14,559	8,765	9,623	
Net fee from insurance	28,960			28,960		
Other income	46,809	1,878	614	(5,016)	13,637	35,696
<b>TOTAL NET INCOME</b>	<b>607,941</b>	<b>410,343</b>	<b>72,441</b>	<b>33,585</b>	<b>55,830</b>	<b>35,742</b>
Employee benefits	315,989	206,450	38,123	22,752	10,746	37,919
Other administration expense	179,750	105,840	14,136	28,477	14,107	17,190
Impairment loans and advances	95,109	75,732	19,377			
<b>TOTAL OPERATING EXPENSES</b>	<b>590,848</b>	<b>388,022</b>	<b>71,636</b>	<b>51,229</b>	<b>24,853</b>	<b>55,109</b>
<b>PROFIT (LOSSES) BEFORE TAXES</b>	<b>17,093</b>	<b>22,321</b>	<b>806</b>	<b>(17,644)</b>	<b>30,977</b>	<b>(19,367)</b>

Retail includes all services and products offered to individuals, freelance professional small and medium size entities.

Non retail refers to products and services offered to corporates and shipping companies.

Insurance and asset management services refer to portfolio management for clients, mutual fund asset management of ERMIS and insurance products offered by the insurance companies of the Group.

Investment banking and Treasury include financial services, consulting and transaction services on capital exchange issues and on dealing room activities.

In the other sections are all non financial or insurance activities as well as the administrative and back off services of the Bank.

<b>6. Net interest income</b>	<b>1/1 – 30/9 2005</b>	<b>1/1 – 30/9 2004</b>	<b>1/7 – 30/9 2005</b>	<b>1/7 – 30/9 2004</b>
<b>Interest and similar income</b>				
Cash and short-term funds	30.327	23.829	8.780	8.424
Bonds/ Treasury bills	52.541	60.807	16.874	20.880
Lending securities and reverse repos	464	731	15	27
Loans and advances	633.448	566.498	226.929	198.828
	<b>716.780</b>	<b>651.865</b>	<b>252.598</b>	<b>228.159</b>
<b>Interest and similar expense</b>				
Banks and customers	222.621	195.873	81.690	70.592
Debt securities	8.438	-	3.321	-
Securities and repos	6.802	23.367	978	7.866
Other borrowing funds	7.804	1.747	2.497	1.743
	<b>245.665</b>	<b>220.987</b>	<b>88.486</b>	<b>80.201</b>
<b>Net interest income</b>	<b>471.115</b>	<b>430.878</b>	<b>164.112</b>	<b>147.958</b>
<b>7. Net commission income</b>				
	<b>1/1 – 30/9 2005</b>	<b>1/1 – 30/9 2004</b>	<b>1/7 – 30/9 2005</b>	<b>1/7 – 30/9 2004</b>
<b>Commission income</b>				
Loans	21.349	14.006	6.232	2.127
Working capital	6.637	7.156	2.091	3.870
Letters of guarantee	9.974	9.800	3.719	3.110
Credit cards	22.551	21.538	9.220	8.530
Imports – Exports	5.609	6.290	2.052	1.913
Mutual Funds	9.716	9.084	3.045	2.902
Other commissions	42.408	45.072	16.482	15.872
	<b>118.244</b>	<b>112.946</b>	<b>42.841</b>	<b>38.324</b>
<b>Commission expenses</b>				
Credit card commissions	6.518	6.652	3.082	2.783
Other	1.456	5.000	(106)	2.758
	<b>7.974</b>	<b>11.652</b>	<b>2.976</b>	<b>5.541</b>
<b>Net commission income</b>	<b>110.270</b>	<b>101.294</b>	<b>39.865</b>	<b>32.783</b>
<b>8. Dividend income</b>				
	<b>1/1 – 30/9 2005</b>	<b>1/1 – 30/9 2004</b>	<b>1/7 – 30/9 2005</b>	<b>1/7 – 30/9 2004</b>
Trading portfolio	2.335	7.147	201	1.823
Available-for-sale portfolio	661	1.982	7	429
<b>Dividend income</b>	<b>2.996</b>	<b>9.129</b>	<b>208</b>	<b>2.252</b>

<b>9. Net trading results</b>	<b>1/1 – 30/9 2005</b>	<b>1/1 – 30/9 2004</b>	<b>1/7 – 30/9 2005</b>	<b>1/7 – 30/9 2004</b>
Net profit from transactions and foreign exchange valuation	5.833	4.216	1.696	1.801
Net profit from sale and valuation of bonds	3.061	16.391	(9.413)	14.525
Net profit from sale and valuation of shares and other variable yield securities	7.730	16.835	1.660	(1.294)
Net loss from sale and valuation of derivatives	(13.994)	(6.332)	6.905	(4.374)
Net loss from units sale and valuation of mutual funds	(937)	-	(940)	100
Profits from "Phoenix Metrolife" trading portfolio	9.489	(11.633)	5.702	(7.009)
<b>Net trading results</b>	<b>11.182</b>	<b>19.477</b>	<b>5.610</b>	<b>3.749</b>

<b>10. Gains less losses from investment securities</b>	<b>1/1 – 30/9 2005</b>	<b>1/1 – 30/9 2004</b>	<b>1/7 – 30/9 2005</b>	<b>1/7 – 30/9 2004</b>
Net profit from sale of bonds	21	(6)	5	(6)
Net loss from sale of shares and other variable yield securities	4.547	3	2.761	3
Net profit/loss from mutual funds unit sales	2.437	-	-	-
Net gain/loss from sale of securities	316	-	(121)	2.312
<b>Gain less losses investment portfolio</b>	<b>7.321</b>	<b>(3)</b>	<b>2.645</b>	<b>2.309</b>

<b>11. Net income from insurance operations</b>	<b>1/1 – 30/9 2005</b>	<b>1/1 – 30/9 2004</b>	<b>1/7 – 30/9 2005</b>	<b>1/7 – 30/9 2004</b>
Net life insurance premiums and rights	32.886	43.380	4.777	12.114
Net general insurance premiums and rights	102.345	113.909	33.836	37.687
<b>Net premiums from insurance contracts</b>	<b>135.231</b>	<b>157.289</b>	<b>38.613</b>	<b>49.801</b>
Life insurance claims (excluding DAF & Unit Linked)	(16.014)	(15.965)	(4.600)	(4.298)
General insurance claims	(64.339)	(58.346)	(19.720)	(16.194)
Change of reserves on non finalized compensations	(2.334)	(4.479)	(3.213)	(5.891)
Gains / (Losses) on investment products	9.913	(4.842)	2.160	(1.153)
Change of technical reserves	(14.049)	(11.604)	(2.207)	(3.806)
Commissions and other direct production expenses	(28.831)	(33.093)	(9.168)	(11.317)
<b>Net claims and benefits on insurance contracts</b>	<b>(115.654)</b>	<b>(128.329)</b>	<b>(36.748)</b>	<b>(42.659)</b>
<b>Net income from insurance operations</b>	<b>19.577</b>	<b>28.960</b>	<b>1.865</b>	<b>7.142</b>

<b>12. Staff costs</b>	<b>1/1 – 30/9 2005</b>	<b>1/1 – 30/9 2004</b>	<b>1/7 – 30/9 2005</b>	<b>1/7 – 30/9 2004</b>
Salaries and wages	193.293	215.878	67.800	73.280
Social security cost (principal and auxiliary)	95.501	85.901	33.915	27.439
Other benefits	13.262	14.210	7.496	6.567
<b>Staff costs</b>	<b>302.056</b>	<b>315.989</b>	<b>109.211</b>	<b>107.286</b>

Total personnel of the Group as at 30 September 2005 consists of 7,703 people compared to 8,424 as at 30 September 2004

<b>13. Other operating expenses</b>	<b>1/1 – 30/9 2005</b>	<b>1/1 – 30/9 2004</b>	<b>1/7 – 30/9 2005</b>	<b>1/7 – 30/9 2004</b>
Fees and third party expenses	20.792	20.607	9.121	9.379
Third parties allowances	32.292	34.016	11.455	8.015
Insurance fees	753	812	251	270
Taxes and duties	11.915	11.050	5.069	3.240
Other expenses	60.745	76.192	16.381	21.993
<b>Other operating expenses</b>	<b>126.497</b>	<b>142.677</b>	<b>42.277</b>	<b>42.897</b>

<b>14. Income tax</b>	<b>1/1 – 30/9 2005</b>	<b>1/1 – 30/9 2004</b>	<b>1/7 – 30/9 2005</b>	<b>1/7 – 30/9 2004</b>
Tax for the period (estimate)	23.575	18.404	9.256	1.903
Deferred taxation (Note 37)	5.537	(8.222)	(73)	(3.154)
<b>Income tax</b>	<b>29.112</b>	<b>10.182</b>	<b>9.183</b>	<b>(1.251)</b>

<b>15. Earnings per share</b>	<b>1/1 – 30/9 2005</b>	<b>1/1 – 30/9 2004</b>	<b>1/7 – 30/9 2005</b>	<b>1/7 – 30/9 2004</b>
Profits allocated to shareholders of the Bank (in € thousands)	67.372	1.918	21.377	11.707
Average number of shares (excluding own shares)	90.921.984	80.107.278	104.215.391	80.398.513
Profit/ (Losses) per share (in €)	0,74	0,02	0,21	0,15

Basic earnings per share is calculated on the profit attributable to the Bank's shareholders and the weighted average of shares outstanding during the year after deducting own shares issued.

<b>16. Cash and balances with Central Banks</b>	<b>30/09/05</b>	<b>31/12/04</b>
Cash	207.262	235.316
Deposits at Central Bank excluding deposits for liquidity purposes	211.834	176.188
Cheques receivables – Central Bank clearing office	3.906	1.171
<b>Included as cash and cash equivalents (Note 39)</b>	<b>423.002</b>	<b>412.675</b>
Compulsory deposits at Central Banks	178.200	232.103
<b>Cash and balances with Central Bank</b>	<b>601.202</b>	<b>644.778</b>
<b>17. Treasury bills</b>	<b>30/09/05</b>	<b>31/12/04</b>
Greek state treasury bills	34.702	27.773
Foreign government treasury bills	8.714	6.096
<b>Treasury bills</b>	<b>43.416</b>	<b>33.869</b>
<b>18. Due from other banks</b>	<b>30/09/05</b>	<b>31/12/04</b>
Cheques receivables	3.652	4.910
On demand	38.316	18.096
Placements in other banks	925.388	670.265
Reverse Repos	-	59.556
Other amounts due	24.837	37.022
<b>Included as cash and cash equivalents (Note 39)</b>	<b>992.193</b>	<b>789.849</b>
Loans to other banks	204.884	128.592
<b>Due from other banks</b>	<b>1.197.077</b>	<b>918.441</b>

## 19. Trading securities

	30/09/05	31/12/04
<b>Trading portfolio securities</b>		
Bonds issued by Greek state (Note 39)	898.293	1.531.153
Bonds issued by other Governments (Note 39)	453	-
Other issuers bonds	383.278	493.535
	<b>1.282.024</b>	<b>2.024.688</b>
Listed shares	77.044	36.524
Non listed shares	415	96
Mutual funds	26.411	168.616
<b>Total</b>	<b>103.870</b>	<b>205.236</b>
<b>Trading securities</b>	<b>1.385.894</b>	<b>2.229.924</b>

## 20. Derivative financial instruments

	30/09/05			31/12/04		
	Contract/ Nominal value	Fair value		Contract/ Nominal value	Fair value	
		Assets	Liabilities		Assets	Liabilities
<b>a) Currency derivatives</b>						
Currency forwards	692.086	-	12	1.209.546	-	2.153
Currency swaps	3.111.176	21.795	35	386.994	-	7.554
<b>Total</b>		<b>21.795</b>	<b>47</b>		<b>-</b>	<b>9.707</b>
<b>b) Interest rate derivatives</b>						
Interest rate swaps	1.951.386	-	27.458	2.262.414	105	27.461
Exchange traded interest rate futures	-	-	-	366.000	-	15.221
<b>Total</b>		<b>-</b>	<b>27.458</b>		<b>105</b>	<b>42.682</b>
<b>c) Index options</b>						
OTC index options	220.995	1.987	1.850	19.207	144	635
<b>Total</b>		<b>1.987</b>	<b>1.850</b>		<b>144</b>	<b>635</b>
<b>Derivative financial instruments</b>		<b>23.782</b>	<b>29.355</b>		<b>249</b>	<b>53.024</b>

<b>21. Loans and advances to customers (net of allowance)</b>	<b>30/09/05</b>	<b>31/12/04</b>
<b>Loans to individuals</b>		
Overdrafts	19.898	3.193
Credit cards	405.030	371.933
Term loans (including consumer loans)	1.315.556	1.016.480
Housing loans	4.070.252	3.438.501
Other loans	260.595	435.256
	<b>6.071.331</b>	<b>5.265.363</b>
<b>Loans to legal entities</b>		
Business loans	7.415.698	7.194.256
Syndicated loans	225.656	168.423
State and public companies	325.068	400.142
Financial leases	459.717	458.674
Other	878.880	658.278
	<b>9.305.019</b>	<b>8.879.773</b>
<b>Loans and advances to customers</b>	<b>15.376.350</b>	<b>14.145.135</b>
Less: Impairment losses on loans and advances	(681.199)	(612.607)
	<b>14.695.151</b>	<b>13.532.528</b>
Floating interest rate	13.833.774	12.417.513
Fixed interest rate	1.542.576	1.727.622
<b>Total</b>	<b>15.376.350</b>	<b>14.145.135</b>
<b>Impairment losses on loans and advances</b>	<b>30.09.05</b>	<b>31.12.04</b>
Balance at 1 January	612.607	487.741
Subsidiaries held for sale	-	-
Sale of subsidiary	-	-
Impairment for loans	81.336	140.086
Write-offs	(12.744)	(15.220)
<b>Balance 30 September / 31 December</b>	<b>681.199</b>	<b>612.607</b>

<b>22. Available for sale securities</b>	<b>30/09/05</b>	<b>31/12/04</b>
<b>Available-for-sale securities at fair value</b>		
Bonds issued by Greek state	8.056	29.928
Bonds issued by other Governments	4.588	2.405
Other issuers bonds	1.503	93
Listed shares	33.567	16.562
Non listed shares	24.764	39.327
Mutual funds units	7.688	11.525
<b>Available-for-sale securities</b>	<b>80.166</b>	<b>99.840</b>

<b>23. Held-to-maturity securities</b>	<b>30/09/05</b>	<b>31/12/04</b>
<b>Held-to-maturity securities at fair value</b>		
Bonds issued by Greek state	18.094	17.981
Bonds issued by other Governments	-	13.174
Other issuers bonds	10.647	1.448
<b>Held-to-maturity securities</b>	<b>28.741</b>	<b>32.603</b>

#### **24. Participation in subsidiaries**

The Board of Directors meeting number 2687 held 27 September 2004 decided as part of the strategic development of the Bank and Group and in order to improve the results of Bank decided to sell “Emporiki Bank – Armenia CJSC”, which has already completed.

The main subsidiaries that were excluded from consolidation based on materiality are:

A/A	Name
1	Emporiki Media EPE
2	Historical Archives
3	Banking Development Training and Research Center A.E.
4	ELVIO AE
5	Total Care AE
6	Credit Association of Attica
7	AUDATEX
8	SKEYE TELEMATIC

## 25. Investments in associates

A/A	Name	Country of incorporation	% of participation at 30.09.2005	% of participation at 31.12.2004
1	Alpha Graphics Franchise Development	GREECE	49.00%	49.00%
2	Industry of Phosphoric Fertilizers	GREECE	44.00%	44.21%
3	Mediafon	GREECE	25.00%	15.00%
4	Propindex	GREECE	22.58%	22.58%
5	Incuriam Investment Ltd.	CYPRUS	20.00%	20.00%
6	ICAP	GREECE	20.00%	20.00%
7	Euler Hermes Emporiki	GREECE	46.44%	46.44%
8	Charalambides Dairies	CYPRUS	20.00%	20.00%

## 26. Intangible assets

	<u>Software</u>
<b>1 January 2004</b>	
Cost	69.867
Accumulated depreciation	(37.643)
<b>Net book value</b>	<b>32.224</b>
<b>31 December 2004</b>	
Opening net book value	32.224
Additions/Disposals	2.071
Change in depreciation	(7.830)
<b>Closing net book value</b>	<b>26.465</b>
<b>31 December 2004</b>	
Cost	71.938
Accumulated depreciation	(45.473)
<b>Net book value</b>	<b>26.465</b>
<b>9 months – 30 September 2005</b>	
Opening net book value	26.465
Additions/Disposals	2.056
Change in depreciation	(8.368)
<b>Closing net book value</b>	<b>20.153</b>
<b>30 September 2005</b>	
Cost	73.994
Accumulated depreciation	(53.841)
<b>Net book value</b>	<b>20.153</b>

## 27. Property, plant and equipment

	<b>Land, buildings and leasehold improvements</b>	<b>Other fixed assets</b>	<b>Total</b>
<b>Cost</b>	291.382	199.716	491.098
Accumulated depreciation	-	(123.400)	(123.400)
<b>Net book value</b>	<b>291.382</b>	<b>76.316</b>	<b>367.698</b>
<b>31 December 2004</b>			
Opening net book value	291.382	76.316	367.698
Additions/Disposals	6.055	17.257	23.312
Change in depreciation	(3.076)	(12.224)	(15.300)
<b>Closing net book value</b>	<b>294.361</b>	<b>81.349</b>	<b>375.710</b>
<b>31 December 2004</b>			
Cost	297.437	216.973	514.410
Accumulated depreciation	(3.076)	(135.624)	(138.700)
<b>Total variation in cost</b>	<b>294.361</b>	<b>81.349</b>	<b>375.710</b>
<b>9 months – 30 September 2005</b>			
Opening net book value	294.361	81.349	375.710
Additions/ Disposals	13.740	1.994	15.734
Change in depreciation	(1.568)	(16.636)	(18.204)
<b>Closing net book value</b>	<b>306.533</b>	<b>66.707</b>	<b>373.240</b>
<b>30 September 2005</b>			
Cost	311.177	218.967	530.144
Accumulated depreciation	(4.644)	(152.260)	(156.904)
<b>Net book value</b>	<b>306.533</b>	<b>66.707</b>	<b>373.240</b>

## 28. Investment property

	<b>Land</b>	<b>Buildings and equipment</b>	<b>Total</b>
<b>1 January 2004</b>			
Cost	75.510	30.355	105.865
Accumulated depreciation			
<b>Net book value</b>	<b>75.510</b>	<b>30.355</b>	<b>105.865</b>
<b>31 December 2004</b>			
Opening net book value	75.510	30.355	105.865
Additions/Disposals		24.386	24.386
Change in depreciation		(1.352)	(1.352)
<b>Net book value</b>	<b>75.510</b>	<b>53.389</b>	<b>128.899</b>
<b>31 December 2004</b>			
Cost	75.510	54.741	130.251
Accumulated depreciation	0	(1.352)	(1.352)
<b>Net book value</b>	<b>75.510</b>	<b>53.389</b>	<b>128.899</b>
<b>9 months – 30 September 2005</b>			
Opening net book value	75.510	53.389	128.899
Additions/ Disposals	(3.640)	(5.898)	(9.538)
Reclassification	7.310	(7.310)	
Change in depreciation		(1.890)	(1.890)
<b>Closing net book value</b>	<b>79.180</b>	<b>38.291</b>	<b>117.471</b>
<b>30 September 2005</b>			
Cost	79.180	47.491	126.671
Accumulated depreciation		(9.200)	(9.200)
<b>Net book value</b>	<b>79.180</b>	<b>38.291</b>	<b>117.471</b>

## 29. Other assets

	<b>30/09/05</b>	<b>31/12/04</b>
Accrued expenses	32.999	32.744
Accrued income	113.738	77.913
Other	381.436	334.126
	<b>528.173</b>	<b>444.783</b>

## 30. Due to other banks

	<b>30/09/05</b>	<b>31/12/04</b>
Borrowings from banks	489.561	716.301
Current accounts	96.669	88.571
Other liabilities	3.159	1.640
	<b>589.389</b>	<b>806.512</b>

<b>31. Due to customers</b>	<b>30/09/05</b>	<b>31/12/04</b>
<b>Deposits from legal entities</b>		
Current accounts	1.446.449	1.201.789
Term deposits	2.216.499	1.440.643
Repurchase agreements	173.091	769.508
	<b>3.836.039</b>	<b>3.411.940</b>
<b>Deposits from individuals</b>		
Current accounts	495.596	513.715
Term deposits	3.705.633	3.347.601
Saving accounts	7.236.265	7.235.199
Sale and repurchase agreements	4.200	309.827
	<b>111.441.694</b>	<b>11.406.342</b>
<b>Cheques and remittances payable</b>	<b>112.041</b>	<b>109.942</b>
	<b>15.389.774</b>	<b>14.928.224</b>
Fixed interest rate	6.099.348	5.867.579
Floating interest rate	9.178.385	8.950.703
<b>Total deposits</b>	<b>15.277.733</b>	<b>14.818.282</b>

Fixed rate deposits include term deposits and repos in euro and foreign currency. The remaining amounts are floating.

<b>32. Debt securities in issue</b>	<b>30/09/05</b>	<b>31/12/04</b>
Debt securities	399.153	396.348
Other credit titles	73	73
	<b>399.226</b>	<b>396.421</b>

Emporiki Group Finance PLC, issued a Euro 400,000,000 floating rate note (3 month Euribor + 0.30%) that matures in July 2007.

Other credit titles of Euro 73 thousand refer to a mature obligation that Emporiki Bank accepted in order to pay bank bonds issued by Investment Bank.

### 33. Other borrowed funds

	30/09/05	31/12/04
Subordinated notes	348.523	347.087
	<b>348.523</b>	<b>347.087</b>

The notes refer to:

The issue of subordinated notes by Emporiki Group Finance PLC as at 5 August 2004, with a face value of Euro350,000,000. The notes are floating (3 month Euribor + 0.75%) and are seven year and Emporiki Bank is the guarantor.

### 34. Due State pension funds

The Auxiliary Pension Fund (TEAPETE) for the Bank's employees is considered a defined benefit plan under the statute of law 3371/2005. Under law 3371/2005, which the Bank wishes to apply, all employees and pensioners that were employed up to 31 December 2004 will not be included in TEAPETE but will be included in IKA –ETEAM and ETAT which are the auxiliary funds for state control plans and the new auxiliary fund for bank employees, both of which are considered defined contribution plans. Employees that join the Bank after 1/1/2005 are automatically included in IKA-ETEAM.

To cover the expense to have the pensioners join the new pension funds, the Bank performed an economic study performed, which estimated that the Bank will pay an additional contribution (as a lump sum or within a period of 10 years) of € 712 mill. to IKA-ETEAM and ETAT. In addition, the Bank will be obliged to pay additional contributions compared to ETEAM regulations for employees hired before 31/12/2004 for the following periods and up to the date they retire. Law 3371/2005 allows credit institutions to state in their financial statements for 2005 the amount assessed by the economic study for the cost of inclusion to the new funds.

In accordance with IFRS, and in particular IAS 19 "Employee benefits" and IFRS 1 "First time adoption of IFRS" the Bank should have recognized in their financial statements an amount of € 1.4 billion (before taxes) on transition date as of 1 January 2004 which refers to the obligations of the Bank to TEAPETE prior to law 3371/2005 based on an actuarial study and subsequently adjust the amount in accordance with the terms of the new law.

Based on the above and in accordance with IAS 1 "Financial statements" as to the "true and fair presentation" and "substance over form" rule to avoid a distortion of the results by recognizing the original liability and subsequently adjusting the amount to the profit and loss account, the Bank recorded against reserves as at 1 January 2004 an amount of € 712 million. (before taxes) calculated on the basis of the obligations towards IKA-ETEAM and ETAT. It should be noted that in accordance with IAS 1 all companies that apply IFRS may under extreme circumstances and situations exempt from applying certain standards by including explanatory notes so that the readers of financial statements have the necessary information if they believe that the financial statements present a true and fair view of the financial position of the company. The treatment adopted was considered appropriate in order to provide all investors of the current period with the necessary information on the financial position of the Group for the periods prior to adopting the new law, which is the scope of financial statements.

In case the Bank recognised its obligation to TEAPETE in accordance with IAS 19 and recorded conditions that existed prior to law 3371/2005 the net equity (after deferred taxes) for 1 January 2004 would have to reduce by € 400 million, and € 420 million for 30 September 2004 whereas there would be no effect to 30 September 2005 figures. In addition, net profit after tax for the first nine months of 2004 would have to reduce by € 20 million whereas the results for the first nine months of 2005 would have to increase by € 530 million approximately.

The shareholders meeting held 16 August 2005 decide to adopt law 3371/2005 and proceeded to the notice of termination of the contract with the employee union of the Bank regarding TEAPETE. It should be noted that the final amounts will be calculated by a specialist of the ministry and therefore the final amount may differ from the result shown in the financial statements. Notwithstanding the rejection of the temporary measures filed by the employee union (First instance court judgement, No. 8849/05), there is a possibility for farther legal dispute between the Bank and the employee union or other third parties regarding this issue. In any event the Bank believed that the accounting treatment adopted, based on management's best estimates is appropriate.

**35. Personnel leaving indemnities**

	30/09/05	31/12/04
Defined benefit plans of local subsidiaries	28.094	26.622
Law 2112/20 employee claims	1.521	1.792
Defined benefit plans of foreign subsidiaries	3.348	3.708
	<b>32.963</b>	<b>32.122</b>

**36. Insurance reserves**

	30/09/05	31/12/04
PHOENIX METROLIFE insurance and technical reserves	525.280	462.449
EMPORIKI LIFE insurance and technical reserves	12.967	15.224
	<b>538.247</b>	<b>477.673</b>

**37. Other liabilities**

	30/09/05	31/12/04
Dividends payable	1.972	2.858
Accrued expenses and deferred income	161.051	171.211
Other	359.365	271.986
	<b>522.388</b>	<b>446.055</b>

### 38. Deferred tax assets/ liabilities

Deferred tax is calculated on all temporary differences based on the liability method and the expected tax rate.

Deferred tax assets and liabilities arise from:

	30/09/05	31/12/04
<b>Deferred tax assets</b>		
Intangible assets write-off	6.239	6.988
Impairment of loans and receivables	30.149	29.625
Provision over expenses related to ETEAM social security	197.000	197.000
Commissions recognition based on effective interest rates	10.923	11.534
Impairment of investments at companies under clearing process	9.752	9.752
Provision for staff expenses	3.104	7.189
Other temporary tax differences	-	849
	<b>257.167</b>	<b>262.937</b>
<b>Deferred tax liabilities</b>		
Property goodwill	222	222
Commissions recognition based on effective interest rates	-	2.425
Buildings reduced depreciation rates	1.096	296
Financial leases	3.918	2.526
	<b>5.236</b>	<b>5.469</b>
<b>Net deferred tax assets</b>	<b>251.931</b>	<b>257.468</b>

The change (release) of deferred tax assets and liabilities through the income statement is:

	30/09/05	31/12/04
<b>Deferred tax (period's results)</b>		
Intangible assets variation	(749)	1.012
Impairment of loans and receivables	524	3.476
Commission recognition based on real interest rates	1.814	3.616
Provision for staff expenses	(4.085)	3.019
Buildings reduced depreciation rates	(799)	(312)
Announcement of new tax rates	-	(16.014)
Financial leases	(1.392)	-
Other temporary tax differences	(850)	(519)
	<b>(5.537)</b>	<b>(5.722)</b>

<b>39. Capital commitments</b>	<b>30/09/05</b>	<b>31/12/04</b>
Letters of guarantee	1.632.345	1.607.311
Unused approved credit limits	8.803.801	7.959.135
	<b>10.436.146</b>	<b>9.566.446</b>

#### **40. Share capital**

As at 16 June 2005 Emporiki Bank increased its share capital by € 97,087,078 through issuing and distributing at par 17,652,196 new shares at Euro 5.50 by capitalizing tax exempt reserves. Total share capital amounts to € 582,522,457 consisting of 105,913,174 shares.

During the period 1 January to 30 September 2005 the Group sold s 6.8 million own shares for € 172 million. The net result after transaction costs was allocated to a specific reserve. The number of own shares for the Group as at 30 September 2005 amounts to 41,300 for a total cost of € 1.2 million.

#### **41. Cash and cash equivalents**

For cash flow purposes cash and cash equivalents includes the following accounts that have a maturity up to 3 months from the date of purchase.

	<b>30/09/05</b>	<b>31/12/04</b>
Cash and balances with Central Banks ( <b>Note 16</b> )	423.002	412.675
Treasury bills ( <b>Note 17</b> )	43.416	33.869
Due from banks ( <b>Note 18</b> )	992.193	789.849
Trading portfolio ( <b>Note 19</b> )	898.746	1.531.153
	<b>2.357.357</b>	<b>2.767.546</b>

#### **42. Related party transactions**

	<b>30/09/05</b>	<b>31/12/04</b>
BOD fees	780	2.417
Deposits	26.590	20.756
Loans	81.430	80.367
	<b>108.800</b>	<b>103.540</b>

Deposits and loans refer to members of the Board of Directors and their immediate family and companies they control or influence.

### **43. Capital adequacy**

The Bank's solvency ratio is calculated in accordance with PD/BOG 2053/92 "Definition of equity for credit institutions in Greece" and PD/BOG 2397/96 "Solvency ratio for credit institutions" (modified PD/BOG 2494/02) with a minimum ratio of 8%.

According to management of the Bank based on:

- (a) the financial information for the Bank and Group as at 30 September 2005 in accordance with IFRS,
- (b) articles in Law 3301/04 "Financial insurance, IFRS and other regulations",
- (c) the announcement of CEBS as of 21.12.04 for "Regulations regarding changes to equity for credit institutions", and
- (d) the consultation paper of the Bank of Greece as at 21 January 2004,

the Bank's solvency ratio as of 30 September 2005 is 7.3% for the Bank and 7.5% for the Group.

In order to improve the Bank's capital adequacy the Bank's shareholders on 21 September 2005 decided to proceed with a share capital increase for an amount of EUR 397.2 million (rights issue).

### **44. Changes in accounting treatment**

#### **Proportional consolidation**

The Bank owns 50% of the share capital of Emporiki Life and Emporiki Credicom and conducts management jointly with Credit Agricole or their subsidiaries based on the Strategic Alliance Memorandum of 18 October 2000. In the previous interim consolidated financial statements, these companies were fully consolidated whereas in these current interim consolidated financial statements they have been included on a proportionate basis as this is considered appropriate and is within the terms of the Strategic Alliance Memorandum.

The treatment described above to the interim consolidated financial statements of 30 September 2005 resulted in a decrease of Group by € 54.9 million, Group liabilities by € 40.9 million and minority interests of € 14 million compared to 30 June 2005. This change in accounting treatment has no effect to the net profit or total equity attributable to the shareholders of the Bank in the interim consolidated financial statements of 30 September 2005.

#### **Subsidiaries held for sale**

The Board of the Bank on 27 September 2004 and 12 July 2005 decided to sell "Emporiki Bank – Georgia SA" and "Emporiki Bank – Cyprus Ltd", respectively. As a result in the interim consolidated financial statements as at 30 June 2005 these subsidiaries were classified as held for sale and were not fully consolidated as these subsidiaries were expected to be sold in the near future.

As the criteria for recognition of these assets under IFRS 5 are not met the Bank has reclassified these assets from held for sale to "Investments in subsidiaries" and was fully consolidated them in accordance with IAS 27 until control of these subsidiaries is transferred.

This treatment compared to the published interim consolidated financial statements of 30 June 2005 resulted in an increase in Group assets of € 203.1 million. Group liabilities of € 199 million and minority interests of € 4.1 million. The change had no effect to the net profit after tax for the Group or to equity attributable to shareholders of the Bank as of 30 September 2005.

## **Important contracts**

On 18 October 2000 the French Bank Credit Agricole and Emporiki Bank signed a Strategic Alliance Memorandum for corporation in the banking assurance sectors, consumer credit and asset management sectors and has two members represented in the Board of Directors and participates in the Bank's management. The Memorandum is for seven years with a right to extend.

Certain points of this agreement are as follows:

The strategic alliance relates to banks assurance, asset management investment bank and consumer credit sectors. Without affecting the existing operations, the two groups will not compete in Greece with the joint venture.

During the term of the Strategic Memorandum Credit Agricole will be represented with two members in the Board of Directors of the Bank and will participate with one representative in the management committees. The two counterparties will cooperate in matters related to the memorandum. The Strategic Memorandum is for seven years (initially matures 15 December 2007) and may extend for three years provided that the memorandum is not cancelled six months prior to maturity.

During the term of the Strategic Memorandum Credit Agricole can not sell 5,718,464 shares of Emporiki Bank which it acquired on 18 October 2000 from the sellers Phoenix General Insurance and Emporiki Venture Capital unless the Strategic Memorandum is cancelled or expired or if Emporiki Bank agrees to allow it. Emporiki Bank will support within the guidelines of the Greek law to allow Credit Agricole to participate in any increase in the share capital.

Upon the maturity of Strategic Memorandum either as part of an agreement between the two parties or in case it extends the term of the Memorandum, Emporiki Bank may in certain cases be obliged to pay Credit Agricole the difference between the acquisition cost of obtaining 5,718,466 shares (Drachmae 97,068,765,700 or € 276 million) with the market value of the shares (if the second is lower) as long as Credit Agricole taken necessary measures to maximize the market value of these shares.

The Strategic Memorandum contains certain restraints of Emporiki Bank towards Credit Agricole such as: a) to inform on corporate governance issues and on the Bank's strategic development , b) Emporiki Bank agrees and the Group as a whole will not support the participation of any third parties (other than Credit Agricole) in the share capital increase of the Bank except under certain circumstances.

In some cases the violations of the terms of the Strategic Memorandum Emporiki Bank or Credit Agricole (depending on the circumstances) will be obliged among other matters to pay to the counterparty (Emporiki Bank or Credit Agricole depending on the circumstances) as a reimbursement the equivalent of 10 billion Drachmae (about € 29.3 million).

In respect of the Strategic Memorandum mentioned above, in a letter by Credit Agricole to Emporiki Bank dated 23 November 2005, the content of which is accepted by Emporiki Bank, it is clarified that the circumstances under which Emporiki Bank SA may have to pay the original consideration to Credit Agricole SA are as follows:

If in the first year following the termination of the Framework Agreement (either by agreement or its non-renewal beyond December 2007), Credit Agricole SA decides to sell, the selling shareholders who sold to Credit Agricole SA the shares in Emporiki Bank SA (Commercial Capital and Private Equity SA - which has now been succeeded by Emporiki Bank SA following its absorption by Emporiki Bank SA - and Phoenix General Insurance Company SA) have the right and not the obligation to purchase the shares initially acquired by Credit Agricole SA (being 5,718,466 shares). If Phoenix General Insurance Company SA and Emporiki Bank SA exercise such right of first refusal, they are required to

pay the higher of: (i) the Original Price (being GRD 94,068,765,700) and (ii) the Reference Price (being 90% of the 23 Business Day average market price preceding the transfer notice served by Credit Agricole SA). If however Phoenix General Insurance Company SA and Emporiki Bank SA indicate their intention to exercise their right of first refusal but the sale and purchase is not completed by them within 30 business days, then Credit Agricole SA is entitled to sell the shares initially acquired (being 5,718,466) on the ATHEX and Emporiki Bank SA has to pay the difference between the consideration actually received by Credit Agricole SA and the Original Price (being GRD 94,068,765,700). This further obligation of Emporiki Bank SA was included in the Framework Agreement, so that it deters the parties, who have the right of first refusal, on the one hand to exercise the right but unnecessarily delay the completion of the transfer.

#### 45. Restatement of prior period financial statements

a) For the purposes of better accounting presentation, the Group decided to reclassify certain balance sheet items (note 4.2.4) and profit and loss items (note 4.2.6) regarding the financial statements for the year ended 31 December 2004, in relation to those initially published in the interim financial statements of 31 March. Specifically:

- i. The relevant reclassifications on the consolidated profit and loss for the year ended 31 December 2004 are set out below

	<b>31 Dec 2004</b>
	Cr/(Dr)
Interest expense and similar charges	499
Fee and commission expenses	(3.337)
Net premiums from insurance contracts *	19.401
Net claims and benefits on insurance contracts**	(76.482)
Dividend income	3.032
Trading results	12.288
Gains less losses from investment securities	(14.909)
Other income	(6.874)
Staff costs	(12.022)
Depreciation	(5)
Other operating expenses	78.409
Total	-

\*31/3/2005 “Net insurance premiums”

\*\*31/3/2005 “Total insurance claims”

- ii. An amount of 13.897 th. relating to insurance provisions of Emporiki Life AE that was initially (on the interim consolidated financial statements of 31/3/2005) included in “other liabilities” has been reclassified in “insurance provisions” as at 31/12/2004
- iii. Securities amounting € 148.721 th. as at 31/12/2004, held by Phoenix Metrolife AE in relation to investments contracts which was originally included in the available for sale portfolio in the interim consolidated accounts of 31/3/2005 is now included under “trading securities”. Despite this misclassification, the accounting treatment of the profits and or losses from the sale and revaluation of this portfolio in the previously published financial statements was in accordance to the trading nature of the portfolio.
- b) “Interest and similar income” and “Interest expense and similar charges” in the income statement of the year ended 2004 have been decreased by the same amount of € 6.059 th. in relation to the interim consolidated financial statements of 31/3/2005. This amount relates to an intragroup transaction.

- c) “Loans and advances to customers” and “other liabilities” as at 31/12/2004 have been equally reduced by an amount of € 32.759 th. in relation to the interim consolidated financial statements of 31/3/2005, to comply with the requirements of IAS 39 “Financial instruments recognition and measurement”. The relevant amount concerning the Group Opening balance sheet as at 1/1/2004 was € 18.783 th.

It should be noted that the above reclassifications (a, b and c) have no effect on the Group’ s profit and loss before and after taxes or the Group’ s net assets as these were published in prior periods interim consolidated financial statements.