



## **EGNATIA BANK A.E**

### **Financial Statements**

**31 December 2005**

**In accordance with International Financial Reporting Standards**

The attached financial statements were approved by the Board of Directors of EGNATIA BANK A.E. on 27 February 2006 and have been posted on the Bank's website [www.egnatiabank.gr](http://www.egnatiabank.gr).

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**Auditor's Report**  
(Translated from the original in Greek)

To the Shareholders of  
EGNATIA BANK A.E.

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

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

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

Without qualifying our opinion we draw attention to note 11 to the financial statements, that explains that the tax obligations of the Bank for the years from 1999 to 2005 have not yet been audited by the tax authorities and accordingly its tax obligations for those years are not considered final. The outcome of a tax audit can not presently be determined.

Athens, 17 March 2006

KPMG Kyriacou Certified Auditors AE

Nikolaos Vouniseas  
Certified Auditor Accountant  
AM SOEL 18701

Income Statement  
For the year ended 31 December 2005  
(In thousands of Euro)

	Note	<u>2005</u>	<u>2004</u>
Interest and similar income		159 368	152 922
Interest expense and similar charges		<u>(70 240)</u>	<u>(61 044)</u>
<b>Net interest income</b>	<b>4</b>	89 128	91 878
Fee and commission income		24 532	23 851
Fee and commission expense		<u>(1 852)</u>	<u>(2 591)</u>
<b>Net fee and commission income</b>	<b>5</b>	22 680	21 260
Net trading income / (expense)	<b>6</b>	3 387	(19)
Gain on sale non-trading financial transactions		175	-
Dividend income	<b>7</b>	417	757
Other income	<b>8</b>	4 598	4 889
Impairment losses on loans and advances	<b>17</b>	(14 483)	(17 000)
Staff costs	<b>9</b>	(53 764)	(49 156)
Depreciation	<b>20, 21</b>	(5 855)	(5 656)
Other operating expenses	<b>10</b>	<u>(24 208)</u>	<u>(25 997)</u>
<b>Profit before tax</b>		22 075	20 956
Income tax expense	<b>11</b>	<u>(7 451)</u>	<u>(10 395)</u>
<b>Profit after tax</b>		<u><b>14 624</b></u>	<u><b>10 561</b></u>
<b>Earnings per share (Euro per share)</b>	<b>12</b>		
Basic		0.17	0.12
Diluted		0.17	0.12

The Chairman  
of the Board of Directors

Vassilios N. Theocharakis  
A.D.T. S 231179/98

The Managing Director

Vassilis K. Keltsopoulos  
A.D.T. L 069011/79

The Manager  
of the Finance Department

Aggelos N. Sapranidis  
ADT. Z 057521/71  
Permit No.  
0016834/18-07-2001

<u>Assets</u>	<u>Note</u>	<u>2005</u>	<u>2004</u>
Cash and balances with Central Bank	13	103 251	104 807
Loans and advances to banks	14	623 912	467 206
Trading securities	15	15 589	7 892
Derivative financial instruments	16	34	471
Loans and advances to customers	17	2 277 988	1 987 103
Investment securities	18	127 343	96 920
Investments in subsidiaries and associates	19	44 046	42 977
Intangible assets	20	7 373	5 372
Property, plant and equipment	21	41 102	39 915
Deferred tax assets	22	7 439	8 894
Investment property		22 129	21 948
Other assets	23	13 941	14 796
<b>Total assets</b>		<b>3 284 147</b>	<b>2 798 301</b>
<u>Liabilities</u>			
Deposits from banks	24	5 684	8 965
Deposits from customers	25	2 646 338	2 439 969
Derivative financial instruments	16	1 600	7 666
Debt securities in issue and other borrowed funds	26	315 087	57 055
Employee benefits	27	9 062	8 963
Other provisions		5 700	5 700
Current tax liability		231	2 237
Deferred tax liabilities	22	345	296
Other liabilities	28	50 441	47 392
<b>Total liabilities</b>		<b>3 034 488</b>	<b>2 578 243</b>
<u>Equity</u>			
Share capital	29	107 840	99 893
Share premium	29	138 479	124 786
Other reserves	30	17 189	17 022
Accumulated deficit		(13 849)	(21 643)
<b>Total equity</b>		<b>249 659</b>	<b>220 058</b>
 <b>Total liabilities and equity</b>		 <b>3 284 147</b>	 <b>2 798 301</b>

Statement of Changes in Shareholders' Equity  
For the year ended 31 December 2005  
(In thousands of Euro)

	Share capital	Share premium	Other Reserves	Revaluation reserves available-for-sale	Accumulated deficit	Total
<b>Balance at 1 January 2004</b>	<b>99 668</b>	<b>124 397</b>	<b>16 571</b>	<b>(785)</b>	<b>(22 388)</b>	<b>217 463</b>
Profit for the year	-	-	-	-	10 561	10 561
Increase of share capital by converting bonds	225	389	-	-	-	614
Appropriation to reserves	-	-	1 022	-	(1 022)	-
Dividends for 2003	-	-	-	-	(8 519)	(8 519)
Revaluation of available-for-sale portfolio	-	-	-	214	-	214
Other	-	-	-	-	(275)	(275)
<b>Balance at 31 December 2004</b>	<b>99 893</b>	<b>124 786</b>	<b>17 593</b>	<b>(571)</b>	<b>(21 643)</b>	<b>220 058</b>
<b>Balance at 1 January 2005</b>	<b>99 893</b>	<b>124 786</b>	<b>17 593</b>	<b>(571)</b>	<b>(21 643)</b>	<b>220 058</b>
Increase of share capital by converting bonds	7 947	13 693	-	-	-	21 640
Revaluation of available for sale portfolio	-	-	-	167	-	167
Dividends for 2004	-	-	-	-	(6 830)	(6 830)
Profit for the year	-	-	-	-	14 624	14 624
<b>Balance at 31 December 2005</b>	<b>107 840</b>	<b>138 479</b>	<b>17 593</b>	<b>(404)</b>	<b>(13 849)</b>	<b>249 659</b>

Statement of Cash Flows  
For the year ended 31 December 2005  
(In thousands of Euro)

	<u>2005</u>	<u>2004</u>
<b>Operating activities</b>		
Profit before tax	22 075	20 956
<b>Adjustments for non-cash items</b>		
Depreciation	5 855	5 656
Impairment loans and advances	14 483	17 000
Employee benefit	1 465	2 060
Valuation trading portfolio	(921)	717
Transfer to investing activities	(714)	(2 411)
Transfer to financing activities	5 056	1 154
	<u>47 299</u>	<u>45 132</u>
<b>Changes in operating assets and liabilities</b>		
Loans and advances to banks	(37 072)	(12 589)
Trading securities and derivatives	(6 339)	196 168
Loans and advances to customers	(288 682)	(207 998)
Other assets	2 129	8 771
Deposits from banks	(3 280)	3 330
Deposits from customers	206 369	230 337
Other liabilities	(21 337)	6 530
<b>Net cash flow from operating activities before taxes</b>	<u>(100 912)</u>	<u>269 682</u>
Tax paid	(9 943)	(11 854)
<b>Net cash flow from operating activities</b>	<u>(110 855)</u>	<u>257 827</u>
<b>Investing activities</b>		
Investments in subsidiaries and associates	(1 069)	(1 801)
Net (increase)/decrease in investments	(30 424)	(83 607)
Dividends received	417	757
Purchase of assets	(9 167)	(8 938)
Sale of assets	124	606
Other flows from investing activities	492	1 885
<b>Cash flows from investing activities</b>	<u>(39 627)</u>	<u>(91 098)</u>
<b>Financing activities</b>		
Dividends paid	(6 830)	(8 519)
Issue / (payment) of debt	252 974	(1 751)
Share capital increase	21 640	614
Other cash flows from financing activities	-	(274)
<b>Cash flows from financing activities</b>	<u>267 784</u>	<u>(9 930)</u>
<b>Total cash flows</b>	<u>117 302</u>	<u>156 799</u>
Foreign exchange difference	775	748
<b>Net cash flow movement</b>	<u>118 077</u>	<u>157 547</u>
<b>Cash and cash equivalents, opening</b>	<u>559 352</u>	<u>401 805</u>
<b>Cash and cash equivalents, closing</b>	<u>677 429</u>	<u>559 352</u>
Cash and cash equivalents consists of :		
<b>Cash and cash balances with Central Bank</b>	103 251	104 808
<b>Due from banks</b>	574 178	454 544
	<u>677 429</u>	<u>599 352</u>

## **1. General Information on the Bank**

Egnatia Bank ("the Bank") operates as a financial institution and provides primarily financial and banking services to individuals and businesses.

The Bank has 1,370 employees. The Bank's primary activities are in Greece, but it also has subsidiaries that operate in Romania and Cyprus.

The Bank is listed in the Athens Stock Exchange after the merger with Central Bank in accordance with the Ministry of Development decision K2-8832/30.07.99. It operates as a limited by shares company (A.E.) and follows the accounting policies stated in Company Law 2190/1920 and banking regulations 2076/1992.

The Bank's registered office is at 4 Danaïdon Str. in the municipality of Thessalonica.

According to article 3 of the Articles of Association the purpose of the Bank is to provide recognised and approved banking services on its own behalf, on behalf of third parties in Greece and abroad.

## **2. Significant Accounting Policies**

The accounting principles applied for the preparation of the financial statements are as follows:

### **2.1 Statement of compliance**

The financial statements for the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Standards Board (IASB) as adopted by the European Union. These are the Bank's first financial statements and IFRS 1 has been applied. An explanation of how the transition to IFRS has affected the Bank's reported financial position and financial performance is provided in note 35.

### **2.2 Basis of presentation**

The financial statements are presented in euro rounded to the nearest thousand. They are prepared on a historic cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified as available-for-sale securities, financial instruments held for trading, derivative financial instruments and investment property.

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Deviations to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

### **2.3 Investments in subsidiaries and associates**

Investments in subsidiaries and associates are stated at cost less impairment losses where considered necessary.

### **2.4 Foreign currency transactions**

Transactions in foreign currencies are translated to euro at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies, at the balance sheet date are translated to euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency that are translated to euro using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to euro at foreign exchange rates ruling at the dates the fair value was determined. Differences arising from the translation of non-monetary assets, such as trading securities, are reported in the profit and loss.

### **2.5 Financial instruments**

#### **(a) Classification**

*Instruments 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. These include derivative contracts that are not designated and effective hedging instruments.

*Loans and receivables* are loans and receivables created by the Bank providing money to a debtor other than those created with the intention of short-term profit taking.

*Held-to-maturity assets* are financial assets with fixed or determinable payments and fixed maturity that the Bank has the intent and ability to hold to maturity. These include certain purchased loans and advances to banks and customers, and certain debt investments.

*Available-for-sale assets* are financial assets that are not held for trading purposes, loans and receivables, or held to maturity. Available-for-sale include certain debt and equity investments.

#### **(b) Recognition**

The Bank recognizes financial assets held for trading, available-for-sale and held-to-maturity, on the date it commits to purchase the assets. From this date any gains and losses arising from changes in fair value of the assets are recognized. Loans and receivables are recognized when cash is advanced to the borrowers.

**(c) Measurement**

Financial instruments are measured initially at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Subsequent to initial recognition all trading instruments and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is started at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities, loans and receivables and held-to-maturity assets are measured at amortized cost less impairment losses. Amortized cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

**(d) Fair value measurement principles**

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimate and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated as the amount that the Bank would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and current creditworthiness of the counterparties.

**(e) Gains and losses on subsequent measurement**

Gains and losses arising from a change in the fair value of available-for-sale assets are recognized directly in equity. When the financial assets are sold, collected or otherwise disposed of the cumulative gain or loss recognized in equity is transferred to the income statement.

Gains and losses arising from a change in the fair value of instruments at fair value through profit or loss are recognized in the income statement.

**(f) Hedge accounting**

Where there is a hedging relationship between a derivative instrument and a related item being hedged, the hedging instrument is measured at fair value. The treatment of any resultant gains and losses is set out below.

A hedging relationship exists where:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is highly effective throughout the reporting period; and
- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect net profit or loss.

The fair value of derivative hedging instruments is calculated in the same way as the fair value of trading instruments.

When a derivative financial instrument hedges the exposures to changes in the fair value of a recognized asset or liability, the hedged item is at fair value in respect of the risk being hedged. Gains and losses on remeasurement of both the hedging instrument and the hedged items are recognized in the income statement. These amounts are included in net trading income/(expense).

Where a derivative financial instrument hedges the exposure to variability in the cash flow of recognized assets or liabilities or anticipated transactions or firm commitments, the effective part of any gain or loss on remeasurement of the hedging instrument is recognized directly in equity. The ineffective part of any gain or loss is recognized in the income statement.

## 2.6 Repurchase agreements

The Bank enters into agreements for the purchases (sales) of investments and to resell (repurchase) substantially the identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognized. The amounts paid are recognized in loans to either banks or customers. The receivables are shown as collateralized by the underlying security. Investments sold under repurchase agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for either assets held for trading or available-for-sale as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or customers.

The difference between the sale and repurchase consideration is recognized on an accrual basis over the period of the transaction and is included in interest.

## 2.7 Property, plant and equipment

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Certain items of property, plant and equipment that had been revalued on 1 January 2004, the date of transition to IFRS are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Buildings	40	years
Furniture and office equipment	6-9	years
Vehicles	6-7	years
Computer hardware	4	years

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

The asset's useful lives are reviewed and adjusted, if appropriate, at each balance sheet.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. The recoverable amount is higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposal are determined by comparing proceeds with carrying amounts. These are included in the income statement.

## **2.8 Investment property**

Investment property are properties held by the Bank either to earn rental income or for capital appreciation. The Bank records investment property at fair value as determined by an independent valuation company having an appropriate recognised professional qualification. Some of these assets are leased but the lease contract was signed prior to its acquisition by the Bank. Initially investment property is recorded at cost including acquisition expenses. Any gain or loss arising from a change in fair value is recognised in profit or loss.

## **2.9 Intangible assets**

Intangible assets consist of software that has been acquired by the Bank and stated at cost less accumulated amortization and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the software which is between 4 to 8 years.

## **2.10 Cash and cash equivalents**

Cash and cash equivalents include monetary assets with an original maturity of three months or less, such as cash balance, placements with the Central Bank and amounts due from financial institutions.

## **2.11 Impairment**

### **(a) Assets carried at amortized cost**

The Bank 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 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 Bank about the following loss events:

- (i) significant financial difficulty of the issuer or obligator;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) the Bank 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; or
- (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 defaults on the assets in the groups.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a 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 loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is 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. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

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

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

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group of historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the income statement.

**(b) Assets carried at fair value**

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

## **2.12 Financial liabilities**

Financial liabilities are measured at amortized cost using the effective interest rate method. Financial liabilities include amounts due to credit institutions, customers and debt securities issued.

## **2.13 Employee benefits**

**(a) Defined contribution plans**

The Bank pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Bank has not further payment adjustments once the contributions have been paid. The obligations for contributions are recognized as an expense in the income statement as incurred.

**(b) Defined benefit plans**

The Bank has a defined benefit plan whereby it is required, by law, to pay to retiring employees a lump sum. The amount of the payment varies depending upon the employee's length of service and salary on the date of retirement. The Bank's obligation in respect of this defined benefit plan is measured by estimating the present value amount of future benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on Greek State bonds that have maturity dates approximating the terms of the Bank's obligations. The calculation is performed by an independent qualified actuary using the projected unit method less the fair value of any plan assets and adjusted for unrecognized gains or losses and past service costs.

All actuarial gains and losses as at 1 January 2004, the date of transition to IFRSs, were recognized. In respect of actuarial gains and losses that arise subsequent to 1 January 2004 in calculating the Bank's obligation in respect of the plan, to the extent that any cumulative unrecognized actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of the plan assets, that portion is recognized in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized.

The amount recognized in the income statement by the Bank for defined benefit pension plans include:

- the increase in the present value of the defined benefit obligation resulting from employee service in the current period (service cost)
- the increase in the present value of the defined benefit obligation which arises as the benefits are one year closer to settlement (interest cost).

All actuarial gains and losses are recognized in the income statement using the corridor method amortizing any amounts based on the term of the pension liability.

**2.14 Provisions**

A provision is recognized in the balance sheet when the Bank has a present legal obligation or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate has been made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

**2.15 Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legal enforceable right to set off recognized amounts and the transactions are intended to be settled on a net basis.

**2.16 Derecognition**

A financial instrument is derecognized when the Bank loses control on contractual rights that comprise the financial instrument. This occurs when the rights are realized, expire or surrendered. A financial liability is derecognized when it is extinguished.

## 2.17 Interest income and expense

Interest income and expense is recognized in the income statement as it accrues, taking into account the effective yield of the instrument or an applicable floating rate. Interest income and expense includes the amortization of any premium or discount or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

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

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

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

## 2.18 Fees and commission income

Fees and commissions are recognised in the income statement on an accrual basis when the period that the service has been provided.

## 2.19 Income Tax

Income tax on the profit or loss for year comprises current and deferred tax. Income tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable differences. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets or liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is probable that the related tax benefit will not be realized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

## **2.20 Share capital**

### **(a) Share issues costs**

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 the tax from the proceeds.

### **(b) Dividends on ordinary shares**

Dividends on ordinary shares are recognized as a liability in the period in which they are approved by the Bank's shareholders.

### **(c) Repurchase of share capital**

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity. When such shares are subsequently sold or re-issued, any consideration received is included in shareholders' equity.

## **2.21 Net trading income**

Net trading income includes gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading.

## **2.22 Dividend income**

Dividend income is recognized in the income statement on the date the dividend is approved.

## **2.23 Segment reporting**

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

### 3. Segment reporting

#### **Geographical segments**

The Bank operates mainly in Greece. The Bank has 69 branches and one consumer loan center. Income from operations in Greece amounts to 97% of total income and total assets in Greece amounts to 97% of total assets for the Bank.

#### **Business segments**

The Bank is organized into three business segments:

- a) Retail Banking
- b) Corporate Banking
- c) Other

At 31 December 2005	Retail	Corporate	Other	Total
<i>(In thousands of Euro)</i>				
Operating income	94 675	13 464	12 246	120 385
Profit before taxes	12 377	4 506	5 192	22 075
Tax	-	-	-	(7 451)
Profit after tax	-	-	-	14 624
<b>Total assets</b>	<b>1 694 860</b>	<b>612 290</b>	<b>976 997</b>	<b>3 284 147</b>
<b>Total liabilities</b>	<b>2 231 963</b>	<b>291 829</b>	<b>510 696</b>	<b>3 034 488</b>
Additions	2 187	65	6 915	9 167
Depreciation	3 175	22	2 658	5 855
Impairment loss	10 717	3 727	39	14 483

#### 4. Net interest income

(In thousands of Euro)

	2005	2004
<b>Interest and similar income</b>		
Securities	4 670	5 454
Loans and advances to customers	141 892	142 306
Loans and advances to financial institutions	12 608	4 827
Other interest income	198	335
	<b>159 368</b>	<b>152 922</b>
<b>Interest expense and similar charges</b>		
Customers deposits	(63 996)	(58 820)
Deposits from banks	(275)	(107)
Debt securities	(5 809)	(1 967)
Other interest expense	(160)	(150)
	<b>(70 240)</b>	<b>(61 044)</b>
<b>Net interest income</b>	<b>89 128</b>	<b>91 878</b>

#### 5. Net fee and commission income

(In thousands of Euro)

	2005	2004
<b>Fee and commission income</b>		
Loans	7 558	6 839
Letters of guarantees	1 734	1 745
Credit cards	6 460	6 574
Consumer credit	1 459	2 244
Custodian	766	862
Working capital	2 077	1 754
Imports – Exports	1 043	1 543
Equity brokerage activities	245	206
Other	3 190	2 084
	<b>24 532</b>	<b>23 851</b>
<b>Fee and commission expense</b>		
Credit cards	(1 507)	(2 160)
Other	(345)	(431)
	<b>(1 852)</b>	<b>(2 591)</b>
<b>Net fee and commission income</b>	<b>22 680</b>	<b>21 260</b>

## 6. Net trading income / (expense)

(In thousands of Euro)

	2005	2004
Foreign exchange differences	2 594	2 317
Gain/(loss) from the sale and revaluation of trading securities	1 172	(1 828)
(Loss) from derivative financial instruments	(379)	(508)
<b>Net trading income / (expense)</b>	<b>3 387</b>	<b>(19)</b>

## 7. Dividend income

(In thousands of Euro)

	2005	2004
Trading securities	308	670
Available-for-sale securities	97	57
Subsidiaries and associates	12	30
<b>Dividend income</b>	<b>417</b>	<b>757</b>

## 8. Other income

(In thousands of Euro)

	2005	2004
Investment property	143	2 410
Sundry	4 455	2 479
<b>Other income</b>	<b>4 598</b>	<b>4 889</b>

## 9. Staff costs

(In thousands of Euro)

	2005	2004
Wages and salaries	(40 674)	(37 003)
Social security contributions	(9 389)	(8 247)
Defined benefit plan expense (note 27)	(1 186)	(1 060)
Other costs	(2 515)	(2 846)
<b>Staff costs</b>	<b>(53 764)</b>	<b>(49 156)</b>

The number of staff at the end of the year was 1 370 (2004: 1 338)

## 10. Other operating expenses

(In thousands of Euro)

	2005	2004
Rent (operating leases)	(7 213)	(6 512)
Taxes, stamp and duties	(1 702)	(1 719)
Repairs and maintenance	(2 658)	(2 861)
Third party fees (Legal, engineers, etc)	(2 812)	(1 292)
Telephone and postage	(2 658)	(2 861)
Other expenses	(7 165)	(10 752)
	<b>(24 208)</b>	<b>(25 997)</b>

## 11. Income tax expense

(In thousands of Euro)

	2005	2004
Current tax expense	5 947	8 810
Deferred tax expense	1 504	1 585
<b>Total income tax expense in income statement</b>	<b>7 451</b>	<b>10 395</b>

Further information about deferred tax is provided in note 22. The reconciliation of the effective tax rate is as follows:

		2005		2004
Profit before tax		22 075		20 956
Income tax	32%	7 064	35%	7 335
Non-deductible expenses	6%	1 408	6%	1 209
Tax exempt revenues	(2%)	(418)	(2%)	(420)
Other differences	(3%)	(603)	10%	2 271
		<b>33%</b>		<b>49%</b>
		<b>7 451</b>		<b>10 395</b>

In Greece, the results reported to the tax authorities by an entity are provisional and subject to revision until such time as the tax authorities examine the books and records of the entity and the related tax returns are accepted as final. Therefore entities remain contingently liable for additional taxes and penalties, which may be assessed upon such examination.

The tax authorities have audited and the Bank has settled all obligations up to and including the year ended 31 December 1998. Because of the method under which the tax obligations are ultimately concluded in Greece, the Bank remains contingently liable for additional taxes and penalties for its open tax years.

The Bank against the contingent liability based on historical information from previous tax audits recorded a provision for open tax years.

## 12. Earnings Per Share

Basic earnings per share is calculated by dividing the profit after tax that is attributable to the shareholders of the parent company with the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the profit after tax that is attributable to the shareholders of the parent company after adjusting for the interest expense attributable to the holders of the Bank's convertible bond issue with the weighted average number of ordinary shares adjusted by the number of ordinary shares converted from the convertible bond issue.

	2005	2004
<b>Basic earnings per share</b>		
Profit attributable to shareholders of the Bank (in thousands of Euro)	14 624	10 561
Weighted average number of outstanding ordinary shares (In thousands)	87 430	85 315
<b>Basic earnings per share</b>	<b>0.17</b>	<b>0.12</b>
<b>Diluted earnings per share</b>		
Profit attributable to shareholders of the Bank (in thousands of Euro)	15 439	11 590
Weighted average number of outstanding ordinary shares (in thousands)	93 558	93 560
<b>Diluted earnings per share</b>	<b>0.17</b>	<b>0.12</b>

## 13. Cash and balances with Central Bank

*(In thousands of Euro)*

	2005	2004
Cash	23 022	18 858
Other placements with the Central Bank	32 308	45 200
Obligatory reserve deposits with the Central Bank	47 921	40 749
<b>Cash and balances with Central Bank</b>	<b>103 251</b>	<b>104 807</b>

## 14. Loans and advances to banks

*(In thousands of Euro)*

	2005	2004
Current accounts	8 309	12 633
Loans to banks	13 715	1 500
Placements with banks	601 888	453 073
<b>Loan and advances to banks</b>	<b>623 912</b>	<b>467 206</b>

## 15. Trading securities

(In thousands of Euro)

	2005	2004
Fixed rate Greek Government bonds	-	5 214
Floating rate Greek Government bonds	9 980	-
Floating rate foreign corporate bonds	3 999	-
Equity securities listed on the Athens Stock Exchange	1 610	2 678
<b>Trading securities</b>	<b>15 589</b>	<b>7 892</b>

## 16. Derivative financial instruments

(In thousands of Euro)

### 31 December 2005

	Notional Amount	Fair Value	
		Assets	Liabilities
Currency swaps	114 473	34	1 600

### 31 December 2004

	Notional Amount	Fair Value	
		Assets	Liabilities
Customer deposits with embedded derivatives	212	43	43
Currency swaps	331 456	85	7 296
Forward foreign exchange	6 506	343	327
	<b>338 174</b>	<b>471</b>	<b>7 666</b>

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

The vast majority of the outstanding derivatives expire within the next financial year.

## 17. Loans and advances to customers

*(In thousands of Euro)*

	2005	2004
Retail customers:		
Consumer	688 846	818 461
Credit cards	108 855	119 324
Housing	184 675	107 715
Other	2 020	1 583
	<b>984 396</b>	<b>1 047 083</b>
Corporate customers:		
Construction	83 397	64 816
Industrial	146 359	96 302
Commercial	403 098	345 539
Manufacturing	89 551	90 651
Service companies	263 881	163 434
Shipping	266 050	185 305
Other	132 492	87 411
	<b>1 384 828</b>	<b>1 033 458</b>
<b>Less: allowance for uncollectibility</b>	<b>(91 236)</b>	<b>(93 438)</b>
	<b>2 277 988</b>	<b>1 987 103</b>

### Allowance for uncollectibility

Movement in the allowance for uncollectibility

	2005	2004
Balance at 1 January	93 438	77 725
Provision for impairment	14 483	17 000
Loans written-off during the year as uncollectible	(16 685)	(1 287)
<b>Balance at 31 December</b>	<b>91 236</b>	<b>93 438</b>

## 18. Investment securities

(In thousands of Euro)

	2005	2004
<b>Available-for-sale securities</b>		
Mutual fund units	5 536	3 460
Listed shares abroad	327	272
Fixed rate foreign government bonds	26 332	10 537
Listed shares in the Athens Stock Exchange	1 467	-
Non listed shares	885	2 617
	<b>34 547</b>	<b>16 886</b>
<b>Held-to-maturity securities</b>		
Fixed rate Greek government bonds	44 512	39 002
Floating rate Greek government bonds	10 000	10 000
Fixed rate foreign corporate bonds	8 731	11 465
Floating rate foreign corporate bonds	29 553	19 567
	<b>92 796</b>	<b>80 034</b>
<b>Investment securities</b>	<b>127 343</b>	<b>96 920</b>

## 19. Investments in subsidiaries and associates

(In thousands of Euro)

	Country	% Ownership Interest	2005	2004
Egnatia Bank (Romania) A.E.	Romania	98.99%	18 316	18 317
Egnatia Leasing (Romania) S.A.	Romania	98.99%	112	-
Egnatia Finance	Greece	70.00%	13 002	13 002
Egnatia AEDAK	Greece	51.00%	307	181
Egnatia Leasing A.E.	Greece	99.90%	9 001	9 001
Egnatia Fin A.E.	Greece	99.00%	290	290
Eurocambio Foreign Exchange A.E.	Greece	81.85%	2 659	1 845
Egnatia Insurance Brokers L.T.D.	Greece	60.00%	180	180
Egnatia Financial Services L.T.D.	Cyprus	37.20%	161	161
Egnatia Finance plc	United Kingdom	100.00%	18	-
			<b>44 046</b>	<b>42 977</b>

The Bank after taken into consideration prospects for the future of the following subsidiaries and associates proceeded as at 31 December 2003 with the following impairments:

	2005	2004
Eurocambio Foreign Exchange A.E.:		
Cost	4 159	3 345
Impairment loss	(1 500)	(1 500)
Carrying amount	2 659	1 845

	2005	2004
Euroleader:		
Cost	139	139
Impairment loss	(139)	(139)
Carrying amount	-	-

## 20. Intangible assets

*(In thousands of Euro)*

<b>Cost</b>	
Balance at 1 January 2004	13 950
Additions	2 580
Disposals	-
Balance at 31 December 2004	16 530
Balance 1 January 2005	16 530
Additions	3 105
Disposals	-
Balance at 31 December 2005	19 635
<b>Amortization</b>	
Balance at 1 January 2004	10 436
Amortization for the year	722
Disposals	-
Balance at 31 December 2004	11 158
Balance at 1 January 2005	11 158
Amortization for the year	1 104
Disposals	-
Balance at 31 December 2005	12 262
<b>Carrying amounts</b>	
At 1 January 2004	3 514
At 31 December 2004	5 372
At 1 January 2005	5 372
At 31 December 2005	7 373

## 21. Property, plant and equipment

(In thousands of Euro)

	Land	Buildings	Leasehold improvements	Furniture and equipment	Other	Total
<b>Cost</b>						
Balance at 1 January 2004	10 338	15 938	19 170	27 799	3 876	77 121
Additions	-	198	2 344	3 264	552	6 358
Disposals	(61)	(636)	(390)	(2 422)	(123)	(3 632)
<b>Balance at 31 December 2004</b>	<b>10 277</b>	<b>15 500</b>	<b>21 124</b>	<b>28 641</b>	<b>4 305</b>	<b>79 847</b>
<b>Balance at 1 January 2005</b>	<b>10 277</b>	<b>15 500</b>	<b>21 124</b>	<b>28 641</b>	<b>4 305</b>	<b>79 847</b>
Additions	1 646	1 707	875	1 386	448	6 062
Disposals	-	-	-	(10)	(149)	(159)
<b>Balance at 31 December 2005</b>	<b>11 923</b>	<b>17 207</b>	<b>21 999</b>	<b>30 017</b>	<b>4 604</b>	<b>85 750</b>
<b>Depreciation</b>						
Balance at 1 January 2004	-	3 919	11 824	20 409	1 872	38 024
Depreciation charge for the year	-	392	1 055	2 987	500	4 934
Disposals	-	(305)	(192)	(2 435)	(94)	(3 026)
<b>Balance at 31 December 2004</b>	<b>-</b>	<b>4 006</b>	<b>12 687</b>	<b>20 961</b>	<b>2 278</b>	<b>39 932</b>
<b>Balance at 1 January 2005</b>	<b>-</b>	<b>4 006</b>	<b>12 687</b>	<b>20 961</b>	<b>2 278</b>	<b>39 932</b>
Depreciation charge for the year	-	460	1 116	2 663	512	4 751
Disposals	-	-	-	(10)	(25)	(35)
<b>Balance at 31 December 2005</b>	<b>-</b>	<b>4 466</b>	<b>13 803</b>	<b>23 614</b>	<b>2 765</b>	<b>44 648</b>
<b>Carrying amounts</b>						
At 1 January 2004	10 338	12 019	7 346	7 390	2 004	39 097
At 31 December 2004	10 277	11 494	8 437	7 680	2 027	<b>39 915</b>
At 1 January 2005	10 277	11 494	8 437	7 680	2 027	39 915
At 31 December 2005	11 923	12 741	8 196	6 403	1 839	<b>41 102</b>

## 22. Deferred tax

(In thousands of Euro)

### Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2005	2004
<b>Deferred tax assets</b>		
Intangible assets	84	208
Employee benefits obligation	3 032	3 943
Impairment provision customer loans and advances	3 253	3 883
Impairment of investments	35	35
Deferred income	431	219
Other items	604	606
	<b>7 439</b>	<b>8 894</b>

### Deferred tax liability

Property, plant and equipment	345	296
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### Movement in temporary differences during the year

	Balance 1 January 2004	Recognized in income	Recognized in equity	Balance 31 December 2004
Intangible assets	590	(382)	-	208
Employee benefits obligation	1 648	2 295	-	3 943
Impairment provision customer loans	5 436	(1 553)	-	3 883
Impairment of investments	35	-	-	35
Deferred income	-	219	-	219
Property, plant and equipment	(272)	(24)	-	(296)
Other	2 746	(2 140)	-	606
	<b>10 183</b>	<b>(1 585)</b>	<b>-</b>	<b>8 598</b>

	Balance 1 January 2005	Recognized in income	Recognized in equity	Balance 31 December 2005
Intangible assets	208	(124)	-	84
Employee benefits obligation	3 943	(911)	-	3 032
Impairment provision customer loans and advances	3 883	(630)	-	3 253
Impairment of investments	35	-	-	35
Deferred income	219	212	-	431
Property, plant and equipment	(296)	(49)	-	(345)
Other	606	(2)	-	604
	<b>8 598</b>	<b>(1 504)</b>	<b>-</b>	<b>7 094</b>

## 23. Other assets

*(In thousands of Euro)*

	2005	2004
Prepayments	4 880	4 460
Accrued interest income	4 907	5 184
Other	4 154	5 152
<b>Other assets</b>	<b>13 941</b>	<b>14 796</b>

## 24. Deposits from banks

*(In thousands of Euro)*

	2005	2004
Current deposits	5 248	3 310
Other deposits	436	5 655
<b>Deposits from banks</b>	<b>5 684</b>	<b>8 965</b>

## 25. Deposits from customers

*(In thousands of Euro)*

	2005	2004
<b>Retail customers:</b>		
Current accounts	74 930	63 783
Saving accounts	472 727	467 274
Term deposits	1 312 485	1 115 735
	<b>1 860 142</b>	<b>1 646 792</b>
<b>Corporate customers:</b>		
On demand	184 457	151 634
Term	550 167	599 934
	<b>734 624</b>	<b>751 568</b>
<b>Government entities</b>		
On demand	7 690	2 673
Term	21 932	19 076
	<b>29 622</b>	<b>21 749</b>
<b>Deposits from customers</b>	<b>2 646 338</b>	<b>2 439 969</b>
Cheques and orders	21 950	19 860
<b>Deposits from customers</b>	<b>2 646 338</b>	<b>2 439 969</b>

Included in the term deposits are funds that the Bank has raised by selling Greek governments bond, under agreements to repay their funds by repurchasing the bonds of future dates at the same price plus interest at a pre-determined rate. At 31 December 2005 the funds received amounted to EUR 61 104 thousand (2004: EUR 57 744 thousand). The majority of the repurchase agreements expiry within one month of the balance sheet date and the total interest expense on repurchase agreements for 2005 was EUR 1 734 thousand (2004: EUR 3 267 thousand).

## 26. Debt securities in issue and other borrowed funds

*(In thousands of Euro)*

	2005	2004
Preference shares	12 522	11 894
Share premium on preference shares	17 036	15 947
Convertible subordinated debt maturity- 2013	5 783	29 214
Subordinated debt maturity 2015	80 000	-
Debt security (3 year)	199 746	-
<b>Debt securities in issue and other borrowed funds</b>	<b>315 087</b>	<b>57 055</b>

The Bank's preference shares are not convertible. Preference shares have the following benefits: a) to receive the minimum dividend as stated in article 28 paragraph 2 of the article of association before ordinary shareholders and the right to receive any additional benefit that the ordinary shareholders will receive b) to receive a cumulative amount in the future if in any period a dividend is not distributed or if the Bank pays an amount that is less than 6% of the share capital in one or more financial periods c) first right to the net asset amount before the ordinary shareholders in case of liquidation and in any excess of any amount over the share capital.

Convertible subordinated debt holders have the right to exchange one note for one share. As at 31 December 2005 convertible debt holders had the right to exchange 1 387 770 notes for an equivalent number of ordinary shares and 463 030 preference shares.

The convertible bond was issued 21 January 2003 and has a maturity of 10 years with the right of first redemption after 5 years. It has a rate of interest of Euribor plus 1.75% up to the date of redemption and 3.25% until maturity. Interest accrues every 3 months starting 21 January 2003.

The subordinated debt with maturity 2015 was issued 4 May 2005 and has a 10 year term with the right to fixed redemption after the end of the fifth year. It has an interest rate of Euribor plus 1.10% up to redemption date and 2.40% up to maturity. It accrues interest quarterly starting 4 August 2005. The subordinated debt is used as secondary capital (Tier II capital) for capital adequacy purposes.

Debt security matures in 2008 (3 years) and pays Euribor plus 55 bps until maturity.

## 27. Employee benefits

(In thousands of Euro)

	2005	2004
Present value of unfunded obligations	7 995	6 530
Present value of funded obligations	907	992
Fair value of plan assets	(550)	(599)
Present value of net obligations	8 352	6 923
Unrecognised actuarial gains and losses	(1 303)	(460)
<b>Recognised liability for defined benefit obligations</b>	<b>7 049</b>	<b>6 463</b>
Provision for vacation not taken	1 152	1 500
Provision for employee bonus	600	1 000
Salaries due	261	-
<b>Employee benefits</b>	<b>9 062</b>	<b>8 963</b>

Movement in the net liability for defined benefit obligations recognized in the balance sheet is as follows:

	2005	2004
Net liability for defined benefit obligations at 1 January	6 463	5 842
Contributions received	(134)	(23)
Benefits paid	(466)	(416)
Expense recognized in the income statement	1 186	1 060
<b>Net liability for defined benefit obligations at 31 December</b>	<b>7 049</b>	<b>6 463</b>

### Expense recognized in the income statement

	2005	2004
Current service costs	558	464
Expected return on plan assets	(26)	(29)
Other expenses	321	308
Interest on obligation	333	317
	1 186	1 060

Principal actuarial assumptions used for 2005 and 2004 were as follows:

	2005	2004
Discount rate	4.0%	4.5%
Expected return on plan assets	4.0%	4.5%
Future salary increases	4.5%	4.5%

## 28. Other liabilities

(In thousands of Euro)

	2005	2004
Taxes and duties (non income tax)	2 039	2 525
Due to social security funds	2 027	1 825
Suppliers and other creditors	4 184	3 100
Finance lease obligation	2 210	2 684
Amounts collected on behalf and due to third parties	13 068	10 267
Deferred income	11 892	12 084
Accrued expenses	13 526	12 784
Other liabilities	1 495	2 123
<b>Other liabilities</b>	<b>50 441</b>	<b>47 392</b>

## 29. Share capital

	2005	2004
<b>Number of ordinary shares</b> (par value Euro 1.17)	<b>92 170 669</b>	<b>85 378 569</b>
<b>Share capital paid</b> (in thousands of Euro)	<b>107 840</b>	<b>99 893</b>
<b>Share premium</b> (in thousands of Euro)	<b>138 479</b>	<b>124 786</b>

## 30. Other reserves

(In thousands of Euro)

	2005	2004
Statutory reserve	6 481	6 481
Untaxed reserves	2 706	2 706
Extraordinary reserves	8 406	8 406
Revaluation reserve available-for-sale securities	(404)	(571)
<b>Other reserves</b>	<b>17 189</b>	<b>17 022</b>

*Statutory reserve:* Under the provisions of corporate law, entities are required to transfer 5% of their annual profits to a statutory reserve until the reserve equals one third of the issued capital. This reserve is not available for distribution but may be applied to cover losses.

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

*Extraordinary reserves:* Includes all other reserves that do not belong in the other categories.

## 31. Contingent liabilities and commitments

### 31.1 Litigation

The Bank is a defendant in certain claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the financial condition of the Bank.

### 31.2 Credit commitments

The contractual amounts of the Bank's off-balance sheet financial instruments that commit to extend credit to customers are as follows (amounts in thousands of Euro):

	2005	2004
Letters of guarantees	194 497	169 755
Letters of credit	3 643	4 792

### 31.3 Operating leases

The Bank's commitment from lease contracts refer mainly to buildings used for its branches and other operating units. The future minimum lease payments under operating leases are as follows (amounts in thousands of Euro):

	2005
Up to 1 year:	2 243
1 to 5 years:	4 344
Over 5 years:	32 416

## 32. Related Parties

The total amount of transactions with related parties amounts to (amounts in thousands of Euro):

Board of Directors and Management	2005	2004
Loans and advances to customers	422	1 910
Deposits from customers	6 669	6 563
Interest and commission income	76	25
Interest and commission expense	127	22

The fees paid to the Board of Directors, which have been recorded to staff costs, amount to EUR 1 459 thousand (2004: EUR 1 504 thousand).

<b>Subsidiaries and associates</b>	<b>2005</b>	<b>2004</b>
<b>Assets</b>		
Loans and advances to banks	48 240	15 037
Loans and advances to customers	93 919	44 226
Other assets	152	79
	<b>142 311</b>	<b>59 342</b>
<b>Liabilities</b>		
Deposits from customers	24 583	18 989
Debt securities	279 746	-
Other liabilities	3 864	2 741
	<b>308 193</b>	<b>21 730</b>
<b>Income</b>		
Interest income	4 309	1 620
Commission income	1 108	765
Dividend income	308	670
Other operating income	204	200
	<b>5 929</b>	<b>3 255</b>
<b>Expenses</b>		
Interest expense	4 254	19
Fee and commission income	71	-
Other operating expenses	835	1 051
	<b>5 160</b>	<b>1 070</b>

<b>Other related parties</b>	<b>2005</b>	<b>2004</b>
<b>Assets</b>		
Loans and advances to customers	24 810	21 710
Property, plant and equipment	1 082	440
	<b>25 892</b>	<b>22 150</b>
<b>Liabilities</b>		
Deposits from customers	4 905	2 194
Other liabilities	613	85
	<b>5 518</b>	<b>2 279</b>
<b>Income</b>		
Interest and similar income	28	25
Fee and commission income	81	71
	<b>109</b>	<b>96</b>
<b>Expenses</b>		
Interest expense	1 921	1 619
Other	791	669
	<b>2 712</b>	<b>2 288</b>

### 33. Fair Value

The following table summarises the carrying amounts and fair value of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value (the amounts are expressed in thousands of euro).

	Carrying value 2005	Fair value 2005
<b>Financial assets</b>		
Loans and advances to banks	623 912	626 469
Loans and advances to customers	2 277 988	2 289 308
Investment securities held-to-maturity	92 796	93 130
Investment in subsidiaries	44 046	44 046
<b>Financial liabilities</b>		
Deposits from banks	5 684	5 690
Deposits from customers	2 646 338	2 637 618
Debt securities in issue	315 087	315 087

### 34. Risk Management

This note provides details of the Bank's exposures to risks and describes the methods used by management to control risk. The most important types of financial risk to which the Bank is exposed are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and equity price risk.

#### 34.1 Interest rate risk

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest –bearing liabilities mature or reprice at different times or in different amounts. In the case of floating rate assets and liabilities the Bank is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices.

Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Bank's business strategies.

The table below summarizes the Bank's exposure to interest rate risks. Included in the table the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual or maturity dates (the amounts are expressed in thousands of Euro):

31 December 2005	<u>Floating</u>	<u>1-3 months</u>	<u>3-6 months</u>	<u>6-12 months</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Non-interest</u>	<u>Total</u>
<b>Assets</b>								
Cash and balances with Central Bank	78 405	-	-	-	-	-	24 846	103 251
Loans and advances to banks	598 457	12 740	12 715	-	-	-	-	623 912
Trading securities	2 585	3 000	10 004	-	-	-	-	15 589
Derivative financial instruments	-	-	-	-	-	-	34	34
Loans and advances to customers	1 871 865	278 666	65 235	38 113	95 981	8 322	(80 194)	2 277 988
Investment securities	28 067	30 000	10 000	2 276	56 980	20	-	127 343
Investment in subsidiaries	-	-	-	-	-	-	44 046	44 046
Other assets	-	-	-	-	-	-	91 984	91 984
<b>Total assets</b>	<b>2 579 379</b>	<b>324 406</b>	<b>97 954</b>	<b>40 389</b>	<b>152 961</b>	<b>8 352</b>	<b>80 716</b>	<b>3 284 147</b>
<b>Liabilities</b>								
Deposits from banks	5 620	64	-	-	-	-	-	5 684
Deposits from customers	1 880 913	484 634	205 007	72 178	3 606	-	-	2 646 338
Derivative financial instruments	-	-	-	-	-	-	1 600	1 600
Debt securities in issue	5 669	279 860	-	-	-	-	29 558	315 087
Other liabilities	-	-	-	-	-	-	65 779	65 779
<b>Total liabilities</b>	<b>1 892 202</b>	<b>764 558</b>	<b>205 007</b>	<b>72 178</b>	<b>3 606</b>	<b>-</b>	<b>96 937</b>	<b>3 034 488</b>
<b>Interest sensitivity gap</b>	<b>687 177</b>	<b>(440 152)</b>	<b>(107 053)</b>	<b>(31 789)</b>	<b>149 355</b>	<b>8 352</b>	<b>(16 221)</b>	<b>249 659</b>

### **34.2 Liquidity risk**

Liquidity risk arises in the general funding of the Bank's activities and in the management of positions. It includes both the risks of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

Bank's aim is to invest its available capital (deposits, credit securities and share capital) but also to maintain a security level so as not to be exposed to any liquidity risk. The management of liquidity risk includes the location of liquidity needs, their quantification, as also the actions for maintaining a sufficient liquidity level. In order to monitor the liquidity risk, methodology of liquidity gap is applied, by which all financial Asset – Liabilities are thoroughly represented in time periods, according their remaining duration till maturity.

In addition, liquidity ratios are calculated and monitored as defined by the Presidential Decree 2560/1-4-2005 and the Bank's liquidity is maintained within the limits prescribed by regulators.

The following table provides an analysis of the Bank's assets and liabilities into relevant maturity groupings based on the remaining periods to repayment (amounts in thousands of Euro):

	<u>Up to 1 month</u>	<u>1-3 months</u>	<u>3-6 months</u>	<u>6-12 months</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
<b>Assets</b>							
Cash and balances with Central Bank	102 251	-	-	1 000	-	-	103 251
Loans and advances to banks	562 113	13 066	-	12 715	35 000	1 018	623 912
Trading securities	15 589	-	-	-	-	-	15 589
Derivative financial instruments	34	-	-	-	-	-	34
Loans and advances to customers	636 792	60 698	590 394	131 117	587 341	271 646	2 277 988
Investment securities	24 637	9 527	-	2 300	63 416	27 463	127 343
Investment in subsidiaries	-	-	-	-	-	44 046	44 046
Intangible assets	-	-	-	-	-	7 373	7 373
Property, plant and equipment	-	-	-	-	-	41 102	41 102
Deferred tax assets	-	-	-	-	7 439	-	7 439
Investment property	-	-	-	-	22 129	-	22 129
Other assets	<u>6 245</u>	<u>2 100</u>	<u>1 691</u>	<u>463</u>	<u>1 921</u>	<u>1 521</u>	<u>13 941</u>
<b>Total assets</b>	<u>1 347 661</u>	<u>85 391</u>	<u>592 085</u>	<u>147 595</u>	<u>717 246</u>	<u>394 169</u>	<u>3 284 147</u>
<b>Liabilities</b>							
Deposits from banks	5 616	64	-	-	2	2	5 684
Due to customers	1 265 422	484 634	205 007	72 178	619 097	-	2 646 338
Derivative financial instruments	1 600	-	-	-	-	-	1 600
Debt securities in issue and other borrowed funds	-	-	-	-	285 529	29 558	315 087
Employee benefits	-	-	-	-	-	9 100	9 100
Current tax liability	-	231	-	-	-	-	231
Deferred tax liability	-	-	345	-	-	-	345
Other provisions	-	-	-	-	-	5 700	5 700
Other liabilities	<u>23 112</u>	<u>7 671</u>	<u>2 732</u>	<u>699</u>	<u>13 979</u>	<u>2 210</u>	<u>50 441</u>
<b>Total liabilities</b>	<u>1 295 750</u>	<u>492 600</u>	<u>208 084</u>	<u>72 877</u>	<u>918 607</u>	<u>46 570</u>	<u>3 034 488</u>
Net liquidity gap	<u>51 911</u>	<u>(407 209)</u>	<u>384 001</u>	<u>74 718</u>	<u>(201 361)</u>	<u>347 599</u>	<u>249 659</u>

### 34.3 Market risk

Market risk is the risk of occurring possible losses caused by the fluctuation and volatility of market prices, such as share prices, interest rate and foreign exchange rate fluctuations.

For the Bank market risk is separated into the following risks:

- The risk from changes in the prices of trading instruments.
- The interest risk from transactions in bonds and in forward contracts on bonds.
- The foreign exchange risk from transactions in outright FX forwards.

The Bank applies a 'value at risk' methodology (VAR) to estimate the market risk.

The measurement of the value at risk is an estimate of the change in value of the portfolio at a specific confidence level in a specified period of time. The Bank uses the Variance-Covariance methodology in estimating VaR. It is measured with a confidence level of 99% assumes a 10 day horizon and a 250 holding day period. The measurement of the VAR estimate for the trading portfolio has been internally developed and is documented. Management has approved the VAR limits and the VAR manual.

VAR for the trading portfolio as at 31 December 2005 amounted to EUR 446 thousand (31 December 2004 EUR 560 thousand).

### 34.4 Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing exchange rates on its financial position and cash flows. Management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarizes the Bank's exposure to foreign currency exchange risk at 31 December. Included in the table on the Bank's assets and liabilities at carrying amounts categorized by currency (the amounts are in thousands of Euro):

#### At 31 December 2005

<b>Assets</b>	<b>EUR</b>	<b>USD</b>	<b>GBP</b>	<b>JPY</b>	<b>CHF</b>	<b>Other</b>	<b>Total</b>
Cash and balances with Central Bank	96 221	5 319	650	18	258	785	<b>103 251</b>
Loans and advances to banks	444 360	162 238	11 539	596	1 500	3 679	<b>623 912</b>
Trading securities	15 589	-	-	-	-	-	<b>15 589</b>
Derivative financial instruments	34	-	-	-	-	-	<b>34</b>
Loans and advances to customers	2 079 039	190 400	4	6 481	2 064	-	<b>2 277 988</b>
Investment securities	100 511	26 505	-	-	327	-	<b>127 343</b>
Investments in subsidiaries and associates	44 028	-	18	-	-	-	<b>44 046</b>
Intangible assets	7 373	-	-	-	-	-	<b>7 373</b>
Property, plant and equipment	41 102	-	-	-	-	-	<b>41 102</b>
Deferred tax assets	7 439	-	-	-	-	-	<b>7 439</b>
Investment property	22 129	-	-	-	-	-	<b>22 129</b>
Other assets	12 356	1 575	3	7	-	-	<b>13 941</b>
<b>Total Assets</b>	<b>2 870 181</b>	<b>386 037</b>	<b>12 214</b>	<b>7 102</b>	<b>4 149</b>	<b>4 464</b>	<b>3 284 147</b>
<b>Liabilities</b>							
Deposits from banks	4 481	677	90	-	-	436	<b>5 684</b>
Deposits from customers	2 142 817	394 255	12 077	91 935	1 335	3 919	<b>2 646 338</b>
Derivative financial instruments	1 600	-	-	-	-	-	<b>1 600</b>
Debt securities in issue	315 087	-	-	-	-	-	<b>315 087</b>
Employee benefits	9 100	-	-	-	-	-	<b>9 100</b>
Current tax liability	231	-	-	-	-	-	<b>231</b>
Deferred tax liability	345	-	-	-	-	-	<b>345</b>
Other provisions	5 700	-	-	-	-	-	<b>5 700</b>
Other liabilities	49 131	1 114	162	19	1	14	<b>50 441</b>
<b>Total Liabilities</b>	<b>2 528 454</b>	<b>396 046</b>	<b>12 329</b>	<b>91 954</b>	<b>1 336</b>	<b>4 369</b>	<b>3 034 488</b>
<b>Net on balance sheet position</b>	<b>341 727</b>	<b>(10 009)</b>	<b>(115)</b>	<b>(84 852)</b>	<b>2 813</b>	<b>95</b>	<b>249 659</b>
<b>Net off balance sheet position</b>	<b>(91 387)</b>	<b>8 371</b>	<b>100</b>	<b>84 828</b>	<b>(3 149)</b>	<b>(330)</b>	<b>(1 567)</b>
<b>31 December 2004</b>							
<b>Net on balance sheet position</b>	<b>508 106</b>	<b>(12 830)</b>	<b>327</b>	<b>(279 743)</b>	<b>3 726</b>	<b>472</b>	<b>220 058</b>
<b>Net off balance sheet position</b>	<b>(295 471)</b>	<b>12 849</b>	<b>(386)</b>	<b>279 754</b>	<b>(3 714)</b>	<b>(227)</b>	<b>(7 195)</b>

### 34.5 Credit risk

Credit risk is the risk of loss resulting from counterparty default. The Bank considers credit risk for loans as the loss which the Bank would suffer if a client or counterparty fails to meet their contractual obligations.

The Bank has established credit limits based on the creditworthiness of the counterparty in order to minimize the credit risk that the Bank undertakes. The creditworthiness analysis for each client is based on the country domicile, the business sector and other qualitative and quantitative characteristics for the client, the nature of the transaction and the collateral.

For credit control purposes, credit exposure is measured by the nature of the client in the following categories: central governments (for purchase and holdings of debt instruments), financial institutions, corporate customers (with reliable financial data), small and medium size entities (SME) and retail customers. The largest credit risk represents the loss from the failure of the counterparty to meet their contractual obligations. The Bank along with specialized consulting firms has developed a series of valuation models to assess the risk for each category.

A financial (quantitative) and business (qualitative) analysis is performed to value the credit risk for corporate customers. Financial analysis is based on the published financial statements of the customer. Business analysis depends on the quality characteristics of the business sector where the company operates. For SMEs the valuation mode takes into account qualitative characteristics as well as their payment behaviour. Two models exist for retail customers. The first one takes into account the qualitative and financial information of the customers. The first one takes into account the qualitative and financial information of the customer when the customer applies for a loan and the second model depends on evaluating the payment performance and the Bank's relationship with the customer. At the approval stage, the credit risk as a whole is assessed of the counterparty individually or collectively taken into account the credit limits approved by the divisions of the Bank. Collaterals and other securities that mitigate the credit risk are used to determine the credit limits. On a systematic basis, the Bank monitors the counterparty risk and credit exposure along with the credit limits. Off balance sheet items and credit exposures from settlement transactions are also used to develop credit exposures.

In order to assess the country risk the Bank approves limits that depend on credit ratings performed by credit agencies, macroeconomic data of the country as well as international and political developments. For counterparty risks with financial institutions, the Bank places limits for each type of banking transaction based on the risk of the transaction. The credit limit for each financial institution is split into trade limits and money market limits. These limits are based on the credit rating of the bank, their financial data and other qualitative information.

### 35 Explanations for the transition to International Financial Reporting Standards

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

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information presented in these financial statements for the year ended 31 December 2004 and in the preparation of an opening IFRS balance sheet at 1 January 2004.

In preparing its opening IFRS balance sheet, the Bank has adjusted amounts reported previously in financial statements prepared in accordance with Greek generally accepted accounting principles (Greek GAAP). An explanation of how the transition from Greek GAAP to IFRSs has affected the Bank's financial position and financial performance is set out in the following tables and notes that accompany the tables.

### **Intangible assets**

In accordance with IFRS certain expenses (start-up costs, reorganisation) that were capitalized as intangible assets in accordance with Greek Accounting Practices, should be expensed when incurred. In addition the goodwill that arised from the merger with the Central Bank was reduced to zero as the Bank considered that there was that it had fulfilled its useful life.

### **Employee benefits**

Defined contribution expenses calculated as at 1.1.2004 were recognized in full including actuarial losses that would not be recognized if the Bank adopted the alternative method under IAS 19. Actuarial gains or losses in the future will be recognized under the corridor approach of 10% and will be amortized over the employment service life of employees.

### **Loans and advances**

As a result of adopting IFRS loans and advances were effected as follows:

- Change in the method of evaluating impairment loss under IAS 39.
- Applying the effective interest rate method for commission in accordance with IAS 18.
- Recognition of financial leases under IAS 17.

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

Property and buildings were revalued in the financial statements as at 31 December 2004 under Greek GAAP in accordance with laws 3229/2004 and 3065/1992 for investment property. The fair values calculated were considered deemed cost on transition date and depreciation is calculated based on the useful life. Total effect was recorded in retained earnings on transition date. Investment property was valued in accordance with fair value estimates by professional valuator.

### **Securities**

The Bank recognized gains/losses from its securities portfolio that was not recorded under Greek GAAP.

### **Tax**

The Bank recognized deferred taxes which is not accepted under Greek GAAP.

### **Preference shares**

Classification is based on nature and not on legal form as under Greek GAAP.

(In thousands of Euro)

	31 December 2003			31 December 2004		
	Greek GAAP	Effect of IFRS transition	IFRS	Greek GAAP	Effect of IFRS transition	IFRS
<b>Assets</b>						
Cash and balances with Central Bank	107 281	-	107 281	96 308	8 499	104 807
Treasury bills	-	-	-	13	(13)	-
Loans and advances to banks	294 597	-	294 597	465 688	1 518	467 206
Trading securities	-	204 622	204 622	-	7 892	7 892
Derivative financial instruments	-	627	627	-	471	471
Loans and advances to customers	1 800 062	(5 244)	1 794 818	1 993 148	(6 045)	1 987 103
Investment securities	223 848	(210 535)	13 313	107 085	(10 165)	96 920
Investments in subsidiaries and associates	42 815	(1 639)	41 176	43 537	(560)	42 977
Intangible assets	44 248	(40 734)	3 514	42 369	(36 997)	5 372
Property, plant and equipment	30 248	8 849	39 097	37 036	2 879	39 915
Deferred tax asset	-	10 454	10 454	-	8 894	8 894
Investment property	-	23 729	23 729	-	21 948	21 948
Other assets	58 434	(38 208)	20 226	54 985	(40 189)	14 796
<b>Total assets</b>	<b>2 601 533</b>	<b>(48 079)</b>	<b>2 553 454</b>	<b>2 840 169</b>	<b>(41 868)</b>	<b>2 798 301</b>
<b>Liabilities</b>						
Deposits from banks	5 635	-	5 635	8 965	-	8 965
Deposits from customers	2 209 632	-	2 209 632	2 440 408	(439)	2 439 969
Derivative financial liabilities	-	6 111	6 111	-	7 666	7 666
Debt securities issued and other borrowings	29 990	27 662	57 652	29 373	27 682	57 055
Employee benefits	748	6 594	7 342	748	8 215	8 963
Current tax liability	-	9 933	9 933	-	2 237	2 237
Deferred tax liability	-	271	271	-	296	296
Other provisions	688	5 012	5 700	688	5 012	5 700
Other liabilities	62 511	(28 796)	33 715	58 544	(11 152)	47 392
<b>Total liabilities</b>	<b>2 309 204</b>	<b>26 787</b>	<b>2 335 991</b>	<b>2 538 726</b>	<b>39 517</b>	<b>2 578 243</b>
Share capital	111 562	(11 894)	99 668	111 788	(11 895)	99 893
Share premium	140 344	(15 947)	124 397	140 735	(15 949)	124 786
Other reserves	17 420	(1 634)	15 786	21 746	(4 724)	17 022
Grants	91	(91)	-	106	(106)	-
Accumulated deficit	22 912	(45 300)	(22 388)	27 068	(48 711)	(21 643)
<b>Total equity</b>	<b>292 329</b>	<b>(74 866)</b>	<b>217 463</b>	<b>301 443</b>	<b>(81 385)</b>	<b>220 058</b>
<b>Total liabilities and equity</b>	<b>2 601 533</b>	<b>(48 079)</b>	<b>2 553 454</b>	<b>2 840 169</b>	<b>(41 868)</b>	<b>2 798 301</b>

**Notes to the reconciliation of equity as at 31 December 2003** (in thousands of Euro)

**Trading securities**

Balance in accordance with Greek GAAP	-
Reclassification from "Investment securities"	206 873
Mark to market valuation	(2 251)
	<u>204 622</u>

**Derivative financial instruments**

Balance in accordance with Greek GAAP	-
Reclassification from "Other assets"	627
	<u>627</u>

**Loans and advances to customers**

Balance in accordance with Greek GAAP	1 800 062
Reclassification from "Intangible assets"	2 214
Reclassification to "Other assets"	(903)
Other	(584)
Reclassification from "Other assets"	10 437
Additional impairment allowance	(16 408)
	<u>1 794 818</u>

**Investment in subsidiaries and associates**

Balance in accordance with Greek GAAP	42 815
Impairment of subsidiaries	(1 639)
	<u>41 176</u>

**Investment securities**

Balance in accordance with Greek GAAP	223 848
Reclassification to "Trading securities"	(206 873)
Mark to market available-for-sale securities	(785)
Reclassification to "Other assets"	(2 877)
	<u>13 313</u>

**Property, plant and equipment**

Balance in accordance with Greek GAAP	30 248
Reclassification from "Intangible assets"	1 511
Deemed cost revaluation	5 530
Finance lease recognition	1 729
Other	79
	<u>39 097</u>

**Investment property**

Balance in accordance with Greek GAAP	-
Reclassification from "Other assets"	14 574
Deemed cost revaluation	9 155
	<u>23 729</u>

### Intangible assets

Balance in accordance with Greek GAAP	44 248
Reclassification to "Property, plant and equipment"	(1 511)
Reclassification to "Loans and advances to customers"	(2 214)
Intangible assets written-off	(37 009)
	<u>3 514</u>

### Other assets

Balance in accordance with Greek GAAP	58 434
Reclassification to "Investment property"	(14 575)
Reclassification to "Loans and advances to customers"	(10 437)
Reclassification from "Loans and advances to customers"	903
Reclassification from "Investment securities"	2 877
Other assets written-off	(9 935)
Reclassification from "Other provisions"	(688)
Reclassification to "Other liabilities"	(5 726)
Reclassification to "Derivative financial instruments"	(627)
	<u>20 226</u>

### Deferred tax asset

Balance in accordance with Greek GAAP	-
Recognition of deferred tax	10 454
	<u>10 454</u>

### Deferred tax liability

Balance in accordance with Greek GAAP	-
Recognition of deferred tax	271
	<u>271</u>

### Derivative liabilities

Balance in accordance with Greek GAAP	-
Reclassification from "Other liabilities"	6 111
	<u>6 111</u>

### Current tax liability

Balance in accordance with Greek GAAP	-
Reclassification from "Other liabilities"	9 933
	<u>9 933</u>

### Other liabilities

Balance in accordance with Greek GAAP	62 511
Finance lease liability	1 729
Reclassification from "Other assets"	(5 126)
Reclassification to "Derivative financial instruments"	(6 111)
Reclassification from "Grants"	91
Reclassification to "Current tax liability"	(9 933)
Other	(928)
Reversal of dividends proposed not yet approved	(8 518)
	<u>33 715</u>

**Other Provisions**

Balance in accordance with Greek GAAP	688
Reclassification to "Other assets"	(688)
Additional amounts recognized	5 700
	<u>5 700</u>

**Employee benefits**

Balance in accordance with Greek GAAP	748
Vacation accrual not taken	1 500
Recognition of post employment benefits	5 094
	<u>7 342</u>

**Debt securities issued and other borrowings**

Balance in accordance with Greek GAAP	29 990
Costs associated with issue of debt	(179)
Reclassification from "Share capital"	11 894
Reclassification from "Share premium"	15 947
	<u>57 652</u>

**Share capital**

Balance in accordance with Greek GAAP	111 562
Reclassification to "Debt securities in issue and other borrowed funds"	(11 894)
	<u>99 668</u>

**Share premium**

Balance in accordance with Greek GAAP	140 344
Transfer to "Debt securities in issue and other borrowed funds"	(15 947)
	<u>124 397</u>

**Grants**

Balance in accordance with Greek GAAP	91
Reclassification to "Other liabilities"	(91)
	<u>-</u>

**Other reserves**

Balance in accordance with Greek GAAP	17 420
Reclassification to "Accumulated deficit"	(7 164)
Revaluation adjustment "Property, plant and equipment"	5 530
	<u>15 786</u>

**Accumulated deficit**

Balance in accordance with Greek GAAP	22 912
Additional impairment loss customer loans and advances	(16 408)
Intangibles write-off	(37 009)
Recognition of deferred tax	10 183
Investment property fair value adjustment	9 155
Other assets write-off	(9 935)
Reversal of dividends proposed not yet approved	8 518
Employee benefits obligations	(6 594)
Additional provisions	(5 700)
Reclassification from "Other reserves"	7 164
Impairment of subsidiaries	(1 639)
Mark-to-market trading security	(2 251)
Mark-to-market available-for-sale securities	(785)
Other	1
	<u>(22 388)</u>

**Notes to the reconciliation of equity as at 31 December 2004** (in thousands of Euro)

**Cash and balances with Central Bank**

Balance in accordance with Greek GAAP	96 308
Reclassification from "Treasury bills"	13
Reclassification to "Loans and advances to banks"	(18)
Reclassification to "Deposits from customers"	(397)
Reclassification to "Other liabilities"	8 901
	<u>104 807</u>

**Treasury bills**

Balance in accordance with Greek GAAP	13
Reclassification to "Cash and balances with Central Bank"	(13)
	<u>-</u>

**Loans and advances to banks**

Balance in accordance with Greek GAAP	465 688
Reclassification to "Cash and balances with Central Bank"	18
Reclassification from "Loans and advances to customers"	1 500
	<u>467 206</u>

**Trading securities**

Balance in accordance with Greek GAAP	-
Reclassification from "Investment securities"	9 060
Mark-to-market valuation	(1 168)
	<u>7 892</u>

**Derivative financial instruments**

Balance in accordance with Greek GAAP	-
Reclassification from "Other assets"	471
	<u>471</u>

**Loans and advances to customers**

Balance in accordance with Greek GAAP	1 993 148
Reclassification to "Loans and advances to banks"	(1 500)
Reclassification to "Other assets"	(846)
Reclassification from "Other assets"	11 343
Reclassification from "Intangible assets "	1 365
Effective interest rate effect	(877)
Impairment loss	(15 530)
	<u>1 987 103</u>

**Investment in subsidiaries and associates**

Balance in accordance with Greek GAAP	43 537
Reclassification to "Investment securities"	(560)
	<u>42 977</u>

**Investment securities**

Balance in accordance with Greek GAAP	107 085
Reclassification from "Investment in subsidiaries and associates"	560
Impairment	(139)
Reclassification to "Trading securities"	(9 060)
Available-for-sale securities adjustment	(571)
Reclassification to "Other assets"	(955)
	<u>96 920</u>

**Property, plant and equipment**

Balance in accordance with Greek GAAP	37 036
Reclassification to "Other assets"	(880)
Revaluation adjustment	(397)
Finance lease	2 684
Reclassification from "Intangible assets"	1 472
	<u>39 915</u>

**Intangible assets**

Balance in accordance with Greek GAAP	42 369
Reclassification to "Property, plant and equipment"	(1 472)
Net balance of intangibles written off as recognized under Greek GAAP	(33 988)
Reclassification to "Loans and advances to customers"	(1 365)
Reclassification to "Debt securities in issue and other borrowed funds"	(162)
Other	(10)
	<u>5 372</u>

**Investment property**

Balance in accordance with Greek GAAP	-
Reclassification from "Other assets"	15 626
Valuation of investment property	6 322
	<u>21 948</u>

**Deferred tax asset**

Balance in accordance with Greek GAAP	-
Recognition of deferred tax	8 894
	<u>8 894</u>

**Other assets**

Balance in accordance with Greek GAAP	54 985
Reclassification to "Investment property"	(15 626)
Reclassification to "Loans and advances to customers"	(11 343)
Reclassification from "Loans and advances to customers"	846
Write off other assets	(9 952)
Reclassification from "Other provisions"	(688)
Transfer to "Derivative financial instruments"	(471)
Reclassification from "Investment securities"	955
Reclassification from "Property, plant and equipment"	880
Reclassification to "Other liabilities"	(4 790)
	<u>14 796</u>

**Deposits from customers**

Balance in accordance with Greek GAAP	2 440 408
Reclassification to "Derivative financial liabilities"	(42)
Reclassification from "Cash and balance with Central Bank"	(397)
	<u>2 439 969</u>

**Derivative financial liabilities**

Balance in accordance with Greek GAAP	-
Reclassification from "Deposits from customers"	42
Reclassification from "Other liabilities"	7 624
	<u>7 666</u>

**Other liabilities**

Balance in accordance with Greek GAAP	58 544
Reclassification from "Cash and balances with Central Bank"	8 901
Finance lease liability	2 684
Reclassification to "Current tax liability"	(2 237)
Reclassification from "Other assets"	(4 790)
Reclassification to "Employee benefits"	(1 000)
Reclassification to "Derivatives financial liabilities"	(7 624)
Reclassification from "Grants"	106
Other	(362)
Reversal of dividends proposed but not yet approved	(6 830)
	<u>47 392</u>

**Other Provisions**

Balance in accordance with Greek GAAP	688
Reclassification to "Other assets"	(688)
Additional provisions	5 700
	<u>5 700</u>

**Employee benefits**

Balance in accordance with Greek GAAP	748
Reclassification from "Other liabilities"	1 000
Recognition of post employment benefits	7 215
	<u>8 963</u>

**Debt securities issued and other borrowings**

Balance in accordance with Greek GAAP	29 373
Costs associated with issue	(162)
Reclassification from "Share capital"	11 895
Reclassification from "Share premium"	15 949
	<u>57 055</u>

### Deferred tax liability

Balance in accordance with Greek GAAP	-
Recognition of deferred tax liabilities	296
	<u>296</u>

### Current tax liability

Balance in accordance with Greek GAAP	-
Transfer from "Other liabilities"	2 237
	<u>2 237</u>

### Share capital

Balance in accordance with Greek GAAP	111 788
Reclassification to "Debt securities in issue and other borrowings"	(11 895)
	<u>99 893</u>

### Share premium

Balance in accordance with Greek GAAP	140 735
Reclassification to "Debt securities in issue and other borrowed funds"	(15 949)
	<u>124 786</u>

### Grants

Balance in accordance with Greek GAAP	106
Revaluation to "Other liabilities"	(106)
	<u>-</u>

### Other reserves

Balance in accordance with Greek GAAP	21 746
Mark to market available-for-sale securities	(571)
Revaluation adjustment fixed assets	(397)
Reclassification to "Retained earnings"	(3 756)
	<u>17 022</u>

### Accumulated Deficit

Balance in accordance with Greek GAAP	27 068
Reclassification from "Other reserves"	3 756
Additional impairment loss customer loans and advances	(15 178)
Intangibles write-off	(33 988)
Recognition of deferred tax	8 598
Investment property fair value adjustment	6 322
Other assets write-off	(9 952)
Impairment loss investments	(139)
Fair value change trading securities	(1 168)
Reversal of dividends proposed but not yet approved	6 830
Employee benefits	(7 215)
Other provisions	(5 700)
Effective interest rate commission income recognition	(877)
	<u>(21 643)</u>

### Reconciliation of profit/(loss) for 2004

Income Statement	31 December 2004		
	Greek GAAP	Effect of IFRS transition	IFRS
Interest and similar income	157 438	(4 516)	152 922
Interest and similar expense	(65 870)	4 826	(61 044)
<b>Net interest income</b>	<b>91 568</b>	<b>310</b>	<b>91 878</b>
Commission income	24 728	(877)	23 851
Commission expense	(885)	(1 706)	(2 591)
<b>Net commission income</b>	<b>23 843</b>	<b>(2 583)</b>	<b>21 260</b>
Dividend income	757	-	757
Net trading income / Expense	2 216	(2 235)	(19)
Other income	1 813	3 076	4 889
Impairment loss from loans and advances	(17 000)	-	(17 000)
Staff costs	(47 534)	(1 621)	(49 155)
Depreciation	(8 878)	3 222	(5 656)
Other operating expenses	(25 021)	(976)	(25 997)
Extra-ordinary results	867	(867)	-
<b>Profit before tax</b>	<b>22 631</b>	<b>(1 675)</b>	<b>20 956</b>
Income tax expense	(8 810)	(1 585)	(10 395)
<b>Profit after tax</b>	<b>13 821</b>	<b>(3 260)</b>	<b>10 561</b>

**Reconciliation of income statement as at 31 December 2004** (in thousands of Euro)

**Interest income**

Balance in accordance with Greek GAAP	157 438
Reclassification from "Net trading income"	1 355
Reclassification to "Interest expense"	(5 607)
Effective interest rate	(264)
	<u>152 922</u>

**Interest expense**

Balance in accordance with Greek GAAP	(65 870)
Preference share dividend recorded as interest expense	(813)
Reclassification from "Net trading income"	163
Reclassification from "Interest income"	5 607
Finance lease interest expense	(131)
	<u>(61 044)</u>

**Commission income**

Balance in accordance with Greek GAAP	24 728
Effective interest rate	(877)
	<u>23 851</u>

**Commission expense**

Balance in accordance with Greek GAAP	(885)
Transfer from "Other operating expenses"	(1 706)
	<u>(2 591)</u>

**Net trading income / (expense)**

Balance in accordance with Greek GAAP	2 216
Valuation of trading	(717)
Reclassification to "Interest income"	(1 355)
Reclassification from "Interest expense"	(163)
	<u>(19)</u>

**Other income**

Balance in accordance with Greek GAAP	1 813
Reclassification from extraordinary results	3 024
Reversal of impairment for other assets	52
	<u>4 889</u>

**Other operating expenses**

Balance in accordance with Greek GAAP	(25 021)
Movement of investment property valuation	(647)
Reclassification to "Commission expense"	1 706
Other amounts	122
Reclassification from "Extraordinary results"	(2 157)
	<u>(25 997)</u>

**Staff costs**

Balance in accordance with Greek GAAP	(47 534)
Bonus to staff	(1 000)
Net employee benefit expenses	(621)
	<u>(49 155)</u>

**Depreciation**

Balance in accordance with Greek GAAP	(8 878)
Net adjustment of intangibles recognized under Greek GAAP	3 222
	<u>(5 656)</u>

**Income tax expense**

Balance in accordance with Greek GAAP	(8 810)
Deferred tax recognition	(1 585)
	<u>(10 395)</u>

**Extraordinary results**

Balance in accordance with Greek GAAP	867
Reclassification to "Other operating expenses"	2 157
Reclassification to "Other income"	(3 024)
	<u>-</u>

### 36 Adjustments to previously reported figures

In accordance with the Capital Market Committee regulations the Bank is required to publish quarterly interim financial statements. In these interim financial statements the Bank indicated that changes to the reported amounts may arise when the Bank prepares its annual financial statements. A summary of the changes made to published information follows:

<b>Total equity as at</b>	
1 January 2004 – as previously published	220 525
Reversal of impairment for loans	4 323
Deferred tax effect	804
Recognition for other provision	(5 700)
Impairment of subsidiaries	(3 300)
Investment property revaluation	2 186
Valuation of securities	<u>(1 375)</u>
1 January 2004 in these financial statements	<b><u>217 463</u></b>
<b>Total equity as at</b>	
1 January 2005 – as previously published	220 289
Reversal of impairment for loans	4 323
Deferred tax effect	1 146
Recognition of other provision	<u>(5 700)</u>
1 January 2005 in these financial statements	<b><u>220 058</u></b>

