



## **EGNATIA BANK A.E**

### **Consolidated Financial Statements**

**31 December 2005**

**In accordance with International Financial Reporting Standards**

The attached consolidated 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.egnatibank.gr](http://www.egnatibank.gr).

## Table of Contents

	<b>Page</b>
Auditors' report	-
Consolidated financial statements	
Consolidated income statement	2
Consolidated balance sheet	3
Consolidated statement of changes in equity	4
Consolidated statement of cash flows	5
<b>Notes</b>	
1 General information on the Group	6
2.1 Statement of compliance	6
2.2 Basis of presentation	6
2.3 Basis of consolidation	7
2.4 Foreign currency transaction	7
2.5 Financial instruments	8
2.6 Repurchase agreements	10
2.7 Property, plant and equipment	10
2.8 Investment property	11
2.9 Intangible assets	11
2.10 Cash and cash equivalents	11
2.11 Impairment	11
2.12 Financial liabilities	13
2.13 Employee benefits	13
2.14 Provisions	14
2.15 Leases	14
2.16 Offsetting	15
2.17 Derecognition	15
2.18 Interest income and expense	15
2.19 Fees and commission income	16
2.20 Income tax	16
2.21 Share capital	16
2.22 Net trading income	17
2.23 Dividend income	17
2.24 Segment reporting	17
3 Segment reporting	18
<b>Profit and loss account</b>	
4 Net interest income	19
5 Net commission income	19
6 Net trading income/expense	19
7 Dividend income	20
8 Other operating income	20
17 Impairment losses on loans and advances	24
9 Staff costs	20
20-21 Depreciation - amortisation	26, 27
10 Other operating expenses	20

11	Income tax expenses	21
12	Earnings per share	21
	<b>Assets</b>	
13	Cash and balances with Central Bank	22
14	Loans and advances to banks	22
15	Trading securities	23
16	Derivative financial instruments	23
17	Loans and advances to customers	24
18	Investment securities	25
19	Investments in associates	25
20	Intangible assets	26
21	Property, plant and equipment	27
22	Deferred tax	27
23	Other assets	28
	<b>Liabilities</b>	
24	Deposits from banks	28
25	Deposits from customers	29
26	Debt securities in issue and other borrowed funds	29
27	Employee benefits	30
28	Other liabilities	31
	<b>Equity</b>	
29	Share capital, share premium	32
30	Other reserves	32
	<b>Other information</b>	
31	Contingent liabilities	32
31.1	Litigation	32
31.2	Credit commitments	32
31.3	Operating lease	33
32	Related parties	33
33	Fair value	34
34	Risk management	34
34.1	Interest rate risk	34
34.2	Liquidity risk	35
34.3	Market risk	37
34.4	Currency risk	38
34.5	Credit risk	38
35	Explanations for the transition to International Financial Reporting Standards	39
36	Adjustment to previously reported figures	52



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

To the Shareholders of  
EGNATIA BANK A.E.

We have audited the accompanying consolidated financial statements of EGNATIA BANK A.E. (the "Bank") which comprise the consolidated balance sheet as at 31 December 2005, and the consolidated income statement, consolidated statement of changes in equity and consolidated 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 consolidated financial statements give a true and fair view, of the financial position of EGNATIA BANK Group as of 31 December 2005, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that have been adopted by the European Union and 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 and its subsidiaries for certain years have not yet been audited by the tax authorities and accordingly their tax obligations for those years are not considered final. The outcome of the tax audits can not presently be determined.

Athens, 17 March 2006

KPMG Kyriacou Certified Auditors AE

Nikolaos Vouniseas  
Certified Auditor Accountant  
AM SOEL 18701

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

	Note	<u>2005</u>	<u>2004</u>
Interest and similar income		167 147	158 037
Interest expense and similar charges		<u>(72 546)</u>	<u>(62 995)</u>
<b>Net interest income</b>	<b>4</b>	94 601	95 042
Fee and commission income		42 796	36 828
Fee and commission expense		<u>(7 336)</u>	<u>(6 935)</u>
<b>Net fee and commission income</b>	<b>5</b>	35 460	29 893
Net trading income / (expense)	<b>6</b>	5 552	(213)
Gain / (losses) on sale non-trading financial transactions		175	-
Dividend income	<b>7</b>	175	128
Other income	<b>8</b>	6 545	5 152
Impairment losses on loans and advances	<b>17</b>	(15 170)	(17 915)
Staff costs	<b>9</b>	(63 321)	(56 590)
Depreciation	<b>20, 21</b>	(7 385)	(6 600)
Other operating expenses	<b>10</b>	(29 562)	(29 053)
Share of loss of associates		<u>(8)</u>	<u>(85)</u>
<b>Profit before tax</b>		27 062	19 759
Income tax expense	<b>11</b>	<u>(8 491)</u>	<u>(11 092)</u>
<b>Profit after tax</b>		<u><b>18 571</b></u>	<u><b>8 667</b></u>
Attributable to:			
Equity holders of the Bank		<b>18 085</b>	<b>8 881</b>
Minority interest		<u><b>486</b></u>	<u><b>(214)</b></u>
		<u><b>18 571</b></u>	<u><b>8 667</b></u>
<b>Earnings per share (Euro per share)</b>	<b>12</b>		
Basic		0.21	0.10
Diluted		0.20	0.10

The Chairman  
of the Board of Directors

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

The Managing Director

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

The Manager  
of the Finance Department

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

<b>Assets</b>	<b>Note</b>	<b>2005</b>	<b>2004</b>
Cash and balances with Central Bank	13	130 481	113 634
Loans and advances to banks	14	587 872	471 157
Trading securities	15	18 326	16 815
Derivative financial instruments	16	499	526
Loans and advances to customers	17	2 392 513	2 057 920
Investment securities	18	137 239	102 539
Investments in associates	19	1 533	1 640
Intangible assets	20	8 345	6 284
Property, plant and equipment	21	47 178	44 135
Deferred tax assets	22	8 194	9 714
Investment property		22 129	21 948
Other assets	23	39 333	29 663
<b>Total assets</b>		<b>3 393 642</b>	<b>2 875 975</b>
<b>Liabilities</b>			
Deposits from banks	24	23 989	19 918
Deposits from customers	25	2 700 022	2 477 440
Derivative financial instruments	16	2 135	7 672
Debt securities in issue and other borrowed funds	26	339 921	81 786
Employee benefits	27	9 496	9 301
Other provisions		7 234	7 346
Current tax liability		1 113	3 085
Deferred tax liabilities	22	917	876
Other liabilities	28	59 412	52 059
<b>Total liabilities</b>		<b>3 144 239</b>	<b>2 659 483</b>
<b>Equity</b>			
Share capital	29	107 840	99 893
Share premium	29	138 479	124 786
Other reserves	30	17 833	17 419
Accumulated deficit		(22 036)	(32 671)
<b>Equity attributable to the Bank's equity holders</b>		<b>242 116</b>	<b>209 427</b>
Minority interest		7 287	7 065
<b>Total equity</b>		<b>249 403</b>	<b>216 492</b>
<b>Total liabilities and equity</b>		<b>3 393 642</b>	<b>2 875 975</b>

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

	Share capital	Share premium	Reserves	Revaluation reserves for shares	Accumulated Deficit	Attributable to equity holders of the Bank	Minority interests	Total
<b>Balance at 1 January 2004</b>	<b>99 668</b>	<b>124 397</b>	<b>18 119</b>	<b>(785)</b>	<b>(32 615)</b>	<b>208 784</b>	<b>7 159</b>	<b>215 943</b>
Profit for the year	-	-	-	-	8 881	8 881	(214)	8 667
Increase of share capital by converting bonds	225	389	-	-	-	614	-	614
Appropriation to reserves	-	-	(128)	-	128	-	-	-
Dividends for 2003	-	-	-	-	(8 519)	(8 519)	(140)	(8 659)
Revaluation of available for sale portfolio	-	-	-	214	-	214	-	214
Other	-	-	-	-	(546)	(546)	259	(287)
<b>Balance at 31 December 2004</b>	<b>99 893</b>	<b>124 786</b>	<b>17 990</b>	<b>(571)</b>	<b>(32 671)</b>	<b>209 427</b>	<b>7 065</b>	<b>216 492</b>
<b>Balance at 1 January 2005</b>	<b>99 893</b>	<b>124 786</b>	<b>17 990</b>	<b>(571)</b>	<b>(32 671)</b>	<b>209 427</b>	<b>7 065</b>	<b>216 492</b>
Increase of share capital by converting bonds	7 947	13 693	-	-	-	21 640	-	21 640
Revaluation of available for sale portfolio	-	-	-	96	-	96	(31)	65
Appropriation to reserves	-	-	318	-	(318)	-	-	-
Dividends for 2004	-	-	-	-	(6 830)	(6 830)	(392)	(7 222)
Profit for the year	-	-	-	-	18 085	18 085	486	18 571
Other	-	-	-	-	(302)	(302)	160	(143)
<b>Balance at 31 December 2005</b>	<b>107 840</b>	<b>138 479</b>	<b>18 308</b>	<b>(475)</b>	<b>(22 036)</b>	<b>242 116</b>	<b>7 287</b>	<b>249 403</b>

Consolidated 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	27 062	19 759
<b>Adjustments for non-cash items</b>		
Depreciation	7 385	6 600
Impairment loans and advances	15 170	17 915
Employee benefit	1 561	2 159
Valuation trading portfolio	(905)	708
Transfer to investing activities	(471)	(1 783)
Transfer to financing activities	6 685	1 154
	<u>56 487</u>	<u>46 512</u>
<b>Changes in operating assets and liabilities</b>		
Loans and advances to banks	(12 165)	(1 495)
Trading securities and derivatives	(578)	193 899
Loans and advances to customers	(332 972)	(220 988)
Other assets	(8 329)	9 917
Deposits from banks	4 071	(17 428)
Deposits from customers	222 582	243 454
Other liabilities	(17 034)	6 773
<b>Net cash flow from operating activities before taxes</b>	<u>(87 938)</u>	<u>260 644</u>
Tax paid	(10 618)	(12 559)
<b>Net cash flow from operating activities</b>	<u>(98 556)</u>	<u>248 085</u>
<b>Investing activities</b>		
Investments in subsidiaries and associates	107	120
Net (increase)/decrease in investments	(34 701)	(84 164)
Dividends received	175	128
Purchase of assets	(12 455)	(10 665)
Sale of assets	(35)	1 739
Other flows from investing activities	421	1 869
<b>Cash flows from investing activities</b>	<u>(46 488)</u>	<u>(90 973)</u>
<b>Financing activities</b>		
Dividends paid	(7 222)	(8 659)
Issue / (payment) of debt	251 449	22 981
Share capital increase	21 640	614
Other cash flows from financing activities	174	(287)
<b>Cash flows from financing activities</b>	<u>265 693</u>	<u>14 649</u>
<b>Total cash flows</b>	<u>120 649</u>	<u>171 761</u>
Foreign exchange difference	749	748
	<u>121 398</u>	<u>172 509</u>
<b>Net cash flow movement</b>		
<b>Cash and cash equivalents, opening</b>	<u>583 223</u>	<u>410 714</u>
<b>Cash and cash equivalents, closing</b>	<u>704 621</u>	<u>583 223</u>
Cash and cash equivalents consists of :		
<b>Cash and cash balances with Central Bank</b>	130 481	113 634
<b>Due from banks</b>	574 140	469 589
	<u>704 621</u>	<u>583 223</u>

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

Egnatia Bank and its subsidiaries ("the Group") operate as a financial institution and provide primarily financial and banking services to individuals and businesses.

The Group has 1,692 employees that are employed in the financial sector out of which 1,370 are employed by the Bank. The Bank's primary activities are in Greece, but it also has subsidiaries that operate in Romania and Cyprus.

The parent company of the Group is Egnatia Bank, ("the Bank"), which 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 Danaidon 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 Group 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 Group's first financial statements and IFRS 1 has been applied. An explanation of how the transition to IFRS has affected the Group'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 effects 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 Basis of consolidation**

### **(a) Subsidiaries**

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

### **(b) Associates**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of total recognized gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in the associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred a legal or constructive obligation to make payments on behalf of an associate.

### **(c) Joint ventures**

Joint ventures are those entities that the Group has control through contract. The consolidated financial statements include the Group's percentage holding on the financial assets and liabilities, income and expenses per line from the date control exists until it stops.

## **2.4 Foreign currency**

### **(a) 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 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.

**(b) Financial statements of foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to euro at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to euro at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation on recognized directly in a separate component of equity.

**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 Group 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 Group 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 Group 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 (see accounting principle 2.5d).

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 gains less losses from non-trading instruments.

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

- (i) significant financial difficulty of the issuer or obligator;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- (iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (v) the disappearance of an active market for that financial asset because of financial difficulties; 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 Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on 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 Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a 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 Group'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 Group 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 Group 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 Group pays contributions to publicly or privated administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group 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 Group 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 Group'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 Group'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 Group'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 Group 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 Leases****(a) A Group company in the lessee****• Operating lease**

Leases where the risks and rewards of ownership of the asset remain with the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

- **Finance lease**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

**(b) A Group company in the lessor**

- **Operating lease**

The assets are carried on the financial statements of the Group and are depreciated over their useful lives. Payments received under operating leases are recorded to the income statement on a straight-line basis.

- **Finance lease**

Leases where the Group transfers substantially all the risks and rewards incident to ownership of an asset to the lessee are classified as finance leases. A receivable at an amount equal to the present value of the lease payments, including any guaranteed residual value is recognised.

The difference between the gross receivable and the present value of the receivable is unearned finance income and is recognised over the term of the lease in the income statement as interest income.

## **2.16 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.

## **2.17 Derecognition**

A financial instrument is derecognized when the Group 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.

## **2.18 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.

## **2.19 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.

## **2.20 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.

## **2.21 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.

**2.22 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.

**2.23 Dividend income**

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

**2.24 Segment reporting**

A segment is a distinguishable component of the Group 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

(in thousands of Euro)

#### **Geographical segments**

The Bank operates in Greece. The branch network of the parent Bank amounts to 69 branches and one consumer loan centre. Income from operations in Greece amounts to 97% of total income and the Bank holds 97% of total assets for the Group.

#### **Business segments**

The Group is organized into four business segments:

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

(In thousands of Euro)

<b>At 31 December 2005</b>	<b>Retail</b>	<b>Corporate</b>	<b>Brokerage</b>	<b>Other</b>	<b>Total</b>
Operating income	94 675	25 638	13 062	9 133	142 508
Profit before taxes	12 378	8 098	1 676	4 910	27 062
Tax					(8 491)
Profit after tax					18 571
<b>Total assets</b>	<b>1 694 860</b>	<b>810 444</b>	<b>52 682</b>	<b>835 656</b>	<b>3 393 642</b>
<b>Total liabilities</b>	<b>2 231 963</b>	<b>375 435</b>	<b>50 734</b>	<b>486 107</b>	<b>3 144 239</b>
Additions	2 187	2 948	317	7 002	12 454
Depreciation	(3 175)	(597)	(815)	(2 798)	(7 385)
Impairment loss	(10 717)	(4 414)	-	(39)	(15 170)

#### 4. Net interest income

(In thousands of Euro)

	2005	2004
<b>Interest and similar income</b>		
Securities	5 130	5 854
Loans and advances to customers	148 568	146 025
Loans and advances to financial institutions	11 072	4 680
Other interest income	2 377	1 478
	<b>167 147</b>	<b>158 037</b>
<b>Interest expense and similar charges</b>		
Customers deposits	(64 986)	(59 444)
Deposits from banks	(275)	(107)
Debt securities	(5 648)	(1 967)
Other interest expense	(1 637)	(1 477)
	<b>(72 546)</b>	<b>(62 995)</b>
<b>Net interest income</b>	<b>94 601</b>	<b>95 042</b>

#### 5. Net commission income

(In thousands of Euro)

	2005	2004
<b>Fee and commission income</b>		
Loans	7 680	7 105
Letters of guarantees	1 796	1 821
Credit cards	6 460	6 574
Consumer credit	1 459	2 244
Custodian	2 618	2 922
Working capital	2 077	1 754
Imports – Exports	1 043	1 542
Equity brokerage activities	13 101	9 724
Other	6 562	3 142
	<b>42 796</b>	<b>36 828</b>
<b>Fee and commission expense</b>		
Credit cards	(1 507)	(2 160)
Other	(5 829)	(4 775)
	<b>(7 336)</b>	<b>(6 935)</b>
<b>Net commission income</b>	<b>35 460</b>	<b>29 893</b>

#### 6. Net trading income / (expense)

(In thousands of Euro)

	2005	2004
Foreign exchange differences	5 082	3 127
Gain/(loss) from the sale and revaluation of trading securities	1 293	(3 466)
Gain/(loss) from derivative financial instruments	(823)	126
<b>Net trading income/(expense)</b>	<b>5 552</b>	<b>(213)</b>

## 7. Dividend income

(In thousands of Euro)

	2005	2004
Trading securities	96	57
Available-for-sale securities	79	71
<b>Dividend income</b>	<b>175</b>	<b>128</b>

## 8. Other income

(In thousands of Euro)

	2005	2004
Investment property	143	2 410
Sundry	6 402	2 742
<b>Other income</b>	<b>6 545</b>	<b>5 152</b>

## 9. Staff costs

(In thousands of Euro)

	2005	2004
Wages and salaries	(49 067)	(43 960)
Social security contributions	(10 888)	(9 423)
Defined benefit plan expense (note 27)	(1 289)	(485)
Other costs	(2 077)	(2 022)
<b>Staff costs</b>	<b>(63 321)</b>	<b>(56 590)</b>

The number of staff at the end of the year was 1 692 (2004: 1 567)

## 10. Other operating expenses

(In thousands of Euro)

	2005	2004
Rent (operating leases)	(8 795)	(7 566)
Taxes, stamp and duties	(1 861)	(1 850)
Repairs and maintenance	(1 346)	(1 094)
Third party fees (legal, engineers etc)	(5 969)	(4 753)
Telephone and postage	(3 212)	(3 170)
Other expenses	(8 379)	(10 620)
<b>Other operating expenses</b>	<b>(29 562)</b>	<b>(29 053)</b>

## 11. Income tax expense

(In thousands of Euro)

	2005	2004
Current tax expense	(6 931)	(9 545)
Deferred tax expense	(1 560)	(1 547)
<b>Total income tax expense in income statement</b>	<b>(8 491)</b>	<b>(11 092)</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		27 062		19 759
Income tax	32%	8 660	35%	6 916
Non-deductible expenses	12%	3 320	6%	1 236
Tax exempt revenues	(12%)	(3 164)	(3%)	(547)
Other differences	(1%)	(325)	18%	3 487
		<b>31%</b>		<b>11 092</b>
		<b>8 491</b>	<b>56%</b>	<b>11 092</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 not audited the Bank and the subsidiaries for the following years:

Egnatia Bank S.A.	1999-2005
Egnatia Finance S.A.	2002-2005
Egnatia AEDAK	2003-2005
Egnatia Brokers	2003-2005
Eurocambio S.A.	2003-2005
Egnatia FIN S.A.	1999-2005
Egnatia Leasing S.A.	2000-2005
Egnatia Bank Travel Ltd. (from establishment)	2005
Egnatia Consumer Services (from establishment)	2005

Because of the method under which the tax obligations are ultimately concluded in Greece, the Bank and its subsidiaries remains contingently liable for additional taxes and penalties for their 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)	18 085	8 881
Weighted average number of outstanding ordinary shares (In thousands)	87 430	85 315
<b>Basic earnings per share</b>	<b>0.21</b>	<b>0.10</b>
<b>Diluted earnings per share</b>		
Profit attributable to shareholders of the Bank (in thousands of Euro)	18 901	9 909
Weighted average number of outstanding ordinary shares (in thousands)	93 558	93 560
<b>Diluted earnings per share</b>	<b>0.20</b>	<b>0.10</b>

### 13. Cash and balances with Central Bank

(In thousands of Euro)

	2005	2004
Cash	24 489	19 504
Other placements with the Central Bank	34 829	50 685
Obligatory reserve deposits with the Central Bank	71 163	43 445
<b>Cash and balances with Central Bank</b>	<b>130 481</b>	<b>113 634</b>

### 14. Loans and advances to banks

(In thousands of Euro)

	2005	2004
Current accounts	19 009	24 058
Loans to banks	12 715	1 500
Placements with banks	556 148	445 599
<b>Loans and advances to banks</b>	<b>587 872</b>	<b>471 157</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	1 624	8 884
Mutual funds units	2 723	2 717
<b>Trading securities</b>	<b>18 326</b>	<b>16 815</b>

## 16. Derivative financial instruments

(In thousands of Euro)

### 31 December 2005

	Notional Amount	Fair Value	
		Assets	Liabilities
Options – index		453	528
Future – bond		12	7
Currency swaps	114 473	34	1 600
		<b>499</b>	<b>2 135</b>

### 31 December 2004

	Notional Amount	Fair Value	
		Assets	Liabilities
Customer deposits with embedded derivatives	212	43	43
Currency swaps	331 456	85	7 296
Options	43 971	55	6
Forward foreign exchange	6 506	343	327
		<b>526</b>	<b>7 672</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 Group'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	688 875	818 499
Credit cards	108 855	119 324
Housing	190 083	109 220
Other	2 019	1 583
	<b>989 832</b>	<b>1 048 626</b>
Corporate customers:		
Construction	84 766	65 946
Industrial	157 460	104 410
Commercial	409 057	347 126
Manufacturing	89 551	90 651
Service companies	174 963	119 840
Shipping	266 050	185 305
Leasing	121 103	66 955
Other	157 831	104 024
	<b>1 460 781</b>	<b>1 084 257</b>
Amounts due from brokerage transactions	36 369	21 127
	<b>2 486 982</b>	<b>2 154 010</b>
<b>Less: allowance for uncollectibility</b>	<b>(94 469)</b>	<b>(96 090)</b>
	<b>2 392 513</b>	<b>2 057 920</b>

### Allowance for uncollectibility

Movement in the allowance for uncollectibility

	2005	2004
Balance at 1 January	96 090	79 478
Provision for impairment	15 170	17 915
Loans written-off during the year as uncollectible	(16 791)	(1 303)
<b>At 31 December</b>	<b>94 469</b>	<b>96 090</b>

The net amount of financial leases outstanding as at 31 December 2005, 2004 mature as follows:

	2005	2004
Up to 1 month	5 957	2 377
1-3 months	988	77
3-12 months	6 403	876
1-5 years	52 439	38 000
Over 5 years	55 316	25 625
<b>Total</b>	<b>121 103</b>	<b>66 955</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	2 057	-
Non listed shares	885	3 351
	<b>35 137</b>	<b>17 620</b>
<b>Held-to-maturity securities</b>		
Fixed rate Greek government bonds	53 818	43 888
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	19 566
	<b>102 102</b>	<b>84 919</b>
<b>Investment securities</b>	<b>137 239</b>	<b>102 539</b>

## 19. Investments in associates

(In thousands of Euro)

	Country	2005	2004
Egnatia Leasing (Romania) S.A.	Romania	-	99
Egnatia Financial Services L.T.D.	Cyprus	1 533	1 541
		<b>1 533</b>	<b>1 640</b>

The net loss from the Group's investment in Egnatia Financial Service Ltd was EUR 8 thousand (loss) and EUR 85 thousand (loss) for 31 December 2005, 2004 respectively. Egnatia Leasing (Romania) S.A. was not consolidated in 2004 as it was established during the last months of the year (about 0.5% of the total assets of the Group).

## 20. Intangible assets

(In thousands of Euro)

<b>Cost</b>	
Balance at 1 January 2004	14 224
Additions	3 804
Disposals	(30)
<b>Balance at 31 December 2004</b>	<b>17 998</b>
Balance 1 January 2005	17 998
Additions	3 300
Disposals	(148)
<b>Balance at 31 December 2005</b>	<b>21 150</b>
<b>Amortization</b>	
Balance at 1 January 2004	(10 554)
Amortization for the year	(1 189)
Disposals	29
<b>Balance at 31 December 2004</b>	<b>(11 714)</b>
Balance at 1 January 2005	(11 714)
Amortization for the year	(1 242)
Disposals	151
<b>Balance at 31 December 2005</b>	<b>(12 805)</b>
<b>Carrying amounts</b>	
At 1 January 2004	3 670
<b>At 31 December 2004</b>	<b>6 284</b>
At 1 January 2005	6 284
<b>At 31 December 2005</b>	<b>8 345</b>

## 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	10 569	15 938	23 506	33 632	4 041	87 686
Additions	-	198	2 776	3 282	605	6 861
Disposals	(61)	(637)	(674)	(3 398)	(137)	(4 907)
<b>Balance at 31 December 2004</b>	<b>10 508</b>	<b>15 499</b>	<b>25 608</b>	<b>33 516</b>	<b>4 509</b>	<b>89 640</b>
<b>Balance at 1 January 2005</b>	10 508	15 499	25 608	33 516	4 509	89 640
Additions	1 646	1 706	1 011	1 779	3 012	9 154
Disposals	-	-	(10)	(699)	(148)	(857)
<b>Balance at 31 December 2005</b>	<b>12 154</b>	<b>17 205</b>	<b>26 609</b>	<b>34 596</b>	<b>7 373</b>	<b>97 937</b>
<b>Depreciation</b>						
Balance at 1 January 2004	-	(3 919)	(14 190)	(23 209)	(1 946)	(43 264)
Depreciation charge for the year	-	(391)	(1 374)	(3 119)	(527)	(5 411)
Disposals	-	305	478	2 292	95	3 170
<b>Balance at 31 December 2004</b>	<b>-</b>	<b>(4 005)</b>	<b>(15 086)</b>	<b>(24 036)</b>	<b>(2 378)</b>	<b>(45 505)</b>
<b>Balance at 1 January 2005</b>	-	(4 005)	(15 086)	(24 036)	(2 378)	(45 505)
Depreciation charge for the year	-	(460)	(1 565)	(3 321)	(797)	(6 143)
Disposals	-	-	10	853	26	889
<b>Balance at 31 December 2005</b>	<b>-</b>	<b>(4 465)</b>	<b>(16 641)</b>	<b>(26 504)</b>	<b>(3 149)</b>	<b>(50 759)</b>
<b>Carrying amounts</b>						
At 1 January 2004	10 569	12 019	9 316	10 423	2 095	44 422
<b>At 31 December 2004</b>	<b>10 508</b>	<b>11 494</b>	<b>10 522</b>	<b>9 480</b>	<b>2 131</b>	<b>44 135</b>
At 1 January 2005	10 508	11 494	10 522	9 480	2 131	44 135
<b>At 31 December 2005</b>	<b>12 154</b>	<b>12 740</b>	<b>9 968</b>	<b>8 092</b>	<b>4 224</b>	<b>47 178</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	231	429
Employee benefits obligation	3 124	4 019
Impairment provision customer loans and advances	3 467	4 103
Impairment of investments	35	35
Deferred income	431	219
Other items	906	909
	<b>8 194</b>	<b>9 714</b>
<b>Deferred tax liability</b>		
Property, plant and equipment	386	295
Other items	631	581
	<b>917</b>	<b>876</b>

### Movement in temporary differences during the year

	Balance 1 January 2004	Recognized in income	Recognized in equity	Balance 31 December 2004
Intangible assets	811	(382)	-	429
Employee benefits obligation	3 860	159	-	4 019
Impairment provision customer loans	5 656	(1 553)	-	4 103
Impairment of investments	35	-	-	35
Deferred income	-	219	-	219
Property, plant and equipment	(838)	(38)	-	(876)
Other	861	48	-	909
	<b>10 385</b>	<b>(1 547)</b>	-	<b>8 838</b>

	Balance 1 January 2005	Recognized in income	Recognized in equity	Balance 31 December 2005
Intangible assets	429	(198)	-	231
Employee benefits obligation	4 019	(895)	-	3 124
Impairment provision customer loans and advances	4 103	(636)	-	3 467
Impairment of investments	35	-	-	35
Deferred income	219	212	-	431
Property, plant and equipment	(876)	(41)	-	(917)
Other	909	(3)	-	906
	<b>8 838</b>	<b>(1 560)</b>	-	<b>7 277</b>

### 23. Other assets

(In thousands of Euro)

	2005	2004
Brokerage transaction guarantees	8 714	8 576
Tax advances	862	235
Prepayments	7 104	5 065
Accrued income	4 908	5 184
Other	17 745	10 603
	<b>39 333</b>	<b>29 663</b>

### 24. Deposits from banks

(In thousands of Euro)

	2005	2004
Current deposits	6 826	3 357
Other deposits	17 163	16 561
	<b>23 989</b>	<b>19 918</b>

## 25. Deposits from customers

(In thousands of Euro)

	2005	2004
<b>Retail customers:</b>		
Current accounts	80 126	65 845
Saving accounts	472 726	467 275
Term deposits	1 316 202	1 116 542
	<b>1 869 054</b>	<b>1 649 662</b>
<b>Corporate customers:</b>		
On demand	186 187	149 074
Term	571 100	616 357
	<b>757 287</b>	<b>765 431</b>
<b>Government entities</b>		
On demand	7 690	2 672
Term	21 932	19 076
	<b>29 622</b>	<b>21 748</b>
Cheques and orders	<b>44 059</b>	<b>40 599</b>
	<b>2 700 022</b>	<b>2 477 440</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 61 069 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	29 213
Subordinated debt maturity 2015	80 000	-
Debt security (5 year)	24 834	24 732
Debt security (3 years)	199 746	-
	<b>339 921</b>	<b>81 786</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.

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.

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 and 463 030 preference shares. The par value of these notes is 3.20 Euro per note.

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.

## 27. Employee benefits

(In thousands of Euro)

	2005	2004
Present value of unfunded obligations	8 476	6 869
Present value of funded obligations	907	992
Fair value of plan assets	(550)	(600)
Present value of net obligations	8 833	7 261
Unrecognised actuarial gains and losses	(1 410)	(505)
<b>Recognised liability for defined benefit obligations</b>	<b>7 423</b>	<b>6 756</b>
Provision for vacation not taken	1 190	1 500
Provision for employee bonus	643	1 000
Wages due and similar amounts	276	45
<b>Employee benefits</b>	<b>9 496</b>	<b>9 301</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	6 756	6 082
Contributions received	(134)	(23)
Benefits paid	(488)	(488)
Expense recognized in the income statement	1 289	1 185
<b>Net liability for defined benefit obligations at 31 December</b>	<b>7 423</b>	<b>6 756</b>

#### Expense recognized in the income statement

	2005	2004
Current service costs	632	525
Expected return on plan assets	(26)	(29)
Other expenses	338	360
Interest on obligation	345	329
	<b>1 289</b>	<b>1 185</b>

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)	2 667	2 781
Due to social security funds	2 358	2 088
Suppliers and other creditors	12 774	5 225
Amounts collected on behalf and due to third parties	13 575	10 702
Deferred income	12 957	16 221
Accrued expenses	13 526	12 784
Other liabilities	1 555	2 258
	<b>59 412</b>	<b>52 059</b>

## 29. Share capital

(In thousands of Euro)

	2005	2004
<b>Number of ordinary shares</b> (par value of EUR 1.17 per share)	<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	8 134	7 816
Untaxed reserves	3 163	3 163
Extraordinary reserves	7 011	7 011
Revaluation reserve available-for-sale securities	(475)	(571)
	<b>17 833</b>	<b>17 419</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:* These include reserves that do not belong in the above categories.

## 31. Contingent liabilities and commitments

### 31.1 Litigation

The Group 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 Group.

### 31.2 Credit commitments

The contractual amounts of the Group'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	196 115	173 222
Letters of credit	3 643	4 792

### 31.3 Operating lease

The Group's liability from operating lease contracts concern buildings used as branches and other operating units. The minimum future lease payments are as follows (in thousand of Euro):

	<b>2005</b>
Up to 1 year:	2 243
1 to 5 years:	4 344
Over 5 years:	32 416

### 32. Related Parties

All transactions are neutral and are performed under the same normal procedures as with any third party.

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

<b>Board of Directors and Management</b>	<b>2005</b>	<b>2004</b>
Customer loans and advances	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>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 and similar expenses	1 921	1 619
Other expenses	791	669
	<b>2 712</b>	<b>2 288</b>

### 33. Fair Value

The following summarises the carrying amounts and fair value of those financial assets and liabilities not presented on the Group's balance sheet at their fair value (the amount's are expressed in thousands of Euro):

	Carrying value 2005	Fair value 2005
<b>Financial assets</b>		
Loans and advances to banks	587 872	590 429
Loans and advances to customers	2 392 513	2 403 833
Investment securities held-to-maturity	102 102	102 436
Investment in associates	1 533	1 533
<b>Financial liabilities</b>		
Deposits from banks	23 989	23 995
Deposits from customers	2 700 022	2 691 302
Debt securities in issue and other borrowed funds	339 921	339 921

### 34. Risk Management

This note provides details of the Group's exposures to risks and describes the methods used by management to control risk. The most important types of financial risk to which the Group 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 Group'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 differing 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 Group's business strategies.

The table below summarizes the Group'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):

	<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>Over 5 years</u>	<u>Non- interest</u>	<u>Total</u>
<b>Assets</b>								
Cash and balances with Central Bank	104 169	-	-	-	-	-	26 312	130 481
Loans and advances to banks	575 157	-	12 715	-	-	-	-	587 872
Trading securities	4 730	3 000	10 004	-	-	592	-	18 326
Derivative financial instruments	-	-	-	-	-	-	499	499
Investment securities	28 657	35 080	14 226	2 276	56 981	20	-	137 239
Investment in associates	-	-	-	-	-	-	1 533	1 533
Loans and advances to customers	1 806 766	326 498	63 916	42 677	149 405	60 216	(56 965)	2 392 513
Other assets	-	-	-	-	6 776	-	118 402	125 179
<b>Total assets</b>	<u>2 519 479</u>	<u>364 578</u>	<u>100 860</u>	<u>44 953</u>	<u>213 162</u>	<u>60 828</u>	<u>89 781</u>	<u>3 393 642</u>
<b>Liabilities</b>								
Deposits from banks	17 990	5 999	-	-	-	-	-	23 989
Due to customers	1 886 127	487 561	207 417	72 423	4 147	280	42 067	2 700 022
Derivative financial instruments	-	-	-	-	-	-	2 135	2 135
Debt securities in issue and other borrowed funds	5 669	279 860	24 834	-	-	-	29 558	339 921
Other liabilities	-	-	-	-	-	-	78 172	78 172
<b>Total liabilities</b>	<u>1 909 786</u>	<u>773 420</u>	<u>232 251</u>	<u>72 423</u>	<u>4 147</u>	<u>280</u>	<u>151 932</u>	<u>3 144 239</u>
Net liquidity gap	<u>609 693</u>	<u>(408 842)</u>	<u>(131 390)</u>	<u>(27 470)</u>	<u>209 015</u>	<u>60 548</u>	<u>(62 151)</u>	<u>249 403</u>

### 34.2 Liquidity risk

Liquidity risk arises in the general funding of the Group'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.

The Group has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, debt securities and share capital. This enhances funding flexibility, limits dependence on any source of funds and generally lowers the cost of funds. The Group strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Group continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Group strategy. Liquidity risk ratios are within regulatory requirements and are calculated based on PDTE (Bank of Greece) 2560/1-4-2005 decision.

The following table provides an analysis of the Group'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	129 481	-	-	1 000	-	-	130 481
Loans and advances to banks	574 314	825	-	12 715	-	18	587 872
Trading securities	18 173	-	-	-	153	-	18 326
Derivative financial instruments	49	446	4	-	-	-	499
Loans and advances to customers	634 802	63 017	581 464	140 187	638 319	334 724	2 392 513
Investment securities	25 712	13 532	4 226	2 300	63 416	28 053	137 239
Investment in associates	-	-	-	-	-	1 533	1 533
Intangible assets	-	-	-	-	-	8 345	8 345
Property, plant and equipment	-	-	-	-	-	47 178	47 178
Deferred tax assets	-	-	-	-	8 194	-	8 194
Investment property	-	-	-	-	22 129	-	22 129
Other assets	<u>7 564</u>	<u>2 132</u>	<u>1 629</u>	<u>1 176</u>	<u>15 343</u>	<u>11 489</u>	<u>39 333</u>
<b>Total assets</b>	<b><u>1 390 095</u></b>	<b><u>79 952</u></b>	<b><u>587 323</u></b>	<b><u>157 378</u></b>	<b><u>747 554</u></b>	<b><u>431 340</u></b>	<b><u>3 393 642</u></b>
<b>Liabilities</b>							
Deposits from banks	23 920	65	-	-	2	2	23 989
Due to customers	1 317 248	486 737	204 800	73 166	617 963	108	2 700 022
Derivative financial instruments	1 637	193	305	-	-	-	2 135
Current tax liability	-	-	1 113	-	-	-	1 113
Employee benefits	-	-	-	-	-	9 496	9 496
Other provisions	-	-	-	-	-	7 234	7 234
Other liabilities	26 126	7 719	1 892	699	14 447	8 529	59 412
Deferred tax liability	-	-	-	-	917	-	917
Debt securities in issue and other borrowed funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>2 500</u>	<u>307 863</u>	<u>29 558</u>	<u>339 921</u>
<b>Total liabilities</b>	<b><u>1 368 931</u></b>	<b><u>494 714</u></b>	<b><u>208 110</u></b>	<b><u>76 365</u></b>	<b><u>941 192</u></b>	<b><u>54 927</u></b>	<b><u>3 144 239</u></b>
Net liquidity gap	<u>21 164</u>	<u>(414 762)</u>	<u>379 213</u>	<u>81 013</u>	<u>(193 638)</u>	<u>376 413</u>	<u>249 403</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 Group 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 (2004: EUR 560 thousands).

### 34.4 Currency risk

The Group 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 Group's exposure to foreign currency exchange risk at 31 December. Included in the table on the Group's assets and liabilities at carrying amounts categorized by currency (the amounts are in thousands of Euro):

At 31 December 2005

Assets	EUR	USD	GBP	JPY	CHF	Other	Total
Cash and balances with Central Bank	118 466	5 653	717	18	285	5 342	130 481
Loans and advances to banks	414 533	152 767	13 323	596	2 972	3 681	587 872
Trading securities	18 326	-	-	-	-	-	18 326
Derivative financial instruments	499	-	-	-	-	-	499
Loans and advances to customers	2 157 646	199 820	4 705	6 481	4 346	19 515	2 392 513
Investment securities	101 101	30 731	-	-	327	5 080	137 239
Investments in subsidiaries and associates	1 533	-	-	-	-	-	1 533
Intangible assets	8 301	-	-	-	-	44	8 345
Property, plant and equipment	43 968	-	-	-	-	3 210	47 178
Deferred tax assets	8 194	-	-	-	-	-	8 194
Investment property	22 129	-	-	-	-	-	22 129
Other assets	36 040	1 712	3	7	1	1 570	39 333
<b>Total Assets</b>	<b>2 930 736</b>	<b>390 683</b>	<b>18 748</b>	<b>7 102</b>	<b>7 931</b>	<b>38 442</b>	<b>3 393 642</b>

Liabilities	EUR	USD	GBP	JPY	CHF	Λοιπά	Σύνολο
Deposits from banks	21 536	1 235	90	-	-	1 128	23 989
Deposits from customers	2 177 073	397 279	12 621	91 935	1 204	19 910	2 700 022
Derivative financial instruments	2 135	-	-	-	-	-	2 135
Debt securities in issue	339 921	-	-	-	-	-	339 921
Employee benefits	9 496	-	-	-	-	-	9 496
Other provisions	7 234	-	-	-	-	-	7 234
Current tax liability	1 113	-	-	-	-	-	1 113
Deferred tax liability	917	-	-	-	-	-	917
Other liabilities	57 899	1 126	162	20	1	204	59 412
<b>Total Liabilities</b>	<b>2 617 324</b>	<b>399 640</b>	<b>12 873</b>	<b>91 955</b>	<b>1 205</b>	<b>21 242</b>	<b>3 144 239</b>

<b>Net on balance sheet position</b>	<b>313 412</b>	<b>(8 957)</b>	<b>5 875</b>	<b>(84 853)</b>	<b>6 726</b>	<b>17 200</b>	<b>249 403</b>
<b>Net off balance sheet position</b>	<b>(91 387)</b>	<b>8 359</b>	<b>(3 901)</b>	<b>84 828</b>	<b>(4 912)</b>	<b>(330)</b>	<b>(7 343)</b>

31 December 2004

<b>Net on balance sheet position</b>	<b>497 410</b>	<b>(7 679)</b>	<b>372</b>	<b>(279 734)</b>	<b>3 740</b>	<b>2 383</b>	<b>216 492</b>
<b>Net off balance sheet position</b>	<b>(298 971)</b>	<b>11 049</b>	<b>(386)</b>	<b>279 754</b>	<b>(3 714)</b>	<b>5 076</b>	<b>(7 192)</b>

### 34.5 Credit risk

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

The Group has established credit limits based on the creditworthiness of the counterparty in order to minimize the credit risk that the Group 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 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 specialised 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 small and medium size entities the valuation model takes into account qualitative characteristics as well as their payment behaviour. The Bank had developed two models for retail 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 for 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 Group'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 Group 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 Group'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 Group 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 Group 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 Group valued their securities at fair value.

**Tax**

The Group 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)

Assets	1 January 2004			31 December 2004		
	Greek GAAP	Effect of IFRS transition	IFRS	Greek GAAP	Effect of IFRS transition	IFRS
Cash and balances with Central Bank	110 993	(294)	110 699	113 634	-	113 634
Treasury bills	-	-	-	-	-	-
Loans and advances to banks	299 793	294	300 087	471 157	-	471 157
Trading securities	-	211 322	211 322	-	16 816	16 816
Derivative financial instruments	-	627	627	-	526	526
Loans and advances to customers	1 863 561	(9 580)	1 853 981	2 069 422	(11 502)	2 057 920
Investment securities	235 222	(216 847)	18 375	121 629	(19 090)	102 539
Investments in subsidiaries and associates	1 760	-	1 760	1 778	(138)	1 640
Intangible assets	44 848	(41 178)	3 670	43 181	(36 897)	6 284
Property, plant and equipment	33 491	10 932	44 423	39 993	4 141	44 134
Deferred tax asset	-	11 223	11 223	-	9 714	9 714
Investment property	-	23 729	23 729	-	21 948	21 948
Other assets	74 846	(38 553)	36 293	70 527	(40 864)	29 663
<b>Total assets</b>	<b>2 664 514</b>	<b>(48 326)</b>	<b>2 616 188</b>	<b>2 931 321</b>	<b>(55 346)</b>	<b>2 875 975</b>
<b>Liabilities</b>						
Deposits from banks	37 458	(111)	37 347	19 918	-	19 918
Deposits from customers	2 233 986	-	2 233 986	2 477 483	(43)	2 477 440
Derivative financial liabilities	-	6 111	6 111	-	7 672	7 672
Debt securities issued and other borrowings	29 990	27 662	57 652	54 399	27 387	81 786
Employee benefits	826	6 755	7 581	846	8 455	9 301
Current tax liability	-	9 933	9 933	-	3 085	3 085
Deferred tax liability	-	838	838	-	876	876
Other provisions	763	6 595	7 358	751	6 595	7 346
Other liabilities	71 097	(31 657)	39 440	77 612	(25 553)	52 059
<b>Total liabilities</b>	<b>2 374 120</b>	<b>26 126</b>	<b>2 400 246</b>	<b>2 631 009</b>	<b>28 474</b>	<b>2 659 483</b>
Share capital	111 562	(11 894)	99 668	111 787	(11 894)	99 893
Share premium	140 344	(15 947)	124 397	140 735	(15 949)	124 786
Other reserves	13 930	3 404	17 334	18 745	(1 326)	17 419
Grants	91	(91)	-	106	(106)	-
Accumulated deficit	17 017	(49 635)	(32 617)	21 728	(54 399)	(32 671)
<b>Total equity</b>	<b>282 944</b>	<b>(74 163)</b>	<b>208 782</b>	<b>293 101</b>	<b>(83 674)</b>	<b>209 427</b>
Minority interest	7 450	(290)	7 160	7 211	(146)	7 065
<b>Total liabilities and equity</b>	<b>2 664 514</b>	<b>(48 326)</b>	<b>2 616 188</b>	<b>2 931 321</b>	<b>(55 346)</b>	<b>2 875 975</b>

**Notes to the reconciliation of equity as at 1 January 2004** (in thousands of Euro)

**Cash and balances with Central Bank**

Balance in accordance with Greek GAAP	110 993
Reclassification to "Due from banks"	(294)
	<u>110 699</u>

**Due from banks**

Balance in accordance with Greek GAAP	299 793
Reclassification from "Cash and balances with Central Bank"	294
	<u>300 087</u>

**Trading securities**

Balance in accordance with Greek GAAP	-
Mark to market valuation	(1 670)
Reclassification from "Investment securities"	212 992
	<u>211 322</u>

**Derivative financial instruments**

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

**Loans and advances to customers**

Balance in accordance with Greek GAAP	1 863 561
Leasing effect	(991)
Reclassification to "Property, plant and equipment"	(2 200)
Effective rate	(93)
Reclassification from "Intangible assets "	2 214
Reclassification to "Other assets"	(903)
Additional impairment allowance	(18 472)
Reclassification from "Other assets"	10 437
Other	428
	<u>1 853 981</u>

**Investment securities**

Balance in accordance with Greek GAAP	235 222
Reclassification to "Trading securities"	(212 992)
Mark to market available-for-sale securities	(785)
Impairment of securities	(139)
Reclassification to "Other assets"	(2 931)
	<u>18 375</u>

### Property, plant and equipment

Balance in accordance with Greek GAAP	33 491
Reclassification from "Intangible assets"	1 511
Deemed cost revaluation	7 220
Reclassification from "Loans and advances to customers"	2 200
	<u>44 422</u>

### Intangible assets

Balance in accordance with Greek GAAP	44 848
Reclassification to "Property, plant and equipment"	(1 511)
Reclassification to "Debt securities"	(176)
Reclassification to "Loans and advances to customers"	(2 214)
Intangible assets written-off	(37 277)
	<u>3 670</u>

### Investment property

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

### Other assets

Balance in accordance with Greek GAAP	74 846
Reclassification to "Loans and advances to customers"	(10 437)
Reclassification from "Loans and advances to customers"	903
Reclassification from "Investment securities"	2 931
Write off other assets	(10 090)
Reclassification from "Other provisions"	(688)
Reclassification from "Other liabilities"	5 250
Reclassification to "Derivative financial instruments"	(627)
Reclassification from "Investment securities"	(14 574)
Other reclassifications	(11 221)
	<u>36 293</u>

### Deferred tax asset

Balance in accordance with Greek GAAP	-
Recognition of deferred tax	11 223
	<u>11 223</u>

### Due to banks

Balance in accordance with Greek GAAP	37 458
Reclassification to "Other liabilities"	(111)
	<u>37 347</u>

### Deferred tax liability

Balance in accordance with Greek GAAP	-
Recognition of deferred tax	838
	<u>838</u>

### Derivative financial 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	71 097
Reclassification from "Due to banks"	111
Reclassification to "Other assets"	5 250
Reclassification to "Derivatives financial instruments"	(6 111)
Reclassification from "Grants"	91
Reclassification to "Current tax liability"	(9 933)
Reversal of dividends proposed not yet approved	(8 518)
Reclassification to "Provisions"	(1 583)
Other transfers	(10 964)
	<u>39 440</u>

### Provisions

Balance in accordance with Greek GAAP	763
Reclassification to "Other assets"	(688)
Reclassification from "Other liabilities"	1 583
Additional amounts recognized	5 700
	<u>7 358</u>

### Employee benefits

Balance in accordance with Greek GAAP	826
Vacation accrual not taken	1 500
Recognition of post employment benefits	5 255
	<u>7 581</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 borrowings"	(11 894)
	<u>99 668</u>

### Share premium

Balance in accordance with Greek GAAP	140 344
Reclassification 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>

**Reserves**

Balance in accordance with Greek GAAP	13 930
Reclassification to "Accumulated deficit"	4 188
Mark to market available-for-sale securities	(784)
	<u>17 334</u>

**Accumulated deficit**

Balance in accordance with Greek GAAP	17 017
Reclassification to "Other reserves"	(4 188)
Valuation of assets and useful life	7 221
Additional impairment loss customer loans and advances	(18 472)
Intangibles write-off	(37 277)
Effective rate	(93)
Recognition of deferred tax	10 565
Investment property fair value adjustment	9 155
Other assets write-off	(10 090)
Reversal of dividends proposed not yet approved	8 519
Employee benefits obligations	(6 756)
Additional provisions	(5 700)
Impairment of subsidiaries	(139)
Mark to market trading security	(1 670)
Reclassification to minority interests	282
Leasing effect	(991)
	<u>(32 617)</u>

**Minority interests**

Balance in accordance with Greek GAAP	7 450
Other	(8)
Reclassification to "Accumulated deficit"	(282)
	<u>7 160</u>

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

**Trading securities**

Balance in accordance with Greek GAAP	-
Transfer from available-for-sale	18 019
Mark to market valuation	(1 203)
	<u>16 816</u>

**Derivative financial instruments**

Balance in accordance with Greek GAAP	-
Reclassification from "Other assets"	526
	<u>526</u>

**Loans and advances to customers**

Balance in accordance with Greek GAAP	2 069 422
Leasing effect	(1 035)
Transfer to "Property, plant and equipment"	(3 822)
Reclassification to "Other assets"	(846)
Reclassification from "Other assets"	11 343
Reclassification from "Intangible assets"	1 365
Effective interest rate effect	(921)
Impairment loss	(17 586)
	<u>2 057 920</u>

**Investment in subsidiaries**

Balance in accordance with Greek GAAP	1 778
Reclassification to "Available-for-sale securities"	(138)
	<u>1 640</u>

**Investment securities**

Balance in accordance with Greek GAAP	121 629
Reclassification to "Trading securities"	(18 019)
Available-for-sale adjustment	(571)
Other transfers	(500)
	<u>102 539</u>

**Property, plant and equipment**

Balance in accordance with Greek GAAP	39 993
Reclassification to "Other assets"	(889)
Revaluation adjustment and change in useful life	1 414
Reclassification from "Loans to customers"	3 822
Reclassification from "Intangible assets"	1 472
Other amounts	(1 678)
	<u>44 134</u>

### Intangible assets

Balance in accordance with Greek GAAP	43 181
Reclassification to "Property, plant and equipment"	(1 472)
Net amount of intangibles written-off as recognized under Greek GAAP	(34 377)
Reclassification to "Loans and advances to customers"	(1 365)
Reclassification to "Debt securities"	(456)
Other transfers	773
	<u>6 284</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 – assets

Balance in accordance with Greek GAAP	-
Recognition of deferred tax	9 714
	<u>9 714</u>

### Other assets

Balance in accordance with Greek GAAP	70 527
Valuation of investment property	(15 626)
Reclassification to "Loans and advances to customers"	(11 343)
Reclassification from "Loans and advances to customers"	846
Other assets written-off	(10 459)
Reclassification from provisions	(688)
Reclassification to "Derivative financial instruments"	(525)
Reclassification from "Property, plant and equipment"	889
Reclassification to "Other liabilities"	(3 958)
	<u>29 663</u>

### Due to customers

Balance in accordance with Greek GAAP	2 477 483
Reclassification to "Derivatives liabilities"	(43)
	<u>2 477 440</u>

### Derivative liabilities

Balance in accordance with Greek GAAP	-
Reclassification from "Due to customers"	42
Reclassification from "Other liabilities"	7 630
	<u>7 672</u>

### Other liabilities

Balance in accordance with Greek GAAP	77 612
Reclassification to "Provisions"	(1 583)
Reclassification to "Current tax liability"	(3 085)
Reclassification from "Other assets"	(3 958)
Reclassification to "Employee benefit"	(1 000)
Reclassification to "Derivatives"	(7 630)
Reclassification to "Grants"	106
Derecognition of dividends payable not approved	(6 830)
Other amounts	(1 573)
	<u>52 059</u>

### Provisions

Balance in accordance with Greek GAAP	751
Reclassification to "Other assets"	(688)
Other provisions	1 583
Recognition of open tax years	5 700
	<u>7 346</u>

### Employee benefits

Balance in accordance with Greek GAAP	846
Reclassification from "Other liabilities"	1 000
Recognition of post employment benefits	7 455
	<u>9 301</u>

### Debt securities

Balance in accordance with Greek GAAP	54 399
Costs associated with issue	(456)
Reclassification from "Share capital"	11 894
Reclassification from "Share premium"	15 949
	<u>81 786</u>

### Deferred tax liability

Balance in accordance with Greek GAAP	-
Recognition of deferred tax	876
	<u>876</u>

### Current tax liability

Balance in accordance with Greek GAAP	-
Reclassification from "Other liabilities"	3 085
	<u>3 085</u>

### Share capital

Balance in accordance with Greek GAAP	111 787
Reclassification to "Debt securities in issue and other borrowed funds"	(11 894)
	<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
Reclassification to "Other liabilities"	(106)
	<u>-</u>

### Reserves

Balance in accordance with Greek GAAP	18 745
Mark to market available-for-sale	(571)
Reclassification to "Accumulated deficit"	(755)
	<u>17 419</u>

**Accumulated deficit**

Balance in accordance with Greek GAAP	21 728
Reclassification from "Reserves"	755
Impairment loss	(17 586)
Useful life changes in fixed assets	1 414
Intangibles write-off	(34 377)
Deferred tax	9 025
Investment property	6 322
Other assets write-off	(10 459)
Impairment loss investments	(139)
Mark to market securities	(1 203)
Dividends	(6 830)
Employee benefits	(7 455)
Leasing adjustment	(1 035)
Other provisions	(5 700)
Effective interest	(921)
Reclassification to "Minority"	130
	<u>(32 671)</u>

**Minority interests**

Balance in accordance with Greek GAAP	7 211
Reclassification from "Accumulated deficit"	(130)
Other amounts	(16)
	<u><u>7 065</u></u>

Reconciliation of profit/(loss) for 2004

Income Statement	31 December 2004		
	Greek GAAP	Effect of IFRS transition	IFRS
Interest and similar income	162 844	(4 807)	158 037
Interest and similar expense	(67 733)	4 738	(62 995)
<b>Net interest income</b>	<b>95 111</b>	<b>(69)</b>	<b>95 042</b>
Commission income	37 746	(918)	36 828
Commission expense	(4 659)	(2 276)	(6 935)
<b>Net commission income</b>	<b>33 087</b>	<b>(3 194)</b>	<b>29 893</b>
Dividend income	128	-	128
Net trading income	3 755	(4 052)	(297)
Other income	5 013	139	5 152
Impairment loss from loans and advances	(17 949)	33	(17 916)
Staff costs	(54 883)	(1 707)	(56 590)
Depreciation	(10 108)	3 508	(6 600)
Other operating expenses	(30 565)	1 512	(29 053)
<b>Profit before tax</b>	<b>23 589</b>	<b>(3 830)</b>	<b>19 759</b>
Income tax expense	(9 536)	(1 556)	(11 092)
<b>Profit after tax</b>	<b>14 053</b>	<b>(5 386)</b>	<b>8 667</b>

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

**Interest income**

Balance in accordance with Greek GAAP	162 844
Reclassification from "Net trading income"	1 355
Reclassification to "Interest expense"	(5 607)
Other	(291)
Effective interest rate of housing loans	(264)
	<u>158 037</u>

**Interest expense**

Balance in accordance with Greek GAAP	(67 733)
Preference share dividend recorded as interest expense	(813)
Reclassification from "Net trading income"	163
Reclassification from "Interest income"	5 607
Finance lease interest expense	(219)
	<u>(62 995)</u>

**Commission income**

Balance in accordance with Greek GAAP	37 746
Other amounts	(41)
Effective interest rate	(877)
	<u>36 828</u>

**Commission expense**

Balance in accordance with Greek GAAP	(4 659)
Other transfers	(570)
Transfer from "Other operating expenses"	(1 706)
	<u>(6 935)</u>

**Net trading income**

Balance in accordance with Greek GAAP	3 755
Valuation trading	(2 534)
Reclassification to "Interest expense"	(1 355)
Reclassification from "Interest expense"	(163)
	<u>(297)</u>

**Other income**

Balance in accordance with Greek GAAP	5 013
Other transfers	87
Reversal of impairment for other assets	52
	<u>5 152</u>

**Impairment loss**

Balance in accordance with Greek GAAP	(17 949)
Other amounts	33
	<u>(17 916)</u>

**Staff costs**

Balance in accordance with Greek GAAP	(54 883)
Bonus to staff	(1 000)
Other amounts	(8)
Net employee benefit expenses	(699)
	<u>(56 590)</u>

### Depreciation

Balance in accordance with Greek GAAP	(10 108)
Net adjustment of intangibles recognized under Greek GAAP	3 508
	<u>(6 600)</u>

### General Administrative expenses

Balance in accordance with Greek GAAP	(30 565)
Movement of investment property valuation	(647)
Reclassification to "Commission expenses"	1 706
Other amounts	453
	<u>(29 053)</u>

### Income Tax

Balance in accordance with Greek GAAP	(9 536)
Other amounts	(9)
Deferred tax recognition	(1 547)
	<u>(11 092)</u>

## 36 Adjustments to previously reported figures

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

### Total equity as at

1 January 2004 – as previously published	210 609
Reversal of impairment for loans	4 160
Deferred tax effect	827
Recognition for other provision	(5 700)
Impairment of subsidiaries	(139)
Investment property revaluation	2 186
Valuation of securities	(3 043)
Other	(117)
1 January 2004 in these financial statements	<u>208 783</u>

### Total equity as at

1 January 2005 – as previously published	210 345
Reversal of impairment for loans	3 814
Deferred tax effect	1 359
Recognition of other provision	(5 700)
Other	(391)
1 January 2005 in these financial statements	<u>209 427</u>

