

MANAGEMENT REPORT
OF THE BOARD OF DIRECTORS OF THE COMPANY NAMED
“GREEK POSTAL SAVINGS BANK” SA
ON STAND ALONE AND CONSOLIDATED BASIS

TO THE
GENERAL MEETING OF SHAREHOLDERS,
ON THE ACTIVITIES OF THE FISCAL YEAR
1.1.2006 TO 31.12.2006

Dear Shareholders,

The fiscal year of 2006, was the fourth consecutive year for the Greek Postal Savings Bank that operated under the form of a banking institute, according to the relevant transition based on L. 3082/16.12.2002.

As you all know, 2006 was a very important year, a landmark for Greek Postal Savings Bank, its shareholders and its personnel. A series of events and developments have actually set out its future course, changing a history of 104 years.

I hereby provide you with of some of these events, and at the same time I wish to deeply thank the personnel for its continuous and restless contribution, as well as the main and other shareholders for their trust in the efforts to modernise the Bank.

- On **19 April 2006** we acquired the credit institution licence and since then we have been operating under the supervision of the Bank of Greece,
- On **5 June 2006** we listed our stocks to the Athens Stock Exchange through public offering, following which the free float acquired **34.84%** of the Bank's stocks. Today, following the free stocks offering on behalf of the Greek State that was carried out in the framework of the “provision of stock holdings incentive of the Bank” approximately **35%** of the stocks is in free float.
- In **October 2006**, the prior systems used by the Bank were put aside and a new, modern and Integrated Information System was put in full operation, thus upgrading the overall banking processes both internally and as far as transactions with customers.
- On **1 December 2006** the Bank presenting high capitalisation was introduced to the FTSE 20 index of the Athens Stock Exchange, one of the most important reference indexes for investments in the Athens Stock Exchange.
- Finally, it is worthy to note the successful development and continuous enhancement of our co-operation with the Hellenic Post.

During the fiscal year under consideration, the Greek Postal Savings Bank has continued its steady course of organisational restructuring and fast

development of its figures (a course that the Bank has been following for the past three years). The course of continuous development and profitability is based on the stable basis of high capital adequacy, high portfolio quality, expanding customer base of both loans and deposit accounts and is reflected in the Bank's results. With reference to this policy we wish to point out the following:

Assets on a consolidated basis amounted to € 12.34 billion, showing an increase of 6.74% compared to 31.12.2005. Loans and receivables from customers amounted to € 4.86 billion increased by 59.87%. Deposits and Repos amounted to € 10.73 billion increased by 7.73%, while the total equity amounted to € 869.42 million. Net profits of the fiscal year before income taxes amounted to € 185.44 million while profits after taxes amounted to € 137.17 million. Capital adequacy Ratio (TIER 1) index and total capital adequacy index were set at 13.33% and 11.23% respectively and are found in levels much higher than the minimum levels required by the Bank of Greece (4% and 8% respectively) thus providing us the possibility to further develop our activities in all sectors the following years and most of all towards the development of the loans portfolio, which constitutes the axis of our main strategy.

- **As far as the Individuals Credit section** is concerned we have successfully applied a new strategy, throughout the fiscal year aiming at turning the Savings Bank into a banking institute that shall serve all clients' financial needs with modern products, adapted to the market' needs and at the same time simple and with the most favourable terms possible.

More specifically:

a) New forms of mortgage loans were created and promoted, tailored on the one hand to the specific and ever changing customers' needs and on the other hand the changing market conditions, such as, the issue of mortgage loans with a three-year fixed interest rate compared to the one year period that applied for the fiscal year 2005. At the same time the range of mortgage credit beneficiaries has expanded following the issue of loans for the acquisition, erection or improvement of business premises and to professionals.

The result of such effort was the net increase of the entire mortgage loans portfolio (existing and new), approximately by 53% compared to the prior year, reaching the amount of increase of € 1,143.72 million, in absolute numbers.

Moreover, the net increase of new mortgage loans during 2006 was impressive, reaching the amount of € 1,430.32 million, i.e. an increase rate of 227.71%.

This increase is almost triple in size compared to the one of 2005 and almost 78% greater than forecasted for the fiscal year 2006. For the current year of 2007, disbursement of new mortgage loans are also expected to amount to € 1,400.00 million.

b) The issue of personal – consumer loans has continued at an intense pace. The same applies for pre-approved personal loans to employees of organizations that belong to the wider Public Sector, with impressive results. In particular, during 2006 approximately

14,000 personal-consumer loans were issued along with approximately 60,000 pre-approved personal loans, presenting an overall net increase of 116.70% and reaching an increase amount of € 662.70 million, in absolute values. It is worth noting that 81% of the personal – consumer loans portfolio refers to the specific category of pre-approved loans, of which the repayment is carried out through withholding the monthly instalments from the borrowers' remuneration.

c) Loans to large-scale businesses and Public Organisations have remained stable as far as the number of borrowers is concerned, while the amount of loans issued has continued to decrease, since such loans are not part of the development strategy applied by the Greek Postal Savings Bank.

d) During the year 2006 sales of credit cards have continued their upward movement, that had began since 2005, thus once again signalling a great increase compared to the prior year, mainly due to the continued promotional activities, through cross-selling, telemarketing and through the enhancement of the current sales networks, i.e. the Greek Postal Savings Bank branches network and the alternative Hellenic Post network. The advertising campaign that was applied throughout the fiscal year had also contributed to these particular efforts.

Credit cards in circulation had reached 87,871 during the fiscal year under consideration compared to 53,154 of the prior year, thus increased by 65.31%. The relevant procedures were completed towards the end of 2006 and the new credit card "MasterCard" was launched. The particular product is expected to bring an increase in the number of credit cards issued during the coming year.

The loan balances of credit cards on 31.12.2006 have amounted to 128.27 million euro, compared to 70.82 million euro of the prior year, presenting an increase of 81.13%.

The increase of the "T.T.Visa Electron" debit cards was also significant. The particular cards are issued to deposit account holders. The number of these cards, at the end of the year amounted to 118,370 compared to 68,661 during the prior year, presenting an increase of 72.40%.

Based on the aforementioned information, the total net increase of the Bank's loan portfolio during the year 2006, in the field of Retail Banking, has amounted to 59.72% and in absolute values this increase has reached the amount of € 1,818.14 million.

These increases in respective portfolios are particularly satisfactory, given the credit discipline applied by the Greek Postal Savings Bank to such financing. This fact is also verified through the large number of declined customers.

In particular, the increase of pre-approved personal loans is considered absolutely satisfactory not only due to its absolute size but mainly due to the quality of the portfolio that is being formed, due to the almost zero credit

risk involved, provided that these loans are repaid through withholding of instalments from the borrowers' remuneration.

This dynamic development is also observed in the beginning of 2007 at least as far as the applications for mortgage and consumer loans are concerned, thus creating expectations for the preservation of their upward movement during the current year and a further increase of the market share. At the same time, the loan portfolio is enriched with new type of loans such as Subsidised Mortgage Loans by the OEK (Workers Housing Organisation) and the Greek State, the open credit Personal Loans, as well as the Loans to free-lancers, the development and allocation of which is currently in progress since the beginning of 2007 and shall be implemented gradually during the year.

- **Concerning the field of relations development with Hellenic Post** since the prior year the Bank has began its efforts for intense and full implementation of the terms of the 10-year partnership agreement, according to which 820 of the total number of branches of the Hellenic Post throughout Greece, would be used as an alternative network for the provision of financial products and services.

The particular partnership has continued during the year under consideration mainly in services related to savings accounts, collection of credit card instalments and issue of credit cards. Since the summer of 2006 a pilot project has been applied in a restricted number of stores of the particular network, concerning the promotion of loan products. This project has had a very satisfactory development and it has thus expanded in order to cover a larger number of stores until the end of the under consideration year. Due to this development, the agreement signed between the two companies was also amended accordingly. The success of this effort is considered significant, provided that it shall enhance the increasing rate of the retail loans portfolio, which is currently one of the main strategy axes of the Greek Postal Savings Bank management.

At the same time, the co-operation between the two bodies continues aiming at improving the period of provision of financial information on the transactions carried out through Hellenic Post network with the aim of achieving the real time communication and interface between systems. The first trials were completely successful and the first branches of the Hellenic Post network are expected to interface and communicate in real time as of the summer of 2007.

- **Regarding the treasury section,** 2006 was the year during which the Greek Postal Savings Banks completed its internal restructure and achieved maturity of investment and administrative procedures and activities.

The treasury division is currently making available all the information related to the Organization, the Procedures, the Equipment and the Know-How in order to meet the complex and changing conditions of the market.

As for the results, the Division had a satisfactory contribution in the Bank's profitability, through serving the main strategy which is the

decrease of the cash portfolio treasury, to the support of the development of the loan portfolio.

In particular, during the fiscal year 2006,

- the division was supported in terms of human resources with the recruitment of new employees among the successful candidates of ASEP (Higher Council for Personnel Selection) examinations,
 - in co-operation with the Financial Management Division, a new version of the treasury application “BTS VISION” was successfully installed, for monitoring the transactions based on the International Financial Reporting Standards (IFRS),
 - it has successfully participated in the preparation process regarding the listing of the Greek Postal Saving Bank in the Athens Stock Exchange, by organising the information and presentations of investment portfolios,
 - it participated in the presentation of information to investors.
 - it has developed its activity to the maximum, compared to the prior years, as to the following markets:
 - bonds (primary & secondary market)
 - corporate & governmental bonds
 - stocks (domestic– international)
 - interest rates & foreign exchange
- During the fiscal year 2006, the co-operation with the Bank of Greece continued and was completed as to the acquisition of the credit institution operation license, according to L.3082/16.12.2002. The Bank of Greece has reviewed the information submitted and following a round of separate discussions, it has provided the Bank with the relevant license further to the Governor's Act no. 2579/19.4.2006.
- **As for the division of Risk Management**, the Bank is exposed to a number of risks, due to the nature of its functions and operations. Those with the greatest importance are the credit risk, the market risk and the operational risk. Therefore, effective risk management by the Bank is a key factor for its effective operation and development.

Management and monitoring of risks is an integral part of the Bank’s commitment towards its shareholders and to this end we have set out the general guidelines for full compliance with the ever changing institutional environment and the relevant obligations that result from it and pertain to risk assumption and management on following criteria:

- business goals
- creating additional value for the shareholders
- full compliance with the new requirements of the supervising authorities.

2006 was a critical year for the Greek Postal Savings Bank since a number of events took place imposing the institutional achievement and enhancement of reasonable management of risks that are created following the factual development of our activities. Such events were the acquisition of the operation license in April from the Bank of Greece, the listing of stocks to

the Athens Stock Exchange, the installation of the new integrated information system, the extended development in the field of retail banking, etc.

The reasons mentioned above led to the development of the following units, based on the current Banking principles and requirements

- Risk assumption
- Risk management
- Internal Audit
- Supervising bodies and committees

and the relevant units were staffed with specialised personnel trained in new computerised systems and according to current requirements.

At the same time, the Greek Postal Savings Bank has overcome the bureaucratic reservations of Public Tenders and has already launched the procedures for the acquisition of an advanced risk management system that will monitor all main forms of risk: credit, market, liquidity, operational, Asset Liability Management, adjustment to “Basel II” requirements etc.

The main principle that governs the Bank’s risk management procedure is the separation of responsibilities between risk audit operations and the Bank's business function.

The Bank’s risk management procedure consists of the following phases:

- Risk identification through analysis of sources of current and potential risks that may arise from the current or scheduled activities of the Bank.
- Measurement and quantification of risks.
- Monitoring the level of risk, based on predefined measurement methodology and within specific limits.
- Risk management strategy, through planning of measures for risk mitigation up to the implementation of procedures and supporting tools for risk handling.
- Preparation of periodic reports on risk profile for measures implemented for risk handling.

Credit Risk Management

Credit risk is the risk of financial loss that the Bank faces due to its inability or the customer's unwillingness to respond to his financial obligation towards the Bank.

The Bank focuses currently on retail banking loans while it is noted that until December 2003 the Bank was also financing businesses of the Public Sector. The Bank has adopted and applies a system of international credit scoring specifications.

Market risk management

The market risk is the risk of loss occurrence following a variation of interest rates, exchange rates, securities’ prices or change in other external factors of the market. The aim of market risk management is the management of the Bank’s positions that are within approved risk limits in order to improve the Bank’s profitability, while ensuring adequate liquidity.

This procedure is in line with the Bank’s business activities and takes into consideration the changes in the market conditions or/ and the customers’ behaviour.

The market risk management procedure is documented in internal controls manual in order to ensure that the competent units in charge comply with approved limits when managing exposure positions.

In order to measure effectively the market's risk due to a possible variation in stock prices, the Bank uses measurement models for Maximum Potential Loss and has set a threshold for risk monitoring and Management.

- Interest rate risk

The interest rate risk is the risk of the reduction of current or future Bank's financial results, due to adverse changes in interest rates. Interest rate risk is the most important market risk that the Bank faces and results mainly from the fluctuation of the Euro interest rates, while the Bank's exposure to interest rate risk from foreign currencies is marginal.

The goals of management of the interest rate risk are the following:

- The exposure of the bank in on or off balance sheet commitments in order to optimise asset value.
- Hedging adverse interest rate risks.
- Handling the inherent interest rate risk to which the Bank is exposed due to the nature of its operations and balance sheet, by defending the net interest rate margin that is each time set by the Bank's institutional bodies.

The Bank measures the interest rate risk by using measures of price and interest income sensitivity and based on interest rate derivatives in order to hedge interest rate risk. It is noted that the Bank's interest rate risk is set at a great extent by the difference in the repricing period depending on the directions of the market of asset and liability items.

- Foreign currency risk

Foreign currency risk is the risk of losses occurring from adverse changes in foreign exchange rates. The target of foreign exchange risk management is to create conditions for profitable execution of foreign exchange dealings within specific risk assumption limits.

- Liquidity risk management

The liquidity risk is the risk that the Bank faces when dealing with current and future obligations. The objective of liquidity risk management is to achieve a satisfactory structure of asset – liability items included in and excluded from the balance sheet in order to ensure continuous liquidity. The particular procedure operates in consideration with the Bank's needs for liquidity, the changes in interest rates or the behaviour of its customers and the nature of the Bank's activities.

Operating Risk Management

Operating risk is the risk from losses that occur from inadequate or failed internal procedures, from persons and organising systems or external events. The operating risk management strategy is based on:

- Operating risk management procedures
- Organisational infrastructure, including areas of responsibility of the Bank's units and executives
- Key management tools for operating risk.

The Greek Postal Savings Bank is currently at a process of implementing an information system that will be able to provide and process historical data relevant to the operating risk.

- During the fiscal year 2006 the procedure for the listing of Greek Postal Saving Bank's stocks in the Athens Stock Exchange was also completed through a combined offer in Greece and abroad, while a small part was offered through private placement for the Bank's personnel and associates.

The co-coordinators and main contractors for the domestic offer were the NATIONAL BANK OF GREECE S.A. and PIRAEUS BANK S.A. while J. P. MORGAN SECURITIES LTD and GOLDMAN SACHS INTERNATIONAL were the administrators of the book for the international offer.

The total number of stocks that were offered by the placing shareholder, the Greek State, amounted to 49,080,000 stocks of the Bank, i.e. a rate of 34.84% of the total stocks, of which 18,999,310 were placed in Greece and 28,498,965 stocks were placed abroad. Through private placement 1,581,725 stocks were placed to the personnel and to 32 associates of the Bank.

The stock's offer price was set at 12.50 euro per share except for those of private placement, of which the price was 10% lower.

The listing of the Bank's stocks in the Athens Stock Exchange was successful and, despite the fact that the trading of stocks began on 5 June 2006, following significantly adverse conditions in international markets, the total offer was covered by 5.42 times.

You are of course aware of the stock's course since the listing. I only wish to remind you that at the end of the fiscal year 2006, the stock's price had reached 17.66 euro, increased by 42.88% since the beginning of its trading.

The listing of the Bank's Shares in the Athens Stock Exchange, was also an excellent opportunity for the Bank and its personnel to adopt a framework of internal organization and controls similar to other banks. It has altered its operation method, its internal structure as well as the entire function mechanism, in a series of activities, in order to be able to correspond to the new institutional framework in which the Bank has entered as well as to the competitive environment in which it operates.

However, further to the above, the stock's entry into the Athens Stock Exchange will create new prospects for the Bank.

More specifically:

- The Stock Exchange is an alternative source for listed companies to access funds that are necessary for financing the companies' activities.
 - Listed companies may invest the funds that they have drawn out from the stock exchange in international markets, where the security of funding is more difficult and profit prospects are greater.
 - Listed companies may achieve greater transparency and publicity, with all the relevant positive effects. Moreover, the Bank's image following the listing in the Athens Stock Exchange is upgraded, and the company is capable of managing its economics on better terms compared to a non-listed company.
 - As a listed Bank, the Greek Postal Savings Bank will be able to achieve significant surplus value for its shareholders that will reflect its present and future development.
- As far as the alternative sale networks are concerned, the procedure for the acquisition of 130 additional ATMs had continued and was completed during the fiscal year under consideration. On 31.12.2006, the Bank has allocated 171 additional ATMs, of which 130 were installed in its branches and the remaining machines were installed in Hellenic Post branches, mainly in Athens and other big cities.

The purpose of the particular network's development is to provide online service to customers throughout Greece, without queuing and by simultaneously reducing the Bank's operating cost. This effort seems to yield if one considers that during the first three months of 2007 78.000 transactions had taken place with approximately 70 million euro involved. The aforementioned transactions include cash withdrawals and deposits, cash withdrawals through credit cards, account information and bank account statements.

- During the fiscal year under consideration one of the most important goals set by the management of the Greek Postal Savings Bank was achieved. Following a short postponement, the new Integrated Information System "PROFITS" was put in operation on 1 October 2006, in a production environment. The system's successful installation and operation is of great importance for the Bank, given the fact that most of the previous systems were put out of use and the Bank is now functioning in a single computerised environment. This will allow faster and complete process of the transactions and information, as well as of the single customer base, since the Bank may now take advantage of the possibilities for development of cross-selling, which was impossible through the previous systems. In general, the full development and use of the system as well as the users' adjustment to it, as expected in such cases, is expected to be completed within the current period and until the beginning of the next year the latest.

In particular, related to the Bank's computerisation, I would like to inform you of the following:

- The set up of the computer centre in our branch office in Piraeus building is complete and in full operation
- The central IBM Mainframe system is installed and functioning within the Computer Centre in Piraeus where the new integrated information system "PROFITS" is installed
- The entire new IT equipment is installed and functioning, in branches and central services
- The transition of the largest part of the customers' records and the total financial information from the previous systems to the new IT system has been completed successfully. The full transition of the customer base to the new system is to be completed by June 2007, except for those customers who are served through the alternative Hellenic Post network until the interface of the computerised systems is achieved.

The General Accounting subsystems have continued to operate smoothly until September 30th when the transition took place, while the Dealing Room's (BTS Vision) subsystems and the Personnel and Payroll Management System have also continued to operate smoothly throughout the year. During the year under consideration the new version of the Dealing Room's (BTS Vision) system was installed according to the international accounting standards, and is already in full operation.

- The training of all personnel on the use of the new information system has been completed.
 - The procedures provided on the new operation system were fully applied.
 - The "IT CONTROLS" project has began and is in full operation aiming at the development of the provided procedures based on the decisions and relevant circulars of the Bank of Greece.
- During the fiscal year under consideration, the project for the "REDESIGN OF SAVINGS BANK PROCEDURES" was completed. Considering the institutional framework, the requirements of the PROFITS computerised system as well as the Organizational chart and the competencies of the Organization, the project under consideration also involved the documentation of:
 - The products and services offered by the Organisation
 - The Branches' procedures and
 - The Central Services procedure.

Respectively, the training of the Branches' personnel on the use of the Integrated Information System and the Branches' Procedures was also completed during the fiscal year under consideration as well as the training of personnel at the Central Services on the new system in combination with the relevant procedures.

Given the fact that the institutional framework is continuously changing, as well as the fact that the use and adjustment of the new system to the daily needs in progress, the continuous adaptation of the Bank's procedures is necessary.

Dear Shareholders,

The course of the Greek Postal Savings Bank towards its distinction as a modern, competitive and of high-performance credit institution requires great effort and increased cost.

During 2006, following the challenge of adoption of the IFRS and adoption of the regulations of Basel II accord, the Greek Postal Savings Bank has maintained its high profitability and course of development. The management has focused in two main directions. The first refers to the continuation of the effort for functional restructure and development, the results of which were mentioned above and the second refers to the prudent, upright and most of all profitable management of the Bank's financial information.

The results of such management model, compared to the ones of the prior fiscal year are presented in the financial statements of the fiscal year under consideration, the highlights of which I shall present hereunder, pointing out that the Bank's latest published annual financial statements have been prepared according to the IFRS which requires that while applying the accounting policies, estimates and conventions must be also made. I wish to remind you that the IFRS were first adopted by the Bank on 1st January 2004, i.e. the transition date.

The highlights of the 2006 operating results are the following:

- **Interest and similar income** amounted to 475.22 million Euro compared to 419.10 million Euro of the prior fiscal year, therefore increased by 13.39%.
- **Interest expense and similar charges** amounted to 221.64 million Euro compared to 176,82 million Euro of the prior fiscal year, thus increased by 25.35%. It is noted that compared to the prior fiscal year, part of the increase is due to an amount of 8.65 million euro, which did not exist during the prior period and refers to the Bank's annual contribution to the Hellenic Deposit Guarantee Fund for Banks, given that during the period of 2006 the Bank has received a credit institution operating license by the Bank of Greece.
- **The net interest income**, further to the above amounted to 253.58 million Euro compared to 242.28 million Euro of the prior fiscal year, therefore increased by 4.66%.
- **Dividend income** amounted to 4.66 million Euro compared to 5.11 million Euro of the prior fiscal year, thus reduced by 8.81%.
- **The financial operations results** showed profit and amounted to 126.40 million Euro compared to 30.32 million Euro during the prior fiscal year.

- **Other operating income** amounted to 7.89 million euro and compared to 15.15 million euro during the prior fiscal year were reduced by 47.91%.
- **Personnel expenses** amounted to 84.72 million Euro compared to 56.27 million Euro of the 2005 fiscal year, therefore increased by 50.55%.

This increase is mainly due to,

- First of all, the implementation by the Bank of the salary and allowance grades as set out by the Hellenic Federation of Bank Employees Unions, (following the acquisition of the license by the Bank of Greece as stipulated in L.3082/2002) and as a result thereof, the increase of the Bank's defined benefit obligation following an additional amount to be granted upon retirement, recognised as past service cost during the fiscal year according to IFRS, amounting to 5.16 million euro
- and secondly, to the recognition –according to IFRS - of the benefit to personnel and therefore as payroll expense of the year, amounted to 2.13 million euro, regarding the spread between the stocks offer price during the public offering and the stocks' offer price in private placement, to the Bank's personnel (10% discount), provided by the main shareholder – the Greek State.

Both amounts above, of total cost of 7.29 million euro are considered as non-recurrent expenses.

- **General administrative expenses** amounted to 85.19 million Euro compared to 52.90 million Euro of the prior fiscal year, thus increased by 61.04%. This increase is significant but contains non-recurrent expenses that are relevant to the Bank's stocks listing to the Athens Stock Exchange and the installation of the integrated information system, amounting approximately to 8 million euro.
- **Depreciation and amortization charges** amounted to 9.14 million Euro compared to 6.18 million Euro during the prior fiscal year, presenting an increase mainly due to the continued investments concerning the implementation of the integrated information system and the improvement of facilities mainly at the central service offices as well as at the branches' network.
- **Other operating expenses** amounted to 23.55 million euro compared to 12.15 million euro during the prior fiscal year, thus presenting a significant increase of 93.89%, due to the recognition – according to the IFRS of the cost of the initial contribution to the Hellenic Deposit Guarantee Fund for Banks in Greece, provided that on April 2006 the Bank received from the Bank of Greece the license as stipulated in L.3082/2002. The particular cost amounted to 22.32 million euro and is a non- recurrent cost.
- **The impairment losses on loans and advances** amounted to 29.28 million Euro compared to 18.91 million Euro during the prior fiscal year, presenting an increase of 47.01%, due to the increase in the issue of loans. The calculation of provision is according to the minimum requirements of the Bank of Greece.

- Finally, the Bank's total equity after the respective income tax amounted and the extraordinary tax that was imposed on the Bank's non-taxable reserves, of total cost of 15.97 million Euro amounted to 869.42 million Euro compared to 864.93 million Euro during the prior fiscal year.

Dear Shareholders,

in the framework of article 11a of L. 3371/2005, on the "Obligation to inform", following relevant addition according to article 30 of L.3461/2006 and according to article 10 of the Community Directive 2004/25/EC, "detailed information" regarding the Bank up until the date of preparation of the present report are provided for your information.

In particular

a. Structure of the Bank's share capital.

The Bank's current share capital amounts to five hundred and twenty-one million, two hundred and seven thousand, forty-nine euros (€521,207,049.00), divided in one hundred and forty million, eight hundred and sixty-six thousand, seven hundred and seventy (140.866.770) shares, which all ordinary, registered with voting rights. The nominal value of each share amounts to three euro and seventy cents (€3.70). All Bank's shares are listed in the Athens Stock Exchange. They are not listed in any other share market of any other state.

Each Bank's share provides all rights stipulated in the legislation in force and in the Bank's Articles of Association, particularly the management, the assets rights, the right to any liquidation's result. The responsibility of the Bank's shareholder's, also according to the Bank's Articles of Association, is restricted to the nominal value of the stocks that they hold.

b. Restrictions about the Bank's stocks' transfer.

The Bank's stock transfer is performed according to the applicable provisions of legislation in force, and is not in any way regulated through the Bank's Articles of Association, nor is there any restriction concerning the transfer. It is noted that the all Bank's stocks are listed in the Athens Stock Exchange and are negotiable without any restriction.

c. Substantial direct or indirect holdings according to the presidential decree 51/92.

The substantial direct or indirect holdings according to the provisions of the presidential decree 51/1992, on "information that must be published upon acquisition and assignment of a substantial holding to a company of which the shares are listed to the Athens Stock Exchange in compliance with the directive 88/627/EEC" constitutes of the following:

aa) Substantial holdings in the existing share capital of the Bank:

- The Greek State holds a percentage of 54.425% on the total share capital of the Bank that corresponds to seventy-six million, six hundred sixty-seven thousand, one hundred and six (76.667.106) ordinary, registered shares with voting rights.
- The société anonyme named "HELLENIC POST S.A." holds a percentage of 10.00% of the Bank's total share capital that amounts to fourteen

million, eighty-six thousand, six hundred and seventy (14.086.670) common, registered shares with voting right.

There are no other shareholders holding any percentage equal or greater than 5% of the total number of the Bank's shares according to the Bank's shareholders' register.

bb) Substantial Bank's holdings in the current share capital of other listed sociétés anonymes:

- The Greek Postal Savings Bank S.A. holds a percentage of 19.10% of the share capital of the "Bank of Attika S.A.", that corresponds to fifteen million, seven hundred and seventy-one thousand, one hundred and fifteen (15.771.115) ordinary shares.

cc) Substantial holdings of the Bank in the current share capital of other non-listed societe anonymes:

- The Greek Postal Savings Bank S.A. holds a percentage of 10.00% of the share capital of the "HELLENIC POST S.A." that corresponds to eleven million, eight hundred and sixty-eight thousand, nine hundred (11.868.900) ordinary shares.
- The Greek Postal Savings Bank S.A. holds a percentage of 51.00% of the share capital of the "Greek Postal Savings Bank & Hellenic Post Mutual Fund Management Company S.A.", that corresponds to one hundred and twelve thousand, seven hundred and ten (112.710) ordinary, registered shares with voting rights.

d. Shares providing special control rights to their holders

There are no Bank's shares that provide any special control rights to their holders.

e. Restrictions to the voting right – Deadlines concerning the exercise of the voting right

The Bank's Articles of Association does not provide for any restrictions as to the voting right, neither imposes the restrictive exercise of such right to shareholders who are holding a specific number of shares or voting rights. According to those stipulated both in the codified law 2190/20 "on sociétés anonymes" and the Bank's Articles of Association, each share provides one voting right.

According to the article 28 of the codified law 2190/20 on "sociétés anonymes", also valid according to the article 20 of the Bank's Articles of Association, the attendance and voting right at the General Meeting is only provided to shareholders who have submitted their stock certificates at least five (5) clear days prior to the day set for the meeting, to the Company's Treasury or to the Loans and Deposits Fund or any Bank legally operating in Greece. Shares' submission receipts must be submitted to the Company's Treasury at least five (5) clear days before the General Meeting. The shareholders who are entitled to participate in the General Meeting may be represented during the meeting by a person legally authorised by proxy. Minors, outlaws and legal entities are represented by their legal representatives. The representation documents must be submitted to the Company's Treasury at least five (5) clear days before the General Meeting. The Greek State is represented in the General Meeting by the Minister of Finance and Economy or an authorised official of the Minister. Shareholders who fail to comply with the provisions of the above article of codified law 2190/20 on "societes anonymes" may participate in the General Meeting only upon relevant agreement by the GM.

Moreover, according to the articles 27 par. 2 and 28 par.5 of the codified law 2190/20 on “sociétés anonymes”, also valid according to the article 21 of the Bank's Articles of Association, a list of those with voting right in the General Meeting of shareholders must be posted at an accessible location at the Company's branch with relevant indication of any representatives, the number of shares and votes for each shareholder, as well as the addresses of the shareholders and their representatives. The list must be posted forty eight (48) hours before every General Meeting. The aforementioned list must obligatory include all shareholders who have complied with the provisions of the article 28 of the codified law 2190/20, as provided by the Board of Directors. If a shareholder or representative objects to the list he may submit his objection, upon penalty of inadmissibility, only during the opening of the meeting and prior to the discussion on the items of the agenda. Consequently, the General Meeting will decide on the participation or not of the shareholder, to whom the objections refer, as well as on any relevant matter.

f. Existence of agreements between Bank's shareholders concerning restrictions to the shares' transfer or the exercise of the rights deriving from its shares.

There are no agreements as to the Bank's best knowledge between its shareholders that would result in restrictions concerning the transfer of shares or the exercise of voting rights that result from such shares, apart from the rights of first preference of the Greek State concerning the Bank's shares, held by “HELLENIC POST S.A.», as this is explicitly stipulated in the Bank's Informative Report on 12 May 2006, regarding the listing of its stocks in the Athens Stock Exchange, (section 3.18).

g. Regulations as to the appointment / replacement of Members of the Board of Directors and amendment of the Articles of Association different from those stipulated in the codified law 2190/20.

The regulations provided by the Bank's Articles of Association regarding the appointment and replacement of members of the Board of Directors, as well as its provisions modification do not vary from those stipulated in the codified law 2190/1920 “on sociétés anonymes”, as applicable.

h. Competencies of the Board of Directors on the possibility of issuing of new shares and purchasing own shares according to article 16 of the codified law 2190/20 on “societes anonymes”.

aa) As to the competence of the Bank's Board of Directors regarding the possibility of issuing new shares what is provided in article 13 of the codified law 2190/20 on “sociétés anonymes” shall apply. In particular, according to paragraphs 1 to 4 of the same article during the first five years since the company's composition, the Board of Directors has the right following its own decision to increase the share capital partly or totally by issuing new shares, to an amount that cannot exceed the initial share capital. The above authority may also be assigned to the Board of Directors following a relevant decision of the General Meeting, which is subject to the publication formalities of article 7(b) of Codified Law 2190/20. In this case the share capital may increase up to the amount of the capital paid until the date were the particular authority was granted to the Board of Directors. This authority of the Board of Directors may be renewed by the General Meeting for a period of time which can not exceed five years for each renewal.

Moreover, according to the paragraph 9 of the same article, that refers to the introduction of a share allocation scheme regarding members of the Board of Directors, the company's personnel as well as its associates according to the article 42e par. 5, as a pre-emptive right for the purchase of shares upon decision of the General Meeting of shareholders, the law explicitly provides among others a special competence for the Board of Directors according to which, every year on December shares will be issued to the beneficiaries who have exercised their right, increasing at the same time the share capital and verifying such increase of capital.

bb) As to the competence of the Bank's Board of Directors regarding the purchase of own shares, what is provided in the article 16 of the codified law 2190/20 on "sociétés anonymes" shall apply. In particular, according to the paragraphs 1 and 2 of the same article, companies may acquire own shares aiming mostly at the decrease of their share capital as decided by the General Meeting and according to the relevant provisions of the Articles of Association, the distribution of shares to the company's personnel or to the personnel of an associate. Moreover, according to paragraph 5 of the same article, listed companies in the Athens Stock Exchange may, upon decision of the General Meeting of shareholders, acquire own shares through the Athens Stock Exchange up to a 10% of their total shares, aiming at supporting the market price only in particular cases that are restrictively provided by law. Until now, the date of preparation of the present report, the Bank's Board of Directors has not exercised the authorities mentioned above.

i. Agreements signed by the Bank, which apply, are modified or are terminated in case of any alteration concerning the Bank's control following public offering.

No agreement has been signed by the Bank which shall apply, be modified or terminated in case of change of the Bank's control following public motion.

j. Agreements signed by the Bank with members of the Board of Directors regarding compensation in case of resignation or dismissal without grounds or expiration of term or employment due to public offering.

No agreement has been signed between the Bank and the members of the Board of Directors or the personnel regarding compensation in case of resignation or dismissal without grounds or expiration of term or employment following public motion.

Dear Shareholders,

The vision of the Bank's Management, that took over on 27th May 2004, is to further fortify the Bank's presence in the banking sector, as a standard and most modern Bank through a course of healthy and steady development. The Bank is aiming at enhancing its position in the retail banking sector by offering many competitive financial products and services that will correspond to the needs of most Greek consumers. These products and services will be simple and comprehensive in terms of their structure. with comprehensible structure. There will be a large variety of products and services at attractive prices and will be available through a large distribution network of the Bank as well as through the

alternative Hellenic Post network. The main strategy axes and the actions for their achievement are provided below in summary:

- Achievement of high process development rate in the area of retail banking through the following actions:
 - cross selling towards existing customers,
 - issue of credit cards and loans making use of the current customer base,
 - attracting new customers,
 - creating new banking products,
 - use of new and existing channels for distribution of banking products.
- Modernisation of the Bank, through the following actions:
 - installation of new and modern information systems for administrative information and improvement of existing systems,
 - continuous training of the Bank's personnel and further staffing,
 - continuous improvement of the procedures and service time for customers
- Achievement of high profitability through effective management:
 - of assets and liabilities,
 - of the cost of services,
 - of the investment performance.
- The final target is:
 - the maximisation of the value of "GREEK POSTAL SAVINGS BANK S.A." for shareholders,
 - the provision of mass, simple and affordable banking products to the Bank's customers and
 - full-range activation and participation of the company's employees for the achievement of its goals,

with the final result being beneficial for all parties involved: shareholders, company, employees.

THE CHAIRMAN OF THE BOARD

PANAGIOTIS TSOUPIDIS