EFG EUROBANK ERGASIAS S.A.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2006

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Company Registration No: 6068/06/B/86/07

Index to the financial statements

Independent auditor's report

To the Shareholders of EFG Eurobank Ergasias S.A.

Report on the Financial Statements

We have audited the accompanying financial statements of EFG Eurobank Ergasias SA (the "Company") set out on pages 4 to 35 which comprise the balance sheet as of 31 December 2006 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
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 conform with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Athens, 26 February 2007

The Certified Auditor-Accountant

Kyriacos Riris
SOEL Reg. No. 12111

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
268 Kifissias Avenue
15 232 Halandri
SOEL Reg. No. 113

	Note	Year ended 31 December 2006 € million	2005 € million
Interest income	5	**3,674**	2,565
Interest expense	5	**(2,392)**	(1,421)
Net interest income		**1,282**	1,144
Banking fee and commission income		**333**	321
Banking fee and commission expense		**(117)**	(135)
Net banking fee and commission income		**216**	186
Non banking services		**5**	4
Core income		**1,503**	1,334
Dividend income		**47**	33
Net trading income/(loss)		**22**	13
Gains less losses from investment securities		**59**	38
Other operating income		**13**	7
		141	91
Operating income		**1,644**	1,425
Operating expenses	6	**(692)**	(575)
Impairment losses on loans and advances	16	**(308)**	(289)
Profit before tax		**644**	561
Income tax expense	8	**(169)**	(127)
Net profit for the year attributable to shareholders		**475**	434
Net profit excluding one-off taxation on reserves		**518**	434

Notes on pages 8 to 35 form an integral part of these financial statements

	Note	At 31 December 2006 € million	2005 € million
ASSETS			
Cash and balances with central bank	10	**1,641**	1,107
Loans and advances to banks	12	**5,196**	4,238
Financial instruments at fair-value-through-profit-or-loss	13	**574**	864
Derivative financial instruments	14	**574**	366
Loans and advances to customers	15	**30,183**	24,214
Available-for-sale investment securities	17	**10,019**	9,309
Investments in subsidiary undertakings	18	**1,091**	896
Investments in associated undertakings	19	**37**	18
Intangible assets	20	**11**	5
Property, plant and equipment	21	**452**	398
Other assets	22	**279**	309
Total assets		**50,057**	41,724
LIABILITIES			
Due to other banks	23	**11,550**	10,623
Derivative financial instruments	14	**734**	742
Due to customers	24	**30,363**	24,660
Other borrowed funds	25	**3,515**	2,031
Other liabilities	26	**733**	552
Total liabilities		**46,895**	38,608
EQUITY			
Share capital	28	**1,243**	1,047
Share premium	28	**183**	482
Other reserves		**950**	825
Ordinary shareholders' equity		**2,376**	2,354
Hybrid capital	29	**786**	762
Total		**3,162**	3,116
Total equity and liabilities		**50,057**	41,724

Notes on pages 8 to 35 form an integral part of these financial statements

Statement of Changes in Equity
for the year ended 31 December 2006

	Note	Attributable to ordinary shareholders of the Bank						
		Share capital € million	Share premium € million	Special reserves € million	Retained earnings € million	Total € million	Hybrid capital € million	Total € million
Balance at 1 January 2005		926	502	598	(29)	1,997	-	1,997
Cash flow hedges								
- net changes in fair value, net of tax		-	-	(2)	-	(2)	-	(2)
- transfer to net profit, net of tax		-	-	10	-	10	-	10
Available-for-sale securities								
- net changes in fair value, net of tax		-	-	166	-	166	-	166
- transfer to net profit, net of tax		-	-	(102)	-	(102)	-	(102)
- net changes in fair value, net of tax - associated undertakings		-	-	(7)	-	(7)	-	(7)
Net income/(expense) recognised directly in equity		-	-	65	-	65	-	65
Profit for the year		-	-	-	434	434	-	434
Total recognised income for the year ended 31 December 2005		-	-	65	434	499	-	499
Capitalisation of reserves		15	-	(15)	-	-	-	-
Legal mergers		112	20	-	10	142	-	142
Issue of hybrid capital		-	-	-	-	-	791	791
Purchase of hybrid capital		-	-	-	-	-	(29)	(29)
Dividend for 2004		-	-	-	(132)	(132)	-	(132)
Interim dividend for 2005		-	-	-	(115)	(115)	-	(115)
Purchase of treasury shares		(14)	(88)	-	-	(102)	-	(102)
Sale of treasury shares		8	48	6	-	62	-	62
Own shares dividend		-	-	-	0	0	-	0
Reserve transfers		-	-	239	(239)	-	-	-
Employee share option scheme:								
- Value of employee services		-	-	3	-	3	-	3
- Share capital increase due to share options exercised		0	0	-	-	0	-	0
		121	(20)	233	(476)	(142)	762	620
Balance at 31 December 2005		1,047	482	896	(71)	2,354	762	3,116
Balance at 1 January 2006		1,047	482	896	(71)	2,354	762	3,116
Cash flow hedges								
- net changes in fair value, net of tax		-	-	19	-	19	-	19
- transfer to net profit, net of tax		-	-	(6)	-	(6)	-	(6)
Available-for-sale securities								
- net changes in fair value, net of tax		-	-	(131)	-	(131)	-	(131)
- transfer to net profit, net of tax		-	-	107	-	107	-	107
Net income/(expense) recognised directly in equity		-	-	(11)	-	(11)	-	(11)
Profit for the year		-	-	-	475	475	-	475
Total recognised income for the year ended 31 December 2006		-	-	(11)	475	464	-	464
Issue of bonus shares by capitalisation of share premium		210	(210)	-	-	-	-	-
Expenses related to the issue of bonus shares		-	(3)	-	-	(3)	-	(3)
Distribution of free shares to executive directors, management and staff		2	19	-	-	21	-	21
Legal mergers		-	-	(56)	54	(2)	-	(2)
Purchase of hybrid capital		-	-	-	-	-	(28)	(28)
Sale of hybrid capital		-	-	-	(2)	(2)	52	50
Hybrid capital's dividend paid		-	-	-	(41)	(41)	-	(41)
Dividend for 2005	41	-	-	-	(171)	(171)	-	(171)
Interim dividend for 2006	41	-	-	-	(136)	(136)	-	(136)
Purchase of treasury shares		(23)	(145)	-	-	(168)	-	(168)
Sale of treasury shares		7	40	7	-	54	-	54
Reserve transfers	31	-	-	(71)	71	-	-	-
Employee share option scheme:								
- Value of employee services		-	-	6	-	6	-	6
- Share capital increase due to share options exercised		0	0	-	-	0	-	0
		196	(299)	(114)	(225)	(442)	24	(418)
Balance at 31 December 2006		**1,243**	**183**	**771**	**179**	**2,376**	**786**	**3,162**
		Note 28	Note 28	Note 31			Note 29	

Notes on pages 8 to 35 form an integral part of these financial statements

Cash Flow Statement
for the year ended 31 December 2006

	Note	Year ended 31 December 2006 € million	2005 € million
Cash flows from operating activities			
Interest received and net trading receipts		**2,988**	1,894
Interest paid		**(1,899)**	(989)
Fees and commissions received		**314**	292
Fees and commissions paid		**(109)**	(121)
Dividends received		**1**	-
Other income received		**2**	12
Cash payments to employees and suppliers		**(577)**	(482)
Income taxes paid		**(137)**	(105)
Cash flows from operating profits before changes in operating assets and liabilities		**583**	501
Changes in operating assets and liabilities			
Net (increase)/decrease in cash and balances with central bank		**(69)**	(50)
Net (increase)/decrease in financial instruments at fair-value-through-profit-or-loss		**134**	1,177
Net (increase)/decrease in loans and advances to banks		**(495)**	(769)
Net (increase)/decrease in loans and advances to customers		**(6,046)**	(4,284)
Net (increase)/decrease in other assets		**357**	16
Net increase/(decrease) in due to other banks		**922**	5,287
Net increase/(decrease) in due to customers		**5,593**	2,943
Net increase/(decrease) in other liabilities		**62**	(148)
Net cash from operating activities		**1,041**	4,673
Cash flows from investing activities			
Purchases of property, plant and equipment		**(106)**	(40)
Proceeds from sale of property, plant and equipment		**16**	0
Purchases of available-for-sale investment securities	17	**(5,521)**	(6,624)
Proceeds from sale of available-for-sale investment securities	17	**4,490**	2,726
Acquisition of subsidiary undertakings		**(275)**	(356)
Proceeds from sale/liquidation of subsidiary undertakings		**35**	-
Acquisition of associated undertakings		**0**	54
Participation in capital increase of associated undertakings		**(13)**	(1)
Proceeds from sale of associated undertakings		**0**	4
Dividends from investment securities, subsidiary and associated undertakings		**46**	33
Net cash from investing activities		**(1,328)**	(4,204)
Cash flows from financing activities			
Proceeds from other borrowed funds		**2,000**	1,482
Repayments of other borrowed funds		**(530)**	(162)
Proceeds from exercise of options		**0**	0
Proceeds from the issue of hybrid capital	29	**-**	791
Purchases of hybrid capital	29	**(28)**	(29)
Proceeds from sale of hybrid capital	29	**52**	-
Hybrid capital's dividend paid		**(41)**	-
Dividends paid	41	**(304)**	(242)
Issue of share capital		**(3)**	-
Purchases of treasury shares		**(168)**	(103)
Proceeds from sale of treasury shares		**54**	62
Net cash from financing activities		**1,032**	1,799
Net increase/(decrease) in cash and cash equivalents		**745**	2,268
Cash and cash equivalents at beginning of year	11	**4,090**	1,822
Cash and cash equivalents at end of year	11	**4,835**	4,090

Notes on pages 8 to 35 form an integral part of these financial statements

1. General information

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

These financial statements were approved by the Board of Directors on 26 February 2007.

2. Principal accounting policies

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

(a) Basis of preparation

The financial statements of the Bank have been prepared in accordance with both International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards issued by the IASB and in particular with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements.

These financial statements are the separate statements of the Bank prepared in accordance with the requirements of Capital Market Commission. The Bank prepares also consolidated financial statements which include the financial statements of the Bank and its subsidiaries.

The policies set out below have been consistently applied to the years 2005 and 2006. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

The Bank intends to adopt IFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures from the accounting period beginning on 1 January 2007.

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

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

The Bank's presentation currency is the Euro (€) being the functional currency of the Bank. Except as indicated, financial information presented in euro has been rounded to the nearest million.

(b) Investments in subsidiaries, associated undertakings and joint ventures

In these separate financial statements of the Bank, the investments in subsidiaries, associated undertakings and joint ventures are accounted at cost net of any impairment losses.

(c) Foreign currencies

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

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

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

(d) Derivative financial instruments and hedging

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

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

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

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

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

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

2. Principal accounting policies (continued)

(d) Derivative financial instruments and hedging (continued)

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

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

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

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

The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 14.

(e) Offsetting financial instruments

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

(f) Income statement

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

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

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

(g) Property, plant and equipment

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

Depreciation is calculated on the straight-line method to write down the cost of property, plant and equipment, to their residual values over their estimated useful life as follows:
- Land: No depreciation
- Freehold buildings: 40-50 years
- Leasehold improvements: over the life of the lease contract or useful life if shorter
- Computer hardware and software: 4-10 years
- Other furniture and equipment: 4-20 years
- Motor vehicles: 5-7 years

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

(h) Intangible assets

Costs associated with the maintenance of existing computer software programmes are expensed as incurred. Development costs associated with the production of identifiable and unique products controlled by the Bank, that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets and are amortised using the straight-line method over 4 years except for core systems whose useful life may extend up to 10 years.

(i) Financial Assets

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

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

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

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

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

2. Principal accounting policies (continued)

(i) Financial Assets (continued)

(v) Accounting treatment and calculation

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

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

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

(j) Impairment of financial assets

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

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

(i) Assets carried at amortised cost

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

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

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

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

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

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

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

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

2. Principal accounting policies (continued)

(j) Impairment of financial assets (continued)

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

(k) Sale and repurchase agreements and securities lending

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

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

(l) Borrowings

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

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

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

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

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

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

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

(n) Leases

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

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

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

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

(o) Deferred income tax

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

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

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

2. Principal accounting policies (continued)

(p) Employee benefits

(i) Pension obligations

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

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

(ii) Standard legal staff retirement indemnity obligations (SLSRI)

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

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

(iii) Performance-based cash payments

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

(iv) Performance-based share-based payments

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

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

(q) Repossessed properties

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

(r) Related party transactions

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

(s) Provisions

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

(t) Share Capital

Ordinary shares are classified as equity.

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

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

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

(u) Hybrid capital

Callable non-voting hybrid capital, which has no fixed redemption date and pays non-cumulative dividend is classified as equity.

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

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

(v) Derecognition

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

(w) Securitisations

The Bank securitises various financial assets, which generally results in the sale of the assets to special purpose entities, which, in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of subordinated tranches or other residual interests.

2. Principal accounting policies (continued)

(x) Cash and cash equivalents

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

3. Critical accounting estimates and judgements in applying accounting policies

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

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

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

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

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

4. Financial risk management

4.1 Use of financial instruments

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

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

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

Fair value hedges
The Bank hedges a proportion of its existing interest rate risk resulting from any potential decrease in the fair value of fixed rate available-for-sale bonds and any potential increase in the fair value of deposits denominated both in local and foreign currencies using interest rate and cross currency interest rate swaps. The net fair value of these swaps at 31 December 2006 was € 120 million liability (31 December 2005: € 350 million liability) (note 14).

Cash flow hedges
The Bank hedges a proportion of its existing interest rate risk resulting from any cash flow variability associated with future interest rate changes on variable rate assets or liabilities or unrecognised highly probable forecast transactions using interest rate swaps. The net fair value of these swaps at 31 December 2006 was € 8 million liability (31 December 2005: € 17 million liability) (note 14).

4.2 Financial risk factors

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

4.2.1 Credit risk

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

4. Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

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

The Bank is active in the corporate and retail lending markets. Credit risk is well spread over a diversity of personal and commercial customers. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing the lending limits where appropriate. The Bank reduces its credit risk associated with loans and advances to customers by entering into collateralised arrangements. The types of collateral that the Bank obtains are cash deposits and other cash equivalents, real estate, receivables, securities, vessels and bank guarantees. The value of collateral that the Bank has as at 31 December 2006 amounts to 28% (31 December 2005: 30%) of the total aggregate amount of the gross loans and advances to customers.

Economic sector risk concentrations within the Bank's customer loan portfolio are analysed in note 15.

(a) Derivatives

The Bank maintains control limits on net open derivative positions i.e., the difference between purchase and sale contracts, by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (i.e., derivatives with a positive fair value) which in relation to derivatives in only a small proportion of the contract notional amount used to express the volume of instruments outstanding. The credit risk exposure is managed as part of the overall lending limits with customers together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties. Further details of the Bank's derivative instruments are provided in note 14.

(b) Master netting arrangements

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

(c) Credit related commitments

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

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

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

An analysis of the geographical concentration of assets, liabilities and off-balance sheet items to illustrate the concentrations of credit risk in relation to geographical areas is shown in note 32.

Geographical sector risk concentrations within the Bank's customer loan portfolio are analysed in note 15.

4.2.2 Market risk

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

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

Since VaR constitutes an integral part of the Bank's market risk control regime, VaR limits have been established for all (trading and banking book) operations and actual exposure is reviewed daily by Management. The average daily VaR for the Bank during the year ended 31 December 2006 for a one day holding period was € 12.9 million. The average daily VaR for the Bank during the year ended 31 December 2005 for one day holding period was € 8.3 million. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

(a) Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The ERC sets limits on the level of exposures which are monitored daily. The table in note 35 summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2006 and 31 December 2005. Included in the table are the Bank's assets and liabilities at carrying amounts categorised by currency.

(b) Interest rate risk

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

The table in note 36 summarises the Bank's exposure to interest rate risk. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

The yearly average effective interest rates for monetary financial instruments are summarised in note 36.

4. Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.3 Liquidity risk

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

The table in note 37 analyses the Bank's assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

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

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

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

4.3 Fair values of financial assets and liabilities

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

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

a) financial assets at fair-value-through-profit-or-loss, derivatives and other transactions undertaken for trading purposes as well as treasury bills, available-for-sale securities and assets and liabilities designated at fair-value-through-profit-or-loss are measured at fair value (see notes 13, 14, 17, 24, 25 and 26) by reference to quoted market prices when available. If quoted market prices are not available, then the fair values are estimated using valuation techniques based on observable market data.

b) substantially all of the Bank's other financial assets and liabilities are at floating rates of interest, which re-price at frequent intervals. Therefore the Bank has no significant exposure to fair value fluctuations and the carrying value of the financial assets and liabilities is substantially equivalent to their fair values, unless otherwise stated.

4.4 Fiduciary activities

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

5. Net interest income

	2006 € million	2005 € million
Interest income		
Banks and customers	**3,203**	2,267
Trading securities	**65**	27
Other securities	**406**	271
Total interest income	**3,674**	2,565
Interest expense		
Banks and customers	**(2,306)**	(1,395)
Other borrowed funds	**(86)**	(26)
Total interest expense	**(2,392)**	(1,421)
Net interest income	**1,282**	1,144

Derivative financial instruments contribute €1,103 million (2005: € 644 million) to interest income and € 1,159 million (2005: €705 million) to interest expense.

6. Operating expenses

	2006 € million	2005 € million
Staff costs (note 7)	**391**	320
Administrative expenses	**194**	154
Amortisation and impairment of intangible assets (note 20)	**2**	0
Depreciation and impairment of property, plant and equipment (note 21)	**54**	63
Operating lease rentals	**51**	38
	692	575

7. Staff costs

	2006 € million	2005 € million
Wages, salaries and staff bonuses	**273**	217
Social security costs	**55**	51
Additional pension and other post employment costs	**23**	11
Other	**40**	41
	391	320

The average number of employees of the Bank during the year was 7,638 (2005: 6,924).

8. Income tax expense

	2006 € million	2005 € million
Current tax	**158**	139
Deferred tax (note 9)	**11**	(12)
Total tax charge	**169**	127

The Greek corporate rate of tax in 2006 is 29% (2005: 32%). In accordance with special incentives for mergers, the Bank's tax rate for 2006 is 24% (2005: 27%). The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2006 € million	2005 € million
Profit before tax	**644**	561
Tax at the applicable tax rates of 29% (2005: 32%)	**187**	180
Tax effect of:		
- Bank's benefit from reduced tax rate in 2006 of 24% (2005: 27%)	**(32)**	(27)
- income and expenses not subject to tax	**(40)**	(30)
- other	**11**	4
	126	127
- one-off taxation on non-taxed reserves (see below)	**43**	-
Income tax expense	**169**	127

Following L.3513 that was enacted in November 2006, the non-taxed reserves of the Bank that had been accounted for and presented in the financial statements for the year ended 31 December 2005, which would be taxable on distribution and which have not been distributed or capitalised, were subject to one-off taxation at a rate of 10% or 15% based on the tax status of the respective reserves. As a result the Bank paid the amount of € 43.3 million, accompanied by a specific statement questioning the proper applicability of the law on legal grounds. The resolution of the legal dispute is expected to be lengthy.

9. Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method using the expected effective tax rate of 25% (2005: 25%).

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

	2006 € million	2005 € million
At 1 January	**86**	65
Income statement credit / (charge)	**(11)**	12
Available for sale securities:		
- fair value measurement (note 17)	**74**	(11)
- transfer to net profit (note 17)	**(7)**	19
- fair value hedges (note 17)	**(46)**	(6)
Cash flow hedges	**(4)**	(3)
Other	**-**	10
At 31 December	**92**	86

9. Deferred income taxes (continued)

Deferred income tax assets are attributable to the following items:

	2006 € million	2005 € million
Valuation temporary differences accounted directly to special reserves	**(15)**	(35)
Valuation temporary differences accounted through the income statement	**13**	12
Cash flow hedges	**(5)**	(1)
Fixed assets temporary differences	**6**	13
Pensions and other post retirement benefits	**24**	26
Loan impairment	**54**	68
Other temporary differences	**15**	3
Deferred income tax assets (note 22)	**92**	86

The deferred income tax (credit) / charge in the income statement comprises the following temporary differences:

	2006 € million	2005 € million
Valuation temporary differences	**(1)**	6
Fixed assets temporary differences	**7**	(43)
Pensions and other post retirement benefits	**2**	11
Loan impairment	**14**	16
Other temporary differences	**(11)**	(2)
Deferred income tax (credit) / charge	**11**	(12)

10. Cash and balances with central bank

	2006 € million	2005 € million
Cash in hand	**395**	285
Balances with central bank	**1,246**	822
	1,641	1,107
of which:		
Mandatory deposits with central bank	**443**	374

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

11. Cash and cash equivalents

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

	2006 € million	2005 € million
Cash and balances with central bank	**1,198**	733
Loans and advances to banks	**3,595**	3,158
Financial instruments at fair-value-through-profit-or-loss	**42**	199
	4,835	4,090

12. Loans and advances to banks

	2006 € million	2005 € million
Items in course of collection from other banks	**1,143**	724
Placements with other banks	**4,053**	3,514
	5,196	4,238
Included in loans and advances to banks are unsubordinated amounts due from:		
- subsidiary undertakings	**2,610**	1,395
- settlement balances with banks	**152**	1,115
- pledged deposits with banks	**553**	606
Included in loans and advances to banks are subordinated amounts due from:		
- subsidiary undertakings	**70**	70

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

	2006 € million	2005 € million
Trading portfolio		
Issued by public bodies:		
- government	**159**	609
	159	609
Issued by other issuers:		
- banks	**56**	55
- other	**298**	200
	354	255
Total trading portfolio	**513**	864
Other financial assets at fair-value-through-profit-or-loss	**61**	-
Total	**574**	864
Equity securities	**10**	43
Treasury bills	**20**	290
Other debt securities	**483**	531
Other financial assets at fair-value-through-profit-or-loss	**61**	-
	574	864
Pledged with central bank	**101**	526

14. Derivative financial instruments

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

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

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

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

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

	31 December 2006			31 December 2005		
	Contract/ notional amount	Fair values Assets	Fair values Liabilities	Contract/ notional amount	Fair values Assets	Fair values Liabilities
	€ million	€ million	€ million	€ million	€ million	€ million
Derivatives held for trading						
OTC currency derivatives						
- Currency forwards	1,226	22	19	501	13	11
- Currency swaps	2,358	38	26	4,391	44	36
- OTC currency options bought and sold	1,870	22	21	3,656	66	61
		82	66		123	108
OTC interest rate derivatives						
- Interest rate swaps	25,343	376	356	12,333	193	216
- Cross-currency interest rate swaps	838	18	79	672	28	27
- Forward Rate Agreements	4,465	1	1	-	-	-
- OTC interest rate options	14,131	26	33	1,121	0	0
		421	469		221	243
Exchange traded interest rate futures	657	2	2	1,798	1	1
Exchange traded interest rate options	982	1	(0)	2,954	3	5
		424	471		225	249
Other derivatives						
OTC index options bought and sold	25	4	4	80	9	8
Forward security contracts	4	0	0	458	0	1
Other derivative contracts (see below)	406	1	2	625	-	1
		5	6		9	10
Total derivative assets/liabilities held for trading		511	543		358	367
Derivatives designated as fair value hedges						
Interest rate swaps	3,894	51	169	5,359	7	334
Cross-currency interest rate swaps	129	5	7	152	-	23
		56	176		7	357
Derivatives designated as cash flow hedges						
Interest rate swaps	1,615	7	15	690	1	18
Total derivatives assets/liabilities used for hedging purposes		63	191		8	375
Total derivatives assets / liabilities		574	734		366	742

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

15. Loans and advances to customers

	2006 € million	2005 € million
Lending to medium size and large corporate entities	**10,806**	8,843
Consumer lending	**7,122**	6,164
Mortgage lending	**7,935**	6,043
Small business lending	**5,069**	3,847
Gross loans and advances to customers	**30,932**	24,897
Less: Provision for impairment losses (note 16)	**(749)**	(683)
	30,183	24,214

The loans and advances to customers include the following amounts:		
- due from subsidiary undertakings	**2,024**	1,174
- due from associated undertakings, unsubordinated	**0**	8
- securitised loans	**5,542**	2,293

Loans and advances to customers include securitised assets from special purpose vehicles on behalf of the Bank. Analysis of Bank's securitisation is presented in note 25.

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

	2006 %	2005 %
Commerce and services	35	34
Private individuals	48	49
Manufacturing	10	10
Shipping	1	2
Construction	2	2
Other	4	3
	100	100

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

	2006 %	2005 %
Greece	**97**	99
Other countries	**3**	1
	100	100

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

	2006 € million	2005 € million
Balance at 1 January	**683**	557
Impairment losses on loans and advances charged in the year	**308**	289
Amounts recovered during the year	**15**	25
Loans written off during the year as uncollectible	**(257)**	(188)
Balance at 31 December	**749**	683

17. Available-for-sale investment securities

	2006 € million	2005 € million
Issued by public bodies:		
- government	**7,006**	7,978
- other	**18**	-
	7,024	7,978
Issued by other issuers:		
- banks	**435**	71
- other	**2,560**	1,260
	2,995	1,331
Total	**10,019**	9,309
Listed	**9,306**	9,025
Unlisted	**713**	284
	10,019	9,309
Equity	**389**	340
Debt	**9,630**	8,969
	10,019	9,309
Unamortised discounts and premiums included above	**45**	168
Pledged securities with stock market clearing houses	**7**	1
Credit facility with central bank secured by the above	**2,296**	546

	2006 € million	2005 € million
The movement in the account is as follows:		
Net book value at 1 January	**9,309**	4,976
Arising from legal mergers	**6**	114
Exchange adjustments	**(121)**	95
Additions	**5,521**	6,624
Disposals and redemptions	**(4,490)**	(2,726)
Amortisation of discounts / premiums and interest	**(1)**	49
Net gains / (losses) from changes in fair value for the year	**(205)**	177
Net book value at 31 December	**10,019**	9,309

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

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

	2006 € million	2005 € million
At 1 January	**164**	100
Net gains / (losses) from changes in fair value	**(205)**	177
Deferred income taxes	**74**	(11)
	(131)	166
Net (gains) / losses transferred to net profit on disposal	**(37)**	(114)
Impairment losses transferred to net profit	**13**	13
Deferred income taxes	**(7)**	19
	(31)	(82)
Net losses / (gains) transferred to net profit from fair value hedges	**184**	(14)
Deferred income taxes	**(46)**	(6)
	138	(20)
Balance at 31 December	**140**	164

18. Investments in subsidiary undertakings

The following is a listing of the Bank's subsidiaries at 31 December 2006:

Name	Note	Percentage Holding	Country of incorporation	Line of business
EFG Business Services S.A.		100.00	Greece	Payroll and advisory services
EFG Eurobank Asset Management Company S.A.		100.00	Greece	Asset management
EFG Eurobank Ergasias Leasing S.A.		100.00	Greece	Leasing
EFG Eurobank Securities S.A.		100.00	Greece	Capital markets and investment services
EFG Eurolife General Insurance S.A.		100.00	Greece	Insurance services
EFG Eurolife Life Insurance S.A.		100.00	Greece	Insurance services
EFG Factors S.A.		100.00	Greece	Factoring
EFG Insurance Services S.A.		95.00	Greece	Insurance brokerage
EFG Internet Services S.A.		100.00	Greece	Internet and electronic banking
EFG Mutual Funds Management Company S.A.	b	100.00	Greece	Mutual fund management
EFG Telesis Finance S.A.		100.00	Greece	Investment banking
Eurobank Cards S.A.		100.00	Greece	Credit card management
Eurobank Fin and Rent S.A. (*)	g	25.00	Greece	Vehicle leasing and rental
Eurobank Properties R.E.I.C.	d	54.88	Greece	Investment Services
Eurobank Property Services S.A.		100.00	Greece	Real estate services
Financial Planning Services S.A.	f	100.00	Greece	Receivables collection
Global Fund Management S.A.	c	62.50	Greece	Investment advisors
Be-Business Exchanges S.A.		71.04	Greece	Business-to business e-commerce
Bulgarian Post Bank A.D.	h	75.33	Bulgaria	Banking
EFG Leasing E.A.D.		100.00	Bulgaria	Leasing
EFG Property Services Sofia A.D.		80.00	Bulgaria	Real estate services
EFG Hellas (Cayman Islands) Ltd		100.00	Cayman Islands	Special purpose financing vehicle
GFM Levant Capital (Cayman) Ltd	i	72.50	Cayman Islands	Fund management
Berberis Investments Limited		99.99	Channel Islands	Holding company
EFG Hellas Funding Limited		100.00	Channel Islands	Special purpose financing vehicle
CEH Balkan Holdings Ltd		100.00	Cyprus	Holding company
EFG Private Bank (Luxembourg) S.A.		100.00	Luxembourg	Banking
Eurobank EFG Fund Management Company (Luxembourg) S.A.	k	100.00	Luxembourg	Fund management
Eurobank EFG Holding (Luxembourg) S.A.	l	99.00	Luxembourg	Holding company
EFG New Europe Funding B.V.	m	100.00	Netherlands	Finance company
Polbank Dystrybucja Sp. z o.o.	n	100.00	Poland	Sundry services
Bancpost S.A.	o	77.56	Romania	Banking
EFG Eurobank Finance S.A.		100.00	Romania	Investment banking
EFG Eurobank Leasing S.A.		99.92	Romania	Leasing
EFG Eurobank Mutual Funds Management Romania S.A.I. S.A.		81.00	Romania	Mutual fund management
EFG Eurobank Property Services S.A.		80.00	Romania	Real estate services
EFG IT Shared Services S.A.	p	99.25	Romania	Informatics data processing
EFG Leasing A.D. Beograd	s	51.14	Serbia	Leasing
EFG Property Services D.o.o. Beograd		80.00	Serbia	Real estate services
Eurobank EFG Stedionica A.D. Beograd	r	94.48	Serbia	Banking
EFG Istanbul Holding A.S.		100.00	Turkey	Holding company
Anaptyxi 2006-1 Plc.	v	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi APC Ltd.	v	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi Holdings Ltd	v	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi Options Ltd	v	-	United Kingdom	Special purpose financing vehicle (SIC 12)
EFG Hellas Plc.		99.99	United Kingdom	Special purpose financing vehicle
Karta 2005 -1 Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Karta APC Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Karta Holdings Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Karta LNI 1 Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Karta Options Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion II Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion III Mortgage Finance Plc	u	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion III Holdings Limited	u	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Eurobank EFG Ukraine Distribution LLC	x	100.00	Ukraine	Sundry services

(*) indirect participation 75%

(a) Hellas on Line S.A.

In January 2006, the Bank disposed of its 100% holding in Hellas on Line S.A. The subsidiary was sold for a defined consideration of € 19 million plus consideration contingent on future services. The initial gain on disposal of € 11.7 million excludes the contingent consideration and is included in other operating income. The net cash inflow on disposal was € 18.1 million.

(b) EFG Mutual Funds Management Company S.A.

In January 2006, the Bank increased its direct participation in EFG Mutual Funds Management Company S.A. to 100% from 50%.

(c) Global Fund Management S.A.

In March 2006, the Bank increased its shareholding in Global Fund Management S.A. to 62.5% from 15%; the investment has been transferred from associated undertakings to subsidiary undertakings.

18. Investments in subsidiary undertakings (continued)

(d) Eurobank Properties R.E.I.C.
Following an initial public offering of 7.3% (1,780,000) existing shares and 22.58% (5,510,066) new shares, the shares of Eurobank Properties R.E.I.C. were listed in April 2006 on the Athens Stock Exchange and the Bank's shareholding was reduced to 54.88% from 70.88%.

(e) Intertrust Mutual Funds Co. S.A.
The absorption by the Bank of its 100% subsidiary Intertrust Mutual Funds Co. S.A., approved in November 2005, was completed on 11 April 2006.

(f) Financial Planning Services S.A.
In July 2006, the Bank established, as a 100% subsidiary, Financial Planning Services S.A., a receivables collection company operating in Greece.

(g) Eurobank Fin and Rent S.A. (formerly Autorental S.A.)
In August 2006, Autorental S.A. changed its name to Eurobank Fin and Rent S.A.

(h) Bulgarian Post Bank A.D., Sofia
In February 2006, the Bank participated in the share capital increase of Bulgarian Post Bank A.D. and its shareholding increased to 75.33% from 53.38%.

(i) GFM Levant Capital (Cayman) Ltd
In June 2006, the Bank established GFM Levant Capital (Cayman) Ltd, a fund management company operating in Cayman Islands. The shareholding in the company is at 72.50%.

(j) EFG Eurobank Ergasias International (C.I.) Ltd, Channel Islands
In December 2006, the liquidation of the 100% subsidiary EFG Eurobank Ergasias International (C.I.) Ltd was completed. The net cash inflow from the liquidation was € 16.8 million.

(k) Eurobank EFG Fund Management Company (Luxembourg) S.A.
In April 2006, the Bank established, as a 100% subsidiary, Eurobank EFG Fund Management Company (Luxembourg) S.A., a fund management company operating in Luxembourg.

(l) Eurobank EFG Holding (Luxembourg) S.A.
In July 2006, the Bank established, as a 99% subsidiary, Eurobank EFG Holding (Luxembourg) S.A., a holding company based in Luxembourg.

(m) EFG New Europe Funding B.V., Amsterdam
In October 2006, the Bank established, as a 100% subsidiary, EFG New Europe Funding B.V., a finance company based in the Netherlands.

(n) Polbank Dystrybucja Sp. z o.o., Warsaw (formerly EFG Express Kredit Spolca Z Organiczona Odpowiedzialnocia) and Branches in Poland
In March 2006, EFG Express Kredit Spolca Z Organiczona Odpowiedzialnocia changed its name to Polbank Dystrybucja Sp. z o.o. The Bank commenced operations in Poland in February 2006 through its branches under the brand name Polbank EFG.

(o) Bancpost S.A., Bucharest
In February 2006, the share capital increase of Bancpost S.A. was finalised and the Bank's shareholding increased to 77.56% from 77.31%.

(p) EFG IT Shared Services S.A., Bucharest
In August 2006, the Bank established, as a 99.25% subsidiary, EFG IT Shared Services S.A., an informatics data processing company operating in Romania.

(q) Nacionalna Stedionica Banka A.D., Beograd
In March 2006, the Bank increased its shareholding in Nacionalna Stedionica Banka A.D., Beograd to 90.32% from 52.54% and in June 2006 to 93.52%. In October 2006, the company was absorbed by EFG Eurobank A.D. Beograd (see below).

(r) Eurobank EFG Stedionica A.D. Beograd (former EFG Eurobank A.D. Beograd)
In June 2006, the Bank participated in the share capital increase of EFG Eurobank A.D. Beograd and its shareholding increased to 98.85% from 97.99%. In September 2006, the Bank participated partially in an additional share capital increase of EFG Eurobank A.D. Beograd and its direct shareholding decreased to 94.31%.

In October 2006, the absorption of Nacionalna Stedionica Banka A.D. by EFG Eurobank A.D. Beograd with a local reference date 30 June 2006, was completed. The merged entity changed its name to Eurobank EFG Stedionica A.D. Beograd. In December 2006 the Bank participated in a share capital increase and its shareholding increased to 94.48%.

(s) EFG Leasing A.D., Beograd
In June 2006, the Bank established, as a 51.14% subsidiary, EFG Leasing A.D., Beograd, a leasing company operating in Serbia.

(t) Tekfenbank A.S., Istanbul
In May 2006, the Bank announced the agreement for the acquisition of 70% of the share capital of Tekfenbank A.S., which operates in Turkey. Closing of the transaction is subject to regulatory approvals and is expected to occur in the first quarter of 2007.

(u) Themeleion III, UK
In June 2006, the Bank established Themeleion III Mortgage Finance Plc and Themeleion III Holdings Ltd, special purpose entities, as part of the third securitisation of mortgage loans.

(v) Anaptyxi, UK
In September 2006, the Bank established Anaptyxi Holdings Ltd, Anaptyxi 2006-1 plc, Anaptyxi APC Ltd and Anaptyxi Options Ltd, special purpose entities, as part of the securitisation of small business banking loans.

(w) Universal Bank OJSC, Kiev
In July 2006, the Bank reached an agreement to acquire 99.3% participation in Universal Bank OJSC, a bank which operates in Ukraine. Closing of the transaction is subject to regulatory approvals and is expected to occur in the first quarter of 2007.

(x) Eurobank EFG Ukraine Distribution LLC, Kiev
In November 2006, the Bank established, as a 100% subsidiary, Eurobank EFG Ukraine Distribution LLC, a company providing sundry services based in Ukraine.

19. Investments in associated undertakings

The following is a listing of the Bank's associates and joint ventures as at 31 December 2006:

Name	Notes	Country of Incorporation	Line of business	Percentage Holding	Assets € million	Liabilities € million	Profit / (loss) € million
Cardlink S.A.		Greece	POS administration	50.00	**1**	**1**	**(0)**
Dias S.A.		Greece	Closed-end investment fund	42.04	**87**	**6**	**14**
Sofitel Athens Airport S.A.	b	Greece	Hotelier	50.50	**29**	**22**	**(2)**
Tefin S.A.		Greece	Motor vehicle sales financing	50.00	**7**	**1**	**(2)**
Unitfinance S.A.		Greece	Financing company	40.00	**31**	**25**	**3**
					155	**55**	**13**

As at 31 December 2006, all of the Bank's associates are unlisted except for Dias S.A. (31 December 2005: Dias S.A. and LogicDIS S.A.). The fair value of the investments in the Bank's associates that are listed based on quoted market prices as at 31 December 2006 was€ 30 million (31 December 2005: € 15 million).

Tefin S.A., Cardlink S.A. and Unitfinance S.A are Bank's joint ventures.

(a) Logic Data Information Systems S.A.
In January 2006, the Bank disposed of its 0.57% stake in its associated undertaking, LogicDIS S.A.. The provisional loss on disposal is € 4 million and is included in other operating income.

(b) Sofitel Athens Airport S.A.
In the 3rd quarter of 2006, the Bank increased its shareholding in Sofitel Athens Airport S.A. to 50.50 % from 20.20%. Due to legal restrictions, the Bank does not exercise control over the company and therefore it is accounted for by the equity method.

20. Intangible assets

	2006 € million	2005 € million
Cost:		
Balance at 1 January	6	-
Additions	7	6
Disposals and write - offs	(0)	-
Balance at 31 December	13	6
Accumulated impairment / amortisation:		
Balance at 1 January	(0)	-
Amortisation charge for the year	(2)	(0)
Disposals and write - offs	0	-
Balance at 31 December	(2)	(0)
Net book value at 31 December	11	5

21. Property, plant and equipment

	Land, buildings, leasehold improvements € million	Furniture, equipment motor vehicles € million	Computer hardware, software € million	Investment Property € million	**Total fixed assets € million**
Cost:					
Balance at 1 January 2005	304	95	266	66	**731**
Arising from legal merger	-	0	0	-	**0**
Transfers	-	0	2	(3)	**(1)**
Additions	18	6	21	0	**45**
Disposals and write - offs	(6)	(2)	(4)	-	**(12)**
Impairment	(1)	-	-	(0)	**(1)**
Balance at 31 December 2005	315	99	285	63	**762**
Accumulated depreciation:					
Balance at 1 January 2005	(74)	(63)	(177)	(4)	**(318)**
Arising from legal merger	-	0	0	-	**0**
Transfers	4	1	1	0	**6**
Disposals and write-offs	4	2	4	-	**10**
Charge for the year	(13)	(9)	(40)	(0)	**(62)**
Balance at 31 December 2005	(79)	(69)	(212)	(4)	**(364)**

21. Property, plant and equipment (continued)

	Land, buildings, leasehold improvements € million	Furniture, equipment motor vehicles € million	Computer hardware, software € million	Investment Property € million	Total fixed assets € million
Cost:					
Balance at 1 January 2006	315	99	285	63	**762**
Arising from legal merger	-	0	0	-	**0**
Transfers	(8)	0	1	7	**-**
Additions	48	17	46	4	**115**
Disposals and write - offs	(7)	(3)	(8)	(2)	**(20)**
Impairment	(0)	(0)	-	-	**(0)**
Balance at 31 December 2006	348	113	324	72	**857**
Accumulated depreciation:					
Balance at 1 January 2006	(79)	(69)	(212)	(4)	**(364)**
Arising from legal merger	-	(0)	(0)	-	**(0)**
Transfers	(0)	(0)	0	0	**(0)**
Disposals and write-offs	3	2	8	0	**13**
Charge for the year	(14)	(10)	(30)	(0)	**(54)**
Balance at 31 December 2006	(90)	(77)	(234)	(4)	**(405)**
Net book value at 31 December 2006	258	36	90	68	**452**
Net book value at 31 December 2005	236	30	73	59	**398**

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

Included in the above as at 31 December 2006 is € 42 million (31 December 2005: € 10 million) relating to assets under construction.

Investment property

Investment property is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the straight line method over a period of 40-50 years. The fair value of investment property as at 31 December 2006 was € 104 million (31 December 2005: € 94 million). The fair values are open-market values provided by professionally qualified valuers.

During the year ended 31 December 2006 an amount of € 1.8 million (31 December 2005: € 1.8 million) was recognised as rental income from investment property in non banking services. There were no capital commitments in relation to investment property as at 31 December 2006 (31 December 2005:€ nil).

22. Other assets

	2006 € million	2005 € million
Prepaid expenses and accrued income	**125**	167
Deferred tax asset (note 9)	**92**	86
Repossessed properties	**62**	56
	279	309

23. Due to other banks

	2006 € million	2005 € million
Items in course of collection	**459**	52
Deposits from other banks	**11,091**	10,571
	11,550	10,623
Included in the amounts due to other banks are amounts due to:		
- subsidiary undertakings	**1,086**	114
- fellow subsidiary and associate undertakings	**509**	24
- settlement balances with banks	**162**	1,132

24. Due to customers

	2006 € million	2005 € million
Savings and current accounts	**9,229**	8,743
Term deposits	**21,026**	15,795
Repos	**108**	122
	30,363	24,660
Included in the amounts due to customers are amounts due to:		
- parent undertaking	**52**	1
- subsidiary undertakings	**11,468**	8,588
- fellow subsidiary and associate undertakings	**275**	295

25. Other borrowed funds

Other borrowed funds arisen from the securitization of assets from special purpose vehicles on behalf of the Bank are as follows:

Residential Mortgage Backed Securities (RMBS)

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

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

In June 2006, the Bank proceeded with the third securitisation of mortgage loans through Themeleion III Mortgage Finance Plc, a special purpose entity, which in turn issued residential mortgage backed securities to investors. The total size of the issue amounts to € 1,000 million at an average funding cost of three month Euribor plus 16 basis points for seven years. The transaction has been accounted for as collateralised borrowing. The mortgage loans are retained on the balance sheet and the corresponding liability is included within other borrowed funds.

Credit Card Asset Backed Securities

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

Small Business Loan Asset Backed Securities

In October 2006, the Bank launched the securitisation of part of its portfolio of loans to small business borrowers through the issuance of small business loan asset-backed securities to investors by Anaptyxi 2006-1 PLC, a special purpose entity incorporated in the United Kingdom. The total size of the issue amounts to € 2,250 million, with €1,000 million of the Class A notes having been placed to international investors at par with a coupon of 3-month Euribor plus 0.17%. The Bank retained the remaining €750 million Class A notes and all subordinated notes (€150 million Class B notes, €125 million Class C notes and €225 million Class D notes). The transaction has been accounted for as a collateralised borrowing with the small business loans being retained on the balance sheet and the €1,000 million liability being included within other borrowed funds.

26. Other liabilities

	2006 € million	2005 € million
Current tax liabilities	**(7)**	32
Acquisition obligations	**13**	47
Deferred income and accrued expenses	**90**	68
Standard legal staff retirement indemnity obligations (note 27)	**64**	51
Trading liabilities	**205**	-
Other liabilities	**368**	354
	733	552

27. Standard legal staff retirement indemnity obligations

	2006 € million	2005 € million
Movement in the liability for standard legal staff retirement indemnity obligations		
Liability for staff retirement indemnity obligations at 1 January	**51**	47
Cost for the year (see below)	**16**	4
Benefits paid	**(3)**	(0)
Liability for staff retirement indemnity obligations at 31 December	**64**	51
Amounts recognised in profit or loss		
Current service cost	**4**	2
Interest cost	**2**	2
Additional cost	**8**	0
Actuarial gains / losses	**2**	0
Total, included in staff costs (note 7)	**16**	4

Actuarial assumptions Principal actuarial assumptions (expressed as weighted averages)	2006 %	2005 %
Discount rate	**4.25**	4.50
Future salary increases	**3.50**	4.00
Inflation rate	**2.50**	3.00

28. Share capital, share premium and treasury shares

The par value of the Bank's shares is € 3.30 per share. All shares are fully paid. The movement of share capital, share premium and treasury shares is as follows:

	Ordinary share capital € million	Treasury shares € million	Net € million	Share premium € million	Treasury shares € million	Net € million
At 1 January 2005	**927**	**(1)**	**926**	**503**	**(1)**	**502**
Share capital issued to Greek Progress Fund S.A. shareholders (exchanged for 1:7.9 shares) for fair value of assets acquired and increase of nominal value of shares from €2.95 to €3.26	112	-	112	24	-	24
Reduction of share premium and write off of consolidation difference related to absorption of Greek Progress Fund S.A.	-	-	-	(4)	-	(4)
Capitalisation of fixed assets revaluation reserves for rounding purposes related to the absorption of Greek Progress Fund S.A.	2	-	2	-	-	-
Increase of the nominal value of each ordinary share from €3.26 to € 3.30 by capitalisation of special reserves relating to revaluation of fixed assets.	13	-	13	-	-	-
Share capital increase due to exercise of share options issued to executives directors, managements and staff	0	-	0	0	- -	- 0
Share capital increase expenses due to options exercised	-	-	-	(0)	-	(0)
Purchase of treasury shares	-	(14)	(14)	-	(88)	(88)
Sale of treasury shares	-	8	8	-	48	48
At 31 December 2005	**1,054**	**(7)**	**1,047**	**523**	**(41)**	**482**
At 1 January 2006	**1,054**	**(7)**	**1,047**	**523**	**(41)**	**482**
3 April 2006: - Distribution of free shares to executive directors, management and staff	2	-	2	19	-	19
- Bonus issue of 2 shares for every 10 held	211	(1)	210	(211)	1	(210)
- Expenses related to the above	-	-	-	(3)	-	(3)
17 April 2006: - Cancellation of Treasury shares	(3)	3	-	(15)	15	-
Share capital increase due to exercise of share options issued to executives directors, managements and staff	0	-	0	0	- -	- 0
Purchase of treasury shares	-	(23)	(23)	-	(145)	(145)
Sale of treasury shares (see below)	-	7	7	-	40	40
At 31 December 2006	**1,264**	**(21)**	**1,243**	**313**	**(130)**	**183**

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

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

	Number of shares		
	Issued	Treasury shares	Net
At 1 January 2005	**314,009,537**	**(92,739)**	**313,916,798**
Share capital issued to Greek Progress Fund S.A. shareholders (exchanged for 1:7.9 shares) for fair value of assets acquired	5,264,571	-	5,264,571
Share capital increase due to exercise of share options issued to executives directors, management and staff	47,343	-	47,343
Purchase of treasury shares	-	(4,092,785)	(4,092,785)
Sale of treasury shares	-	2,300,000	2,300,000
At 31 December 2005	**319,321,451**	**(1,885,524)**	**317,435,927**
At 1 January 2006	**319,321,451**	**(1,885,524)**	**317,435,927**
3 April 2006:			
- Distribution of free shares to executive directors, management and staff	655,000	-	655,000
- Bonus issue of 2 shares for every 10 held	63,995,291	(471,295)	63,523,996
17 April 2006:			
- Cancellation of Treasury shares	(786,000)	786,000	-
Share capital increase due to exercise of share options issued to executives directors, management and staff	2,366	-	2,366
Purchase of treasury shares	-	(6,836,045)	(6,836,045)
Sale of treasury shares (see below)	-	2,000,000	2,000,000
At 31 December 2006	**383,188,108**	**(6,406,864)**	**376,781,244**

The sale of 2,000,000 treasury shares was part of the agreed consideration for the acquisition of DZI Bank by Eurobank EFG Holding (Luxembourg) S.A. .

Post Balance sheet event

- On 6 February 2007, the Board of Directors decided to propose to the Annual General Meeting to adjust the par value of the ordinary shares from € 3.30 to € 2.75 and distribute 2 bonus shares for every 10 held.
- On 23 February 2007, the Bank sold 7,451,005 treasury shares at a price of € 29.40 per share.

Treasury shares special scheme

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

In April 2006, the Annual General Meeting approved the renewal of the treasury shares special scheme for one year within the price range of € 5.00 to € 33.33 per share for a total of up to 5% of the Bank's shares.

29. Hybrid capital

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

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

29. Hybrid capital (continued)

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

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

The movement of hybrid capital issued by the Bank through the Special Purpose Entity, EFG Hellas Funding Limited, is as follows:

	Series A € million	Series B € million	Series C € million	Total € million
At 1 January 2006	178	397	187	762
Purchase of hybrid capital	(19)	(4)	(5)	(28)
Sale of hybrid capital	35	3	14	52
At 31 December 2006	**194**	**396**	**196**	**786**

As at 31 December 2006, the dividend attributable to hybrid capital holders amounts to € 43 million (31 December 2005: € 14 million).

30. Share options

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

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

	31 December 2006		31 December 2005	
	Exercise price in € per share	Number of share options	Exercise price in € per share	Number of share options
At 1 January	**17.98**	**1,527,455**	7.76	89,522
Adjustment for corporate actions				
2005	**-**	**-**	5.99	67
2006	**4.68**	**75**	5.50	3
2007	**7.64**	**354**	8.98	107
2010	**15.32**	**266,776**	-	-
Granted	**15.00**	**1,200,000**	18.00	1,525,000
Exercised	**7.64**	**(2,366)**	8.89	(47,343)
Expired and cancelled	**4.68**	**(510)**	5.99	(39,901)
Balance at 31 December and average exercise price per share	**15.19**	**2,991,784**	17.98	1,527,455

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

Expiry date - 31 December

2006	**-**	**-**	**5.50**	435
2007	**7.64**	**8**	**8.98**	2,020
2010	**15.32**	**1,791,776**	**18.00**	1,525,000
2011	**15.00**	**1,200,000**	**-**	-
	15.19	**2,991,784**	**17.98**	1,527,455

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

In April 2006, the Annual General Meeting approved the establishment of an umbrella share options programme allowing the Board of Directors (through the Board's Remuneration Committee) to issue share options within the next 5 years (i.e. until the Annual General Meeting of the year 2011) totalling up to 3% of the Bank's shares within the defined framework similar to the share options issued in the past.

30. Share options (continued)

Following the above approval, 1,200,000 share options were granted with a strike price of € 15.00 per share (adjusted for the issue of free shares in accordance with the decision of the Annual General Shareholders' Meeting), which may be exercised in December of 2008, 2009, 2010 and 2011 if the option holder is still employed by the Bank

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

The fair value of the options granted for the year ended 31 December 2006 was € 10.7 (2005: € 6.7). The significant inputs into the model were share price of € 25.92 (2005: € 24.7) at the grant date, exercise price shown above, dividend yield of 3.5%, expected average volatility of 25% (2005: 23%), expected option life of 3 years, and risk-free interest rate equal to the swap rate corresponding to the expected option life. The expected volatility is measured at the grant date of the options and is based on the average historical volatility of the share price over the last 2 to 4 years.

31. Special reserves

	Statutory reserves € million	Non-taxed reserves € million	IAS 39 equity € million	Treasury shares reserve € million	Other reserves € million	Total € million
Balance at 1 January 2005	112	99	100	117	170	598
Reserve transfers	17	434	-	(117)	(95)	239
Available-for-sale securities						
- net changes in fair value net of tax	-	-	166	-	-	166
- transfer to net profit net of tax	-	-	(102)	-	-	(102)
- net changes in fair value net of tax - associated undertakings	-	-	(7)	-	-	(7)
Cash flow hedges						
- net changes in fair value net of tax	-	-	(2)	-	-	(2)
- transfer to net profit net of tax	-	-	10	-	-	10
Capitalisation of reserves	-	-	-	-	(15)	(15)
Value of employee services	-	-	-	-	3	3
Profit/(loss) from sale of treasury shares	-	6	-	-	-	6
At 31 December 2005	129	539	165	-	63	896
Balance at 1 January 2006	129	539	165	-	63	896
Reserve transfers	24	(42)	-	-	(53)	(71)
Legal Mergers	0	10	-	-	(66)	(56)
Available-for-sale securities						
- net changes in fair value net of tax	-	-	(131)	-	-	(131)
- transfer to net profit net of tax	-	-	107	-	-	107
- net changes in fair value net of tax - associated undertakings	-	-	-	-	-	-
Cash flow hedges						
- net changes in fair value net of tax	-	-	19	-	-	19
- transfer to net profit net of tax	-	-	(6)	-	-	(6)
Value of employee services	-	-	-	-	6	6
Profit/(loss) from sale of treasury shares	-	7	-	-	-	7
At 31 December 2006	153	514	154	-	(50)	771

The Treasury shares reserve was recognised in accordance with the Law 2190/1920 up to 2005. Upon implementation of the IFRSs in 2005 the previous mentioned provision was no longer applicable and as a result all the treasury shares reserve was transferred to other categories of reserves.

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

Included in IAS39 equity reserve as at 31 December 2006 is€ 13 million (31 December 2005: € 1 million) relating to Cash flow hedging reserve.

Non-taxed reserves include an amount of€ 289 million which following L3513 were subject to one-off taxation amounted to € 43.3 million (see note 8).

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

	31 December 2006			
	Total assets € million	Total liabilities € million	Credit commitments € million	Capital expenditure € million
Greece	**37,078**	**21,799**	**1,998**	**17**
Western European countries	**8,468**	**23,217**	**12,913**	**-**
Canada and USA	**591**	**132**	**0**	**-**
South Eastern European countries	**2,672**	**1,512**	**467**	**-**
Other European countries	**1,097**	**157**	**6**	**-**
Other countries	**151**	**78**	**22**	**-**
	50,057	**46,895**	**15,406**	**17**

32. Geographical concentration of assets, liabilities and off-balance sheet items (continued)

	31 December 2005			
	Total assets € million	Total liabilities € million	Credit commitments € million	Capital expenditure € million
Greece	31,842	21,947	2,052	9
Western European countries	6,894	16,355	9,439	-
Canada and USA	679	95	1	-
South Eastern European countries	1,827	159	188	-
Other European countries	476	12	-	-
Other countries	6	40	2	-
	41,724	38,608	11,682	9

33. Operating lease commitments

Leases as lessee - Non-cancellable operating lease rentals are payable as follows:

	31 December 2006		31 December 2005	
	Land and buildings € million	**Furniture, equipment, vehicles € million**	Land and buildings € million	Furniture, equipment, vehicles € million
Not later than one year	**44**	**3**	39	2
Later than one year and no later than five years	**39**	**5**	9	5
Later than five years	**82**	**-**	1	-
	165	**8**	49	7

Leases as lessor - Non-cancellable operating lease rentals are receivable as follows:

	31 December 2006		31 December 2005	
	Land and buildings € million	**Furniture, equipment, vehicles € million**	Land and buildings € million	Furniture, equipment, vehicles € million
Not later than one year	**4**	**-**	5	-
Later than one year and no later than five years	**-**	**-**	-	-
Later than five years	**-**	**-**	-	-
	4	**-**	5	-

34. Contingent liabilities and commitments

	2006 € million	2005 € million
Contingent liabilities :		
Guarantees		
- guarantees and standby letters of credit	**14,742**	11,128
- other guarantees	**580**	485
	15,322	11,613
Commitments :		
Documentary credits	**84**	69
Capital expenditure	**17**	9
	101	78
	15,423	11,691

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

The above amounts as at 31 December 2006 include the letter of guarantee that the Bank issued in favour of EFG Ora Funding Limited II amounting to € 377 million and for which the ultimate parent company of the Bank has guaranteed unconditionally and without the right of cancellation.

Legal proceedings

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

35. Currency risk

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2006 and 31 December 2005. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by currency.

	31 December 2006 € million			
	Euro	USD	Other	Total
Assets				
Cash and balances with central bank	1,624	7	10	**1,641**
Loans and advances to banks	4,093	685	418	**5,196**
Financial instruments at fair-value-through-profit-or-loss	433	73	68	**574**
Derivative financial instruments	473	70	31	**574**
Loans and advances to customers	28,175	661	1,347	**30,183**
Available-for-sale investment securities	7,658	1,038	1,323	**10,019**
Investments in subsidiary undertakings	461	77	553	**1,091**
Investments in associated undertakings	37	-	-	**37**
Intangible assets	11	-	-	**11**
Property, plant and equipment	417	-	35	**452**
Other assets	248	19	12	**279**
Total assets	**43,630**	**2,630**	**3,797**	**50,057**
Liabilities				
Due to other banks	8,329	1,971	1,250	**11,550**
Derivative financial instruments	861	(545)	418	**734**
Due to customers	24,730	3,909	1,724	**30,363**
Other borrowed funds	3,515	-	-	**3,515**
Other liabilities	4,142	(2,811)	(598)	**733**
Total liabilities	**41,577**	**2,524**	**2,794**	**46,895**
Net balance sheet position	**2,053**	**106**	**1,003**	**3,162**
Off balance sheet net notional position	**357**	**8**	**(26)**	**339**
Contingent liabilities and commitments (note 34)	**13,714**	**1,147**	**562**	**15,423**

	31 December 2005 € million			
	Euro	USD	Other	Total
Assets				
Cash and balances with central bank	1,100	5	2	1,107
Loans and advances to banks	3,800	366	72	4,238
Financial instruments at fair-value-through-profit-or-loss	677	128	59	864
Derivative financial instruments	256	99	11	366
Loans and advances to customers	22,898	667	649	24,214
Available-for-sale investment securities	7,684	950	675	9,309
Investments in subsidiary undertakings	526	76	294	896
Investments in associated undertakings	18	-	-	18
Intangible assets	5	-	-	5
Property, plant and equipment	397	-	1	398
Other assets	306	2	1	309
Total assets	37,667	2,293	1,764	41,724
Liabilities				
Due to other banks	8,877	975	771	10,623
Derivative financial instruments	2,770	(1,792)	(236)	742
Due to customers	19,932	3,503	1,225	24,660
Other borrowed funds	2,031	-	-	2,031
Other liabilities	1,598	(530)	(516)	552
Total liabilities	35,208	2,156	1,244	38,608
Net balance sheet position	2,459	137	520	3,116
Off balance sheet net notional position	180	(68)	(110)	2
Contingent liabilities and commitments (note 34)	11,642	49	0	11,691

36. Interest rate risk

The table below summarises the Bank's exposure to interest rate risk. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The carrying amounts of derivative financial instruments, which are principally used to reduce the Bank's exposure to interest rate movements, are reported under the heading 'Non-interest bearing'.

	31 December 2006					
	Up to 3 months € million	3 - 12 months € million	1 - 5 years € million	Over 5 years € million	Non-interest bearing € million	Total € million
Assets						
Cash and balances with central bank	1,629	-	-	-	12	**1,641**
Loans and advances to banks	3,996	312	521	178	189	**5,196**
Financial instruments at fair-value-through-profit-or-loss	202	64	101	140	67	**574**
Derivative financial instruments	-	-	-	-	574	**574**
Loans and advances to customers	25,672	1,721	2,149	410	231	**30,183**
Available-for-sale investment securities	1,950	1,122	2,166	4,133	648	**10,019**
Investments in subsidiary undertakings	-	-	-	-	1,091	**1,091**
Investments in associated undertakings	-	-	-	-	37	**37**
Intangible assets	-	-	-	-	11	**11**
Property, plant and equipment	-	-	-	-	452	**452**
Other assets	-	-	-	-	279	**279**
Total assets	**33,449**	**3,219**	**4,937**	**4,861**	**3,591**	**50,057**
Liabilities						
Due to other banks	10,693	633	-	-	224	**11,550**
Derivative financial instruments	-	-	-	-	734	**734**
Due to customers	28,410	1,173	20	-	760	**30,363**
Other borrowed funds	3,505	-	-	-	10	**3,515**
Other liabilities	-	-	-	-	733	**733**
Total liabilities	**42,608**	**1,806**	**20**	**-**	**2,461**	**46,895**
Interest sensitivity gap	**(9,159)**	**1,413**	**4,917**	**4,861**	**1,130**	**3,162**

	31 December 2005					
	Up to 3 months € million	3 - 12 months € million	1 - 5 years € million	Over 5 years € million	Non-interest bearing € million	Total € million
Assets						
Cash and balances with central bank	1,107	-	-	-	-	1,107
Loans and advances to banks	3,762	99	311	62	4	4,238
Financial instruments at fair-value-through-profit-or-loss	317	163	153	182	49	864
Derivative financial instruments	-	-	-	-	366	366
Loans and advances to customers	21,260	1,662	1,038	103	151	24,214
Available-for-sale investment securities	632	725	1,927	5,479	546	9,309
Investments in subsidiary undertakings	-	-	-	-	896	896
Investments in associated undertakings	-	-	-	-	18	18
Intangible assets	-	-	-	-	5	5
Property, plant and equipment	-	-	-	-	398	398
Other assets	-	-	-	-	309	309
Total assets	27,078	2,649	3,429	5,826	2,742	41,724
Liabilities						
Due to other banks	10,245	353	-	-	25	10,623
Derivative financial instruments	-	-	-	-	742	742
Due to customers	23,642	703	12	244	59	24,660
Other borrowed funds	2,027	-	-	-	4	2,031
Other liabilities	-	-	-	-	552	552
Total liabilities	35,914	1,056	12	244	1,382	38,608
Interest sensitivity gap	(8,836)	1,593	3,417	5,582	1,360	3,116

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

	2006	2005
Assets		
Loans and advances to banks	**4.0%**	2.5%
Financial instruments at fair-value-through-profit-or-loss	**4.0%**	2.6%
Loans and advances to customers	**7.2%**	6.7%
Available-for-sale investment securities	**3.9%**	3.0%
Liabilities		
Due to other banks	**3.3%**	2.1%
Due to customers	**2.4%**	1.6%
Other borrowed funds	**3.6%**	2.5%

37. Maturity of assets and liabilities

The table below analyses the Bank's assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for term accounts and expected maturity date (Bank of Greece guidelines) for sight accounts.

	31 December 2006					
	Up to 1 month € million	1-3 months € million	3 - 12 months € million	1 - 5 years € million	Over 5 years € million	Total € million
Assets						
Cash and balances with central bank	1,638	3	-	-	-	**1,641**
Loans and advances to banks	3,120	1,028	264	531	253	**5,196**
Financial instruments at fair-value-through-profit-or-loss	55	4	43	210	262	**574**
Derivative financial instruments	32	41	45	90	366	**574**
Loans and advances to customers	7,624	604	9,457	4,948	7,550	**30,183**
Available-for-sale investment securities	458	38	598	2,672	6,253	**10,019**
Investments in subsidiary undertakings	-	-	-	-	1,091	**1,091**
Investments in associated undertakings	-	-	-	-	37	**37**
Intangible assets	-	-	-	-	11	**11**
Property, plant and equipment	-	-	-	-	452	**452**
Other assets	58	18	66	5	132	**279**
Total assets	**12,985**	**1,736**	**10,473**	**8,456**	**16,407**	**50,057**
Liabilities						
Due to other banks	7,742	3,142	617	-	49	**11,550**
Derivative financial instruments	16	29	61	136	492	**734**
Due to customers	11,403	2,199	2,763	12,484	1,514	**30,363**
Other borrowed funds	10	12	-	734	2,759	**3,515**
Other liabilities	422	123	31	1	156	**733**
Total liabilities	**19,593**	**5,505**	**3,472**	**13,355**	**4,970**	**46,895**
Net liquidity gap	**(6,608)**	**(3,769)**	**7,001**	**(4,899)**	**11,437**	**3,162**

	31 December 2005					
	Up to 1 month € million	1-3 months € million	3 - 12 months € million	1 - 5 years € million	Over 5 years € million	Total € million
Assets						
Cash and balances with central bank	1,102	-	5	-	-	1,107
Loans and advances to banks	3,510	254	100	311	63	4,238
Financial instruments at fair-value-through-profit-or-loss	213	14	203	228	206	864
Derivative financial instruments	41	53	41	58	173	366
Loans and advances to customers	4,302	1,612	4,399	6,202	7,699	24,214
Available-for-sale investment securities	266	69	337	2,222	6,415	9,309
Investments in subsidiary undertakings	-	-	-	-	896	896
Investments in associated undertakings	-	-	-	-	18	18
Intangible assets	-	-	-	-	5	5
Property, plant and equipment	-	-	-	-	398	398
Other assets	53	0	15	1	240	309
Total assets	9,487	2,002	5,100	9,022	16,113	41,724
Liabilities						
Due to other banks	6,010	4,242	356	-	15	10,623
Derivative financial instruments	26	57	31	139	489	742
Due to customers	9,173	1,303	1,571	11,020	1,593	24,660
Other borrowed funds	4	-	-	750	1,277	2,031
Other liabilities	123	9	121	-	299	552
Total liabilities	15,336	5,611	2,079	11,909	3,673	38,608
Net liquidity gap	(5,849)	(3,609)	3,021	(2,887)	12,440	3,116

38. Post balance sheet events

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

Note 28: Share capital, share premium and treasury shares
Note 41: Dividends

39. Related party transactions

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

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

	31 December 2006			
	Subsidiaries € million	EFG Group € million	Key management personnel € million	Other € million
Loans and advances to banks	2,680	0	-	-
Financial instruments at fair-value-through-profit-or-loss	119	-	-	-
Available-for-sale investment securities	222	62	-	51
Derivative financial instruments assets	71	-	-	-
Loans and advances to customers	2,026	-	10	5
Other assets	34	-	-	-
Due to other banks	1,086	509	-	-
Derivative financial instruments liabilities	55	-	2	-
Due to customers and other borrowed funds	11,468	304	41	59
Other liabilities	33	1	-	-
Net Interest income/(expense)	(232)	(17)	(1)	1
Net banking fee and commission income/(expense)	34	-	-	-
Dividend income	41	-	-	-
Net trading income	(0)	-	-	-
Other operating income	3	-	-	-
Operating expenses	(16)	(3)	-	-
Impairment losses on loans and advances to customers	(2)	-	-	-
Letters of guarantee issued	13,058	377	-	2
Letters of guarantee received	-	407	-	-

	31 December 2005			
	Subsidiaries € million	EFG Group € million	Key management personnel € million	Other € million
Loans and advances to banks	1,395	-	-	-
Financial instruments at fair-value-through-profit-or-loss	150	-	-	-
Available-for-sale investment securities	86	30	-	25
Derivative financial instruments assets	67	-	-	-
Loans and advances to customers	1,174	-	6	126
Other assets	69	0	0	-
Due to other banks	114	24	-	-
Derivative financial instruments liabilities	28	-	-	-
Due to customers and other borrowed funds	8,588	290	21	74
Other liabilities	19	0	-	-
Net Interest income/(expense)	(127)	(7)	(0)	3
Net banking fee and commission income/(expense)	26	0	-	-
Dividend income	29	-	-	-
Other operating income	3	-	0	-
Operating expenses	(11)	(3)	-	-
Letters of guarantee issued	9,871	361	-	2
Letters of guarantee received	-	517	-	-

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

In relation to the letters of guarantee issued to the Bank's subsidiaries, the Bank had received cash collateral € 10,140 million as at 31 December 2006 and € 7,408 million as at 31 December 2005, which is included in due to customers.

No provisions have been recognised in respect of loans given to related parties (2005: nil).

Key management compensation (including directors)

Key management personnel are entitled to compensation in the form of short-term employee benefits €12 million (31 December 2005: € 7 million) and long-term employee benefits € 2 million (31 December 2005: € 2 million).

40. Board of Directors

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

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

The Board of Directors' term expires at the next Annual General Meeting which will take place on 3 April 2007

41. Dividends

Final dividends are not accounted for until they have been ratified by the Annual General Meeting. On 31 October 2006, the Board of Directors declared the distribution of an interim dividend of € 0.36 per share, amounting to € 136 million, which was paid on 8 December 2006 as part of the dividend for the fiscal year 2006. The dividend proposed by the Board of Directors for 2006, with its decision on 6 February 2007, is subject to the approval of the upcoming Annual General Meeting of Shareholders and totals € 0.92 per share.

The Annual General Meeting on 3 April 2006 approved a dividend in respect of 2005 of € 0.75 per share (as adjusted following the bonus issue of 2 shares for every 10 held) amounting to a total dividend of € 286 million. Out of this approved dividend an interim dividend of € 0.30 per share (as adjusted following the bonus issue of 2 shares for every 10 held) amounting to € 115 million was paid in December 2005 in accordance with the decision of the Board of Directors on 23 November 2005. The remaining dividend of € 0.54 per share (equivalent to € 0.45 per share following the bonus issue of 2 shares for every 10 held) amounting to € 171 million was paid in April 2006 and has been accounted for in shareholders' equity as an appropriation of retained earnings during the period from 1 April 2006 to 30 June 2006.

CHAIRMAN OF THE BOARD OF DIRECTORS	CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	HEAD OF GROUP FINANCIAL SERVICES
Xenophon C. Nickitas	**Nicholas C. Nanopoulos**	**Paula Hadjisotiriou**	**Diomidis E. Nikoletopoulos**
I.D. No Θ - 914611	I.D. No Σ - 237468	I.D. No T - 005040	I.D. No Φ-123387